

# Etteplan Q2/2020: Strong profitability under exceptional circumstances

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Espoo, Finland

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# Highlights of Q2/2020

# Highlights

## 4-6/2020

- + As demand weakened due to COVID 19 pandemic, we focused on sales and found new opportunities in the changing circumstances.
  - + Operating profit (EBITA) was at an excellent level: 10.0 per cent of revenue due to measures taken.
  - + Operating cash flow was also exceptionally strong and totalled EUR 18 million.
  - + The number of hours sold in the Chinese market returned to growth again.
- Our revenue decreased year-on-year -2.2 per cent.
  - We were forced to implement adaptation measures and seek savings in operating costs throughout our organization.

# Development of the operating environment

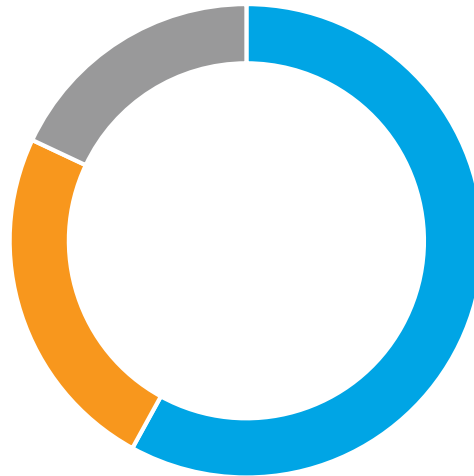
- Demand has weakened due to the COVID 19 pandemic, which significantly increases uncertainty in the markets.
- Customer-specific differences were again considerable.
- Nevertheless, for some of our customers, orders received are turning to a better direction after bottoming out in the second quarter.
- Some of our customers have also initiated new investments to be in a more competitive position when the demand situation improves. Investments focused on digitalization, in particular, have already started.

# Market development in Etteplan's main markets in April-June 2020

- **Finland:** the general market demand weakened due to the effects of the pandemic.
- **Sweden, Germany, the Netherlands and Poland:** general market demand weakened due to the pandemic but turned to a slightly better direction toward the end of the review period.
- **In China,** demand recovered after being weakened by the pandemic. Nevertheless, the uncertainty caused by the pandemic in the global economy is also continuing in China, and future market development is difficult to predict.

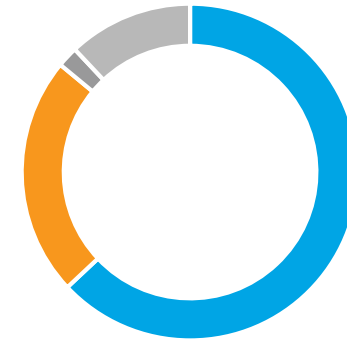
# Revenue and personnel 1-6/2020

### Revenue by service area



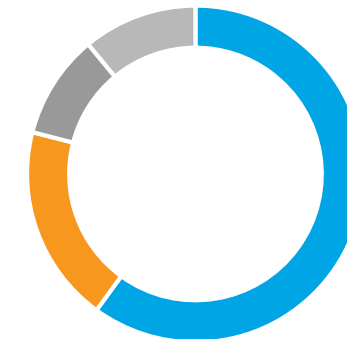
- Engineering Solutions 58% (55%)
- Software and Embedded Solutions 24% (26%)
- Technical Documentation Solutions 18% (19%)

### Revenue by country



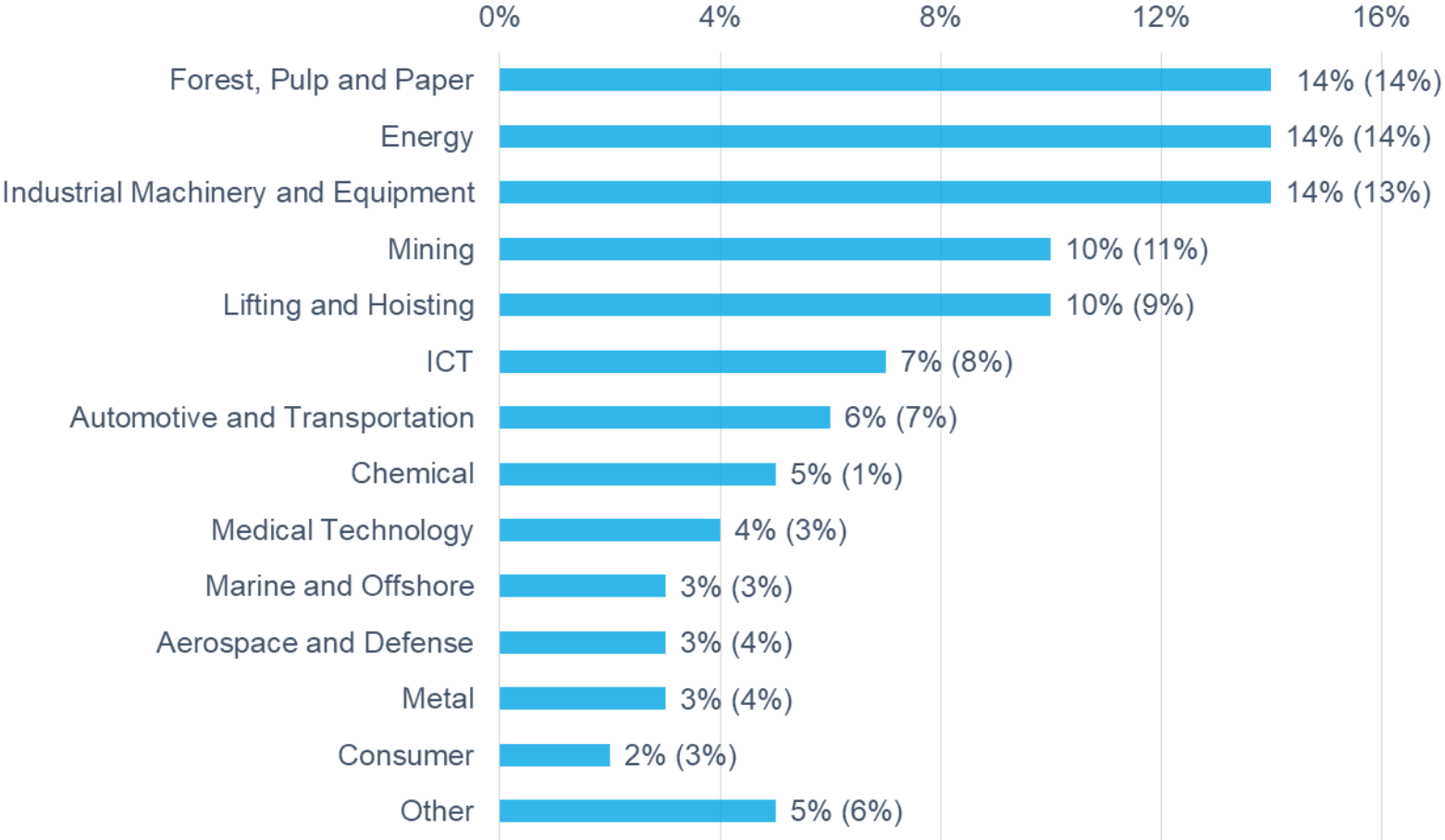
- Finland 63% (69%)
- Sweden 23% (21%)
- China 2% (3%)
- Central Europe 12% (7%)

### Personnel by country (end of period)



- Finland 60% (63%)
- Sweden 19% (19%)
- China 10% (11%)
- Central Europe 11% (7%)

# Revenue by customer segment 1-6/2020





# Key figures 4-6/2020

| EUR 1,000                      | 4-6/2020 | 4-6/2019 | Change % |
|--------------------------------|----------|----------|----------|
| Revenue                        | 62,895   | 64,329   | -2.2     |
| Operating profit (EBITA)       | 6,285    | 6,483    | -3.1     |
| EBITA, %                       | 10.0     | 10.1     |          |
| Operating profit (EBIT)        | 5,359    | 5,801    | -7.6     |
| EBIT, %                        | 8.5      | 9.0      |          |
| Basic earnings per share, EUR  | 0.16     | 0.18     | -11.1    |
| Equity ratio, %                | 37.7     | 40.1     |          |
| Operating cash flow            | 18,033   | 8,796    | 105.0    |
| ROCE, %                        | 14.6     | 22.2     |          |
| Managed Services Index         | 60       | 59       | 1.7      |
| Personnel at end of the period | 3,297    | 3,301    | -0.1     |

# Key figures 1-6/2020

| EUR 1,000                      | 1-6/2020 | 1-6/2019 | Change % |
|--------------------------------|----------|----------|----------|
| Revenue                        | 134,187  | 129,954  | 3.3      |
| Operating profit (EBITA)       | 12,865   | 12,907   | -0.3     |
| EBITA, %                       | 9.6      | 9.9      |          |
| Operating profit (EBIT)        | 11,015   | 11,572   | -4.8     |
| EBIT, %                        | 8.2      | 8.9      |          |
| Basic earnings per share, EUR  | 0.33     | 0.35     | -5.7     |
| Equity ratio, %                | 37.7     | 40.1     |          |
| Operating cash flow            | 20,279   | 14,217   |          |
| ROCE, %                        | 16.2     | 22.1     |          |
| Managed Services Index         | 60       | 59       | 1.7      |
| Personnel at end of the period | 3,297    | 3,301    | -0.1     |

# Outlook

## **Market outlook 2020 (updated on August 11, 2020)**

The global COVID-19 pandemic has a significant impact on the global economy and market situation and it increases uncertainty in the market. The most important factor affecting Etteplan's business is the global development of the machinery and metal industry, and demand has weakened due to the pandemic. The prolonging of the situation will have a negative impact on Etteplan's business.

## **Financial guidance 2020 (updated on August 11, 2020)**

Revenue for the full year 2020 will decrease slightly or be at the same level as in the previous year, operating profit (EBIT) will decrease compared to 2019.

# The impacts of COVID-19 pandemic on operations:

- We have implemented adaptation measures and sought savings in operating costs throughout our organization. We also temporarily suspended some of our development programs.
  - Approximately 85 per cent of our employees are currently working remotely.
  - June 30, 2020: 335 employees were temporarily laid off.
  - Layoffs have also been implemented in Sweden and Germany.
- The timely measures enabled us to maintain good operating efficiency and our profitability was at an excellent level.
- Strong profitability allows us to quickly transition back to the implementation of our growth strategy.

# Financial development Q2/2020

# Revenue

**4-6/2020: 62.9 M€ (64.3 M€)**

Growth

Change -2.2%

With comparable exchange rates -2.0%

Organic growth

Change -11.3%

With comparable exchange rates -11.0%

**1-6/2020: 134.2 M€ (130.0 M€)**

Growth

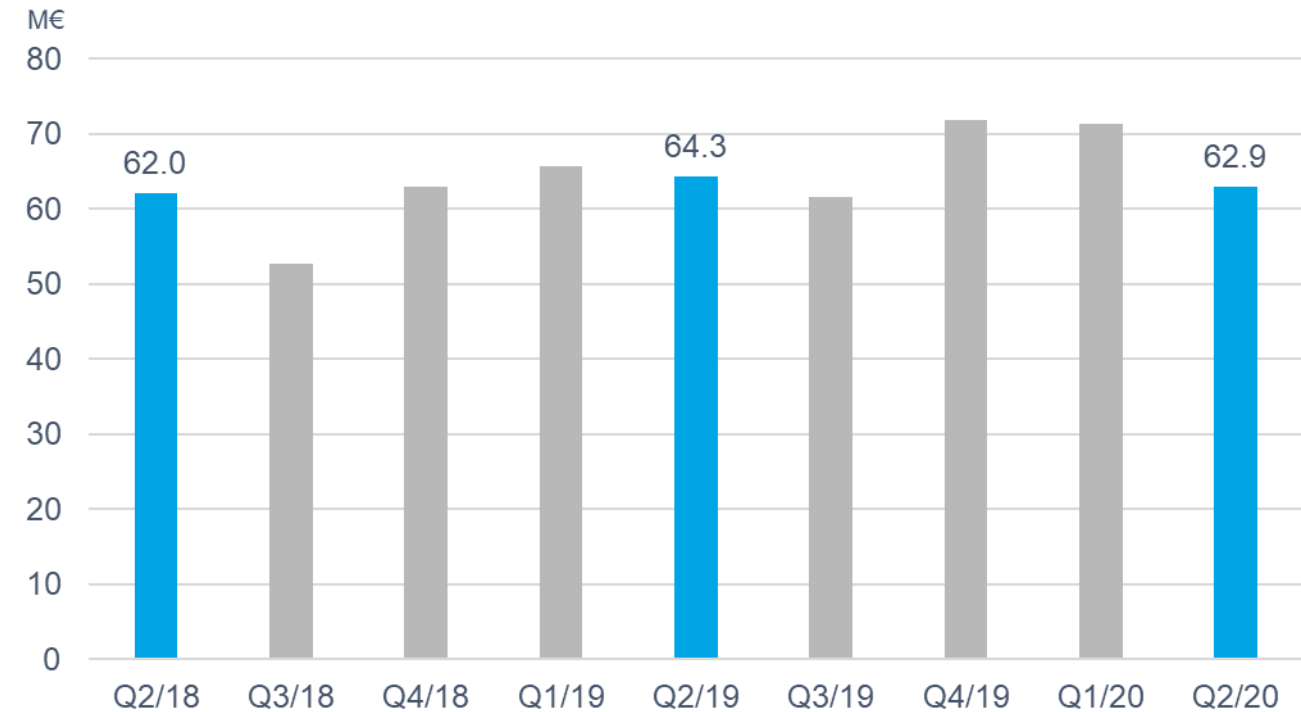
Change 3.3%

With comparable exchange rates 3.7%

Organic growth

Change -7.0%

With comparable exchange rates -6.6%



- Our revenue decreased during the review period due to the effects of the COVID-19 pandemic.
- We remained cautious in recruitment due to the uncertainty brought about by the pandemic.
- The acquisitions made in 2019 had a positive effect on revenue.
- Revenue from key accounts decreased by 10.6%.

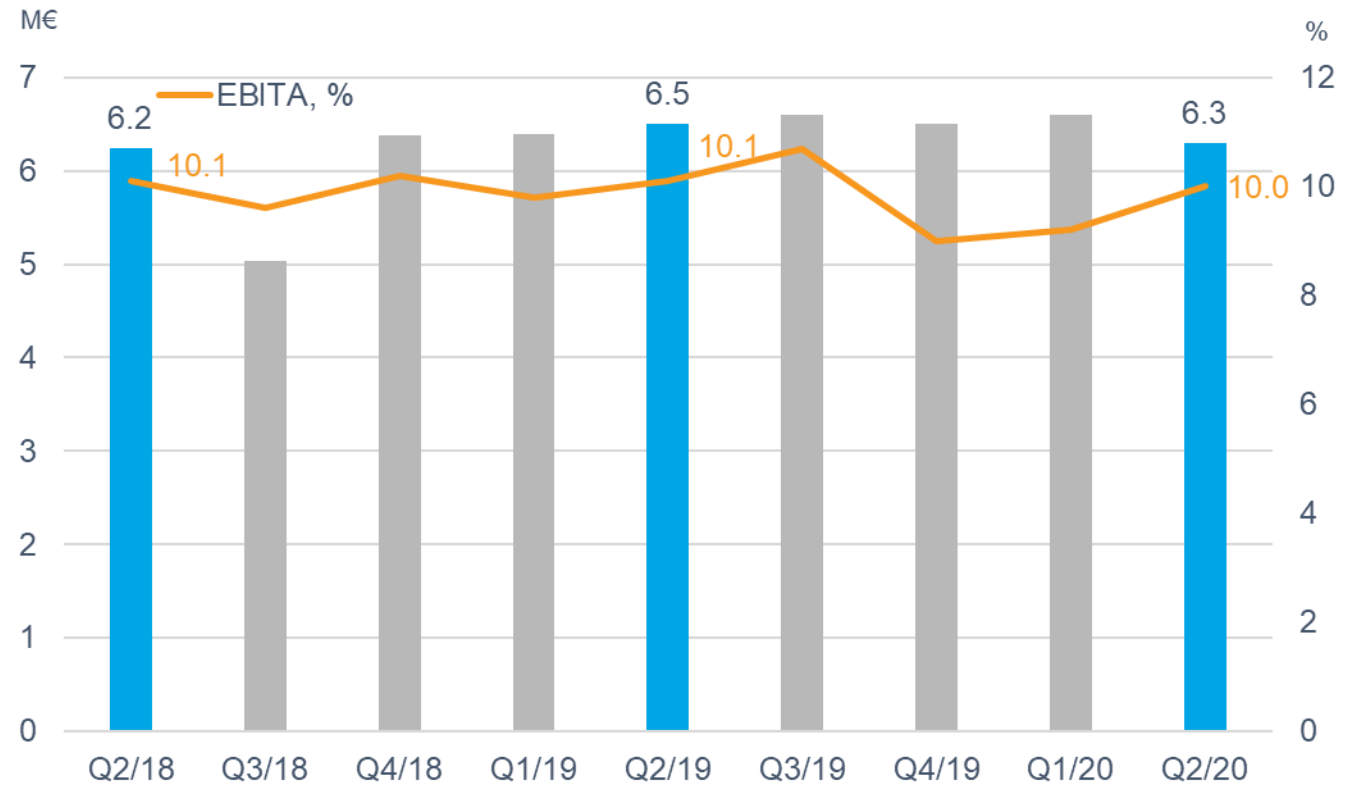
# Operating profit (EBITA)

**4-6/2020: 6.3 M€, 10.0%**  
(6.5 M€, 10.1%)

Non-recurring items -0.3 (0.0) M€

**1-6/2020: 12.9 M€, 9.6%**  
(12.9 M€, 9.9%)

Non-recurring items -0.5 (-0.2) M€



- The weakening of demand caused by the COVID-19 pandemic affected Etteplan's business.
- Due to timely adaptation and cost saving measures, profitability remained at an excellent level considering the circumstances.

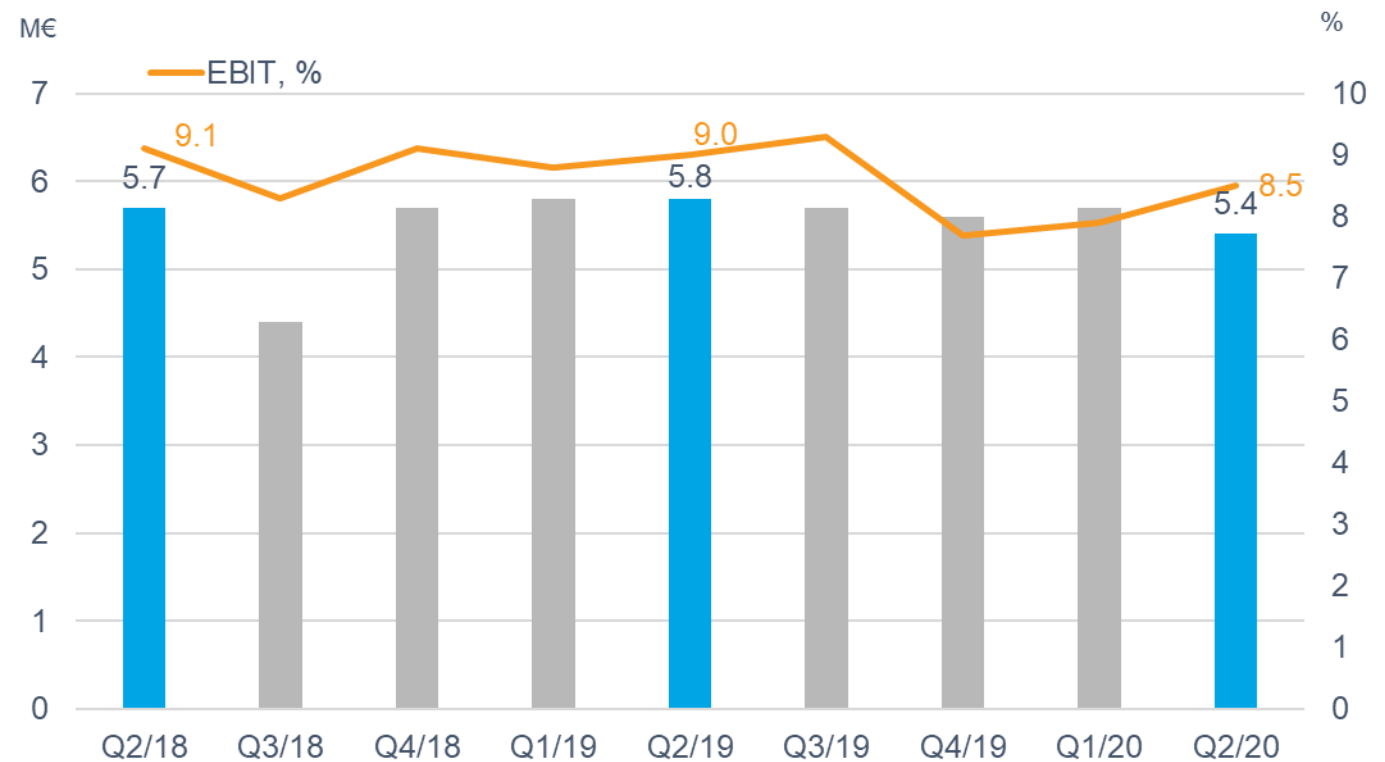
# Operating profit (EBIT)

**4-6/2020: 5.4 M€, 8.5%**  
(5.8 M€, 9.0%)

Non-recurring items -0.3 (0.0) M€

**1-6/2020: 11.0 M€, 8.2%**  
(11.6 M€, 8.9%)

Non-recurring items -0.5 (-0.2) M€



- Amortization related to acquisitions were EUR 0.9 million in 4-6/2020 and EUR 1.9 million in 1-6/2020.



# Engineering Solutions

## Revenue

**4-6/2020: 35.9 M€ (35.3 M€)**

Change 1.9%

**1-6/2020: 77.3 M€ (70.9 M€)**

Change 9.0%

## Operating profit (EBITA)

**4-6/2020: 3.7 M€, 10.3%**

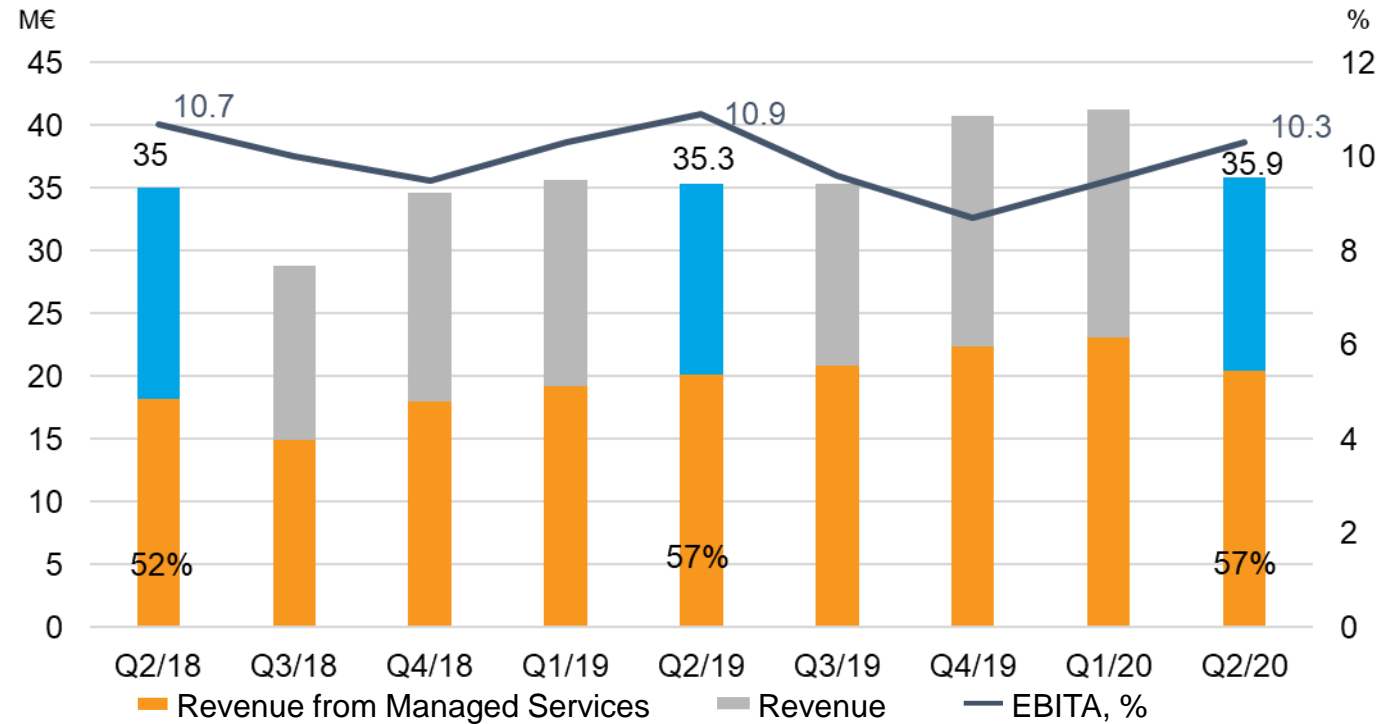
(3.8 M€, 10.9%)

**1-6/2020: 7.6 M€, 9.9%**

(7.5 M€, 10.6%)

## Personnel

Jun 30, 2020: 1,925 (1,922)



- The pandemic weakened the demand situation in China in the first quarter and in Europe in the second quarter.
- Revenue grew due to the acquisitions made in 2019.
- Profitability was at a good level due to excellent operational efficiency as well as the timely implementation of adaptation and cost saving measures.
- The acquired companies' business supported profitability.

# Software and Embedded Solutions

## Revenue

**4-6/2020: 15.2 M€ (17.1 M€)**

Change -10.9%

**1-6/2020: 32.2 M€ (34.4 M€)**

Change -6.4%

## Operating profit (EBITA)

**4-6/2020: 1.7 M€, 11.1%**

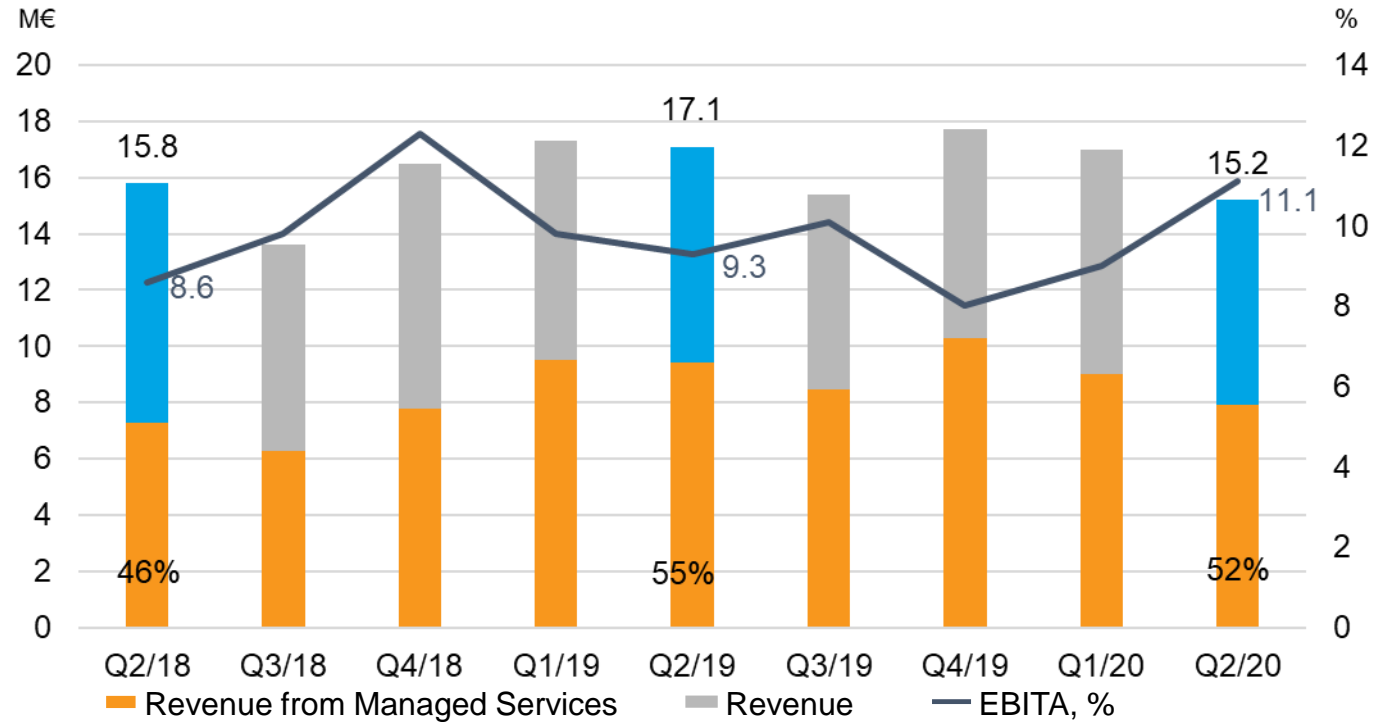
(1.6 M€, 9.3%)

**1-6/2020: 3.2 M€, 10.0%**

(3.3 M€, 9.5%)

## Personnel

Jun 30, 2020: 642 (675)



- Revenue decreased due to the pandemic and the recruitment of Etteplan's employees by certain customers in the first quarter.
- We have found new opportunities and won several new projects. Our service solutions and our expertise related to 5G technology, for example, have attracted wide interest.
- Profitability was at a good level due to good operational efficiency as well as the timely implementation of adaptation and cost saving measures.

# Technical Documentation Solutions

## Revenue

**4-6/2020: 11.6 M€ (11.8 M€)**

Change -2.0%

**1-6/2020: 24.4 M€ (24.4 M€)**

Change 0.3%

## Operating profit (EBITA)

**4-6/2020: 1.0 M€, 8.9%**

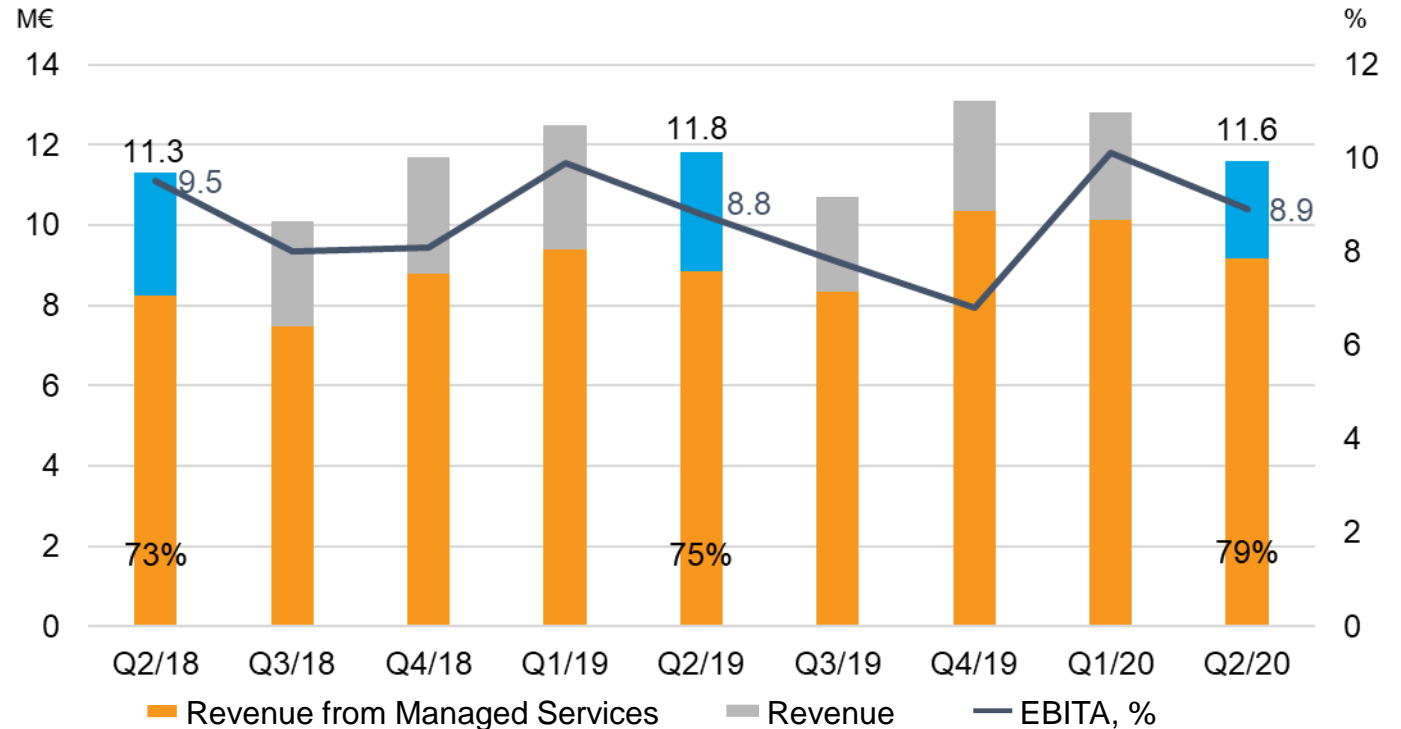
(1.0 M€, 8.8%)

**1-6/2020: 2.3 M€, 9.5%**

(2.3 M€, 9.4%)

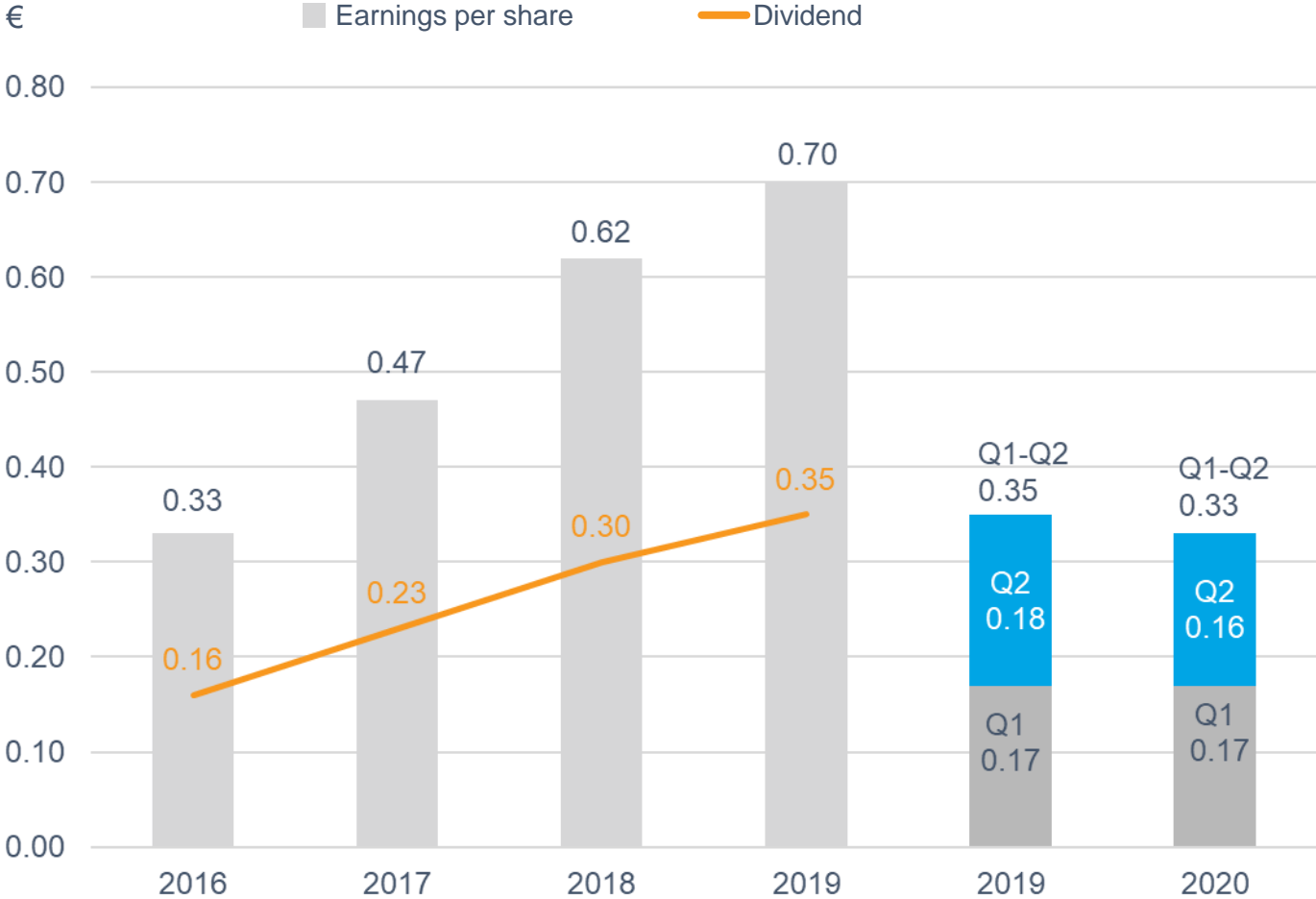
## Personnel

Jun 30, 2020: 635 (611)



- The pandemic weakened the demand situation.
- Acquisitions made in 2019 had a positive effect on the service area's development.
- Service and outsourcing solutions play a significant role in the service area's development also in the more difficult market situation.
- Profitability was at a good level due to good operational efficiency as well as the timely implementation of adaptation and cost saving measures.

# Earnings per share and dividends

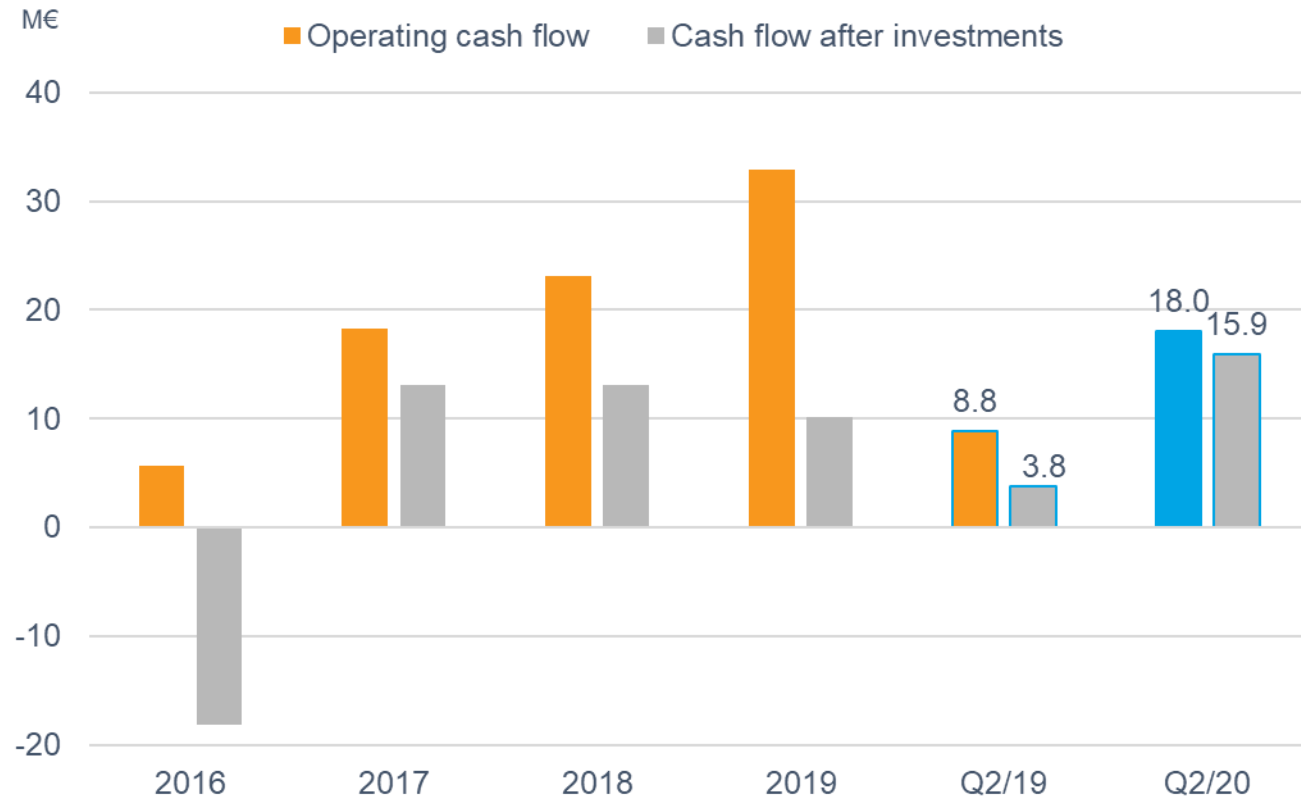


# Cash flow

## Operating cash flow

4-6/2020: 18.0 M€ (8.8 M€)

1-6/2020: 20.3 M€ (14.2 M€)

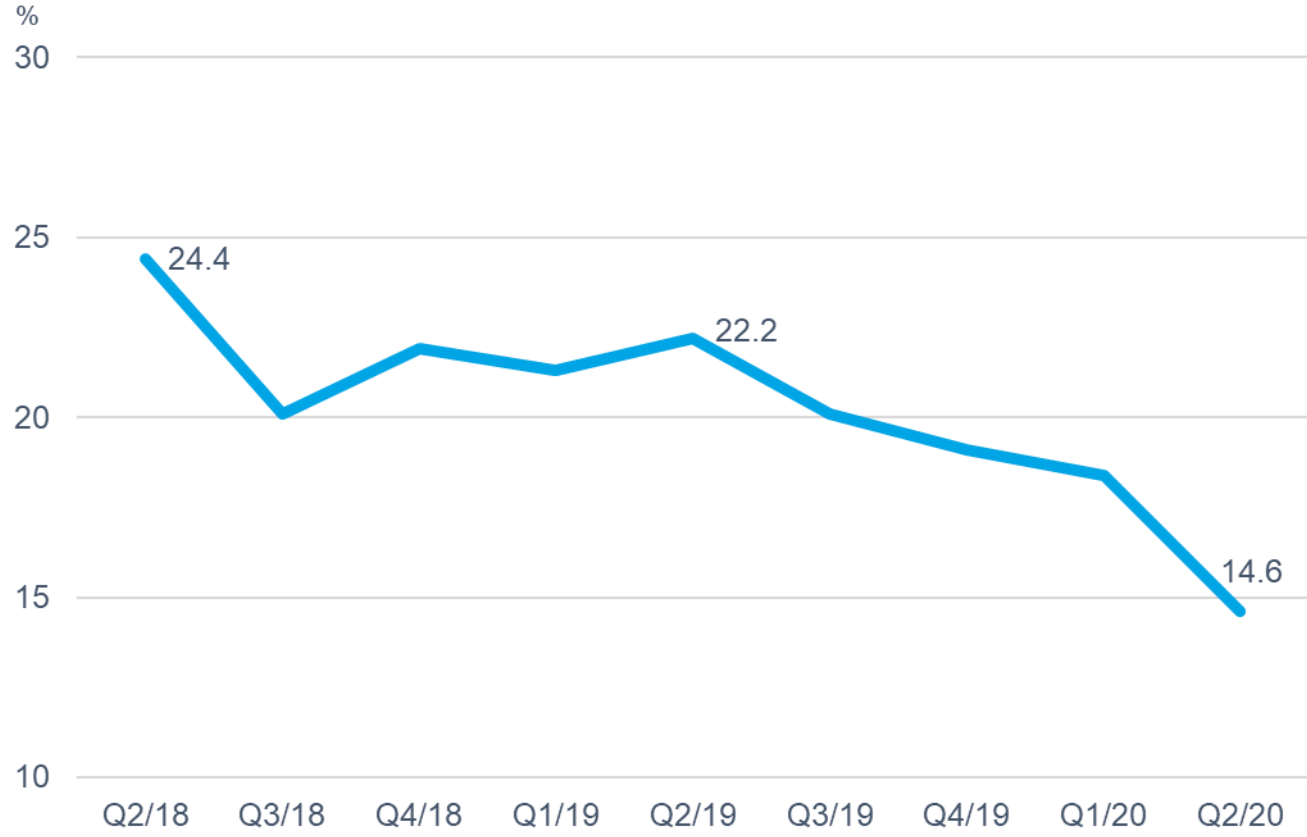


- Operating cash flow was exceptionally strong as operating expenses declined faster than cash flow from sales due to the adaptation and cost saving measures.
- When business returns to growth, the effect on cash flow will be the opposite. Assessed over the longer term, cash flow will reflect our operating performance.
- Cash flow accrues unevenly over the four quarters of the year due to periodic fluctuation in business.

# Return on capital employed

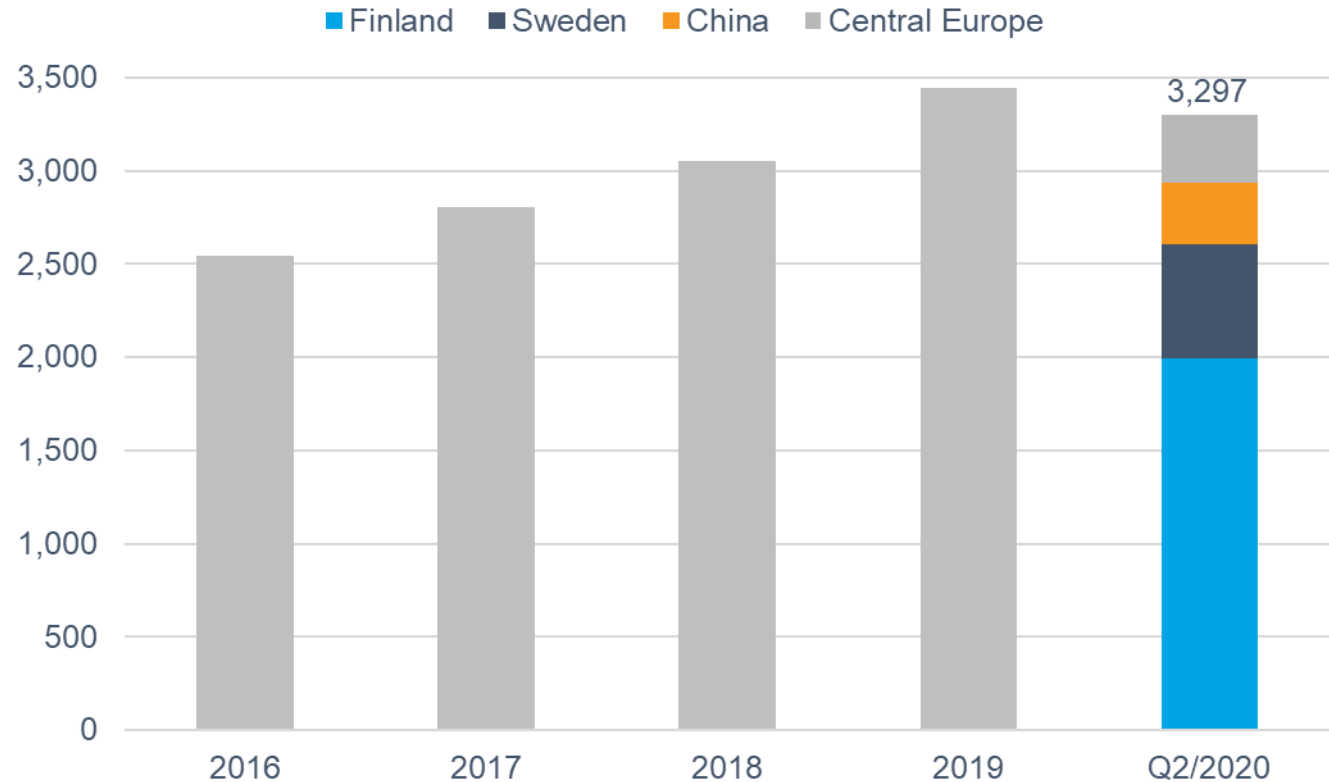
4-6/2020: 14.6% (22.2%)

1-6/2020: 16.2% (22.1%)



- Engineering services business does not tie significant capital.

# Personnel at the end of the period



- The amount of personnel decreased by 0.1 per cent year-on-year.
- The number of personnel decreased by 4.4 per cent compared to the end of 2019 due to cautious recruitment due to the pandemic and some customers recruiting Etteplan employees in the first quarter.
- At the end of the review period, 1,303 (Jun 30, 2019: 1,206) people were employed by the Group outside of Finland. Public

# Income statement

| MEUR                                | 1-6/2020    | 1-6/2019    | Change %    |
|-------------------------------------|-------------|-------------|-------------|
| Revenue                             | 134.2       | 130.0       | 3.3         |
| Other operating income              | 1.0         | 0.8         |             |
| Materials and services              | -11.4       | -11.5       |             |
| Staff costs                         | -92.6       | -86.9       |             |
| Other operating expenses            | -11.6       | -14.2       |             |
| Depreciation and amortization       | -8.6        | -6.5        |             |
| <b>Operating profit (EBIT)</b>      | <b>11.0</b> | <b>11.6</b> | <b>-4.8</b> |
| Financial income                    | 0.2         | 0.4         |             |
| Financial expenses                  | -0.7        | -0.7        |             |
| <b>Profit before taxes</b>          | <b>10.5</b> | <b>11.3</b> | <b>-6.6</b> |
| Income taxes                        | -2.4        | -2.5        |             |
| <b>Profit for the review period</b> | <b>8.1</b>  | <b>8.8</b>  | <b>-7.8</b> |



# Balance sheet

| MEUR                                | Jun 30, 2020 | Jun 30, 2019 | Dec 31, 2019 |
|-------------------------------------|--------------|--------------|--------------|
| Goodwill                            | 78.9         | 67.1         | 79.0         |
| Other non-current assets            | 46.9         | 39.1         | 45.4         |
| <b>Non-current assets, total</b>    | <b>125.8</b> | <b>106.2</b> | <b>124.5</b> |
| Inventory                           | 0.3          | 0.4          | 0.3          |
| Trade and other receivables         | 54.6         | 58.9         | 62.2         |
| Cash and cash equivalents           | 26.2         | 8.0          | 15.9         |
| <b>Current assets, total</b>        | <b>81.1</b>  | <b>67.3</b>  | <b>78.4</b>  |
| <b>TOTAL ASSETS</b>                 | <b>206.9</b> | <b>173.6</b> | <b>202.9</b> |
| Equity, total                       | 76.1         | 67.9         | 76.7         |
| Non-current liabilities, total      | 30.7         | 32.0         | 39.6         |
| Current liabilities, total          | 100.1        | 73.7         | 86.5         |
| <b>TOTAL EQUITY AND LIABILITIES</b> | <b>206.9</b> | <b>173.6</b> | <b>202.9</b> |

# Etteplan's targets

# Financial targets 2020-2024

Revenue  
> EUR 500  
million

Rolling 12 months:  
EUR 268 million

50%  
Revenue  
outside  
Finland

1-6/2020: 37%

75%  
Managed  
Services share  
of revenue

1-6/2020: 60%

10%  
Operating profit  
(EBITA)

1-6/2020: 9.6%

## ACTIONS

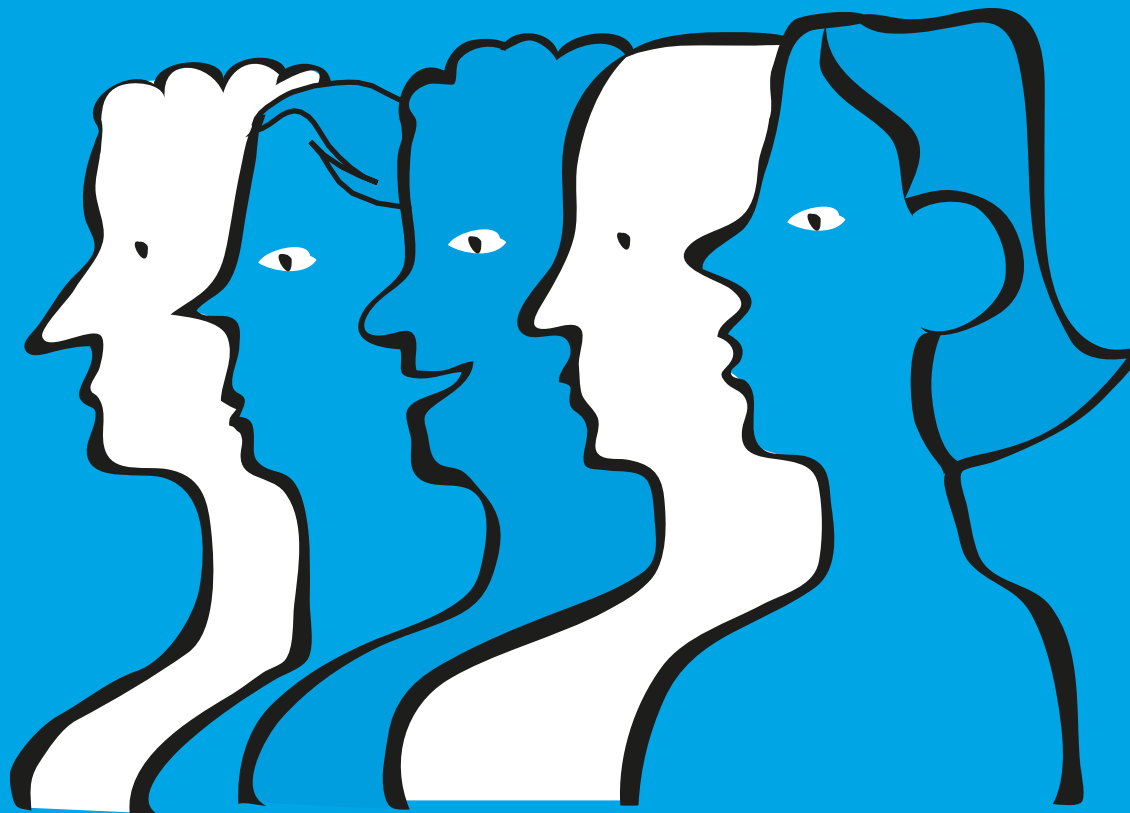
- Constant development of Service Solutions
- Digitalization
- International growth
- Acquisitions

- Expanding our full service offering to all current markets

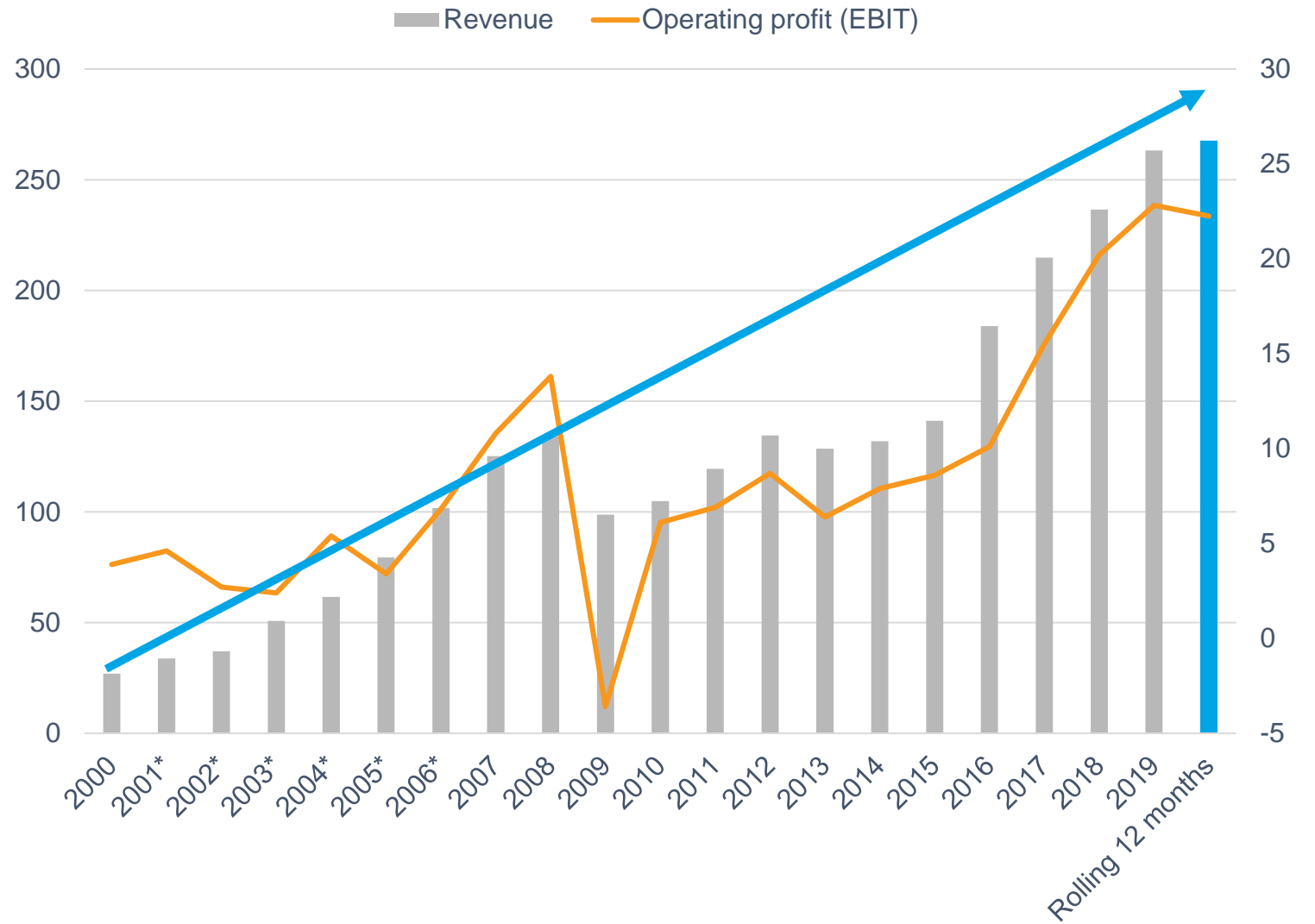
- Service solutions
- Technology solutions
- Project business

- Change in business model towards Managed services
- Market leadership

# Q&A



# Revenue and EBIT 2000-2020



\*Includes continued and discontinued operations

# Investor Relations contacts

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