

**Studsvik**

# Q2 2016 Presentation

July 22, 2016



# Market conditions – mixed picture

- Climate change is increasingly coming into focus with challenges for all fossil fuels whilst investments in renewable sources including nuclear power continues in many countries
- Our home markets in Europe and North America are stable but we see no major growth in demand as the market is dominated by low energy prices and unprofitable utilities. But, it opens up other opportunities where customers seek support.
- Utilities in Europe and North America are generally focusing on safely extending life time and improving efficiency
- At the same time preparations for decommissioning and dismantling are being considered for the aging nuclear fleet in many countries in Europe and North America. Specifically, we see movements in Germany and Sweden.
- China, India, Russia, Middle East, Korea, UK, Finland and a number of other nations across the world invest or are considering to invest in more nuclear power
- The oil, gas and mining industries are becoming increasingly aware of the health hazards posed with concentration of radioactive residues in conjunction with extraction. Demand is slightly impacted from low energy prices.

# Financial performance

	April-June 2016	April-June 2015	January-June 2016	January-June 2015	Full year 2015
Sales, SEK million*	176.3	177.7	347.9	334.5	721.2
Gross margin,%*	↑ 28.5	23.9	30.2	24.9	27.9
Operating Profit, SEK* million	↓ -1.2	0.8	9.5	-0.9	36.6
Operating margin, %*	↓ -0.7	0.5	2.7	-0.3	5.1
Profit after net financial* items, SEK million	↑ -2.9	-3.6	-0.9	-7.2	18.9
Profit per share after tax, SEK*	↑ 0.20	-0.60	0.92	-0.89	1.78
Free cash flow, SEK million	↑ -29.2	-38.9	-31.3	-43.7	-29.8
Investments, SEK million*	1.6	3.0	7.0	5.7	14.6
Net debt/Equity ratio, %	61.9	49.2	61.9	49.2	45.0
Average number of employees*	702	689	707	696	708

## Analysis of key ratio development Q2

- Sales decreased with 1 percent to SEK 176 (178) million
- Gross margin improved to 28 (24) percent
- Operating profit decreased to SEK -1.2 (0.8) million
- Operating margin was -0.7 (0.5) percent
- Manning reduction costs of SEK 5 million impacted the result in Q2
- Operating margin excluding manning reduction costs was 2,1 (0,5) percent in Q2 and 4,2 (-0,3) percent in first half year
- Fuel & Materials Technology (FMT) sales delayed beyond Q2
- Consultancy Services (CS) sales also impacted due to delays

# Financial performance

		April-June 2016	April-June 2015	January-June 2016	January-June 2015	Full year 2015
Sales, SEK million	↑	105.6	103.0	215.2	194.0	417.5
Operating Profit, SEK million	↓	-0.9	4.9	11.5	6.5	23.8
Operating Profit margin, %	↓	neg	4.7	5.3	3.3	5.7
Investments, SEK million		0.3	0.1	1.3	0.5	1.2
Average number of employees		524	508	525	508	522

# Operational highlights

- Sales increased with 2 percent to SEK 106 (103) million
- Operating profit decreased to SEK -1 (5) million – driven by US operations (strong Q2/15 combined with delayed work Q2/16)
- Operating margin decreased to -1 (5) percent – mostly US related
- Manning reductions in Germany impacted the result with SEK minus 3,6 million
- Operating margin excluding manning reductions was 2,6 (4,7) percent in Q2 and 7,0 (3,3) percent in first half year
- Waste Management and Engineering Services increased whilst Industrial Services in Germany (part of Facility Operations) experienced a soft market

# Customers

- Nuclear plants
- Hospitals
- Universities
- Process industry
- Oil installations
- Gas installations
- Commercial

## Main markets:



# Key offerings



- Facility Decommissioning
- Facility Operations
- Facility Planning & Licensing
- Waste Treatment Technologies
- Environmental to Non-Nuclear Customers



# Financial performance

		April-June 2016	April-June 2015	January-June 2016	January-June 2015	Full year 2015
Sales, SEK million	↑	70.2	67.2	128.3	126.5	276.5
Operating Profit, SEK million	↓	5.6	5.8	11.0	9.6	40.9
Operating Profit margin, %	↓	7.9	8.6	8.6	7.6	14.8
Investments, SEK million		2.4	1.7	5.0	3.4	5.9
Average number of employees		125	130	126	129	128

# Operational highlights

- Increased sales with 4 percent to SEK 70 (67) million
- Operating profit amounted to SEK 6 (6) million
- Operating margin decreased to 8 (9) percent in Q2 and was 9 (8) percent in the first half year
- Materials Technology increased sales 11% and compensated for Studsvik Scandpower
- Still delays due to slow progress in the US for export licenses for software

# Customers

- Utilities operating and constructing commercial Nuclear Power plants
- Engineering Design organizations
- Safety Authorities / Regulators
- Fuel Vendors
- Research Institutes
- Universities



## Main markets:



# Key offerings



- Fuel Qualification
- New Fuel & Reactor Concepts
- Optimization Fuel Performance
- Optimization of Plant Reliability & Lifetime
- Failed Fuel Management
- Spent Fuel Pool Interim & Final Storage
- Nuclear fuel analysis software & services
- Hot Cell Technology
- Radioactivity & Dose Rate Management
- Transport and logistics

# Financial performance

		April-June 2016	April-June 2015	January-June 2016	January-June 2015	Full year 2015
Sales, SEK million	↓	32.3	57.6	69.7	102.3	175.4
Operating Profit, SEK million*	↓	-18.2	10.5	-30.9	7.3	-11,8
Operating Profit margin, %	↓	neg	18.2	neg	7.1	neg
Investments, SEK million		-0.6	6.2	3.0	9.9	18.9
Average number of employees		107	127	105	126	122

\* Including cost for divestment

# Operational Highlights

- Decreased sales with 44 percent to SEK 32 (58) million
- Operating profit was SEK –18 (10) million
- Demand for waste treatment is declining in the short term
  - due to utility cost pressure
  - fewer upgrade projects
  - delays in decommissioning due to financing
- High potential for services offered remain but with above short term challenges
- Intensified work with existing and potential customers on how to efficiently treat their current and future radioactive wastes from operations and dismantling ongoing
- Target to close transaction with EDF in third quarter

# Customers

- Nuclear plants
- Authorities
- Hospitals
- Universities
- Process industry
- Oil and gas installations

## Main markets:



# Key offerings



- Metallic waste treatment
- Incineration
- Pyrolysis

Existing waste routes for  
**+15 countries**

Nuclear

Research organizations

Oil & gas

Minerals and other sectors



# Studsvik's focus and actions going forward



- FMT – growth covering the whole life cycle of a nuclear plant
  - Fuel qualification programs
  - Life time extension and efficiency improvements
  - Back end fuel management including failed fuel
  - Global pursuit of business opportunities
- CS – growth in nuclear and non nuclear
  - Increase market shares in advanced engineering and consultancy in home markets such as Sweden, UK, USA and Germany
  - Focus on facility decommissioning, facility planning and licensing, waste treatment technologies and waste management and environmental services
  - Increase presence in primarily Japan, China, Korea, Middle East
- CS – Improve performance in facility operations in Germany and UK
- Continue developing the Studsvik Technology Park concept



# Appendix

# Balance sheet

	June 2016	June 2015	December 2015
<b>Assets</b>			
Non-current assets	398.7	679.2	653.9
Current assets	331.1	343.9	339.6
Assets in operations held for sale	291.3		
<b>Total assets</b>	<b>1 021.1</b>	<b>1 023.0</b>	<b>993.5</b>
<b>Equity and liabilities</b>			
Equity	267.7	301.6	297.9
Non-controlling interest	0.3	0.3	0.3
Non-current liabilities	427.4	247.8	239.0
Current liabilities	127.9	473.3	456.3
Liabilities in operations held for sale	197.8		
<b>Total equity and liabilities</b>	<b>1 021.1</b>	<b>1 023.0</b>	<b>993.5</b>

# Studsvik