

Etteplan Q3/2020: Good defense produced results

Juha Näkki
President and CEO
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Highlights of Q3/2020

Highlights

7-9/2020

- + We successfully continued to implement the defensive approach that we were forced to adopt in the second quarter.
- + Operating profit (EBITA) was at an excellent level: 9.5% of revenue despite the declining revenue.
- + The number of hours sold in the Chinese market increased by 12.1%.
- + We acquired Tegema in the Netherlands. Tegema strengthens our expertise in production-related solutions.
- The market demand continued to be weak and revenue decreased in the third quarter -10.3% and year-on-year -1.1 %.

Strengthening expertise in production solutions through the acquisition of Tegema



Tegema, the Netherlands

- Tegema provides production solutions, production cells and equipment for customers in the field of semiconductors, electronics, mobility, photonics and medical.
- Tegema is a production system integrator specializing in customized precision mechanics and mechatronics. It combines this experience with the latest robotics, software and assembly technologies.
- The acquisition marks also the start for Etteplan's engineering services in the Netherlands.
 - Acquired on September 9, 2020, included in Etteplan's numbers from September 1, 2020 onwards.
 - Revenue 2019: EUR 11 million
 - Number of personnel: approx. 100
 - Operations in Eindhoven and Arnhem.

Development of the operating environment

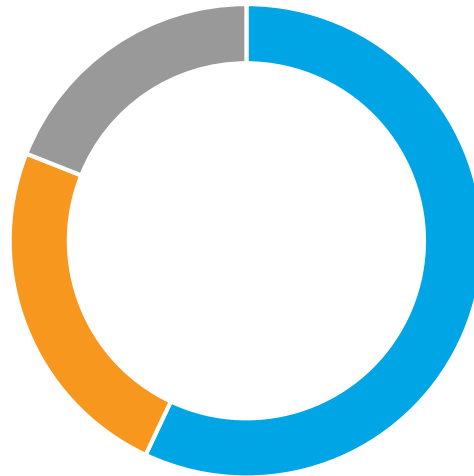
- Demand has weakened due to the pandemic, which significantly increases uncertainty in the markets.
- The start of the second wave of the pandemic slowed down project start-ups after the summer holidays.
- Customer-specific differences were again considerable.
- Some of our customers have also initiated new investments to be in a more competitive position when the demand situation improves. Investments focused on digitalization have already started.

Market development in Etteplan's main markets in July- September 2020

- **Finland:** the general market demand weakened in the second quarter and remained at a low level in the third quarter.
- **Sweden, Germany, the Netherlands and Poland:** a slight turn for the better was seen in the general market demand in the third quarter, but the second wave of the pandemic increased uncertainty toward the end of the review period.
- **In China,** demand recovered in the second quarter after being weakened by the pandemic and was at a good level in the third quarter.

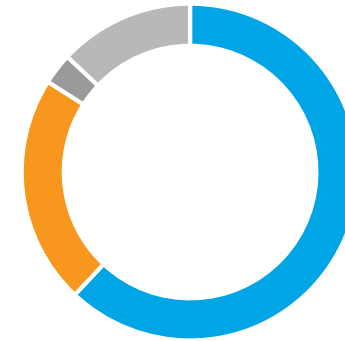
Revenue and personnel 1-9/2020

Revenue by service area



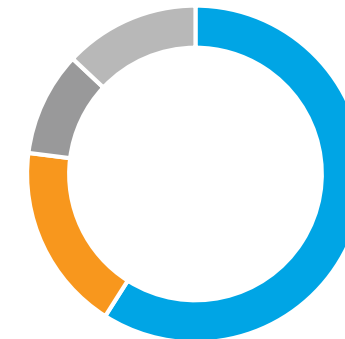
- Engineering Solutions 57% (56%)
- Software and Embedded Solutions 24% (26%)
- Technical Documentation Solutions 19% (18%)

Revenue by country



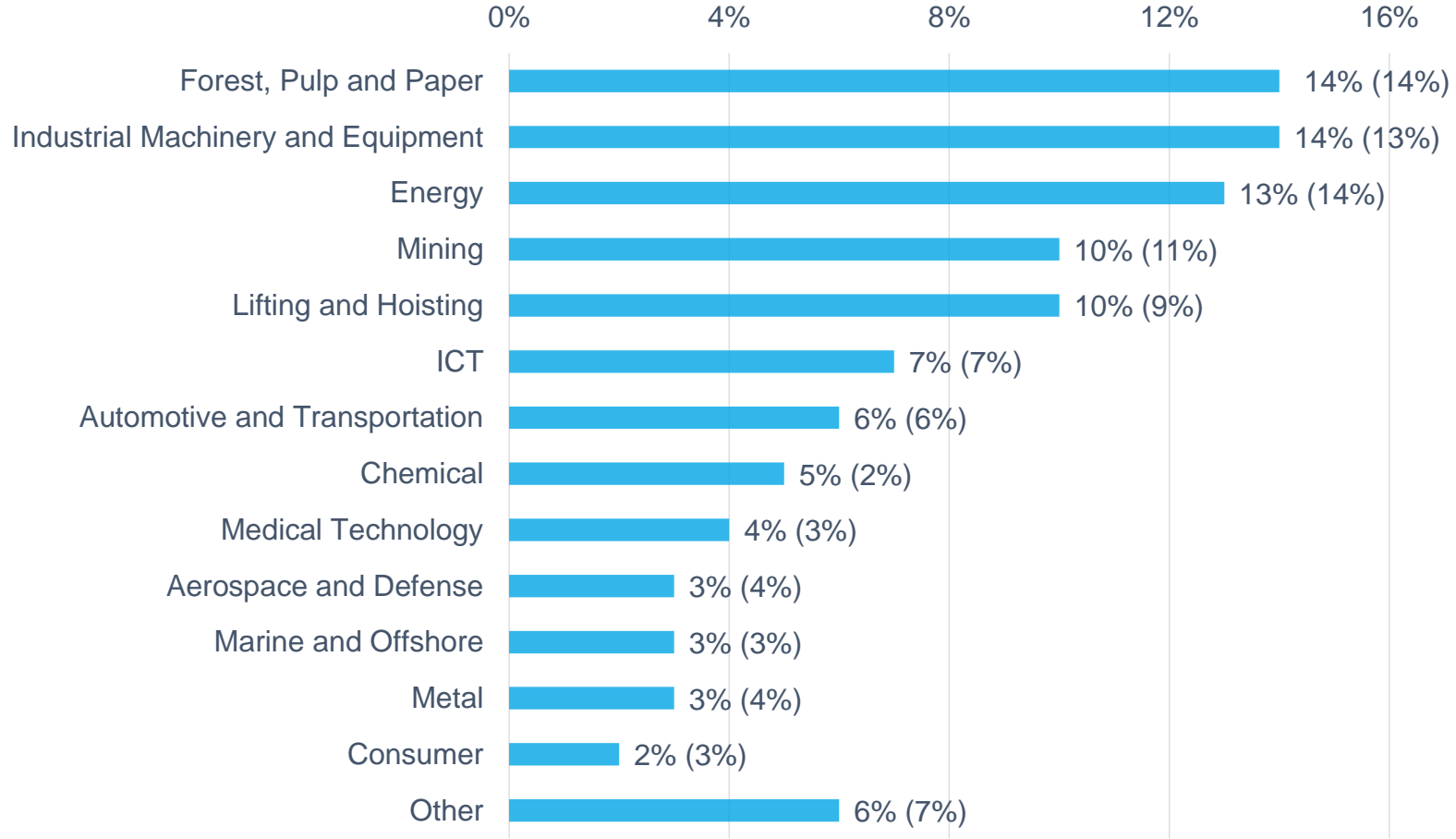
- Finland 62% (67%)
- Sweden 22% (21%)
- China 3% (3%)
- Central Europe 13% (9%)

Personnel by country (end of period)



- Finland 59% (61%)
- Sweden 18% (18%)
- China 10% (11%)
- Central Europe 13% (10%)

Revenue by customer segment 1-9/2020



Key figures 7-9/2020

EUR 1,000	7-9/2020	7-9/2019	Change %
Revenue	55,221	61,539	-10.3
Operating profit (EBITA)	5,222	6,586	-20.7
EBITA, %	9.5	10.7	
Operating profit (EBIT)	4,274	5,693	-24.9
EBIT, %	7.7	9.3	
Basic earnings per share, EUR	0.13	0.19	-31.6
Equity ratio, %	40.1	39.4	
Operating cash flow	206	1,142	-81.9
ROCE, %	12.6	20.1	
Managed Services Index	60	62	-3.2
Personnel at end of the period	3,291	3,440	-4.3

Key figures 1-9/2020

EUR 1,000	1-9/2020	1-9/2019	Change %
Revenue	189,408	191,493	-1.1
Operating profit (EBITA)	18,087	19,493	-7.2
EBITA, %	9.5	10.2	
Operating profit (EBIT)	15,289	17,265	-11.4
EBIT, %	8.1	9.0	
Basic earnings per share, EUR	0.46	0.54	-14.8
Equity ratio, %	40.1	39.4	
Operating cash flow	20,485	15,359	
ROCE, %	14.9	20.3	
Managed Services Index	60	61	-1.6
Personnel at end of the period	3,291	3,440	-4.3

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 October 29, 2020)*

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

The impacts of COVID-19 pandemic on operations:

- Our customers' declining demand has direct effects on Etteplan.
- We continued to implement our defensive approach and implemented adaptation measures and sought savings in operating costs throughout our organization.
 - September 30, 2020: 286 employees were temporarily laid off in Finland, Sweden and Germany.
 - In the prevailing market situation, we have had to slow down the execution of our strategy, but good defense of our market position and strong profitability also enabled investments in growth.
- Remote work will increase at Etteplan in the future, and we have invested in the management and development of remote work.
 - Over 85 per cent of our employees are working remotely.

Financial development Q3/2020

Revenue

7-9/2020: 55.2 M€ (61.5 M€)

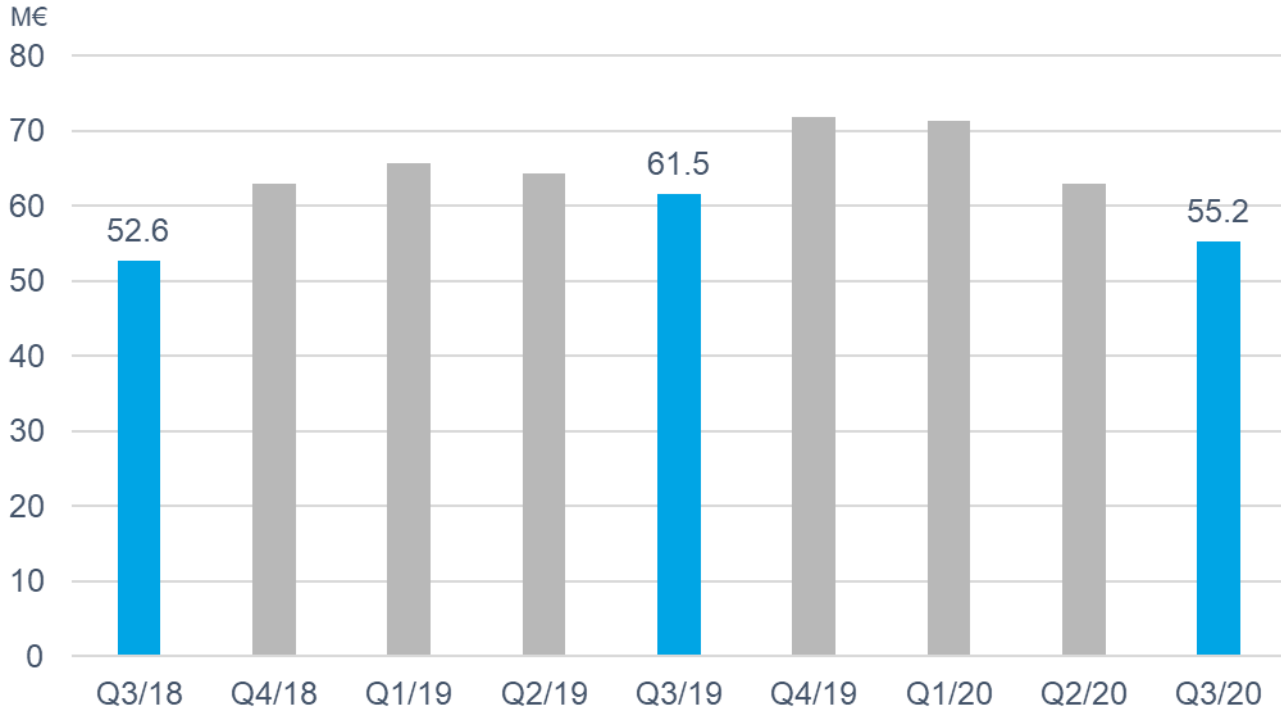
Growth
Change -10.3%
With comparable exchange rates -10.7%

Organic growth
Change -13.3%
With comparable exchange rates -13.7%

1-9/2020: 189.4 M€ (191.5 M€)

Growth
Change -1.1%
With comparable exchange rates -1.0%

Organic growth
Change -9.0%
With comparable exchange rates -8.9%



- 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 start of the second wave of the pandemic slowed down project start-ups after the summer holidays.
- Revenue from key accounts decreased by 14.0%.

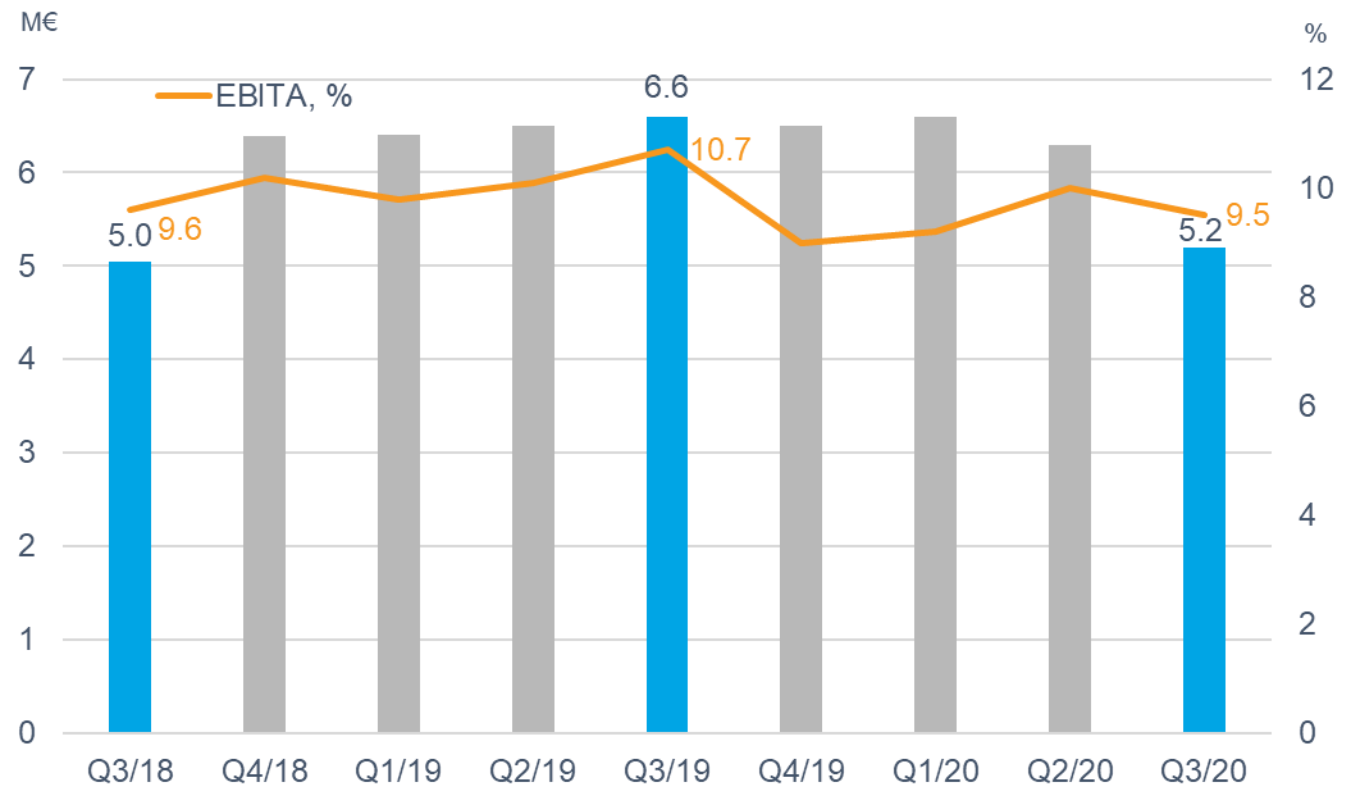
Operating profit (EBITA)

7-9/2020: 5.2 M€, 9.5%
(6.6 M€, 10.7%)

Non-recurring items -0.1 (0.8) M€

1-9/2020: 18.1 M€, 9.5%
(19.5 M€, 10.2%)

Non-recurring items -0.6 (0.6) M€



- Due to adaptation and cost saving measures, profitability remained at an excellent level considering the circumstances.

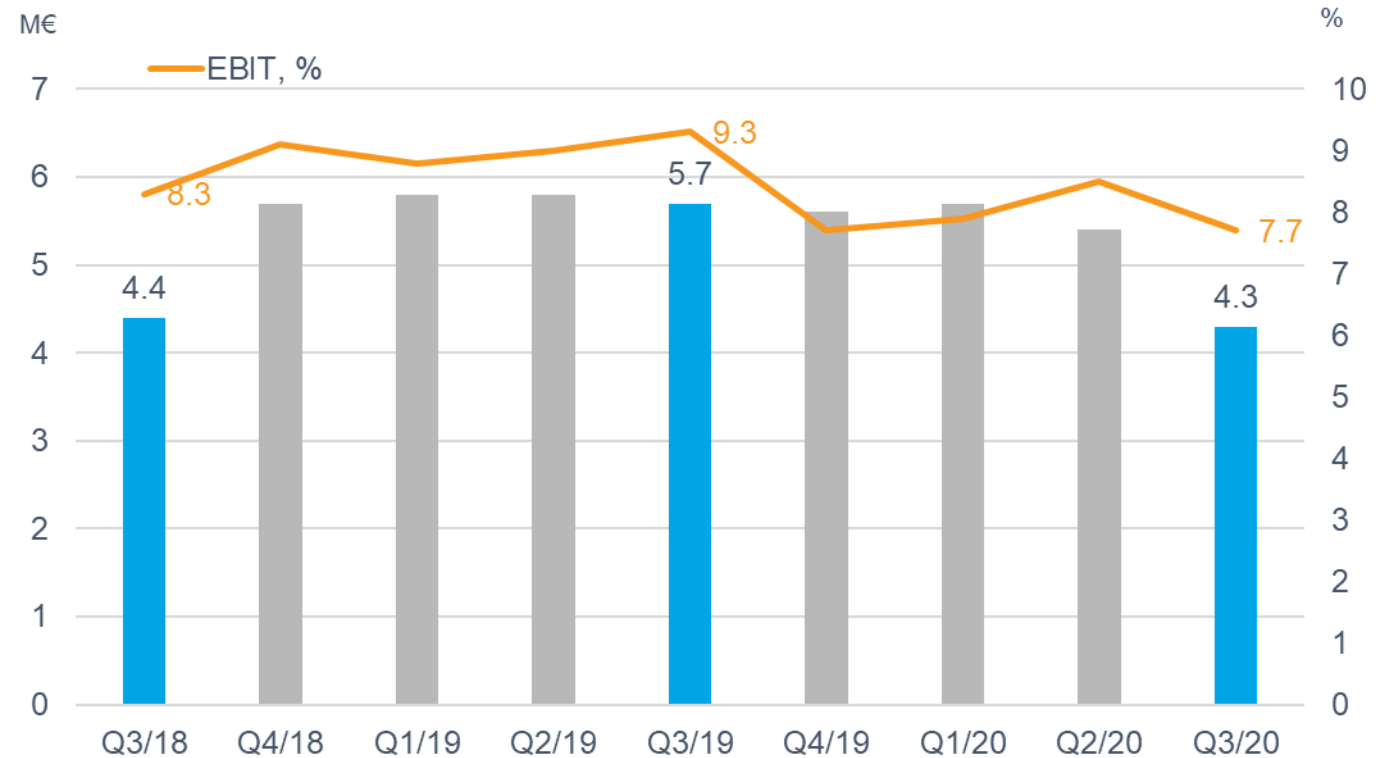
Operating profit (EBIT)

7-9/2020: 4.3 M€, 7.7%
(5.7 M€, 9.3%)

Non-recurring items -0.1 (0.8) M€

1-9/2020: 15.3 M€, 8.1%
(17.3 M€, 9.0%)

Non-recurring items -0.6 (0.6) M€



- Amortization related to acquisitions were EUR 0.9 million in 7-9/2020 and EUR 2.8 million in 1-9/2020.

Engineering Solutions

Revenue

7-9/2020: 31.0 M€ (35.3 M€)

Change -12.1%

1-9/2020: 108.3 M€ (106.2 M€)

Change 2.0%

Operating profit (EBITA)

7-9/2020: 2.8 M€, 9.0%

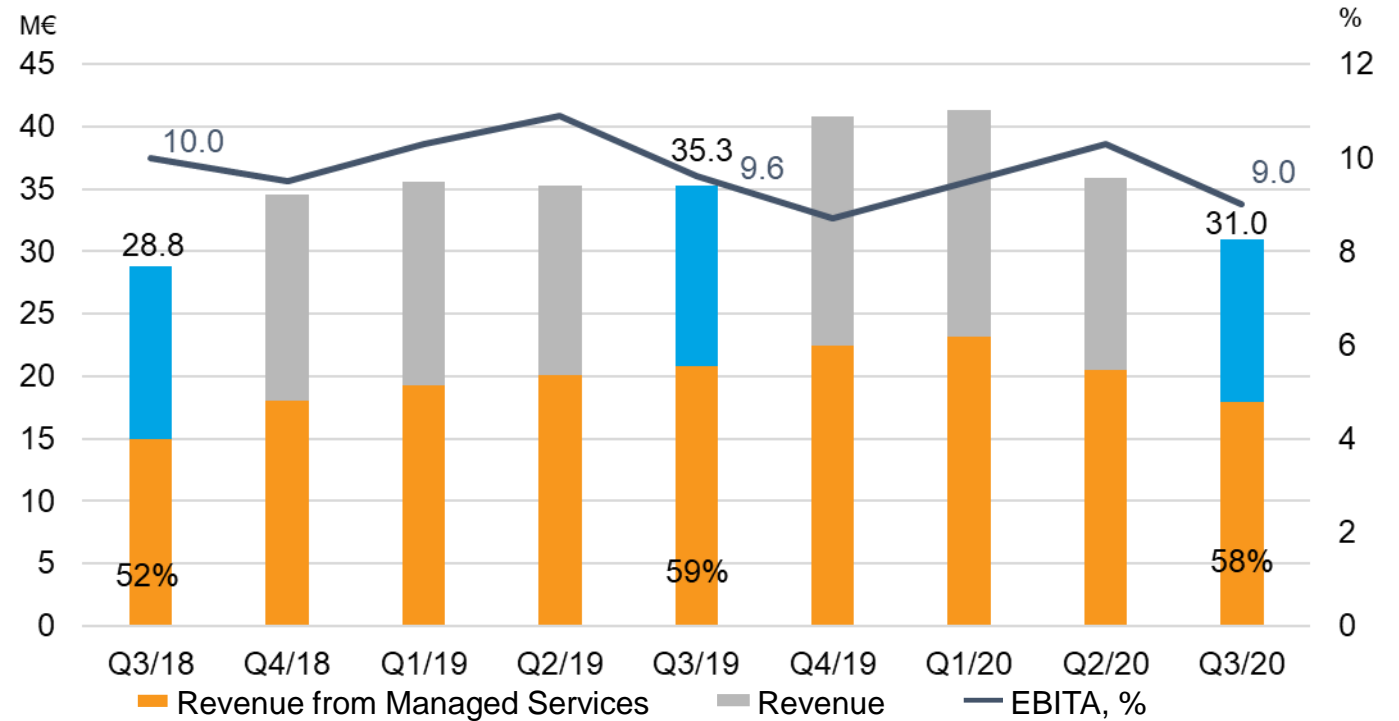
(3.4 M€, 9.6%)

1-9/2020: 10.4 M€, 9.6%

(10.9 M€, 10.3%)

Personnel

Sep 30, 2020: 1,946 (2,059)



- Revenue dropped in the third quarter due to the pandemic and cautious recruitment during the pandemic.
- After the summer holidays uncertainty slowed down start-up of projects.
- Revenue grew in January-September due to the acquisitions made in 2019.
- Profitability remained at a good level due to good operational efficiency as well as adaptation and cost saving measures.
- The second wave of the COVID-19 pandemic will affect demand during the remaining part of the year.

Software and Embedded Solutions

Revenue

7-9/2020: 13.8 M€ (15.4 M€)

Change -10.2%

1-9/2020: 46.0 M€ (49.8 M€)

Change -7.6%

Operating profit (EBITA)

7-9/2020: 1.4 M€, 10.4%

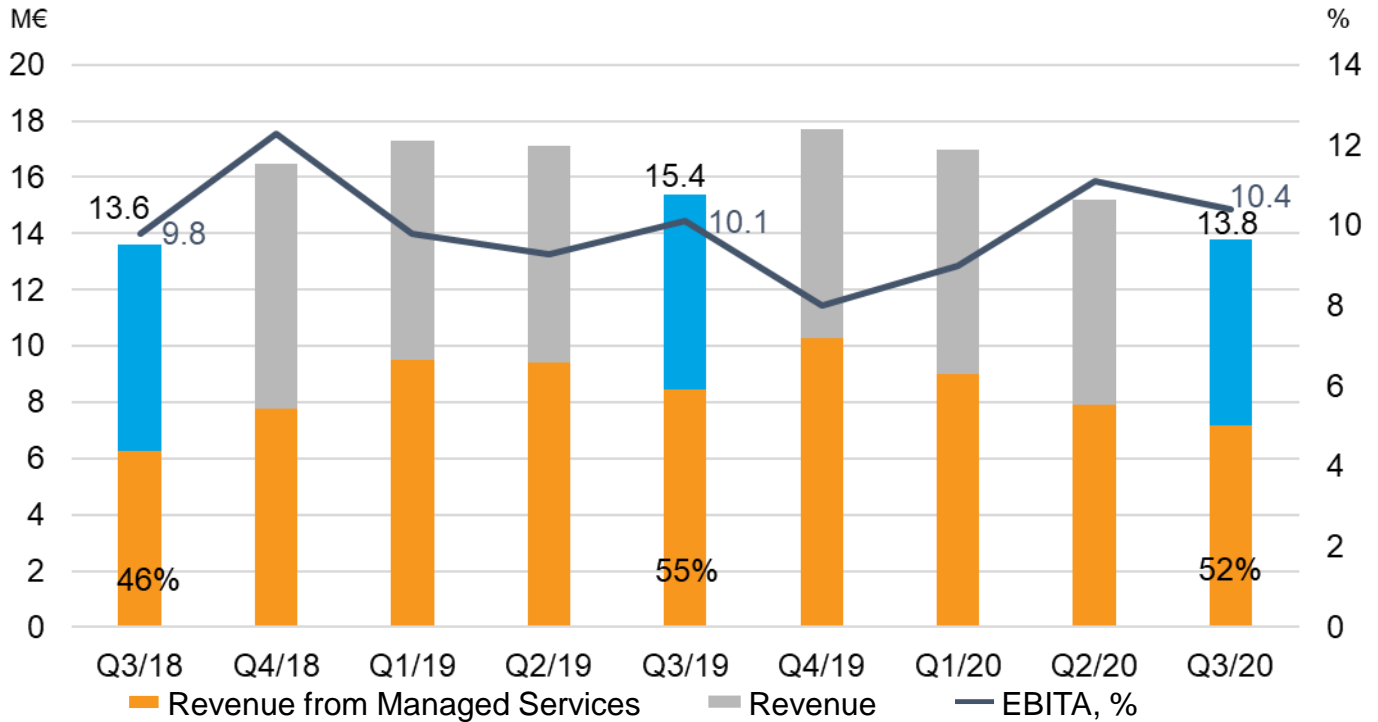
(1.6 M€, 10.1%)

1-9/2020: 4.7 M€, 10.1%

(4.8 M€, 9.7%)

Personnel

Sep 30, 2020: 627 (683)



- Revenue decreased due to the pandemic, the recruitment of Etteplan's employees by certain customers in Q1 and cautious recruitment during the pandemic.
- After the summer holidays uncertainty slowed down start-up of projects.
- Profitability improved thanks to good operational efficiency. Profitability was weakened by a write-down related to a customer's bankruptcy.
- Despite the pandemic our customers continue to invest in digital solutions.

Technical Documentation Solutions

Revenue

7-9/2020: 10.2 M€ (10.7 M€)

Change -4.5%

1-9/2020: 34.7 M€ (35.1 M€)

Change -1.1%

Operating profit (EBITA)

7-9/2020: 1.0 M€, 9.3%

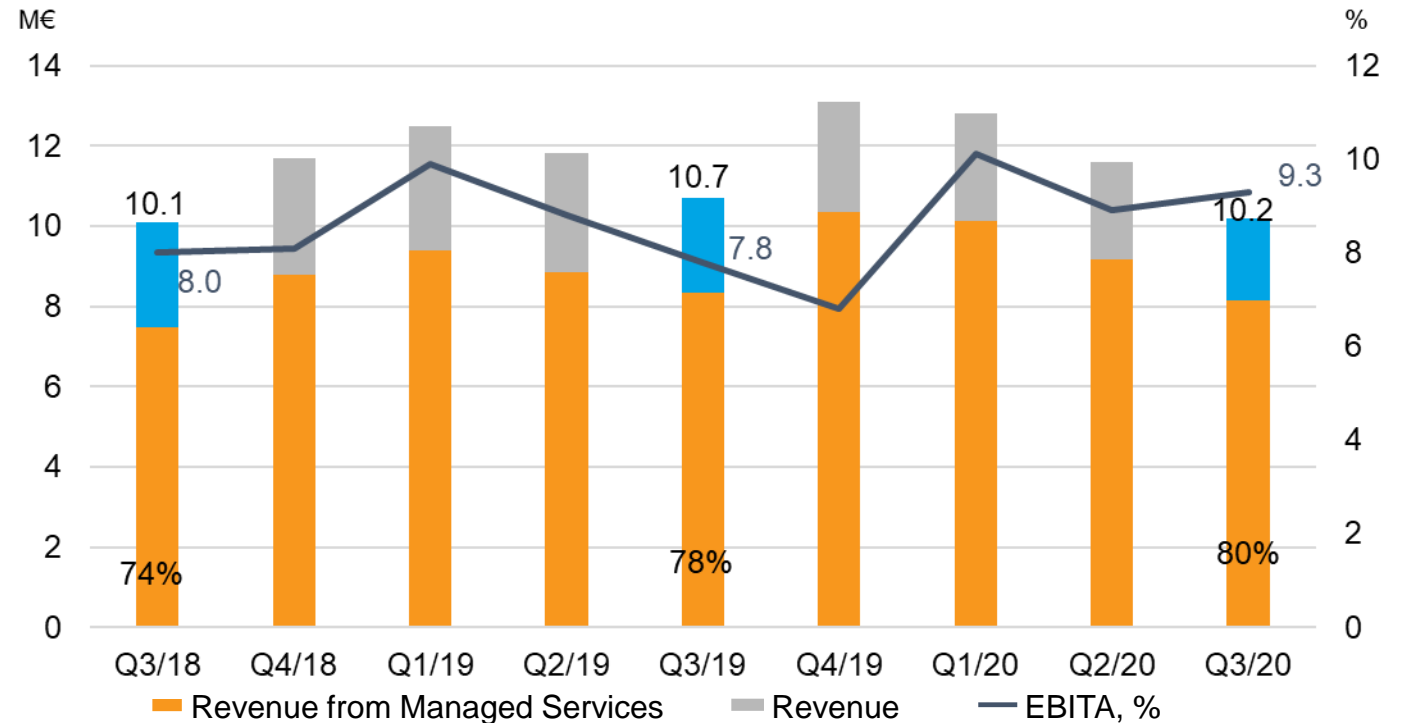
(0.8 M€, 7.8%)

1-9/2020: 3.3 M€, 9.5%

(3.1 M€, 8.9%)

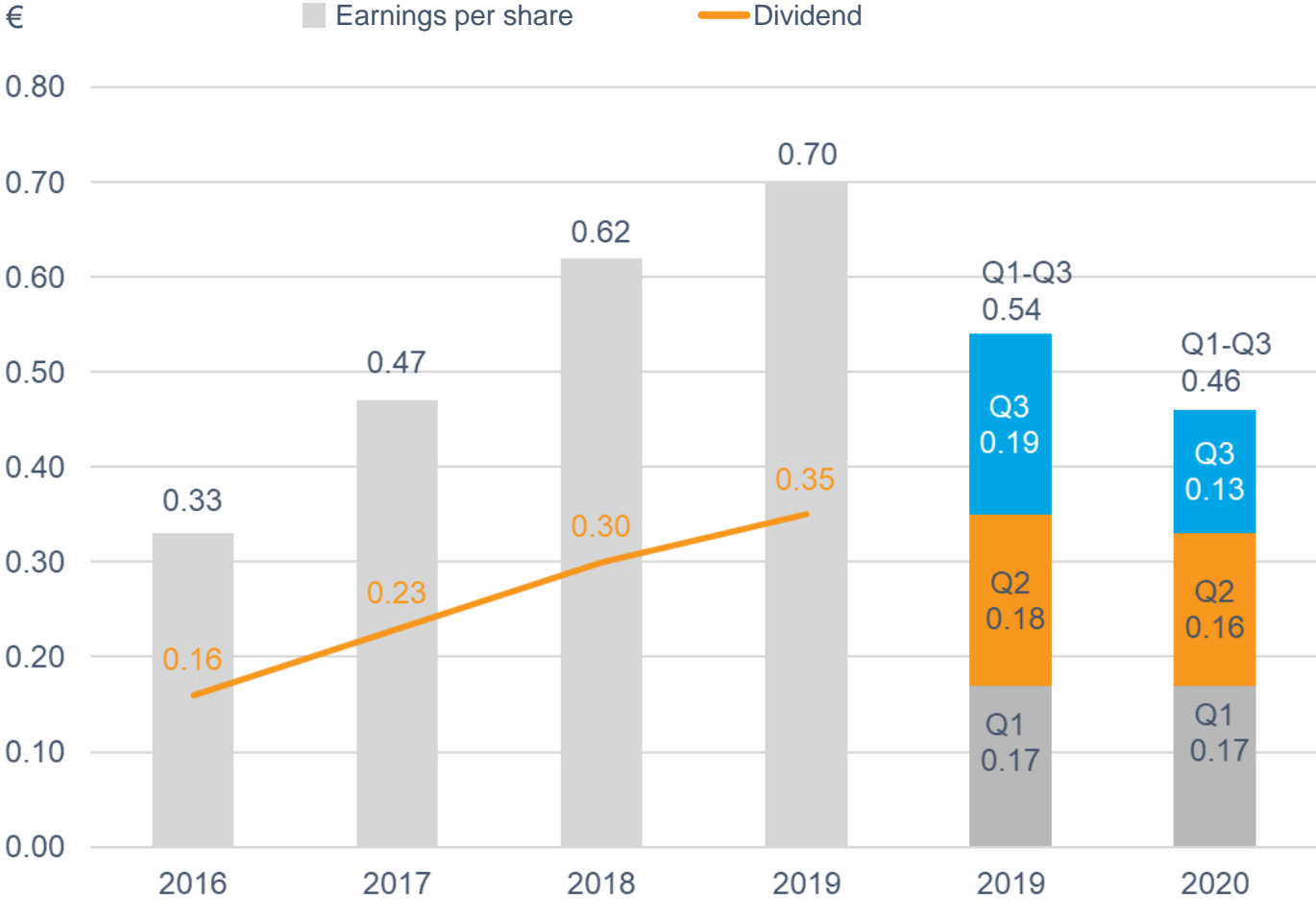
Personnel

Sep 30, 2020: 620 (610)



- The pandemic weakened the demand situation.
- After the summer holidays uncertainty slowed down start-up of projects.
- Acquisitions made in 2019 had a positive effect on the development.
- Profitability was at a good level due to good operational efficiency as well as the adaptation and cost saving measures.
- The second wave of the pandemic will affect demand during the remaining part of the year.

Earnings per share and dividends

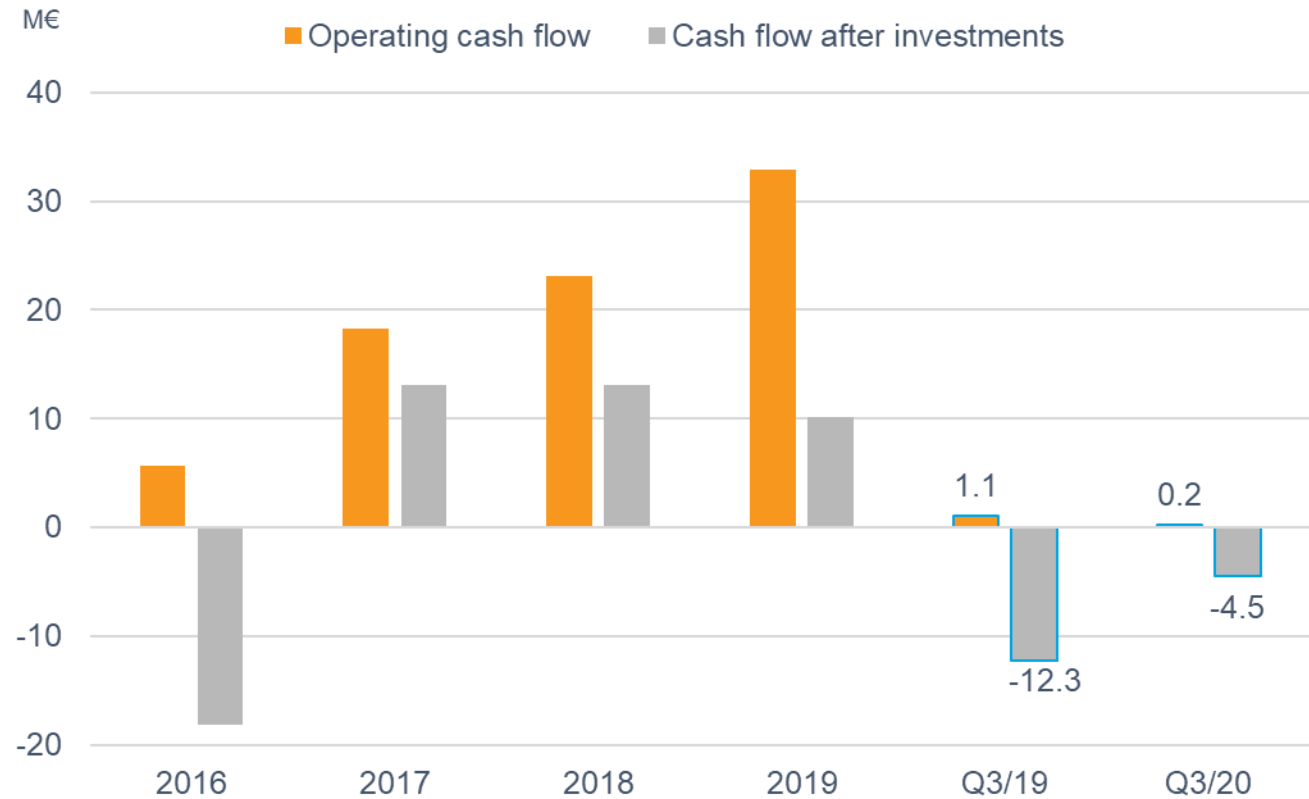


Cash flow

Operating cash flow

7-9/2020: 0.2 M€ (1.1 M€)

1-9/2020: 20.5 M€ (15.4 M€)

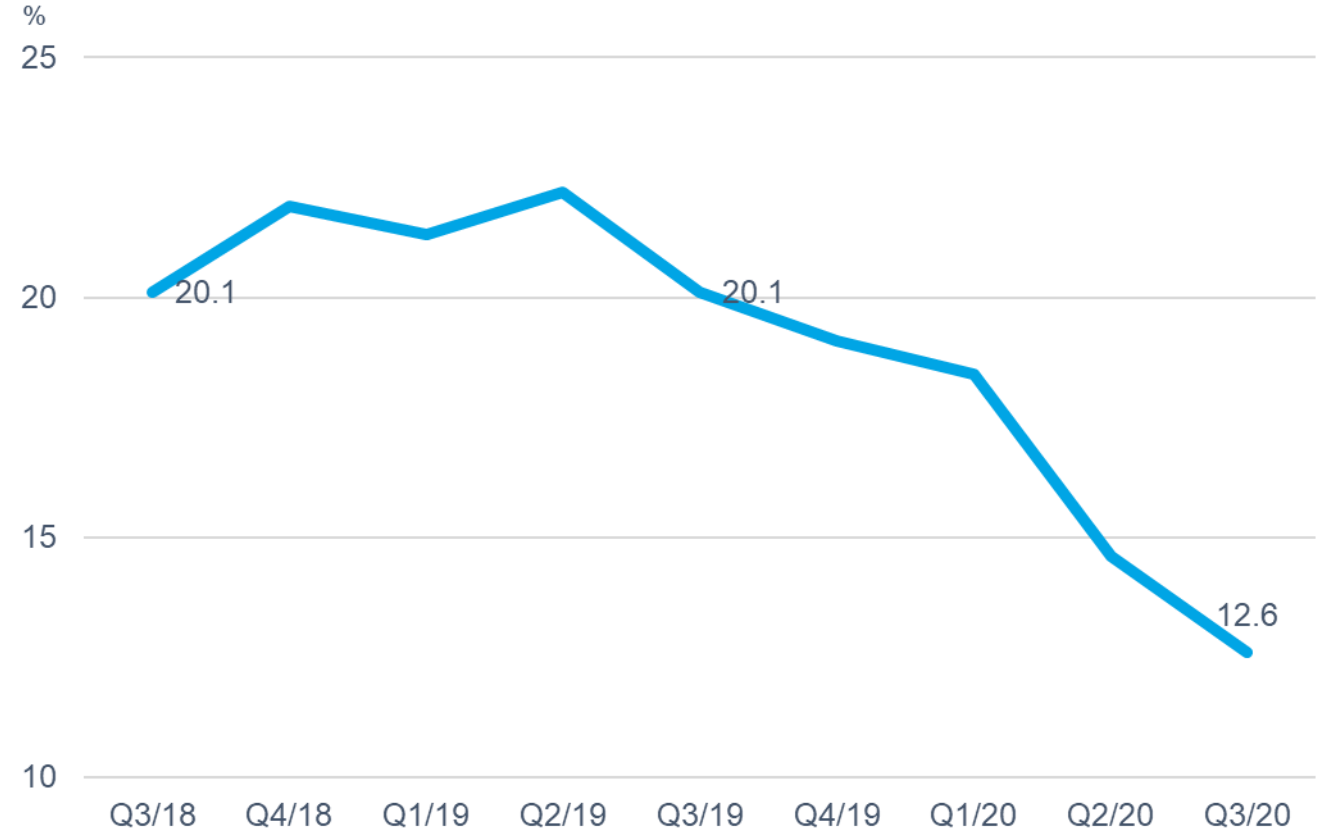


- Operating cash flow in the third quarter is weaker than in the other quarters due to the summer holidays.
- Cash flow accrues unevenly over the four quarters of the year due to periodic fluctuation in business.

Return on capital employed

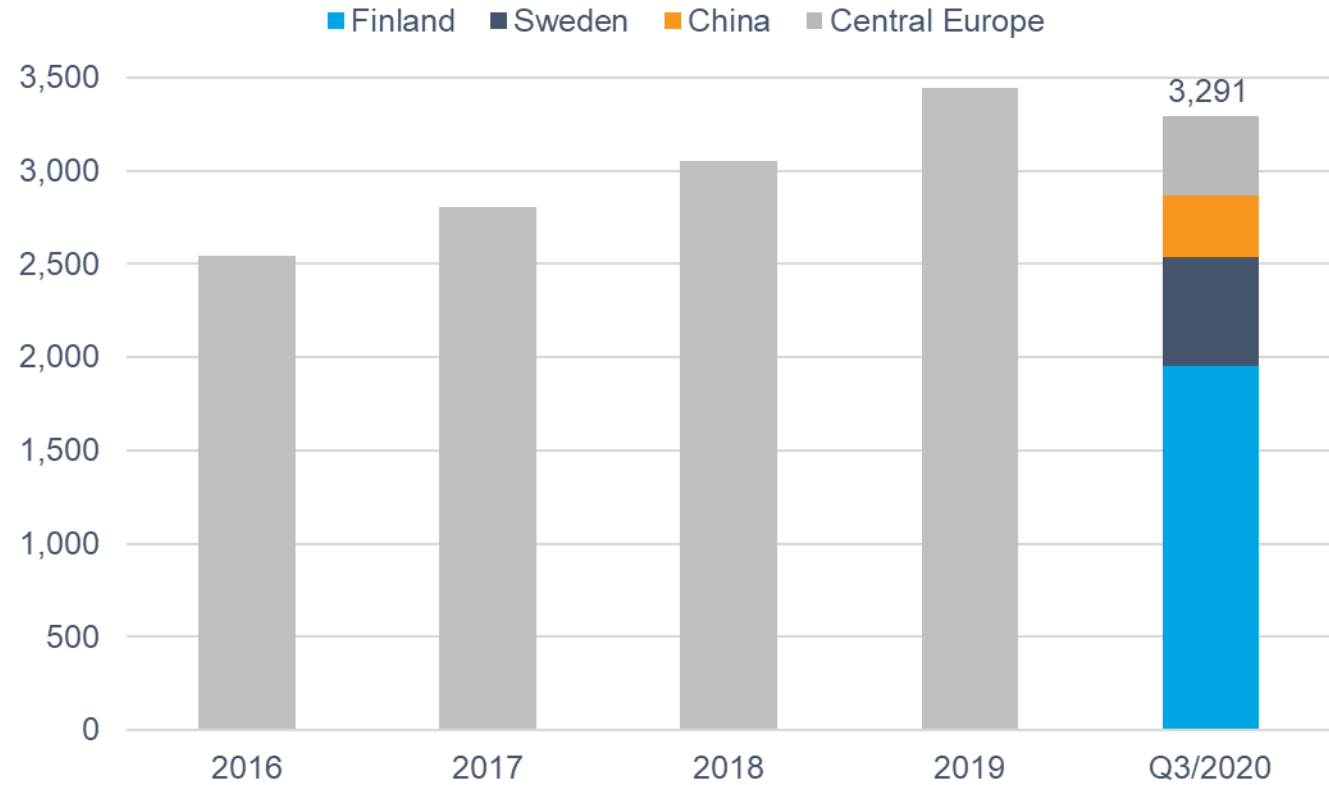
7-9/2020: 12.6% (20.1%)

1-9/2020: 14.9% (20.3%)



- Engineering services business does not tie significant capital.

Personnel at the end of the period



- The amount of personnel decreased by 4.3 per cent year-on-year.
- The number of personnel decreased by 4.5 per cent compared to the end of 2019 due to cautious recruitment during the pandemic and some customers recruiting Etteplan employees in the first quarter.
- At the end of the review period, 1,340 (Sep 30, 2019: 1,353) people were employed by the Group outside of Finland.

Income statement

MEUR	1-9/2020	1-9/2019	Change %
Revenue	189.4	191.5	-1.1
Other operating income	2.1	2.2	
Materials and services	-16.4	-18.2	
Staff costs	-130.5	-126.8	
Other operating expenses	-16.0	-21.0	
Depreciation and amortization	-13.4	-10.4	
Operating profit (EBIT)	15.3	17.3	-11.4
Financial income	0.3	0.6	
Financial expenses	-1.1	-1.0	
Profit before taxes	14.5	16.8	-13.6
Income taxes	-3.1	-3.3	
Profit for the review period	11.4	13.5	-15.6

Balance sheet

MEUR	Sep 30, 2020	Sep 30, 2019	Dec 31, 2019
Goodwill	82.0	75.7	79.0
Other non-current assets	50.3	45.2	45.4
Non-current assets, total	132.3	120.9	124.5
Inventory	0.3	0.4	0.3
Trade and other receivables	53.3	59.4	62.2
Cash and cash equivalents	15.4	6.6	15.9
Current assets, total	69.0	66.4	78.4
TOTAL ASSETS	201.3	187.2	202.9
Equity, total	79.1	72.0	76.7
Non-current liabilities, total	29.7	40.9	39.6
Current liabilities, total	92.4	74.3	86.5
TOTAL EQUITY AND LIABILITIES	201.3	187.2	202.9

Etteplan's targets

Financial targets 2020-2024

Revenue
> EUR 500
million

Rolling 12 months:
EUR 261 million

50%
Revenue
outside
Finland

1-9/2020: 38%

75%
Managed
Services share
of revenue

1-9/2020: 60%

10%
Operating profit
(EBITA)

1-9/2020: 9.5%

ACTIONS

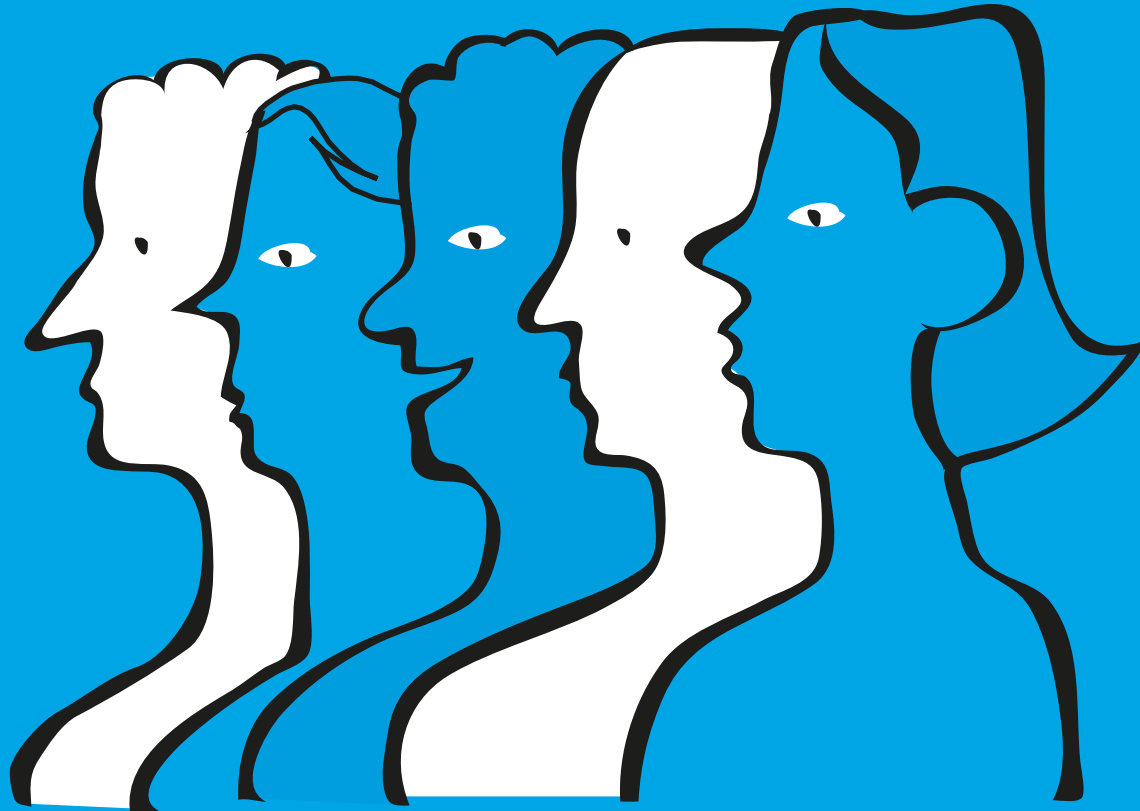
- Constant development of Service Solutions
- Digitalization
- International growth
- Acquisitions

- Expanding our full service offering to all current markets

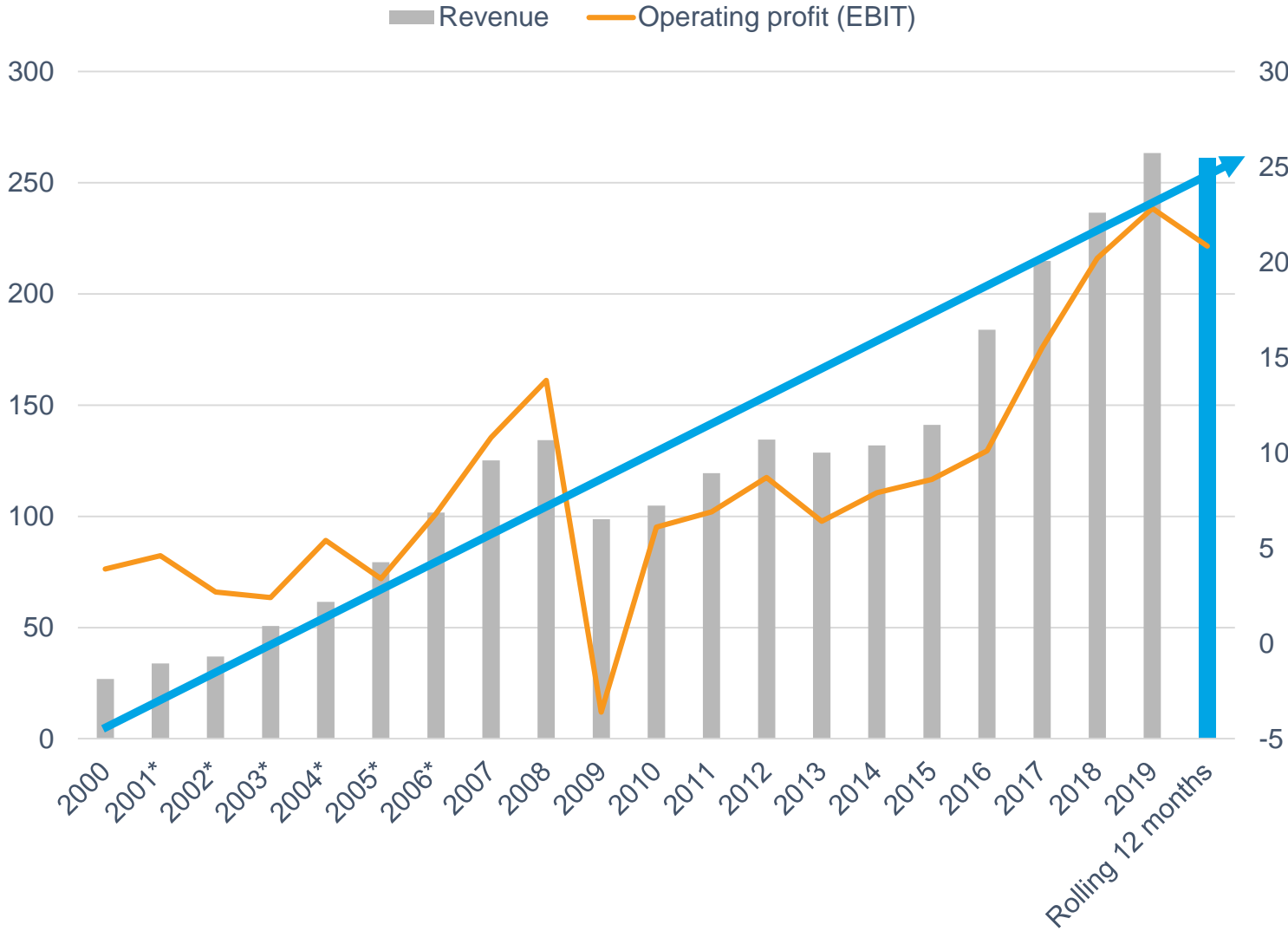
- Service solutions
- Technology solutions
- Project business

- Change in business model towards Managed services
- Market leadership

Q&A



Revenue and EBIT 2000-2020



*Includes continued and discontinued operations

Investor Relations contacts

Per-Anders Gådin
CFO
Tel. +46 70 399 7929

Juha Näkki
President and CEO
Tel. +358 10 307 2077



Outi Tornainen
SVP, Marketing and Communications
Tel. +358 40 5121 375

