

February 7, 2025

**Nolato**

Q4 2024



## Speakers



**Carl Ragnerstam**

Head of Small Cap Research Sweden | Nordea



**Operator**



**Christer Wahlquist**

CEO | Nolato



**Per-Ola Holmström**

CFO | Nolato



**Adrian Gilani**

Equity Research Analyst | ABG

## Prepared Remarks

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**Operator**

Good morning and welcome to today's presentation with Nolato. With us presenting today, we have the CEO, Christer Wahlquist, and CFO, Per-Ola Holmström. If you're calling in and would like to ask a question, please press star nine to raise your hand and then star six to unmute yourself when it's your turn to speak. You can also submit written questions via the form located to the right of the broadcast, and we'll take that up during the Q&A. And with that said, please go ahead with your presentation.



**Christer Wahlquist**

CEO | Nolato

Okay, welcome everybody to the presentation of Nolato's Fourth Quarter of 2024. Starting on Page 2, we saw a quarter with a sales increase. We saw 5% if we adjust for currency across the board, organic growth for both business areas. Now we have been changing our product offering or product portfolio within the Engineered Solutions business area and started seeing growth in that area. The operating profit rose by 36% to SEK 240 million for the fourth quarter. The margin, of course, is a sharp increase across both business areas and ended up above 10%. We can also happily present that we have a very strong cash flow from operating, which rose to SEK 480 million during the quarter. And of course, that was fueled by improved profit and reduced working capital requirements during the quarter.



**Christer Wahlquist**

CEO | Nolato

Turning to Page 3, looking at the full year of 2024. During 2024, we had sales of just shy of SEK 10 billion. We saw an increase of 1% if we adjust for currency across the board. During this year, we have, of course, introduced our new business area Engineered Solutions and changed the product mix within that area, and now starting seeing some growth from that. The margin ended up at 9.9%, so we saw improved margins across both business areas. Earnings per share SEK 244, and of course very strong financial positions with net financial liabilities of SEK 671 million and a debt ratio compared to net financial liabilities of 0.4. The board of directors' proposal for dividend is unchanged at SEK 1.5 per share, and that is within the policy that says about 50% of net profits, and this is corresponding to 61%.



**Christer Wahlquist**

CEO | Nolato

That strong balance sheet enables us to further grow and expand together with customers as well as acquisitions going forward. Turning to Page 4, focusing on the two business areas within the group. We have Medical Solutions as the major part of the group, close to SEK 1.4 billion in the quarter. Then we have Engineered Solutions. That is the new formed business area that has been shaped up, and we see good improvements in that business area as well. On Page 5, you can see a graph of our 20 last years' development of our sales. We've seen continuous growth across over the last at least 20 years. If we look on Page 6, we will see the mix of different focus product areas.



**Christer Wahlquist**

CEO | Nolato

We are focusing on In Vitro Diagnostics, which is a growth area with high volume manufacturing, very tight tolerances, and interesting to be in for the future as well. Cardiology, which is an area high focus on very high demands from quality standpoints, implants, and so on. Pharma Packaging, Continence Care, Endoscopy, and General Surgery, and then of course, Drug Delivery. Jumping to the focus on Medical Solutions for fourth quarter on Page 7, we saw a 5% increase of sales, but if we adjust it for currency, it's a 4%. We saw within the different market areas that we saw Drug Delivery showed a strong growth. We saw IVD growing compared with the weak quarter last year. We saw Pharma Packaging had lower volumes. We saw inventory adjustments and geopolitical effects on customers in that, and also some lower sales from Surgical. The margin improved to 11.2%.



**Christer Wahlquist**

CEO | Nolato

We saw our continuous focus on improving margins are generating results, and we saw the strategic price revision and cost savings affecting us. If we jump to Page 8, focusing on Engineered Solutions, here we have had some years of adjusting our product mix, and now that is finished and we start working with our future. Here we are focusing on Consumer Electronics, Automotive, Hygiene, Materials, and other areas. Jumping to Page 10, summarizing up the Engineered Solutions business area, we saw a good increase of sales, 8%, but currency adjusted it ended up at 7%. We saw good growth or good development in all areas except Automotive, where we saw some decline. Consumer Electronics saw increased growth from very low levels, and we are seeing that our investments in new areas are bearing fruit. Healthy growth within Hygiene.



**Christer Wahlquist**

CEO | Nolato

Then, of course, Automotive displayed lower volumes as expected, but we also see that we expect a negative impact on the start of 2025 for the Automotive. The materials business showed a sharp increase in volumes, and the growth was a full 20%, currency adjusted through healthy growth for the Telecom side of the materials business. Good growth of margin, improvement to 9.2%, of course, based on cost adjustments, but also a favorable product mix during the quarter.



**Per-Ola Holmström**

CFO | Nolato

Good morning, Per-Ola Holmström commenting Group Financial Highlights on Page 11. Net sales increased to SEK 2,382 million, a growth of 5%. Operating profit increased by 36% to SEK 240 million, and the EBITDA margin was 10.1% for the fourth quarter. The effective tax rate for 2024 was 22.4%. We expect a similar rate, around 22% for 2025 as well. We do not foresee any material changes because of Pillar Two rules. Cash flow from operating activities was very strong, amounting to SEK 480 million compared to SEK 186 million last year. The net investments increased to SEK 172 million compared to SEK 106 million. Higher because of the new medical project we have during 2024, invested SEK 140 million of the assessed SEK 600 million for that project. We expect to invest more 2025, between SEK 800 million and SEK 850 million for the total year.



**Per-Ola Holmström**

CFO | Nolato

The strong cash flow has enabled us to decrease net financial liabilities to SEK 671 million, or 0.4 times our EBITDA result. Return on capital employed increased to 12.3%.



**Christer Wahlquist**

CEO | Nolato

If we turn to Page 12 and focusing on our current situation per business area, starting with the medical, we are, of course, maintaining our growth strategy, focus on margin, cost adjustment, pricing strategy, and efficiency. All of this is based on innovation and sustainability. We have in this business area a very broad customer base with long-standing close customer relationship. And of course, the new significant order on the customer side validates our overall strategy. If we look on Engineered Solutions, we have now phased out our effects from VHP. We have and are advancing our market positions and have established positions in new product areas. Of course, this is based on focus on innovative and sustainable solutions for the customers. We see success in the Automotive area that are positive for the Materials side of the business.



**Per-Ola Holmström**

CFO | Nolato

Page 13. Heads up, we will host a Capital Markets Day March 13 in Stockholm. There will be a possibility to join online as well. You can see here how to register, and there are more information on our website, and there you can also register for this Capital Markets Day March 13.



**Christer Wahlquist**

CEO | Nolato

We now open up for questions.

## Q&amp;A

**Operator**

Thank you very much for that presentation, and let's dive into the Q&A section here. If you're calling in and would like to ask a question, please press star nine to raise your hand and then star six to unmute yourself when it's your turn to speak. And we have Carl Ragnerstam from Nordea. Please go ahead, you have the word.

**Carl Ragnerstam**

Head of Small Cap Research Sweden | Nordea

Hi, can you hear me?

**Christer Wahlquist**

CEO | Nolato

Yes.

**Carl Ragnerstam**

Head of Small Cap Research Sweden | Nordea

Very good. Thank you so much and good morning. A couple of questions from my side. Firstly on EMC here, as you said, grew 20%. Could you give some flavor on the growth development by subsegments or subdivisions, automotive versus telecom, and also when you get the 20% organic growth, what operating leverage do you get in such business? What margins did it contribute with for the segment engineered?

**Per-Ola Holmström**

CFO | Nolato

Yes, I can comment. If we start with the growth and how that is built up, it is growth in all sectors, you can say. But the big difference in this quarter is that we have seen growth as well in telecom. So that supported the high growth rate in this quarter. So continuing in a good way in automotive and the other areas, and then adding growth from low levels in telecom as well, ending up with a very healthy and good growth in this quarter. Coming back to the margin question, of course, it is supporting margin, but not very dramatically. It's a good margin in this quarter supporting. That is what we mean when we say we have a good product mix for the whole business area and supporting that margin, of course.

**Carl Ragnerstam**

Head of Small Cap Research Sweden | Nordea

Okay, that is very clear. But the question was also a bit, if you strip out EMC from the business, I guess all Nolato units should be able to come close to the 10% margin or even near. And I guess if you're stripping out the EMC, which is accretive, then the underlying business is, I guess, quite far from being at satisfactory level. So what are you doing underlying to improve all operations except EMC? Is it volumes that need to come back, or obviously you've done cost savings, but is it something else you need to do?

**Christer Wahlquist**

CEO | Nolato

You remember when we changed our production footprint in Asia and consolidated to the southern part of China. We explained that we have a little bit too much, how should I say, capacity, or we have a good capacity to build up some new business, and that is on a little bit higher cost than it should be in a normal stage. But that was a cautious decision that we made in order to have possibilities to create new growth in other areas. And that is, of course, affecting the overall margin for the non-Materials, so the Consumer Electronics part of the business area. So that is a little bit lower than the group average.

**Carl Ragnerstam**

Head of Small Cap Research Sweden | Nordea

Sure, that's very clear. And then you also talked about the new customer project in engineered, I assume, in electronics. I think maybe you said, will that help to improve the utilization in the Chinese production? And what size and when do you expect it to be fully ramped?

**Christer Wahlquist**

CEO | Nolato

Yes, we also explained that we are not looking for a huge new contract. We are building this by numerous different areas, and that, of course, takes some time, and that has been part of the plan, and it's going according to plan, I would say.

**Carl Ragnerstam**

Head of Small Cap Research Sweden | Nordea

But given that you mentioned it, it must have some size, right?

**Christer Wahlquist**

CEO | Nolato

No, but that was, I think, we are explaining that we have some excess capacity and both on Engineered, but also on production capacity, and we anticipate to build it step by step by a broad offering and different segments and different customers.

**Carl Ragnerstam**

Head of Small Cap Research Sweden | Nordea

Okay, that's very good. And on medical, you mentioned, of course, and we also know that you had several drivers behind the margin improvements during the year 2024 here. You had IVD and pricing, for instance. But if we look into 2025, how sticky would you say these effects are? I mean, you raised prices quite heavily, I think it was H1 2024. Have you done more since, or will some of these effects ease during 2025?

**Christer Wahlquist**

CEO | Nolato

We are, of course, working on our long-term goal to bring the medical business area up to 13% as we had pre-acquisition, and that is going forward, and that is our plan, and we are, of course, working with efficiency measures and those kinds of things continuously across the board.

**Carl Ragnerstam**

Head of Small Cap Research Sweden | Nordea

Okay, and the final one, if I may, in terms of capital allocation, looking at EPS grew 50% year-over-year, leverage 0.4. I understand that you, of course, invest in, as you said, also the SEK 800 million around there at CapEx to the new project in medical, but you're keeping dividend flat year-over-year. So what message are you trying to send to us? Is it that you're cautious out of 25, or that you have an active M&A agenda that might come into play? I know this, of course, is a broad question, but I guess that you're a critical part of the capital allocation, of course, in the company. So it would be good to hear what is your thinking.

**Christer Wahlquist**

CEO | Nolato

Yes, well, you know, we are going into a phase where we want to be ready to do good investments and continue to expand our business, but also looking at acquisitions. So that is part of the agenda, and we are feeling we have a good feeling about our future and the development and feel that we have built a good foundation for continuous growth. So the message is that, yeah.

**Carl Ragnerstam**

Head of Small Cap Research Sweden | Nordea

Okay, thank you. Sorry for that.

**Christer Wahlquist**

CEO | Nolato

Thank you.

**Operator**

A gentle reminder, if you're calling in and would like to ask a question, please press star nine to raise your hand and then star six to unmute yourself when it's your turn to speak. We'll move on with Adrian Gilani from ABG. Please go ahead, you have the word.

**Adrian Gilani**

Equity Research Analyst | ABG

Hello, can you hear me?

**Christer Wahlquist**

CEO | Nolato

Yes.

**Adrian Gilani**

Equity Research Analyst | ABG

Perfect. I'd like to start off on a question on medical. When you write that IVD grew or had strong growth, but compared to low volumes last year, where is IVD at currently in relation to what you would call, I guess, normal demand? Are we still sort of below normalized levels?

**Per-Ola Holmström**

CFO | Nolato

I think we have come back to not really the high volumes scenario we did see during the pandemic and some of the years back from that. But of course, from a very low level at some point when the inventory level reductions were very heavy, we have come back from those levels. So it's not full speed, but it's back to quite a good speed, I would say.

**Adrian Gilani**

Equity Research Analyst | ABG

Okay, and then if we just sort of sum up all of the product verticals in medical and look into 2025, are you able to say whether the overall product mix effect, if you expect that to be positive or negative into 2025 compared to 2024?

**Per-Ola Holmström**

CFO | Nolato

Yeah, I think speaking about the margins in medical, I would say it's more depending on other things going on to improve margins than mix effects. And we have been explaining a lot of actions we are into to improve margins, and that is going on gradually, and we continue with these actions. And I would say that is more efficient, more important to the margin than the mix effects.

**Adrian Gilani**

Equity Research Analyst | ABG

Okay, understood. And then I guess a final one from me on the EMC business, just a quick follow-up on the 20% growth figure. Is your best assessment that that, I mean, is that sort of, could it be a bump, or would you say that it could be the start of a trend of a structural recovery in the market?

**Christer Wahlquist**

CEO | Nolato

I think the growth rate of 20% that we saw in the quarter, it's of course an effect with a sort of weak comparison quarter for the Telecom business. So I think we see good opportunities to continue to grow the business area, sorry, the segment, but I don't think you should expect a 20% growth for that. That's, of course, dependent on the weak comparison for Telecom.

**Adrian Gilani**

Equity Research Analyst | ABG

Okay, understood. In that case, that's all from me, so thank you.

**Per-Ola Holmström**

CFO | Nolato

Thank you.

**Operator**

We'll move on to the next person calling in with a phone number ending with 2479. Please go ahead, you have the word.

**Operator**

Yes. Hello, can you hear me?

**Per-Ola Holmström**

CFO | Nolato

Yes.



**Per-Ola Holmström**  
CFO | Nolato

Great. Two questions from my side. It's Marcus from DNB. You mentioned M&A as a place you could allocate your capital given the strong balance sheet. But could you give an update on GW Plastics in the U.S. and maybe your view on growing organically versus M&A? And maybe if you can, what are some lessons learned from the big acquisition? Should we expect smaller acquisitions or a big one if you could spend some time there?



**Christer Wahlquist**  
CEO | Nolato

Okay, so the base for our growth is, of course, organic growth. Then we have, or we are from time to time acquiring companies where we see some synergies or some benefits. It could be a geographical area that we are not covering, or it could be a technology that we would like to add to our portfolio. And that strategy is continuing. But of course, in the base, there is organic growth, and it should be good organic growth continuously. And then a comment on the GW acquisition, which of course were done in the middle of a pandemic, and we felt that this company was a very good match for Nolato. We still feel that it enabled us to have a good geographical footprint across the important continents across the world. And of course, the pandemic affected our work with the company.



**Christer Wahlquist**  
CEO | Nolato

It was difficult to travel. It was difficult to have physical meetings with customers, and improving things in the relationship with the customers. So that took some of the time away from our sort of improvement that we are doing in the acquisitions. But the acquisition itself was good, and it took a little bit longer time to get it to where we want it.



**Christer Wahlquist**  
CEO | Nolato

Okay, and then maybe looking forward, just what should we expect in terms of the size when you look at acquisitions, a big one or more a bolt-on smaller ones?



**Christer Wahlquist**  
CEO | Nolato

We are to some extent in a position where we have a very good geographical footprint, and we are now looking into acquisitions where we can sort of add technologies to our portfolio. In that sense, it could be maybe looking at different sizes. Of course, it's more important to have the right company than the specific size. So it could be from the maybe smaller size to a little bit larger. But of course, this is difficult to control time-wise because we know the companies we would like to buy, but it takes time and discussions and two parties wanting to create a new thing.



**Christer Wahlquist**  
CEO | Nolato

Okay, those were my questions. Congrats on a good report.



**Christer Wahlquist**  
CEO | Nolato

Thank you.



**Operator**

We'll hand over the word to the person calling in with the phone number ending with 2479. Please go ahead, you have the word.



**Christer Wahlquist**  
CEO | Nolato

Okay. Sorry, we can't hear you.



**Operator**

Okay, there seems to be some sound issue there from the person calling in. So with that said, we'll wrap up the Q&A here, and all the written questions will also be sent to the company if we haven't taken that up yet. So with that said, thank you very much, Christer and Per-Ola, for presenting, and we wish you all a great rest of the day, and thank you very much.

# Nolato

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**Christer Wahlquist**

CEO | Nolato

Thank you all, and have a great day.