NORVA24

2nd Quarter 2024 Presentation

Category leader in the attractive underground infrastructure maintenance service market

August 2024

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

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 83 branches and NOK 3.4 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 capital allocation and working capital

Highlights in Q2

Solid growth and margin improvement in the quarter

938 MNOK

Total operating revenue

+17.3% Total growth
+9.2% Currency adj. organic growth

118 MNOK

Adjusted EBITA

12.6%

Adjusted EBITA margin

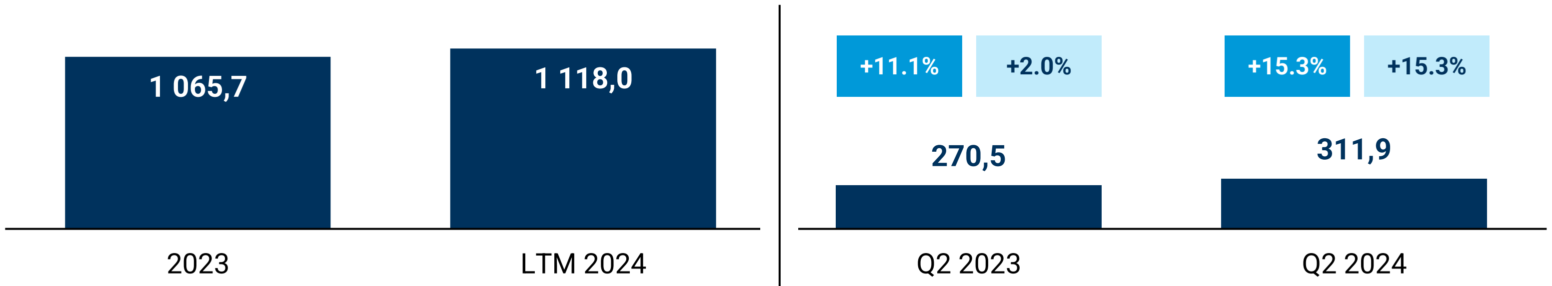
+2.2%-points

- Three acquisitions signed in the quarter
  - In all Scandinavian markets, adding around 350 MNOK of revenues
- **Norway**: Good growth and margin improvement. Organic growth was 15% for the quarter, with a margin improvement of 2.2 percentage points.
- **Germany**: One underperforming unit hampering development.
- **Sweden**: Continued growth and significantly improved margins of 7.5 percentage points, driven primarily by more efficient operations.
- **Denmark**: Improvement measures continue to take effect, with currency adjusted organic growth of 11.9% and margin improvement of 6.6 percentage points.
- Overall Trend: Growth and margin improvements for the quarter driven by strategic acquisitions and improved efficiency in operations.

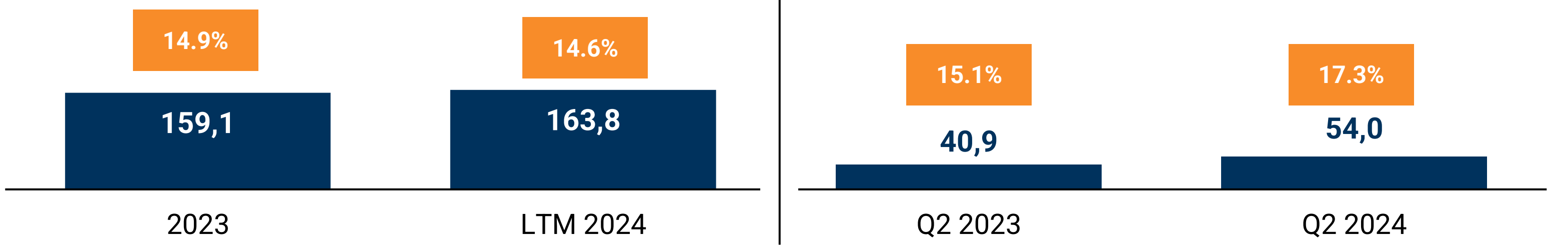
Norway

Good growth and margin improvement

Operating revenue development MNOK



Adjusted EBITA development MNOK



Adj. EBITA margin   Total growth   Currency adjusted organic growth

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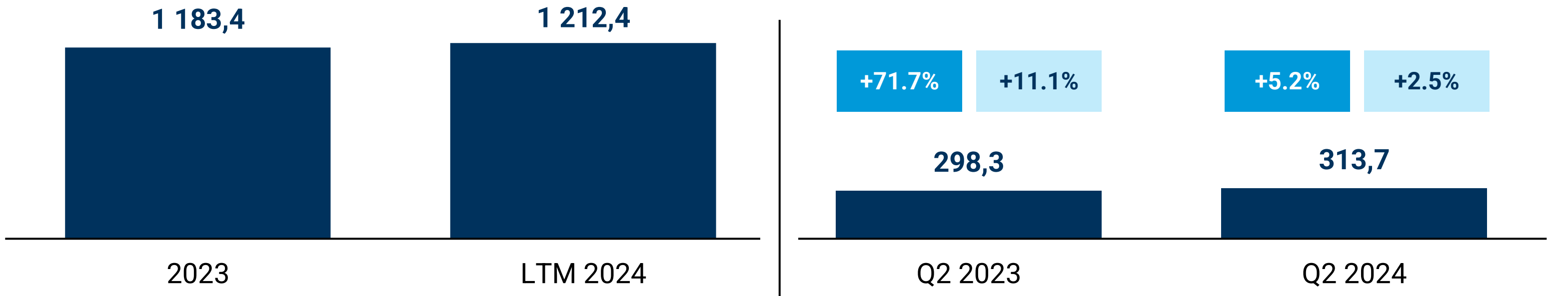
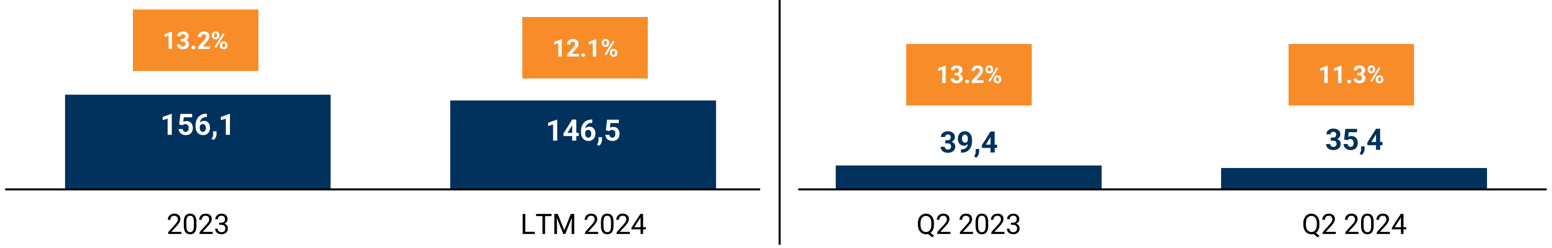
Germany

Development hampered by one underperforming unit

Operating revenue development MNOK



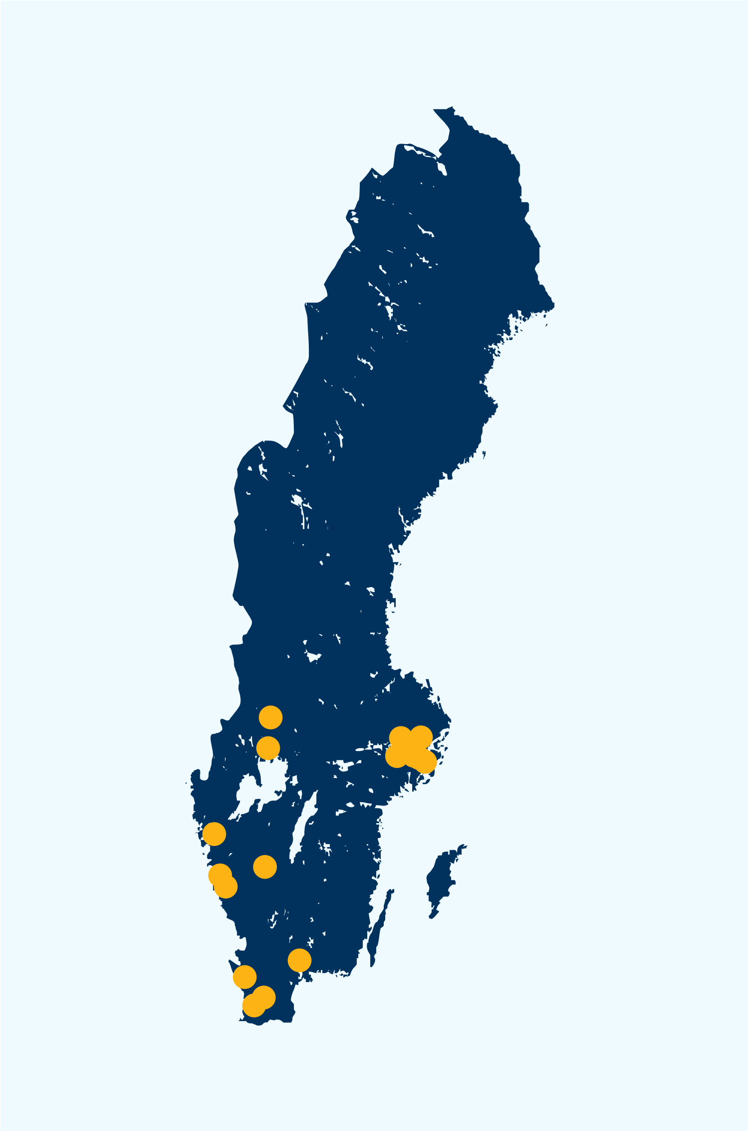
Adjusted EBITA development MNOK



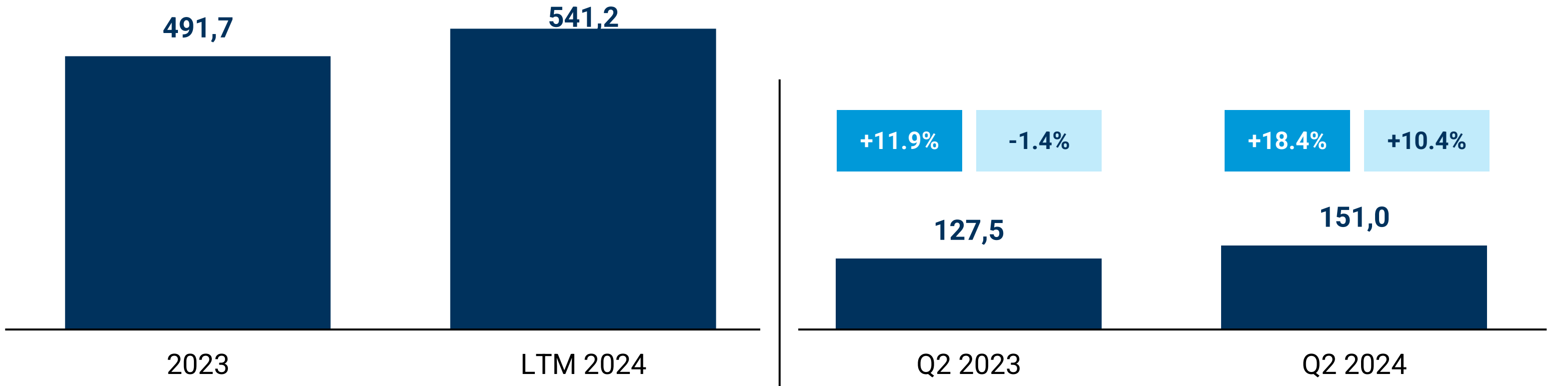
Adj. EBITA margin
Total growth
Currency adjusted organic growth

Sweden

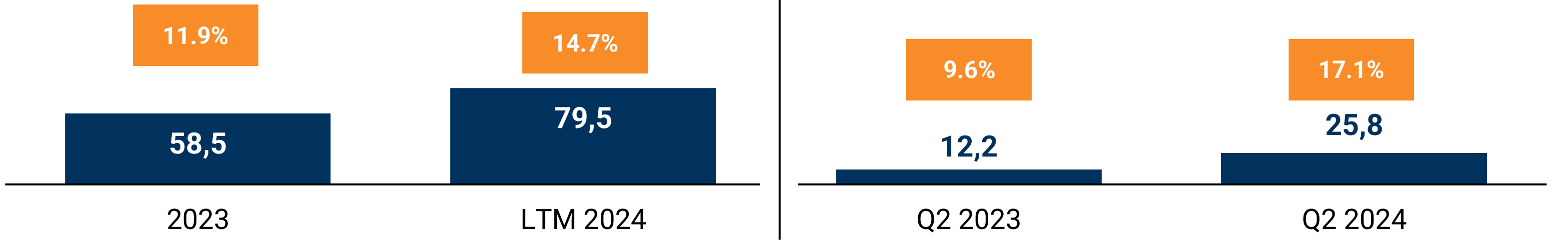
Maintained the strong organic growth and margin improvement



Operating revenue development MNOK



Adjusted EBITA development MNOK



Adj. EBITA margin · Total growth · Currency adjusted organic growth

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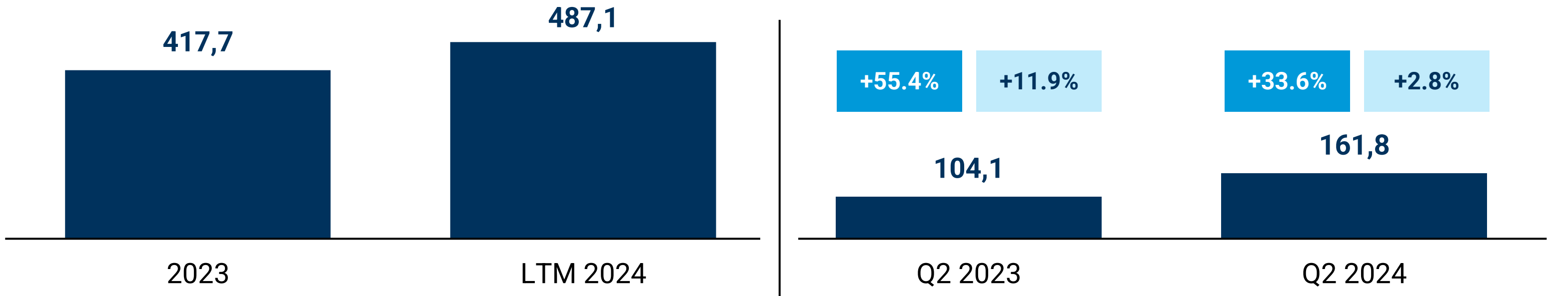
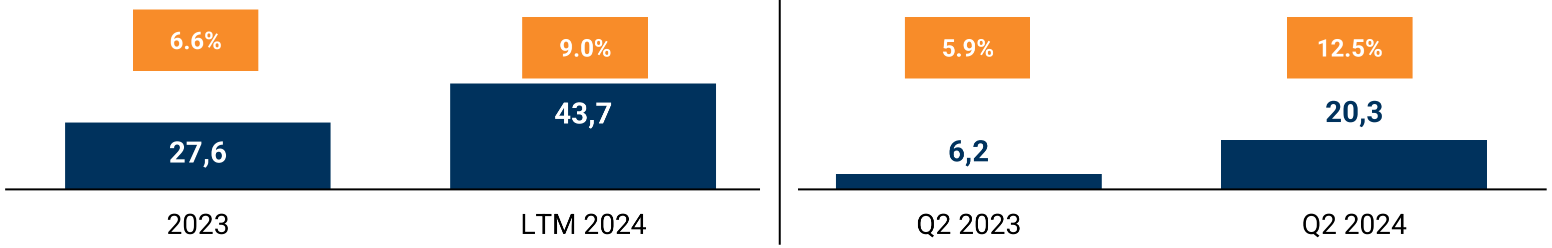
Denmark

Continued growth and margin improvement

Operating revenue development MNOK



Adjusted EBITA development MNOK



Adj. EBITA margin   Total growth   Currency adjusted organic growth

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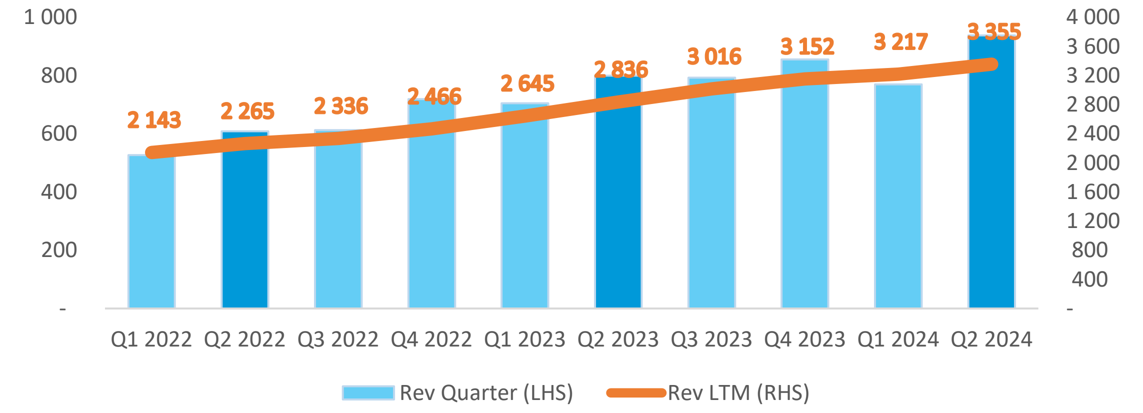
Solid growth and margin improvement

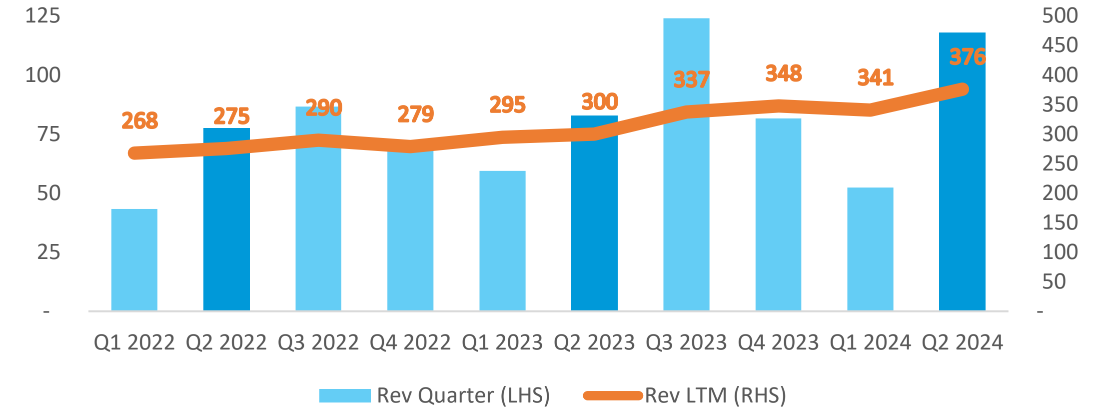
Margin increase of 2.2 percentage points

Revenue MNOK



- Total revenue growth of 17.3% in the quarter, underpinned by both acquired and organic growth.
  - Acquired growth accounted for 8.5% of the quarter's growth
  - Currency adjusted organic growth stood at 9.2% for the quarter
- On the path of reaching 2025 target of 4.5BN NOK of revenues
  - Focus on continuing the M&A activity

Adjusted EBITA



- Significant margin improvements in the Scandinavian operations, resulting in an Adjusted EBITA margin improvement for the Group of 2.2 percentage points in the quarter compared to last year.
- Extra tailwind due to 2.6% more working days in the quarter, combined with increased efficiency and good development at some of the low performing units.

A strong start of the year on M&A

Group revenue and number of transactions in 2024

>90% of acquisitions were bilateral of more than 50 deals since 2015*

- Platform acquisitions
- Market entry
- Bolt-ons

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	+380

Rich potential M&A pipeline

Sorted by year according to signing date

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Steady growth and profitability amidst calendar effects

- Continued revenue growth with total operating revenue increasing by 17.3% in the quarter
- Margin improvements in the Scandinavian markets
- Sustained performance with adjusted EBITA at NOK 117.9 million
- Depreciation are up due to new vehicle purchases and leases through 2023. Depreciation now accounts for 9,1%
- Net financial items increased due to interest expenses and currency exchange losses
  - Interest cost of from loans and leases were 23,6 MNOK up from 18,0 MNOK due to higher interest rates and more debt.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

NOK million	Apr-Jun 2024	Apr-Jun 2023	Growth %	Jan-Jun 2024	Jan-Jun 2023	Growth %
Revenue from customer contracts	930.1	792.3	17.4 %	1 689.0	1 492.4	13.2 %
Other operating income	7.6	7.2	5.8 %	18.6	11.7	58.8 %
Total operating revenue	**937.6**	**799.4**	**17.3 %**	**1 707.6**	**1 504.0**	**13.5 %**
Operating expenses						
Operational service expenses	- 151.6	- 134.3	12.8 %	- 258.1	- 239.5	7.8 %
Personnel expenses	- 388.3	- 329.1	18.0 %	- 741.5	- 632.5	17.2 %
Vehicle operating expenses	- 121.4	- 108.4	11.9 %	- 229.0	- 217.3	5.4 %
Other operating expenses	- 81.7	- 76.8	6.3 %	- 155.7	- 139.5	11.6 %
Other gains/losses	7.1	0.0	519089 %	7.1	-	
Total operating expenses	**- 735.8**	**- 648.7**	**13.4 %**	**- 1 377.1**	**- 1 228.7**	**12.1 %**
Earnings before interest, taxes, depreciation and amortization (EBITDA)	**201.8**	**150.8**	**33.9 %**	**330.5**	**275.3**	**20.0 %**
Total depreciation	- 84.7	- 72.4	17.0 %	- 163.9	- 139.9	17.2 %
Earnings before interest, taxes and amortization (EBITA)	**117.1**	**78.4**	**49.4 %**	**166.5**	**135.4**	**23.0 %**
Total amortization	- 10.7	- 10.6	0.8 %	- 22.5	- 21.6	4.3 %
Earnings before interest and taxes (EBIT)	**106.4**	**67.8**	**57.0 %**	**144.0**	**113.8**	**26.5 %**
Net financial items	**- 27.0**	**10.0**	**-370.2 %**	**- 27.6**	**8.7**	**-416.8 %**
Profit before income tax (EBT)	**79.4**	**77.8**	**2.1 %**	**116.4**	**122.5**	**-5.0 %**
Income tax expense	- 22.3	- 21.0	6.3 %	- 38.0	- 33.2	14.5 %
Profit for the period	**57.1**	**56.7**	**0.7 %**	**78.4**	**89.3**	**-12.2 %**
Adjusted EBITA	**117.9**	**82.7**	**42.5 %**	**170.2**	**142.1**	**19.7 %**
Adjusted EBITA margin, %	12.6 %	10.4 %	21.7 %	10.0 %	9.5 %	5.8 %

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Strong balance sheet and headroom for continued growth

- Net debt of NOK 1,635 million in Q2'24, representing a Net interest-bearing debt / Adj. EBITDA at 2.4x
  - Significant headroom to financial covenant at 4.0x Net debt / Proforma Adj EBITDA
  - Net interest-bearing debt / Proforma Adj EBITDA as defined in loan agreement currently around 2.2x

A. Goodwill amounted to NOK 2009.3 million as of 30 June 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 of NOK 993.3 million related to Right of use assets

E. Non-current loan primarily refers to bank loans

NOK million	Jun 30, 2024	Jun 30, 2023	Dec 31, 2023
ASSETS			
Intangible assets	2 204.5	1 853.0	1 868.7
Right-of-use assets	1 017.2	877.8	893.3
Property, plant and equipment	571.3	533.3	510.7
Financial assets at amortized cost	6.7	9.3	5.2
Total non-current assets	**3 799.7**	**3 273.4**	**3 277.8**
Inventories	24.1	19.6	18.7
Accounts receivables	619.5	431.7	441.9
Other current receivables	221.5	189.7	201.0
Cash and cash-equivalents	173.9	177.8	267.0
Total current assets	**1 039.0**	**818.8**	**928.6**
Total assets	**4 838.7**	**4 092.2**	**4 206.4**
EQUITY AND LIABILITIES			
Deferred tax liability	67.3	91.2	36.6
Non-current lease liabilities	735.7	644.8	647.9
Non-current loans	811.7	604.5	638.4
Provisions	122.6	56.7	5.8
Total non-current liabilities	**1 737.4**	**1 397.2**	**1 328.7**
Accounts payables	211.4	168.2	157.5
Taxes payable	37.8	17.7	40.6
Current portion of lease liabilities	257.6	212.2	219.7
Current portion of loans	4.3	12.5	11.3
Provisions	120.7	48.0	58.7
Other current liabilities	312.3	289.7	319.4
Total current liabilities	**944.1**	**748.3**	**807.2**
Total liabilities	**2 681.5**	**2 145.6**	**2 135.8**
Total equity and liabilities	**4 838.7**	**4 092.2**	**4 206.4**

Lease liabilities account for approx. 60% of net debt

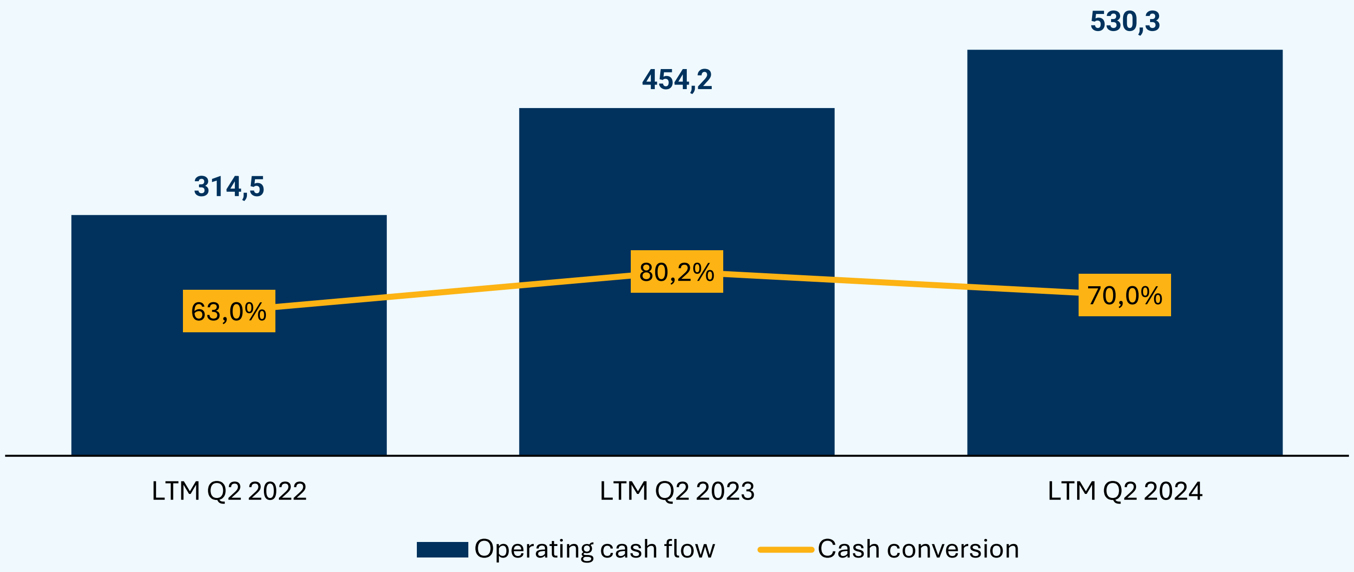
- Total net debt amounted to NOK 1,635.4 million as per 30 June 2024
  - According to IFRS-16. all leases are capitalized. The lease liabilities amounted to NOK 993.3 million as per 30 June
  - Leasing payments next 12 months of NOK 266 million
- Depreciation of the leased assets is included in the total depreciation in the Profit and Loss statement
- Net debt excluding lease liabilities amounted to NOK 642.1 million as per 30 June 2024
- Of the NOK 1,100 million credit facility. NOK 773 million was utilized as per 30 June 2024, and 80 million reserved for the AMOFA, but available for financing.
- An increase and prolongation of the current facility has been agreed with the two banks but has not been finalized yet. This is expected to be done during Q3.

NOK million	Current	Non-current	Total debt
Buildings and property	78.9	217.8	296.7
Vehicles and equipment	175.7	515.7	691.4
Furniture, fixtures & other	3.0	2.2	5.2
Total lease liabilities IFRS 16	**257.6**	**735.7**	**993.2**
Loans	4.3	811.7	816.0
Total Interest Bearing Debt	**261.9**	**1 547.4**	**1 809.3**
Cash and cash equivalent			173.9
NIBD, including IFRS 16			1 635.4
NIBD excluding building and property leases			1 338.7
NIBD excluding IFRS 16 lease liability			**642.1**

Cash conversion reduced due to increased NWC and M&A

- Cash conversion in last twelve months reduced due to increased NWC
  - Net working capital and operating cash flow impacted by the acquisition of Nordic Powergroup with NOK 60 million.
- High focus on capital efficiency and Net working capital going forward
  - Project in Denmark to improve levels
  - ERP tool to be implemented from year end should improve also NWC in Germany?

Net cash inflow from operating activities and cash conversion MNOK



NOKm	LTM 2022	LTM 2023	LTM 2024
Adjusted EBITDA	499.5	566.4	687.4
Net cash inflow from operating activities	314.5	454.2	530.3
Cash conversion	**63.0%**	**80.2%**	**70.0%**

Well capitalized: On track to deliver on financial targets

Operating revenue growth – **Organic growth** / **Total growth**	Target to achieve revenue of around **NOK 4.5bn by 2025** while achieving an average organic growth per annum of at least in line with market growth
Profitability	Target to achieve an adjusted EBITA margin of **14-15% in the medium term**
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 **2.5x adj. EBITDA** 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

Q2 2024

- Delivering on the M&A agenda
- Strong total growth of 17.3%, organic growth of 9.2%
- Margin improvement of 2.2 percentage points

- 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

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Q&A

2nd Quarter 2024

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