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**Nolato**

Q1 2025



## Speakers



**Michael Lassien**  
Analyst | Carnegie



**Operator**



**Christer Wahlquist**  
CEO | Nolato



**Adrian Delaney**  
Analyst | ABG



**Carl Ragnerstam**  
Head of Small Cap Research Sweeden | Nordea Markets,  
Corporates and Institutions



**Per-Ola Holmström**  
CFO | Nolato

## Prepared Remarks

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**Operator**

Hello, 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 have any questions and you're calling in, please press star 9 to raise your hand, and then star 6 to mute yourself when it's your turn to speak. You can also submit your written questions via the form located to the right. With that said, please go ahead with your presentation.

**Christer Wahlquist**

CEO | Nolato

Thank you, and welcome to the presentation of Nolato's First Quarter 2025. This is Christer Wahlquist speaking. If we summarize the quarter, we had a similar sales as comparison quarter, but with a very strong increase of our margins, amounting to 11% as a total, creating an EBITDA on SEK 271 million. We saw growth within the medical, but slightly lower sales for engineered solutions due to the automotive sector. If we look on the margins, we strengthened the margins in both business areas, but particularly strong performance for medical solutions. Still, we have a very strong financial position with net financial liabilities in relation to adjusted operating profit of 0.5 times. Moving to page three in the presentation deck, looking at the two parts of our business, medical solution, now corresponding to 57% of our total sales, and engineered solution, 43% of the overall sales of the group.

**Christer Wahlquist**

CEO | Nolato

Jumping into medical solutions, starting with that, sales amounted to just below SEK 1.4 billion in the quarter, and you can also see the continuous growth of the business area over the last 20 years on the graph. Moving to page five in the presentation deck, splitting up the medical sales in different focus product areas. During this quarter, we saw growth within the drug delivery part of the business, and other than that, minor changes around the different parts of the business. On page six, we summarized the medical's first quarter. We saw an adjusted sales increase, if we adjust for currency, of 2%, and we saw stable volumes across all the different market areas, but of course, some growth within the drug delivery. Surgical has been stabilizing, and within the IVD, we saw some lower volumes during the quarter, but it's more volatility quarter to quarter than anything else.

**Christer Wahlquist**

CEO | Nolato

A strong margin improvement, full 1.9 percentage points increase, amounting to 12.2% for the quarter. We saw that coming mostly from our U.S. operation with the cost adjustments and intensive work together with customers of the total supply chain in giving improvements both for the customer and ourselves. The expansion in Hungary, linked to the big order that we announced a year ago, is going according to plan and is progressing in a planned way. We have, during the quarter, also acquired a property in Poland that will enable us continued expansion in Europe. This is approximately 8,000 sq m of property. The quarter ended up just below SEK 1.4 billion, an operating profit of SEK 171 million, creating the margin of 12.2 percentage points.

**Christer Wahlquist**

CEO | Nolato

Jumping into engineered solutions, and here you see some volatility, but over the last years, we have stabilized and are now focusing on finding new business and continuing the growth of the business area. If we split up the sales within engineered solutions, during this quarter, we saw a good growth with materials growing at 12% in the quarter. We saw slower sales within automotive that was expected, but we've seen the volumes now on a lower level, and we expect that to continue on that level for the coming period of time. If we then look on page nine and summarize the business area, we saw adjusted currency sales decrease of 3%, and as expected, the automotive industry declined, and stable volumes across the other sectors except within materials. There we saw a sharply increased volumes and growth at a strong 12%.

**Christer Wahlquist**

CEO | Nolato

The margin within the business area increased to 10.1 percentage points. It was, of course, favorable product needs, but also cost adjustments that we have made in the business. Sales amounted to SEK 1,058 million in the quarter, operating profits at SEK 107 million.

**Per-Ola Holmström**

CFO | Nolato

Good afternoon, Per-Ola Holmström, commenting group financial highlights on page 10. Net sales amounted to SEK 2 billion 453 million, similar as same period last year. Operating profit in EBITDA increased 14% to SEK 271 million by margin improvement in both business areas, but mainly within medical. The EBITDA margin for the group improved by 1.3 percentage points to 11.0%. The effective tax rate was 21%, and we expect between 21% and 22% for the full year. Cash flow from operating activities was similar to last year, boosted by improvements in profit, but somewhat higher working capital requirements having a negative effect. Increased activity and sales at the end of the quarter compared with the end of 2024 resulted in higher trade receivables. Net investments, as expected, came in higher at SEK 271 million compared to SEK 230 million last year.

**Per-Ola Holmström**

CFO | Nolato

Large effects of CapEx in Hungary for production of devices for treatment of overweight and diabetes. In addition, an operating property in Poland was acquired for SEK 69 million for future medical expansion. We expect SEK 850 million for the full year. Earnings per share increased to SEK 0.74, and return on capital employed improved to 12.7%, mainly by the margin improvement. Net financial liabilities in relation to EBITDA at a low level, 0.5 times, enabling expansion and acquisitions.

**Per-Ola Holmström**

CFO | Nolato

Turning to page 11, focusing on current situation per business area. Starting with the Medical Solutions business area, the growth strategy is maintained. We focus on margin, cost adjustment, pricing strategy, and efficiency. We base this on innovation and sustainability. Within the business, we have a very broad customer base with long-standing close customer relationship. Within the Engineered Solutions, we have advanced our market position. We have established a position in new product areas. We have a success in new markets that is very positive for our Materials part of the business. We will now open up for questions.

## Q&A

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**Operator**

Thank you very much for that presentation. Yes, let's open up 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 star six on yourself when it's your turn to speak. First, we have Adrian Delaney from ABG. Please go ahead. You have the word.

**Adrian Delaney**

Analyst | ABG

Hello. Can you hear me okay?

**Per-Ola Holmström**

CFO | Nolato

Yes.

**Adrian Delaney**

Analyst | ABG

Perfect. Yeah, a few questions from my end. Starting off in medical, quite steep margin lift in medical. I mean, was this to an extent a quarter where things went your way, or is this entire margin lift explained by structural price cost adjustments that would mean that this is the new base margin that you can increase from in coming quarters, or is there a risk we might take a step down in coming quarters?

**Per-Ola Holmström**

CFO | Nolato

Yeah, I don't see any specific things increasing the margin in this quarter. I think we can rely on the improvement we have made. We list some of those, and we have discussed them for some quarters now, and we are happy to see that these improvements are increasing the margins. I don't see this quarter as a one-time effect. It should be doable going forward as well.

**Adrian Delaney**

Analyst | ABG

Okay, sounds good. I know you do not report this specifically, but can you talk a bit about how the margin is progressing in Gavit Plastics as well? You mentioned that surgery is sort of stabilizing from low levels, and does this mean you are finally starting to see meaningful progress in Gavit Plastics as well?

**Per-Ola Holmström**

CFO | Nolato

Yeah, I can start with the margin improvement. The situation in our U.S. operations has improved, and the U.S. margin is not fully reaching the average for the business area, the 12.2%. It is less still, but improving. Of course, the rest is above that level, which has been for some time. That is pretty much the situation.

**Adrian Delaney**

Analyst | ABG

Okay. Yeah, on the materials business, it's grown fairly well for two quarters now. Can you talk a bit about the end markets and sort of if it's a rebound in the traditional telecom business that is driving that, or if it's the new market areas where you are sort of increasing the materials penetration?

**Per-Ola Holmström**

CFO | Nolato

Yes, I would say it's a combination. We have seen some rebound of the telecom, of course, but we are growing in the new areas as well. It's growth across all of the different segments.

**Adrian Delaney**

Analyst | ABG

Okay, perfect. A final one from me, the question we have to ask all of the companies. Can you just say a few words about your tariff exposure and to what extent do you expect to be able to sort of offset any direct cost increases from tariffs by increasing prices forward?

**Per-Ola Holmström**

CFO | Nolato

Our expectation is that we can offset tariffs and pass them across to the customers. I would say also that most of our production is located where we have our deliveries. So most of our sales is not affected by tariff directly. Then, of course, it could be that the customer then sells these products in different tariffs area, which could affect the volumes, of course.

**Adrian Delaney**

Analyst | ABG

Does that local aspect also apply for the sourcing of materials as well?

**Per-Ola Holmström**

CFO | Nolato

To the most extent, there are exceptions. There are things that are sourced across different tariff areas and that could be affected, but then, of course, we will pass that on to our customers.

**Adrian Delaney**

Analyst | ABG

Okay, perfect. In that case, that's all for me. Thank you.

**Per-Ola Holmström**

CFO | Nolato

Thank you.

**Operator**

Okay, and we'll give the word to Carl Ragnerstam from Nordea. Please go ahead. You have the word.

**Carl Ragnerstam**

Head of Small Cap Research Sweden | Nordea Markets, Corporates and Institutions

Hi, it's Carl from Nordea. Some questions for me as well here. In engineered, I think it's, from my point of view at least, quite impressive margin given the organic drop you mentioned, the cost out you mentioned, the positive mix. Just to clarify here, when you talk about positive mix, you're referring to EMC, or is it something else we should acknowledge here regarding mix?

**Per-Ola Holmström**

CFO | Nolato

That is correct. We are referring to the growing part of materials or EMC, right?

**Carl Ragnerstam**

Head of Small Cap Research Sweden | Nordea Markets, Corporates and Institutions

Okay, that's very clear. On the automotive side, are you planning to reduce costs or transfer costs to other areas in order to sort of absorb the lower volumes? It seems that it might continue for a while. Secondly, on the auto, obviously, some of your products might, through one of your customers, end up in the U.S. Have you seen a weakening auto exposure during the latter part of the quarter? Is it fairly the same as you might expect for the coming two quarters here, as you saw on average?

**Per-Ola Holmström**

CFO | Nolato

We have seen stable volumes during the quarter, so it's not declining during the quarter, and we expect the volumes to stabilize on this little bit lower volume for the coming quarters. On the cost side, we have foreseen this decrease in volumes and have taken measures already to reduce cost.

**Carl Ragnerstam**

Head of Small Cap Research Sweden | Nordea Markets, Corporates and Institutions

Perfect. Are they fully materialized in Q1 then, or is it something else to come in Q2?

**Per-Ola Holmström**

CFO | Nolato

It is materialized.

**Carl Ragnerstam**

Head of Small Cap Research Sweden | Nordea Markets, Corporates and Institutions

On cost savings. Sorry.

**Per-Ola Holmström**

CFO | Nolato

No, it's materialized in the first quarter.

**Carl Ragnerstam**

Head of Small Cap Research Sweden | Nordea Markets, Corporates and Institutions

Very clear. On your Polish expansion here, I think you took SEK 70 million in CapEx for it. I mean, it's not massive, but historically, you've done these investments, right? Because you have pretty good visibility in incoming volumes. Is it in this case that you're transferring some lower margin products, or is it purely new capacity that you need for future growth? Also, last time you did the big expansion, it was post 2020. Of course, it was a pandemic, but then you sort of ended up with quite a big underutilization of some productions. Of course, unique circumstance, but how do you see it here?

**Per-Ola Holmström**

CFO | Nolato

This expansion, it's not for transferring existing volumes. It's related to our European footprint, and we've seen that in the going forward, we see we need more capacity. We found this excellent facility that we could acquire. It's very close to an existing plant, and we see that as a future expansion area.

**Carl Ragnerstam**

Head of Small Cap Research Sweden | Nordea Markets, Corporates and Institutions

Okay, that is very clear. The final one, if I may, you said IVD has been coming back quite nicely over the past two quarters here. Now, you said it was a bit muted. You said mostly, I think, due to quarterly volatility. The word mostly, what else is it apart from seasonality or quarterly volatility?

**Per-Ola Holmström**

CFO | Nolato

You can take the mostly out of my previous statement.

**Carl Ragnerstam**

Head of Small Cap Research Sweden | Nordea Markets, Corporates and Institutions

Okay, so it's quarterly volatility. Okay, that's very clear. Thank you.

**Operator**

Okay, and we'll give the word to Carl Norial from SCB. Please go ahead. You have the word.

**Operator**

Hello? We cannot hear you. In the meantime, we'll give the word to Michael Lassien from Carnegie. Please go ahead. You have the word.

**Michael Lassien**

Analyst | Carnegie

Okay. Hi, guys. Thanks for taking my question. Yeah, I want to go back to the margin improvement. Really impressive. Can you say something about the margin improvement, or if you have the margin improvement also in the European business for the medical segment, first of all?

**Per-Ola Holmström**

CFO | Nolato

It is mainly relating to the U.S. operations and nothing significant to mention within the European sides.

**Michael Lassien**

Analyst | Carnegie

Okay, got it. The European side continues on a relatively high, stable level, I guess.

**Per-Ola Holmström**  
CFO | Nolato

Yes. It's not decreasing. No major improvement either.

**Michael Lassien**  
Analyst | Carnegie

Okay. When it comes to this improvement that you saw now in Q1, was this in line with your internal expectations that you saw this?

**Per-Ola Holmström**  
CFO | Nolato

Yeah, it's always hard to say when different things would appear in the P&L, and especially with some of the things going on where we work together closely with our customers and when that is supposed to hit our P&L, because that is, yeah, it's also something that has to be approved by the customers and agreed. I think you could say that it came with a quite substantial effect in this quarter, but the long-term effects we have planned for and been working with for a long time, and hence maybe not a surprise, but still a large effect in this quarter.

**Michael Lassien**  
Analyst | Carnegie

Yeah, okay. You have talked about these initiatives that you have implemented, price changes and cost adjustments and improving the contract or cost out initiatives. Where do you expect more potential from these different initiatives? What line of sight do you have and visibility do you have for the coming quarters when it comes to these initiatives and margin improvement possibilities towards your new targets?

**Per-Ola Holmström**  
CFO | Nolato

Yes, we are, I would say, on the timely adjusted plan that we lost some time early on during COVID in this improvement journey. I think we have now we're making good progress in this, and we expect that we will continue to improve our U.S. margin gradually over the next coming quarters and maybe a year and a half or something like that.

**Michael Lassien**  
Analyst | Carnegie

Okay. The final one, can you sort of talk a bit more in general to us about the medical operations in the U.S., how your different facilities are operating, and the market situation for your different end customers there, or yeah, and the markets in general? We get a feel for how that part is developing.

**Per-Ola Holmström**  
CFO | Nolato

Yes, I would say we have our different facilities spread around in different places in the U.S., and I would say they are in similar shape and similar types of production. Maybe some difference in the Wisconsin one that we have owned a longer time where we have sort of done all these things already. There are some changes in that. Other than that, I would say the market is, generally speaking, it's a positive market in the U.S. as a total, and we see initiatives from customers on things and a good response from the market.

**Michael Lassien**  
Analyst | Carnegie

Okay, great. Thank you so much.

**Per-Ola Holmström**  
CFO | Nolato

Thank you.

**Operator**

Okay, and that's a wrap here of the Q&A. Oh, we got a question here from another one from Michael. Is that correct? Do you have another question or no?

**Michael Lassien**  
Analyst | Carnegie

No, I'm good. Thank you.

# Nolato

Q1 2025 | May 6, 2025 11:30



**Operator**

Okay, thank you. That's a wrap for the Q&A section here. Thank you very much, Christer and Per-Ola, for presenting today, and everyone for tuning into this Nolato Q1 presentation. Thank you very much.



**Per-Ola Holmström**

CFO | Nolato

Thank you very much, and have a great afternoon.