

MAY 2024

# 1st Quarter 2024 Presentation

Category leader in the attractive underground  
infrastructure maintenance service market



# Today's presenters



**HENRIK NORRBOM**

Group CEO

#### BACKGROUND

- At Norva24 since Sept 2023
- CEO Cramo AB
- CEO Skanova AB
- Prior to that Head of Networks Telia.  
Various mgmt. roles within Eltel Networks



**STEIN YNDESTAD**

Group CFO

#### BACKGROUND

- At Norva24 since 2017
- Previously CFO/COO at Adevinta and  
Country Manager Spain/Head of  
M&A/Head of IR at Schibsted

**Schibsted Adevinta**

# Uniquely positioned in a market with long-term growth prospects



## Strong mega-trends driving UIM spending

Old sewerage infrastructure:  
On average >40 years old

Climate change and extreme weather

Stricter regulations



## Massive market opportunity

Northern Europe market  
opportunity worth  
NOK 40 billion

European addressable market of  
more than NOK 140 billion

Very low annual cyclicality



## We are the market leader

Norva24 is the clear market  
leader in Northern Europe

Strong positions in  
attractive markets:  
Norway, Sweden,  
Denmark and Germany



## We have a proven model for growth and value creation

Organic growth focused on synergies,  
operational efficiency and continuous  
profitability improvements

Driving consolidation through  
highly accretive M&A

## Strong track record of organic growth and M&A

From 10 branches and NOK 150 million in revenue to 82 branches and NOK 3.2 bn revenues since 2015

# Key priorities: Continued profitable growth and M&A



## Price optimization

- Optimizing pricing to ensure strong margin picture
- Continuing to actively adjust prices to compensate for increased cost
  - Proactive cost control



## Improve utilization

- Maximize utilization of vehicle and personnel
- Benchmark vehicles and personnel on invoiced hours, or invoiced amount on a continuous basis



## Improve low-performing units

- Close follow-up on branches with EBITA-margin below threshold
- Right people in the right place
- Developing playbook to support management



## Growth

- Optimizing organic growth
- Accelerating M&A
- Ambition #1: Targeting increased density in existing markets
- Ambition #2: Expand to new markets

Focus on cash generation and reduction of Net Working Capital

# Delivering on the M&A agenda

Operations affected by fewer working days in Q1

## Financial highlights

**770 NOKm** **+9%**

Total operating revenue  
Organic revenue +2%\*

**52 NOKm** **-12%**

Adjusted EBITA

**6.8%** **-1.6pp**

Adjusted EBITA margin

**44.2 NOKm** **-2%**

Net cash inflow from operating activities

\*) Currency adjusted

## Operational highlights

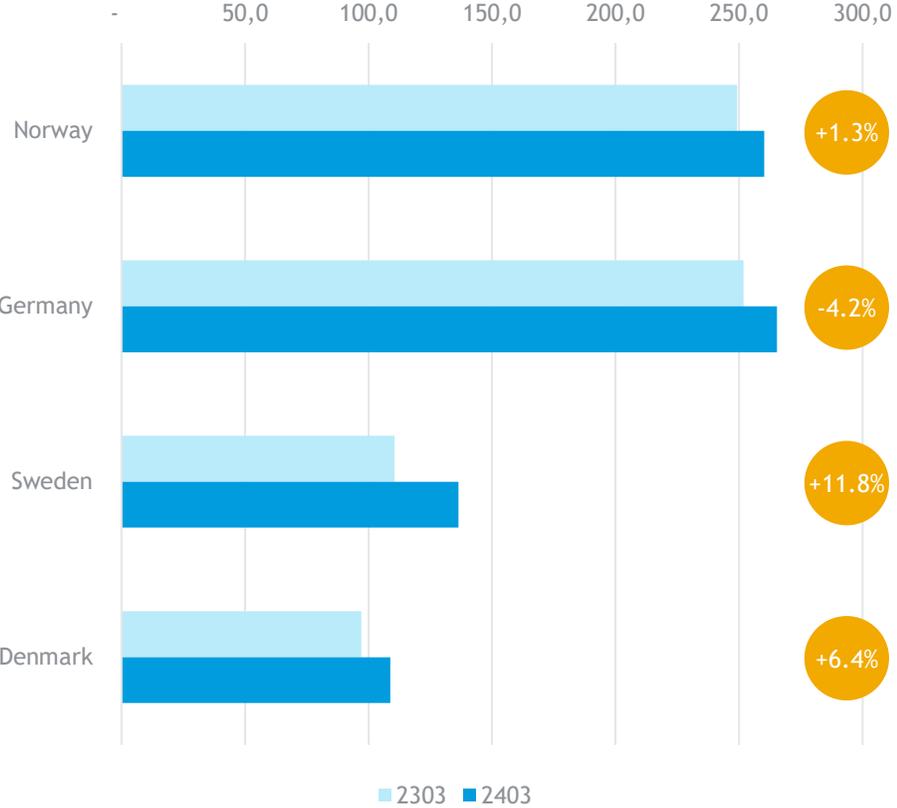
- Several important acquisitions over the last months
  - In all markets, adding 430 MNOK of revenues
- Norway: Winter and reduced working days, lowering profits. Organic growth was 9% for the first four months.
- Germany: Seasonal challenges impacted profits.
- Sweden: Strong growth at 23.5% and better margins, helped by acquisitions and more efficient operations.
- Denmark: Focused improvements in using vehicles and staff better, leading to growth and a 1.3% margin gain.
- Overall Trend: Seasonal effects across regions; growth driven by strategic acquisitions and operations.



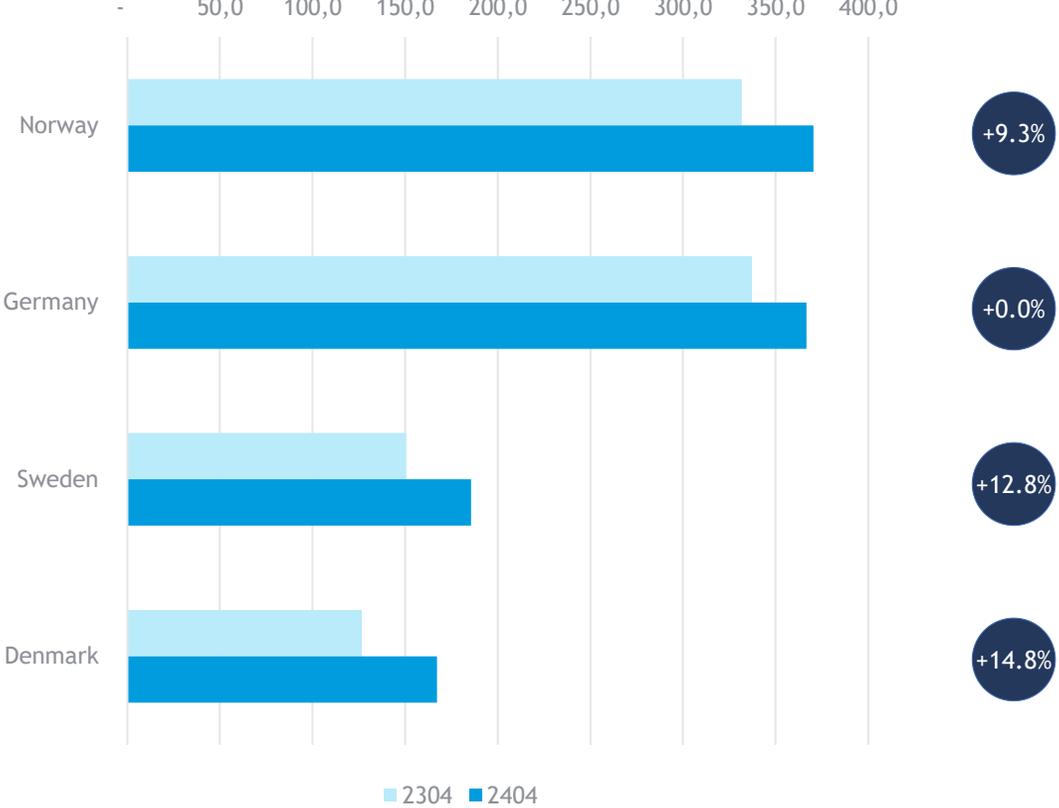
# First tertial strong, Q1 impacted by reduced number of working days

Underlying solid growth trend reflected in January-April figures

Revenues in MNOK Q1 2024 vs 2023



Revenues in MNOK T1 2024 vs 2023



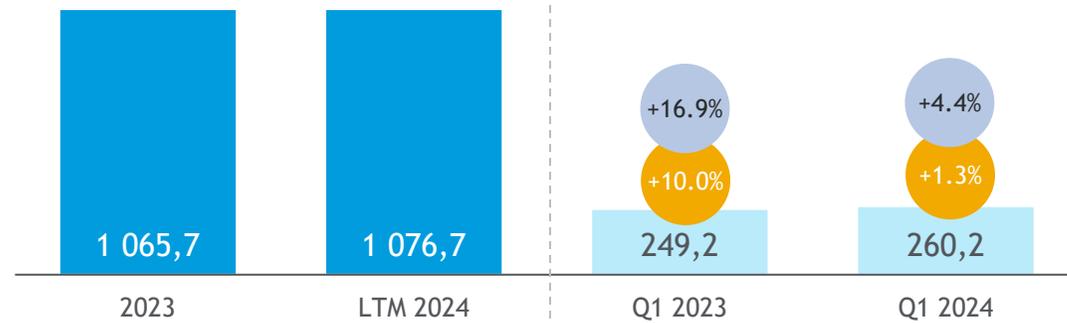
● Currency adjusted organic growth Q1

● Currency adjusted organic growth T1 (Jan-Apr)

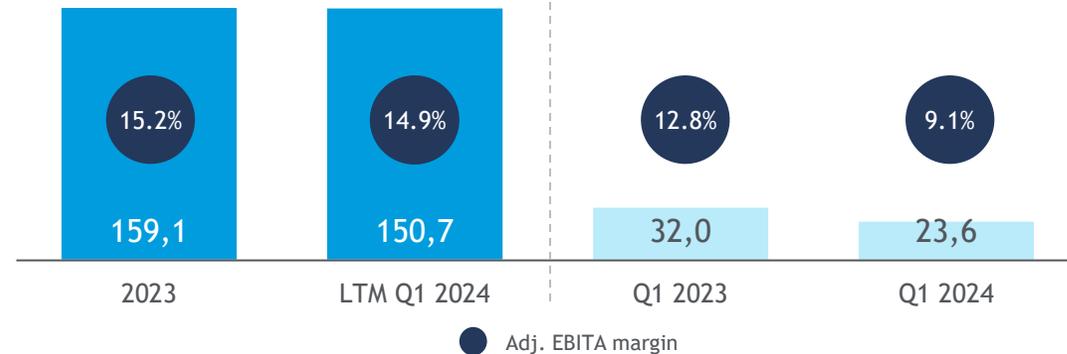
# Norway: Continued growth, Q1 hampered by reduced number of working days

## Operating revenue development

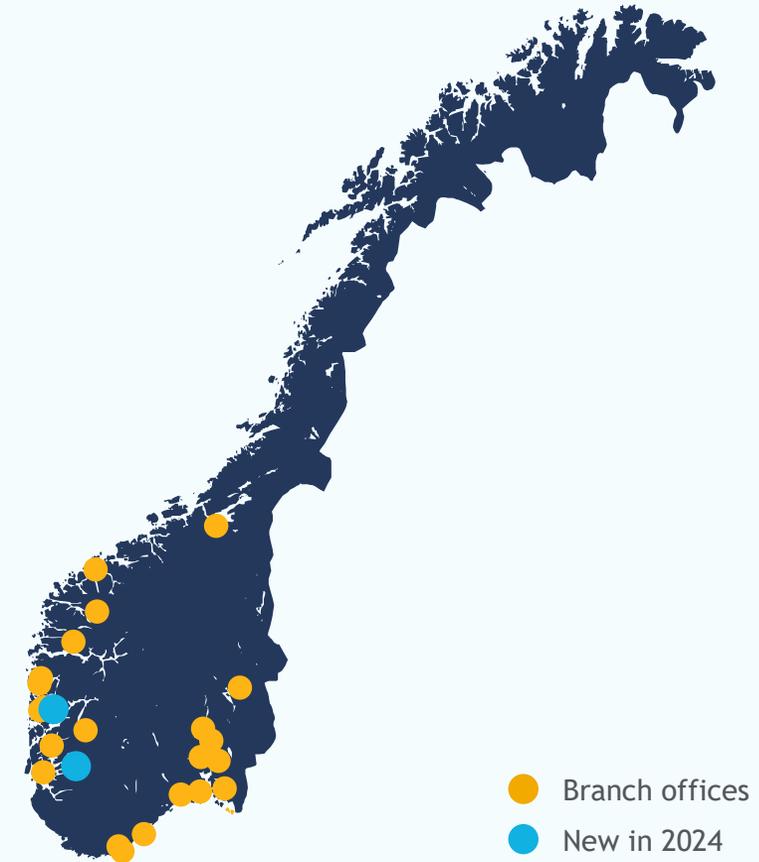
NOKm



## Adj. EBITA development



## Geographical footprint

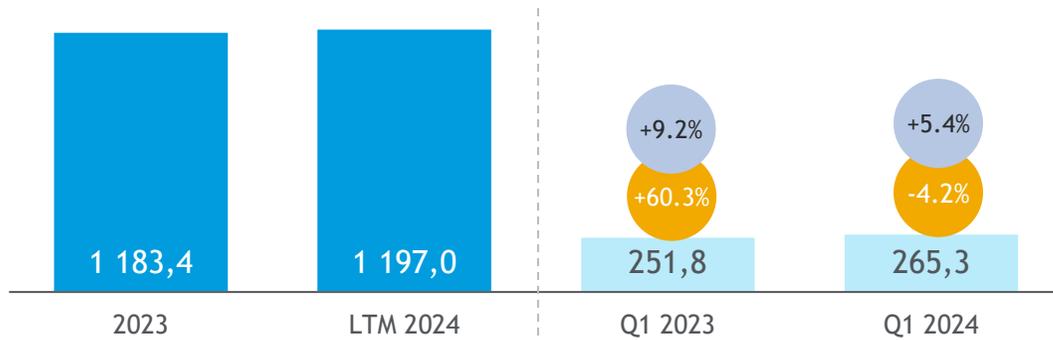


# Germany: Weak quarter in one unit and fewer working days reduce margins.



## Operating revenue development

NOKm



## Adj. EBITA development



● Adj. EBITA margin

## Geographical footprint



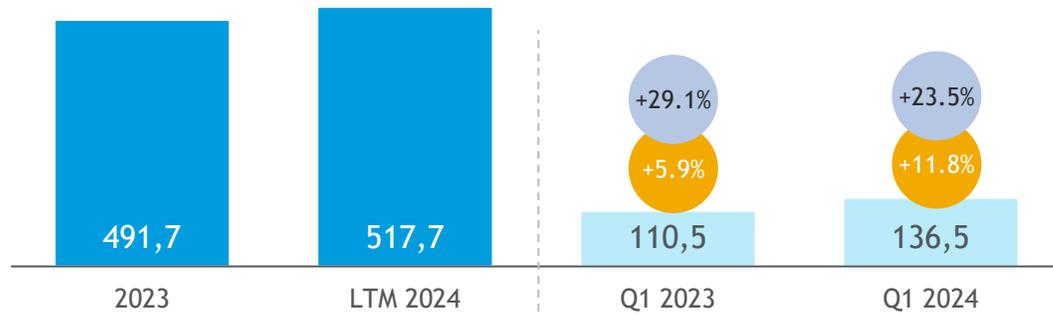
● Branch offices

# Sweden: Strong organic growth and margin improvement



## Operating revenue development

NOKm



## Adj. EBITA development



## Geographical footprint



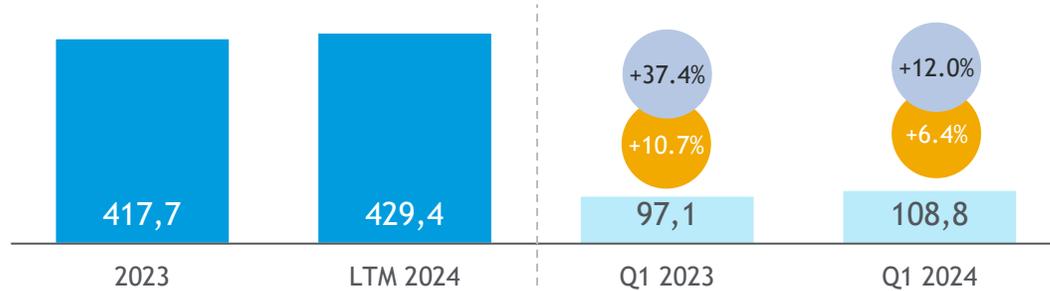
- Branch offices
- New in 2024

# Denmark: Solid currency adjusted organic growth at 6% and improved margins

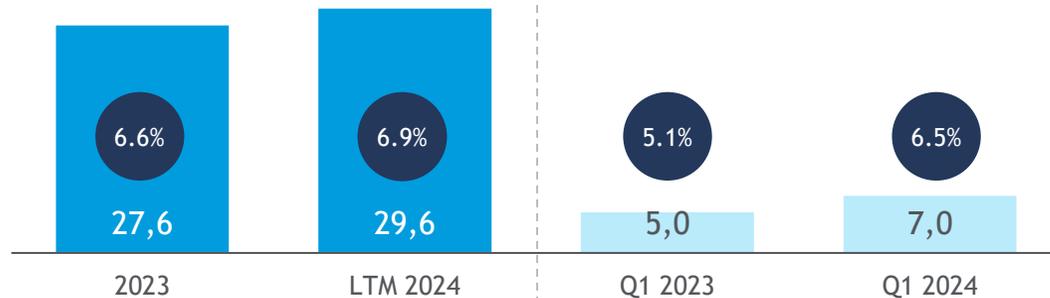


## Operating revenue development

NOKm



## Adj. EBITA development



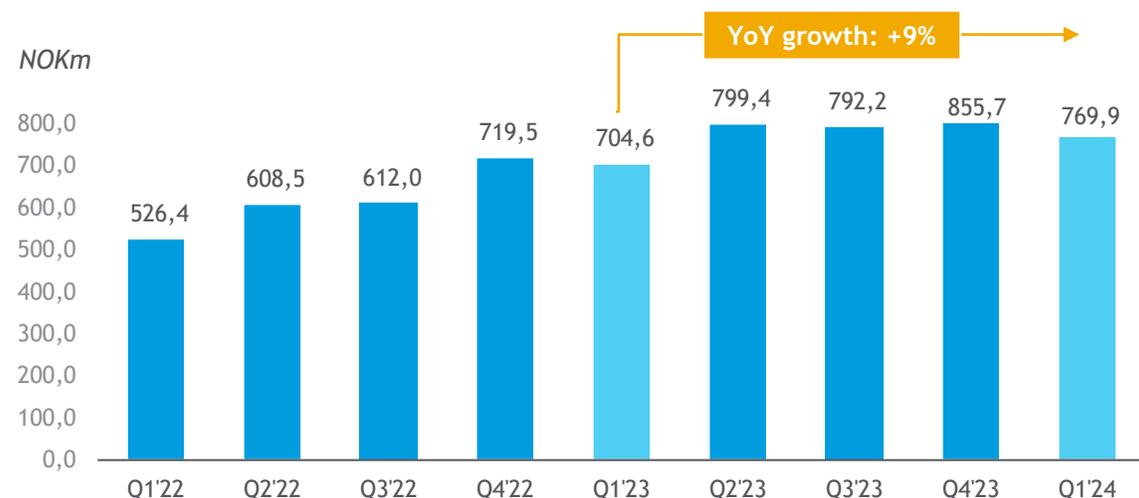
● Adj. EBITA margin

## Geographical footprint



# Continued revenue growth, margins impacted by calendar

## Q1 2024 affected by fewer working days and winter



- Total revenue growth of 9.3% in the quarter, underpinned by both acquired and organic growth.
  - Acquired growth accounted for 4.7% of the quarter's growth
  - Currency adjusted organic growth stood at 1.6% for the quarter
- On the path of reaching 2025 target of 4.5BN NOK of revenues
  - Focus on continuing the M&A activity

- Soft margins in Q1 due to fewer working days and winter weather impact
- EBITA margin of 6.8%. Lower margin is mainly attributable to fewer working days in the quarter compared to last year.

# Q1: Steady growth and profitability amidst calendar effects

- Continued revenue growth with total operating revenue increasing by 9.3%
- Operational resilience despite fewer working days and cold January weeks
- Strong acquisition-driven growth in all markets, and this will be seen in the numbers going forwards in 2024
- Sustained performance with adjusted EBITA at NOK 52.3 million
- Depreciation are up due to new vehicle purchases and leases through 2023.
- Net financial items heavily impacted by currency gains

Jan-Mar 2024	Jan-Mar 2023	Growth	CONSOLIDATED STATEMENT OF PROFIT OR LOSS NOK million	LTM Q1 2024	LTM Q1 2023	Growth
759	700	8,4 %	Revenue from customer contracts	3 191	2 627	21,4 %
11	4	144,6 %	Other operating income	27	17	52,6 %
<b>770</b>	<b>705</b>	<b>9,3 %</b>	<b>Total operating revenue</b>	<b>3 217</b>	<b>2 645</b>	<b>21,7 %</b>
<b>Operating expenses</b>						
- 107	- 105	1%	Operational service expenses	- 526	- 368	43%
- 353	- 303	16%	Personnel expenses	- 1 338	- 1 105	21%
- 108	- 109	-1%	Vehicle operating expenses	- 444	- 421	5%
- 74	- 63	18%	Other operating expenses	- 283	- 243	17%
- 0,0	0,0	-168%	Other gains/losses	0	5	-92%
<b>- 641</b>	<b>- 580</b>	<b>11%</b>	<b>Total operating expenses</b>	<b>- 2 591</b>	<b>- 2 132</b>	<b>22%</b>
Earnings before interest, taxes, depreciation and						
129	125	3%	amortization (EBITDA)	627	513	22%
- 79	- 68	17%	Total depreciation	- 302	- 253	19%
<b>49</b>	<b>57</b>	<b>-13%</b>	<b>Earnings before interest, taxes and amortization (EBITA)</b>	<b>325</b>	<b>260</b>	<b>25%</b>
- 12	- 11	8%	Total amortization	- 50	- 38	30%
<b>38</b>	<b>46</b>	<b>-19%</b>	<b>Earnings before interest and taxes (EBIT)</b>	<b>275</b>	<b>221</b>	<b>24%</b>
- 1	- 1	-58%	Net financial items	- 49	- 5	872%
<b>37</b>	<b>45</b>	<b>-17%</b>	<b>Profit before income tax (EBT)</b>	<b>226</b>	<b>216</b>	<b>4%</b>
- 16	- 12	29%	Income tax expense	- 11	- 63	-83%
<b>21</b>	<b>33</b>	<b>-35%</b>	<b>Profit for the period</b>	<b>215</b>	<b>154</b>	<b>40%</b>
<b>52</b>	<b>59</b>	<b>-12,0 %</b>	<b>Adjusted EBITA</b>	<b>341</b>	<b>295</b>	<b>15,6 %</b>
6,8 %	8,4 %	-1,6 pp	Adjusted EBITA margin, %	10,6 %	11,1 %	-0,4 pp

# Strong balance sheet and headroom for continued growth

## Balance sheet highlights

- Net debt of NOK 1,404 million in Q1'24, representing a Net interest-bearing debt / Adj. EBITDA at 2.2x
  - Significant headroom to financial covenant at 4.0x Net debt / Proforma Adj EBITDA
- A. Goodwill amounted to NOK 1787.5 million as of 31 March 2024, and impairment test shows ample headroom
- B. Right-of-use assets referring to financial leasing of vehicles and property
- C. PPE primarily referring to vehicles and equipment used in the operational business
- D. Lease-liability NOK 906,4 million related to Right of use assets
- E. Non-current loan primarily refers to bank loans

NOKm	Note	Mar 31, 2024	Mar 31, 2023	Dec 31, 2023
<b>Assets</b>				
Goodwill				
Intangible assets	5	1 939	1 846	1 869
Right-of-use assets	6	933	830	893
Property, plant and equipment	7	535	522	511
Other non-current receivables				
<b>Total non-current assets</b>		<b>3 413</b>	<b>3 205</b>	<b>3 278</b>
Inventories		24	15	19
Accounts receivable				
Other current receivables		207	181	201
Cash and cash-equivalents		182	148	267
<b>Total current assets</b>		<b>876</b>	<b>726</b>	<b>929</b>
<b>TOTAL ASSETS</b>		<b>4 289</b>	<b>3 931</b>	<b>4 206</b>
<b>EQUITY AND LIABILITIES</b>				
<b>Equity</b>				
Deferred tax liability		50	80	37
Non-current lease liabilities	6	674	611	648
Non-current loans		670	627	638
Other non-current liabilities				
<b>Total non-current liabilities</b>		<b>1 410</b>	<b>1 373</b>	<b>1 329</b>
Accounts payable				
Taxes payable		26	14	41
Current portion of lease liabilities	6	232	200	220
Current portion of loans		10	12	11
Provisions		15	56	6
Other current liabilities		254	276	319
<b>Total current liabilities</b>		<b>747</b>	<b>704</b>	<b>807</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>4 289</b>	<b>3 931</b>	<b>4 206</b>
<b>Net debt</b>		<b>1 404</b>	<b>1 303</b>	<b>1 250</b>
<b>Net debt/Adj, EBITDA</b>		<b>2,2</b>	<b>2,4</b>	<b>2,0</b>

# Lease liabilities account for approx. 65% of net debt

## Comments

- Total net debt amounted to NOK 1,404.1 million as per 31 March 2024
- According to IFRS-16, all leases are capitalized. The lease liabilities amounted to NOK 906,4 million as per 31 March
  - Leasing payments next 12 months of NOK 236 million
- Depreciation of the leased assets is included in the total depreciation in the Profit and Loss statement
- Net debt excluding lease liabilities amounted to NOK 497,7 million as per 31 March 2024
- Of the NOK 1,100 million credit facility, NOK 632 million was utilized as per 31 March 2024, and 80 million reserved for the AMOFA, but available for financing

## Net debt breakdown

March 31, 2024

NOK million	Current	Non-current	Total debt
Buildings and property	75	217	292
Vehicles and equipment	154	455	609
Furniture, fixtures & other	3	2	5
<b>Total lease liabilities IFRS 16</b>	<b>232</b>	<b>674</b>	<b>906</b>
Loans	10	670	680
<b>Total Interest Bearing Debt</b>	<b>242</b>	<b>1 344</b>	<b>1 586</b>
Cash and cash equivalent			182
<b>NIBD, including IFRS 16</b>			<b>1 404</b>
NIBD excluding building and property leases			1 112
NIBD excluding IFRS 16 lease liability			498

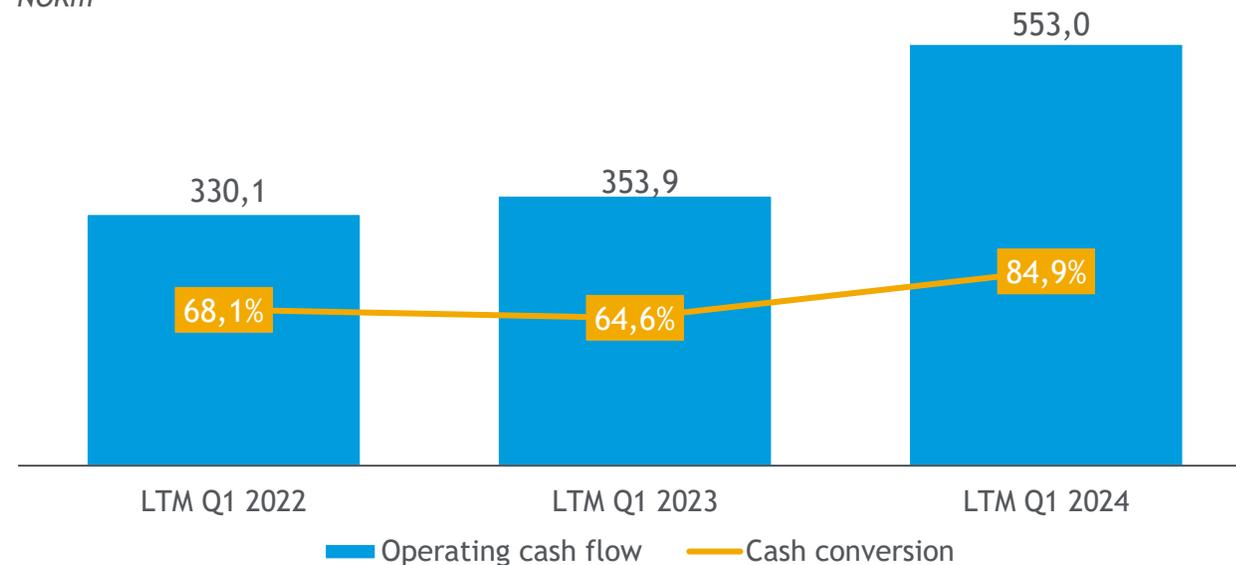
# Cash flow from operating activities on par with last year

## Comments

- Good cash conversion in last twelve months, Q1 on the lower side.
  - Net working capital impacted by several red days at the closing of the quarter.
- Strong discipline on capital allocation

## Net cash inflow from operating activities and cash conversion

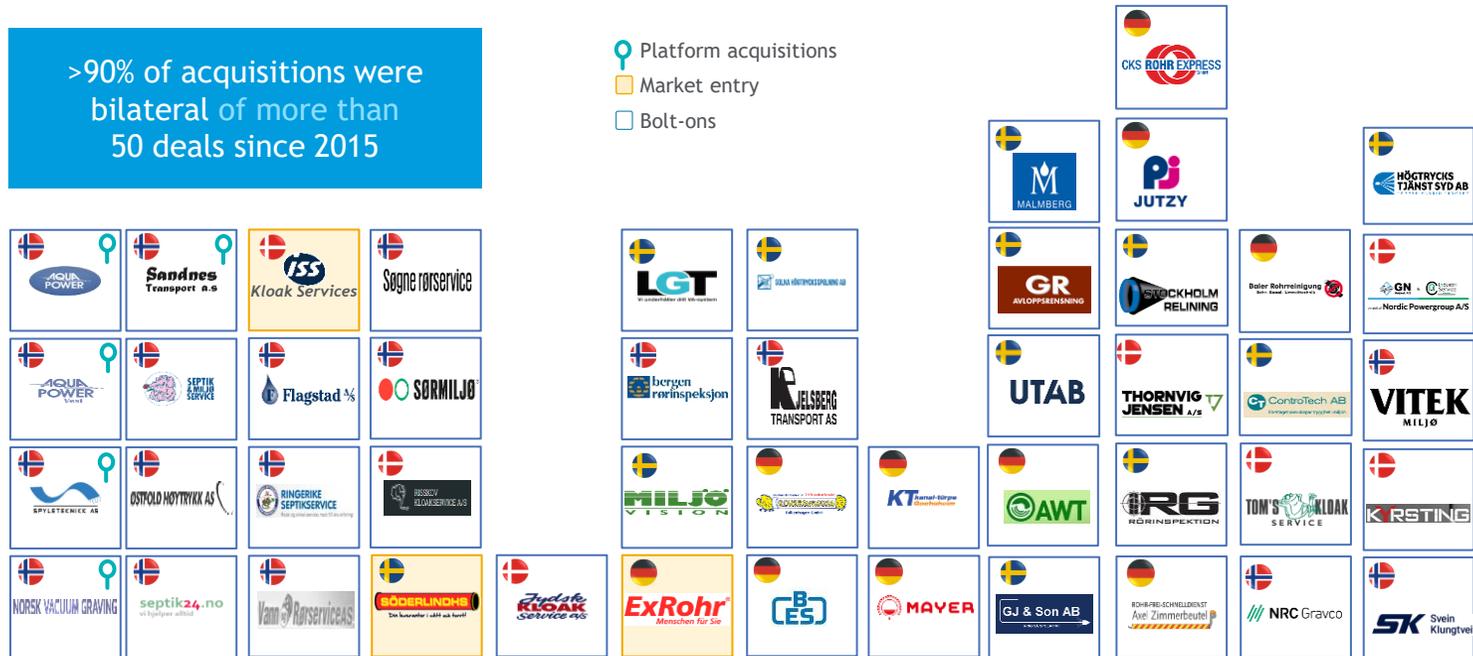
NOKm



NOKm	LTM 2022	LTM 2023	LTM 2024
Adjusted EBITDA	484.9	547.4	642.3
Net cash inflow from operating activities	330.1	353.9	553.0
Cash conversion	68.1%	64.6%	84.9%

# 2024 has shown strong start of the year on M&A

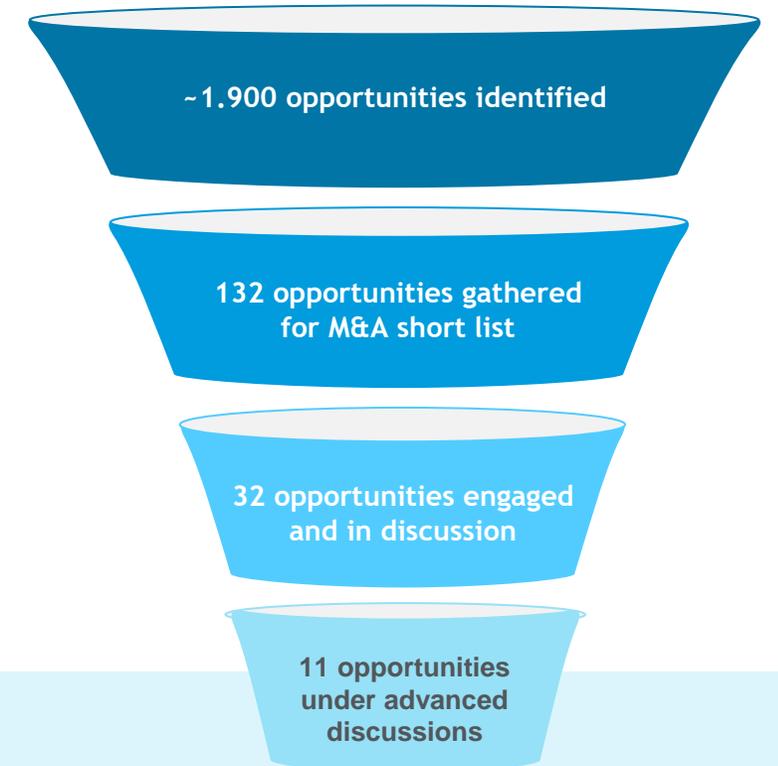
## Group revenue and number of transactions<sup>1</sup>



Statutory group revenue (NOKm)

2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
146	512	902	1.004	1.287	1.523	2.025	2.466	3.152	+430 <sup>3)</sup>

## Rich potential M&A pipeline



1) Sorted by year according to signing date 2) 2022 statutory financials 3) Including acquired revenues of Baier closed in January 2024.

# The six deals - adding 430 MNOK of revenues

	Country	Annual revenues	Margin accretive for country	EV within range (6-9x EBITA)	Management stays on after acquisition
Baier Rohrreinigung		~50 MNOK	✓	✓	✓
Kyrsting		~15 MNOK	✓	✓	✓
Svein Klungveit (UIM Division)		~15 MNOK	✓	✓	Merged into existing operations
Vitek Miljø		~120 MNOK	✓	✓	In transition period
Nordic Powergroup		~210 MNOK	✓	✓	✓
Högtryckstjänst Syd		~20 MNOK	✓	✓	✓

# Well capitalized: On track to deliver on financial targets

Operating revenue growth	Organic growth	Target to achieve revenue of around <b>NOK 4.5bn by 2025</b> while achieving an average organic growth per annum of at least in line with market growth
	Total growth	
Profitability		Target to achieve an adjusted EBITA margin of <b>14-15% in the medium term</b>
Capital structure		Norva24's capital structure shall enable a high degree of financial flexibility and allow for acquisitions. Target steady state net debt ratio (including IFRS16 lease liabilities) of <b>2.5x adj. EBITDA</b> for the last 12 months. temporary increase for M&A
Dividend policy		As a part of Norva24's vision and strategy. it intends to reinvest cash flows into growth and expansion initiatives. including acquisitions. and as such does not expect to pay annual dividends to its shareholders in the medium term

# Key take-aways



- Delivering on the M&A agenda
- Good organic growth in the four first months, 7,1%



- Uniquely positioned in an attractive growth market, and showing resilience in challenging economic climate



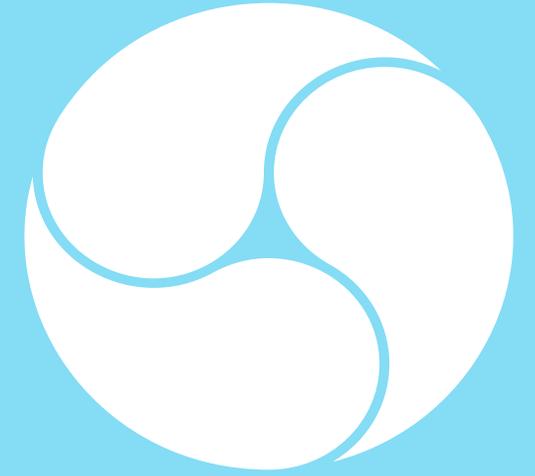
- Over time Norva24 lifts margin of acquired companies



- On track to deliver on growth and profitability targets



**NORVA**<sup>24</sup>



# Q&A