

26 October 2021

Press release from AFRY

For further information:

Jonas Gustavsson, President and CEO, +46 70 509 16 26

Juuso Pajunen, CFO, +358 10 33 26 632

Interim Report January-September 2021

Strong organic growth driven by our industrial segments

"There was strong demand in the third quarter, particularly within our industrial segments, driven by societal transitions and the recovery from the pandemic. The quarter can be summarised by strong organic growth and a stable result, so far this year AFRY has announced acquisitions with annual net sales just over one billion SEK", said Jonas Gustavsson, President and CEO.

Third quarter 2021

- Net sales amounted to SEK 4,419 million (4,021)
- EBITA, excl. items affecting comparability, was SEK 369 million (288)
- EBITA margin, excl. items affecting comparability, was 8.3 percent (7.2)
- EBITA totalled SEK 369 million (271)
- EBITA margin was 8.3 percent (6.7)
- EBIT (operating profit) was SEK 328 million (229)
- Basic earnings per share: SEK 2.20 (1.29)

January-September 2021

- Net sales amounted to SEK 14,596 million (14,084)
- EBITA, excl. items affecting comparability, was SEK 1,217 million (1,146)
- EBITA margin, excl. items affecting comparability, was 8.3 percent (8.1)
- EBITA totalled SEK 1,217 million (1,106)
- EBITA margin was 8.3 percent (7.9)
- EBIT (operating profit) was SEK 1,127 million (972)
- Basic earnings per share: SEK 7.46 (5.64)

COMMENTS BY THE CEO JONAS GUSTAVSSON

There was strong demand in the third quarter, particularly within our industrial segments, driven by societal transitions and the recovery from the pandemic. The quarter can be summarised by strong organic growth and a stable result, so far this year AFRY has announced acquisitions with annual net sales just over one billion SEK.

Continued strong organic growth

We delivered strong growth in the third quarter with net sales of SEK 4,419 million (4,021), which corresponds to an organic growth of 7.5 percent when adjusted for calendar effects. The growth is driven by positive performances from the Industrial & Digital Solutions, Process Industries and Management Consulting divisions. Our order stock remains at a stable level.

Results

EBITA, excluding items affecting comparability, was SEK 369 million (288), and the corresponding EBITA margin was 8.3 percent (7.2). The method for allocating payroll expenses to a period was altered in connection with the implementation of our new ERP system. This change, which has a neutral impact on the full year, had a positive impact on EBITA of SEK 57 million during the quarter. When adjusted for this change, the margin amounted to 7.1 percent. The margin was positively impacted by strong results in the Industrial & Digital Solutions, Process Industries, Energy and Management Consulting divisions, but negatively impacted by a weak development in parts of the Infrastructure Division.

Performance in the divisions

The Infrastructure Division reported a modest growth during the quarter, however with a weak result. The result was negatively impacted by a lower utilisation rate. The development was particularly weak in transport infrastructure in Sweden, with results not in line with our expectations. Work is underway to improve both profitability and growth. The real estate segment noted improved market conditions towards the end of the quarter and other markets outside Sweden showed a stable trend in a generally good market.

After the end of the quarter we have entered into an agreement to acquire all the shares in Vahanen Group, a Finnish consultancy company focused on the construction and real estate sector. The company has annual net sales of around SEK 470 million and 500 employees. The acquisition will complement our infrastructure offering in Finland, which is one of our most important markets. The acquisition is conditional on approval from competition authorities in Finland.

The Industrial & Digital Solutions Division had a strong quarter with improved growth and results driven by a strong trend in all segments. The largest automotive clients have expanded both their ambition and the pace of product development and production investments, which are driven to a large extent by electrification and the need for software development, an area in which AFRY has a strong position and offering.

The Process Industries Division showed a strong growth and result trend during the quarter, particularly in Sweden, Russia and Asia. The market is stable, particularly within operational services and smaller projects.

The Energy Division showed a strong result, partly due to well-executed major projects. However, a negative growth was reported due to the pandemic continuing to impact decision-making processes for new projects and delaying starts of awarded projects. That said, the division is well positioned with great opportunities to participate in the ongoing energy transition, and it has a clear focus on growth in 2022.

The Management Consulting Division showed a strong growth and results trend, driven by an increased demand for strategic consultancy services within the energy and bio industry.

Sustainable and digital solutions

We entered several new agreements during the quarter, and I am particularly proud of the fact that AFRY was entrusted engineering partner as Metsä Board in Husum, Sweden, invests to meet a growing demand for sustainably produced packaging materials. Our focus on digitalisation is beginning to yield results, with one example being Hitachi ABB Power Grids choosing AFRY's digital twin as they take the next step on their digitalisation journey. We look forward to continued close cooperation in sustainable solutions for the industry, the pace of which is now increasing thanks to our digital investment, AFRY X.

Strong focus on growth and digitalisation

To meet higher levels of demand, we have accelerated the pace of recruitment in all divisions and growth through acquisitions. A total of four acquisitions have been announced during and after the quarter, which amounts to 16 acquisitions since the beginning of the year. In total, the acquired companies, including Vahanen Group, have annual net sales just over one billion SEK, which corresponds to a sales growth of circa 5.6 percent. Digitalisation is one of our strongest drivers of growth, and the majority of the acquisitions we have made since the beginning of the year have digital offerings. Our balance sheet makes room for further acquisitions and we are working on several more promising acquisition candidates.

One of Sweden's most attractive employers

AFRY continue to strengthen its attractiveness among young professional civil engineers. In the latest survey by Universum, in which engineers get the chance to rank the most attractive employers in Sweden, AFRY is among the companies at the top of the list. I see an incredible diversity of competent professional engineers who want to be involved in creating a more sustainable society, together with us and our clients.

Well positioned for sustainable development

We are seeing a continued increasing demand, particularly in our industry segments, although the pandemic is continuing to affect certain decision-making processes for new major projects. The ongoing transition in society towards sustainable solutions and increased digitalisation give us great opportunities for a positive development going forward. We are well positioned to take a leading role and have a strong focus on growth and value creation.

AFRY AB (publ), SE-169 99 Stockholm, Sweden
Visitors' address: Frösundaleden 2, 169 70 Solna, Sweden
Tel. +46 10 505 00 00 Fax +46 10 505 00 10
www.afry.com / info@afry.com
Corporate ID number 556120-6474

This report has been subjected to scrutiny by the company's auditors.

This information fulfils AFRY AB's (publ) disclosure requirements under the provisions of the EU's Market Abuse Regulation and the Swedish Securities Markets Act. The information was submitted for publication through the agency of the contact person set out above at 07.00 CET on 26 October 2021.

All assumptions about the future that are made in this report are based on the best information available to the company at the time the report was written. As is the case with all assessments of the future, such assumptions are subject to risks and uncertainties, which may mean that the actual outcome differs from the anticipated result.

This is a translation of the Swedish original. The Swedish text is the binding version and shall prevail in the event of any discrepancies.

The full report including tables (pdf) is available for download.

Link to press-images

<https://afry.com/en/newsroom/press-images-logo>