

CMU  
May 2024

# Capital Markets Update



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# Agenda

## Capital Markets Update 2024

09:00 am

### **First quarter 2024 results**

Anders Gustafsson and Ole Anton Gulsvik

09:15 am

### **The most ambitious infrastructure builder in the Nordics**

Anders Gustafsson

09:45 am

### **Building with purpose**

Lene Engebretsen

09:55 am

### **Strengthened execution platform**

Harri Lukkarinen

10:10 am

### **Delivering on targets and creating value**

Ole Anton Gulsvik and Anders Gustafsson

10:30 am

### **Q&A**

# First quarter 2024

# Improved results and strong order intake

Key figures Q1 2024

Revenue

→ **NOK 1.3** billion

Q1 2023: NOK 1.3 billion

EBIT adj.

↑ **NOK -43** million

Q1 2023: NOK -48 million

EBIT adj. margin

↑ **-3.3%**

Q1 2023: -3.7%

Order intake

↑ **NOK 2.6** billion

Q1 2023: NOK 1.3 billion

Operating cash flow

↓ **NOK -126** million

Q1 2023: NOK -48 million

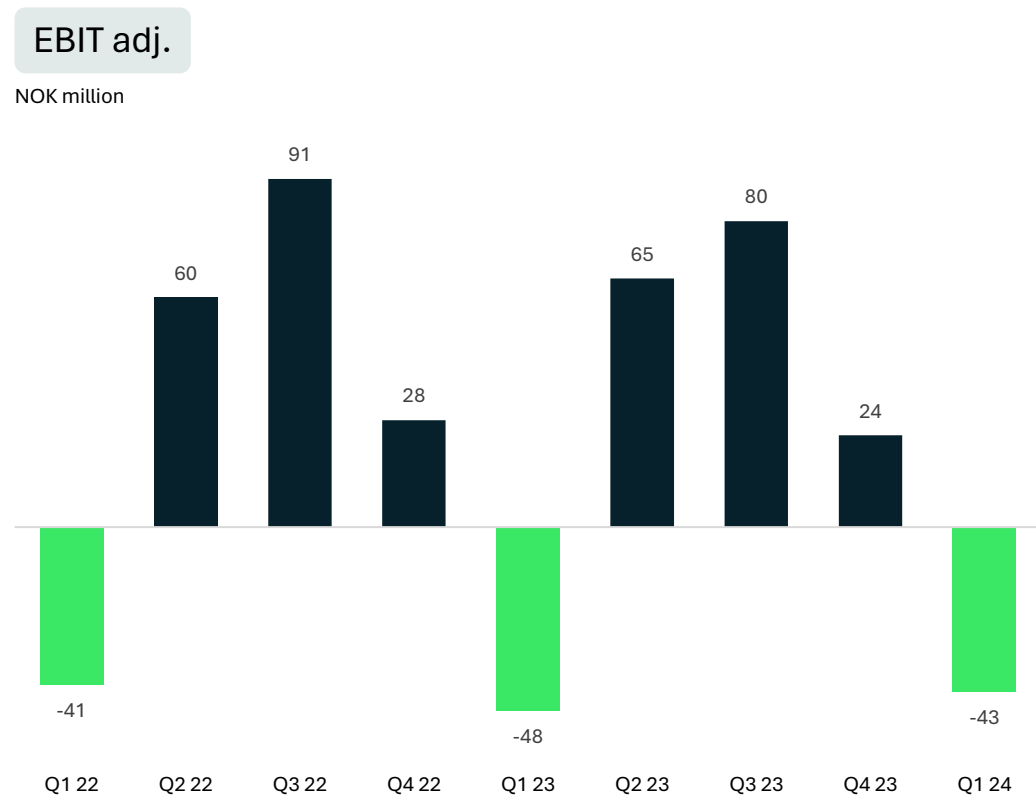
Order backlog

→ **NOK 8.2** billion

Q1 2023: NOK 8.2 billion

# Operating profit in line with last year

## Profit & loss



1) Excluding amortisation and impairment from PPA

2) Adjusting items explained in Appendix

(Amounts in NOK million)	Q1 2024	Q1 2023	FY 2023	FY 2022
Revenue	1 306	1 291	6 732	7 030
Operating expenses	-1 301	-1 289	-6 400	-6 695
Depreciation and amortisation <sup>1</sup>	-47	-52	-211	-198
EBIT adj.	-43	-48	121	137
EBIT adj. margin	-3.3 %	-3.7 %	1.8 %	2.0 %
Adjusting items <sup>2</sup>	-56	1	-16	-378
Net financial items	-19	-15	-59	-58
Share of profit from associates and JVs	0	0	-2	-15
Taxes	25	22	-8	-51
Net profit / loss	-92	-43	37	-364

### Notes

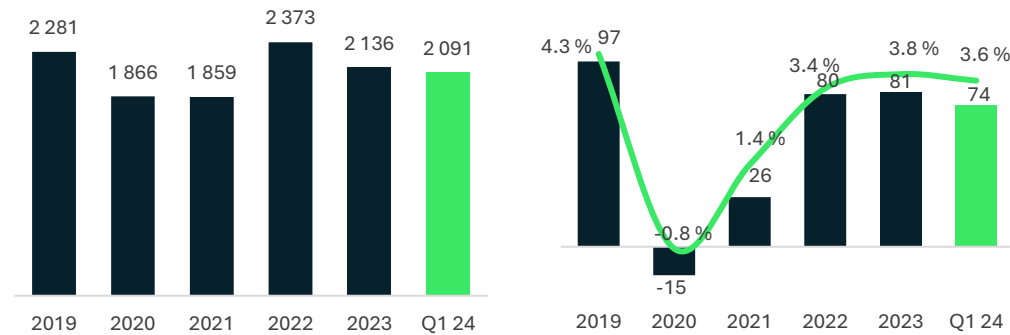
- Revenues at same level as in Q1 23
- EBIT adj. at NOK -43 million, up from NOK -48 million last year
- Restructuring cost related to the Norwegian demolition and recycling business (NRC Kept) of NOK 59 million incl. in adjusting items Q1 2024

# Strong order intake and book-to-bill at 2.5x

## Operational review NRC Group Norway

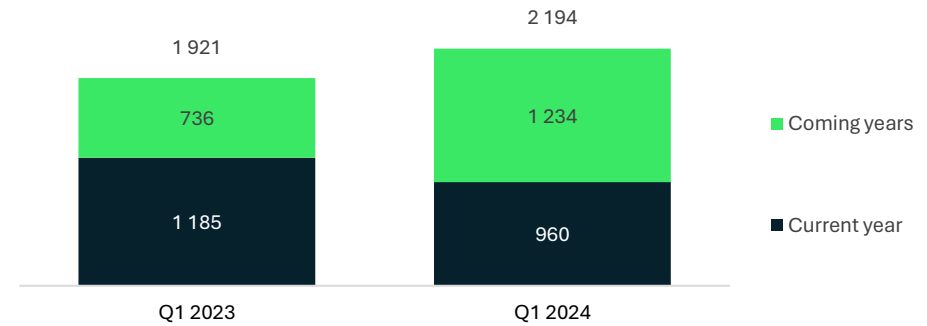
### Revenue and EBIT adj. LTM

NOK million and percent



### Order backlog (total)

NOK million



### Key figures

(NOK million)	Q1 2024	Q1 2023
Revenue	444	489
EBIT adj.	3	9
EBIT adj. margin	0.6%	1.8%
Order intake	1 115	396

### Notes

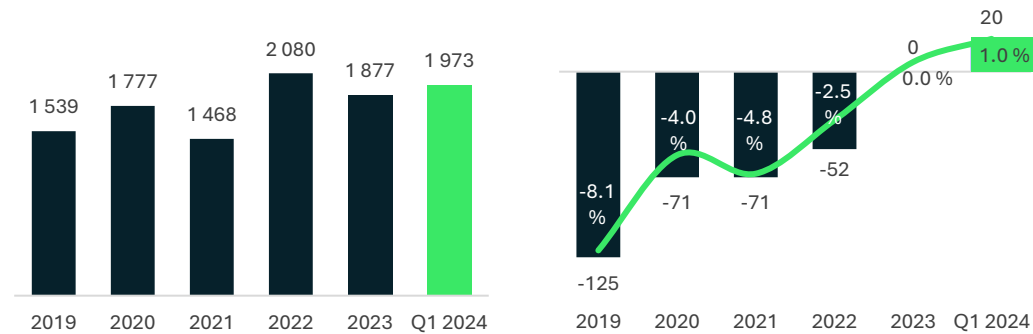
- ▶ Order intake of NOK 1.1 billion in the quarter and a book-to-bill of 2.5x
- ▶ Continued strong results from mass transportation business (Gunnar Knutsen) offset by lower volumes and results from the Civil construction and demolition and recycling business (NRC Kept)
- ▶ Joint Norwegian-Swedish rail project currently recognised at zero margin, pending a clarification around substantial change orders

# Successful ongoing transformation

## Operational review NRC Group Sweden

### Revenue and EBIT adj. LTM

NOK million and percent

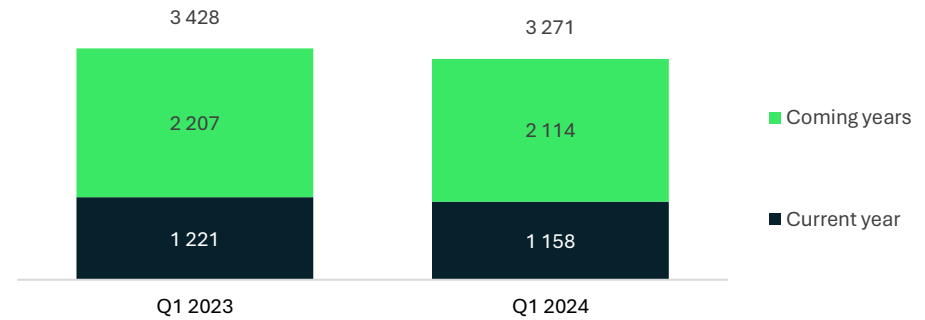


### Key figures

(NOK million)	Q1 2024	Q1 2023
Revenue	436	340
EBIT adj.	1	-19
EBIT adj. margin	0.1%	-5.7%
Order intake	786	385

### Order backlog (total)

NOK million



### Notes

- ▶ Organic growth of 51% in the quarter
- ▶ Improved profitability mainly due to high volumes and good profitability in the Rail maintenance division, continued stable performance in Rail construction, as well as better utilisation of machinery
- ▶ Strong order intake and book-to-bill at 1.8x in the quarter

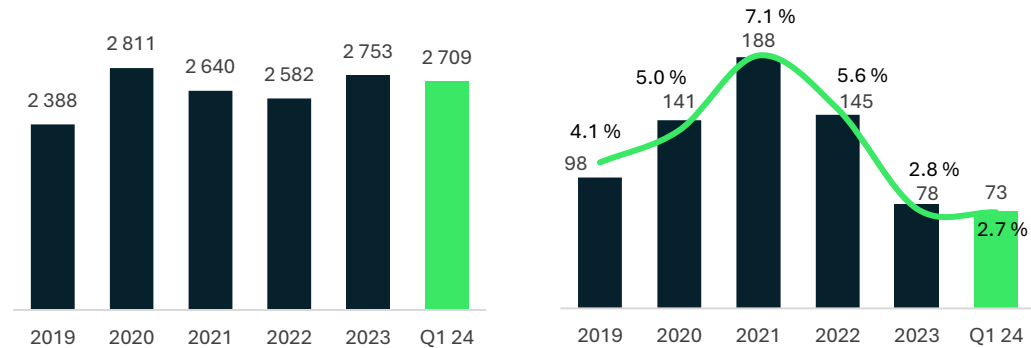


# Lower volumes – attractive tender pipeline

## Operational review NRC Group Finland

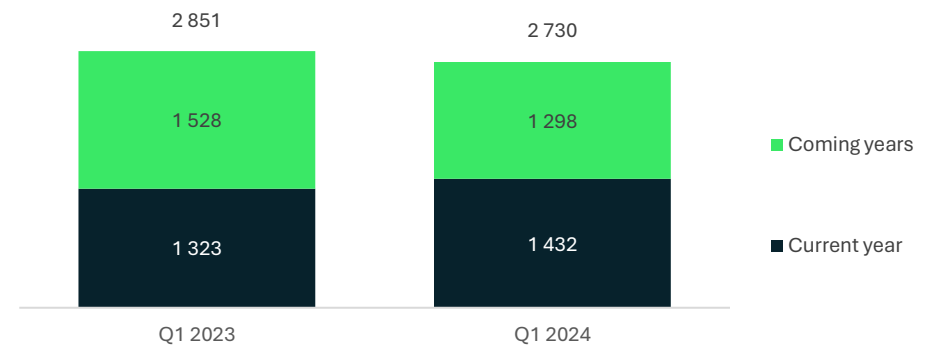
### Revenue and EBIT adj. LTM

NOK million and percent



### Order backlog (total)

NOK million



### Key figures

(NOK million)	Q1 2024	Q1 2023
Revenue	427	470
EBIT adj.	-33	-27
EBIT adj. margin	-7.7%	-5.8%
Order intake	593	476

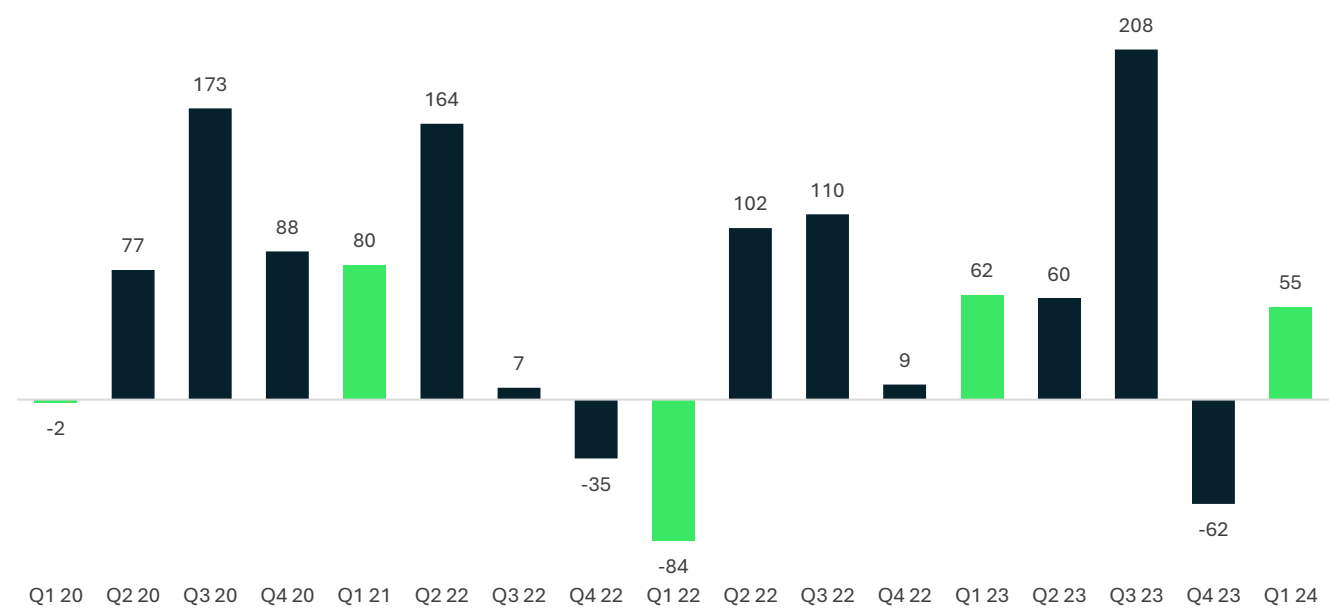
### Notes

- Revenue growth of -12% in local currency
- Reduced profitability due to an additional write-down of the loss-making railway-yard renewal project finishing in Q2 2024
- Solid order intake and a book-to-bill of 1.4x in the quarter
- Two alliance light-rail contracts won last nine months are currently in design phase with significant backlog potential if construction is decided

# Working capital

## Net working capital (NWC)

NOK million

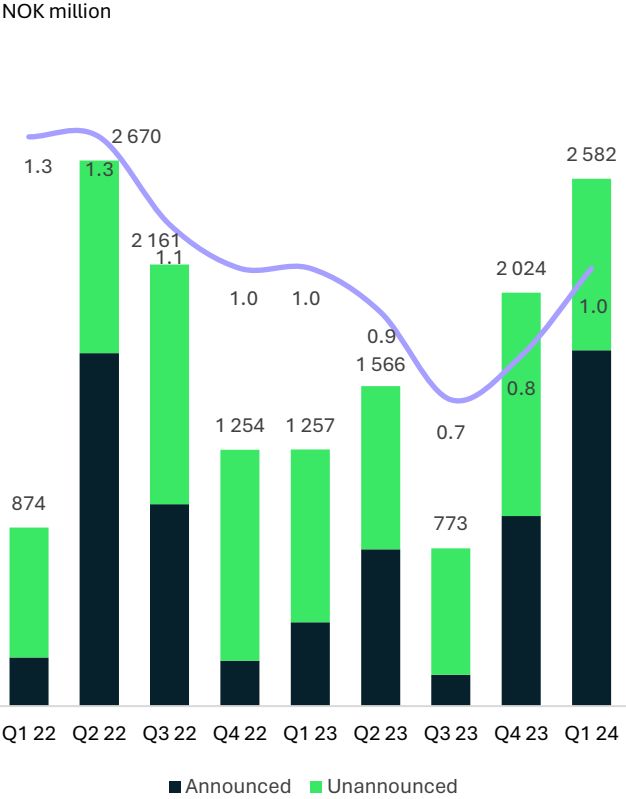


## Comments

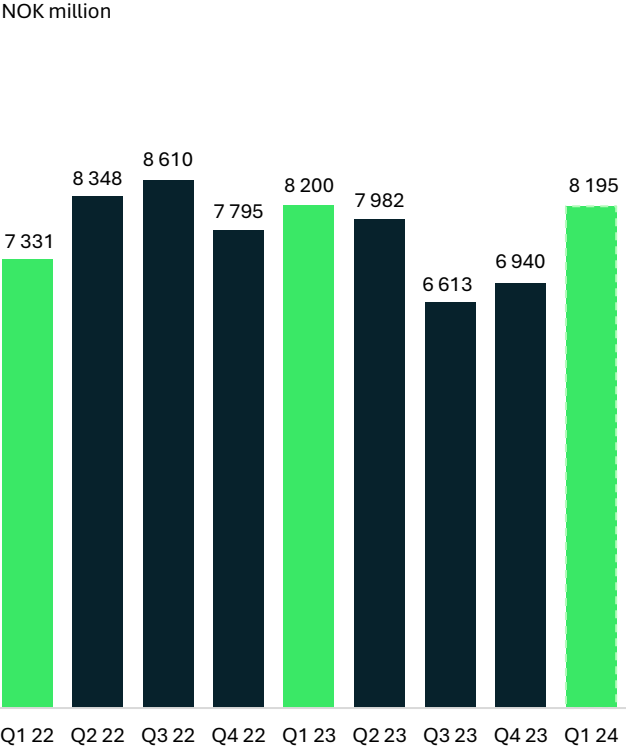
- Significant fluctuations in working capital
- Q1 2024 reflects increased tied-up capital related to joint Norwegian-Swedish rail project

# Strong order intake in the quarter

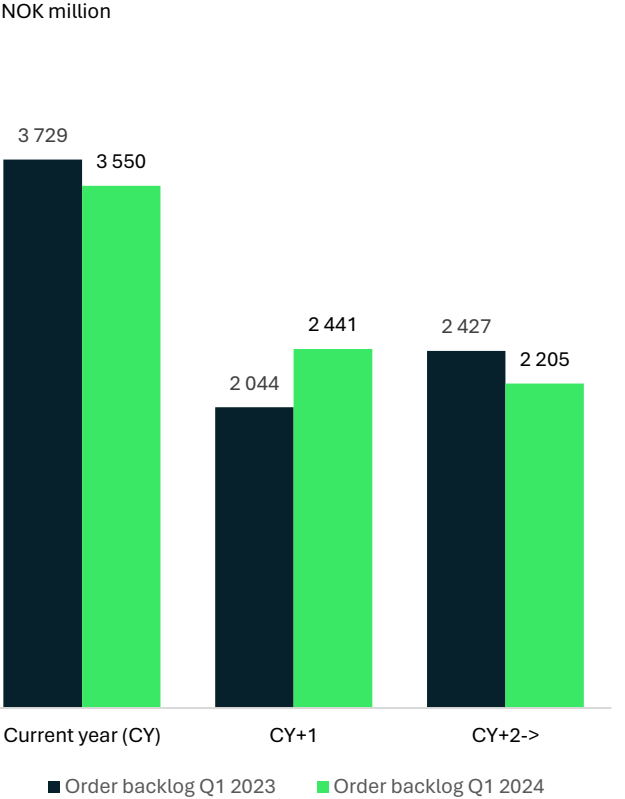
Order intake & Book-to-bill LTM



Order backlog (total)



Order backlog execution



Strategy update

# The most ambitious infrastructure builder in the Nordics



# Building and maintaining critical infrastructure

- ▶ Strong Nordic foundation in rail construction and maintenance
- ▶ Realising full potential through disciplined expansion in civil construction and new adjacent markets
- ▶ Leveraging group capabilities across the Nordics
- ▶ Credible path to new revenue and profitability targets
  - ▶ Strong market growth
  - ▶ Growing order backlog
  - ▶ Near-record tender pipeline

2028 targets

**>NOK 10 billion**

Revenue

**>5%**

EBIT adj. margin

# Megatrends driving growth in addressable market



Population growth and urbanisation



Increased defence spending



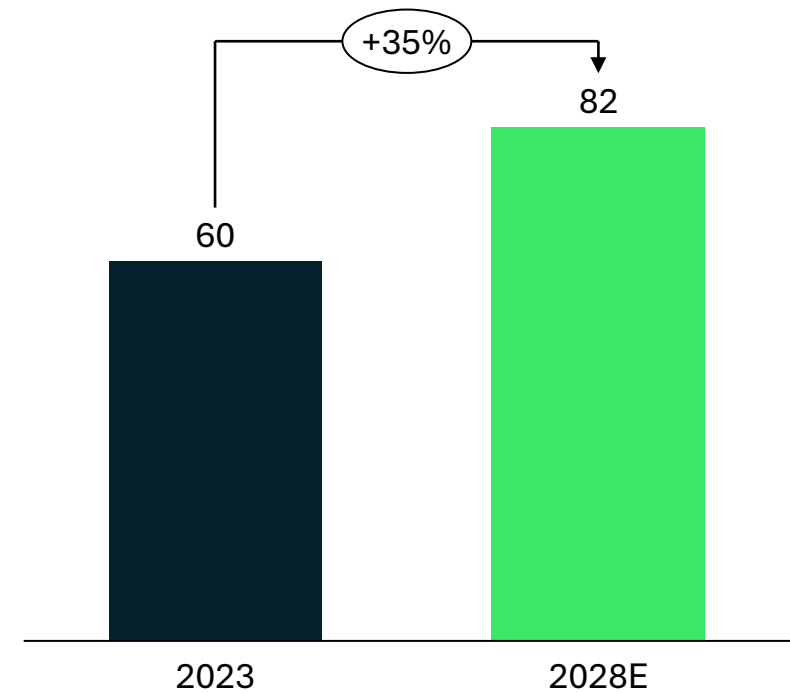
Intensified focus on critical infrastructure



Energy transition and security of supply

## Addressable market<sup>1</sup>

NOK billion



1) Sources: National Transportation Plans Norway, Sweden and Finland, Statkraft, Fingrid, Norwegian Government, company estimates

# Leveraging on established Nordic market position...

- ▶ Market leader in rail in Norway, Finland and Sweden
- ▶ Competitive advantage through a complete value chain offering
- ▶ Growing footprint within selected civil construction segments with special expertise in power, concrete and waterside construction



Market presence	Norway	Sweden	Finland
Rail construction	Established position	Established position	Established position
Civil construction	Market expansion	Market expansion	Market expansion
Rail maintenance	Market not open for private contractors	Established position	Established position

Established position      Market expansion      Market not open for private contractors

# ...with unique capabilities to expand in selected attractive niche markets

## Civil

Energy	Solar power construction, power stations, onshore wind farms
Critical infrastructure	Water reservoirs, water supply
Defence	Harbours, port facilities, mobility

## Maintenance

Maintaining rail and other relevant infrastructure to a specific standard over time

Finland addressable renewable energy market<sup>1</sup> expected to double by 2028 to

**NOK ~17 billion**

Statkraft's planned hydro- and wind power investments next 10 years<sup>2</sup>

**NOK 44-67 billion**

Joint Nordic commitment to boost defence spending and strengthen infrastructure for military mobility<sup>3</sup>

**+25% Y-o-Y in 2024**

*average budget increase for Norway, Sweden and Finland, resulting in combined 2024 defence budgets of NOK ~300 billion*





1) Company estimates

2) Source: Statkraft

3) Source: Norwegian Government, Reuters, Industry Europe, joint statement from the Minister for Transport in Norway, Sweden and Finland



# Strong growth expected in priority markets

	<div> Rail</div> <div><ul style="list-style-type: none"><li>Construction</li><li>Substructure</li><li>Superstructure</li><li>Signalling system</li><li>Power supply</li><li>Foundation and groundwork</li></ul></div>	<div> Civil</div> <div><ul style="list-style-type: none"><li>Energy: Solar power construction, power stations, onshore wind farms</li><li>Defence: Ports, harbours, mobility</li><li>Critical infrastructure: water supply, water reservoirs</li><li>Foundation and groundwork</li></ul></div>	<div> Maintenance</div> <div><ul style="list-style-type: none"><li>Rail and light rail</li><li>New markets such as electrical installations for renewable energy and other industries</li></ul></div>
	<div> Machines</div>		
2028 estimated addressable market <sup>1</sup> Billion NOK	31	40	12
CAGR 2023-2028	7%	6%	5%

1) Company estimates

# Stand-alone machine unit to support growth in priority markets

- ▶ Cross-Nordic use of machines, vehicles and equipment
- ▶ Optimising internal and external utilisation
- ▶ Capturing synergies to increase return on investments
  - Improved planning
  - Lower purchasing costs
  - Lower overhead costs
  - Improved funding costs



# Clearly defined success factors guiding the organisation



## Excellence

Delivering operational excellence, ensuring top quality and added customer value



## Efficiency

Building a unified, digital and cost-effective Nordic structure



## Culture

Creating a winning culture across the Nordics

# Implementing strategy to increase value and efficiency

The NRC way

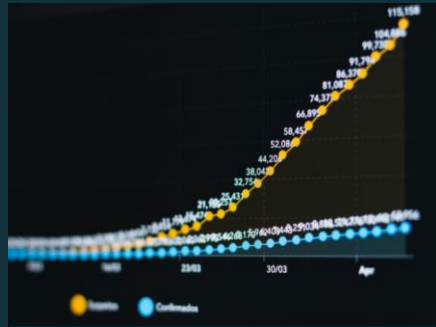


## Win big

Build winning positions in priority markets

Value chain control and strategic partnerships

Leverage expertise to grow



## Improve project execution

Streamline processes and maintain strict cost control

Improve customer experiences

Create new opportunities



## Nordic spirit

Collaborative culture

Leverage best-practice methodology and technology

Use specialised competence across markets



## Active leadership

Strengthen leadership and clear role models

Enable strategic ambitions, efficiency and employee retention



## Building with purpose

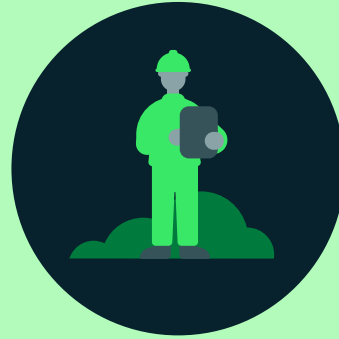
Act on behalf of people, planet and business

Build competitive edge through sustainable offering

# Building with purpose

High-quality  
infrastructure enables  
modern societies to  
grow and thrive

NRC Group converts  
sustainability credentials  
into contract-winning  
advantages.



## Entrepreneurial

We deliver infrastructure, not bureaucracy.  
We are driven by a strong commercial mindset.



## Credible

We work according to high ethical  
standards, we keep our promises, and  
deliver on agreed time, budget and quality.  
For us, promises exist to be kept.



## Caring

We care for the safety of our employees and  
suppliers. We make sure to plan and act for  
the safety of people and our society.

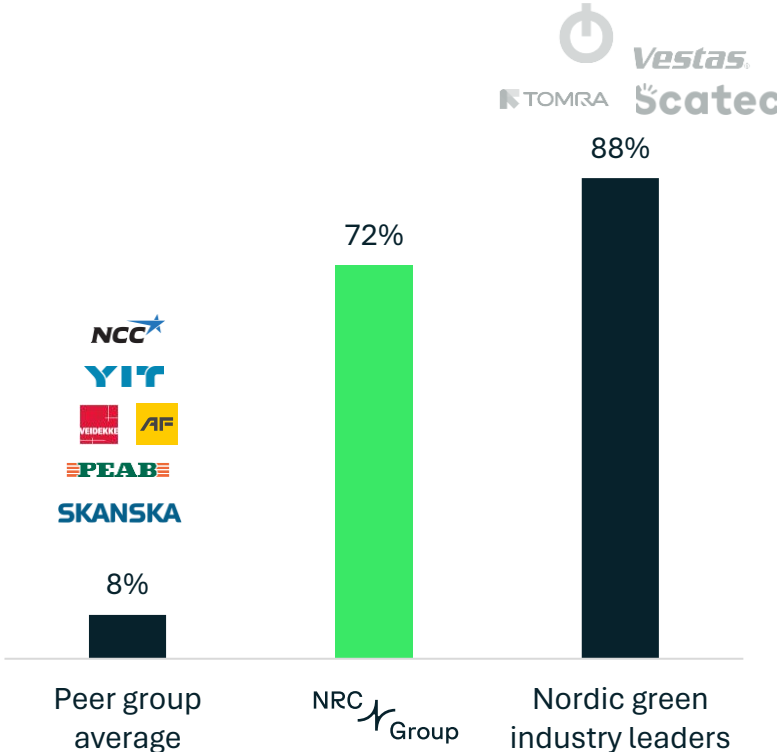


# Unique position in our market

EU Taxonomy

	Eligible	Aligned
Turnover (revenue)	<div>↑ 98%</div> <div>2022: 87%</div>	<div>↑ 72%</div> <div>2022: 67%</div>
Operational expenses (OpEx)	<div>↑ 99%</div> <div>2022: 87%</div>	<div>↑ 74%</div> <div>2022: 67%</div>
Investments (CapEx)	<div>↑ 98%</div> <div>2022: 81%</div>	<div>↑ 76%</div> <div>2022: 73%</div>

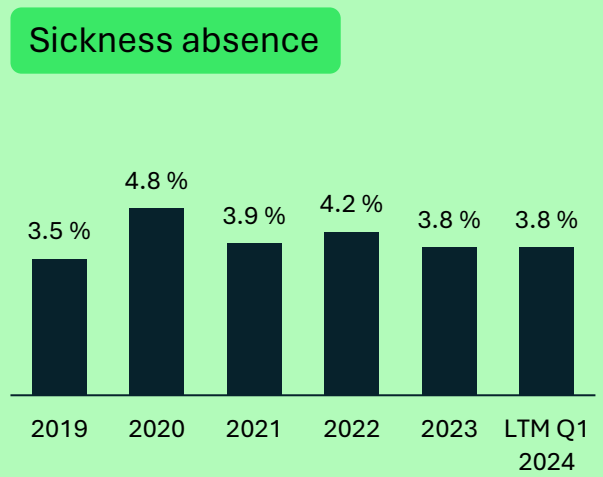
Taxonomy-aligned revenue 2023<sup>1</sup>



1) Company annual reports

# Committed to safe and responsible operations

Health and safety first



1) LTI: Injuries resulting in absence at least one full day per million man-hours (incl. subcontractors)  
2) Injury that results in prolonged disability

## 2023 performance

0

Serious injuries<sup>2</sup>

0

Accidental spills





# Received highest rating – Dark Green Shading – from S&P Global Ratings

Green finance framework



## Established our first Green Finance Framework

NRC Group has established a green financing framework as part of our commitment to develop and supply services to build sustainable transport solutions

The Framework sets out the criteria for investments that can be financed or refinanced with green bonds, green loans other green debt instruments



NOK 400 million Green Bond issued Q4 2023



- ▶ 4-year duration at 3-month NIBOR +4.40%
- ▶ Proceeds used to finance 100% taxonomy-aligned investments and activities

Aligned with the ICMA Principles



S&P Global Shades of Green Second Party Opinion



- ▶ Confirmation of alignment with the Green Bond Principles and the Green Loan Principles
- ▶ Assessment of the Green Projects and their criteria
- ▶ Evaluation of the strengths of governance processes



# A sustainable business model supporting growth and value creation

- ▶ Increased weighting in tenders and focus from clients
- ▶ Increased demand from governments and EU
- ▶ Turning sustainability into contract wins
- ▶ Completing DMA<sup>1</sup> in Q2 in preparation for Corporate Sustainability Reporting Directive (CSRD) compliance and establishing relevant ESG targets

1) Double Materiality Assessment

Transitioning to renewable fuel sources

## Biogas

*Over 50 diesel trucks handling mass transportation are replaced with biogas*

Handling/sorting waste in all three countries 2023

89%

*Criteria >70% to be defined as sustainable for the Taxonomy*

From 2024 and onwards

## Ethical supply chain

*Increased importance to build a sustainable value chain*

Certifications

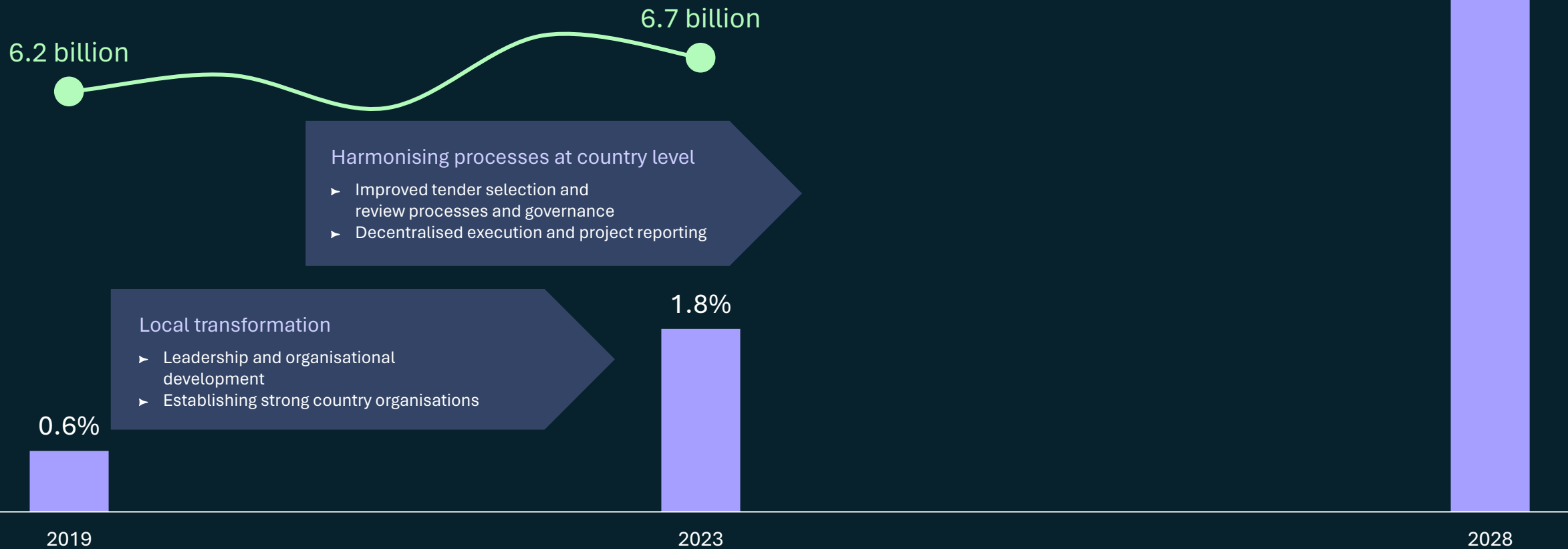
## Anti-bribery

*Re-certified in 2023 (ISO37001)*

# Strengthened execution platform

# Strengthening platform for delivering profitable growth

Revenue NOK and EBIT adj. margin



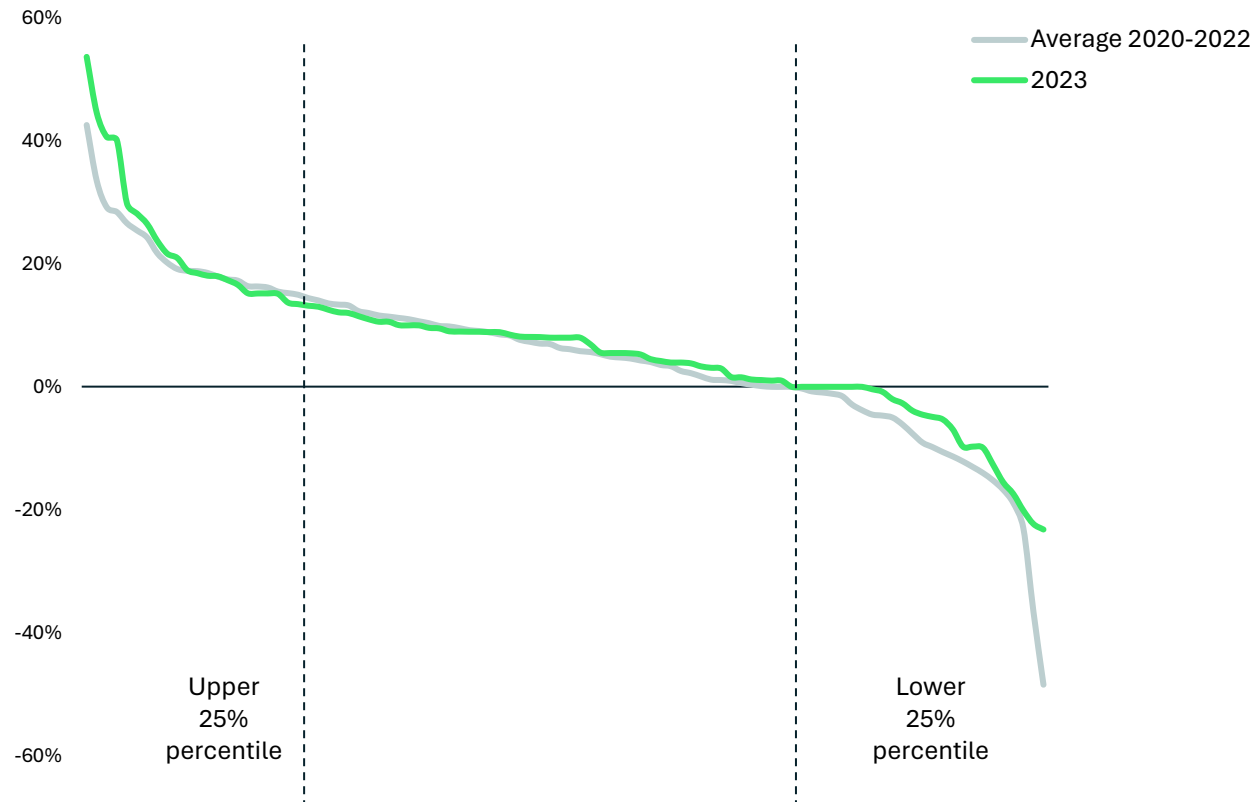
# Executed strategic measures across all operations

Challenges		Actions	Status	
<b>Rail construction Norway</b> Large losses in 2019	➔	Turnaround initiated in 2020	✓	Profitable operations from 2022, legacy project impacting cash flow
<b>Rail construction Sweden</b> Large losses in 2018-2021	➔	Turnaround initiated in 2020	✓	Completed, profitable operations from 2022
<b>Civil construction Sweden</b> Large losses in 2019-2022	➔	Civil construction operations in Karlstad disposed in 2023	✓	Completed
<b>Rail maintenance Sweden</b> Performance impacted by legacy contracts before VR Track acquisition	➔	Repositioned business, winning five new contracts in 2022 with higher margins	✓	Improved margin trajectory with positive margin contribution from new contracts
<b>Demolition and recycling Norway</b> Negative results in 2020 and 2023	➔	Disposed loss-making activities Sale of all machinery and equipment initiated Strategic review initiated		Ongoing
<b>Rail construction Finland</b> Weak profitability in 2023	➔	Improvement program initiated		Ongoing

# Improved project margins over time

## Project portfolio margins<sup>1</sup>

PTD margin %, entire project portfolio excluding Civil and environment

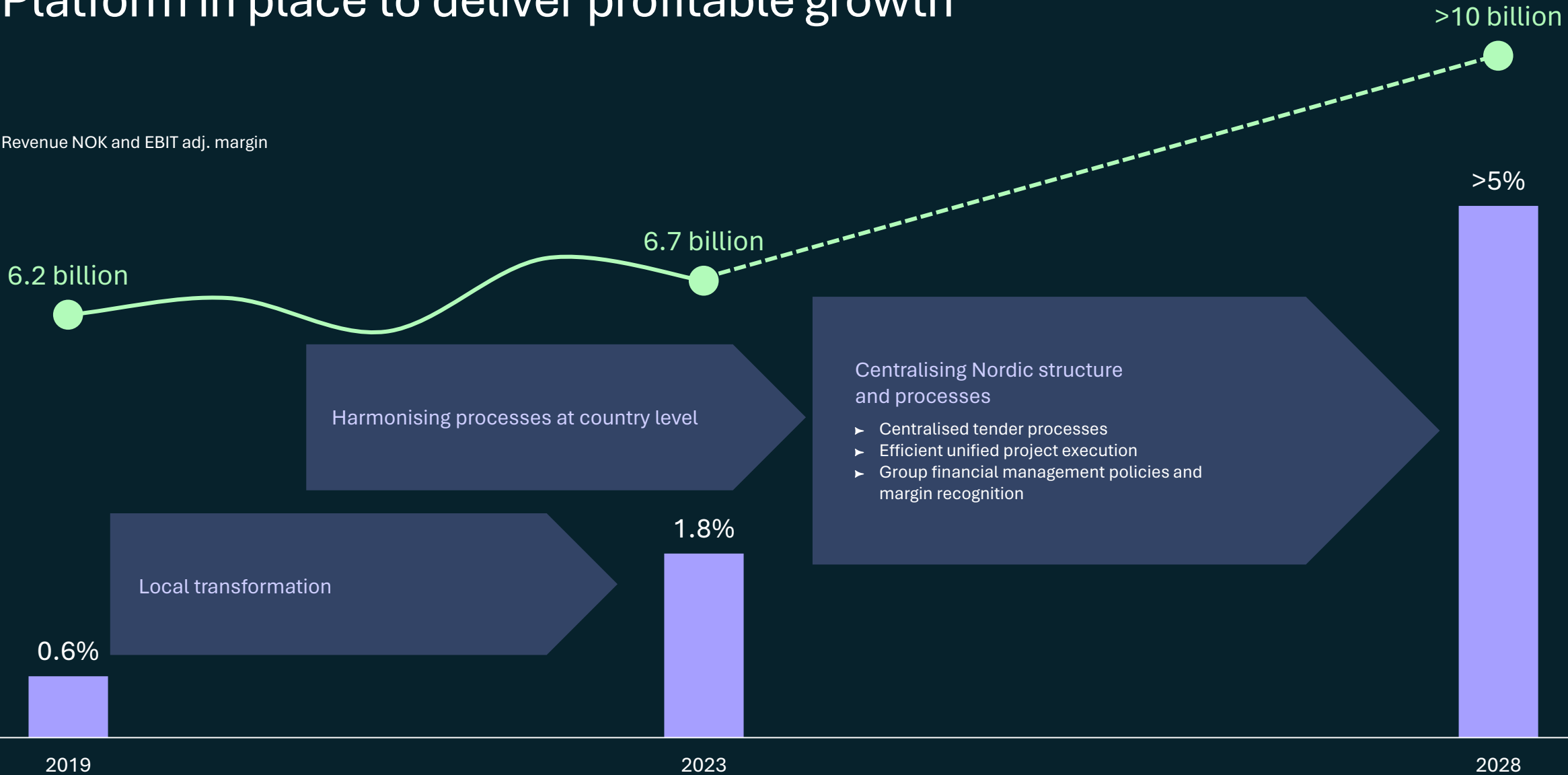


1) Project portfolio including projects with PTE Sales > 25 mSEK

## Comments

- ▶ Margins for the upper and lower percentile projects lifted
- ▶ Continued impact from a few non-performing projects
- ▶ Root causes identified and strengthened project governance model established across all countries

# Platform in place to deliver profitable growth



# Implementing unified Nordic project governance standards

1

Centralised  
tender processes

Improved tender selection  
and review processes and  
governance

+

2

Efficient project  
execution

Enhanced risk management  
from project selection to  
completion

One Nordic methodology for  
risk assessment and  
centralised training

+

3

Margin recognition

Group financial management  
policies with more conservative  
approach

Focus on cost control, realistic  
valuation, risk mitigation,  
change order management

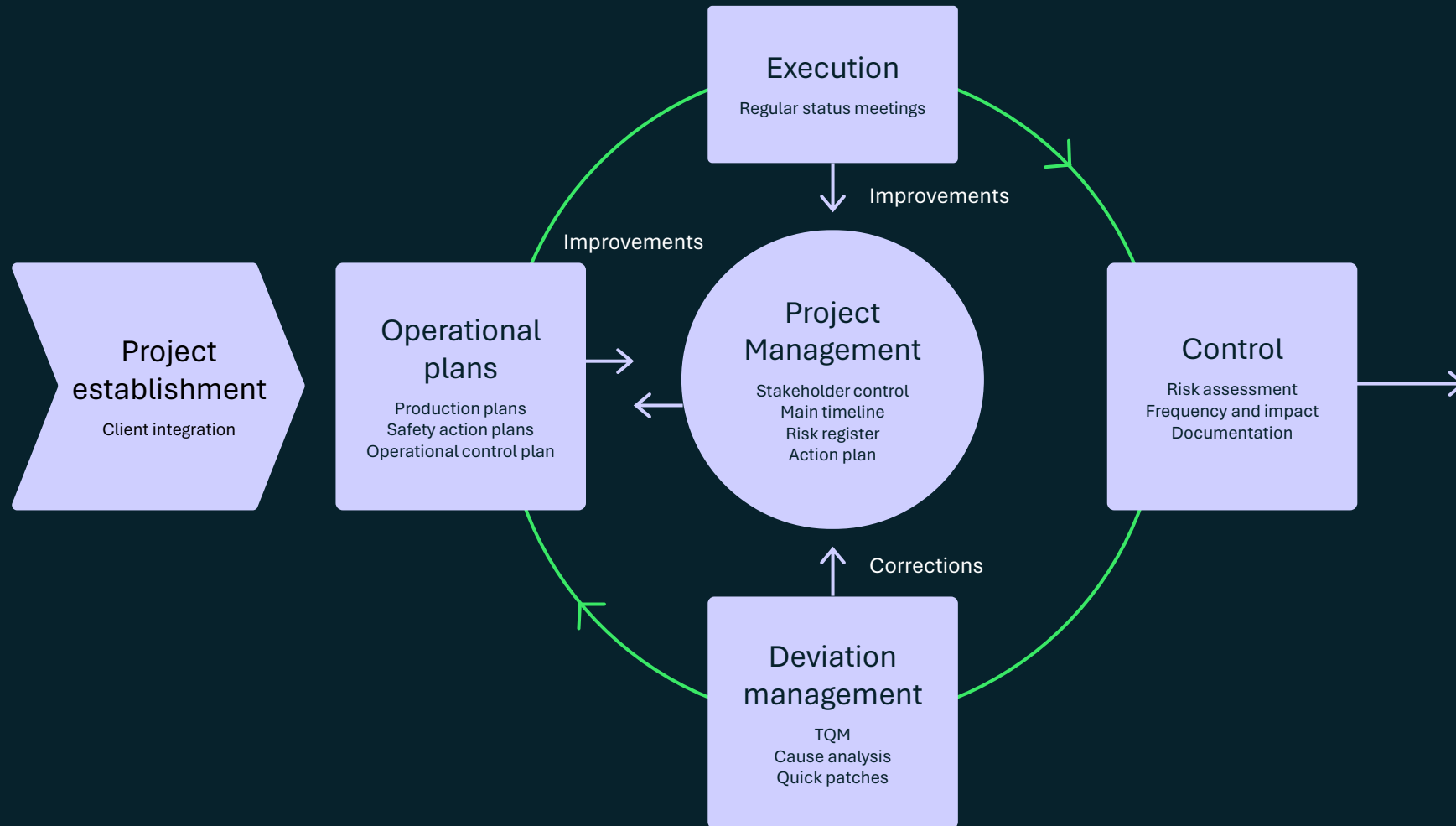


1

# Unified Nordic tender process

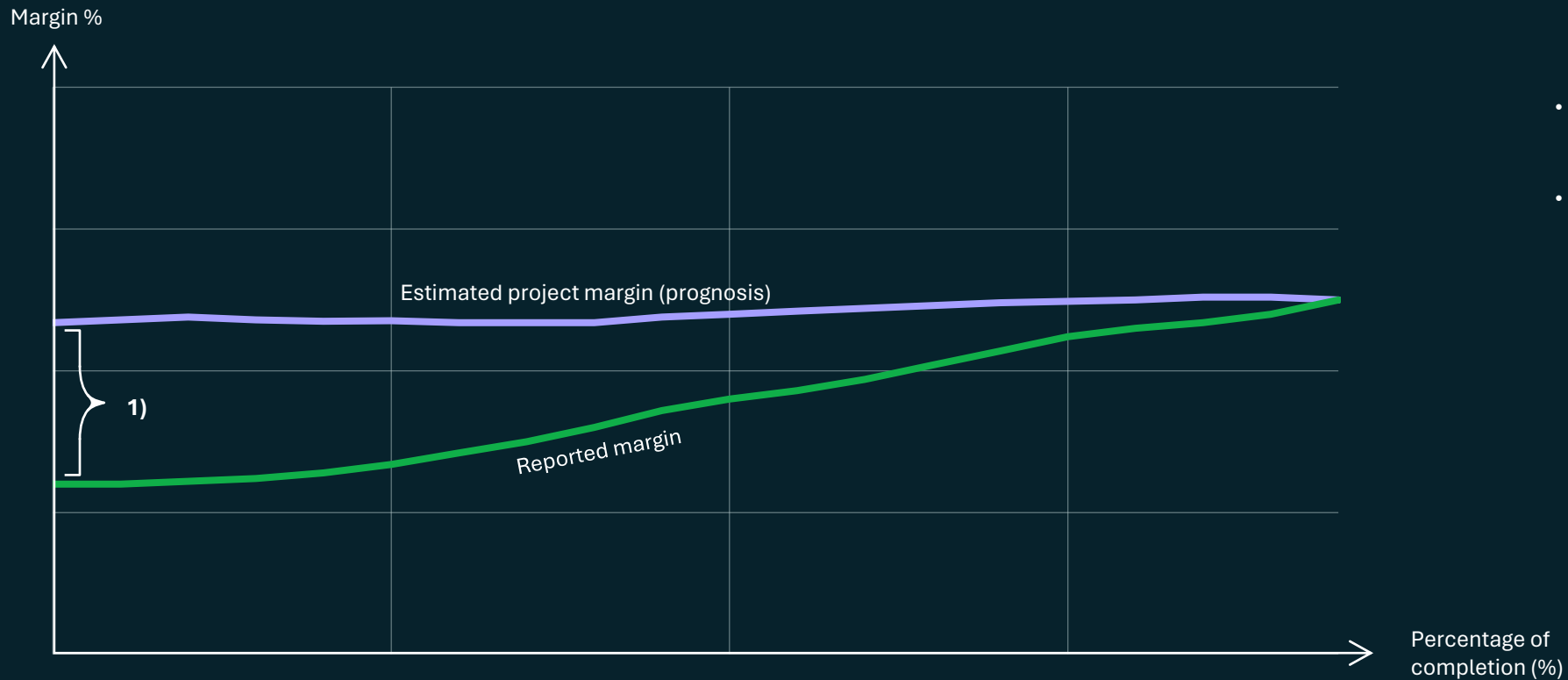


## 2 Efficient project management and strict cost control during execution phase



## 3

## Unified project margin recognition principles

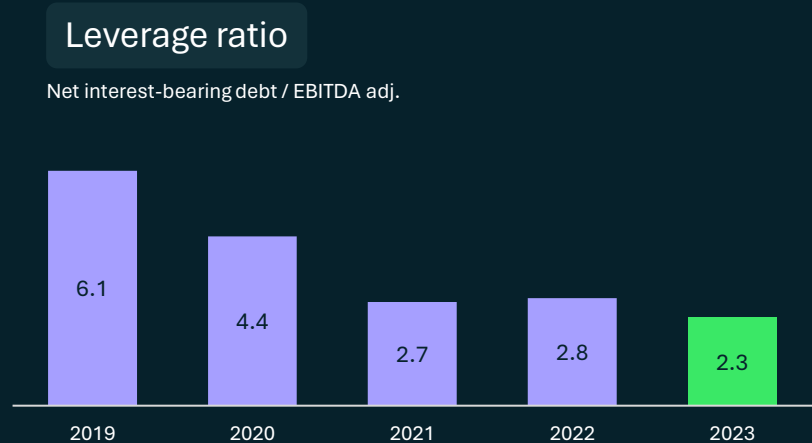
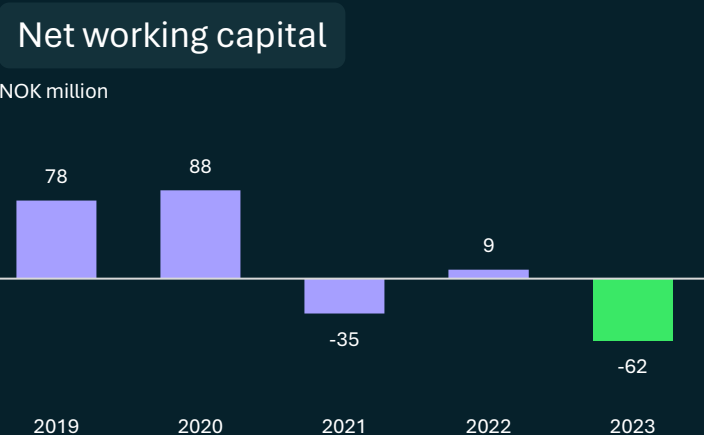
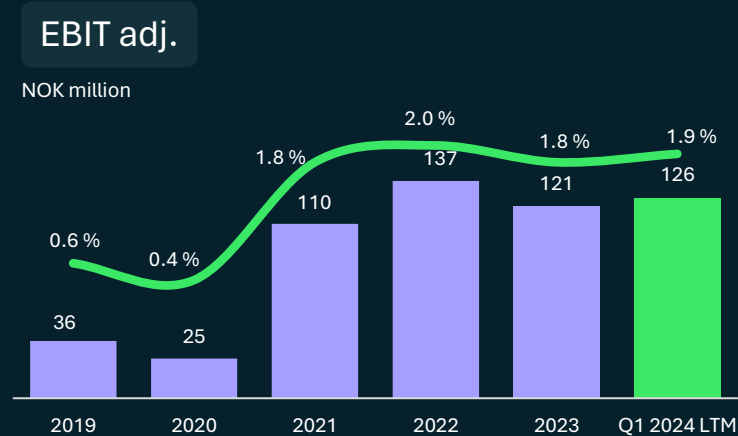
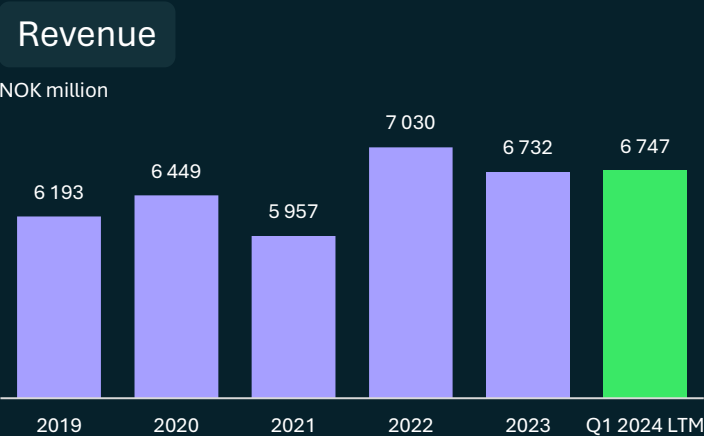


- Project margin being recognised as the project progresses
- Unified conservative margin recognition approach being implemented across the Nordics

1) Risk reserve to reflect higher uncertainty in the beginning of execution phase for medium-sized, large and complex projects

# Delivering on targets and creating value

# Moderate improvement to financial KPIs over last strategy period



# Strategic priorities towards 2028



Improve  
margin in  
existing  
business



Realise  
high margins  
in new  
markets

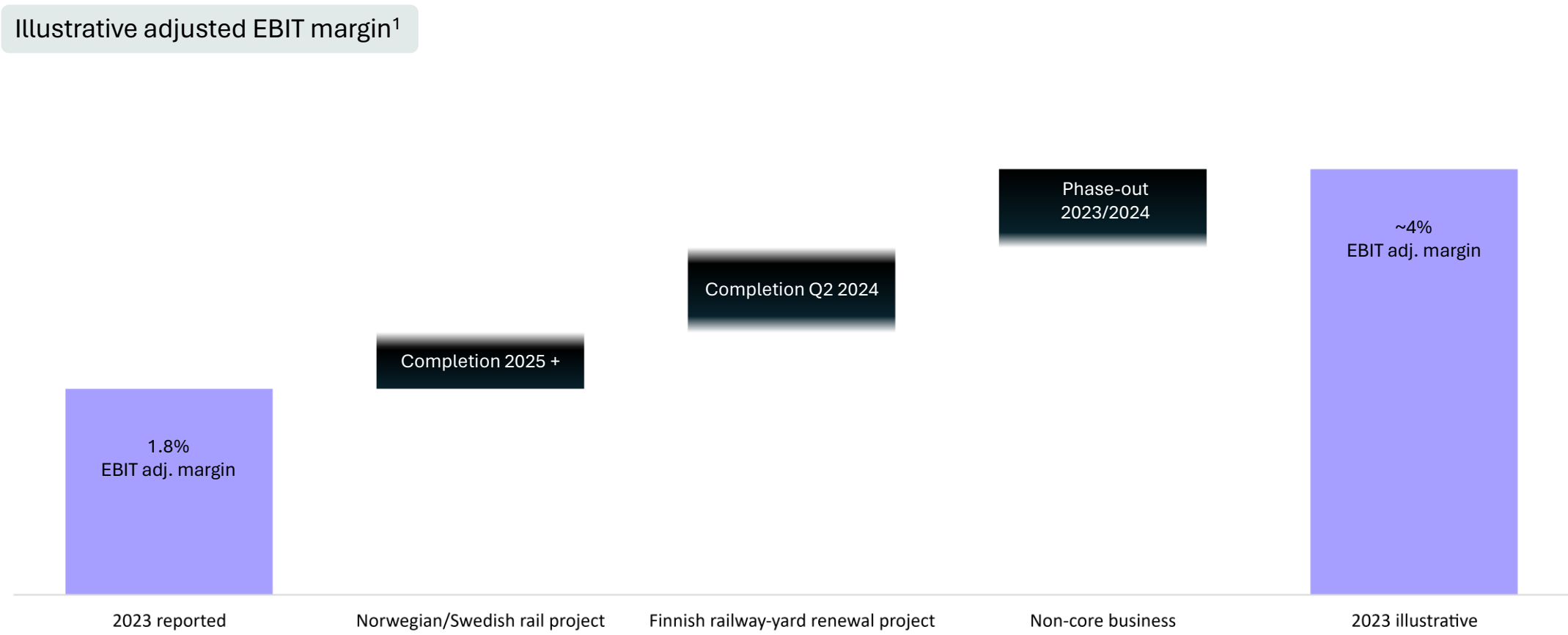


Grow  
revenue  
to NOK  
10 billion



Ensure  
robust  
financial  
platform

# Material margin impact from three items in 2023

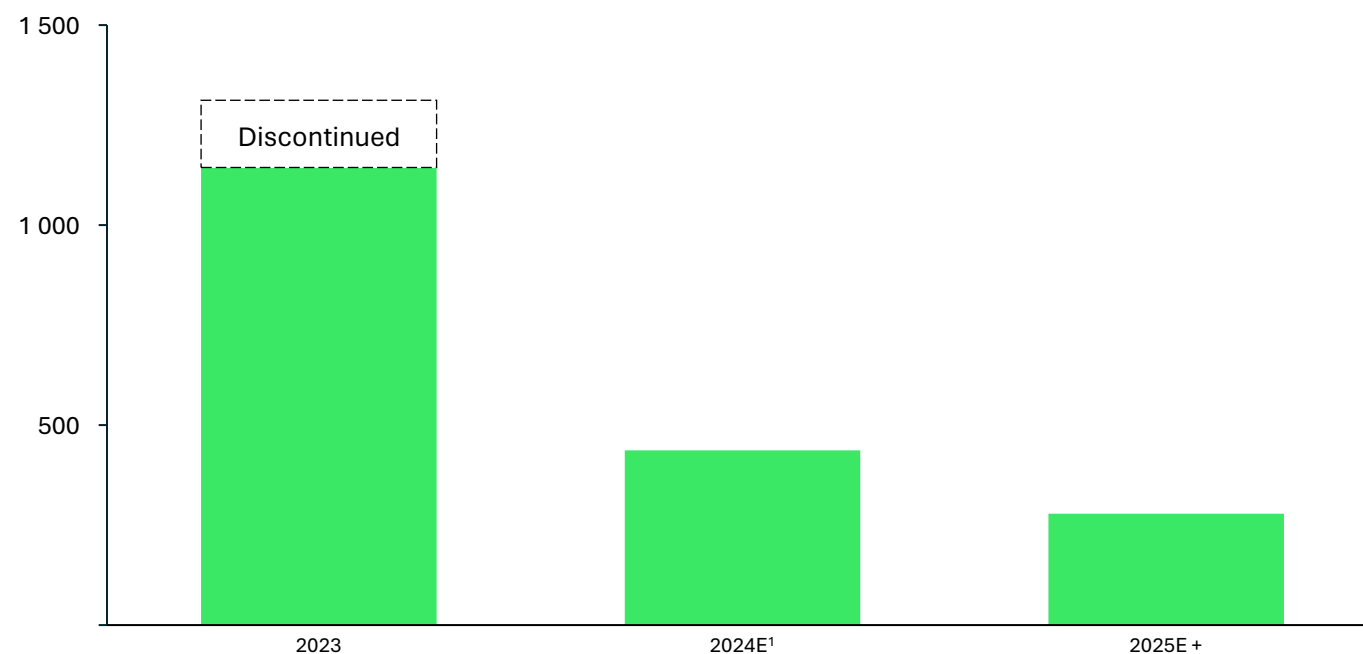


1) Excluding the two projects and non-core business for full-year 2023

# Declining impact from non-performing projects

## Revenue and backlog from zero-margin and loss-making projects

NOK million



## Comments

- ▶ 2023 and Q1 2024 impacted by two non-performing projects and other loss-making projects from non-core business
- ▶ Strategic measures executed, including divestment of non-core business
- ▶ Revenue from zero-margin and loss-making project is expected to materially decline going forward as the two projects near completion

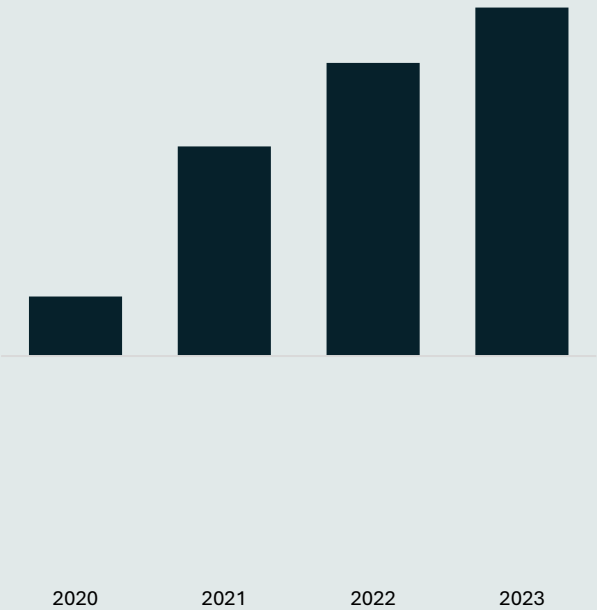
1) Accrued revenue Q1 2024 plus backlog Q2-Q4 2024



# Successful transformation in Norway and Sweden, improvement program ongoing in Finland

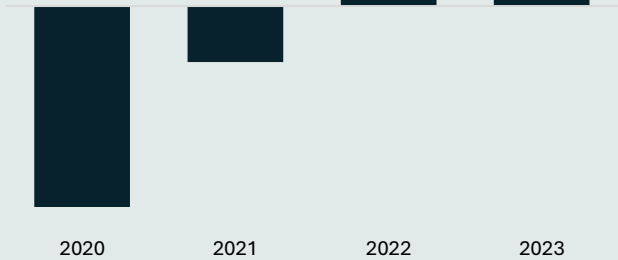
Net project adjustments Norway<sup>1</sup>

NOK million, last 12 months, entire project portfolio



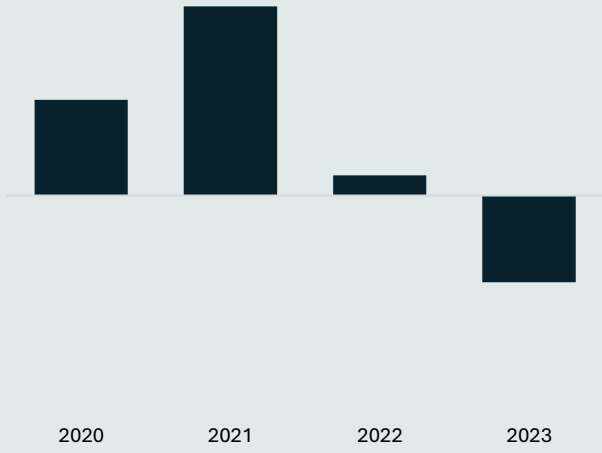
Net project adjustments Sweden<sup>2</sup>

NOK million, last 12 months, entire project portfolio



Net project adjustments Finland

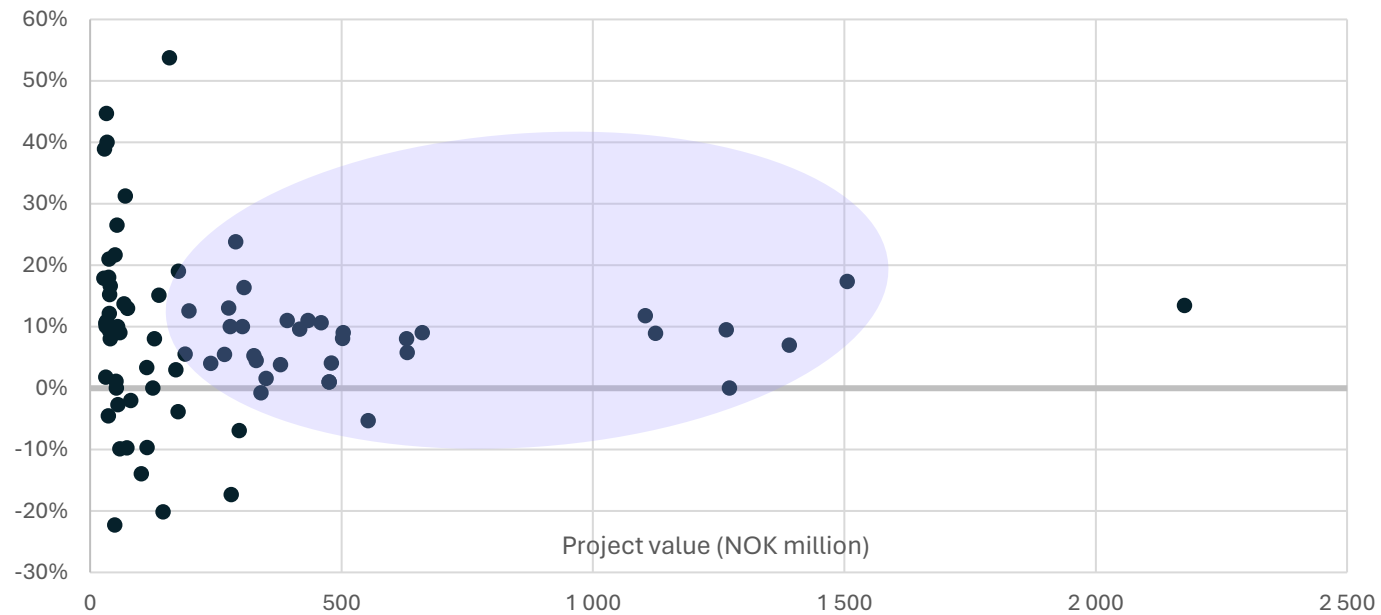
NOK million, last 12 months, entire project portfolio



1) Excluding demolition and recycling business  
2) Excluding civil construction which was disposed in 2023

# Larger contracts enabling improved utilisation and margins

Project margins ongoing and finalised projects in 2023 with value over NOK 25 million<sup>1</sup>



## Comments

- ▶ Transitioning towards projects with right size and right risk reward
- ▶ Over 80% of tender pipeline value are projects > NOK 300 million
- ▶ Increased competitiveness and margin potential on nearby smaller projects
- ▶ Focus on alliance projects and strategic partnerships for the largest projects

Small local players






Specialised regional and national niche players

Major national and international civil construction companies

1) Excluding projects in Norwegian Environment division

# Unique rail market position in the Nordics

## Main large players in each market<sup>1</sup>

Norway	Sweden	Finland
Rail construction		
NRC  Baneservice <sup>2</sup> Infranord <sup>2</sup>	NRC  Infranord <sup>2</sup> Infrakraft	NRC  GRK Destia
Rail maintenance		
Not open to public/competition	NRC  Infranord <sup>2</sup> Strukton	NRC  GRK Destia

## Comments

- ▶ Leading national and Nordic market position within rail construction and maintenance
- ▶ Fewer competitors in mid-size segment due to barriers of entry and full-service requirements
- ▶ Leverage same unique capabilities and build strong positions in selected civil niches markets with similar high barriers to entry
  - ▶ Solar power construction, power stations, onshore wind farms
  - ▶ Water reservoirs, water supply
  - ▶ Harbours, port facilities, mobility

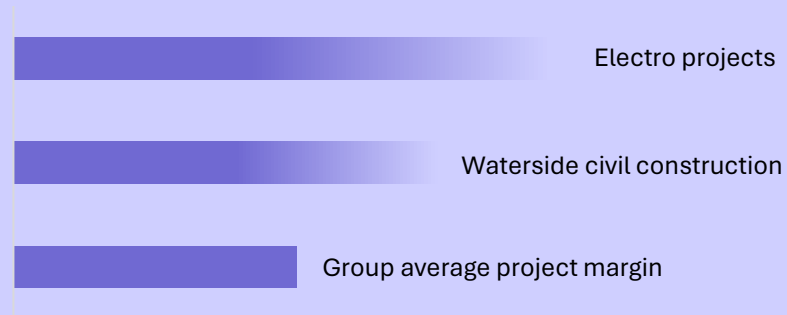
1) Based on 2022 numbers, company estimates and Trafikverket

2) State-owned enterprises

# Realising high margins in selected adjacent markets

## Above-average margin realisation in target niches

Indicative average project margin realisation 2022-2023

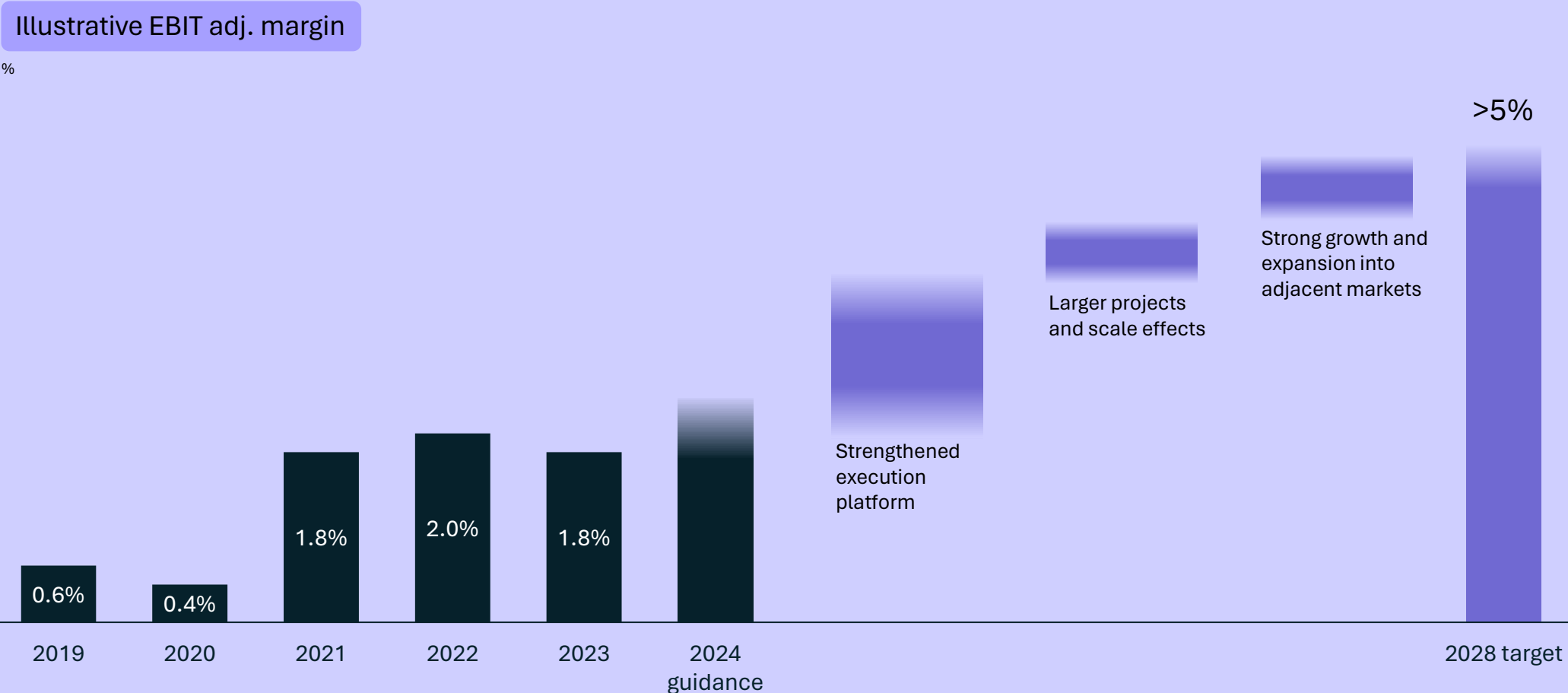


## Leveraging competence and expertise

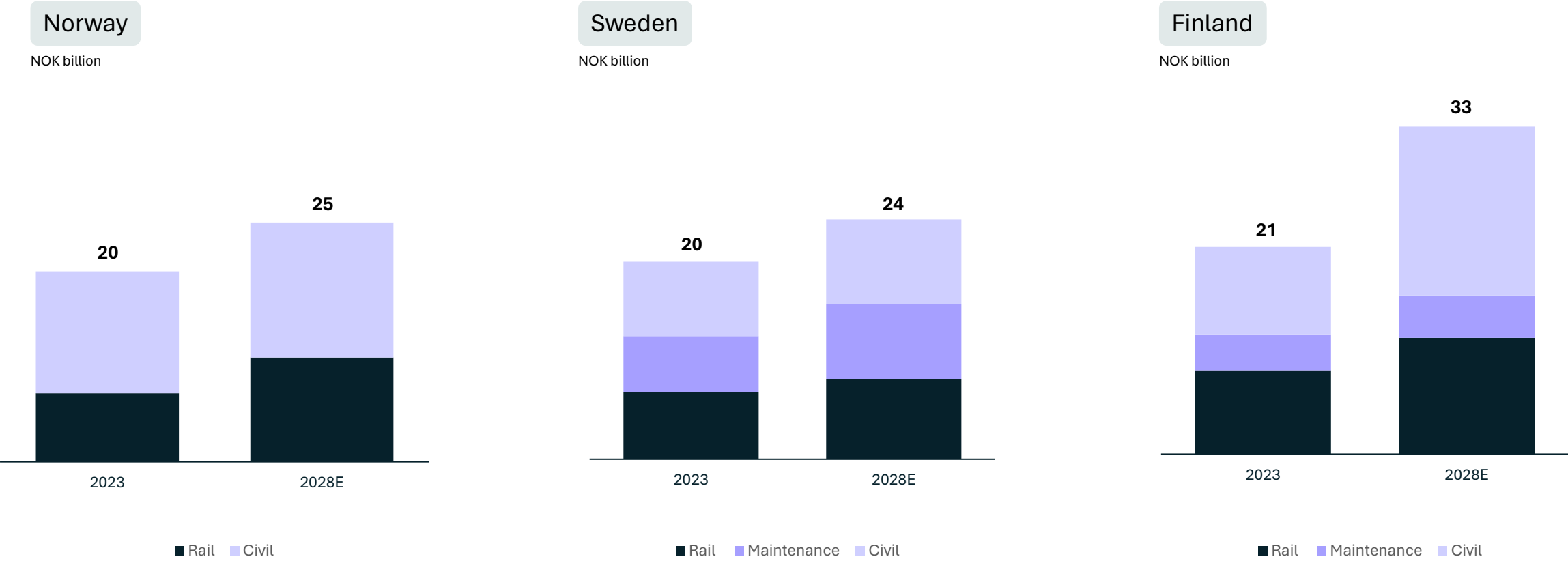
- ▶ Unique platform and market position
- ▶ Special expertise in electricity, concrete and waterside construction
- ▶ Utilising cross-segment synergies to increase group margin



# On path for continued profitability improvement

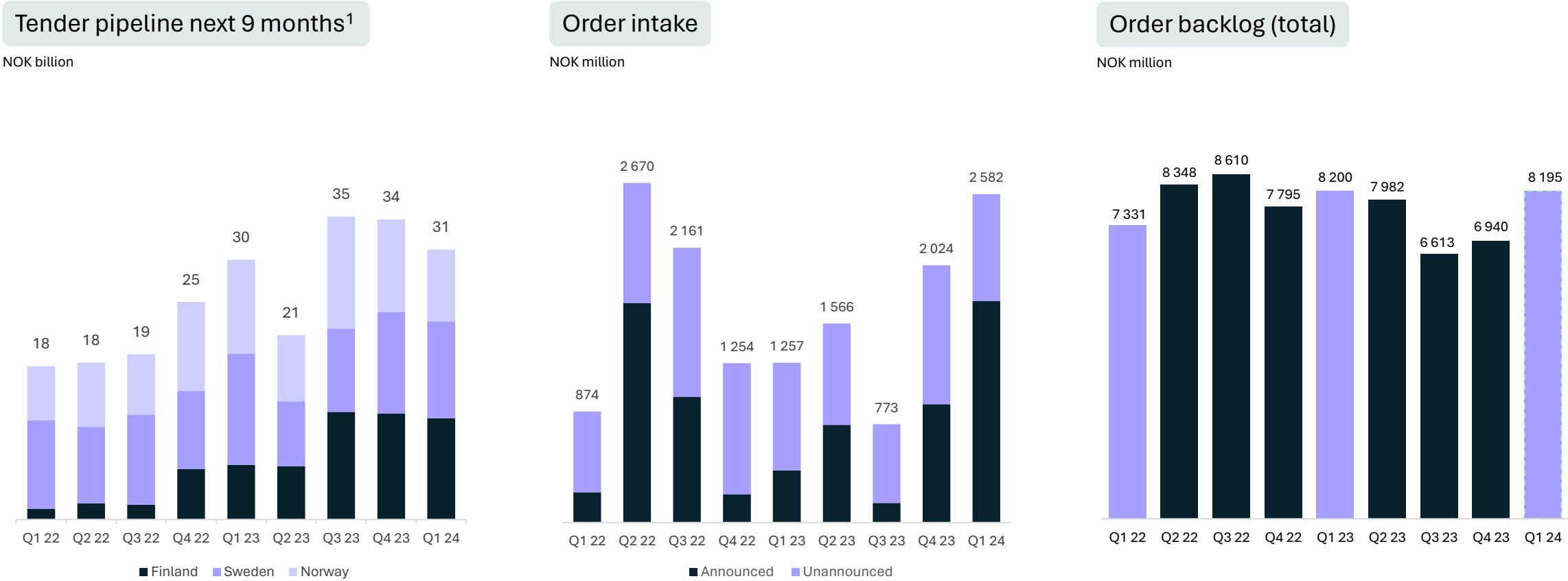


# Growing addressable markets across the Nordics



1) Company estimates

# Tender pipeline and order intake supporting growth

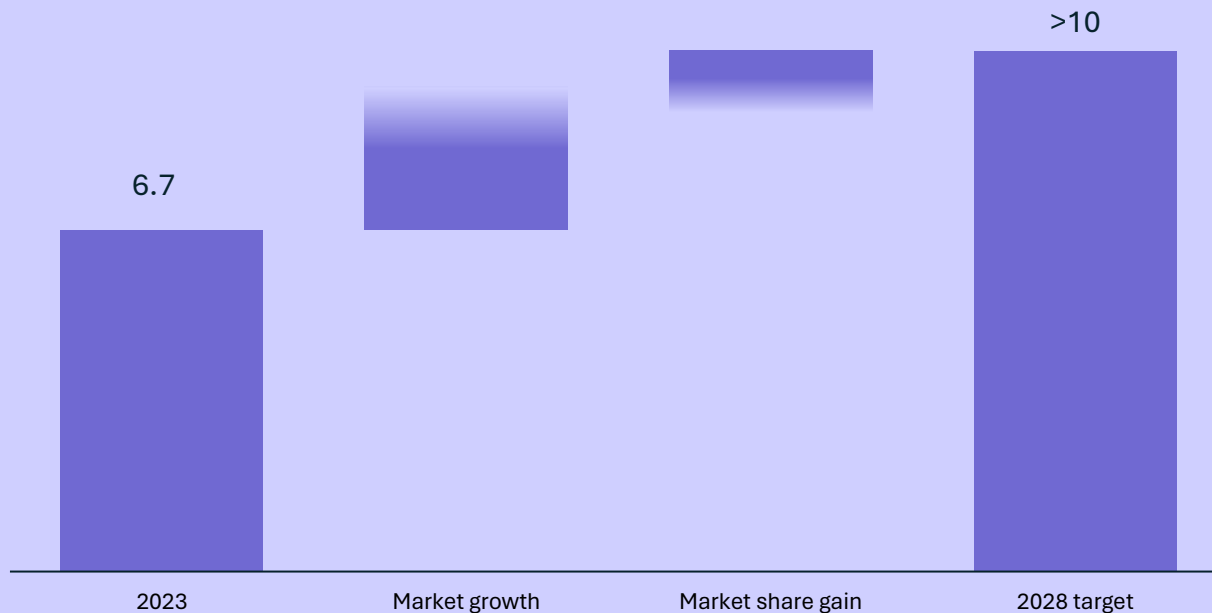


1) Company estimates, assuming 50% share of alliance contracts in light rail

# Growth supported by strong underlying drivers and strategic shift

## Estimated revenue development

Billion NOK



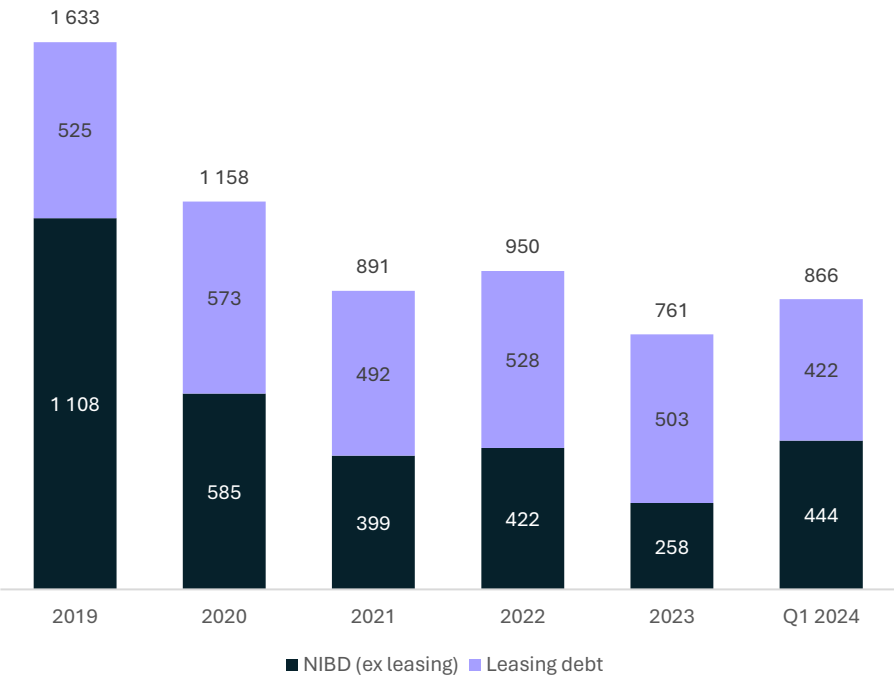
- ▶ Strengthened position in growing rail infrastructure market
- ▶ Disciplined expansion in civil niches
- ▶ Leveraging capabilities from construction to grow maintenance business



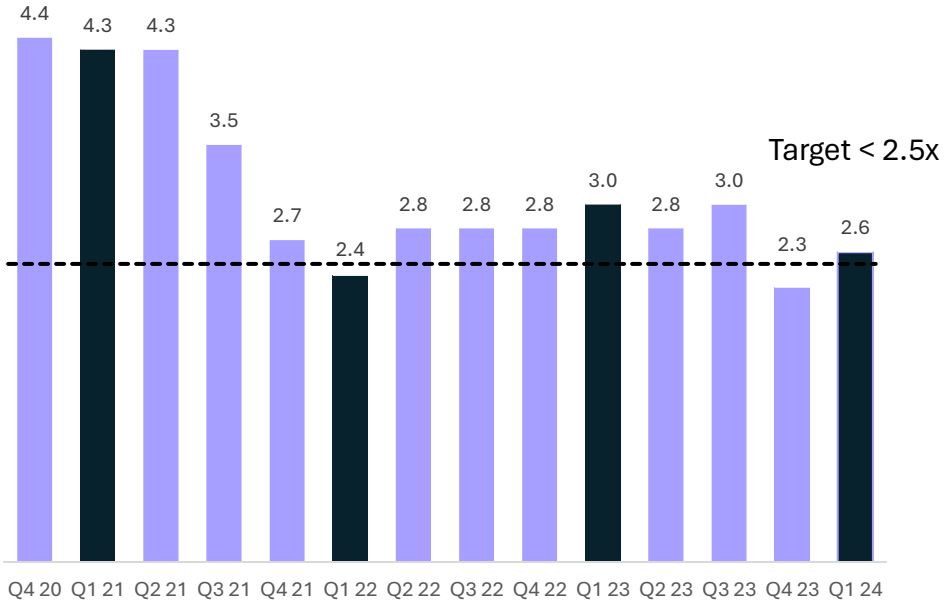
# Ensure robust financial platform

Net interest-bearing debt break-down

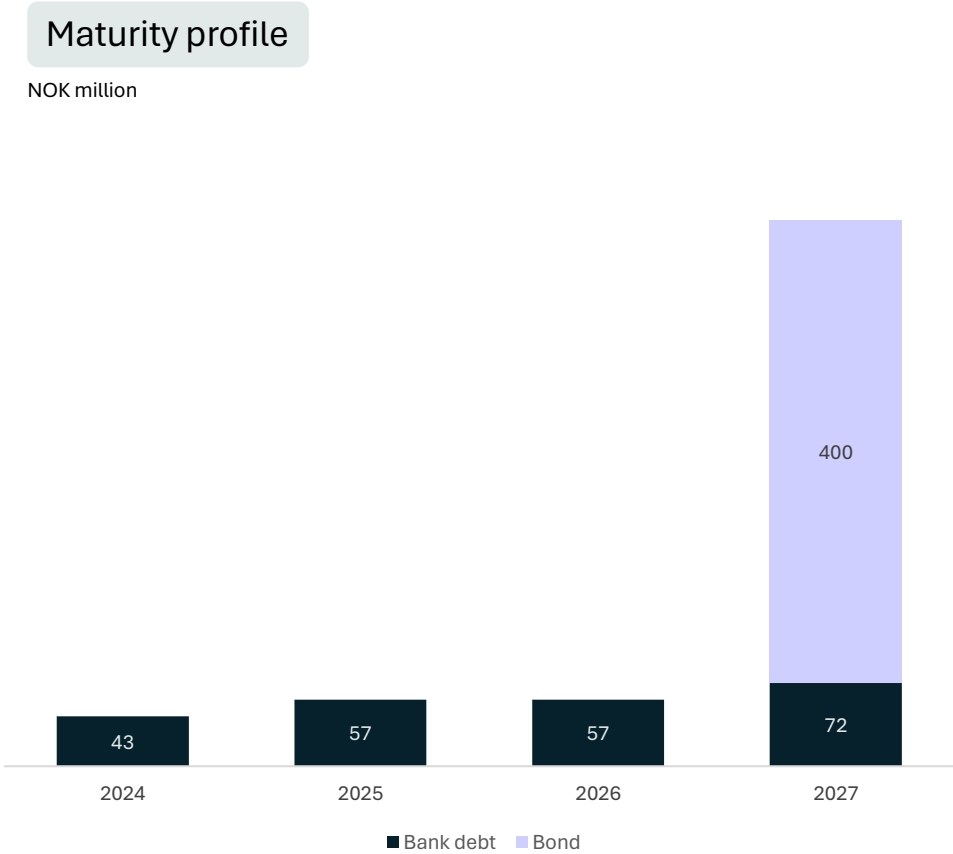
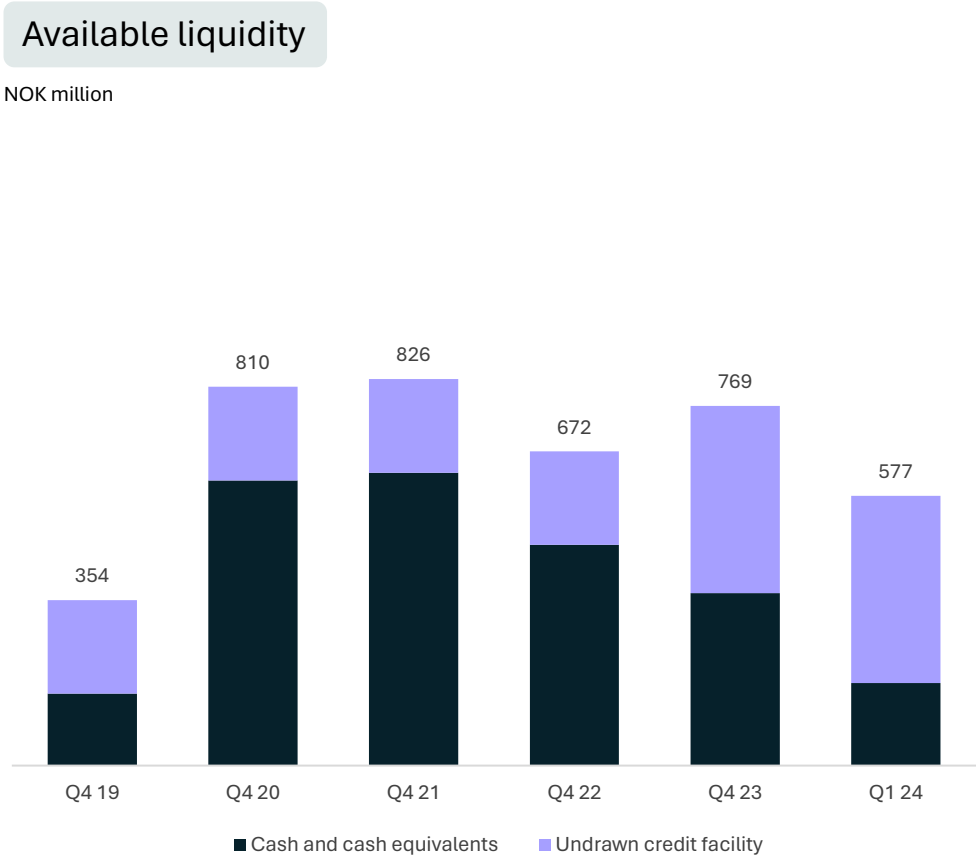
NOK million



Leverage ratio (NIBD/EBITDA adj. LTM)



# Available liquidity and extended maturities



# Clear capital allocation priorities



## Support existing activities and organic growth

- ▶ Continue to improve profitability over time
- ▶ 2028 revenue target will require building a larger liquidity buffer



## Optimise capital structure

- ▶ Establish stand-alone machine unit
- ▶ Optimise working capital
- ▶ Balanced debt structure



## Dividend and M&A

- ▶ Competitive direct returns over time
- ▶ Policy of distributing a dividend of minimum 30% of net profit
- ▶ Bolt-on M&A

# Summary

# Building and maintaining critical infrastructure

- ▶ Strong Nordic foundation in rail construction and maintenance
- ▶ Realising full potential through disciplined expansion in civil construction and new adjacent markets
- ▶ Leveraging group capabilities across the Nordics
- ▶ Credible path to new revenue and profitability targets
  - ▶ Strong market growth
  - ▶ Growing order backlog
  - ▶ Near-record tender pipeline

## 2028 targets

>NOK 10 billion

Revenue

>5%

EBIT adj. margin

## 2024 guidance

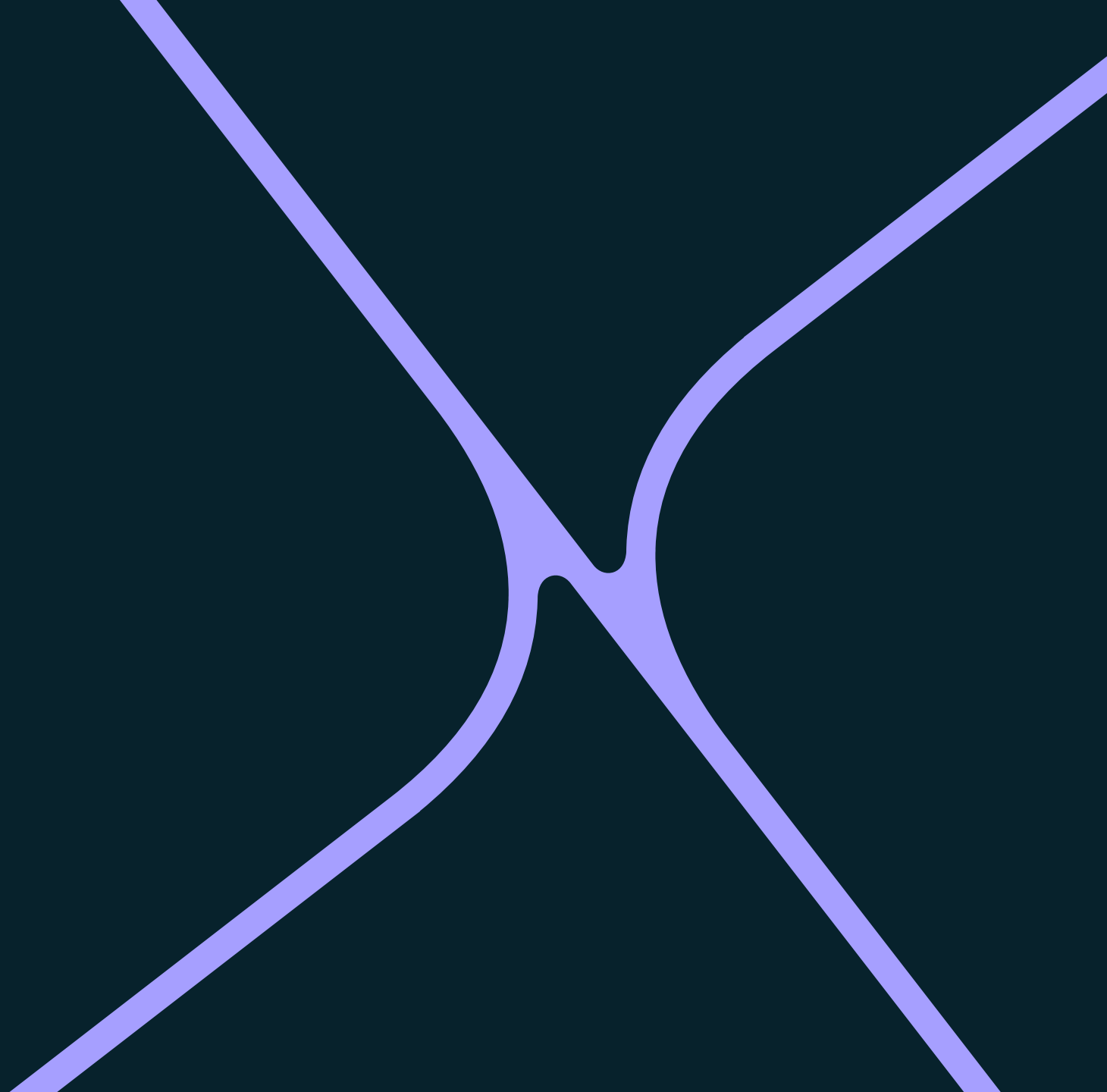
Slight increase vs. 2023

Revenue

Slight increase vs. 2023

EBIT adj. margin





# Appendix



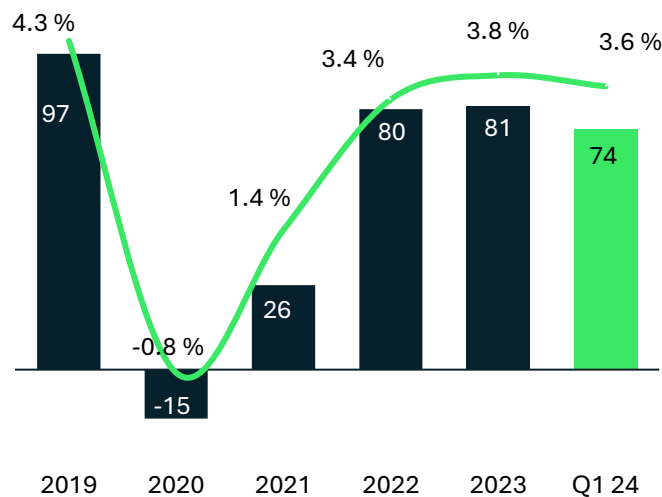
# Improved performance since turnaround processes in 2020

Close-up on Norway

Key statistics

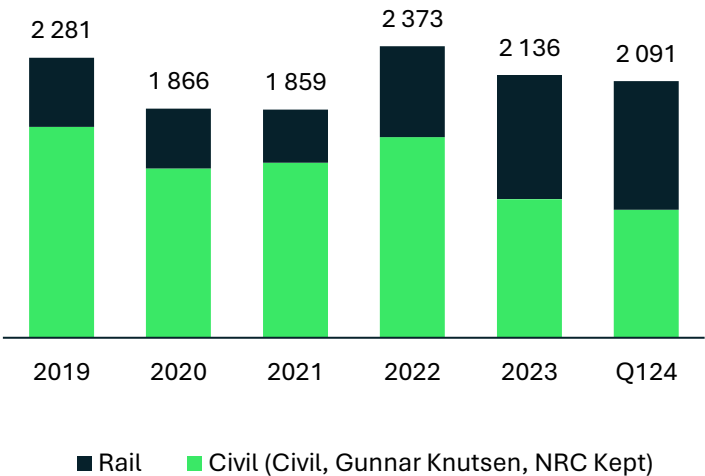
-  ~600 Employees
-  2.1 BNOK revenue (LTM)
-  2.2 BNOK order backlog
-  4.1 LTI (LTM)

EBIT adj. margin LTM



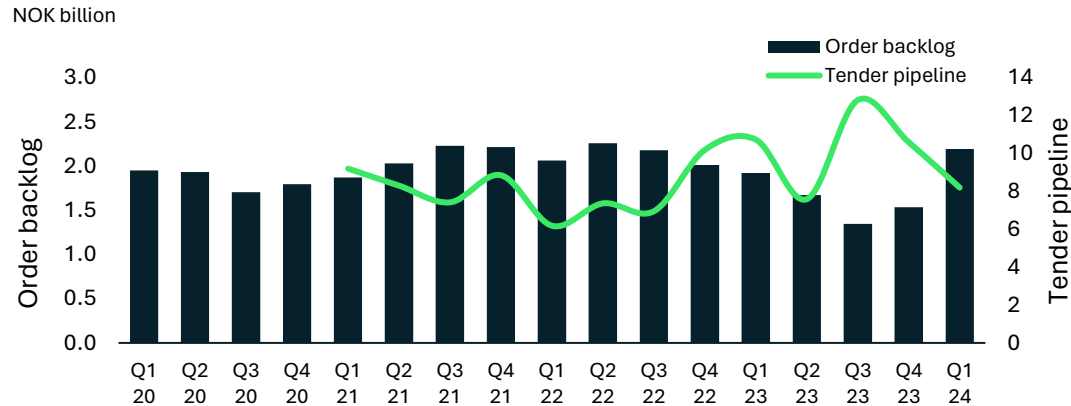
Revenue per division LTM

NOK million



# Order backlog, tender pipeline and addressable market outlook

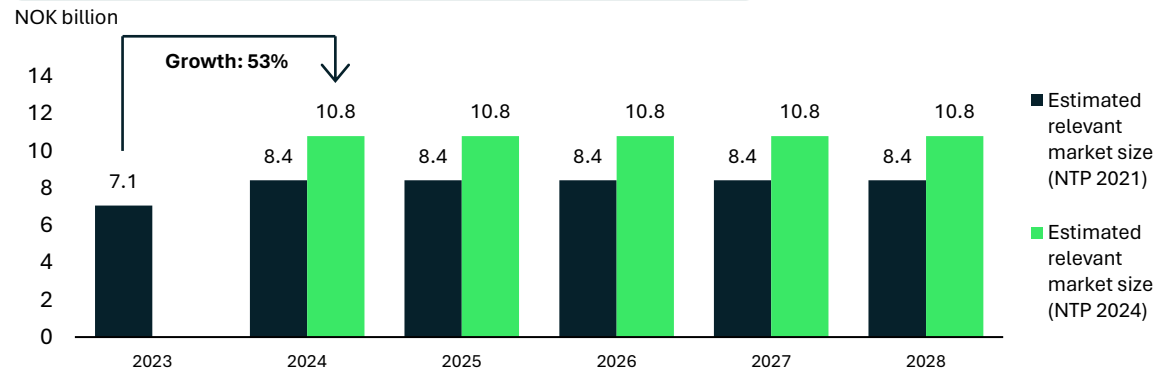
## Order backlog and tender pipeline



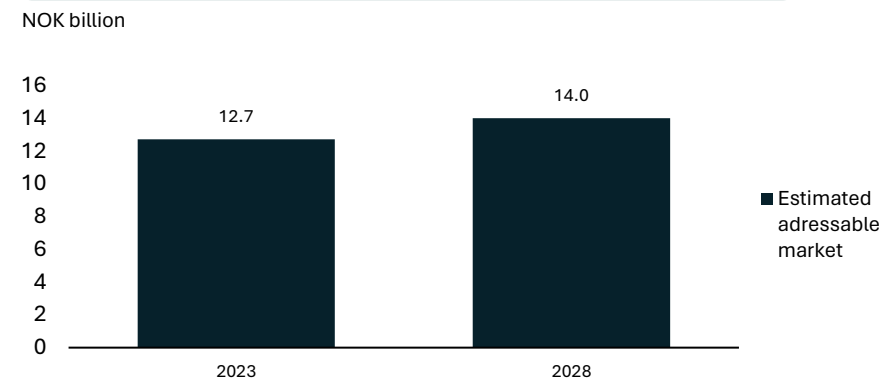
## Comments

- Solid order backlog after strong order intake last two quarters
- Tender pipeline at continued high levels, albeit down following recent announced contract wins
- New NTP published in 2024 implies over 50% increase in the estimated relevant market size for the rail construction business due to prioritisation of upgrades and renewals rather than big investment projects
- Continue to grow in niche civil markets like mass transportation and construction of harbours, ports and dams, and supporting services to rail construction
- Target growth in new niche civil markets that matches our competence within concrete works and electrical expertise, e.g. power stations and water reservoirs

## Rail market – estimated relevant market size



## Civil markets – estimated relevant market size





# Successful ongoing transformation

Close-up on Sweden

## Key statistics



**~400** Employees



**2.0** BNOK revenue (LTM)

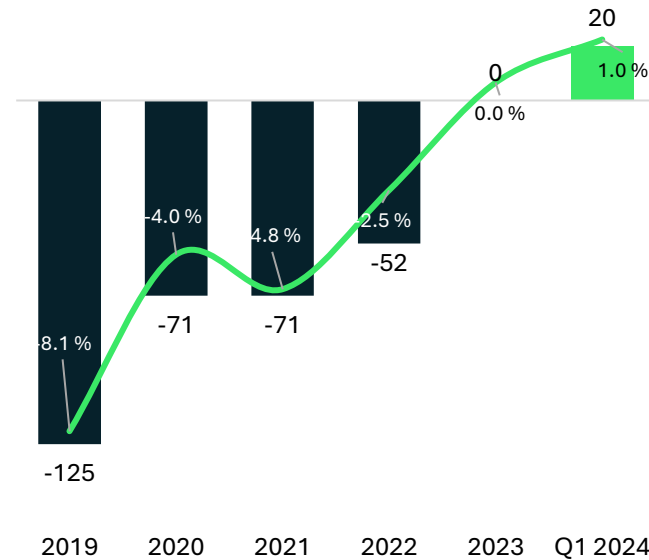


**3.3** BNOK order backlog

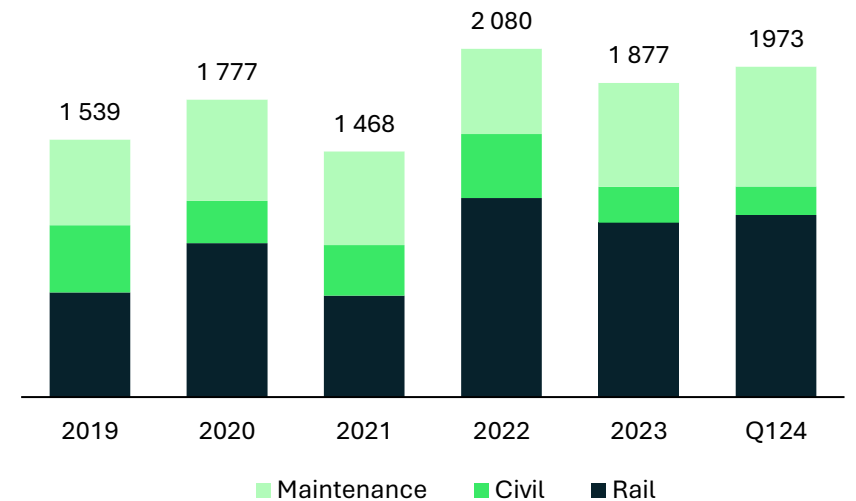


**6.3** LTI (LTM)

## EBIT adj. margin LTM

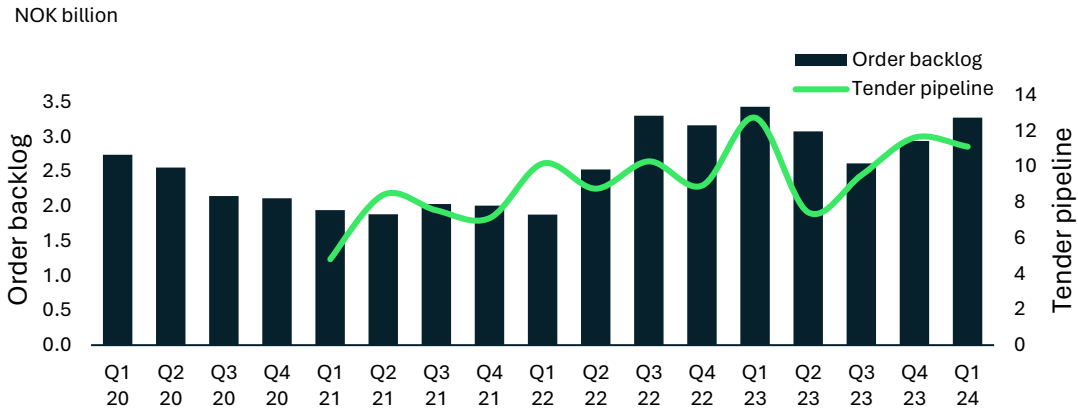


## Revenue per division LTM



# Order backlog, tender pipeline and addressable market outlook

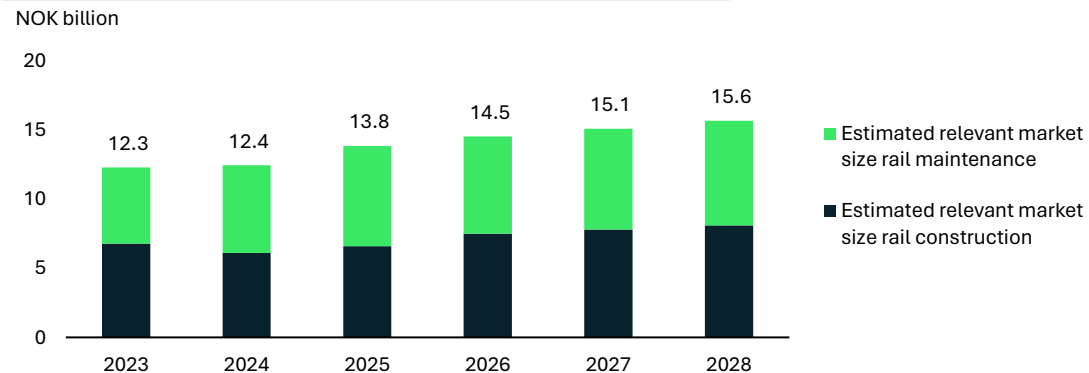
## Order backlog and tender pipeline



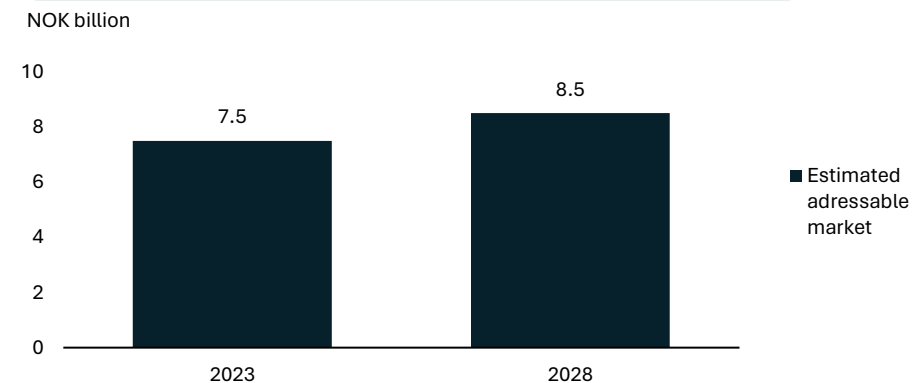
## Comments

- Solid order backlog after strong order intake last two quarters
- Tender pipeline at continued high levels although reduced following recent announced new contract wins
- Estimated relevant market size for rail construction increases 19% over the period, while the relevant rail maintenance market is estimated to increase by 37% until 2028. New NTP expected H2 2024.
- Target growth in new niche civil markets that matches competence within concrete works and electrical expertise, e.g. harbours, wind farms, solar plants and civil works related to the rail construction business.

## Rail market – estimated relevant market size



## Civil markets – estimated relevant market size



# Challenging recent year – solid platform for improvement

Close-up on Finland

## Key statistics



**~850** Employees



**2.7** BNOK revenue (LTM)

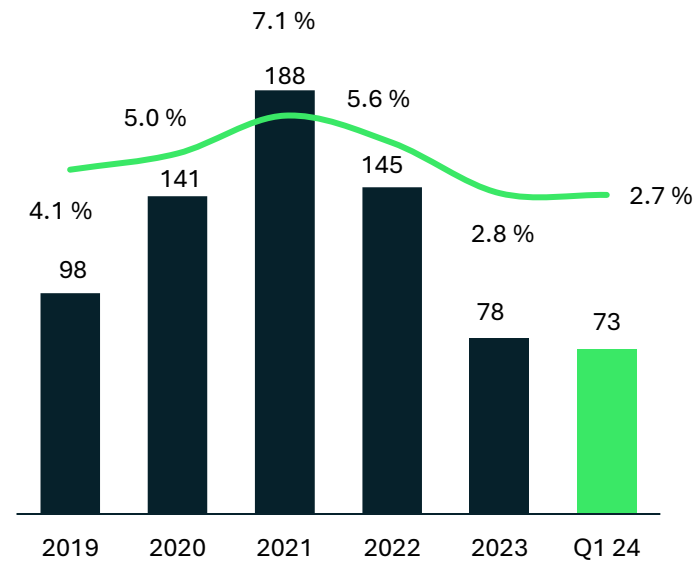


**2.7** BNOK order backlog

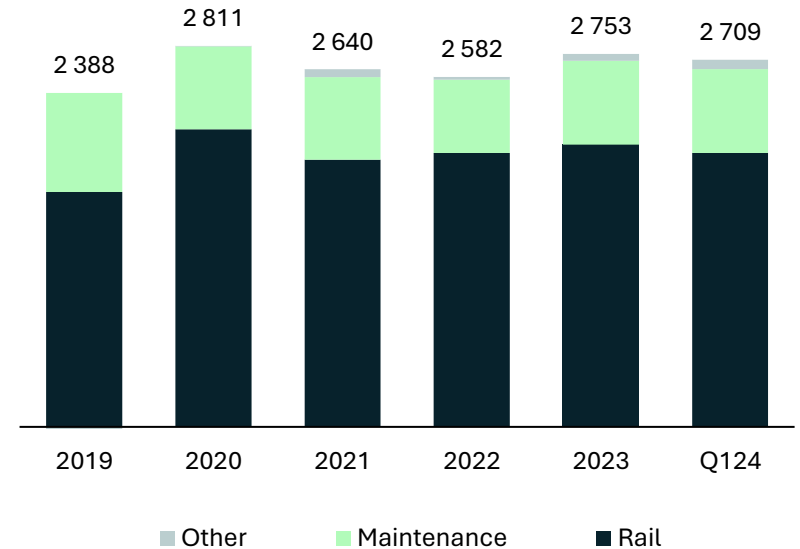


**4.7** LTI (LTM)

## EBIT adj. margin LTM

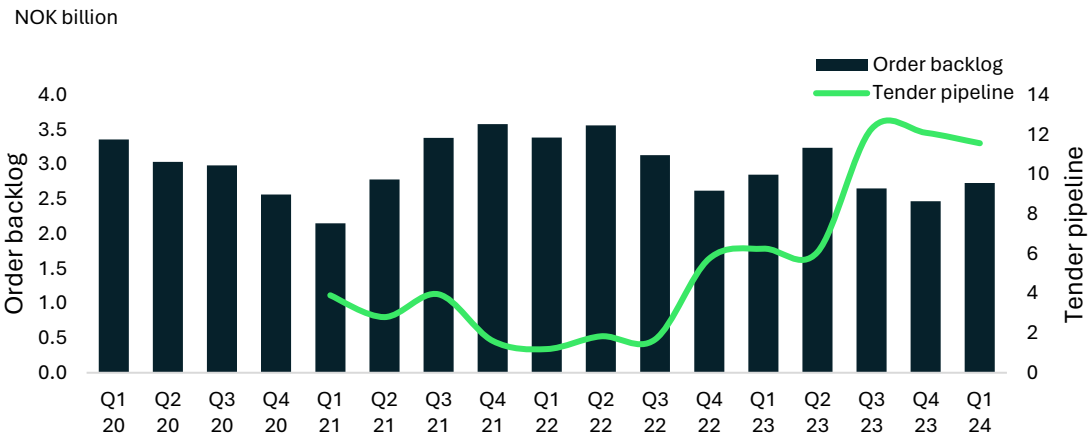


## Revenue per division LTM



# Order backlog, tender pipeline and addressable market outlook

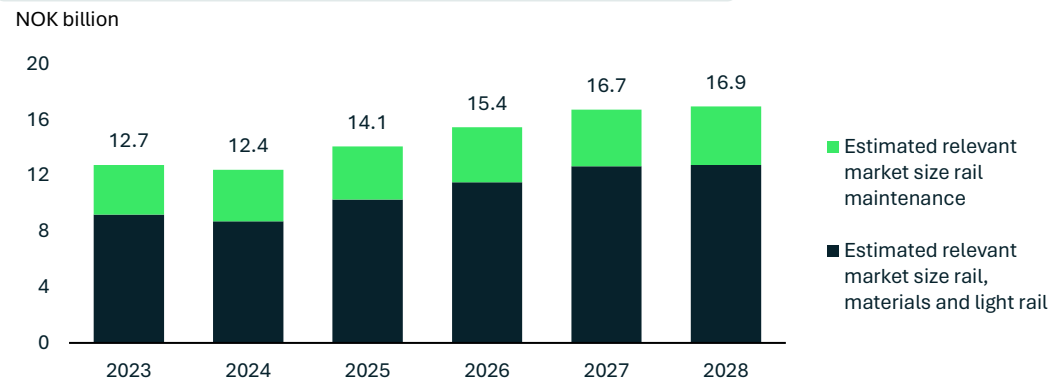
## Order backlog and tender pipeline



## Comments

- ▶ Order backlog down from peak levels in 2021/22 due to lower hit rate and a period with no light rail contracts out in the market
- ▶ Near record-high tender pipeline due to new light rail projects
- ▶ The design phases of Tampere and Turku light rail alliance contracts were won in Q4 2023 and Q1 2024. Construction decisions are expected in autumn 2024 and 2025, potentially increasing the Group's order backlog significantly.
- ▶ New NTP expected in 2025. Current plan implies an increase in estimated relevant market size for the rail business of almost 40%, while maintenance market is expected to grow by 18%.
- ▶ Target growth in new niche civil markets in power grid substations, onshore wind and solar power that matches NRC competences within concrete works and electrical expertise

## Rail market – estimated relevant market size



## Civil markets – estimated relevant market size

