



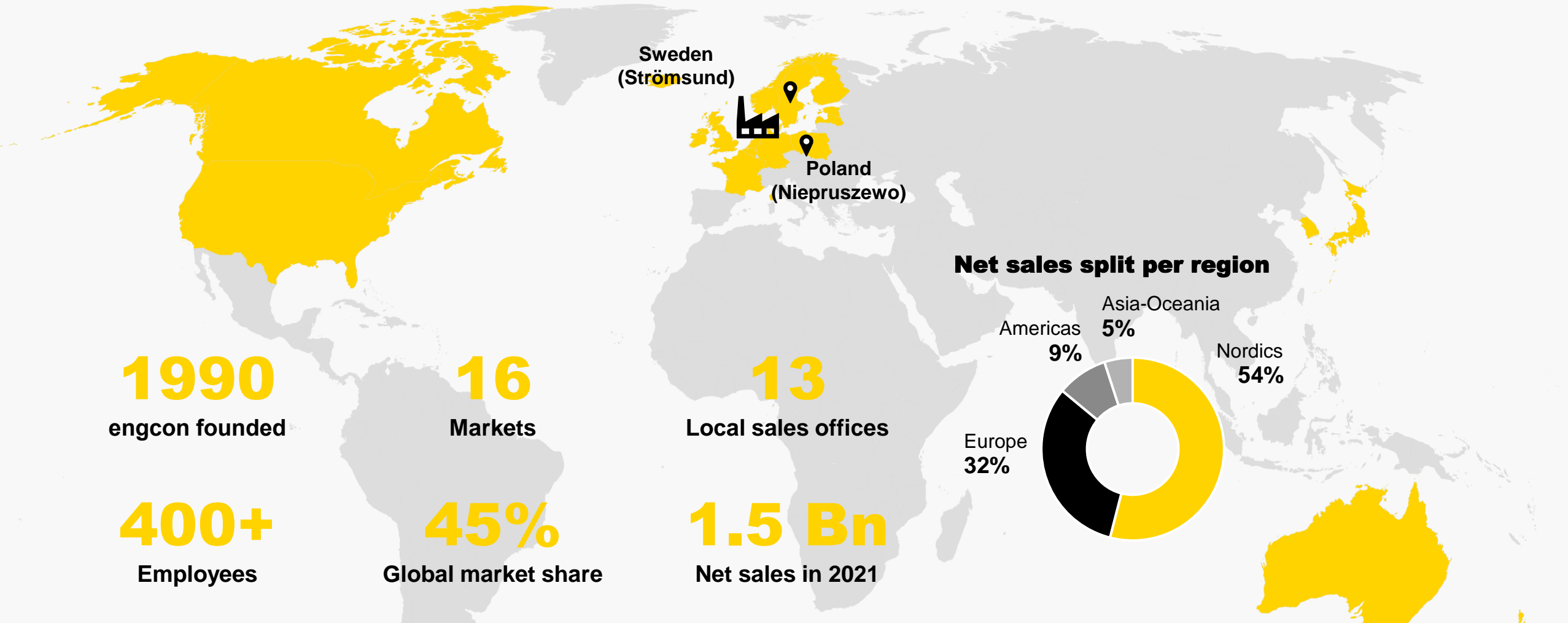
THIRD QUARTER 2022

Krister Blomgren, CEO and Jens Blom, CFO

27 October 2022

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ENGCON – GLOBAL MARKET LEADER IN TILTROTATORS





Q3 BUSINESS HIGHLIGHTS

- Strong order book with back-log provides basis for stable earnings
- Supply chain and higher production level stabilised since end of Q3, to be further improved
- Nordic orders for Q4 2022 and Q1 2023 already included in order book, since Q3 2021 customers anticipate longer lead times
- Higher order activity in Americas and Asia-Oceania
- Price increases compensate for inflation and energy surcharge, gradually reaching full effect

Q3 FIGURES IN BRIEF

Strong gross margin and stable profitability



-11%

Organic order
intake growth

11%

Organic net
sales growth

45%

Gross
margin

25%

EBIT
margin

55%

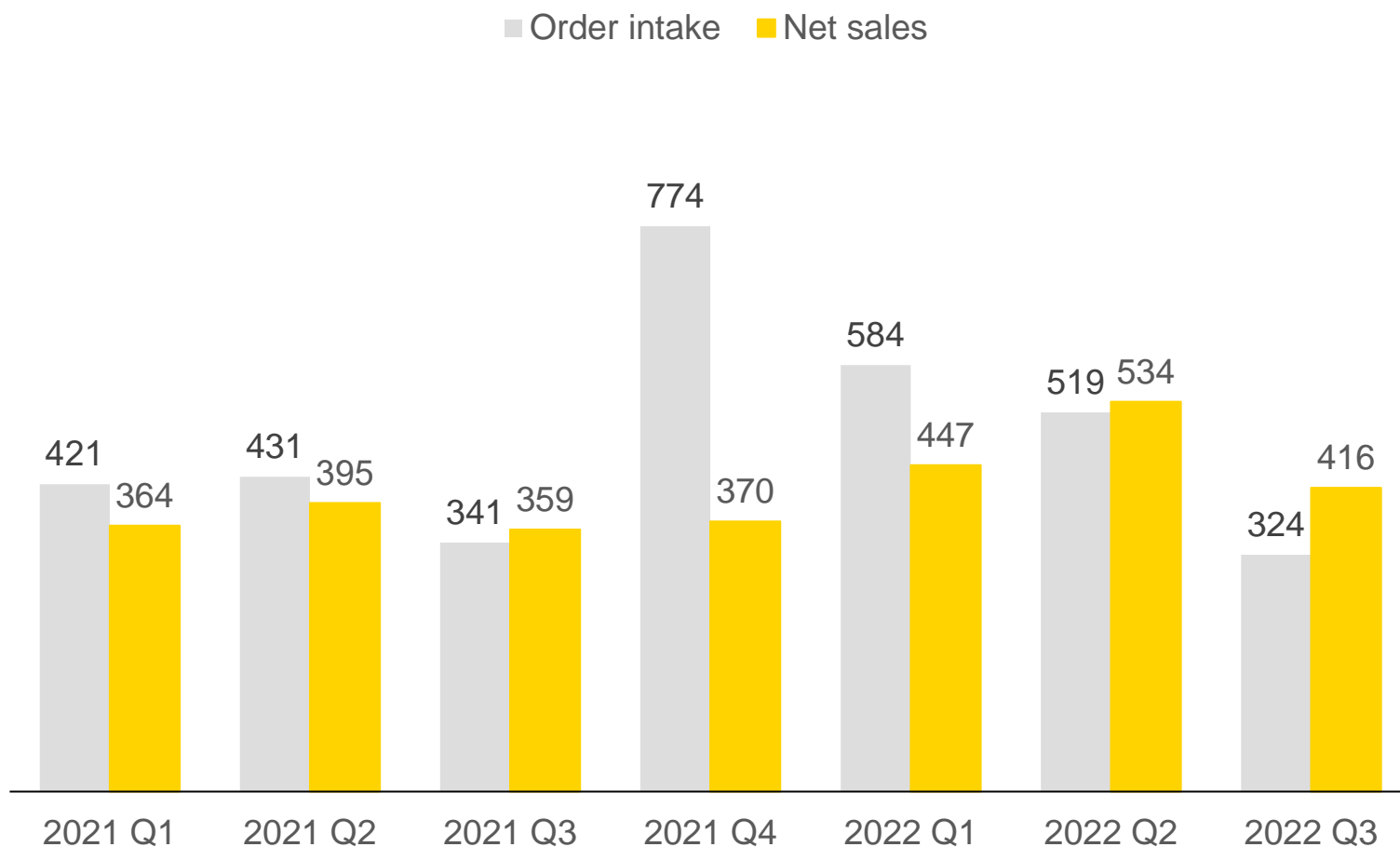
Return on capital
employed



BUSINESS AND FINANCIAL DEVELOPMENT

ORDER INTAKE AND NET SALES DEVELOPMENT

Order intake and net sales development per quarter, MSEK

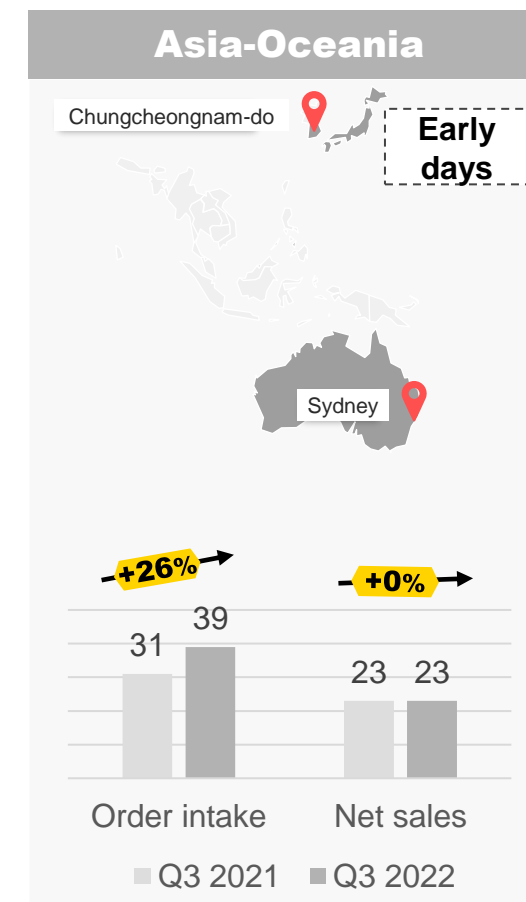
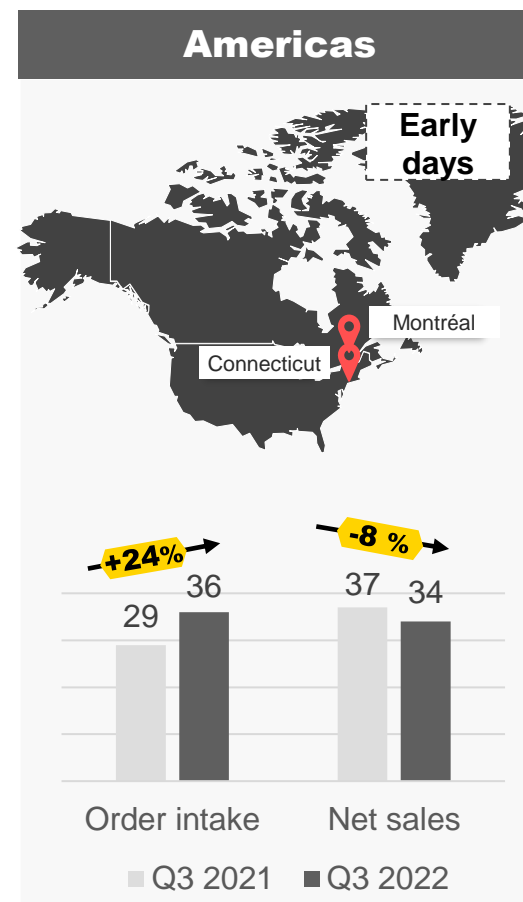
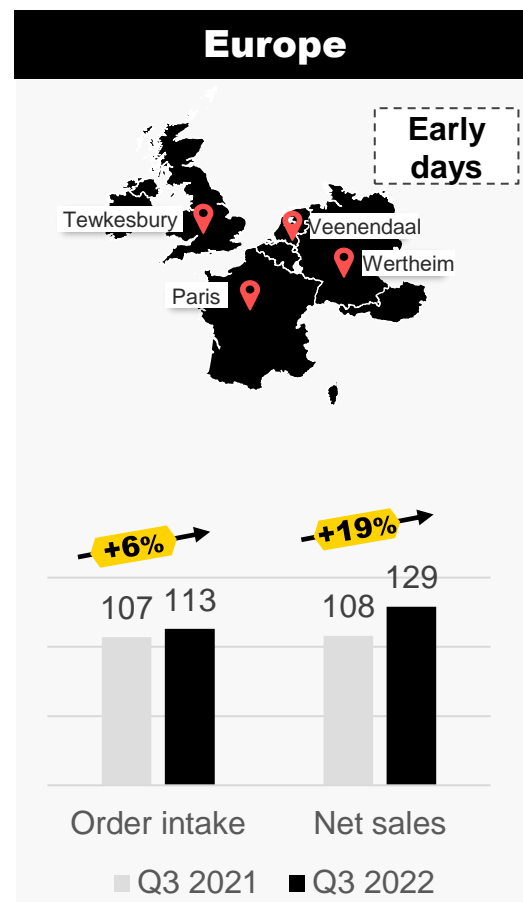
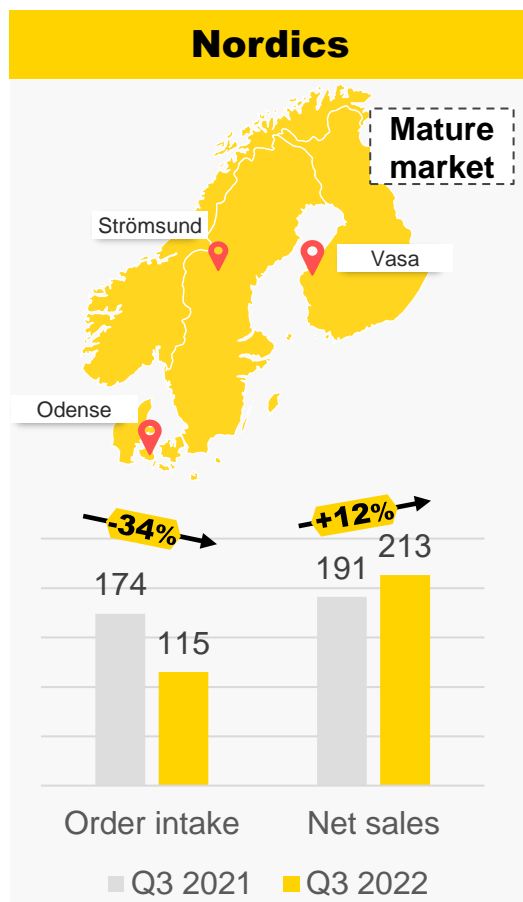


Key comments

- Order intake decreased -5%, organic -11%, currency effect of 21 MSEK
- Net sales increased 16%, organic 11%, currency effect of 17 MSEK
- Order book with higher volume and longer delivery lead time provides conditions for stable earnings in coming quarters
- Q4 2021 extraordinary high order intake
- Targeting normalized production levels and lead times in the beginning of 2023

STRONGER DEMAND OUTSIDE NORDICS AND EUROPE

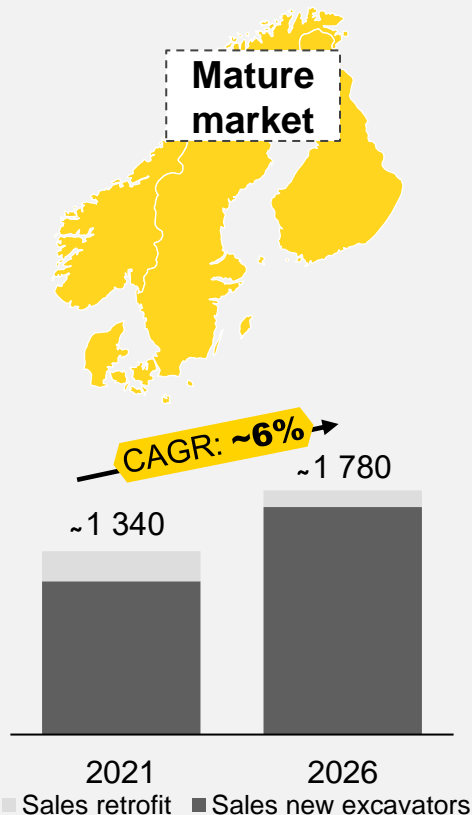
Order intake and net sales per geographic region, MSEK



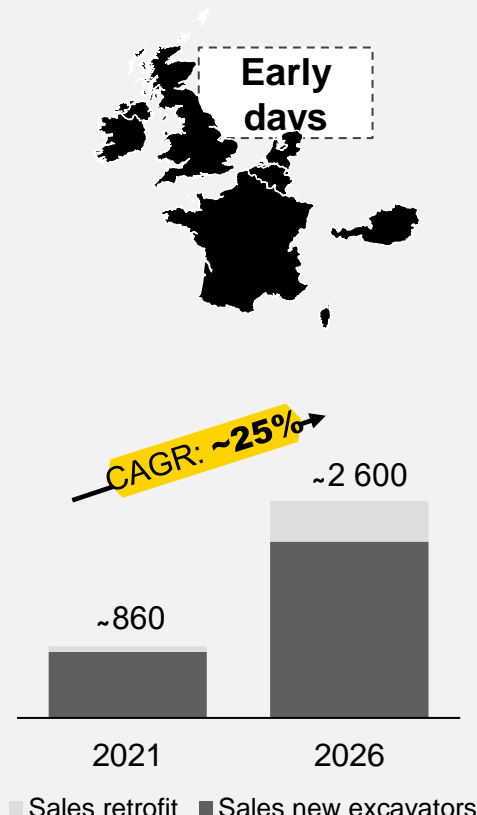
ACCELERATING GROWTH MOMENTUM GLOBALLY

Estimated tiltrotator market growth per geographic region, MSEK

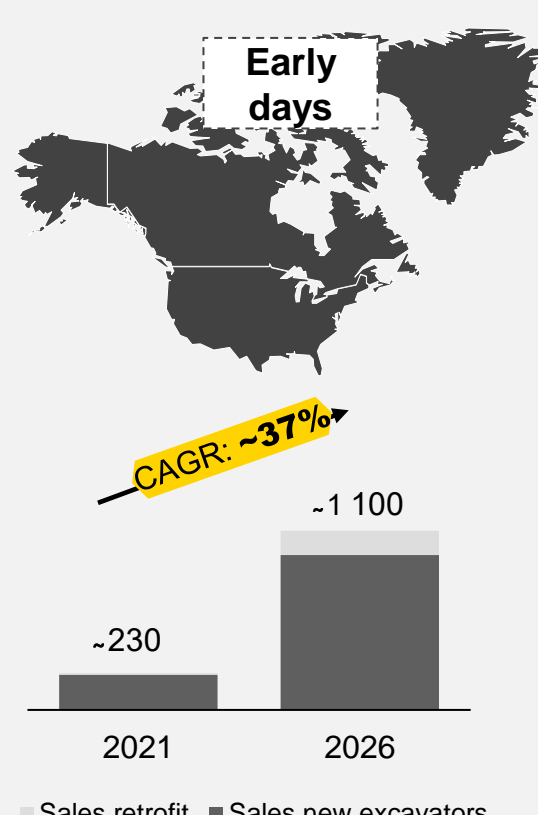
Nordics



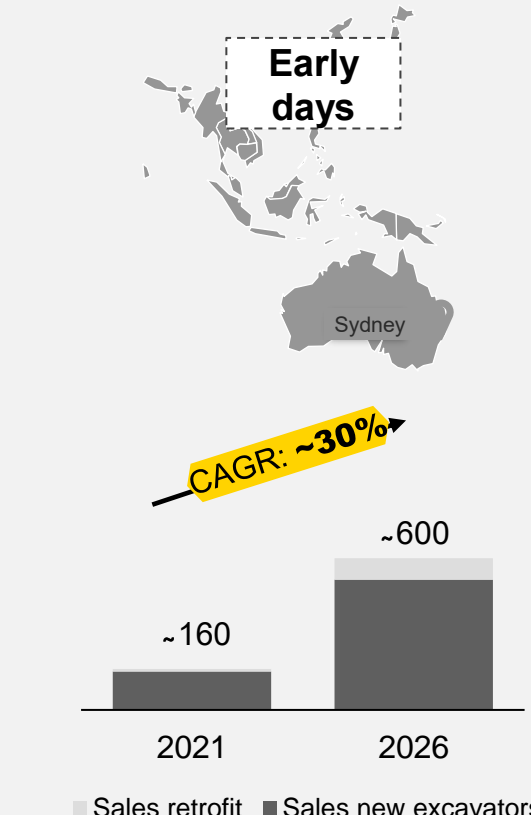
Europe



Americas



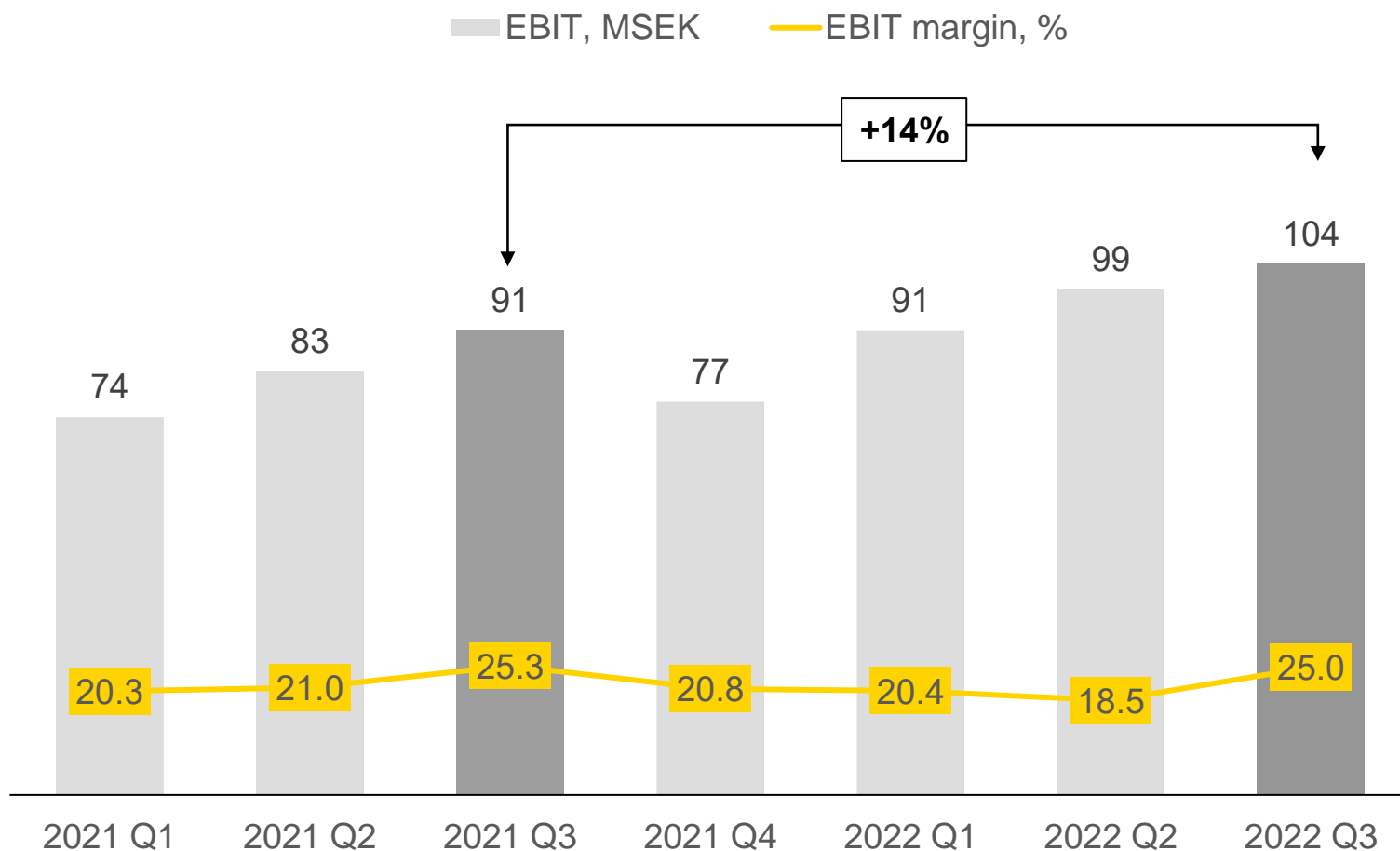
Asia-Oceania



Source: Strategy& (PwC).

SOLID EBIT DEVELOPMENT AND PROFITABILITY

EBIT and EBIT margin per quarter



Key comments

- Strong results and solid EBIT margin given challenges in supply chain, delivery capacity and cost inflation
- EBIT strengthened by 14% to 104 (91) MSEK
- EBIT margin of 25.0 (25.3)% with gradual effect from price increases
- EBIT margin slightly impacted by costs for Group business system of 6 (1) MSEK

OVERVIEW OF COSTS AND EBIT

MSEK	2022 Q3	2021 Q3	2021 FY	2022 R12
Net sales	416	359	1,488	1,767
COGS	-229	-201	-862	-1,025
<i>Gross margin</i>	45.0%	44.0%	42.1%	42.0%
Selling expenses	-53	-39	-165	-210
<i>% of net sales</i>	-12.7%	-10.9%	-11.1%	-11.9%
Administrative expenses	-32	-15	-84	-112
<i>% of net sales</i>	-7.7%	-4.2%	-5.6%	-6.3%
R&D expenses	-6	-12	-63	-38
<i>% of net sales</i>	-1.4%	-3.3%	-4.2%	-2.2%
Fair value of derivatives	0	0	0	-16
<i>% of net sales</i>	0.0%	0.0%	0,0%	-0.9%
EBIT	104	91	325	371
<i>EBIT margin</i>	25.0	25.3	21.8%	21.0%
EBIT margin pre-IPO	105	91	329	392
<i>EBIT margin pre-IPO</i>	25.2%	25.3%	22.1%	22.2%

Key comments

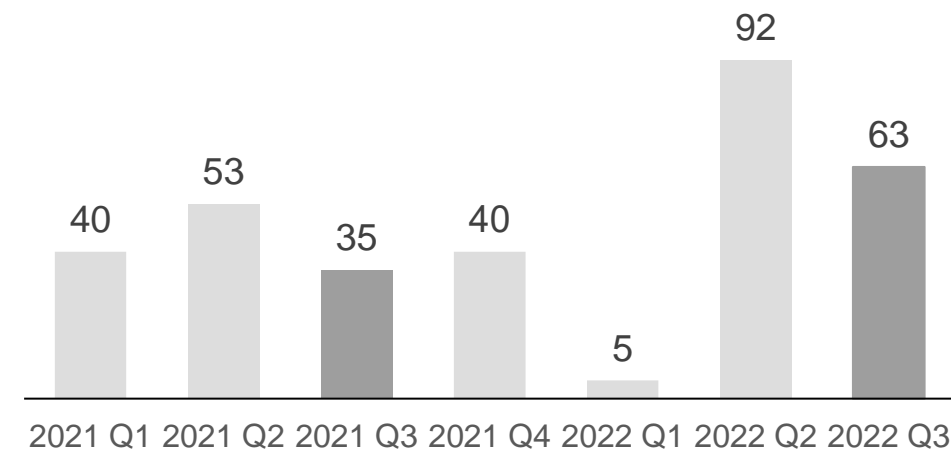
- Strong stable gross margin of 45 (44)% in Q3 and 42% R12
- Higher cost of goods sold partly offset by gradual effect from price increases, full effect expected in Q4 2022
- R&D expenses attributable to development of third generation tiltrotator
- R&D reported as investment in the balance sheet instead of cost hence lower in comparison

IMPROVED CASHFLOW SUPPORTING GROWTH

Cash flow and net working capital overview, MSEK

MSEK	2022 Q3	2021 Q3	FY 2021
Cash flow before changes in working capital	107	96	331
Inventories	393	333	303
Accounts receivables	329	281	208
Other receivables	20	17	24
Accounts payables	160	145	94
Other payables	40	44	34
Net working capital	542	442	407
<i>% of net sales, 12 months</i>	30.7%	-	27.4%
Cash flow from operating activities	63	35	175
Investing activities	-7	-	-7

Operating cash flow per quarter (MSEK)



Inventories

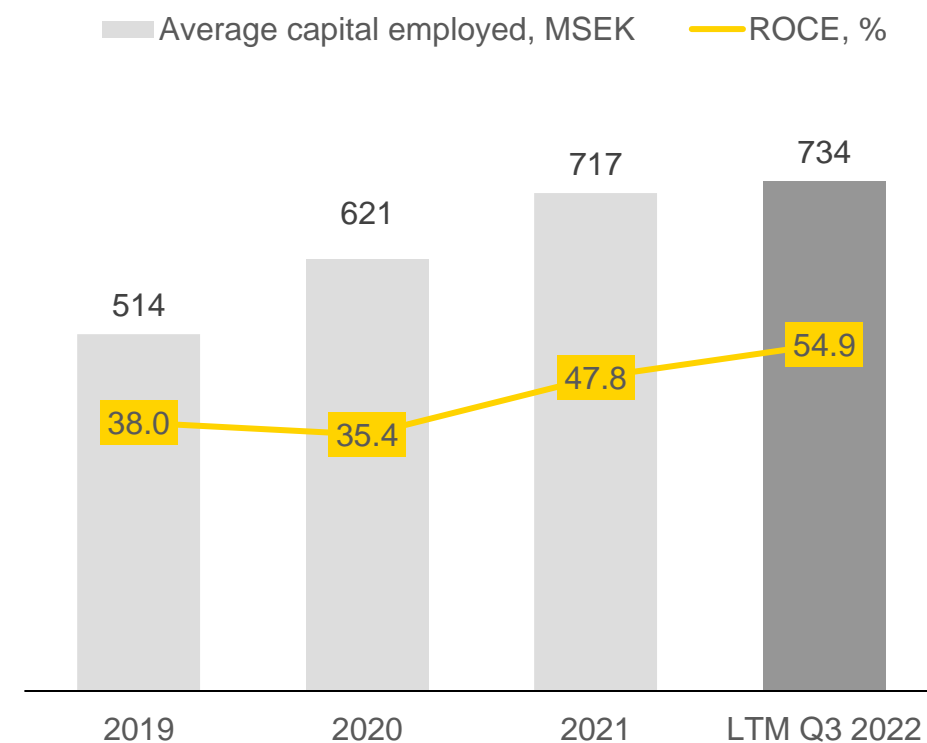
- Higher levels ahead of year-end to secure coming deliveries to geographic distant markets
- General rule to produce only on orders, majority of inventory sold when delivered

STRONG ROCE DEVELOPMENT

Return on capital employed overview

MSEK	2019	2020	2021	LTM Q3 '22
EBT	192	218	341	398
Interest expense	3	2	2	5
Capital employed, beginning of period	484	543	699	759
Capital employed, end of period	543	699	735	708
Capital employed, average	514	621	717	734
Total assets	717	925	1,013	1,094
Non-interest-bearing liabilities	174	226	278	386
ROCE	38.0%	35.4%	47.8%	54.9%

Average capital employed and ROCE



PERFORMING IN LINE WITH FINANCIAL TARGETS

Growth

Exceed the growth in existing market through organic growth.

11%

Net sales organic growth

Profitability

Have an EBIT margin in excess of 20 per cent, measured over a business cycle.

25%

EBIT margin

Capital efficiency

Continue to achieve an industry-leading capital efficiency. ROCE to exceed 40 per cent, measured over a business cycle.

55%

Return on capital employed

Capital structure

Maintain a strong capital structure supporting further expansive organic growth and dividends to shareholders. Equity-to-asset ratio to be above 35 per cent.

38%

Equity-to-asset ratio

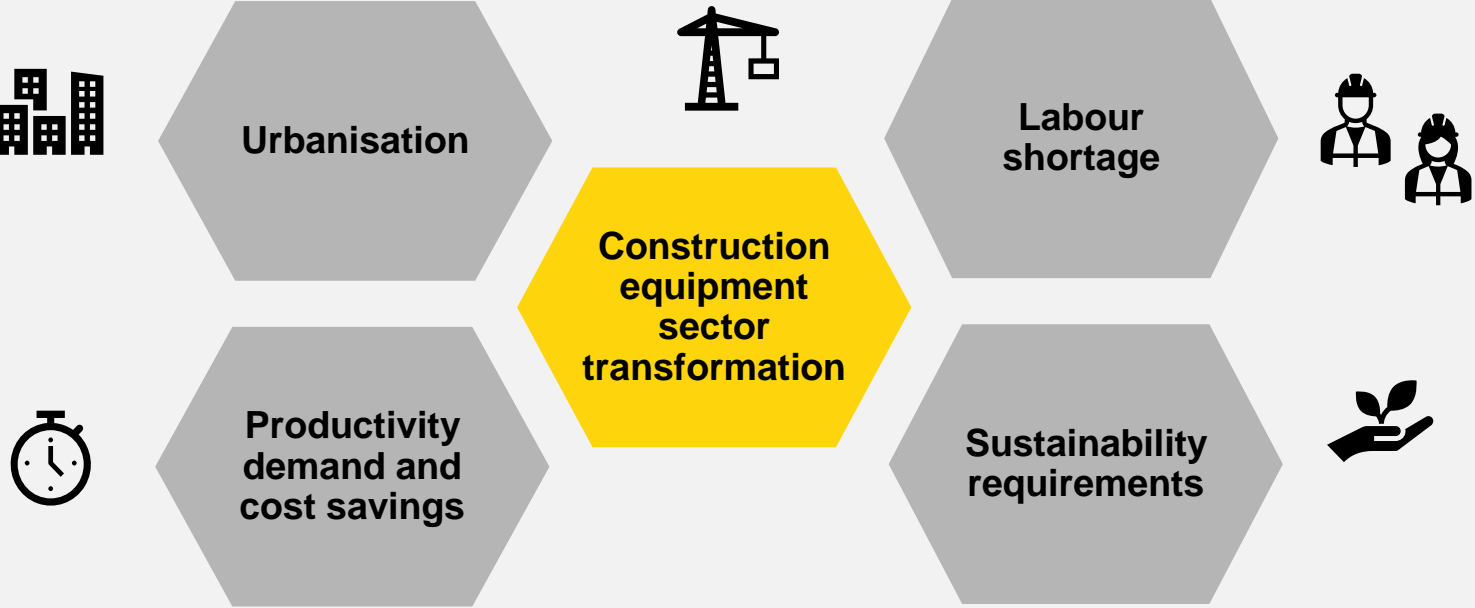


SUMMARY AND OUTLOOK

- Extraordinary orderbook provides conditions for stable earnings and margins coming quarters
- Recent Bauma exhibition in Germany confirmed high interest for 3rd generation tiltrotator system, production start in Q3 2023
- Solid earnings and profitability with headroom for improved production capacity and lead time
- Expected full effect from 2022 price increases in Q4, additional 5 percent increase announced from year-end
- Financial strength and flexibility to manage market challenges – monitoring possible Nordic cyclical decline in excavator sales
- Long-term optimism and continuous focus on innovation despite uncertainties ahead

STRONG POSITION TO MEET GLOBAL INDUSTRY SHIFT

Long-term key market drivers for resource-efficient digging



Q & A

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