



# **Q4 2018 Result presentation**

Oslo, 12 February 2019



**NRC** Group

# Disclaimer

## Forward Looking Statements

This presentation contains forward-looking statements that involve risks and uncertainties. All statements other than statements of historical facts are forward-looking. You should not place undue reliance on these forward-looking statements for many reasons.

These forward-looking statements reflect current views with respect to future events and are by their nature subject to significant risk and uncertainties because they relate to events and depend on circumstances that will occur in future. There are a number of factors that could cause actual results and developments to differ materially from those expressed or implied by these forward-looking statements.

Although we believe that the expectations reflected in the forward-looking statements are reasonable, we cannot assure you that our future results, level of activity or performance will meet these expectations. Moreover, neither we nor any other person assumes responsibility for the accuracy and completeness of the forward-looking statements. Unless we are required by law to update these statements, we will not necessarily update any of these statements after the date of this presentation, either to conform them to actual results or to changes in our expectations.

# Operational highlights

## Acquisition of VR Track OY

Creating the largest Nordic rail infrastructure player with acquisition of Finnish VR Track Oy  
A strong platform to capture future growth opportunities within strong and growing market segments  
Integration process well underway

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## Key events

Reorganisation in Sweden to optimise strategies, realising synergies and improve operational execution. New management team in place  
Awarded NOK 360 million Storgata tramway contract in Oslo

# Key figures highlights

## Key figures Q4

Revenues of NOK 971 million vs NOK 674 million in Q4 2017

EBITDA\* of NOK -7 million

EBITDA of NOK -60 million in Sweden because of expenses and loss related to business being reorganised

Order book of NOK 2,748 million

## Key figures Q4 Proforma\*\*

Revenues of NOK 1,896 million

EBITDA\* of NOK 106 million, including expenses and loss related to business being reorganised in Sweden in Q4

Order book\*\*\* of NOK 6,745 million

## Key figures 2018

Revenues of NOK 3,176 million vs NOK 2,373 million in 2017

EBITDA\* of NOK 132 million, including expenses and loss related to business being reorganised in Sweden in Q4

## Key figures 2018 Proforma\*\*

Revenues of NOK 6,472 million

EBITDA\* of NOK 475 million, including expenses and loss related to business being reorganised in Sweden in Q4

\* Excluding M&A costs

\*\* Proforma figures based on management accounts from the acquired companies with estimated IFRS adjustments on financial lease

\*\*\* Including JVs

# Financials





## Q4 2018 key figures – profit and loss

	(Amounts in NOK million)	Q4 2018	Q4 2017	FY 2018	FY 2017
• Revenue of NOK 971 million (+44%)	Revenue	971	674	3 176	2 373
– Continued strong growth in Norway					
– Overall market in Sweden: Investments -12% in 2018	M&A expenses	14	2	28	6
• EBITDA ex M&A of NOK -7 million	EBITDA (ex M&A)	-7	72	132	236
– Sweden: EBITDA of NOK -60 million	EBITA (ex M&A)	-36	57	57	190
• Reorganisation of Swedish operation	EBIT (ex M&A)	-44	49	29	156
• Weak market - higher cost base					
– Norway: EBITDA of NOK 60 million	EBITDA % (ex M&A)	-0,7 %	10,7 %	4,2 %	9,9 %
• EBITA ex M&A of NOK -36 million					
– Increased depreciations from acquisitions					

# Proforma\* Q4 2018 key figures – profit and loss

## Profit and loss including acquired company

(Amounts in NOK million)	Q4 2018	2018
Revenue	1 896	6 472
M&A expenses	14	28
EBITDA (ex M&A)	106	475
EBITDA	92	446
EBITDA % (ex M&A)	5,6 %	7,3 %

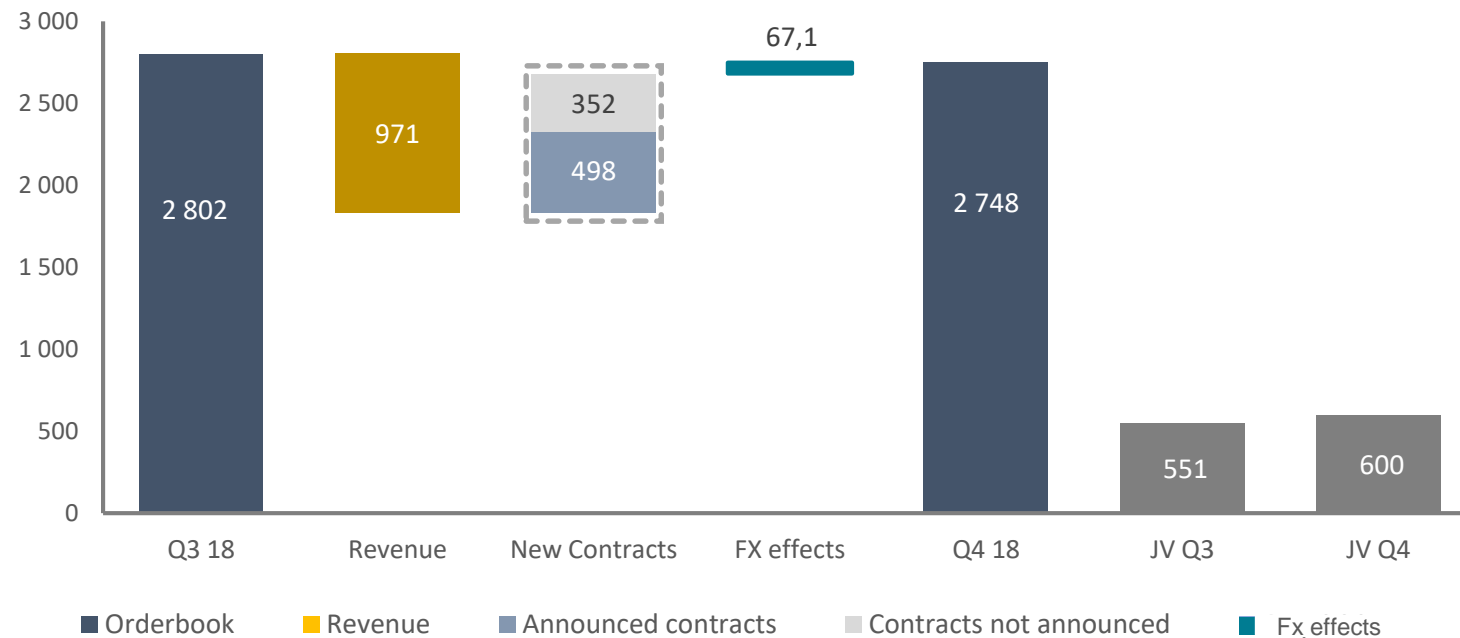
The expenses and loss related to the business being reorganised, negatively affect the Group's EBITDA in Sweden amounting to ~NOK 60 million in Q4 2018

## Expected revenues for 2019 ~ NOK 7 billion

\*Proforma figures based on management accounts from the acquired companies with estimated IFRS adjustments on financial lease

# Order book development

## Order book development Q3 2018 – Q4 2018 (MNOK)

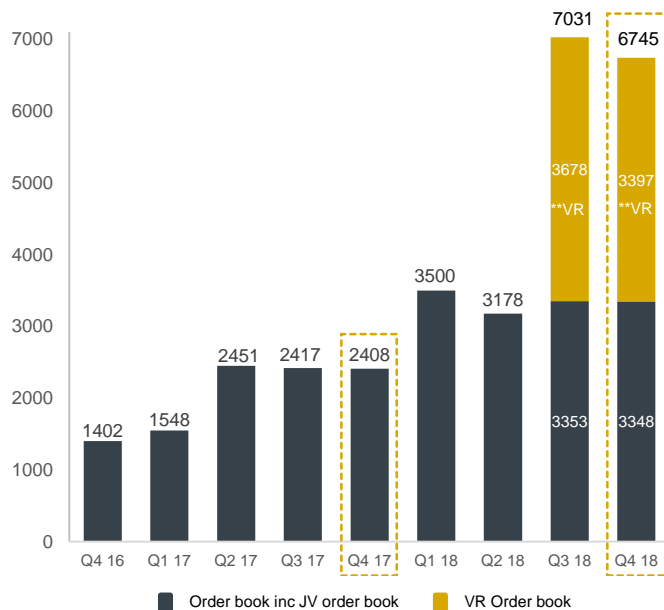




# Order book development\*

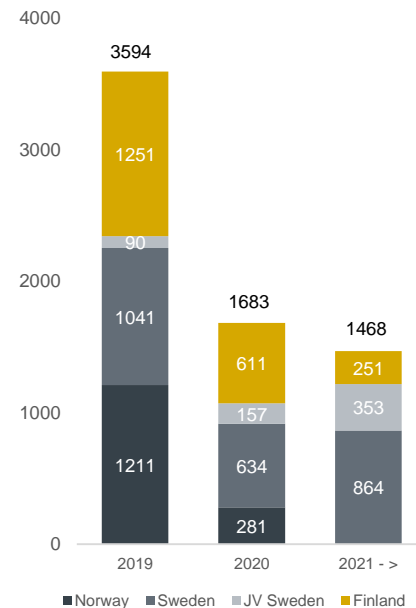
## Order book Q4 2016 – Q4 2018

In NOK million



## Proforma order book 2019 – 2021->

In NOK million



\*Including order book from JVs

\*\* VR Track proforma included in Q3 and Q4 2018

## Q4 2018 key figures – balance sheet

- Cash is NOK 396 million
- Net debt is NOK 219 million
- Intangible assets of NOK 1,275 million
- Equity ratio is 49%

(Amounts in NOK million)

<b>ASSETS</b>	<b>31.12.2018</b>	<b>31.12.2017</b>
Intangible assets	1 275	1 048
Other non-current assets	428	287
Other current assets	841	741
Cash and cash equivalents	396	408
<b>Total assets</b>	<b>2 940</b>	<b>2 484</b>
<b>EQUITY AND LIABILITIES</b>		
<b>Total equity</b>	<b>1 442</b>	<b>1 357</b>
Non-current interest-bearing liabilities	440	317
Other non-current liabilities	46	27
Interest-bearing current liabilities	175	121
Other current liabilities	838	662
<b>Total equity and liabilities</b>	<b>2 940</b>	<b>2 484</b>

## Q4 2018 key figures – cash flow

- Cash flow from operating activities of NOK 236 million

- Capex: NOK -3 million

- Net cash flow from financing activities is NOK -39 million
  - Borrowings and leasing

<u>(Amounts in NOK million)</u>	<u>Q4 2018</u>	<u>Q4 2017</u>	<u>FY 2018</u>	<u>FY 2017</u>
Profit/loss before tax	-64	46	-10	144
<b>Net cash flow from operating activities</b>	<b>236</b>	<b>160</b>	<b>192</b>	<b>133</b>
<b>Net cash flow from investing activities</b>	<b>-1</b>	<b>-28</b>	<b>-146</b>	<b>-247</b>
<b>Net cash flow from financing activities</b>	<b>-39</b>	<b>-35</b>	<b>-60</b>	<b>92</b>
Net change in cash and cash equivalents	196	96	-9	-18
<b>Cash and cash equivalents at the end of the period</b>	<b>396</b>	<b>408</b>	<b>396</b>	<b>408</b>






# Integration process well underway

- VR Track acquisition was completed on 7 January 2019
  - VR Group Oy largest shareholder with 18.3% of shares
  - Board of directors expanded with Rolf Jansson (VR Group) and Eva Nygren (independent)
- Review of Swedish operation to optimize organization and structure
  - Reduction in headcount in Sweden of 90 FTEs
  - Lars Öhman new MD for Sweden, previously head of VR Track Sweden
  - More flexible cost structure



# Uniquely positioned to serve the Nordic market

## KEY MARKET FIGURES

		SWEDEN	NORWAY	FINLAND
	Installed railway	~12 000 km	~ 4 200 km	~ 6 000 km
	Annual railway passenger journeys	219 million	74 million	86 million
	Annual railway freight volume (tons)	68 million	33 million	36 million
	Maintenance backlog* (NOK)	18 billion	19 billion	11 billion
	Employees approximately	600	400	1,450

## OUR OFFICES



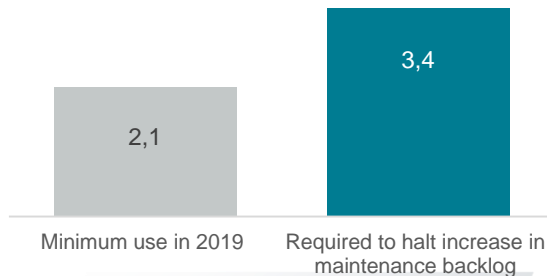
Source: **Norway:** NTP 2018-29 and 2019 national budget **Sweden:** NTP 2018-29, Trafikverket and 2018 national budget. **Finland:** Finnish Transportation Agency, VR Track estimates.

# Norway 2019 budget confirms long-term growth trend

- New Norwegian majority Government supportive of increased investments in environmentally friendly transport systems
- 2019 railway spending budgeted at NOK 21 billion, up 9% from 2018
- Spending on operations, maintenance and investments continues to lag levels required to meet the new NTP

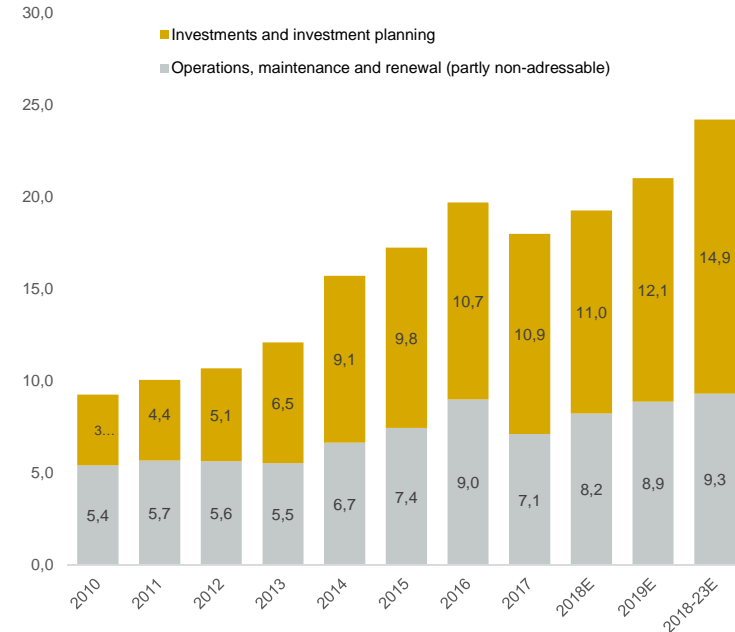
## Investments in infrastructure renewal

NOK billion



## Long-term railway spending development

NOK billion per year



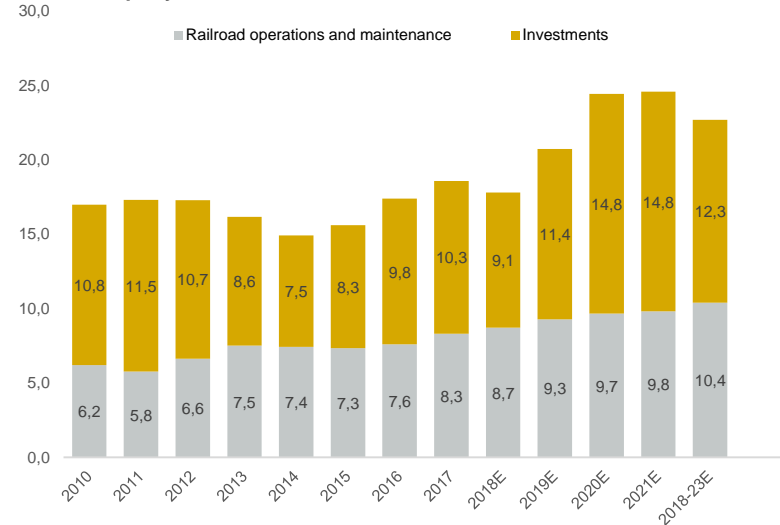
\*)Sources: The Norwegian national budget, national accounts and most recent NTP

# Long-term growth expected for railway activity in Sweden

- 2018 weak market
  - Investments down 12%
- 2019 budget approved late 2018
  - 26% increase in investments and 6% increase in operations and maintenance spend from 2018
- New NTP approved in June confirmed continued long-term growth in demand for infrastructure services
  - Average maintenance spend of SEK 10.4 billion for the 2018-2029 period, up 47% from old NTP
  - Average investments in new named\* railway projects of SEK 12.3 billion, up 32% from old NTP

## Long-term railway spending development\*\*

SEK billion per year

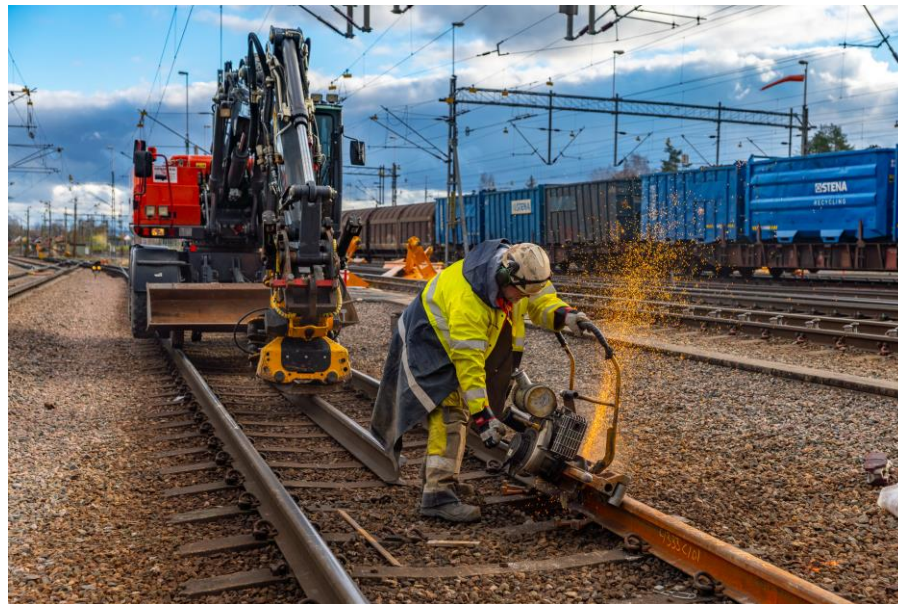


Sources: 2010-2021E Swedish national budget & accounts: Investment plan for Trafikverket and Maintenance of State transport infrastructure, 2018-23 NTP annual averages. Investments based on named projects exceeding SEK 100 million each

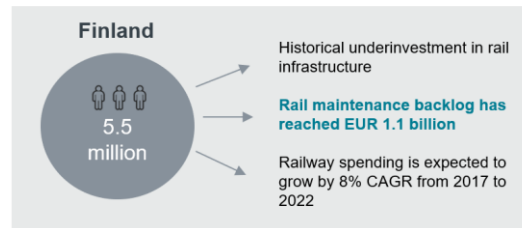
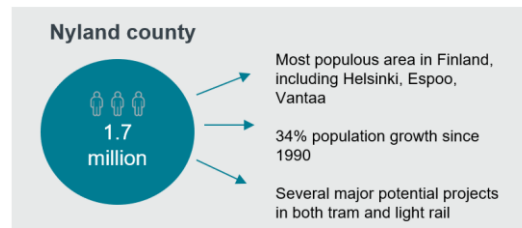


# Budget supports expectations for increased activity from 2019

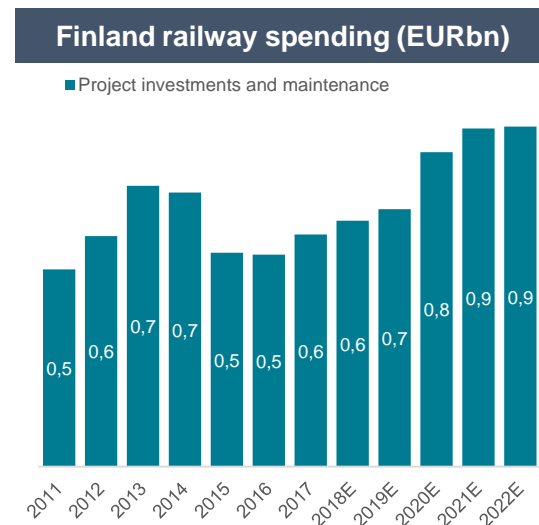
- High tendering activity
- Three long-term maintenance contracts up for tendering in 2019 with start-up in 2020
- Maintenance backlog, delays and environment are high on agenda
- Increased focus on interdisciplinary projects



# Attractive growth expected in Finland



	Trend	Change 2000-2017
Population	→	+6%
Passengers	↗	+56%
Tons of freight volume	→	-5%
Km of railway	→	+1%



(1) Source: Finnish Transportation Agency, NRC Group estimates

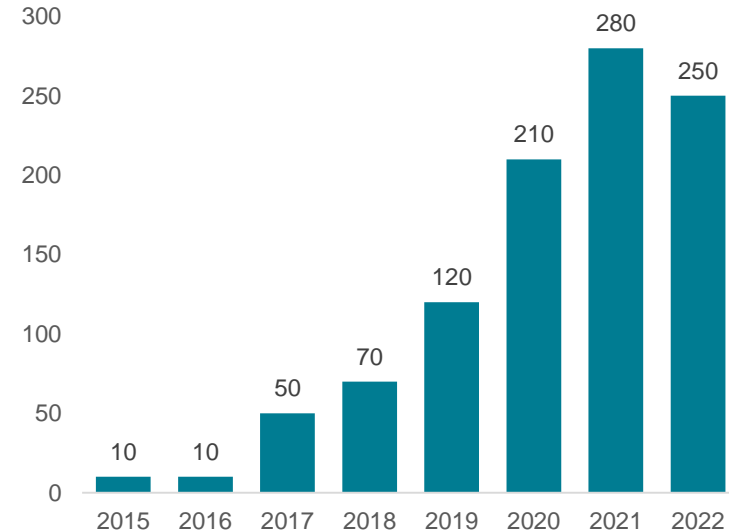
Decision taken to establish project companies that will promote and enable large-scale rail transport investments

# Light rail market driving investment growth in Finland

- Ongoing projects with NRC Group as **alliance partner**
  - Tampere light rail part 1, ~ € 285 million ( - 2021)
- Projects in development phase with NRC Group as alliance partner
  - Raide-Jokeri line in Helsinki-Espoo, ~ € 470 million (2019- 24)
  - Tampere light rail part 2, ~ € 80 million( 2022 - 2024)
- Upcoming projects in the Helsinki area
  - Kruunusillat line, ~ € 260 million ( - 2026) (Alliance)
  - Kalasatama line, ~ € 80 million ( - 2024)
  - 15-year investment program for renewal of existing Helsinki light rail network, ~ € 60 million

## Estimated light rail / tramway investments

EUR million per year



Sources: Finnish Transport Agency 2011-2017 realized spend, Tampere and Helsinki tramway budgets, NRC Group estimates

# Nordic railway maintenance market characteristics

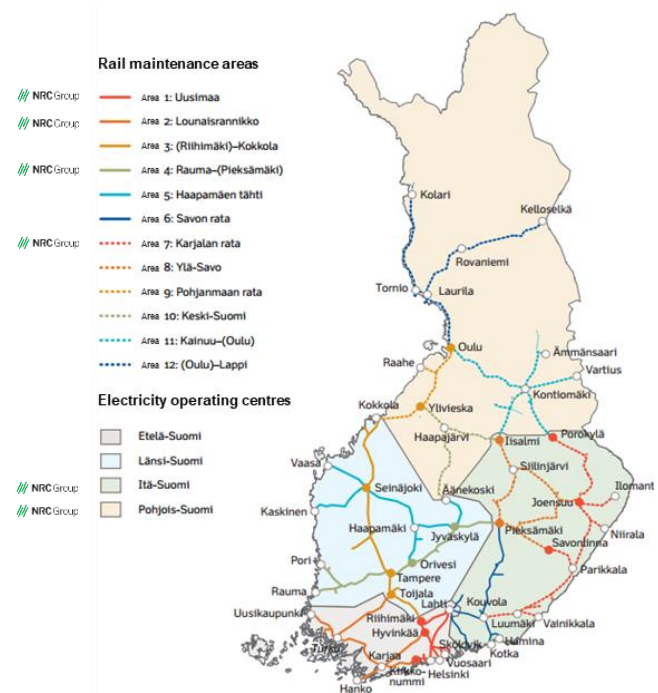
- Long-term contracts providing visibility for earnings and activity
- Building of local knowledge
- Potential to leverage maintenance expertise in adjacent markets to support future growth
- Sweden and Finland have privatized maintenance with 5-year contracts
  - NRC Group is market leader in Finland and number 3 in Sweden
- Norway has started the process of privatizing maintenance and Bane NOR plans to sign the first 5-year contract in 2022



# Established market leader in Finland

- 4 out of 12 maintenance area contracts including the largest maintenance area
- 2 out of 4 operating centre contracts (electricity maintenance)
- Regional knowledge and technological capabilities enable high quality service and efficient execution
- Extensive geographical coverage and good availability of services even on a short notice

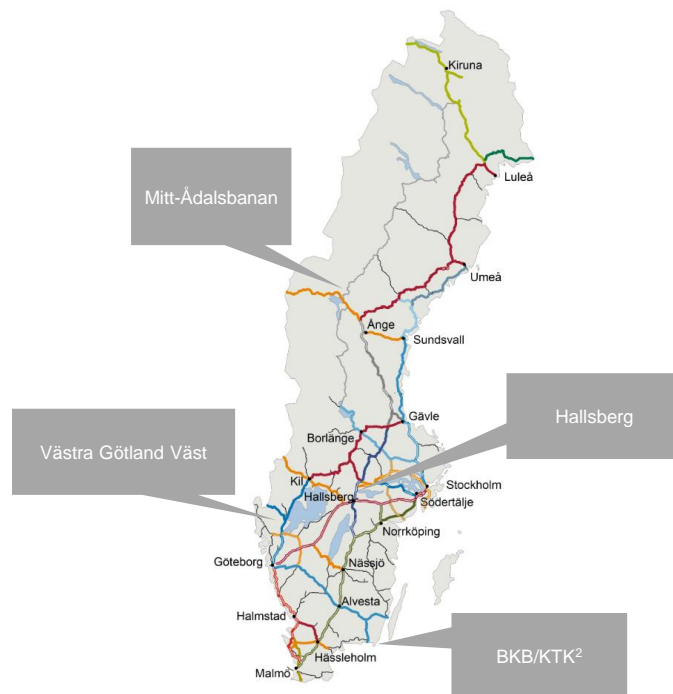
## Rail maintenance areas & electricity operating centers



# Building from a No.3 position in Sweden

- Market made up of 34 maintenance sections
- NRC Group operates four sections from 2019
  - Three ongoing contracts from VR Track
  - One NRC Group contract starting 2019
- Additional opportunities opening in 2019 with three contracts up for tendering
- Third largest maintenance operator with 15%<sup>1</sup> market share of base maintenance in 2017

## Rail maintenance areas



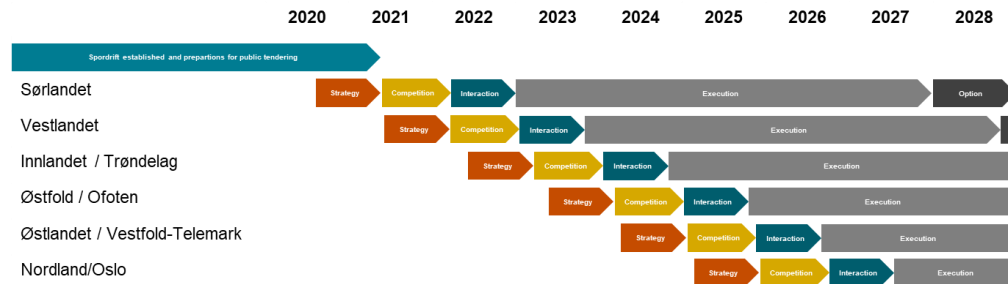
(1) Source: Trafikverket

(2) Blekinge kustbana och Kust till kust-banan

# Uniquely positioned for privatization of Norway rail maintenance

- Full-service capabilities and ability to leverage market leader positions in Sweden and Finland
- Bane NOR to award 5-year contracts + 2 option years for 10 maintenance regions
  - First contract signing in 2022
- Bane NOR has created 100% owned stand-alone railway operation and maintenance operative unit from 2019
  - Separate limited company with about 1,000 employees
  - Will initially sign contracts for all domestic railway lines
- Applicable maintenance market in Norway of NOK ~2.5 billion

## Planned roll-out of maintenance contracts in Norway



\*)Source: Bane NOR



# Sørumsand station – example of our sustainable business model

How we deliver a sustainable business model and build green infrastructure with focus on green operations

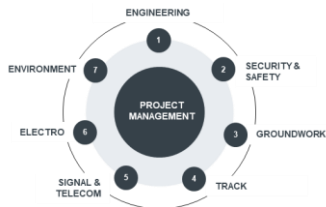
## Building green infrastructure



Due to increased use of the environmentally-friendly public transport, the train, and the expected growth in population in the area, significant improvements will be made at Sørumsand station in Norway.

- Replace existing platform with new
- Build additional platform
- Replace existing track
- Build culvert for pedestrians

All the services in our value chain will be involved



## Green operations in the project

- Environmentally friendly handling of biologically and chemically contaminated masses
- Sorting and delivery of dangerous waste to approved disposal area
- Provide sedimentation plants for cleansing of plant water during construction period
- Test taking of plant water prior to release to the public network
- Cleansing and emptying the sedimentation plant when needed

# Summary & outlook

- Focus on VR Track integration process and capturing synergies
  - Swedish operation reorganised to optimise strategic position and operational execution
- High tendering activity in all markets
- Strong market outlook with good project pipeline visibility



# Appendix



# 20 largest shareholders

Per 11 February 2019

INVESTOR	NO OF SHARES	% OF TOTAL	COUNTRY
VR-YHTYMÄ	9 877 953	18,33	FIN
DATUM	5 100 000	9,46	NOR
MIDDELBORG INVEST	3 516 454	6,52	NOR
ARCTIC FUNDS	2 413 594	4,48	BEL
CARNEGIE INVESTMENT	2 242 414	4,16	SWE
NORDEA	1 976 397	3,67	UK
VERDIPAPIRFONDET ALFRED BERG	1 434 590	2,66	SWE
CHARLOTTE HOLDING	1 329 688	2,47	NOR
NORDNET BANK	1 308 392	2,43	SWE
GUNNAR KNUSTEN HOLDING	1 252 677	2,32	NOR
NORRON SICAV	1 245 350	2,31	LUX
LGA HOLDING	1 168 102	2,17	NOR
SOGN INVEST	1 018 807	1,89	NOR
HANDELSBANKEN NORDISKA	950 771	1,76	UK
SVENSKA HANDELSBANKEN	900 000	1,67	SWE
HAUGO RIVING	850 745	1,58	NOR
DNB NOR MARKETS	742 000	1,38	NOR
CATELLA SMÅBOLAGSFOND	699 546	1,30	SWE
E.K HOLDING	668 102	1,24	NOR
SKANDINAVISKA ENSKILDA SEB	625 535	1,16	SWE
<b>TOTAL NUMBER OWNED BY TOP 20</b>	<b>39 321 117</b>	<b>72,95</b>	
<b>TOTAL NUMBER OF SHARES</b>	<b>53 904 223</b>		

# Segments – key figures quarterly development

	Restated Full year 2015	Restated Q1 2016	Restated Q2 2016	Restated Q3 2016	Restated Q4 2016	Reported Q1 2017	Reported Q2 2017	Reported Q3 2017	Reported Q4 2017	Reported Q1 2018	Reported Q2 2018	Reported Q3 2018	Reported Q4 2018
<b>Norway operations (NOK million)</b>													
Total revenue	349	113	162	161	168	108	189	255	219	212	335	421	630
EBITDA	27	-5	6	14	-2	-6	10	19	18	-1	25	45	60
EBITA	21	-8	3	11	-4	-10	5	13	10	-7	19	36	42
EBIT	19	-9	2	9	-5	-12	2	8	4	-13	16	32	34
<b>Sweden operations (NOK million)</b>													
Total revenue	330	207	341	439	384	233	396	525	460	316	498	433	344
EBITDA	44	11	34	73	56	19	42	96	62	9	45	32	-60
EBITA	42	9	32	67	52	15	37	89	55	2	38	23	-71
EBIT	35	3	26	61	47	9	32	84	52	1	37	17	-71
<b>Parent, holding companies and eliminations (NOK million)</b>													
Eliminations	0	0	0	0	0	0	-3	-3	-5	-1	-5	-3	-3
EBITDA	-39	-5	-17	-5	-7	-8	-9	-4	-10	-6	-6	-19	-21
EBITA	-40	-5	-17	-5	-7	-8	-9	-4	-10	-6	-6	-19	-21
EBIT	-40	-5	-17	-5	-7	-8	-9	-4	-10	-6	-6	-19	-21
<b>Total group segment accounts</b>													
Total revenue	678	320	504	600	552	341	582	776	674	528	827	851	971
EBITDA	32	1	23	81	47	6	43	111	70	2	65	58	-21
EBITA	24	-3	18	72	41	-3	34	98	55	-12	51	40	-50
EBIT	15	-10	11	65	34	-11	25	89	46	-18	48	30	-59

# Segments – key figures quarterly development VR Track Oy

	Reported	Reported	Reported	Reported	Reported	Reported	Reported	Reported		
	Q1 2017	Q2 2017	Q3 2017	Q4 2017	Q1 2018	Q2 2018	Q3 2018	Q4 2018	FY 2017	FY 2018
<b>Finland operations (EUR million)</b>										
Total revenue	34	52	60	61	32	55	60	68	207	215
EBITDA	-3	7	10	9	1	6	9	12	24	28
EBITA	-5	5	8	7	-2	5	7	10	16	19
EBIT	-5	5	8	7	-2	5	7	10	16	19
<b>Sweden operations (EUR million)</b>										
Total revenue	15	18	17	15	10	12	13	16	64	50
EBITDA	-1	0	1	-2	-2	-1	0	-2	-2	-4
EBITA	-1	0	0	-3	-2	-1	0	-2	-4	-5
EBIT	-1	0	0	-3	-2	-1	0	-2	-4	-5
<b>Design (EUR million)</b>										
Total revenue	7	8	8	11	9	10	10	12	34	40
EBITDA	0	1	1	2	1	1	1	1	5	4
EBITA	0	1	1	2	1	1	1	1	5	4
EBIT	0	1	1	2	1	1	1	1	5	4
<b>Total TRACK</b>										
Total revenue	56	77	85	86	51	76	83	95	305	305
EBITDA	-3	8	12	10	0	7	10	11,7	27	29
EBITA	-6	6	10	7	-4	5	8	9	17	18
EBIT	-6	6	10	7	-4	5	8	9	17	18

VR Track numbers are based on management accounts with estimated IFRS adjustments on financial lease