



# Q3 2018 Result presentation

Oslo, 6 November 2018

 **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.

# Highlights

## Acquisition of VR Track OY

Creating the largest Nordic rail infrastructure player

An even stronger platform to capture future growth initiatives including maintenance-, design- and environmental services

Creating value for NRC Group investors - strong cash flow generation and significant growth prospects

## Key figures Q3

Revenues of NOK 851 million

EBITDA of NOK 72 million excluding M&A cost

- EBITDA in SBB of NOK –18 million due to changes in cost estimates in projects

Strong order backlog

## Key events

Sustainability requirements create new business opportunities within environmental services

- Acquisitions of Gunnar Knutsen AS and NSS Holding AS

Subsequent awarded NOK 360 million Storgata tramway contract in Oslo

EGM approved to increase the share capital in connection with the acquisition of VR Track OY

Rolf Jansson and Eva Nygren elected as new Board members with effect from early January 2019

# Financials



## Q3 2018 key figures – profit and loss

- Revenue in Q3 2018 of NOK 851 million (+10%)
  - Continued strong growth in Norway: + 65%
  - Decrease in Sweden due to none track renewal projects in 2018  
(Q3 17 revenue of NOK ~200 million)
- EBITDA ex M&A Q3 2018 of NOK 72 million
  - Weak performance in SBB, Sweden, with EBITDA of NOK - 18 mill.
    - Management replaced. Projects estimates adjusted
  - No track renewal project in 2018
  - Weakening SEK vs NOK of 6%
  - Strong performance in Norway: 10.7% EBITDA margin
- EBIT ex M&A in Q3 2018 of NOK 44 million
  - Includes NOK 6 million of SBB remaining amortisations

<u>(Amounts in NOK million)</u>	<b>Q3 2018</b>	<b>Q3 2017</b>	<b>YTD 2018</b>	<b>YTD 2017</b>	<b>FY 2017</b>
Revenue	851	776	2 206	1 699	2 373
M&A expenses	14	2	14	4	6
EBITDA (ex M&A)	72	113	139	164	236
EBITA (ex M&A)	54	100	93	133	190
EBIT (ex M&A)	44	91	74	107	156
EBITDA % (ex M&A)	8,4 %	14,5 %	6,3 %	9,6 %	9,9 %
EBITDA % (ex M&A cost and SBB)	10,6 %				

# Proforma Q3 2018 key figures – profit and loss

Profit and loss including acquired companies VR Track OY, Gunnar Knutsen AS (GK) and NSS Holding AS (NSS)

<b>(Amounts in NOK million)</b>	<b>NRC Group*</b>	<b>GK+NSS</b>	<b>VR Track</b>	<b>Combined</b>
Revenue	851	134	804	<b>1 789</b>
EBITDA	72	31	92	<b>195</b>
EBITA	54	23	73	<b>150</b>
EBITDA ex M&A (%)	8,4 %	23,8 %	11,4 %	<b>10,9 %</b>

Proforma figures based on management accounts from the acquired companies with estimated IFRS adjustments

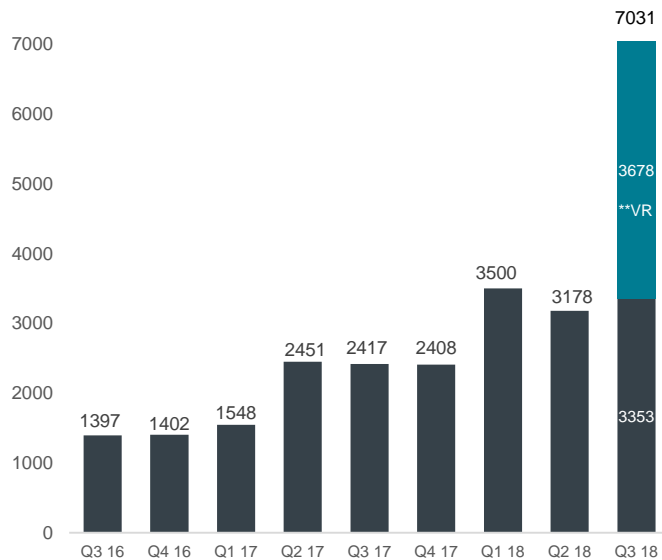
EUR: 9,57

\* NRC Group figures excluding M&A cost

# Order book development\*

## Order book Q3 2016 – Q3 2018

In NOK million

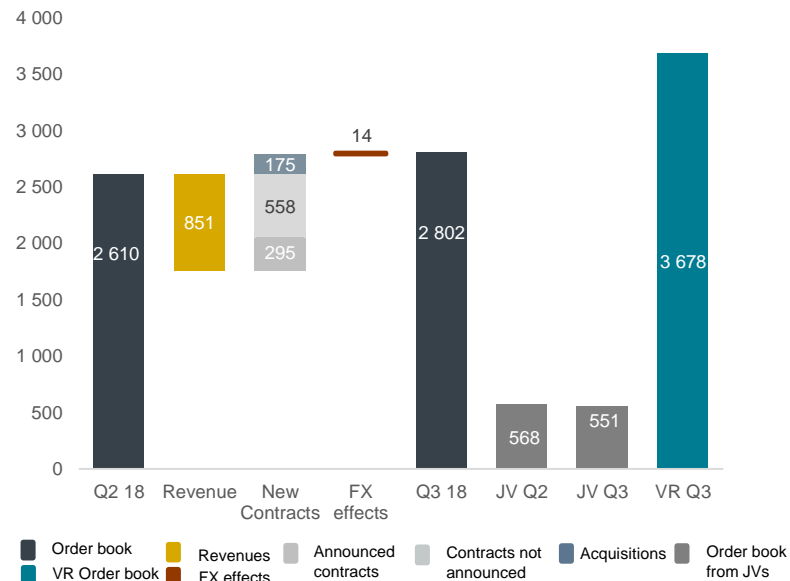


\*Including order book from JVs

\*\* VR Track proforma included in Q3 2018

## Order book development Q2 2018 – Q3 2018

In NOK million



Order book  
 VR Order book  
 Revenues  
 Announced contracts  
 Contracts not announced  
 Acquisitions  
 Order book from JVs  
 FX effects

Approximately 30% of the order book is estimated for production in 2018

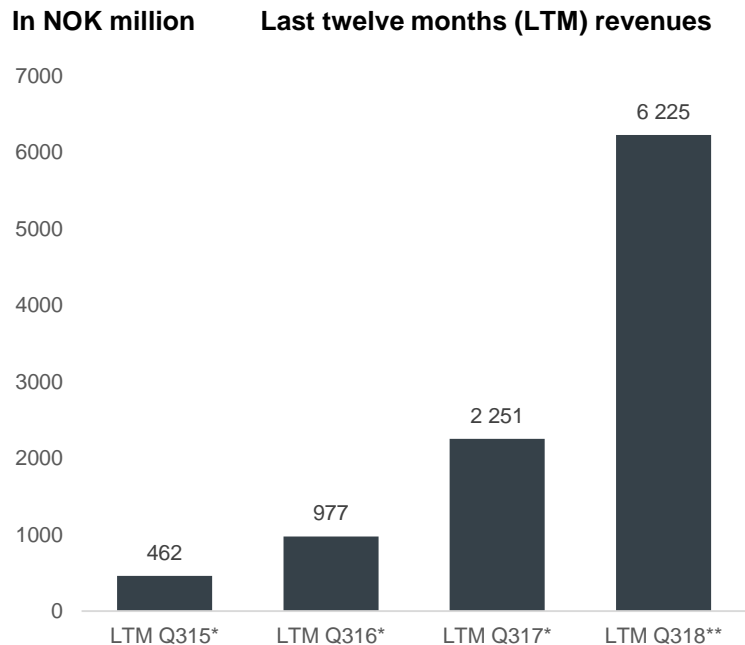
## Q3 2018 key figures – balance sheet

	<b>(Amounts in NOK million)</b>			
	<b>30.09.2018</b>	<b>30.09.2017</b>	<b>31.12.2017</b>	
• Acquisition of Gunnar Knutsen AS included	<b>ASSETS</b>			
	Intangible assets	1 262	955	1 048
• Cash is NOK 189 million	Other non-current assets	437	266	287
	Other current assets	1 059	621	741
• Net debt is NOK 446 million	Cash and cash equivalents	189	308	408
– Increased bank debt related to acquisitions: NOK 145 million	<b>Total assets</b>	<b>2 948</b>	<b>2 150</b>	<b>2 484</b>
– Leasing from NSS Holding AS and Gunnar Knutsen AS: NOK 88 million	<b>EQUITY AND LIABILITIES</b>			
– Cut off – payment from customers ~ NOK 60 million	<b>Total equity</b>	<b>1 443</b>	<b>1 232</b>	<b>1 357</b>
	Non-current interest-bearing liabilities	467	319	317
	Other non-current liabilities	41	20	27
• Intangible assets of NOK 1,262 million	Interest-bearing current liabilities	168	114	121
	Other current liabilities	829	465	662
• Equity ratio is 49%	<b>Total equity and liabilities</b>	<b>2 948</b>	<b>2 150</b>	<b>2 484</b>

## Q3 2018 key figures – cash flow

	(Amounts in NOK million)	Q3 2018	Q3 2017	YTD 2018	YTD 2017	FY 2017
<ul style="list-style-type: none"> <li>Cash flow from operating activities of NOK 3 million                             <ul style="list-style-type: none"> <li>Cut-off between quarters ~ NOK 60 million</li> </ul> </li> </ul>	Profit/loss before tax	26	88	54	98	144
<ul style="list-style-type: none"> <li>Net cash flow from investing activities is NOK -138 million                             <ul style="list-style-type: none"> <li>Acquisitions: NOK -139 million</li> <li>Capex: NOK -1 million</li> </ul> </li> </ul>	<b>Net cash flow from operating activities</b>	<b>3</b>	<b>33</b>	<b>-44</b>	<b>-28</b>	<b>133</b>
	<b>Net cash flow from investing activities</b>	<b>-138</b>	<b>-138</b>	<b>-140</b>	<b>-214</b>	<b>-243</b>
	<b>Net cash flow from financing activities</b>	<b>102</b>	<b>151</b>	<b>-21</b>	<b>128</b>	<b>92</b>
<ul style="list-style-type: none"> <li>Net cash flow from financing activities is NOK 102 million                             <ul style="list-style-type: none"> <li>Increased bank debt for acquisitions: NOK 145 million</li> <li>Payment of borrowings and leasing: NOK -43 million</li> </ul> </li> </ul>	Net change in cash and cash equivalents	-33	46	-206	-114	-18
	<b>Cash and cash equivalents at the end of the period</b>	<b>189</b>	<b>308</b>	<b>189</b>	<b>308</b>	<b>408</b>

# NRC Group acquires VR Track and creates the largest Nordic rail infrastructure player

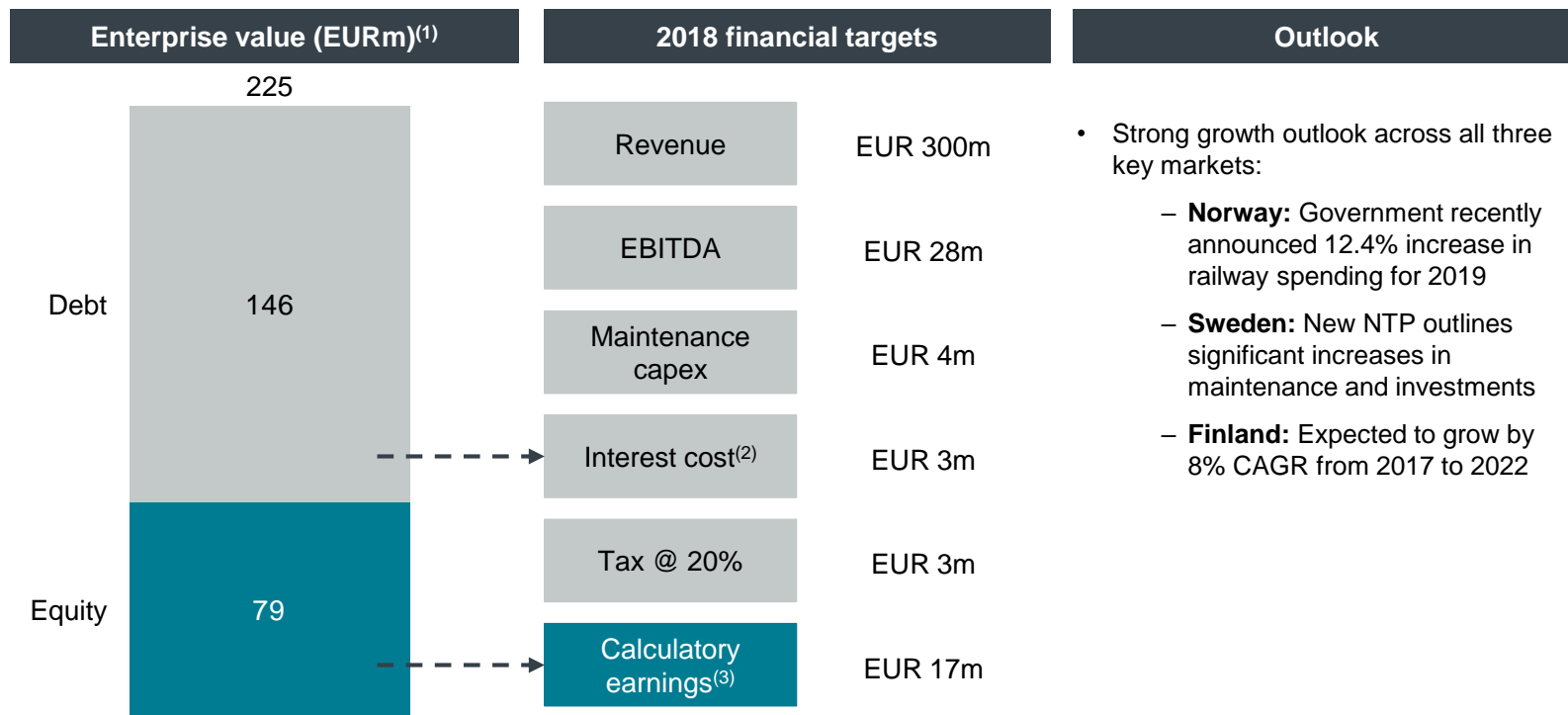


\* Reported figures

\*\* Proforma figures, including NSS Holding, Gunnar Knutsen and VR Track figures LTM Q3 2018



# The acquisition of VR Track represents a solid foundation for value creation



(1) Based on transaction enterprise value. Final purchase price is subject to certain net working capital and net debt adjustments at the time of closing

(2) Weighted annual interest cost on acquisition bank debt financing

(3) Calculated as: EBITDA – maintenance capex – interest cost – tax. May not add up due to rounding

# The enlarged NRC Group represents a significantly enhanced platform to capture further growth opportunities

- Unique pan-Nordic capabilities
- Ability to offer larger turnkey projects to a wider customer group
- Very well positioned to capture maintenance contracts in the Norwegian market
- Cross-selling potential for groundwork in Finland, engineering & design projects in Norway and environmental services in Sweden and Finland
- Improved utilization of machine park and resources create synergies in Sweden

***The leading infrastructure company in the Nordics with potential for European expansion***

- ➔ Wide service offering
- ➔ Broad geographical presence
- ➔ Leading market positions



**/// NRC Group**  
**VR TRACK**

Present





Future vision

# NRC Group is now uniquely positioned to serve the Nordic market

## Overview of NRC Group and VR Track offices



## Key market figures

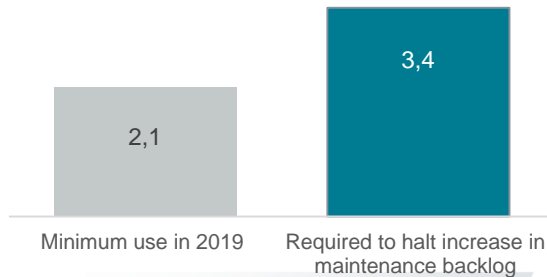
	Sweden	Norway	Finland
<b>Installed railway</b>			
	~12 000 km	~ 4 200 km	~ 6 000 km
<b>Annual railway passenger journeys</b>			
	219 million	74 million	86 million
<b>Annual railway freight volume (tons)</b>			
	68 million	33 million	36 million
<b>Maintenance backlog* (NOK)</b>			
	18 billion	19 billion	11 billion

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

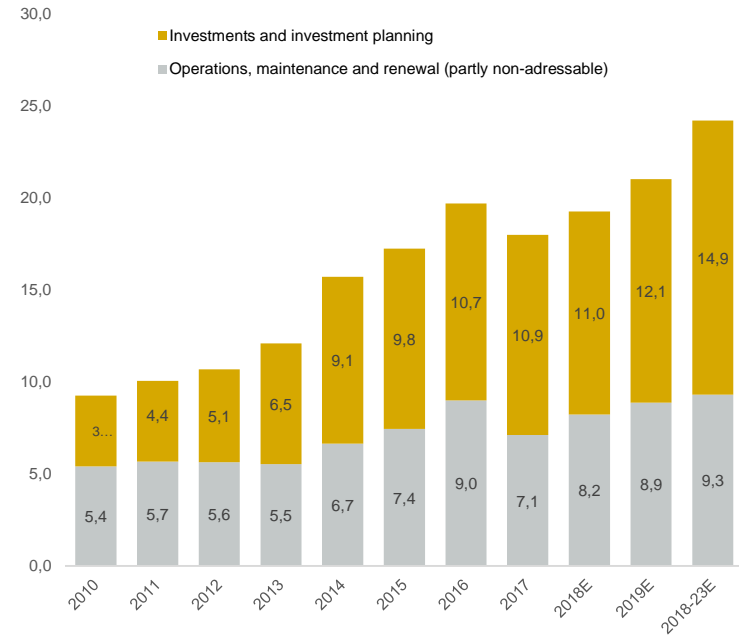
- 2019 railway spending budgeted at NOK 21.2 billion, up 11% from 2018
- Spending on operations, maintenance and investments continues to lag levels required to meet the new NTP
- Norwegian Government supportive of increased investments in environmentally friendly transport systems

## Investments in infrastructure renewal NOK billion



## Long-term railway spending development

NOK billion per year

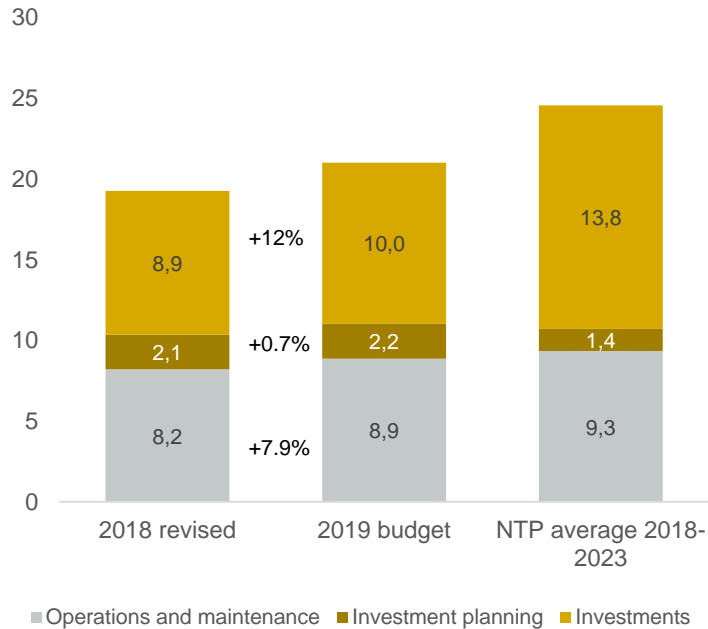


\*)Sources: The Norwegian national budget, national accounts and most recent NTP

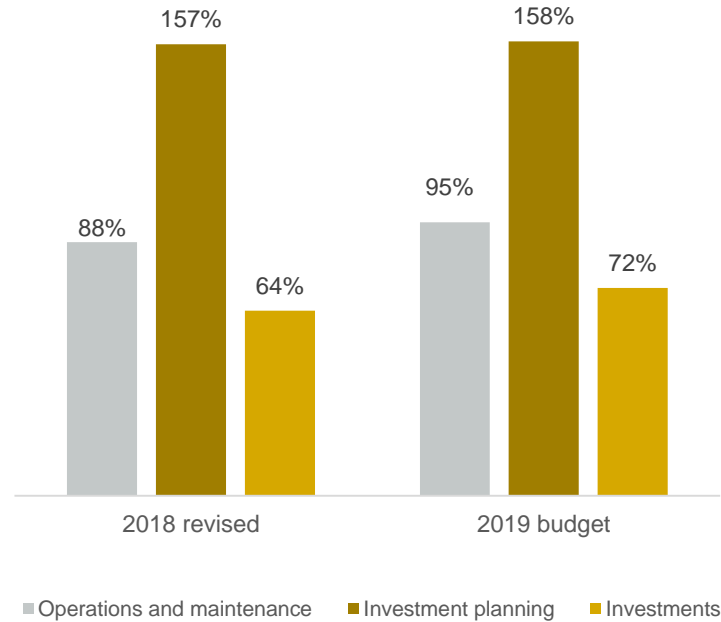
# Further growth needed to close investment gap to NTP levels

## External service purchases

NOK billion



## Relative to NTP average for 2018-23 period



# Full-service positioning confirmed by 2<sup>nd</sup> large Oslo tram award

## Major contract for Storgata rehabilitation

- NOK 360 million contract awarded
  - Street improvement works and tram infrastructure upgrades including track, electro and groundwork
  - Modernising parts of the water and wastewater network
  - Part of Sporveien's high-profile NOK 4.1 billion Tram Program (2018-2021)
- Second major turnkey tram project awarded in 2018
  - Both won by NRC Group, combined value NOK 762 million
  - Confirming shift towards bigger contracts involving several specialist disciplines
  - In line with NRC Group's strategic positioning
- Environmental impact a key selection criteria



Source: Sporveien



"NRC Group has demonstrated understanding and insight with regards to environmental impact during project execution, and also by selecting climate-friendly solutions."  
From letter of award

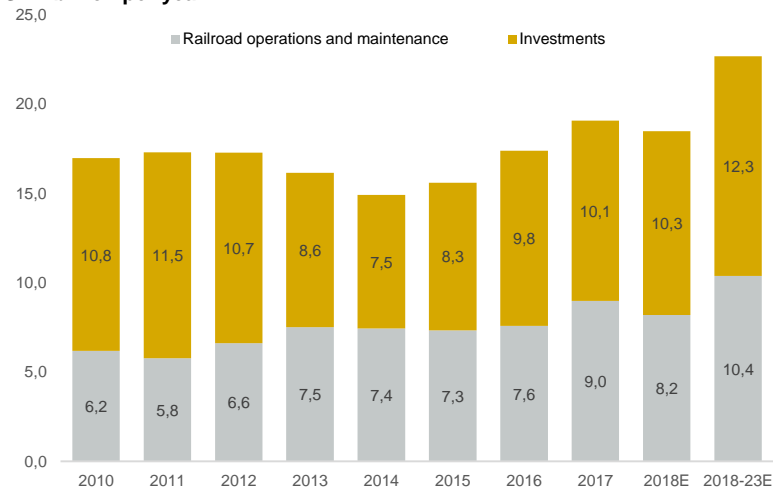


# Long-term growth expected for railway activity in Sweden

- 2019 budget still pending formation of a new government after the general elections 9 September
- The new NTP announced on 4 June confirms continued 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: \*) 2018-29 NTP. Named projects exceed SEK 100 million of investments, 2010-2018: Swedish national budget: Tables for Investment plan for Trafikverket and Maintenance of the State transport infrastructure

# Step-up in investments expected from 2019

- High tendering activity in the fourth quarter 2018
  - Five track renewal projects for tender in 2019
  - Projects with revenue and margin potential
- Three long-term maintenance contracts up for tendering in 2019
- Maintenance backlog, delays and environment are high on agenda
- Increased focus on interdisciplinary projects
- Stable competitive landscape

Sverige

## Förseningar i tågtrafiken på flera viktiga sträckor

UPPDATERAD 2018-09-30 PUBLICERAD 2018-09-30

Tågtrafiken på en rad viktiga sträckor drabbade under söndagen av förseningar på grund av dels en nedriven kontaktledning mellan Katrineholm och Flen, dels ett växel fel i Flen.

Source: Dagens Nyheter, 30 September 2018



Långdistanståg, till exempel de som trafikerar Stockholm–Göteborg, har haft högst andel förseningar. Foto: FREDRIK SANDBERG/TT.

### ▶ Bottenrekord för tågtrafiken i sommar

1:02 min [Min lista](#) [165](#)

Publicerat tisdag 2 oktober kl 04:07

I juni var över 40 procent av långdistanstågen i Sverige försenade, visar statistik från Trafikverket.

Source: Sveriges Radio, 2 October 2018



### Stora problem i skånska tågtrafiken


Publicerad 24 augusti 2018

På fredagen inträffade flera tågstörningar runt om i Skåne. Flera tåg mellan Malmö och Köpenhamn ställdes in och förseningar pågick under hela eftermiddagen och kvällen. Vid 21:45-tiden var det totalstopp för alla tåg till och från Malmö C efter ett elfel.

Source: SVT, 24 August 2018

# Attractive growth expected in Finland


**Nyland county**



1.7 million





- Most populous area in Finland, including Helsinki, Espoo, Vantaa
- 34% population growth since 1990
- Several major potential projects in both tram and light rail

**Finland**



5.5 million

- Historical underinvestment in rail infrastructure
- Rail maintenance backlog has reached EUR 1.1 billion**
- Railway spending is expected to grow by 8% CAGR from 2017 to 2022

	Trend	Change 2000-2016
 Population	➔	+6%
 Passengers	➔	+50%
 Tons of freight volume	➔	-11%
 Km of railway	➔	+1%



(1) Source: Finnish Transportation Agency, VR Track estimates

# Tramway and metro market in Finland

- NOK 2.7 billion tramway development programme for the city of Tampere
- VR Track is part of the Tramway Alliance in charge of designing and constructing the infrastructure and depot area
  - VR Track responsible for 50% of planning and 50% of construction
  - YIT Construction Services and Pöyry Finland Oy are the other alliance partners
- Section 1 (NOK 2.3 billion) is scheduled for completion in 2021
  - Turnkey project including tramway and tramway stop construction, groundworks, depot construction, power supply, bridges and all technical systems
  - Total length of 15 km with 23 main stops



# Summary & outlook

- Focus on VR Track integration process and capture synergies
- Strong market outlook with good project pipeline visibility
- Strong order backlog
- Positioned for privatization of maintenance contracts in Norway



# Appendix



# 20 largest shareholders

Per 5 November 2018

INVESTOR	NO OF SHARES	% OF TOTAL	COUNTRY
DATUM	5 100 000	11,58	NOR
MIDDELBOG INVEST	4 401 454	10,00	NOR
ARCTIC FUNDS	2 329 034	5,29	IRL
CARNEGIE INVESTMENT	2 242 491	5,09	SWE
NORDEA	1 951 397	4,43	FIN
CHARLOTTE HOLDING	1 328 008	3,02	NOR
NORDNET	1 307 970	2,97	SWE
GUNNAR KNUTSEN HOLDING	1 252 677	2,85	NOR
LGA HOLDING	1 168 102	2,65	NOR
NORRON SICAV	1 034 208	2,35	LUX
SOGN INVEST	1 018 807	2,31	NOR
HANDELSBANKEN NORDISKA	991 051	2,25	SWE
VERDIPAPIRFONDET ALFRED BERG	975 810	2,22	NOR
HAUGO RIVING	850 745	1,93	NOR
DNB NOR MARKETS	748 859	1,70	NOR
CATELLA SMÅBOLAGSFOND SKANDINAVISKA ENSKILDA	719 805	1,63	SWE
DANSKE BANK	681 616	1,55	SWE
SKANDINAVISKA ENSKILDA SEB	680 142	1,54	SWE
E.K HOLDING	668 102	1,52	NOR
AVANZA BANK	567 595	1,29	SWE
<b>TOTAL NUMBER OWNED BY TOP 20</b>	<b>30 017 873</b>	<b>68,18</b>	
<b>TOTAL NUMBER OF SHARES</b>	<b>44 026 270</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
<b>Norway operations (NOK million)</b>												
Total revenue	349	113	162	161	168	108	189	255	219	212	335	421
EBITDA	27	-5	6	14	-2	-6	10	19	18	-1	25	45
EBITA	21	-8	3	11	-4	-10	5	13	10	-7	19	36
EBIT	19	-9	2	9	-5	-12	2	8	4	-13	16	32
<b>Sweden operations (NOK million)</b>												
Total revenue	330	207	341	439	384	233	396	525	460	316	498	433
EBITDA	44	11	34	73	56	19	42	96	62	9	45	32
EBITA	42	9	32	67	52	15	37	89	55	2	38	23
EBIT	35	3	26	61	47	9	32	84	52	1	37	17
<b>Parent, holding companies and eliminations (NOK million)</b>												
Eliminations	0	0	0	0	0	0	-3	-3	-5	-1	-5	-3
EBITDA	-39	-5	-17	-5	-7	-8	-9	-4	-10	-6	-6	-19
EBITA	-40	-5	-17	-5	-7	-8	-9	-4	-10	-6	-6	-19
EBIT	-40	-5	-17	-5	-7	-8	-9	-4	-10	-6	-6	-19

# Our entire business revolves around sustainability

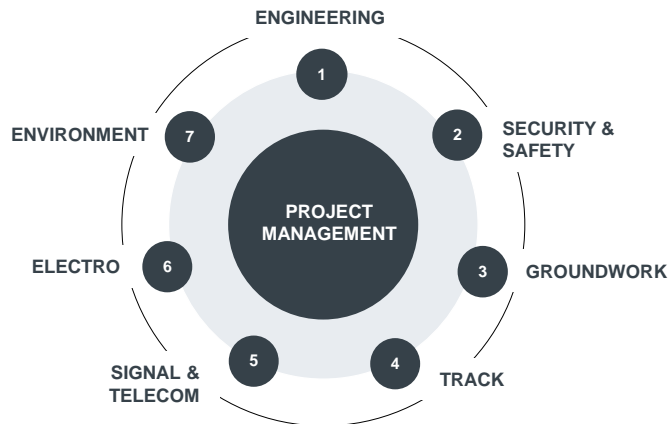
As populations and cities grow, efficient transportation systems with a low carbon footprint are becoming increasingly important across the world. Building such systems is our core business.

Our competence and capabilities cover all phases of the projects. Since we take a holistic view in the planning and execution of the work, our projects are sustainable and create value in both economic and environmental terms.

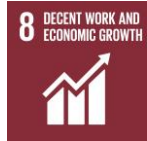
## UN model for sustainable business



## Our sustainable business model



# Sustainability goals in action



- HSE Handbook (Norway and Sweden)
- Diversity
- Trainees



- Green public transportation infrastructure
- Landfill and waste disposal
- Innovation and creativity on assignment



- Site waste management and recycling
- Harbour development and renovation
- Road safety projects
- Environmental decontamination and soil waste management



- Material selection
- Responsible supply chain



- Storgata, fossil-free construction site
- Electric excavator
- Reducing soil waste transportation, focus on local solutions

NRC Group sees UN's sustainability goals as a guideline to our business approach. Here are examples of how these goals come into action in our daily operations.