

Capital Markets Meeting



November 18, 2020



Agenda for the day

1

NCC status, strategy and targets

Tomas Carlsson, CEO and Susanne Lithander, CFO

2

Our business

- Business Area Managers
- Tomas Carlsson
- Susanne Lithander

3

Q&A



Presenters



Tomas Carlsson
CEO



Susanne Lithander
CFO, Head of Finance and DOS



Henrik Landelius
Building Sweden



Catarina Molén-Runnäs
Building Nordics



Joachim Holmberg
Property Development



Kenneth Nilsson
Infrastructure



Ylva Lagesson
Industry



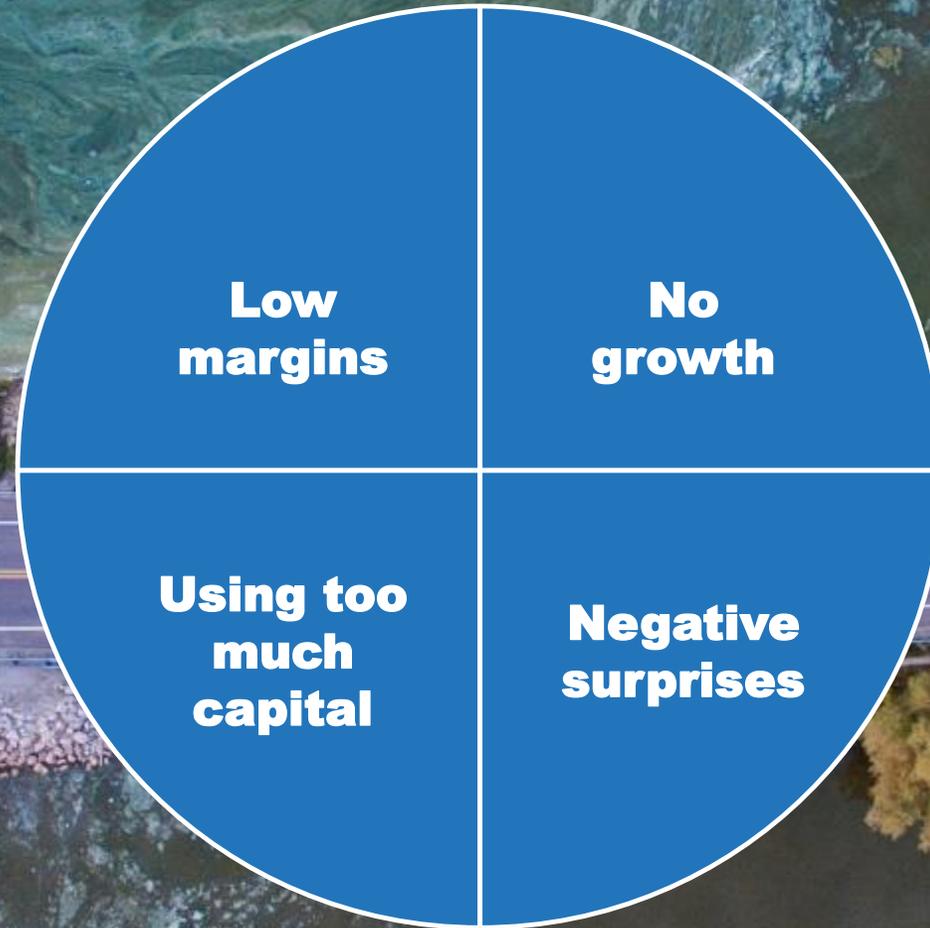
Maria Grimberg
Communications & IR

October 2018: Setting a new baseline

- Comprehensive business review
- Result impacted by SEK 1.6 bn in revaluations and write downs
- Need for change but healthy core



Our starting point 2018



In 2018 we launched a 3-step roadmap

1

Stabilize

Business review
Action plan

2

Improve profitability

Operating model
Strategic direction

3

Next step

Build on improved performance

First phase done: Stabilized



Organisation and team

- Balanced organization
- Many new appointments



Exit or divest non-performing business

- ViaSafe
- Road Services DK/FI/SE
- Smaller exits and divestments across the business



Improved processes and training

- New processes for tenders
- NCC Academy

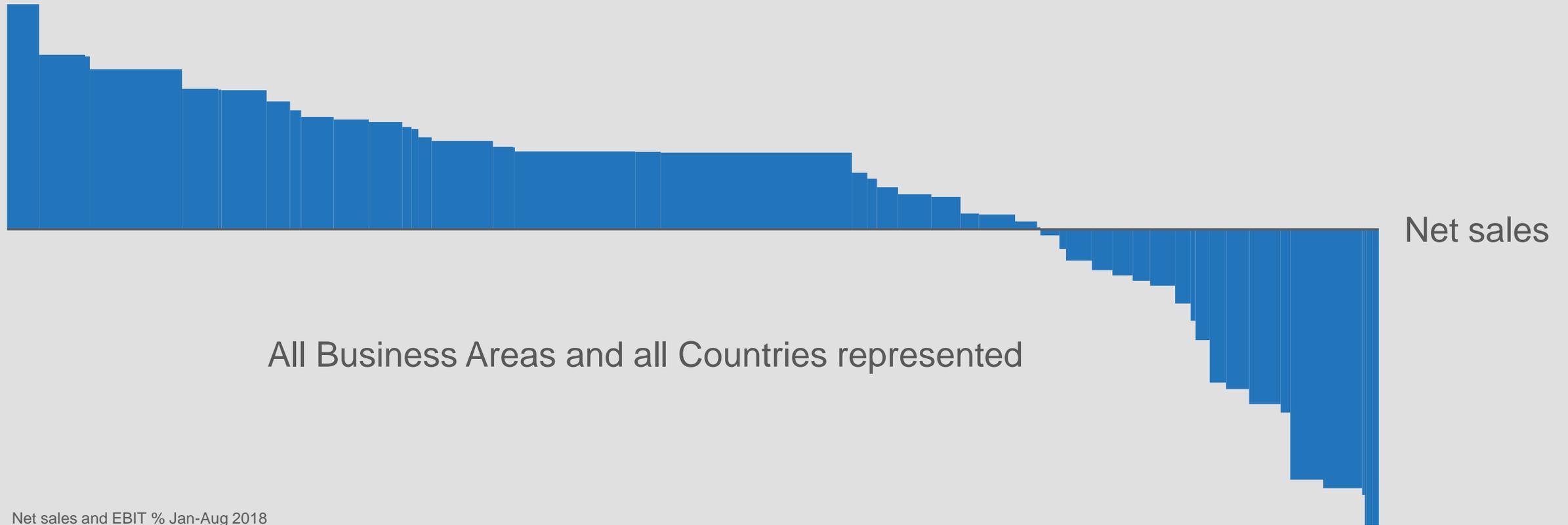


Turn-around

- Working with low performers

2018: Uneven performance

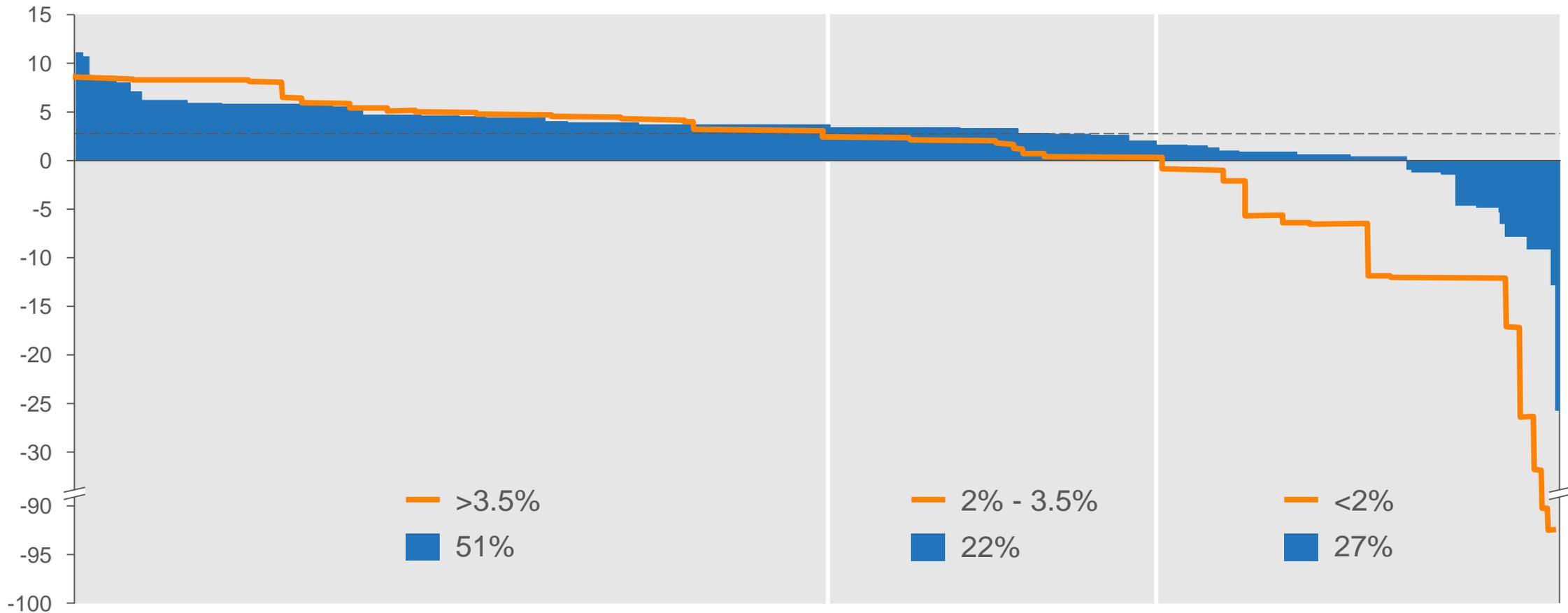
EBIT margin



2020: We have reduced the tail

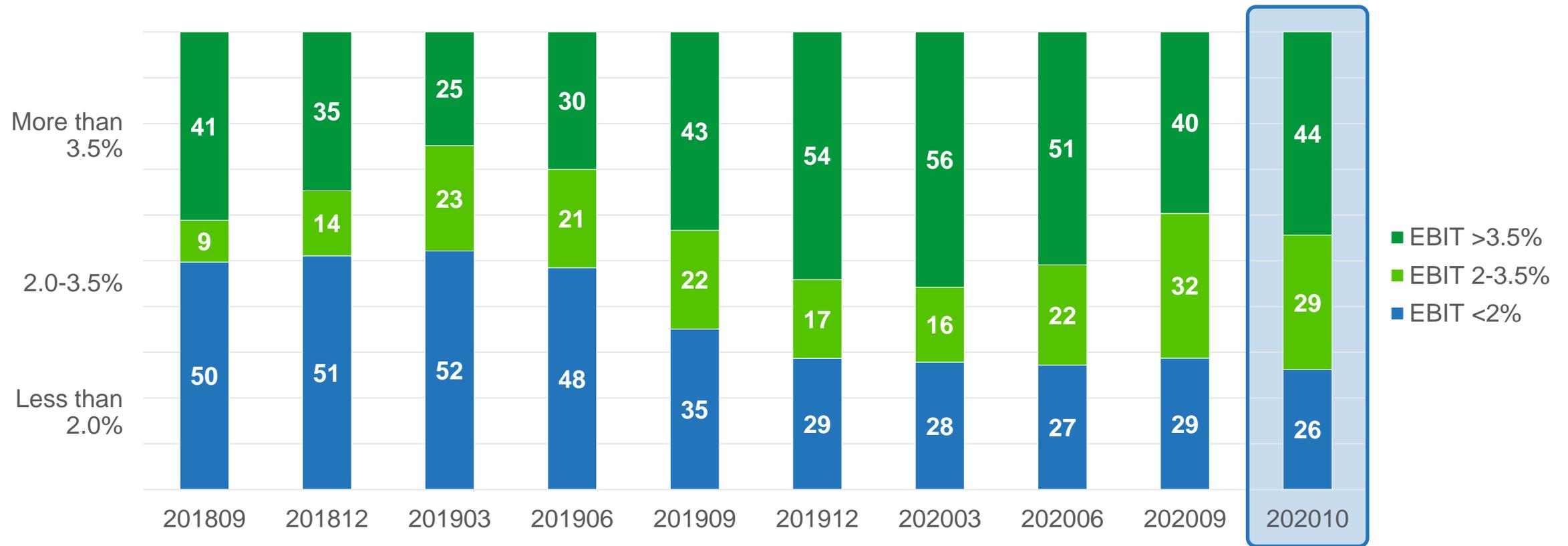


EBIT% vs. Revenue (MSEK)



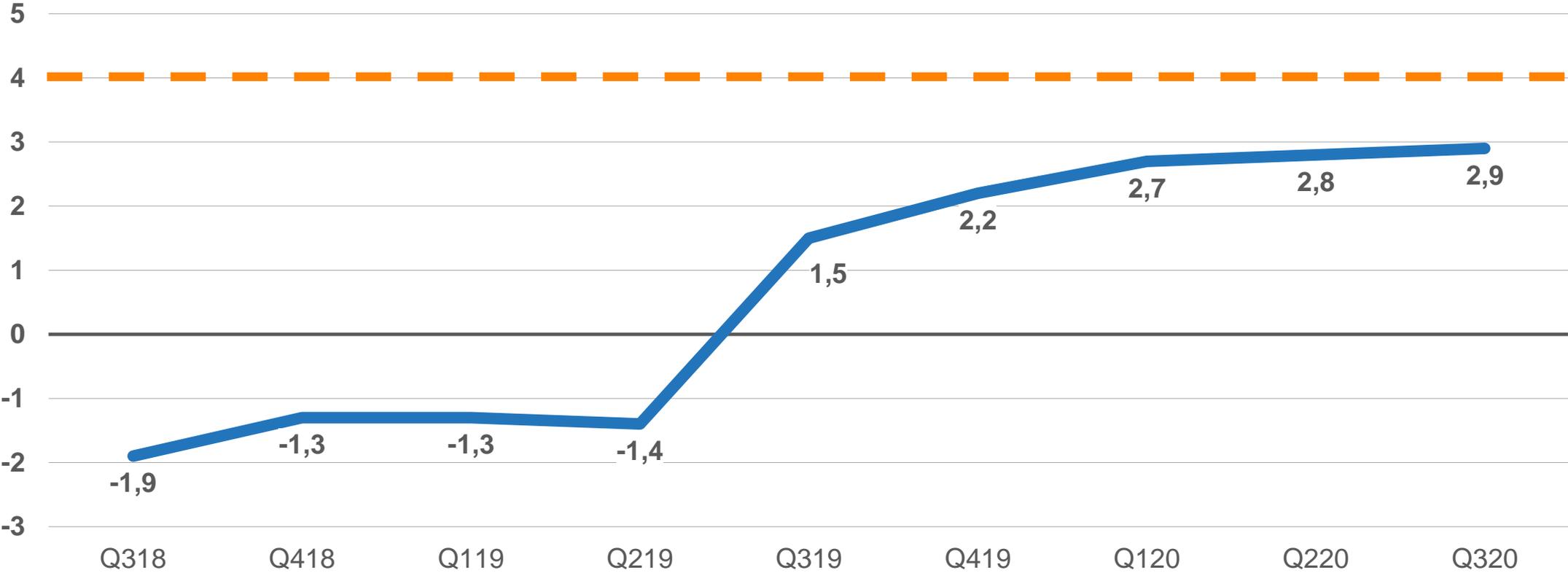
Fewer units under 2% EBIT

Percentage of Net Sales, units according to EBIT% (rolling 12 months)



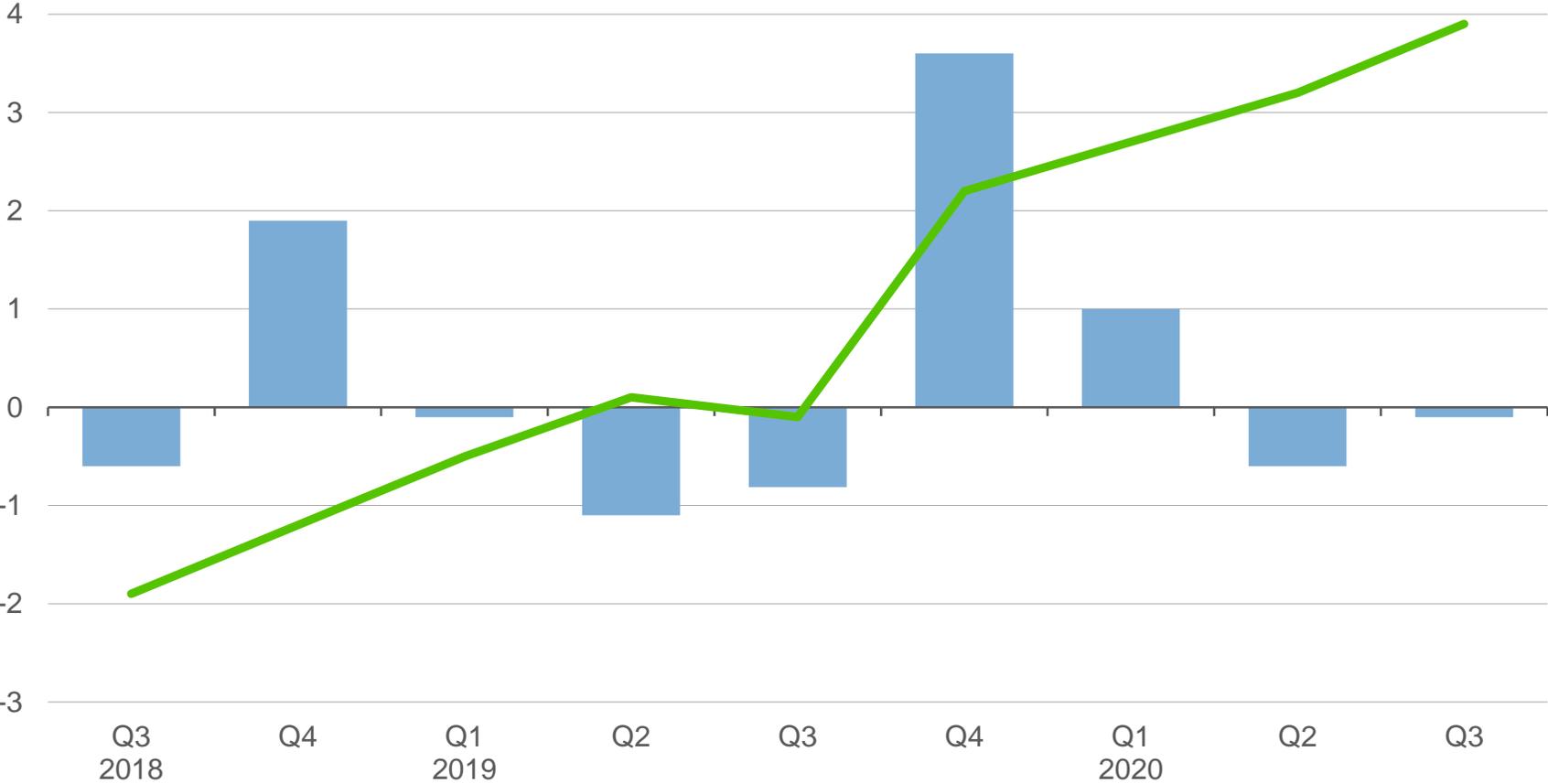
Profitability improving

R12 Ebit margin %



Strong cashflow

SEK Bn



■ Cash flow before financing
— R12

Focus now: Consistent better earnings



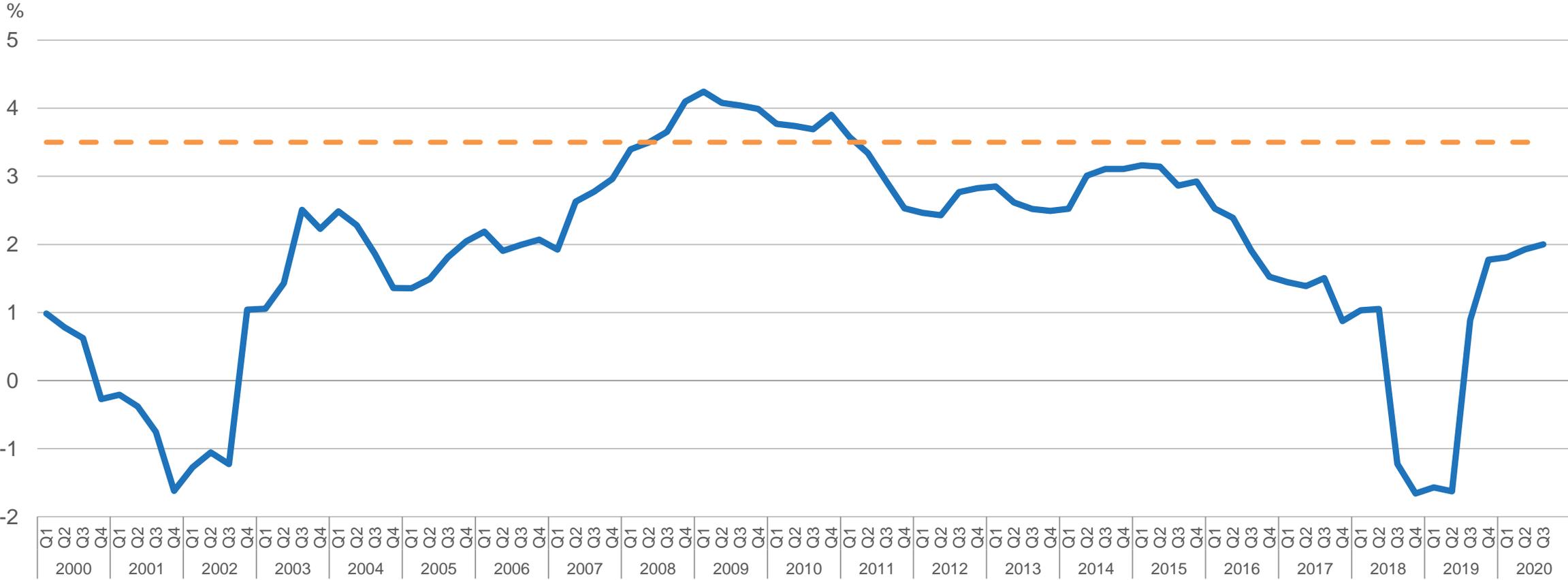
Improve profitability

Started process to establish joint operating model and strategic direction

Next step

Building on improved performance and operating model

Too long with subpar margins and no real growth



Margins in the contracting business, 2000-2020



A common pattern in the industry

Magnus Dagel: Skanska vinstvarningar oroar för byggbolag
För stor osäkerhet i NCC
Mall of Scandinavia sänker nedskrivning en kalldusch

Tanken var att 2017 skulle bli starkt år för Skanska i USA med hjälp av Donald Trumps infrastrukturpengar. Men i stället har lönsamheten försämrats och på fredagen kom en kalldusch med en stor

Veidekke tar nedskrivning på halv miljard

Det norska byggbolaget Veidekke gör en nedskrivning på 550 miljoner norska kronor i sin norska anläggningsverksamhet.

Nyhetsbyrån Direkt

Gruvslut kostsam affär för NCC kraviar sig upp – men faran inte över

Byggjätten NCC presenterade på måndagsmorgonen en rapport som fick marknaden att dra en suck av lättnad. Men det är för tidigt att säga om NCC:s skrala lönsamhet är på väg att vända upp.

Skanska vinstvarnar – åker Magnus Dagel: Börsen har tröttnat på Skanskas nedskrivningar

Nya jättenedskrivningar i USA av Skanska

Förutom den egna projektutvecklingen som fortsätter att gå starkt var det brist på glädjeämnen i Skanskas rapport för första kvartalet. I byggverksamheten fortsätter nedskrivningarna som vanligt och i bostadsutvecklingen halverades

Sedan bopriserna fallit i somras så har NCC:s aktiekurs tappat rejält och ett VD-byte så finns mycket att bevisa.

Implenia plans around 2000 layoffs

BUSINESS / The Implenia construction group is restructuring and plans to cut 2,000 jobs by 2023.

Friends Arena en smäll för Faberge
Skanska vinstvarnar

Byggjätten Skanska vinstvarnar inför fjärde kvartalet. En omfattande omstrukturering kommer innebära en belastning på 1,1 miljarder kronor för fjolårets sista kvartal. Samtidigt storstädar den nye vd:n Anders Danielsson i koncernledningen.

CN Construction News

Construction profit warnings at record levels

NCC: Har sålt av 79 procent av nedskrivna fastigheterna

Bygg är problemet

NCC har fortsatt lönsamhetsproblem i sina byggheter. De ständiga omgången tar också på aktiemarknadens tillmod.

Analys av Per Ericson

**Just doing more of the
same is not the solution**

Our questions

What is our core?

What are the benefits of being a large company and how do we get them?

Where should we focus our efforts to get competitive advantage?

How do we operate to get more consistent – and higher – performance?

A comprehensive process to align the company around what we need to change

Workshops
Apr 2019

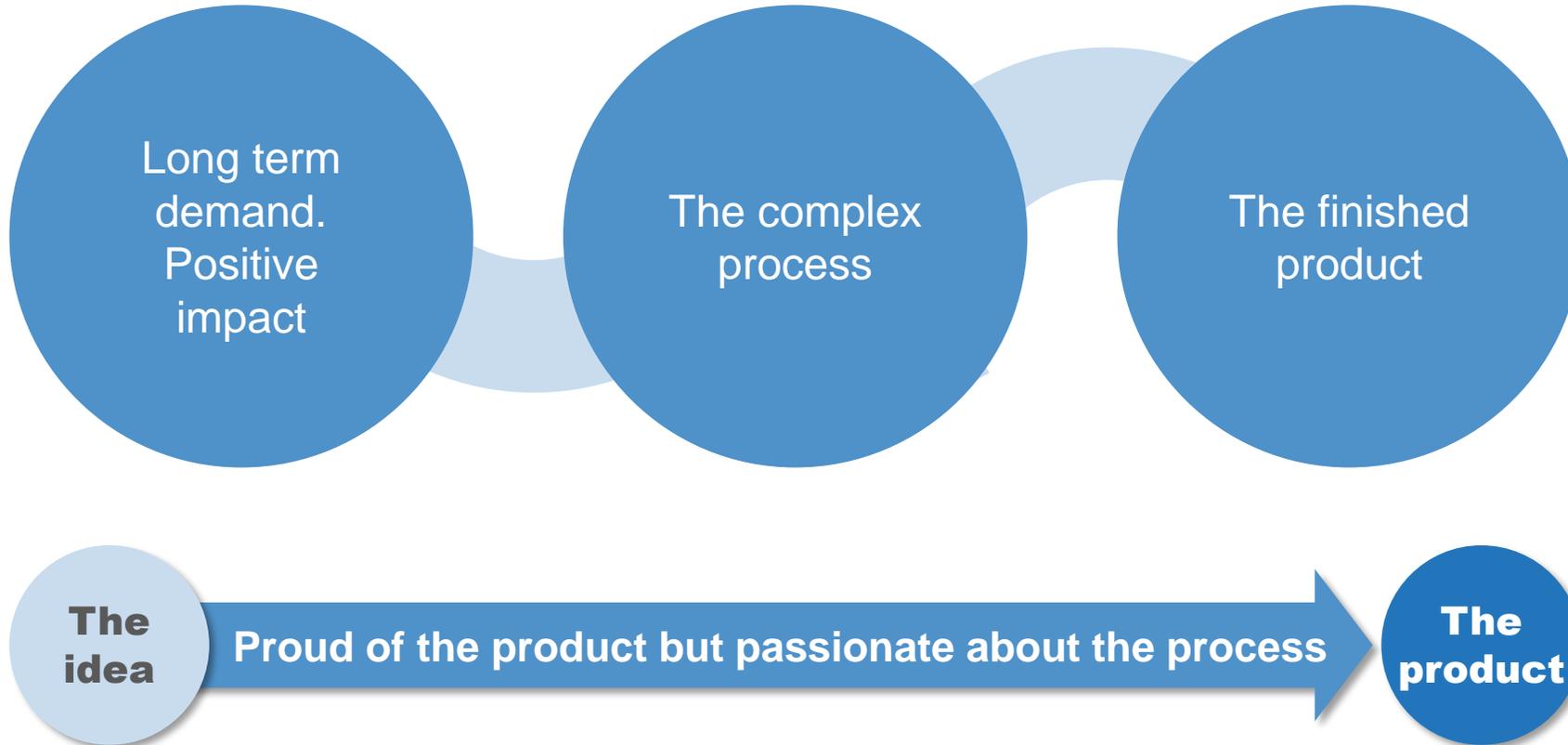
LC2019
Sep, Oslo

LC2020
Apr, Digital

LC2020
Sep, Hybrid



The construction process



The complexity of the construction process



**Our
Core**

**Our
Purpose**

**Our
Market
position**

**Managing the complexity of
the construction process**

A knowledge-based company

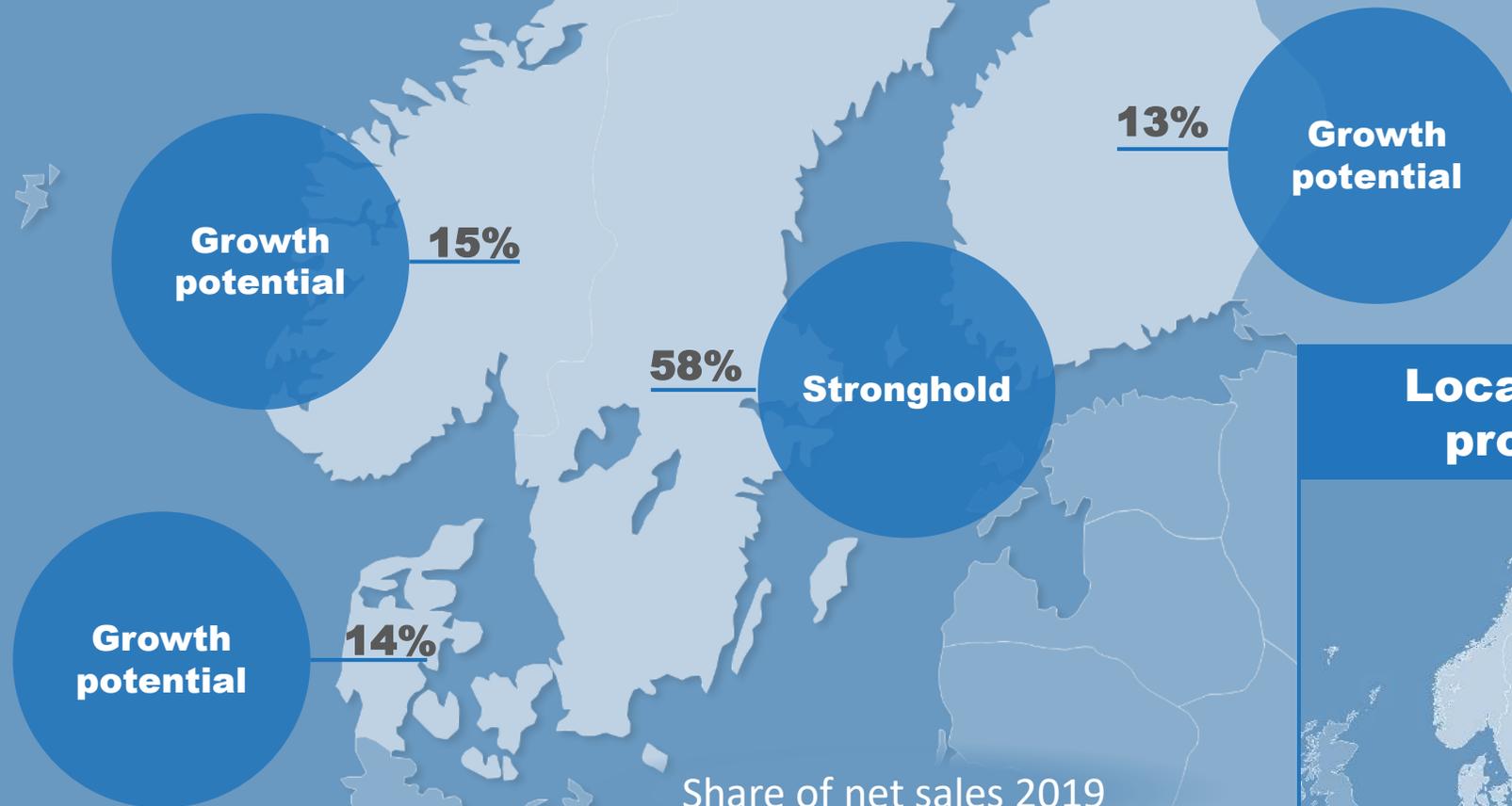
A culture based on shared values and behaviors

Our construction scope covers all our three businesses



Different business logics but with important interconnections and dependencies

A Nordic company – large, but local



Local, where profitable

Value to customers

**Proactive construction experts
realizing complex projects
with our customers**



Complexity drives value



The knowhow on how to manage the complexity of a construction process is at the core of our business model



A degree of complexity leverages our strengths

Recognizing that we are a knowledge-based company

Build knowledge



Share knowledge



Be data-informed



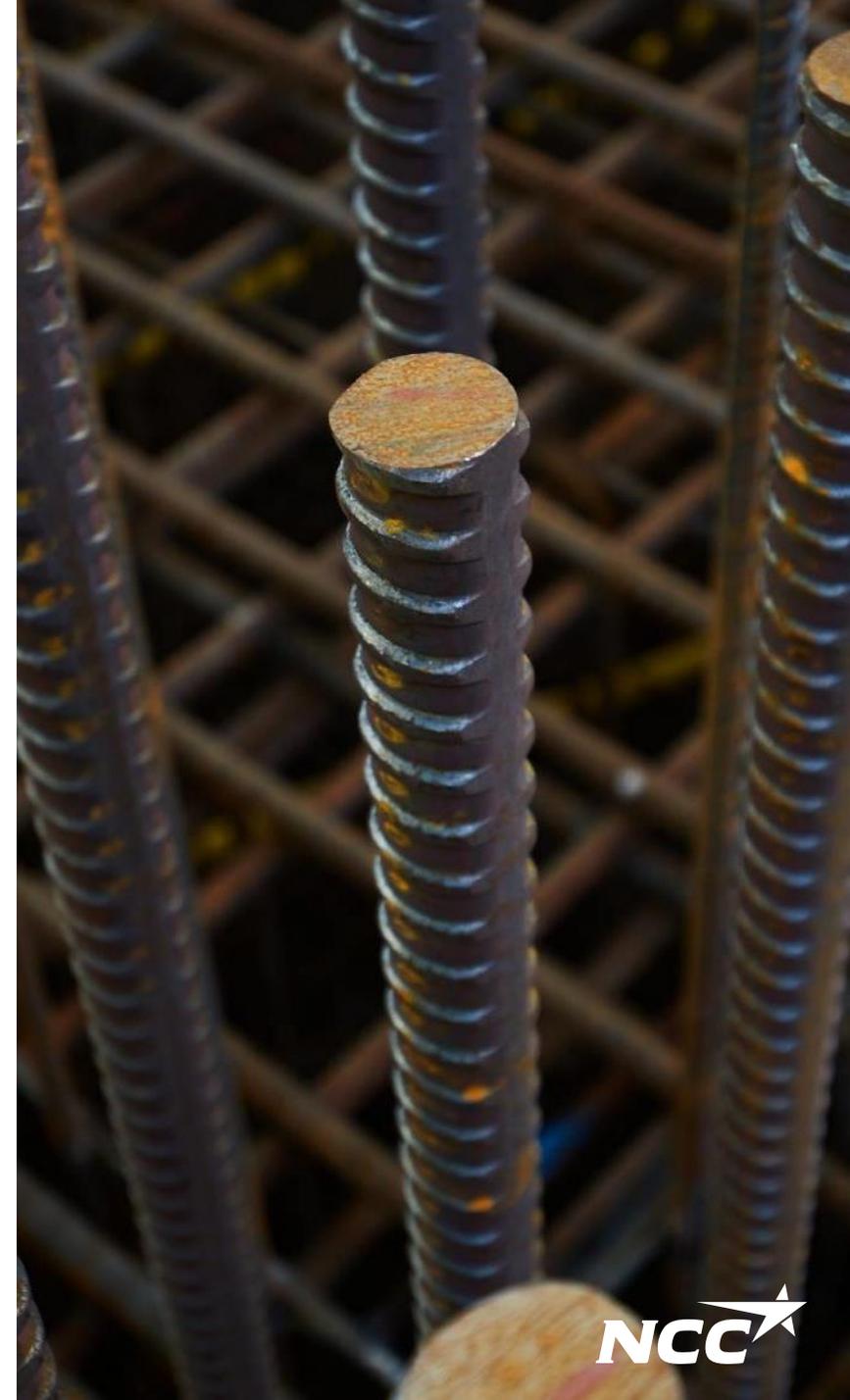
Focus areas

Build a knowledge-based company and a culture based on shared values and behaviors

Be proactive towards customers in managing complexity and build on our expertise and experience

Invest in IT, digitalization and in becoming data-informed

Leverage our construction process expertise and develop the core construction process



Our strategic direction

1

Our core competence is the construction process

2

We are a knowledge-based company – striving to be data-informed

3

Being large, but local, is a value multiplier and differentiator

4

Going to market together and collaborating well is essential

5

A degree of complexity leverages our strengths

6

A common operating model

Decentralized within a clear framework.
More than the sum of many small companies

How will we create shareholder value?

What is our core?

Managing the complexity of the construction process

What are the benefits of being a large company and how do we get them?

Common operating model

Where should we focus our efforts to get competitive advantage?

**Large but local in the Nordics
Leverage full scope of capabilities**

How do we operate to get more consistent – and higher – performance?

Common operating model

Current financial targets

	Operating margin	Return on equity	Net debt	Dividend policy
Target	>4.0%	>20%	< 2.5 x EBITDA	≥ 40% of result after tax
2018	-1.3%	-18%	N/A*	4.00 SEK per share*
2019	2.2%	32%	0x	2.50 SEK/share 31% of result after tax
R12 Sep 2020	2.9%	41%	0.08x	

*Negative result makes comparison with dividend policy not applicable

New financial targets

	Earnings Per Share, SEK	Net debt	Dividend policy
Target	EPS should be at least 16 SEK 2023.	< 2.5 x x EBITDA	≥ 40% of result after tax
2018	-7	N/A*	4.00 SEK per share*
2019	8	0x	2.50 SEK/share 31% of result after tax
R12 Sep 2020	11.7	0.08x	

*Negative result. Also makes comparison with dividend policy not applicable

NCC Building Sweden



Henrik Landelius
Head of NCC Building Sweden



NCC Building Sweden

- Geographically present all over Sweden
- 3,000 employees
- 500 ongoing projects
- Customers evenly distributed between public and private
- Strong market position
- Margins improving and strong order backlog
- Growing within prioritized market segments



Leading position in prioritized segments



Healthcare



Education



Swimming



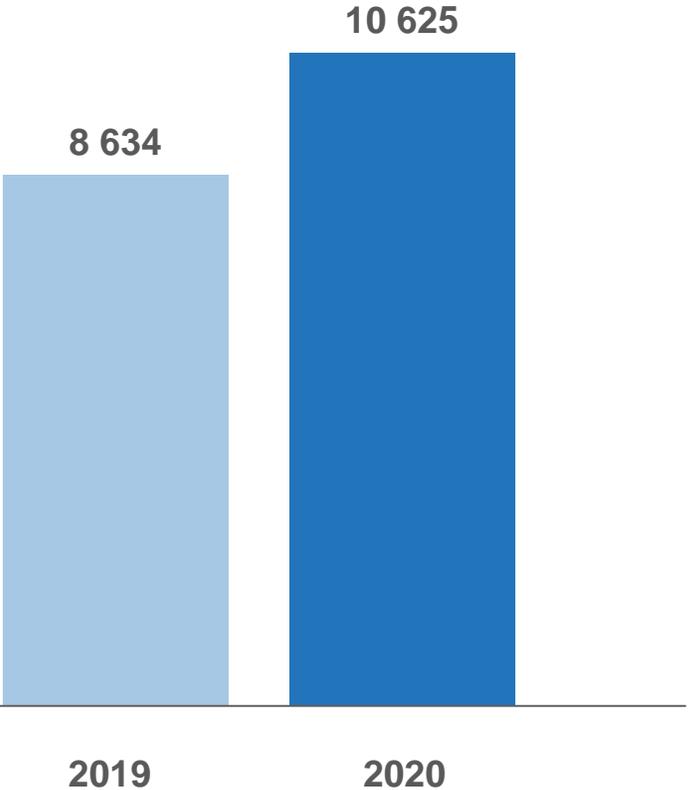
Residential



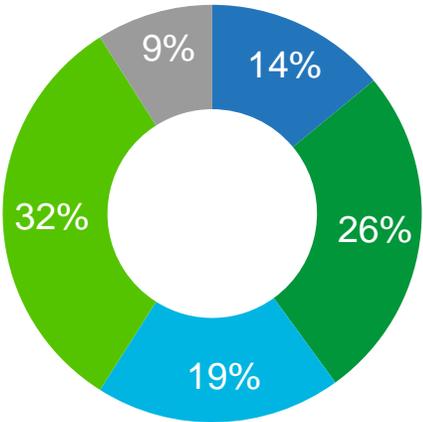
Offices

Margins improving and strong order backlog

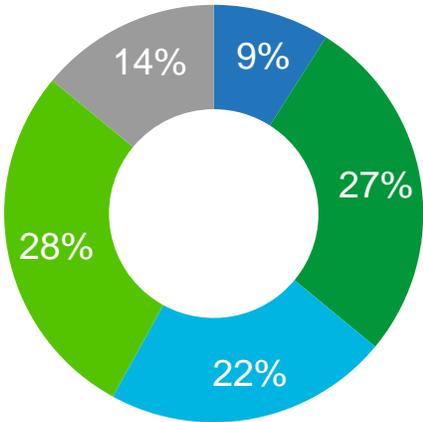
Orders received
Q1-Q3



Orders received
Q1-Q3



Net sales
Q1-Q3



- Offices
- Residential
- Refurbishment/Conversion
- Public Buildings
- Other

EBIT-margin 2.7% (2.5%)

Building Better Business

1

Portfolio management and customized customer journeys

2

Design to cost and business acumen

3

Being large, but local, and the customers first choice

4

Leveraging sales through strong collaboration

5

Keep delivering in large and complex projects

Leveraging our expertise

1 Improving productivity

- Platforms and standardized methods
- Virtual Design and Construction

2 Competence development

- Project and Site Manager assessments
- Cost and contract management

3 Improved value added from purchasing

- Early involvement
- Specialization in selected areas



Reducing impact – adding new business



**Climate
calculations**

**Choices of
materials and
structure**

**Circular
construction**

Cornerstones to build from

**Sustainable
sites**

Transportation

**Energy
efficiency**



Summary

- **Developing in prioritized segments**
- **Method for turnaround of underperformance solid**
- **Margins improving and strong order backlog**
- **Developing better business**
- **Continuously improving productivity**
- **Sustainability development with customers**



NCC Building Nordics



Catarina Molén-Runnäs
Head of NCC Building Nordics



Denmark, Finland and Norway

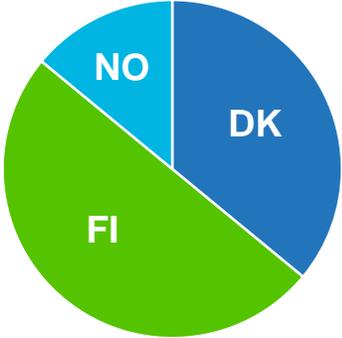


2,400
employees

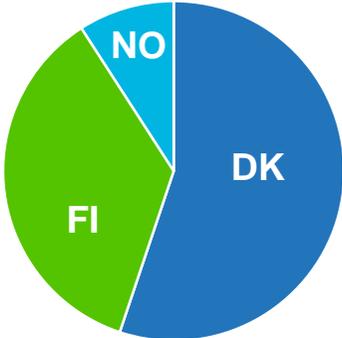
More than
250
ongoing projects

Our scope

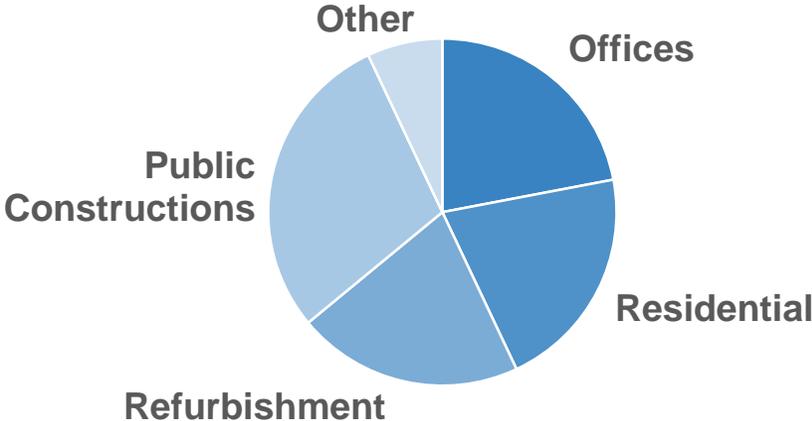
Net sales



Order backlog



Segment*



*Orders received Jan-Sep

Continuous improvements

2018



- New business area
- Three different turn-around needs
- Relatively strong markets
- Profitability before growth
- New leadership and business culture

2020



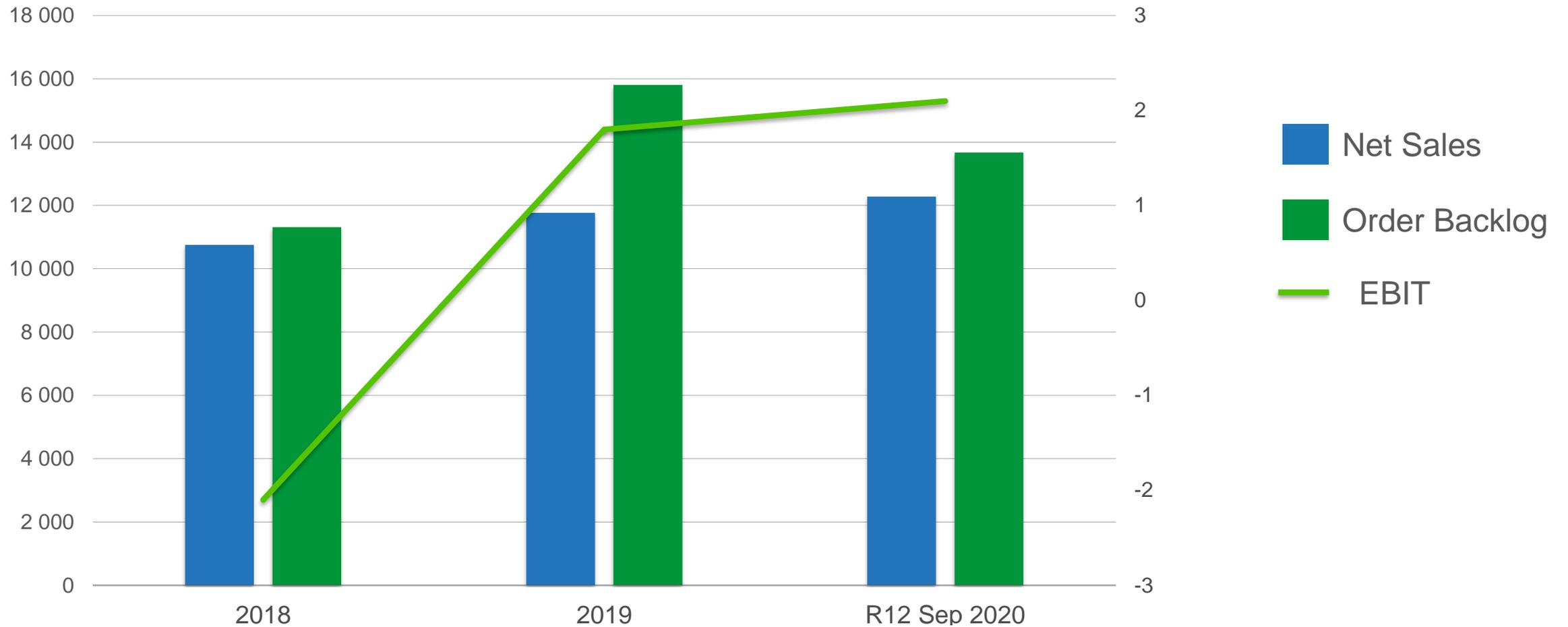
- Very strong backlog
- Carefully selected projects
- Continued focus on increased margins

The future



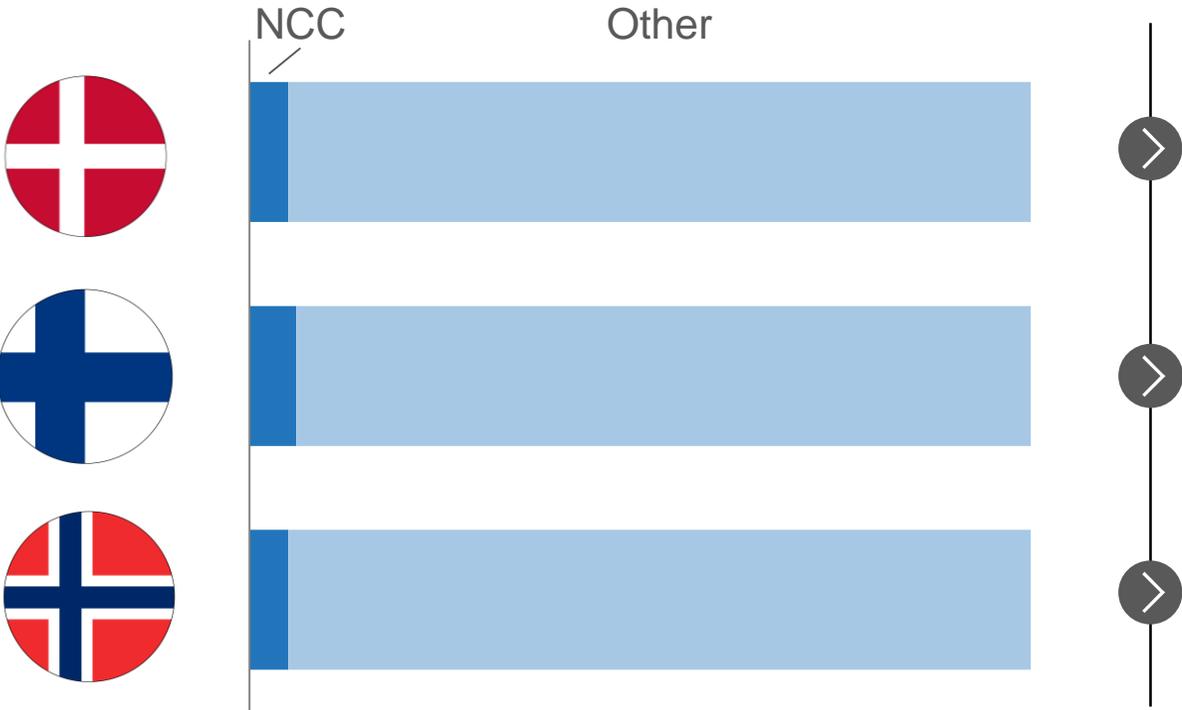
- Customer focus
- Early involvement
- Cost control
- Sharing knowledge
- A new generation of leaders

Strong backlog – improving margins



Our market situation

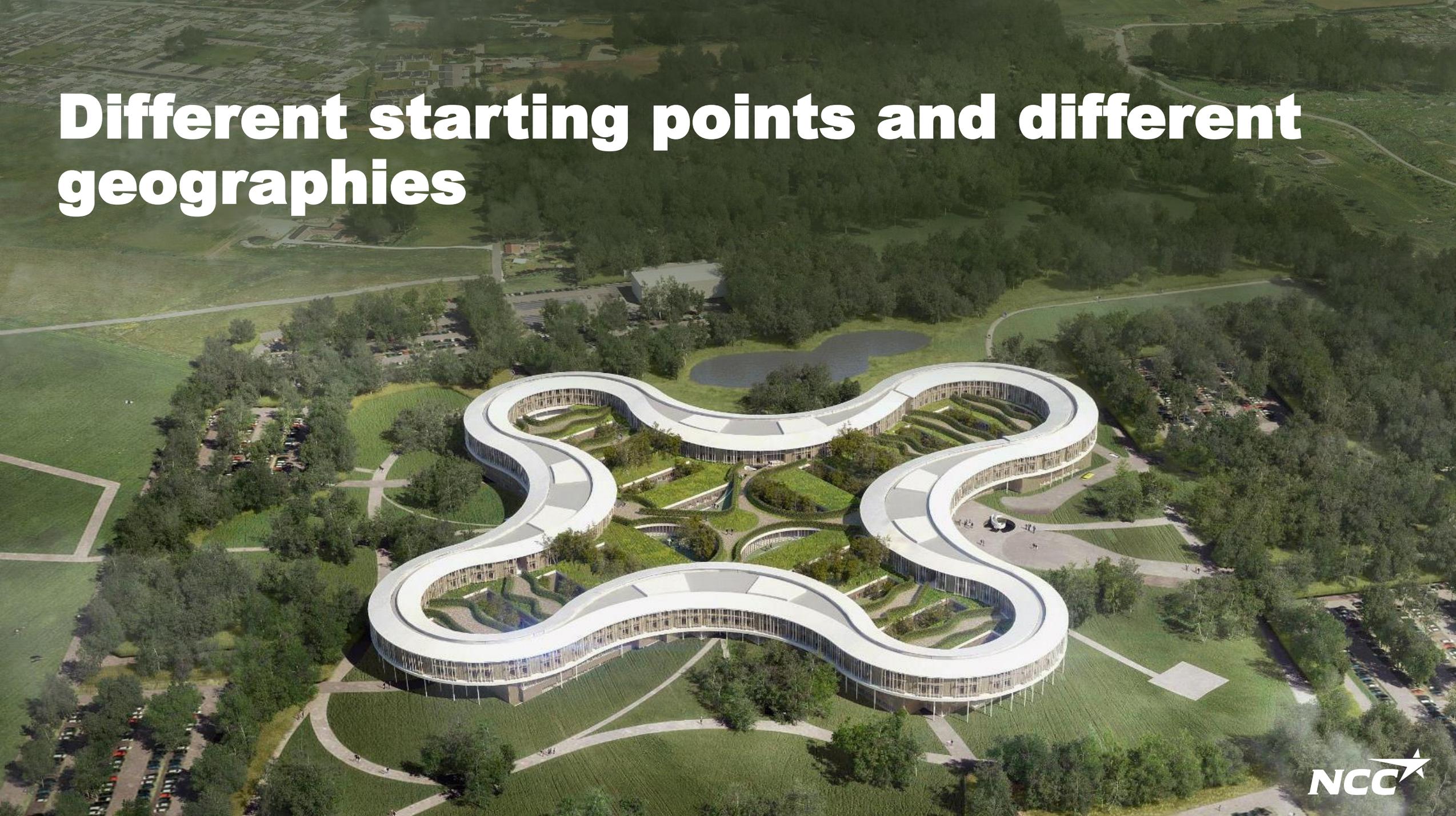
Current market situation



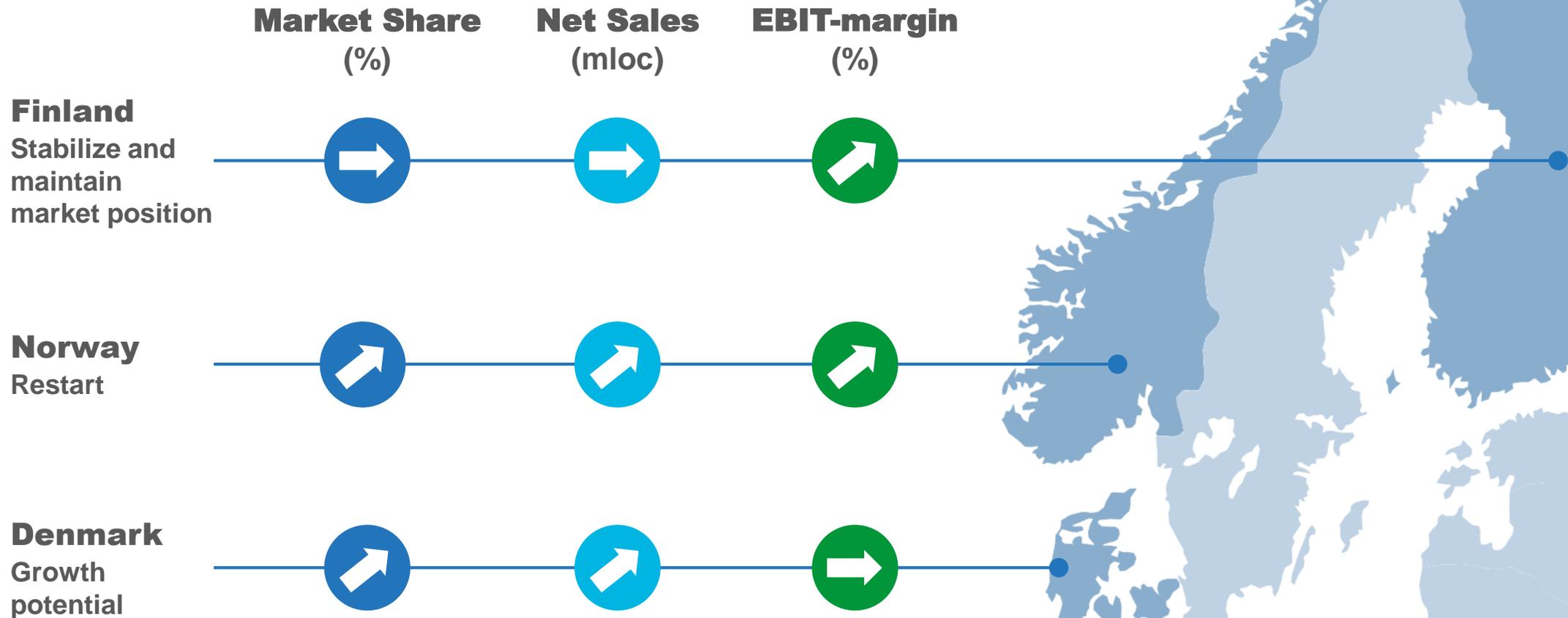
Opportunities

- Refurbishment market is growing
- Public sector is growing
- There is room for growth

Different starting points and different geographies



What does good look like



Dedicated to building the future

Do good and be good at the same time!

- Providing our sustainability knowledge and experience in projects
- Our competence in building sustainable solutions
- We shall give the customer better possibilities regarding environment, sustainability and energy targets

We embrace diversity

- Competence is key
- Discrimination is never ok



Looking forward



Looking forward

- **We have significantly improved our business with improved earnings and very strong backlog**
- **We are ready for profitable growth**
- **We will benefit from sharing our knowledge**



NCC Property Development

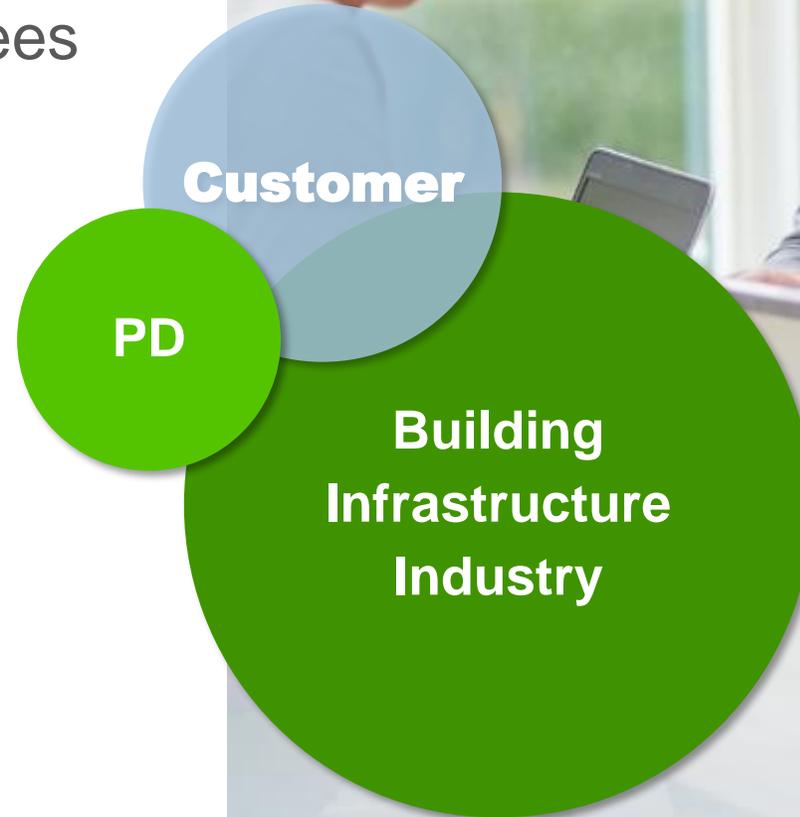


Joachim Holmberg
Head of Property Development



About Property Development

- A focused and specialized business area with 100 employees
- Operating in close collaboration with NCC Building
- Active in the Nordic capitals and major cities
- Developing offices in attractive locations



Key actions to strengthen the business

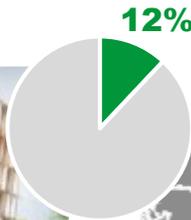
- Strong management, new key recruitments
- Stabilize portfolio in Finland
- Build stronger pipeline
- Leverage the internal collaboration



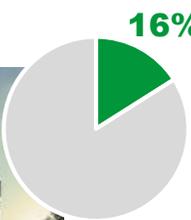
Current Nordic portfolio



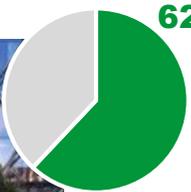
Norway
1 ongoing project in Oslo



Denmark
2 ongoing projects in Copenhagen and Aarhus

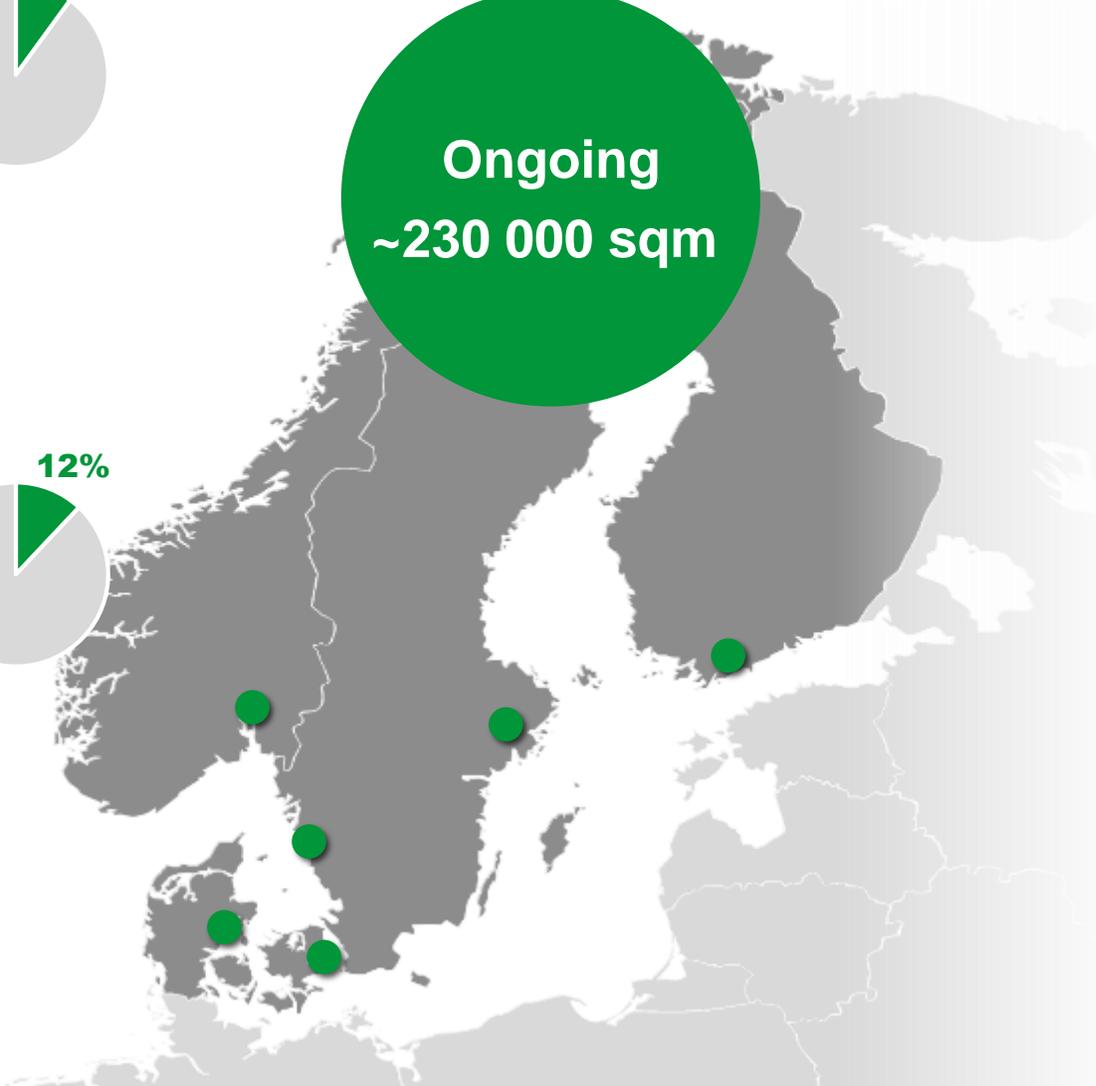


Finland
3 ongoing projects in Helsinki and Espoo



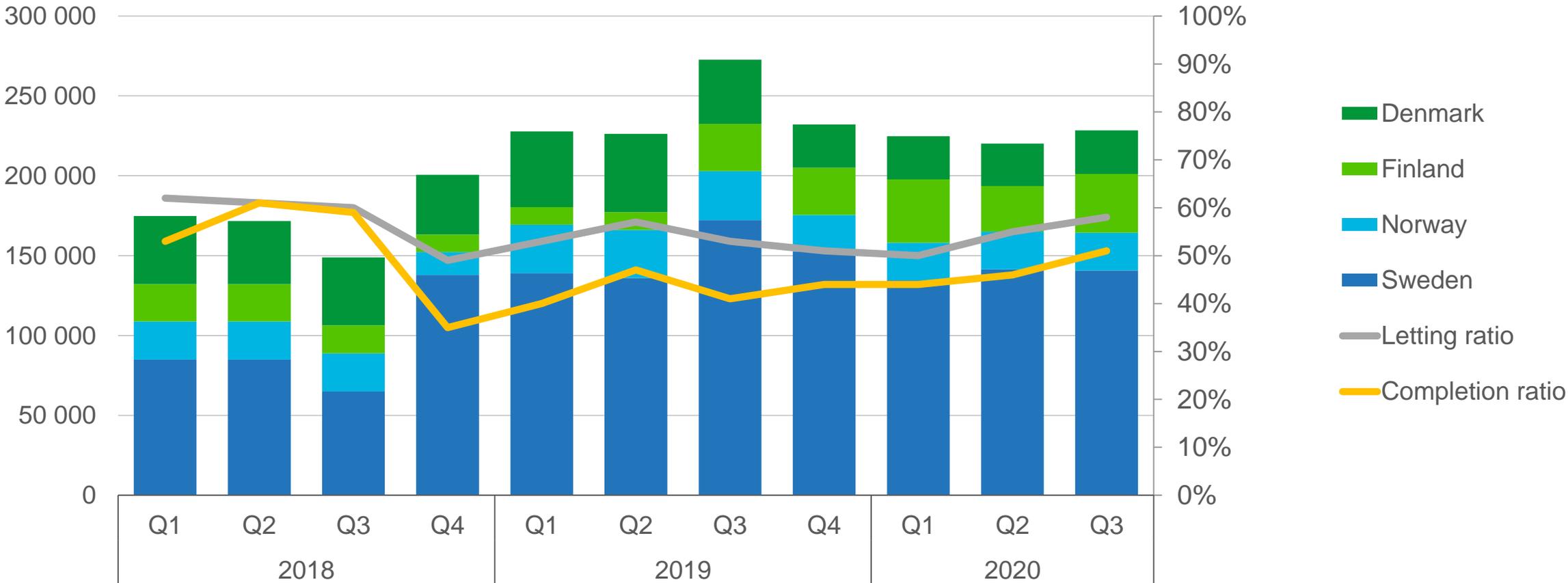
Sweden
8 ongoing projects in Stockholm, Gothenburg

Ongoing
~230 000 sqm



Ongoing lettable space

Lettable space, sqm

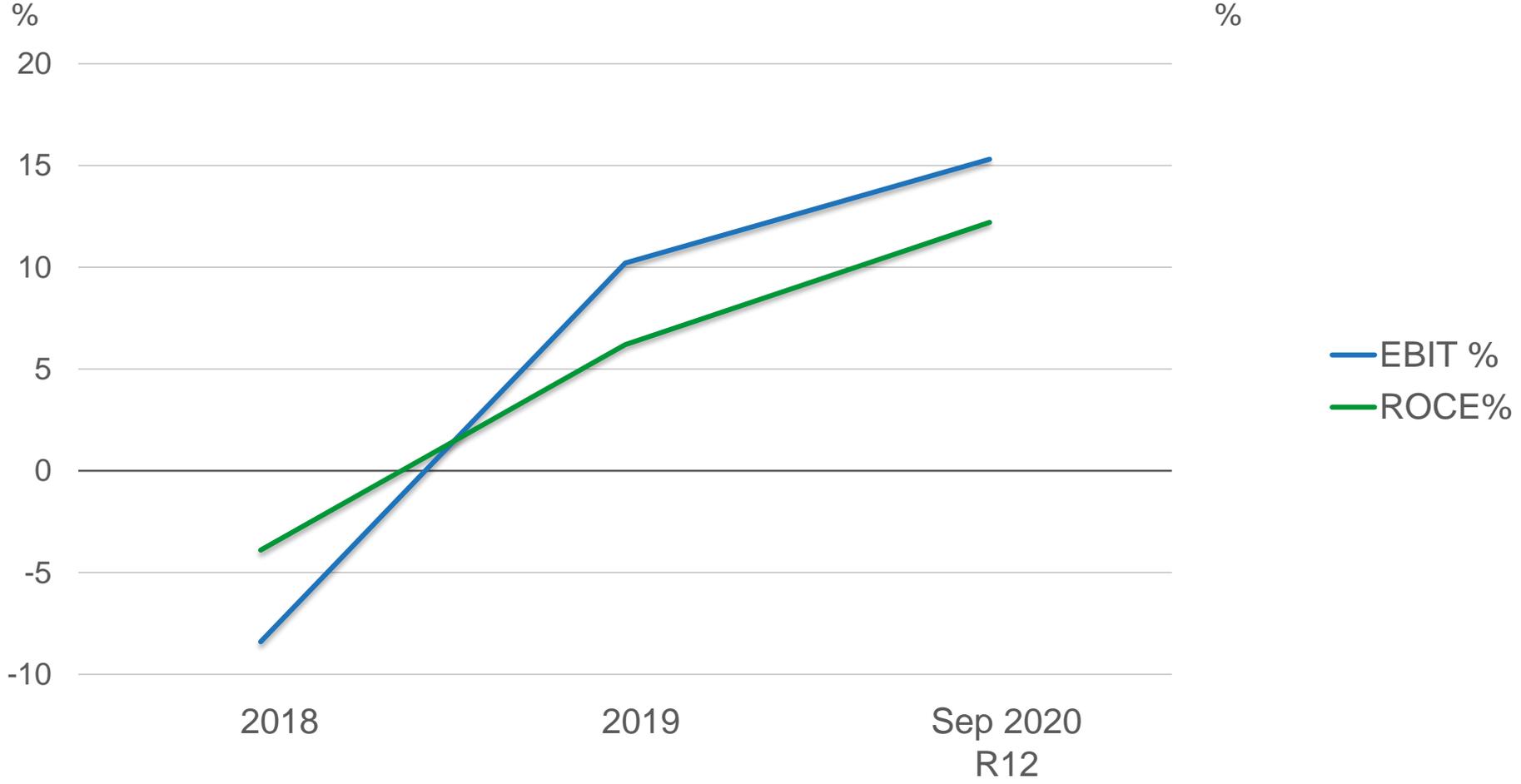


Masthuggskajen, Gothenburg

The winner of Sweden Green Building Awards “2020 Citylab-project ”



Improving EBIT and ROCE



Market

- Investor appetite is solid
- Low interest rates
- Growing cities
- Tenant hesitant



Our focus going forward

- Capital areas and larger growing cities
- Offices in strong locations (hubs with public transports)
- Building strong project pipeline
- Follow the market development and risk exposures closely
- Improve capital efficiency



Summary

- **Strong management in all countries**
- **New offices with the right profile is an attractive investment**
- **Strong collaboration**
- **Multiple business models**
- **Building strong pipeline**



Sustainability targets



Tomas Carlsson
CEO



Sustainability a key part of the construction process



- Invest in understanding what our customers and stakeholders really want and need from us
- Use our skills and expertise to develop, propose and excel in more sustainable solutions where they matter most
- Focus on the most important areas and collaborate with our stakeholders to find solutions

Current sustainability targets

 <p>Health & safety</p> <p>Target 2020: Accident frequency (LTIF1) ≤ 3.5 Our vision is zero accidents</p> <p>Outcome 2019: Accident frequency: 7</p>	 <p>Climate & energy</p> <p>Target 2020 50% reduction of CO₂ emissions, compared with 2015</p> <p>Outcome 2019: 37% reduction</p>	 <p>Materials & waste</p> <p>Target 2020 70% of NCCs waste is reused or material recycled by ton waste/MSEK turnover decreases</p> <p>Outcome 2019: 56%</p>
 <p>Social inclusion</p> <p>Target 2020:</p> <ul style="list-style-type: none"> No gender should represent a higher share of a team than 70% No age group should represent a higher share of a business area than 70% Diversity target is to mirror society 	<p>Outcome 2019: 45% (41/89 teams fulfill target)</p> <p>100% All BA's fulfill target</p> <p>46%</p>	 <p>Compliance</p> <p>Culture: Our aim is a compliant culture in NCC, having a very active compliance work.</p> <p>Perception: We track all employees perception of our compliance culture in Pulse with the aim to significantly increase the perception value during the strategy period.</p> <p>Transparency: We disclose our number of Tell Me matters and Ask Me questions in our annual report.</p>

New sustainability targets – setting a clear focus and direction



Health & safety

New target

LTIF4 (accidents with more than four days of absence) rate **3.0** for 2022

We will change our group target to focus on the serious accidents, ie LTIF4. This is also reflected in the long term incentive program for management



Climate & energy

NCCs target is to be climate neutral 2045

New target

60% reduction ton CO₂e (scope 1 and 2) per SEK M turnover 2030 (baseline 2015)

This is an extension in time of our current climate target

New target

50% reduction ton CO₂e relative to bought volumes of the largest scope 3 contributors within NCC until 2030

Scope 3 stands for the majority of the emissions from our construction operations. Targeting the four largest contributors to NCC construction operations scope 3, Concrete, steel, asphalt and transports.

Going forward

- Internal targets for other focus areas
- Specific targets for all business areas for all focus areas



NCC Infrastructure



Kenneth Nilsson
Head of NCC Infrastructure

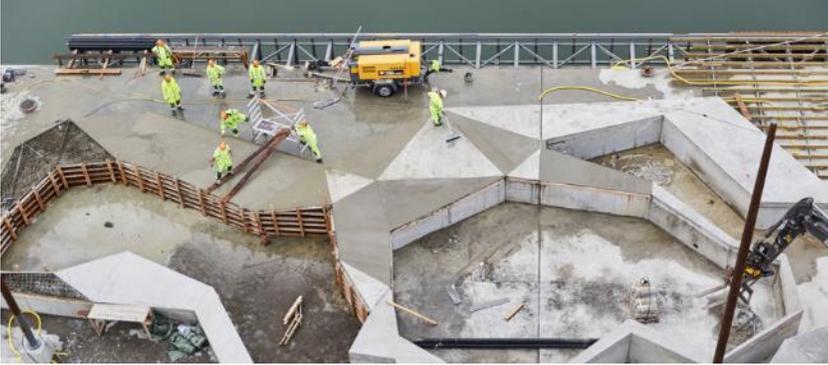


Our scope

Roads and railways



Groundworks



Water and energy



Heavy industrial



4,400
employees

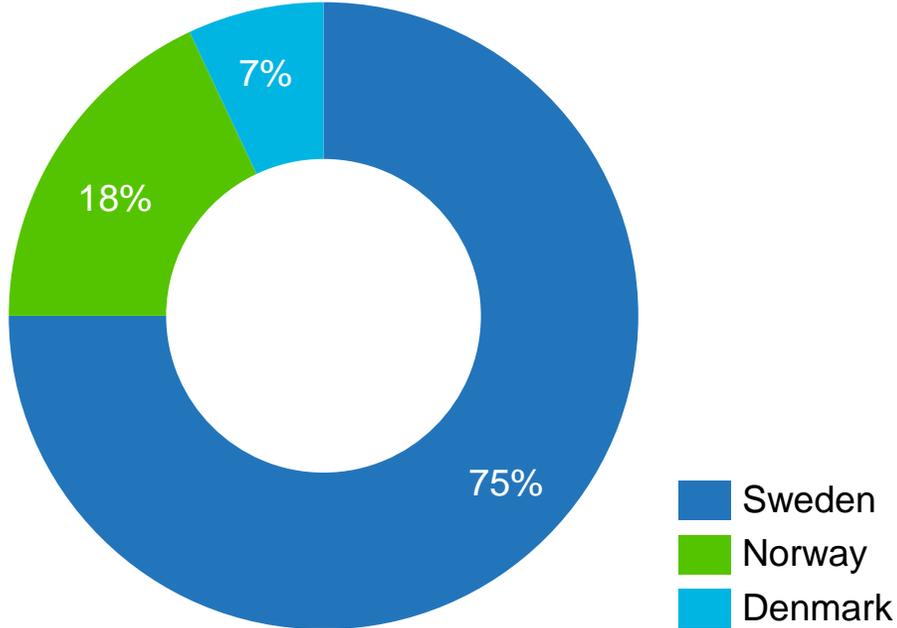
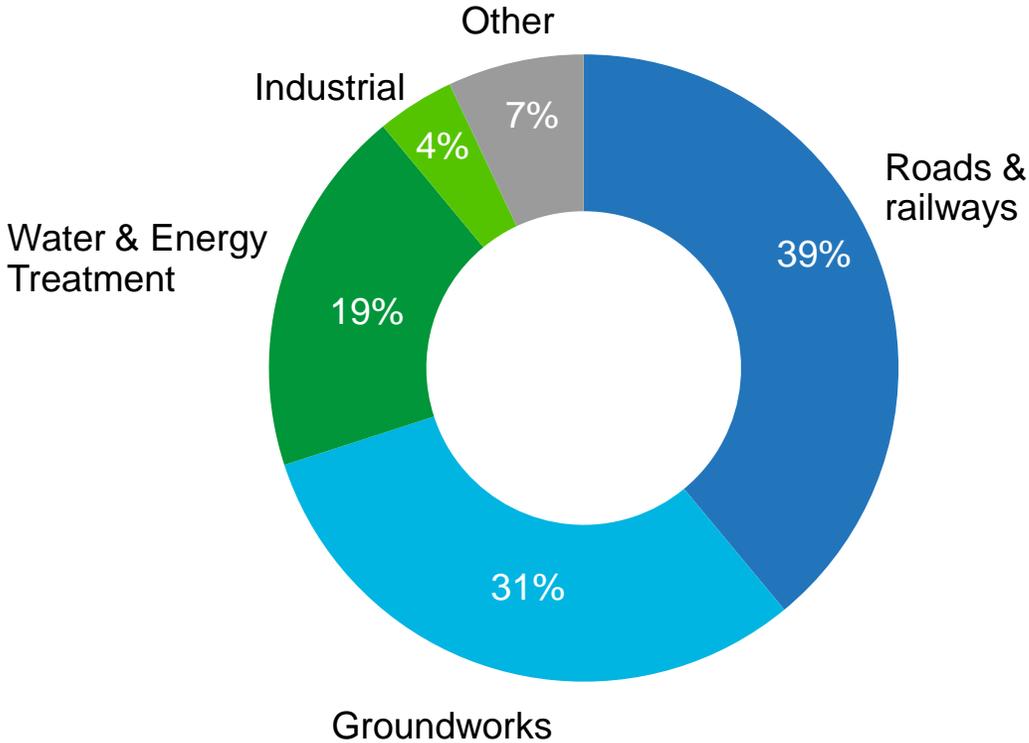
1,200
ongoing projects

550
customers

*Hercules not included in figures



Our operations



Net sales, Jan - Sep 2020

Underlying market strong and growing

Sweden

- Growth rate 2.8% (2021), 3.5% (2022)
- Many large projects, primarily related to railroads
- Concentration around Stockholm
- Strong international competition for large projects

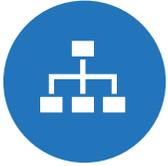
Norway

- Growth rate 12.9% (2021), 11.0% (2022)
- Many large projects, primarily related to roads
- Concentration around Oslo
- Strong international competition for large projects

Overall priority

Profitability
before volume

Key actions to reach stability



Ensure right organization and team

- Reorganization from 2 to 5 divisions
- Specialized organization for large projects
- Closed down unprofitable parts of organization
- Divestment of Road Services and Via safe



Execute profitable projects

- Strengthened staffing of key positions
- Partly implemented Outperform scorecard
- **Income:** Commercial Managers in large projects
- **Costs:** Improved way of working with productivity tools, purchasing plan and design management



Win profitable projects

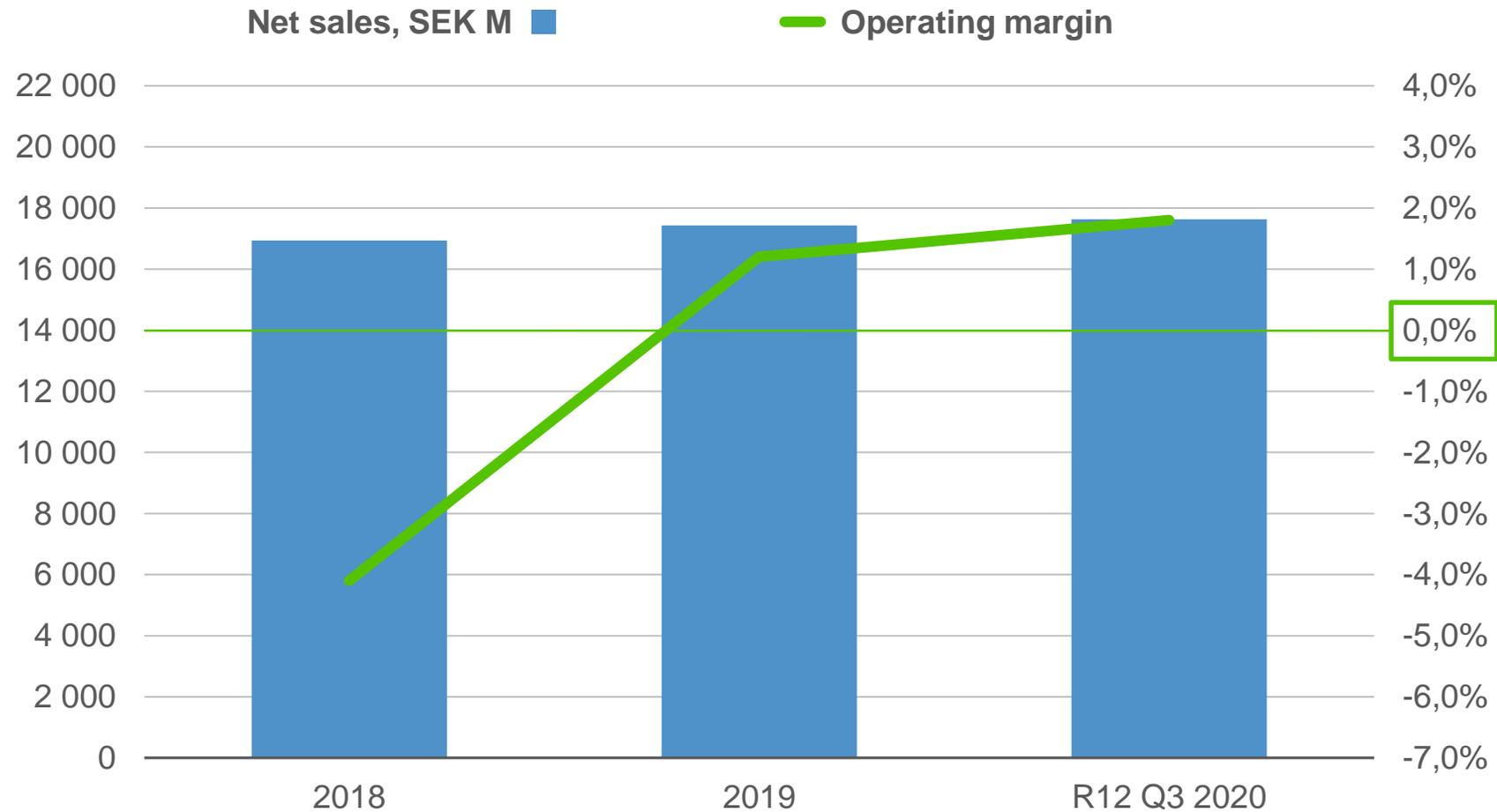
- Improved screening process for project selection
- Implemented assessment of the right tender team and project execution team (key roles)
- Improved processes for risk analysis and contingency



Mitigate underperforming units

- Regions within turnaround program all accept one with positive EBIT

Net sales and margin



The road to increased profitability

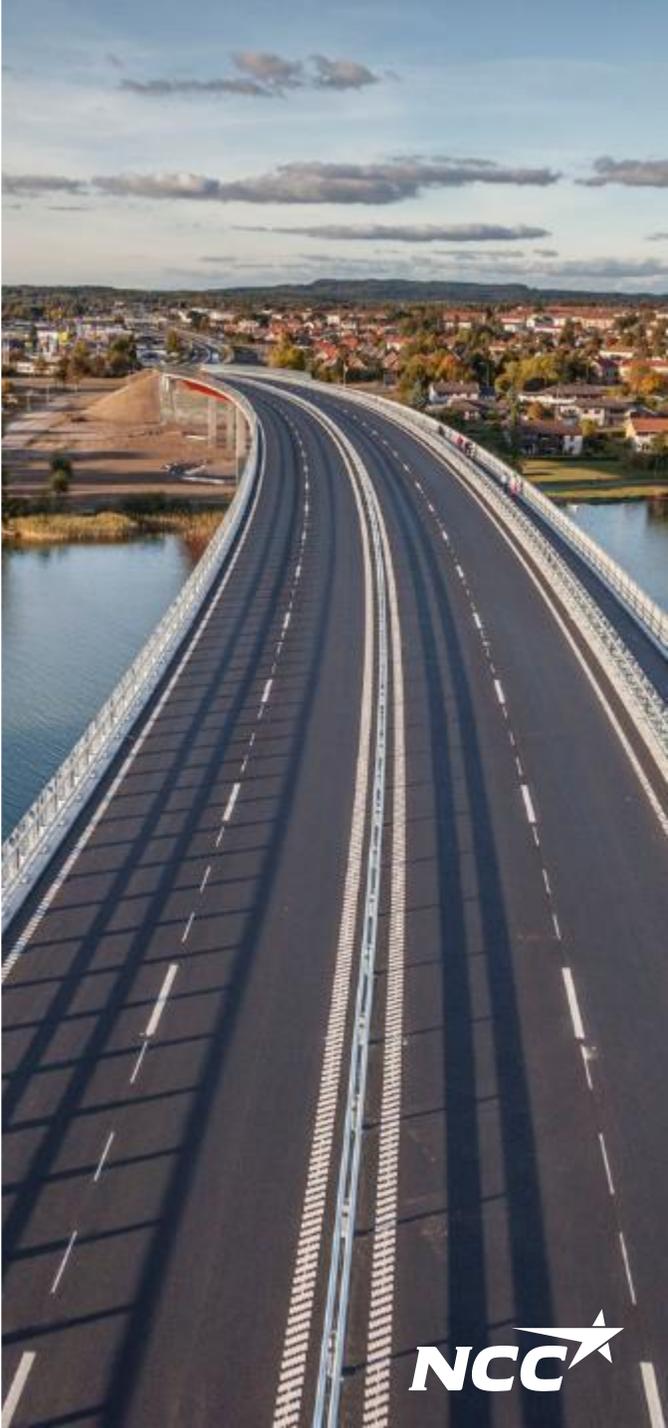
Continue with our action plan to ensure continued stability

- Secure basic capabilities
- Improve profit short-term



Strategic direction - New actions to improve profitability

- Develop our capabilities
- Improve profit short- and long-term



Improved productivity - prioritized development area

- Great potential to improve productivity in the construction industry
- 11 areas identified for improved productivity
- Examples include:
 - Be the leader in productivity for selected complex products
 - Improved knowledge sharing
 - Leverage best practice methods and design



Summary

● **Business Area EBIT has improved gradually**

● **Stabilized and improved performance through our action plan**

● **The road to increased profitability**

- Market remains strong in all relevant countries
- Continued actions according to action plans
- Actions based on NCC's strategic direction

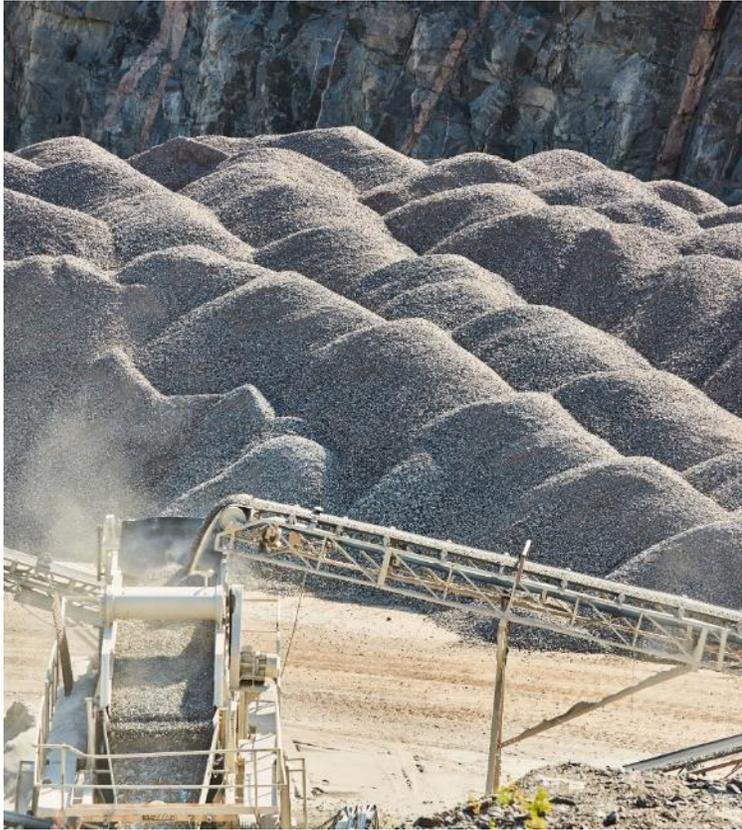
NCC Industry



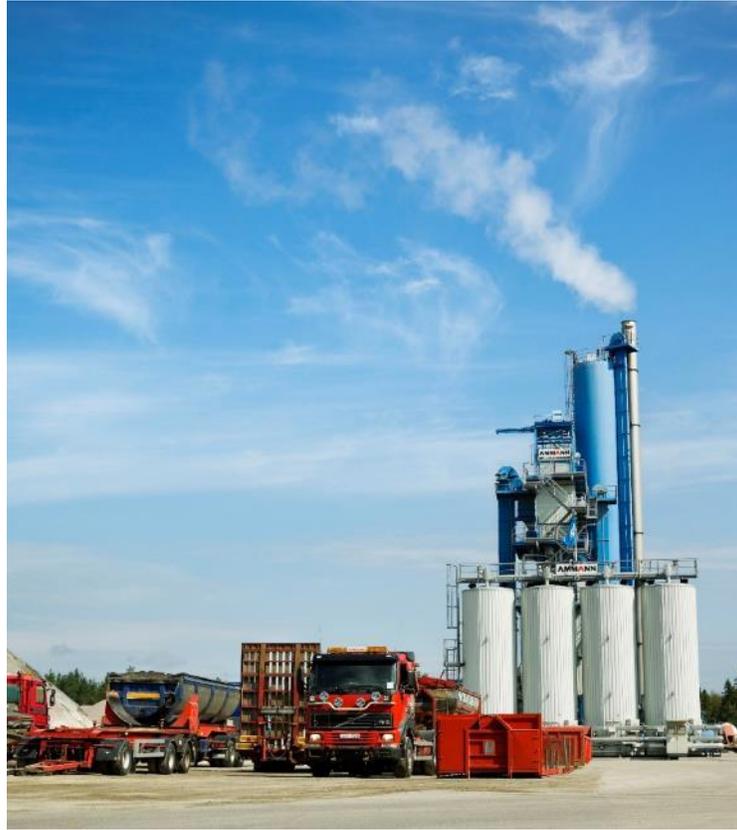
Ylva Lagesson
Head of NCC Industry



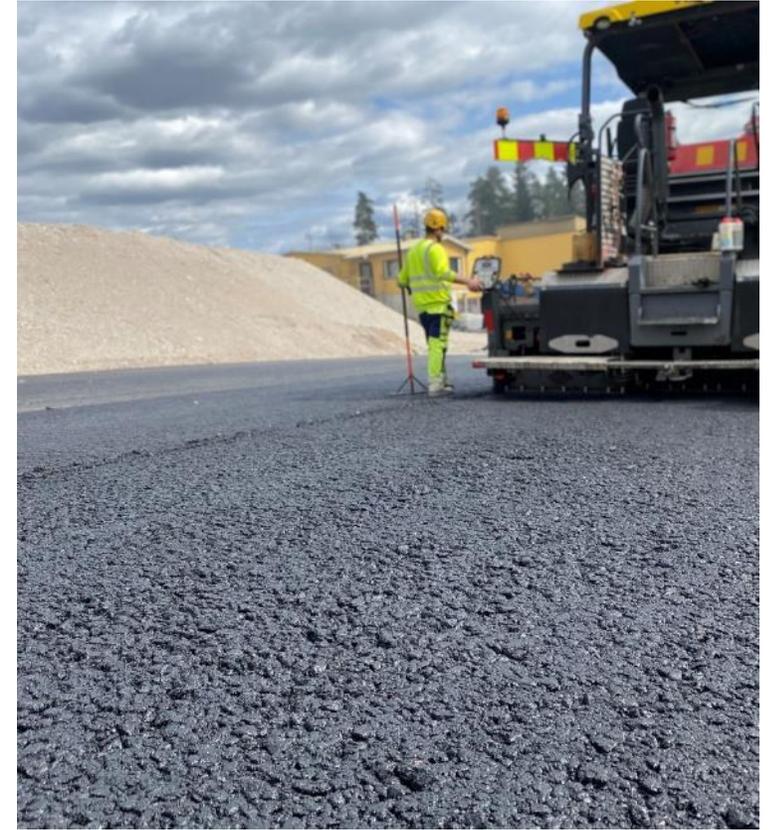
Our scope



Stone materials



Asphalt production



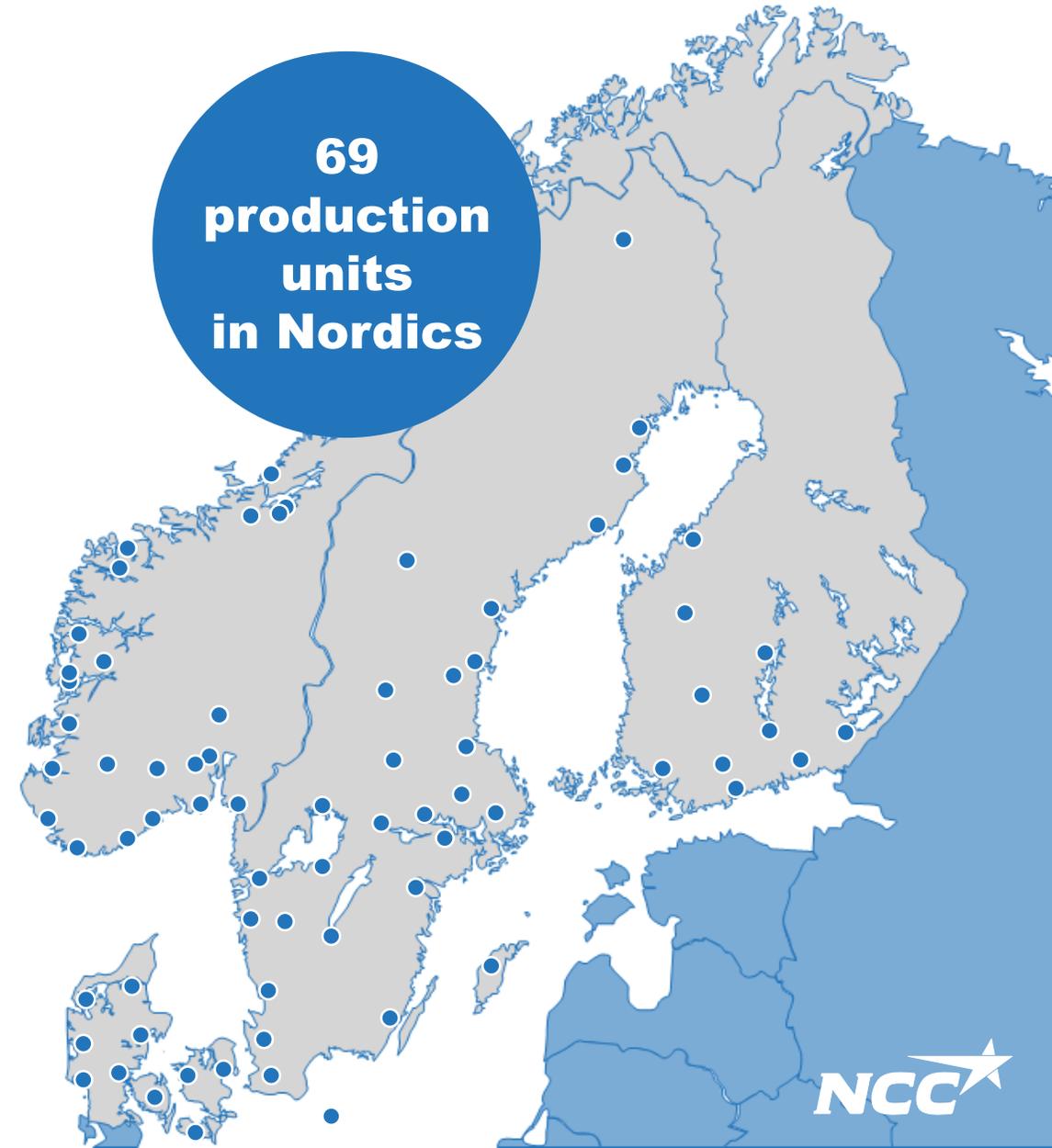
Paving works

Division Asphalt

~ 2,700 employees in Nordics

Offering

- Production of Asphalt
- Paving Services
- Own asphalt products
 - Active R&D
 - Green Asphalt, which reduces 30% of CO₂ emissions
 - Specialized products for different customers and uses

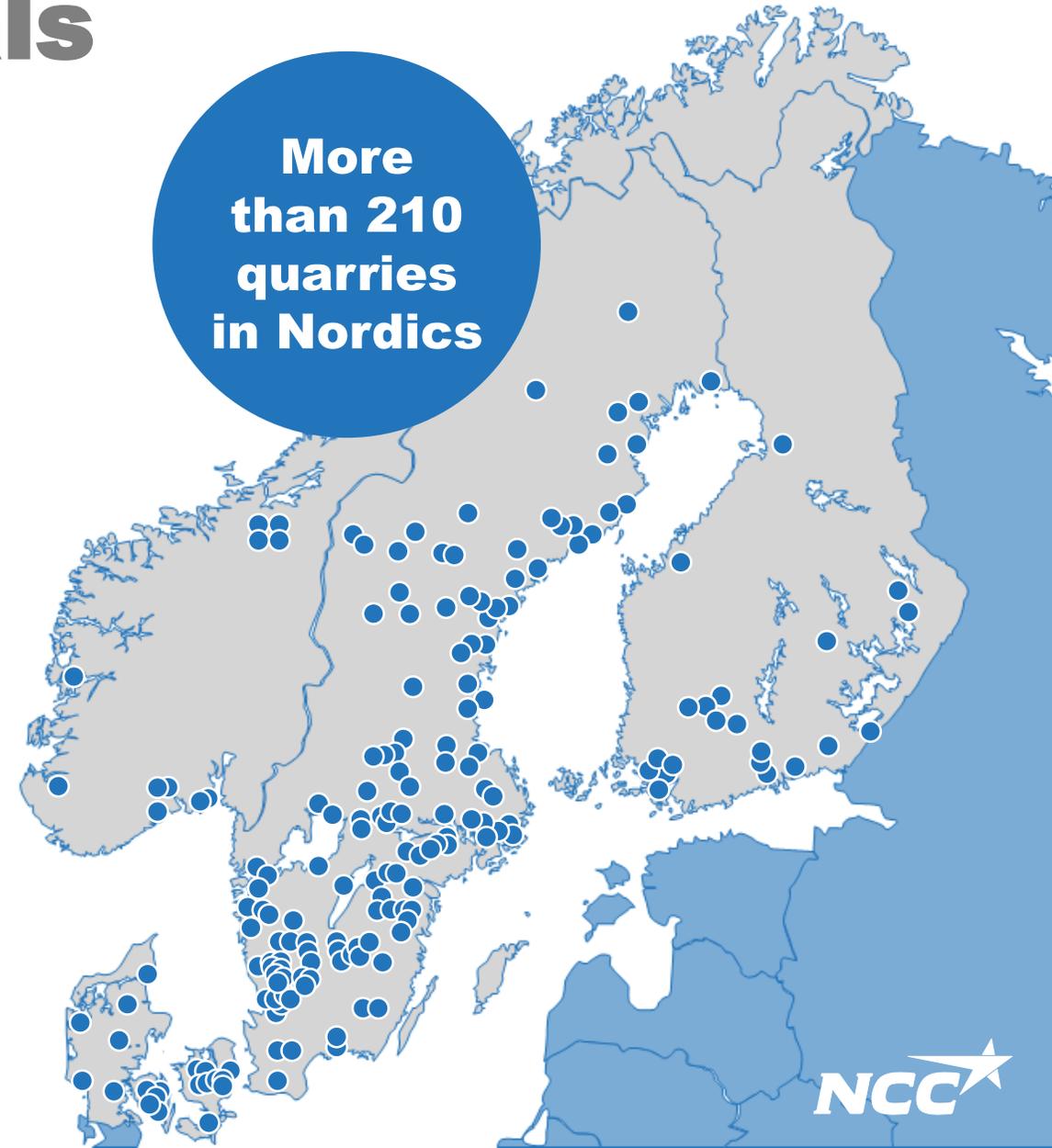


Division Stone Materials

~ 650 employees in Nordics

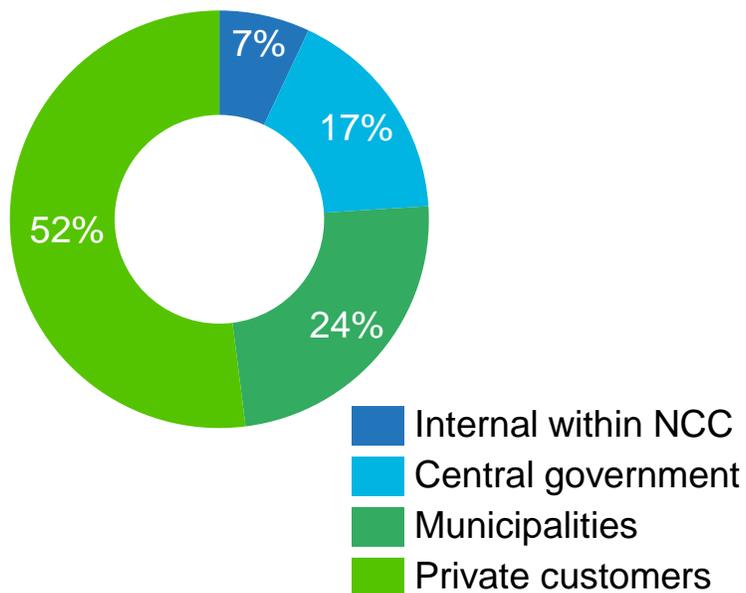
Offering

- Different stone materials from crushed rock to dried sand
- Recycling of mineral masses
- Concepts ex
 - Permeable products together with Division Asphalt
 - Machine sand

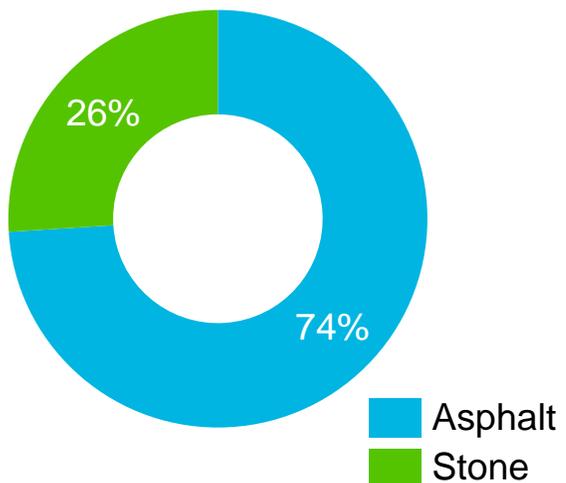


Our operations

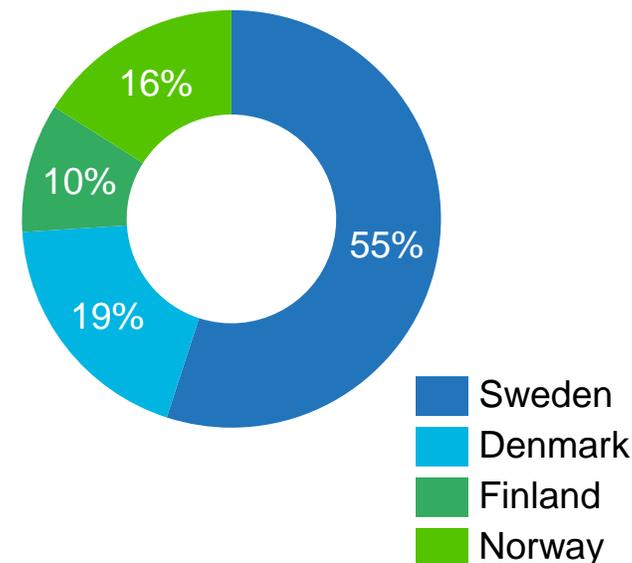
Customer mix



Product mix



Geographical distribution



Net sales SEK 10,961 M (R12 Q3) – 3,500 employees

*NCC Industry net sales R12 Q3 exkl foundation (Hercules)

Actions November 2020

1 Building synergies and cleared out responsibility in Division Asphalt

- Delaying organization —> reducing appr 100 FTE
- SEK 50 M annual cost savings
- SEK 65 M restructuring cost Q4 20 and Q1 21

2 Divest Asphalt Finland

- Long term non profitable
- Detached from rest of NCC

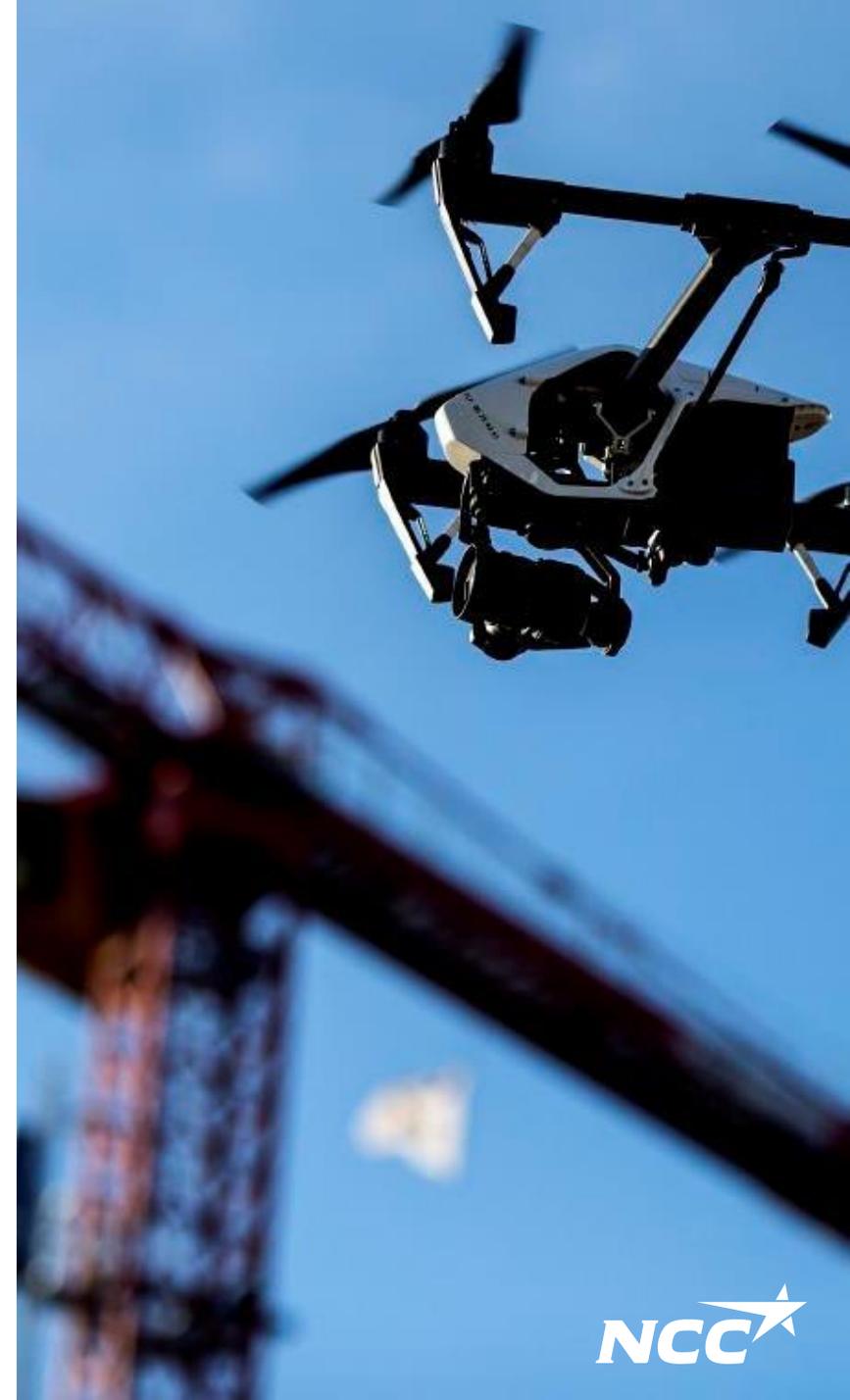
3 Move Hercules to Infrastructure

- Focusing and steering similar business logics
- Simplifying internal business



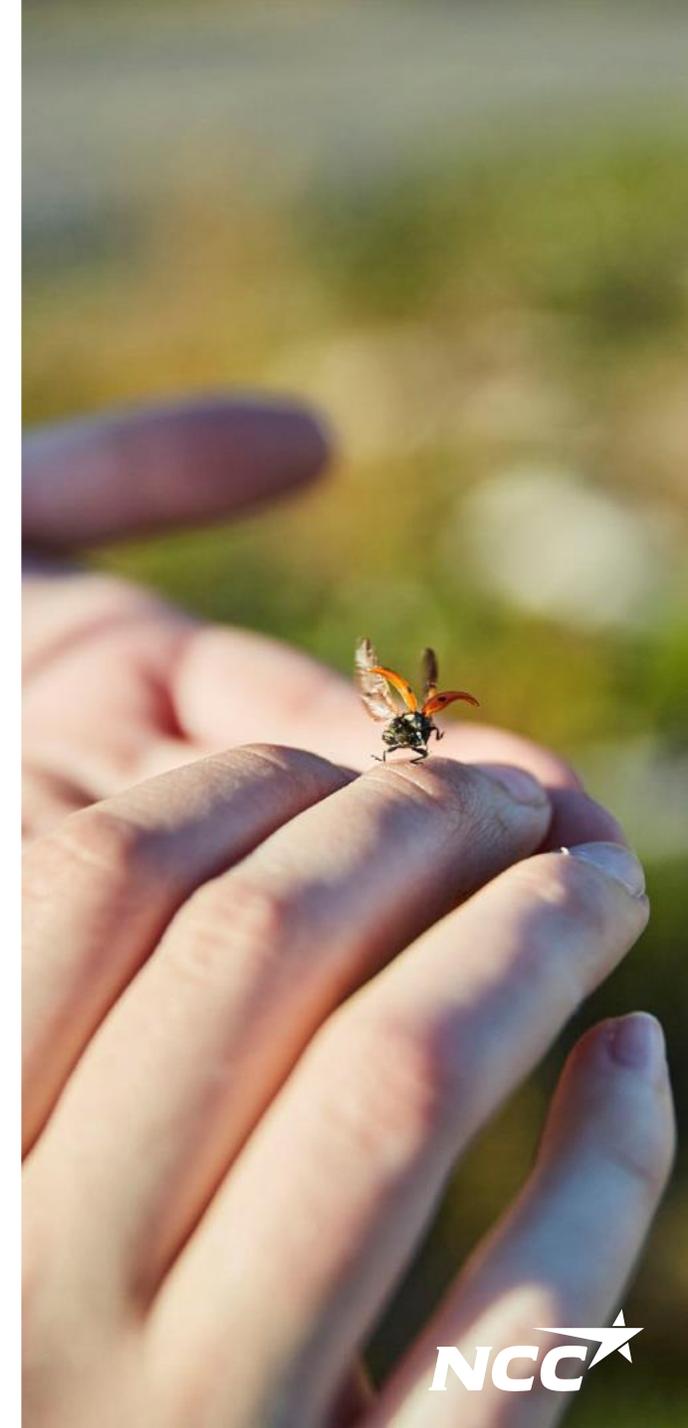
Modern technology driving improvement

- **Safety and efficiency** – Remote and autonomous
- **Control and business** – Digitally supported paving process
- **Control and efficiency** – Drones
- **Sustainability** – Connected and electrified vehicles
- **Digital interface to customer** – CPOT, a customer platform for maintenance



Responsibility and opportunity in sustainability

- **Reduce CO₂** in production
 - 40% from 2015 to date
- **"Smart choices"** – easy for the customer
- **EPD** – Environmental Product Declaration
- **Electrifying**
- **Bio-diversity**
- **Alternatives** to fossile inputs in asphalt
- **Green bonds**



Summary

- **Delaying asphalt organization**
- **Exit Asphalt Finland**
- **Similar business logic – focus and scale**
- **Increased speed in using data and modern technology to leverage business**
- **Keep front position in sustainability transformation**



