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Nolato

Q2 2025



Speakers



Operator



Christer Wahlquist
CEO | Nolato



Per-Ola Holmström
CFO | Nolato

Prepared Remarks

**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 star six to mute yourself when you get to work. You can also use the form located to the right. With that said, please go ahead with your presentation.

**Christer Wahlquist**

CEO | Nolato

Okay. Good morning, everybody, and welcome to the presentation of the second quarter for Nolato Group. Turning to page two in the presentation, and the summary of Nolato Group. We had, during this quarter, sales that amounted to just shy of SEK 2.4 billion, which then gives a currency-adjusted organic growth of 4%. We saw growth in both business areas. We saw a sharp increase of our EBITDA margin, increasing 1.6 percentage points to 11.6%, and creating an increase of our operating profit by 13% to SEK 277 million, despite a strong currency headwind. Turning to page three, summarizing up the Nolato Group and the two business areas. The group is built up based on two distinct business areas, with Medical Solution being the largest portion and then Engineered just close by in size.

**Christer Wahlquist**

CEO | Nolato

If we turn to page four, focusing on our Medical Solutions business area, here you can see a graph of 20 years of consecutive growth. Of course, we are focusing on continuous growth and global expansion with this business area. Turning to page five, summarizing up our focus product areas within Medical Solution, starting in vitro diagnostics. It's a high-volume market with good growth potential going forward. We have our cardiology part with lifetime implants and very high-demand products. Third, pharma packaging, which is consistent of containers for solid and liquid drugs. We have our continence care part of the business, which is a very high-volume market. We have endoscopy and general surgery, which is an area in some change with more focus on robotic surgery going forward. Good growth potential. Drug delivery systems with strong growth potential based on large molecules that need to be injected into your body.

**Christer Wahlquist**

CEO | Nolato

Turning to page six, focusing on second quarter for Medical Solutions. During this quarter, we are proud that we have increased our operating profit to SEK 170 million, which is a good growth of that, even though we have had strong currency headwinds. Within the business area, the sales amounted to SEK 1.350 million, which is an increase of 5% if we adjust for currency. We are continuing our expansion, and the expansion in Hungary linked to a significant customer contract is proceeding according to plan. We have also recently decided to establish operations in Malaysia to enable our continued expansion in Asia. Turning to page seven, focusing on Engineered Solutions. This business area is focusing on advanced technology and high product productivity manufacturing on a global scale. You can see a graph of our sales during the twenty years as well here.

**Christer Wahlquist**

CEO | Nolato

This business area corresponds to approximately 44% of group sales. Turning to page eight, focusing on the different product areas within Engineered Solutions, starting with consumer electronics, which is, of course, different types of surveillance systems, connected Wi-Fi systems, and those kinds of things for home use and professional use. Second is the automotive market. We are, as expected, seeing some weaker market conditions if we look on a little bit long period. The third one is hygienic, which is in a good growth situation, focusing on a different type of hygienic products for the Engineered Solutions market. We have materials, which is a little bit different in the setup. In this area, we see we have very premium margins corresponding to the rest of the business area. Turning to page nine, focusing on the second quarter for Engineered Solutions.

**Christer Wahlquist**

CEO | Nolato

We had an increase of sales, approximately 1% if we adjust for currency. We also had a strong increase of our operating profits, 8% increase, still with the strong currency headwinds. Below the surface, continued positive performance for the hygienic market. We saw an increase in the consumer electronics, mainly through our investments in Asia. As expected, volumes for the automotive are contracted. The EBITDA margin ended up at 11.2%, a strong increase with 1.2 percentage points. Turning to page ten.

**Per-Ola Holmström**

CFO | Nolato

Good morning. Per-Ola Holmström commenting group financial highlights. Net sales amounted to almost SEK 2.4 billion in the quarter, representing a 4% growth adjusted for currency despite heavy headwinds from the currency situation. The EBITDA margin for the group improved by 1.6 percentage points to 11.6%. The margin improved strongly in both business areas.

**Per-Ola Holmström**

CFO | Nolato

The effective tax rate decreased to 20.3%, and we expect to be around 20% for the full year. Net investments were SEK 188 million, again a quarter with high CapEx for the expansion in Hungary as planned. We expect around SEK 850 million for the full year. Cash flow after investments was SEK 128 million compared to SEK 336 million because of the high CapEx investments. Earnings per share increased to SEK 0.79 compared to SEK 0.63 last year. Return on capital employed increased this quarter following the trend in the recent quarters to 13.4%, mainly driven by the margin improvement. Strong net financial liabilities in relation to EBITDA after paid-out dividends of SEK 404 million in the quarter and was 0.7x, enabling expansion and acquisitions.

**Per-Ola Holmström**

CFO | Nolato

Turning to page eleven, focusing on the current situation per business area, and starting with Medical Solutions, we have maintained our growth strategy, focused on margin, implemented cost adjustment, and increased efficiency. We have in the base a broad customer base and longstanding close customer relations. Of course, focusing on innovation and sustainability. We have established our operations in Malaysia and continue expansion in Poland. If we then jump into Engineered Solutions, we are advancing our market position. We have established a position in new product areas, a lot of focus on innovative and sustainable solutions. We see success in new market approaches for the materials. We are also expanding our operations in Malaysia for Engineered Solutions. We are now opening up for questions.

Q&A

**Operator**

Thank you very much for that presentation. If you're calling in and have a question, please press star nine to raise your hand and star six to mute yourself when you get the word. We've got the first person calling in. We have from Nordea. Please go ahead. You have the word.

**Operator**

Good morning. Here's Colin from Nordea. A couple of questions from my side. Maybe starting off here a bit in Medical. I mean, in the report, you grew over 5% organically. IVD, as you maybe said, negative. Seemingly, year-to-year charges stable, but you're still growing, right? You mentioned, obviously, the kind of eye business, right, growing. What portion is it of group? How important is it to sort of fuel the organic growth in the quarter here? Also, if you could touch upon the profitability for that business.

**Christer Wahlquist**

CEO | Nolato

Yes, we see potential in the eye area, and it's not a significant part of the group at all. On the profitability, it's very similar to our target for the group, for the business area.

**Christer Wahlquist**

CEO | Nolato

Is it a new business that you're ramping, or is it a business that you had for a while, but that you, for some reason, mentioned in this quarter?

**Christer Wahlquist**

CEO | Nolato

Yes, we have had that business for a while, but it's been a good growth in the quarter, and we have expanded our relationship in that area.

**Christer Wahlquist**

CEO | Nolato

How come you had good growth in the quarter? Is it new contracts you're ramping up, or is it, what's the driver?

**Christer Wahlquist**

CEO | Nolato

It's additional business to existing customers.

**Christer Wahlquist**

CEO | Nolato

Okay. Okay. Sounds fair. On Malaysia, could you mention a bit what the size is of the planned production? You mentioned, obviously, second half, but if you could give more details around the ramp, it would be helpful. Also, if it's supposed to sort of replace parts of the Chinese production for either medical or engineered, and what products you're planning to manufacture there, especially for the engineered side.

**Christer Wahlquist**

CEO | Nolato

Especially for engineered, the expansion is around 3,500 sq m, additional to what we have. The type of product is consumer electronics for the engineered, and for the medical, it's more drug delivery-related products.

**Christer Wahlquist**

CEO | Nolato

Will it be an addition, or do you plan to move part of China to Malaysia?

**Christer Wahlquist**

CEO | Nolato

This is an addition for new growth opportunities.

**Christer Wahlquist**

CEO | Nolato

Is the contract you already have received, or is it more of a speculation that you invest in the new facility? You did the same in Switzerland; you hope for production volumes, but then we ended up in quite an unfortunate situation with underutilization. What conviction do you have in volumes coming in sort of near term?

**Christer Wahlquist**

CEO | Nolato

It's a new take-in business that are supposed to be ramping after we have built our factory and started to install, and then the traditional ramp-ups afterwards.

**Christer Wahlquist**

CEO | Nolato

Okay, that is very clear. The final one, if I may, obviously, quite the impressive margins in Medical in the quarter. Also, the sequential ramp of the margin. I mean, you mentioned pricing, you mentioned cost outs. I cannot see a mixed tailwind in the quarter, though. Can you help us bridge it a bit more in detail, and especially also where you are in the U.S. today compared to where you want to be? I guess the U.S. is one important building block to the margin, coming back to, I guess, somewhere at 13% or something.

**Per-Ola Holmström**

CFO | Nolato

Yeah. I think, as we say in the report, the answer to the margin improvement is very much a broad improvement in all areas. It's our long-term work with the margins, efficiency, different kind of pricing activities, and also some support from the growth in the quarter, of course. All of these measures taken are bearing fruit right now and improving the margin. About the U.S., it's also part of this, but the answer is really a broad improvement. That is really what we did see in this quarter, and we have seen the journey of the improved margin for some time now.

**Per-Ola Holmström**

CFO | Nolato

Very clear. Thank you.

**Christer Wahlquist**

CEO | Nolato

Thank you.

**Operator**

Now we'll give the word to Adrian from ABG. Please go ahead. You have the word.

**Operator**

Yes. Hello. A couple of questions from my end. First of all, on the medical margins, can you give some indication on GW Plastics and how much below the sort of average for the segment that it still is? Is it sort of starting to close in on the rest of the segment now?

**Per-Ola Holmström**

CFO | Nolato

Yeah. Many things have changed since the acquisition, which now is almost five years ago. It's not really relevant to do these comparisons. We do still see some improvement possibilities in the U.S. when it comes to the margin. The rest of the world is performing better when it comes to margins. It's improving, and we do continue to do a lot of work with that in all areas.

**Per-Ola Holmström**

CFO | Nolato

Yeah. Understood. In Engineered Solutions, regarding the margin lift, you said it was a broad-based effort. What about the overcapacity issue you had in China? Is that to a large extent resolved, or is that sort of still running on lower utilization?

**Per-Ola Holmström**

CFO | Nolato

It's improving, which is one reason for the margin improvement this quarter as well. It has been for some quarters. I wouldn't say it has reached the business area target yet. There is still room for some improvement, but it's part of the margin improvement compared to previous quarters.

**Per-Ola Holmström**

CFO | Nolato

Okay. Understood. I guess just the more broad-based questions on the margin. You raised the target not that long ago to 12%, and you're sort of already closing in on the new higher target. I mean, would you say that the opportunities to further increase margin from the current levels are becoming more limited, or can we expect a similar progression as we've seen in the last few quarters ahead as well?

**Per-Ola Holmström**

CFO | Nolato

I think the speed has been quite high in the recent quarters. We indicated a midterm target to 12% for the group. As you said, we are moving into that target, and the speed has been good. Maybe not that high speed going forward, but we feel confident that we can reach our target as we explained during the capital market day.

**Per-Ola Holmström**

CFO | Nolato

Yeah, I agree. A final one for me with the various different expansionary investments ongoing. I know you've issued the CapEx guidance for 2025 already, but can you sort of mention which of the investments are also going to spill over into 2026? It sounds, when you add these together, like we should perhaps expect above-average CapEx in 2026 as well. Is that a fair assumption?

**Per-Ola Holmström**

CFO | Nolato

Yeah. I think it's a bit too early to focus that number. Of course, we have targeted high growth going forward, and that will mean additional investment CapEx. We have mentioned some extensions of group facilities during the year, and that will continue. However, it has been high CapEx during 2025 and will be still. We do see a decline compared to 2025 going forward, but it will be on a higher level than previous levels.

**Per-Ola Holmström**

CFO | Nolato

Okay. Understood. That's helpful. In that case, that's all for me, so thank you.

**Christer Wahlquist**

CEO | Nolato

Thank you.

**Operator**

That concludes our Q&A session here. Thank you very much, Christer and Per-Ola, for presenting today and answering all of our questions. I wish you all a great rest of the summer. Thank you very much.

**Christer Wahlquist**

CEO | Nolato

Thank you all, and have a great summer.