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Nolato

Q3 2025



Speakers



Mikael Lassén
Analyst | DNB Carnegie



Christer Wahlquist
CEO | Nolato



Carl Ragnerstam
Head of Small Cap Research Sweden | Nordea



Operator



Adrian Göransson
Equity Research Analyst | ABG Sundal Collier



Per-Ola Holmström
CFO | Nolato

Prepared Remarks

**Operator**

Hello everyone, 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 unmute yourself when you get the word. You can also submit written questions using the form to the right. With that said, please go ahead with your presentation.

**Christer Wahlquist**

CEO | Nolato

Good afternoon, and welcome to the presentation of Nolato's third quarter, 2025. This is Christer Wahlquist speaking. During the quarter, we saw organic growth in both our two business areas, approximately 2% if we adjust for currency. That, in combination with the strong increase of our margins, created a strong increase of our EBITDA. The sales ended up at SEK 2.3 billion and some, and the operating profit rose 20% to SEK 281 million. That includes a non-recurring item of SEK 7 million corresponding to an insurance claim. As I mentioned, we saw strong improvements in margins in both business areas. We have maintained a very strong financial position with a debt ratio of 0.6x EBITDA, giving us opportunity and possibility to expand together with the right business cases from existing and new customers, as well as executing on our acquisition strategy.

**Christer Wahlquist**

CEO | Nolato

The Nolato Group consists of two business areas: the Medical Solutions being the largest part at approximately 56% of group sales and Engineered a little bit less than 50% in the rest of the business. Starting out with Medical Solutions, here we see sustainable growth and global expansions. On this graph, you will see a 20-year show of our sales over the last 20 years. We've seen good growth over the years. We have a very spread business with six focused product areas, and there are also well-spread sales across global leading customers, creating a strong foundation for continuous growth and focus on these six product areas. If we look into the third quarter for Medical Solutions, we saw a sharp margin improvement, a full 1.4 percentage point, ending up at 12.1% in the quarter.

**Christer Wahlquist**

CEO | Nolato

That, in combination with the increase of sales of 2%, created, of course, an improved operating profit, ending up at SEK 159 million. We are expanding our business, so we have expansions ongoing in Hungary, Poland, and Malaysia, and all of these are according to plan. In our Hungarian facility, we have, during the quarter, started validation deliveries during the third quarter. We expect these validation deliveries to continue on approximately the same level for the coming quarters, and subsequently expected to increase somewhere in the late second quarter. Jumping into Engineered Solutions, here you also see a graph of the last 20 years, and we are now in a position where we have downsized our VHP business and are building a strong foundation in the focused product areas shown on this page.

**Christer Wahlquist**

CEO | Nolato

Here we have a well-spread business, different product areas, with a little bit different, if we specifically look into the materials, which is then, of course, based on our own recipes of raw materials. If we look into the third quarter for Engineered Solutions, we saw a very sharp margin improvement, a full 1.8 percentage point during this quarter, and it's coming from implemented cost savings and increased capacity utilization, and, of course, some price adjustments. The business sales totaled SEK 1.035 million during the quarter, which was a 2% currency-adjusted organic growth. We saw sales to the automotive industry increase through higher product invoicing and more normal vacation shutdowns amongst our customers. We saw a continuous growth in our hygienic area, thanks to investments in Mexico, and also a positive performance for our consumer electronics, particularly in Asia.

**Per-Ola Holmström**

CFO | Nolato

Good afternoon, Per-Ola Holmström commenting on group financial highlights. Net sales amounted to SEK 2.342 billion in the quarter, representing a 2% growth adjusted for currency. Operating profit, EBITDA, increased by 20% to SEK 281 million, and the EBITDA margin for the group improved by 2.2 percentage points to 12.0%, including a non-recurring positive item of SEK 7 million. The effective tax rate was 19%, which we expected to be for the full year as well. Net investments were SEK 183 million in the quarter, a higher level of CapEx than last year as planned, mainly for the expansion in Hungary. We foresee around SEK 850 million in CapEx for the full year 2025, and by then we expect to have paid almost SEK 500 million of the total expansion of SEK 600 million in Hungary.

**Per-Ola Holmström**

CFO | Nolato

Hence, cash flow after investments was lower than last year, SEK 180 million compared to SEK 191 million. Earnings per share increased to SEK 0.8. Return on capital employed improved again to 14.1%, mainly driven by the margin improvement.

**Christer Wahlquist**

CEO | Nolato

Okay, focusing on the current situation per business area, starting with Medical Solutions. Here we have our maintained growth strategy, and we see high market activity. We have been focusing on margin, implemented cost adjustment, and increased efficiency. Of course, innovation and sustainability based on a broad customer with long-standing close customer relationship. We also are now expanding in Asia, in Poland, and also in Hungary. On the Engineered Solutions side, we have advanced our market position. We have a lot of focus on innovative and sustainable solutions. We see success in new markets, which is positive for materials, and of course, expansion of our operations in Malaysia. We will now open up for questions.

Q&A

**Operator**

Thank you very much for that presentation. Yes, let's open up the Q&A section here. If you're calling in, please press star nine to raise your hand, and star six to unmute yourself when you get the word. First, we have Adrian from ABG. Please go ahead, you have the word.

**Adrian Göransson**

Equity Research Analyst | ABG Sundal Collier

Yes, hello. I'd like to start off with a question on the expansion in Hungary and the outlook you gave on deliveries related to that. Are you able to say anything more specific on when you will go from these sort of validation deliveries phases that you're in to a more, yeah, to commercial scale deliveries?

**Christer Wahlquist**

CEO | Nolato

Yes, these types of large programs always have a lot of validation, and it's different steps of validation. We foresee that we will have validation deliveries during this quarter, next quarter, and the first quarter in 2026. Somewhere in the second quarter, we will start deliveries to the outside market, to the patients.

**Adrian Göransson**

Equity Research Analyst | ABG Sundal Collier

Okay, that's very helpful, thanks. A follow-up on that, do you see any risk related to this contract, given that the customer in question has had a bit weaker development recently than I think most people had expected? I mean, could this have an impact on the full run rate volumes for your contract?

**Christer Wahlquist**

CEO | Nolato

We are happy with our discussions with our customer, that we have not mentioned who it is, but we have good discussions, and we anticipate this program to start serial deliveries in, as I mentioned, somewhere in the second quarter of next year, and then gradually grow from there according to plan.

**Adrian Göransson**

Equity Research Analyst | ABG Sundal Collier

Okay, understood. On Engineered, specifically on the materials business that declined slightly year-on-year, how much should we read into that? Is that just a normal quarterly volatility, or are you a bit more cautious on the outlook now compared to last quarter, I guess?

**Per-Ola Holmström**

CFO | Nolato

Yeah, as we did mention, most of that is coming from the automotive side, which is a bit pressed right now, as many areas within automotive. We foresee that going forward the next quarter as well to be in a similar development.

**Adrian Göransson**

Equity Research Analyst | ABG Sundal Collier

Okay, understood. When you mentioned the efforts on consumer electronics that are actually yielding results in Asia specifically, does that mean that this Chinese facility that has been on low utilization is back at satisfactory levels now, or are there more improvements here to make?

**Christer Wahlquist**

CEO | Nolato

We have more capacity, and our ambition is, of course, to gradually fill that with serial deliveries. It's been improving, and we are gaining new projects and building up, but it's not fully utilized yet.

**Adrian Göransson**

Equity Research Analyst | ABG Sundal Collier

Okay, understood. Just a final one from my end, a detail-oriented question regarding this insurance claim of SEK 7 million. Maybe I should know this, but what is that related to, and are there any outstanding claims left that could be booked as income going forward?

**Per-Ola Holmström**

CFO | Nolato

We had a flooding situation in one of the factories we have in the U.S., and this is the financial outcome so far. It could be that we have some additional money coming from that during the end of this year or the beginning of next year, but it's no major money coming from that left.

**Adrian Göransson**

Equity Research Analyst | ABG Sundal Collier

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

**Christer Wahlquist**

CEO | Nolato

Thank you.

**Operator**

Let's move on to Mikael Lassén from DNB Carnegie. Please go ahead, you have the word.

**Mikael Lassén**

Analyst | DNB Carnegie

Yeah, hi. Hope you can hear me. Thanks for taking my question. I have a question about the project in Hungary and the validation delivery. First of all, can you clarify what you mean with the validation deliveries, what this means in practical terms? Yeah, that's the first one.

**Christer Wahlquist**

CEO | Nolato

Okay. As I mentioned, during ramp-up of these types of very large and complex programs, you have validation of different steps. You validate the individual component manufacturing, sub-assemblies, and then it has to be validated in the filling site of the customer and so on. There are a lot of products that need to be tested for different variations of tolerances and so on. This is what we are running right now. We sell those products and are getting paid for them. That's normal behavior in this type of programs.

**Mikael Lassén**

Analyst | DNB Carnegie

Okay, is this meaningful in any way, or very small revenue that you get right now to understand what will happen in Q4 and Q1 and in Q2 next year?

**Christer Wahlquist**

CEO | Nolato

The sales from these validations is approximately 1% of business area sales during this quarter.

**Mikael Lassén**

Analyst | DNB Carnegie

Okay, got it. Moving on here, could you also talk to us about the EBITDA margin development for the Medical Solutions segment? It has been relatively stable at around 12%+ for two to three quarters now. What will drive the margins higher, above 12% or well above 12%, which I guess you're targeting?

**Per-Ola Holmström**

CFO | Nolato

If we look forward, we do see possibilities in increasing the margin towards the 13% we did have some years back. One thing that should support that is, of course, the new program ramping up in Hungary. We have commented on that before. Of course, also moving into higher volumes for some of the expansions we're in right now, adding up the capacity utilization.

**Mikael Lassén**

Analyst | DNB Carnegie

Okay. How is the U.S. side progressing for the medical side?

**Per-Ola Holmström**
CFO | Nolato

Sorry, the new?

**Mikael Lassén**
Analyst | DNB Carnegie

The Medical segment, how are they doing in the U.S.?

**Per-Ola Holmström**
CFO | Nolato

They are part of the long-term improvement we have made when it comes to margins. We would still see the U.S. operations as a possibility to improve margins compared to the rest of the business area.

**Mikael Lassén**
Analyst | DNB Carnegie

Okay, excellent. Thanks a lot.

**Christer Wahlquist**
CEO | Nolato

Thank you.

**Operator**

We will give the word to Carl Ragnerstam from Nordea. Please go ahead, you have the word.

**Carl Ragnerstam**
Head of Small Cap Research Sweden | Nordea

Hello, it's Carl here from Nordea. A question from my side as well here. Once a new contract, I mean, that you're ramping up in Hungary, could you give any flavor on the production efficiency you're seeing right now, potential bottlenecks versus your expectations? It's obviously, I mean, validation volumes, but profitability projections so far, if it meets your previous expectations?

**Christer Wahlquist**
CEO | Nolato

Since it's validation, there is no sort of feedback on yield and those kinds of things. Of course, you can look on individual cycle times, and they are according to our expectations. The full yield, it's too early to give any comments on that.

**Carl Ragnerstam**
Head of Small Cap Research Sweden | Nordea

The production you're ramping up now, is it covering the cost so far? Is it the burden? I guess it's a burden on margins at such an early stage, right? Because it's contributed 1% to organic growth in Medical. What is the EBIT impact, or if any?

**Per-Ola Holmström**
CFO | Nolato

It's, of course, a small EBIT effect, but it is covering its cost right now.

**Carl Ragnerstam**
Head of Small Cap Research Sweden | Nordea

Okay, that's very clear. On IVD, I'm a bit curious to hear more about what you're seeing there. Because we've seen, I mean, as you wrote, we started the year, we saw before that early indications of a recovery followed by declines. It's been a bit back and forth. At least, that is how I look at it. How do you view the current recovery in that segment?

**Christer Wahlquist**
CEO | Nolato

Yeah. There is a lot of dynamics behind the IVD, as we've been talking about. Of course, the volatility and the supply chain discussions after COVID, but also the change of one customer changing to our deliveries to an end customer instead. There is a lot of changes. We look positive on this market segment. We see possibilities, definitely. We see a growth opportunity going.

**Christer Wahlquist**
CEO | Nolato

We are very positive, but we have seen, as you mentioned, some back and forth in the delivered volumes.

**Carl Ragnerstam**
Head of Small Cap Research Sweden | Nordea

You see the growth in IVD to be here to stay for now, at least what you see. Do you see an acceleration from here, or what is your feedback from customers? It used to be quite a good earnings driver.

**Christer Wahlquist**
CEO | Nolato

I think the feedback we get from customers is that it's a long-term growth area. They see that, and they are adding new tests into this type of product. Definitely a long-term growth opportunity, but with some volatility still going on in the single deliveries over quarter from quarter.

**Carl Ragnerstam**
Head of Small Cap Research Sweden | Nordea

Okay. That is very clear. Maybe you mentioned it, I didn't hear the full call, but in materials, you've seen the sort of weakness in automotive. On the other hand, we've seen telecom offsetting it. How do you view the short midterm development here? We've seen the deceleration in telecom, if I remember correctly, right, from very favorable comparisons. Do you see it at low single-digit negatives ahead as well, short midterm, before automotive picks up pace, or how do you view the trajectory from here?

**Per-Ola Holmström**
CFO | Nolato

I think we should see a sequential development for materials, which is very similar as this quarter three in the next quarter. That is the best view we can give. Long term, it is a good growth opportunity for us. This quarter and also the next quarter, we foresee a bit slower operations in that area.

**Carl Ragnerstam**
Head of Small Cap Research Sweden | Nordea

When you say sequentially, is it a -1, or is it in absolute numbers, or perhaps both? I don't have the comps on top of my head.

**Per-Ola Holmström**
CFO | Nolato

I would say in absolute numbers, similar to Q3.

**Carl Ragnerstam**
Head of Small Cap Research Sweden | Nordea

Okay, that's very clear. Thank you.

**Christer Wahlquist**
CEO | Nolato

Thank you.

**Operator**

That concludes the Q&A session here. Thank you very much, Christer and Per-Ola, for presenting here today. Thank you everyone for tuning in to this webcast with Nolato. I wish you all a great rest of the day. Thank you very much.

**Christer Wahlquist**
CEO | Nolato

Thank you. Bye-bye.