



Q4

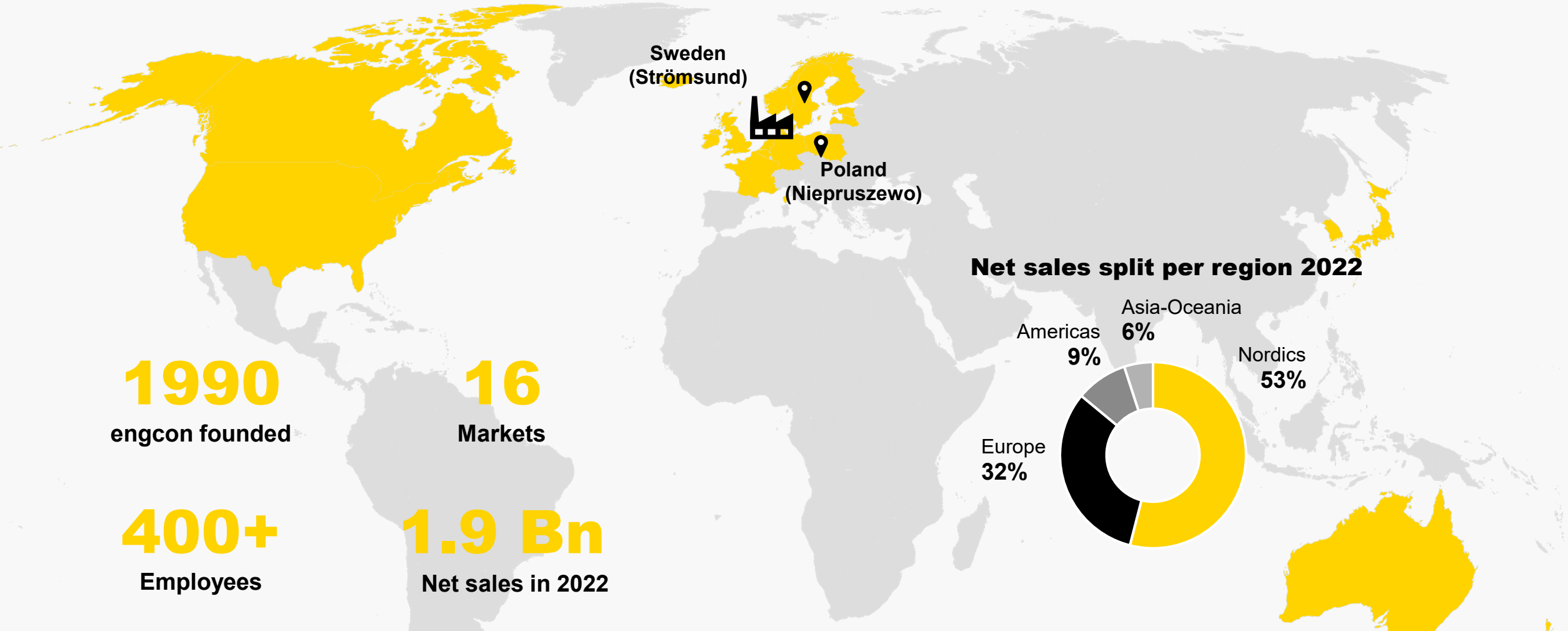
# FOURTH QUARTER 2022

Krister Blomgren, CEO and Jens Blom, CFO

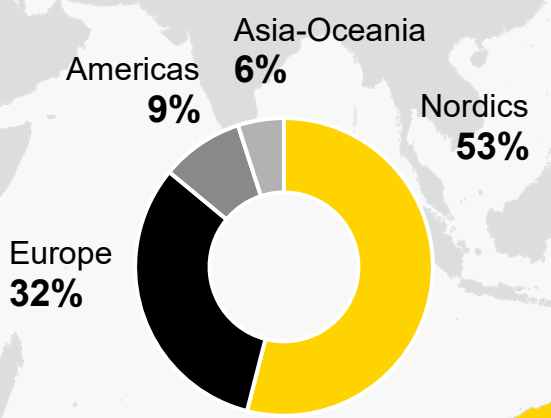
22 February 2023

**engcon**<sup>®</sup>

# ENGCON – GLOBAL MARKET LEADER IN TILTROTATORS



Net sales split per region 2022



**1990**  
engcon founded

**16**  
Markets

**400+**  
Employees

**1.9 Bn**  
Net sales in 2022





## Q4 BUSINESS HIGHLIGHTS

- Record net sales with strong contribution from all regions with significant EBIT increase
- Supply chain and higher production level stabilised since end of Q3, returning to normal lead times
- Price increases compensating for inflation and energy surcharge now reaching full effect
- Strong order book provides comfort for stable earnings. Higher order activity in Americas and Asia-Oceania and lower order intake on Nordic and European markets as expected
- Long-term investments in sales organization in strategic growth markets

# Q4 FIGURES IN BRIEF

Record-high net sales and stable profitability



**38%**

Organic net sales growth

**-33%**

Organic order intake growth

**44%**

Gross margin

**22%**

EBIT margin

**56%**

Return on capital employed





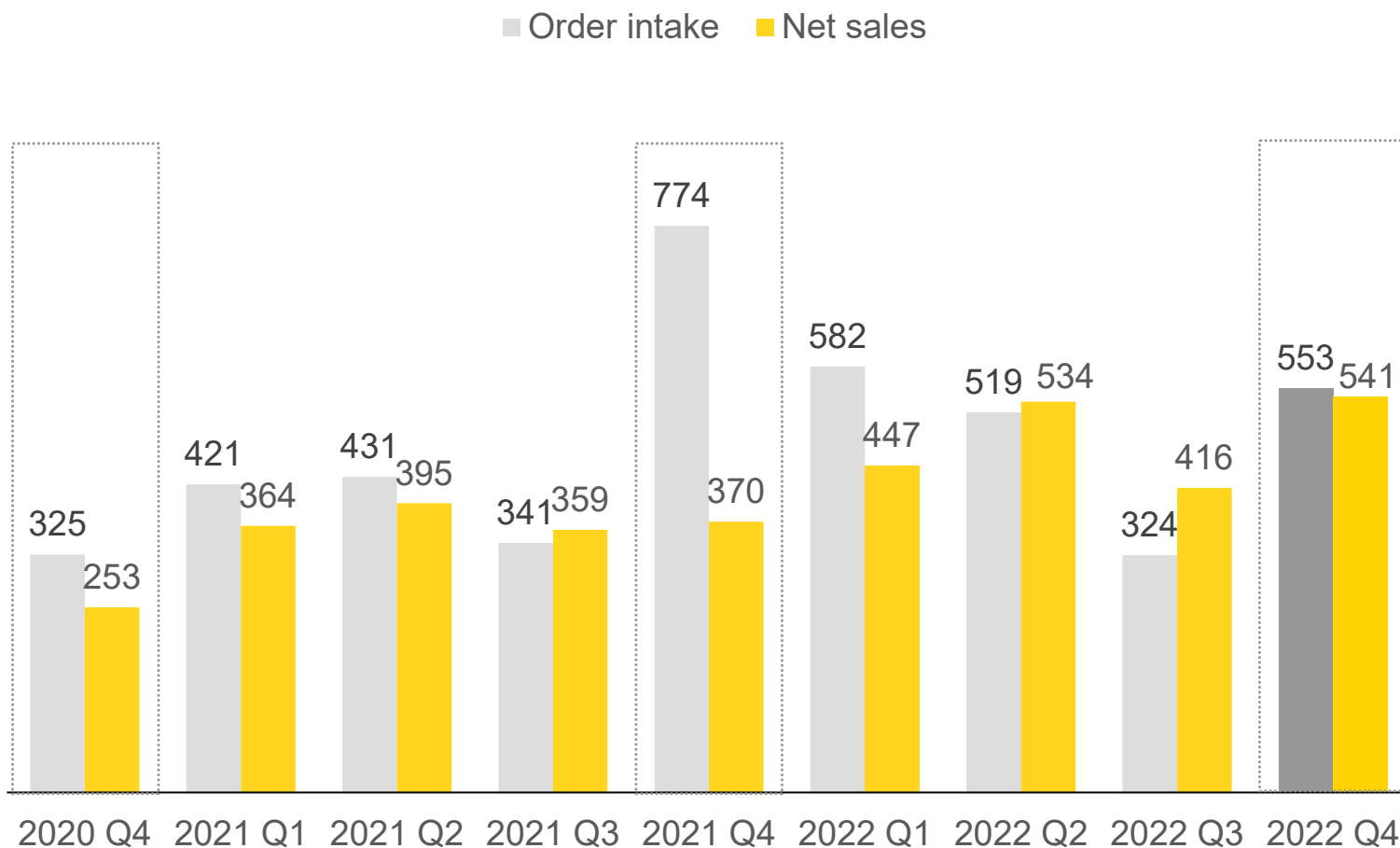
# **BUSINESS AND FINANCIAL DEVELOPMENT**

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# RECORD HIGH NET SALES IN Q4

## Order intake and net sales development per quarter, MSEK

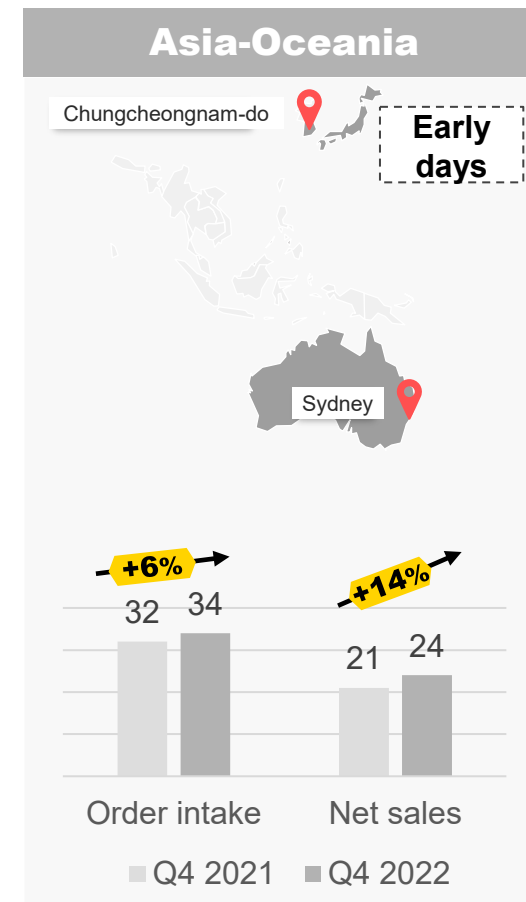
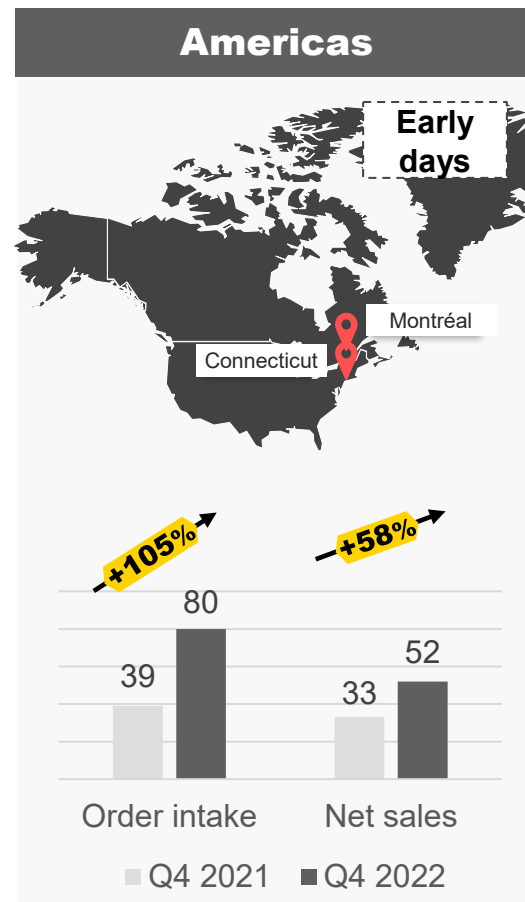
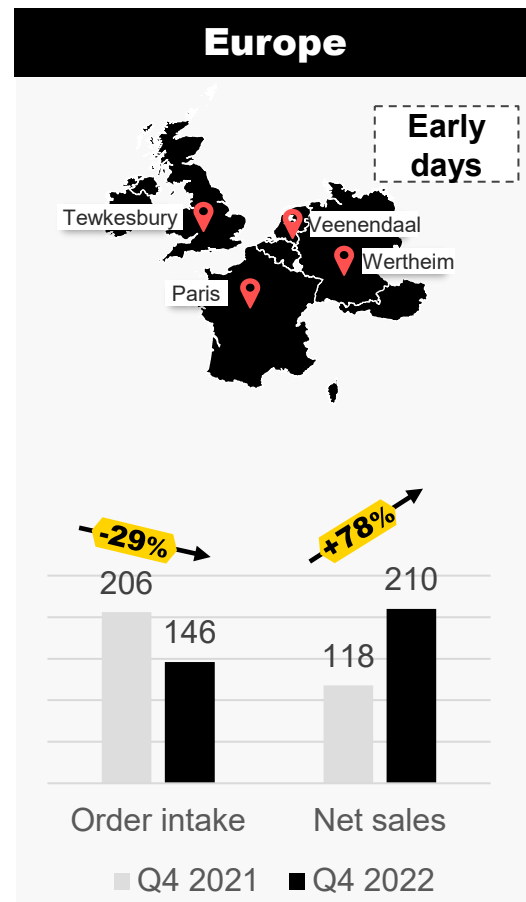
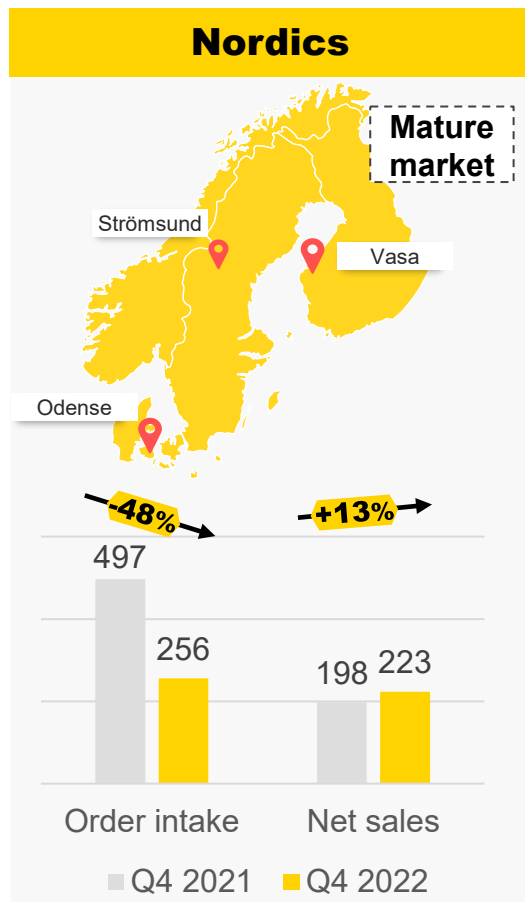


## Key comments

- Net sales increased 46%, organic 38%, currency effect of 32 MSEK
- Order intake decreased -29%, organic -33%, currency effect of 37 MSEK
- Q4 2021 extraordinary high order intake due to pre-ordering effects
- Strong order book provides conditions for stable earnings in coming quarter
- Improved production capacity

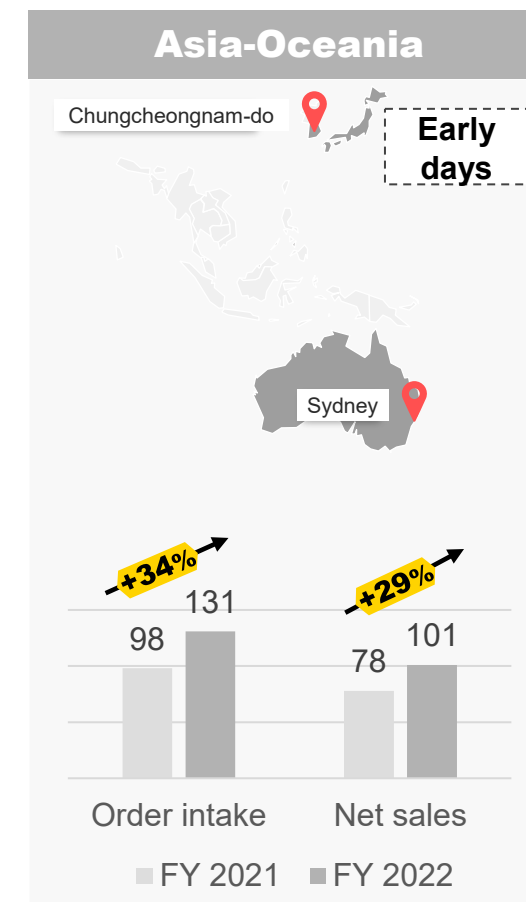
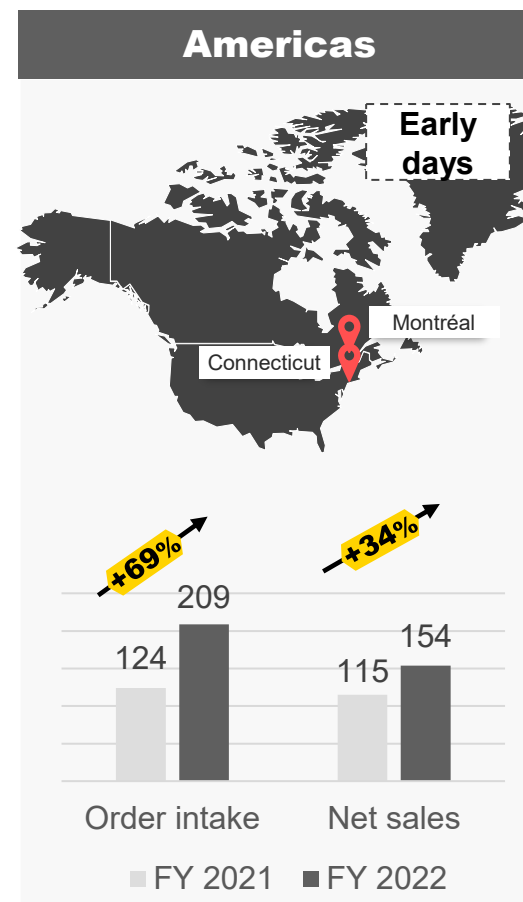
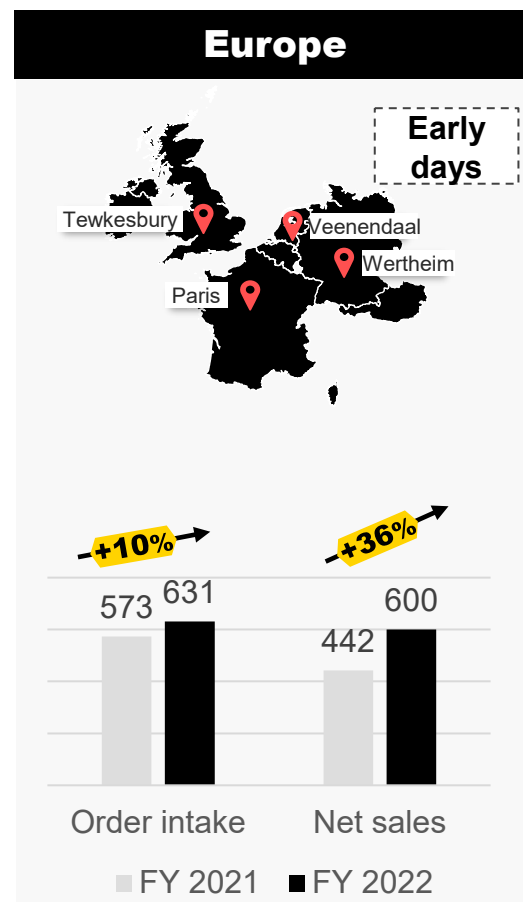
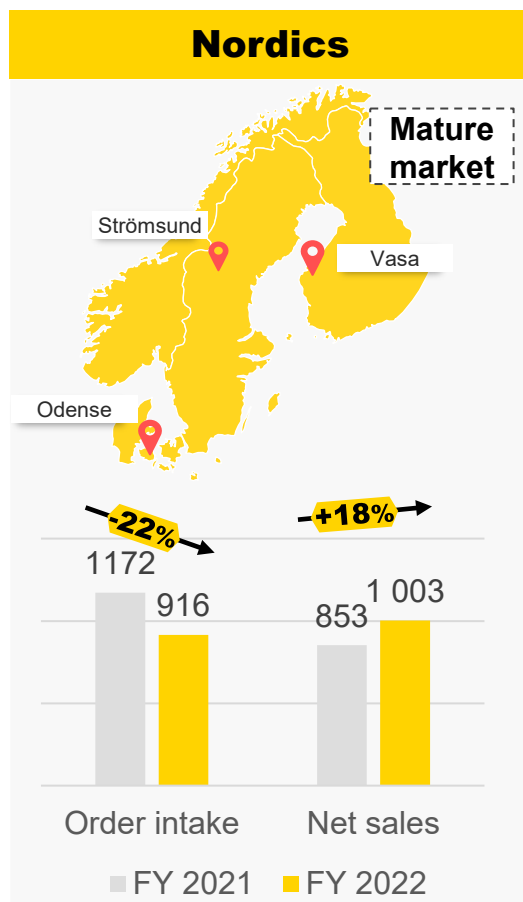
# STRONG DEMAND IN AMERICAS

## Organic order intake and net sales per geographic region, MSEK



# SOLID SALES GROWTH IN ALL MARKETS IN 2022

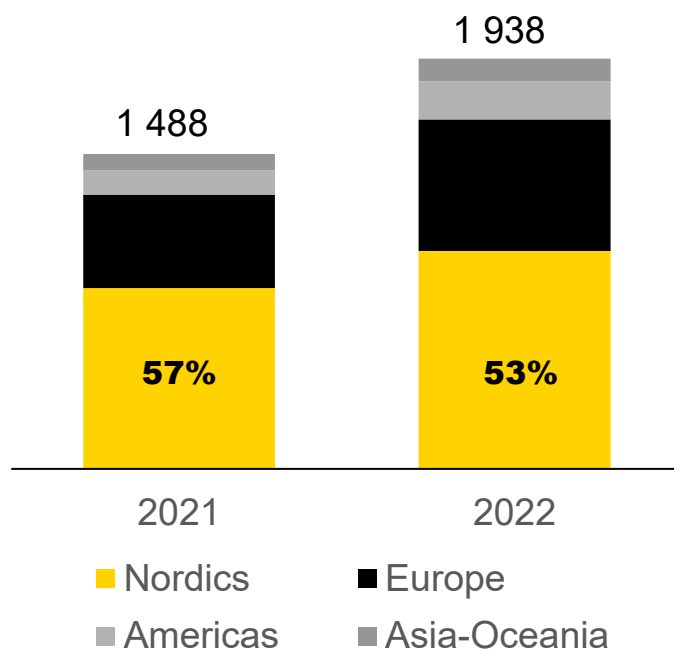
## Organic order intake and net sales per geographic region, MSEK



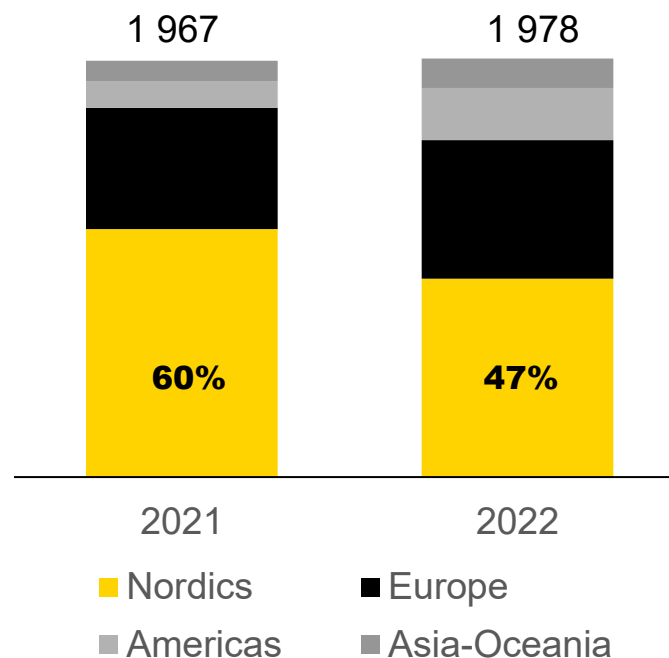


# DECREASING IMPORTANCE OF NORDIC REGION

## Net sales, MSEK



## Order intake, MSEK

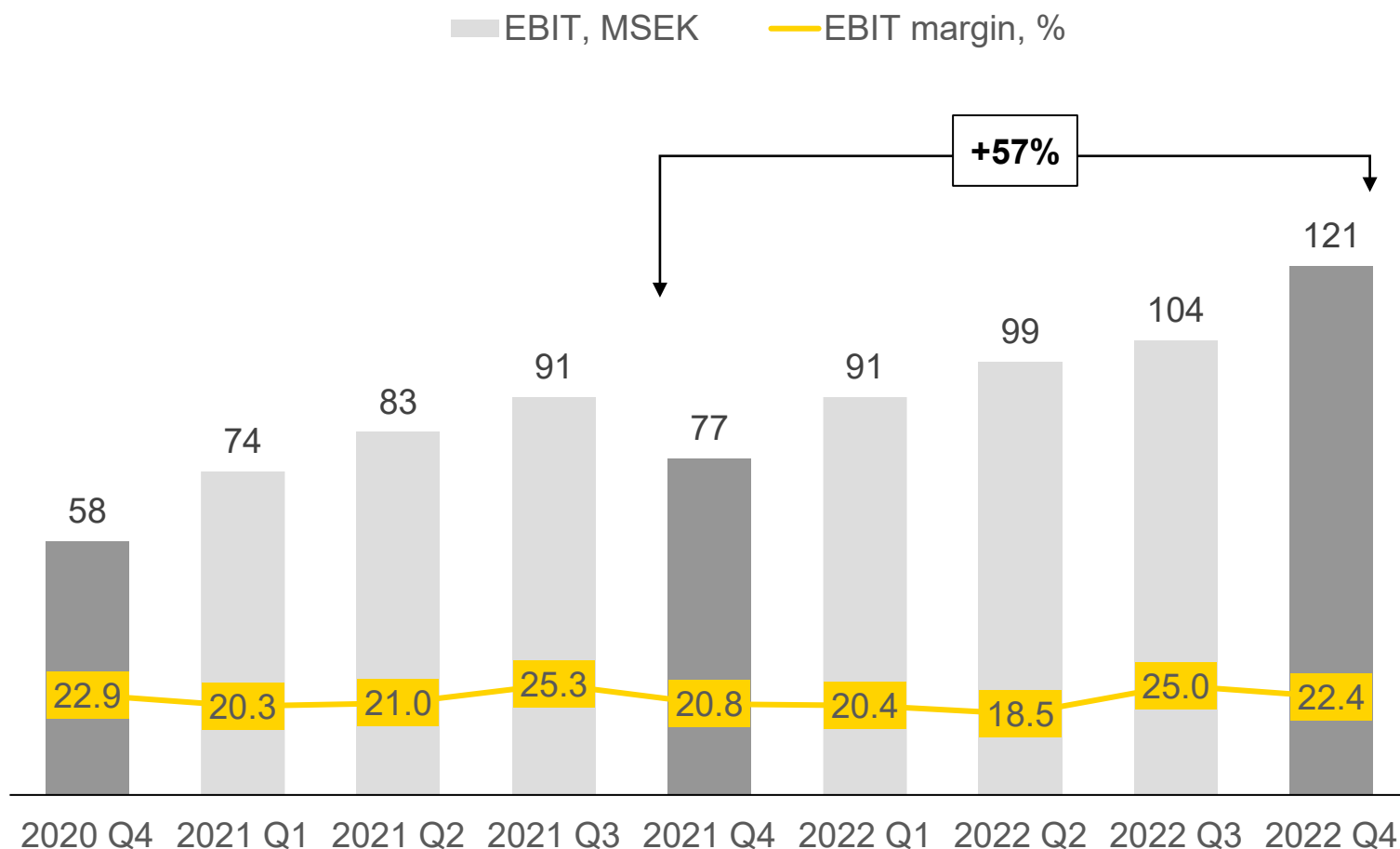


## Key comments

- Historical breaking point reached in 2022 with less than 50% share of order intake from the Nordic region
- Less dependent on cyclic excavator sales

# STRONG EBIT FROM HIGH NET SALES

## EBIT and EBIT margin per quarter



## Key comments

- Record-high EBIT, improved by 57% to 121 (77) MSEK
- EBIT margin of 22.4 (20.8)% driven by high net sales and full effect from price increases
- Strong results and solid EBIT margin despite challenges in supply chain, cost inflation and investments in sales organization
- EBIT margin slightly impacted by costs for Group business system of 8 (1) MSEK



# OVERVIEW OF COSTS AND EBIT

MSEK	2022 Q4	2021 Q4	2021 FY	2022 FY
Net sales	541	370	1,488	1,938
COGS	-303	-223	-862	-1,105
<i>Gross margin</i>	44.0%	39.7%	42.1%	43.0%
Selling expenses	-71	-46	-165	-235
<i>% of net sales</i>	-13.1%	-12.4%	-11.1%	-12.1%
Administrative expenses	-40	-23	-84	-150
<i>% of net sales</i>	-7.4%	-6.2%	-5.6%	-7.7%
R&D expenses	-8	-18	-63	-28
<i>% of net sales</i>	-1.5%	-4.9%	-4.2%	-1.5%
Fair value of derivatives	9	0	0	-7
<i>% of net sales</i>	1.7%	0.0%	0.0%	0.0%
Other operating income and expenses	-7	17	11	2
<i>% of net sales</i>	-1.3%	4.6%	0.7%	0.0%
<b>EBIT</b>	<b>121</b>	<b>77</b>	<b>325</b>	<b>415</b>
<i>EBIT margin</i>	22.4%	20.8%	21.8%	21.4%
<b>EBIT pre-IPO</b>	<b>121</b>	<b>81</b>	<b>329</b>	<b>432</b>
<i>EBIT margin pre-IPO</i>	22.4%	21.9%	22.1%	22.3%

## Key comments

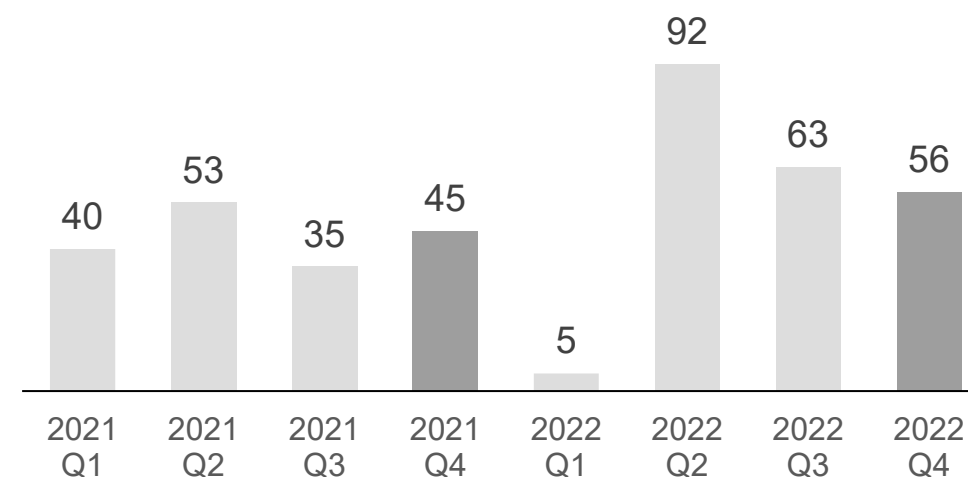
- Strong gross margin of 44.0 (39.7)% in Q4 and 43% FY
- Higher cost of goods sold offset by price increases gradually introduced during the year with full effect in Q4
- Strategic expansion of sales organization in growth markets
- R&D expenses including activated cost: 3,7% (20 MSEK) in Q4 and 3,1% (60 MSEK) FY

# IMPROVED CASH FLOW SUPPORTING GROWTH

## Cash flow and net working capital overview, MSEK

MSEK	2022 Q4	2021 Q4	FY 2022	FY 2021
Cash flow before changes in working capital	128	82	449	331
Inventories	443	303	443	303
Accounts receivables	347	208	347	208
Other receivables	29	24	29	24
Accounts payables	146	94	146	94
Other payables	42	34	42	34
Net working capital	631	407	631	407
% of net sales, 12 months	32.5%	27.4%	32.5%	27.4%
Cash flow from operating activities	56	45	216	175
Investing activities	-15	-	-45	-7

## Operating cash flow per quarter (MSEK)



## Inventories

- Higher levels to secure deliveries for continued growth on geographic distant markets

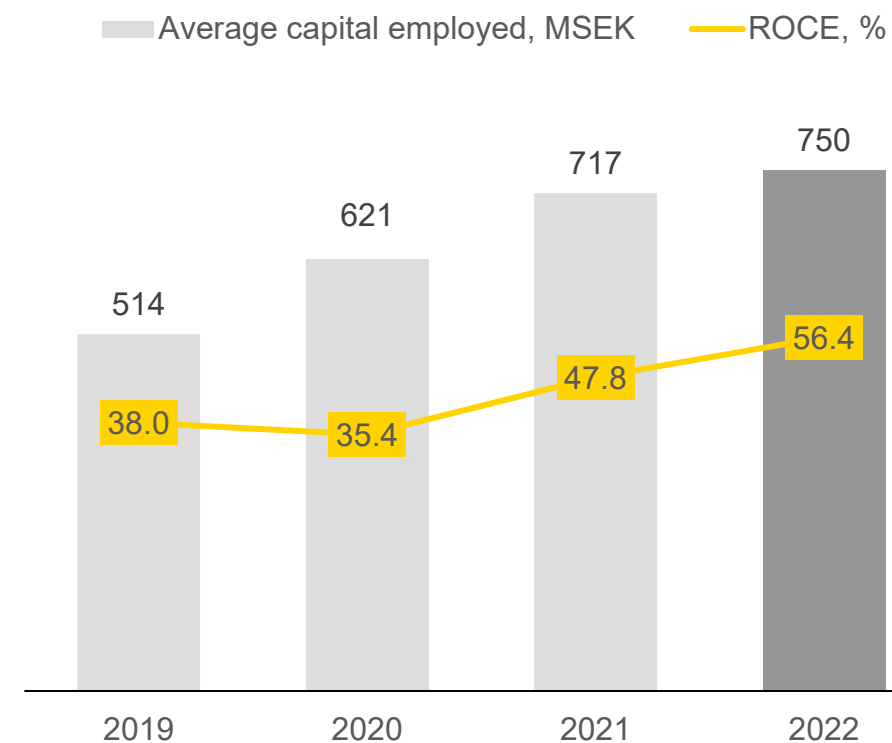


# STRONG ROCE DEVELOPMENT

## Return on capital employed overview

MSEK	2019	2020	2021	2022
EBT	192	218	341	415
Interest expense	3	2	2	8
Capital employed, beginning of period	484	543	699	735
Capital employed, end of period	543	699	735	765
Capital employed, average	514	621	717	750
Total assets	717	925	1,013	1,186
Non-interest-bearing liabilities	174	226	278	421
<b>ROCE</b>	<b>38.0%</b>	<b>35.4%</b>	<b>47.8%</b>	<b>56.4%</b>

## Average capital employed and ROCE



# 2022 PERFORMANCE EXCEEDING FINANCIAL TARGETS

## Growth

Exceed the growth in existing market through organic growth.

**24%**

Net sales organic growth

## Profitability

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

**21%**

EBIT margin

## Capital efficiency

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

**56%**

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 %.

**42%**

Equity-to-asset ratio

## Dividend policy

Pay approximately 50% of net profit in dividends. Dividend proposal will consider engcon's long-term potential, financial position and investment needs.

**0.85**

SEK per share



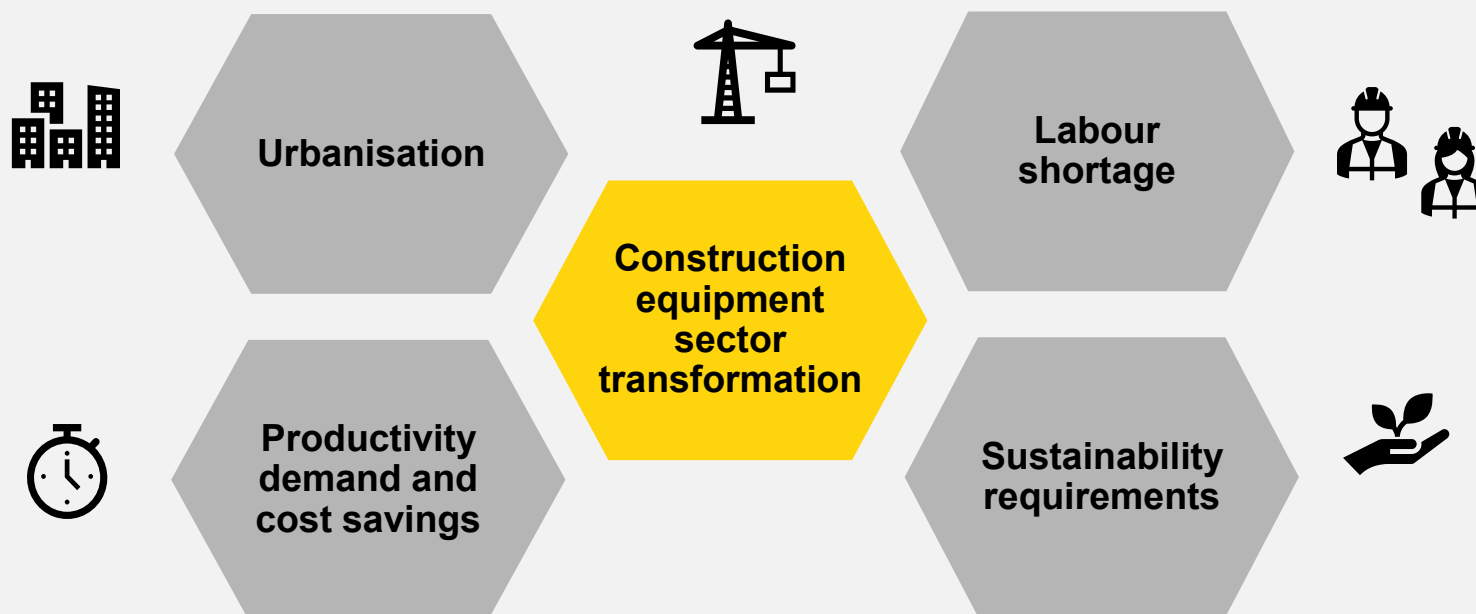


## SUMMARY AND OUTLOOK

- Strong end to a challenging year
- Improved production capacity with shorter lead times enabling stock for distant growth markets in Q4
- Solid order book with increased share from Americas provides conditions for stable earnings and margins coming quarter
- High activity and interest in Americas, Conexpo exhibition in Las Vegas in March
- Continued investments for growth in sales organization, production capacity in Poland and 3<sup>rd</sup> generation tiltrotator system
- Wholly-owned subsidiary established in Norway for further market development

# STRONG POSITION TO MEET GLOBAL INDUSTRY SHIFT

## Long-term key market drivers for resource-efficient digging





# Q & A

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