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Nolato

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QUARTR

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Speakers

Operator

Anders Björklund
President and CEO | Nolato

Per-Ola Holmström
CFO | Nolato

Analyst

Anders Åkerblom
Analyst | Nordea

Analyst

Prepared Remarks

Operator

Hello, and welcome to today's presentation with Nolato. Today we have Anders Björklund, President and CEO, and Per-Ola Holmström, CFO, presenting their interim report for the third quarter of 2026. We have a Q&A after the presentation. If you are calling in and would like to ask a question, please press star nine to raise your hand and star six to unmute yourself when given the word. You can also type in your questions using the form to the right of our broadcast. With that said, I hand it over to you guys, and I will be back when it is time for the Q&A. Go ahead.

Anders Björklund
President and CEO | Nolato

Thank you, Adrian. Okay. My name is Anders Björklund, and I am the CEO of Nolato since mid-July this year. I have been working for Nolato now for almost four years, but previously heading up the Engineered Solutions business area. Before joining Nolato, I was working for Sandvik, and I was also part of the management team of the IPO of Alleima. Together with me here today, on my right-hand side, I have Per-Ola Holmström, the CFO of Nolato. Turning into page number two, the summary of Nolato Group's third quarter. I would say it is a solid performance in the quarter. Our sales rose by 7%, up to SEK 2.5 billion compared to SEK 2.342 billion last year. If we adjust for currency and the two made acquisitions, we end up at the growth rate of 3%.

Anders Björklund
President and CEO | Nolato

What is very encouraging is that the Medical Solutions business area actually grew with 9%. On the contrary, we had some headwinds in the Engineered Solutions business area, but I will come back to that a little bit later. We have finalized two acquisitions during the quarter, and they are consolidated into our numbers as of September 1st and contributed SEK 56 million. Our operating profit ended up at SEK 254 million compared to SEK 281 million last year. If we adjust those numbers, we ended up to SEK 262 million, quarter three this year, and SEK 274 million last year. Our margin or our adjusted EBITDA margin ended up at 10.5% compared to 11.7% last year. As you know, we have invested in future growth programs in the medical area, and that has now impacted the margin for some quarters, and it has also impacted this quarter.

Anders Björklund
President and CEO | Nolato

The investments that I am talking about is primarily related to our programs in Hungary, but also a couple of programs in the U.S. The cash flow from our operating activities increased to SEK 332 million compared to SEK 301 million, and that is primarily due to less capital investments. We still have, after the acquisitions, strong financial positions with net liabilities compared to EBITDA of 1.0 compared to 0.5. Turning into page number three and continue to talk about the acquisitions that we have made. We have made two strategic acquisitions during the quarter, Nolato Qualtech and Nolato Unitron. If we start off with Nolato Qualtech and describe them briefly. Nolato Qualtech brings a business that is located in a medical cluster in Galway, in Ireland. Their prime customers are within the medical area, but they are also strong in the defense area.

Anders Björklund
President and CEO | Nolato

Looking at the Unitron business, which is located in three locations, one in Holland, one in Belgium and one in the U.S., is primarily a development company, which is engaging with the customers in early concept studies, and it is a perfect fit into our offering of volume production that we have today. Altogether, these two acquisitions bring around SEK 600 million into the group sales. I also would like to highlight that after the closure of the third quarter, 1st of October, we also finalized the divestment of our subsidiary in Romania, which has approximately SEK 70 million in sales. All these three transactions is a step in our portfolio optimization that we are doing to enable our strategy implementation for future growth.

Anders Björklund
President and CEO | Nolato

Going in to page number four, which is an overview of the Nolato Group, which consists of two business area, Medical Solutions and Engineered Solutions. If we then dig a little bit deeper into the numbers of Medical Solutions first. Medical Solutions is operating in seven different product areas, and during this quarter, drug delivery has contributed to a good part of the growth of the business area. We also see some good growth in the IVD area, in the cardiology area, but we also see a good growth in the pharma packaging area. Going into page number six, we look into the Medical Solutions performance during the quarter, and I must say that I am very satisfied with the growth rate of the quarter for medical. The sales rose by 12%, amounting to SEK 1,469 million, compared to SEK 1,311 last year.

Anders Björklund
President and CEO | Nolato

If we adjust it for currency and the two main acquisitions, it is still a growth of full 9%, which is very encouraging. As we talked about earlier, the drug delivery supported good in this area, but also some other segments contributed well. If we look into the EBITDA margin for the Medical Solutions, it ended up at 11.3% compared to 12.1%. That is due to earlier talked about these programs that we have, and also some headwinds in material costs. I really would like to emphasize that I am very pleased with the strengthening of our offering through our two main acquisitions in the quarter. It is actually two very important building blocks in our way to become more of a complete global solution provider into the medical industry.

Anders Björklund
President and CEO | Nolato

Unitron will actually enable us to deliver a complete medical product and a complete medical product solution, with both electromechanical devices and an end-to-end manufacturing of complete products. Looking into the second business area, Engineered Solutions at page number seven. Engineered Solutions is operating in five different product areas. What is really encouraging during this quarter is that our material business grows significantly. The share of the total sales for materials is now up to 23%, compared to 18% last year. We also see a growth in the other business area, but that is mainly driven by the acquisition of Nolato Qualtech in Ireland. We see good contribution in growth from the consumer electronics. On the contrary, we see some strong headwinds in the automotive area, where the sales of automotive has now dropped down to 17%, compared to 22% last year for the automotive sector.

Anders Björklund
President and CEO | Nolato

Automotive is only 7% of the total group sales. Turning into page eight, looking into Engineered Solutions more in detail. The total sales amounted to SEK 1,040 million compared to SEK 1,035 million, which is actually adjusted for currency and acquisition, a decrease of 3%. It is a very strong performance from the team within the materials business, which now has an impressive increase of 27% in the quarter. It is actually all three areas where they are operating that is contributing to this growth. It is the aerospace, it is the automotive, and it is the telecom segments. The consumer electronic segment, we have stable volumes. In the hygiene segment, we have some lower volumes, and they are affected with continued inventory adjustments. We also see a sequential improvement for the volumes in the quarter.

Anders Björklund
President and CEO | Nolato

Looking at the automotive area, we saw a sharp decline with lower demand. It is primarily related to model changes among our customers. I must say that we also are mitigating our cost to protect the margin in a good way here. The EBITDA margin ended up at 10.8%, compared to 11% last year. I also here would like to highlight the divestment that we did at the first day of Q4 of our Romanian company. It is a step towards focusing Engineered Solutions into strategic selected segments that we have pinpointed. By that, I hand over to you, Per-Ola.

Per-Ola Holmström
CFO | Nolato

Good morning. Per-Ola Holmström, CFO, and group financial highlights on page nine. Net sales was SEK 2.5 billion, which is a 3% organic growth excluding currency and acquisitions. The adjusted EBITDA margin was 10.5%, compared to 11.7% last year. The negative gap in margin mainly affected and explained by ramp-up of larger projects within Medical Solutions and remaining raw material lag and also automotive volumes and model changes at customers within Engineered Solutions. The effective tax rate is normalized to around 23%. Cash flow from operating activities is favorable, being SEK 332 million compared to SEK 301 million. Net investments, excluding the acquisitions made, was SEK 191 million, which is similar to Q3 last year. CapEx for the full year 2026 is expected to be SEK 600 million-SEK 650 million, in line with the estimation we made after Q2.

Per-Ola Holmström
CFO | Nolato

Last year, 2025, it was SEK 788 million. So a lower number this year is expected as planned.

Per-Ola Holmström
CFO | Nolato

The net financial liabilities in relation to EBITDA, even after paid-out dividend in Q2 and two acquisitions in Q3, still on a low level, 1.0 in relation to EBITDA, and a sustained strong financial position for further investments and acquisitions.

Anders Björklund
President and CEO | Nolato

Thank you, Per-Ola. Turning into page number 10, our current trading. If we look on the Medical Solutions, I would like to highlight that we continue our growth strategy, and we see a high market activity in several of the regions in the world. We also have a broad customer base with longstanding close customer relationships, and we have, with these two acquisitions, strengthened those relationships even further, and we have broadened the customer base even more. Looking into the Engineered Solutions, we see clear advanced market positions in the consumer electronics area and, as described before, not at least within the materials area of Engineered Solutions. All in all, I would say that Nolato is well-positioned with our offering in three different continents, and we have a favorable financial position that will enable us to intensify our M&A agenda going forward. Thank you.

Operator

Thank you for that presentation. We will now open up for our Q&A session. As mentioned earlier, if you are calling in and would like to ask a question, please press star nine to raise your hand and star six to unmute yourself. You can also type in your questions using the form to the right of the broadcast. We begin with a number whose telephone number ends in 1008. Please press star six to unmute yourself.

Q&A

Analyst

Good morning, Anders and Per-Ola. Thanks for taking my questions. The first one, I would just like to hear about the temporary cost that we do not adjust for, like the oil price impact, et cetera. You said it was smaller than in Q2. Also any medical ramp-up costs, et cetera. Could you say anything on how much costs you had related to one-off that you do not adjust for?

Per-Ola Holmström
CFO | Nolato

Yes, I can comment on those. The raw material pricing with the background in the oil prices, that is coming in in this quarter as expected. We commented after the Q2 report that we expect SEK 10 million remaining in Q3, and that was very close to that number. The main part of that is within Engineered, so that is similar to the Q2 situation. Then, of course, we have the ramp-up of larger projects in Hungary and the U.S., and that is the main cost that you are referring to within Medical. That explains almost all of the margin difference compared to the Q3 last year. Then we have the automotive effect within Engineered in addition to the raw material pricing, and that is pretty much the rest of the additional cost we have in that business area.

Per-Ola Holmström
CFO | Nolato

In the other direction, we have a larger mix of materials compared to the rest of Engineered, which is supporting in the other direction. That is pretty much the situation. Also within the Engineered business area, those three explanations, they sort of explain most of the gap between the margin we had in Q3 this year and Q3 last year as a net.

Analyst

Perfect. That's very appreciated. Based on, I think, especially with the raw mat. The oil price hasn't really come down a lot. Based on the current spot rates, do you see still that it should level out in Q4 based on the price increases, et cetera, or do you still see a small headwind in Q4? Thanks.

Per-Ola Holmström
CFO | Nolato

No, we don't expect a headwind in Q4 if the present situation is remaining. We have taken the lag effect in Q2 and Q3 that we expected, and that is finalized then if we don't run into new headwinds going forward.

Analyst

Perfect. Thanks. Any comments on the product ramp ups? Should that fade into Q4, or should we expect that to continue a bit in Q4 as well?

Per-Ola Holmström
CFO | Nolato

I can comment that as well. It is something that we expect to continue going forward some quarters, but we do expect it is getting better and better. That is the estimation we make.

Analyst

Perfect. Thank you. I was wondering also on the automotive outlook for Q4. You said that driven by model changes, now it is temporarily a bit slower in automotive, and I think the underlying growth was 2% if we exclude automotive. What is the outlook for Q4? How temporary is this effect in Q3?

Per-Ola Holmström
CFO | Nolato

I would say that the automotive headwind will remain in quarter four for us. How it looks further on, I have a hard time to say, but the headwind for the automotive segment will remain in quarter four.

Analyst

Great. Thank you. Looking at the P&L. This is very nitty-gritty, but looked at the other income and expenses, net item line in the P&L was SEK -12 million. Differs a bit from the history. I believe that SEK 8 million of those are related to M&A. Is there any other temporary impact such as balance sheet revaluations, et cetera?

Per-Ola Holmström
CFO | Nolato

No, I would say that most of the other millions remaining is mainly currency effects in different ways. It's a net of currency, the most part of that.

Analyst

All right. Maybe SEK 4 million or something in some temporary negative effects?

Per-Ola Holmström
CFO | Nolato

Yeah, that's right.

Analyst

Perfect. I just have one more short question. When you say 27% growth in materials, you say that it's on a currency-adjusted basis and not organic. I just wondered if Unitron or M&M contributed anything to the material segment, or if 27% is fully organic.

Per-Ola Holmström
CFO | Nolato

It is fully organic. Unitron and Qualtech is not included at all in the materials business.

Analyst

Great. That was all for me. Thank you very much.

Per-Ola Holmström
CFO | Nolato

Thank you.

Operator

Yes, thank you for those questions. We go straight ahead to the next caller, whose phone number ends with 0886.

Anders Åkerblom
Analyst | Nordea

Yes. Hello, Anders and Per-Ola. Can you hear me?

Per-Ola Holmström
CFO | Nolato

Yes.

Anders Åkerblom
Analyst | Nordea

Oh, great. Hi, it's Anders Åkerblom from Nordea. Let's see if there are any questions left, but I wanted to ask a bit on automotive declining, obviously a bit more than 20%. Volvo's production issues have been quite well-published. My question is at this point, how are you adjusting production pace and capacity towards this customer or in the automotive segment, if we state it as such right now, given this?

Per-Ola Holmström
CFO | Nolato

Yeah.

Anders Åkerblom
Analyst | Nordea

If you could quantify the margin impact a bit closer. I get that there are some puts and takes, materials contributing positively. If you could just specify a bit more how dilutive, in fact, the automotive impact was on margins in Engineered. I didn't really get that. Sorry for following up on that.

Per-Ola Holmström
CFO | Nolato

Yeah, Anders can explain about how we act in the automotive situation right now, but I can comment on the margin effect. The automotive and model changes in this quarter and also a bit going forward, I would say that is half of the negative effect within Engineered, and I'm relating to the comparison compared to last year, the third quarter. That would be half of it, and then the remaining lagged raw material pricing would be the other half of it, of the two negative effects. Then you have the positive mix effect with more materials coming in the other direction. The raw material pricing and the model changing and lower volumes within automotive, they are pretty much in the same range.

Anders Björklund
President and CEO | Nolato

What we are doing to mitigate for these volume drops is that we continuously review our organizations.

Anders Björklund
President and CEO | Nolato

And of course, there is always a little bit of a lag in those activities. But I would say that we have initiated and taken the necessary actions to be on a level that is corresponding to the demands from the customers.

Anders Åkerblom
Analyst | Nordea

Okay. Got it. Thank you. Appreciate that answer. Just a second one, so the other people in line can ask questions as well. In materials, obviously, very healthy growth reported. How should we think about the accretive profitability profile of materials phasing as you continue to ramp that business area? Thank you.

Per-Ola Holmström
CFO | Nolato

The materials business, we have commented earlier that part has a positive margin effect, which is in a material, using that word again, let's say positive effect compared to the rest of the Engineered business area. We haven't nailed out the exact level, but I do think it's quite easy to see what is coming from that part, and that is—

Anders Åkerblom
Analyst | Nordea

Yep

Per-Ola Holmström
CFO | Nolato

—material then supporting, of course.

Anders Åkerblom
Analyst | Nordea

Yeah. I get that. I meant more given the accretive profitability profile of materials, it is coming from a lower level. But as you continue to expand capacity and invest in that business, how should we think about the relative profitability of materials developing? That was a bit more my angle.

Per-Ola Holmström
CFO | Nolato

Yeah. I would say—

Anders Åkerblom
Analyst | Nordea

Can you maintain these current levels, basically?

Per-Ola Holmström
CFO | Nolato

Yeah, we are quite confident that we do see that we, over the years, have went into new segments and going from telecom to automotive to new areas. We have been able to keep the margin within materials, and we don't see any other trends. It's a good margin, it's a good business, and that is continuing also in the new areas.

Anders Åkerblom
Analyst | Nordea

Okay. Good to hear. Thank you very much, Anders and Per-Ola. I will get back in line. Have a good day.

Per-Ola Holmström
CFO | Nolato

Thank you.

Operator

Thank you so much for those questions. We go straight ahead to the next caller, whose phone number ends with 8721. I repeat, please unmute yourself with star six, the phone number who ends with 8721.

Analyst

Yes. Hello. Hi, can you hear me?

Per-Ola Holmström
CFO | Nolato

Yes.

Operator

Yes.

Analyst

Okay, great. Hi, it's Mikael here at DNB Carnegie. Just a quick question on the automotive segment again. Can you say something about how that part developed during Q3? Did you see any improvements during the quarter, at the end of the quarter, or was it unchanged?

Per-Ola Holmström
CFO | Nolato

Yeah, I would say that it was not an improvement during the quarter. It was on stable, low volumes.

Analyst

Okay. How much of this weakness is related to customer model changes versus underlying demand, more broad-based?

Per-Ola Holmström
CFO | Nolato

I would say pretty much everything is related to customer model changes.

Analyst

Okay. Got it. Just a question also on the intra-group cost. Looks unusually high, even if we exclude the 8 million in M&A related expenses. What explains this increase, and how should we think about this going forward?

Per-Ola Holmström
CFO | Nolato

Yes, I do see what you mean, and it was on the high side, even if you exclude the acquisition cost in the quarter. I would say that if you take the average number during this year, you would end up on a number of 15 million per quarter, if you exclude the acquisition cost. If I compare that with the average number for 2025, it was 9 million, if I do exclude the +7 million effect which landed on these lines. I would say somewhere in between the 9 million and the 15 million would be the ongoing rate going forward, as I expect. So a bit higher level than last year, but the two latest quarters, they have been on the high side, so to say.

Analyst

Mm-hmm. Okay. So you have some extra non-recurring things in that line, I guess?

Per-Ola Holmström
CFO | Nolato

Yeah.

Analyst

What could it be?

Per-Ola Holmström
CFO | Nolato

I wouldn't say it's maybe non-recurring, but it's jumping up and down a bit between the quarters. Hence, we could have some quarters with higher numbers and then some with lower numbers, referring to the cost outside the business areas.

Analyst

Okay. Thank you so much.

Per-Ola Holmström
CFO | Nolato

Thank you.

Operator

Thank you for those questions. That was actually the last question for today. With that, we wrap up today's broadcast. A big thank you to Anders and Per-Ola for the presentation and the Q&A, and thank you to all who submitted questions. Here's a final word from the CEO.

Anders Björklund
President and CEO | Nolato

Thank you very much for showing interest in Nolato, and we wish you all a nice day. Thank you.