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Press release from AFRY

Interim Report January-September 2023

Continued growth in a challenging quarter

Third quarter 2023

- Net sales increased by 14.3 percent to SEK 6,059 million (5,298)
- Organic growth adjusted for calendar effects was 8.9 percent (10.4)
- EBITA, excl. items affecting comparability, was SEK 326 million (384)
- EBITA margin, excl. items affecting comparability, was 5.4 percent (7.3)
- EBITA totalled SEK 310 million (376)
- EBITA margin was 5.1 percent (7.1)
- EBIT (operating profit) amounted to SEK 270 million (265)
- Basic earnings per share: SEK 1.32 (1.59)

January-September 2023

- Net sales increased by 17.1 percent to SEK 19,843 million (16,943)
- Organic growth adjusted for calendar effects was 11.9 percent (6.9)
- EBITA, excl. items affecting comparability, was SEK 1,436 million (1,308)
- EBITA margin, excl. items affecting comparability, was 7.2 percent (7.7)
- EBITA totalled SEK 1,396 million (1,167)
- EBITA margin was 7.0 percent (6.9)
- EBIT (operating profit) amounted to SEK 1,278 million (917)
- Basic earnings per share: SEK 6.94 (5.08)

COMMENTS BY THE CEO JONAS GUSTAVSSON

The third quarter was characterised by continued organic growth, while the result was impacted by a negative calendar effect and volatility in certain segments, leading to a lower utilisation rate. To strengthen profitability, we have increased the pace and scope of the ongoing improvement programme in Infrastructure and restructured AFRY X.

The market is mixed, with strong underlying demand in the energy sector. For the industrial sector, the uncertainty in the market has increased, which is impacting for example large investment projects within pulp and paper. The development in the real estate segment remains weak.

Net sales during the third quarter came in at SEK 6,059 million, an increase of 14 percent compared with the same period last year. Organic growth was 9 percent, adjusted for calendar effects. All divisions reported positive organic growth, which was particularly strong in Management Consulting and Energy. The order stock remains high and amounted to SEK 20 billion.

EBITA, excluding items affecting comparability, amounted to SEK 326 million (384), which corresponded to an EBITA margin of 5.4 percent (7.3). The result was mainly impacted by a negative calendar effect and lower utilisation rate. Operating cash flow totalled SEK 278 million, which is a clear improvement compared with last year.

Process Industries, Energy and Management Consulting reported continued strong results, while Industrial & Digital Solutions had a weaker performance due to delayed decision processes and project starts.

Infrastructure had a weak performance during the quarter, as the result was impacted by a continued weak real estate market, and a negative project item. Despite implemented measures, the performance remains unsatisfactory. To strengthen profitability and meet a weaker market, we have under new management expanded the ongoing improvement programme. This entails structural changes and capacity adjustments with a planned reduction of approximately 300 full-time positions, of which 150 positions in Sweden and Finland with estimated restructuring costs of SEK 50 million in the fourth quarter, as well as the remaining 150 positions in the first half of 2024.

The programme also includes measures to strengthen commercial and operational steering and improved resource planning. At the same time, the portfolio review is being intensified in all markets.

In order to optimise the IT-consultancy business and achieve synergies, AFRY X has as of October 1, 2023 been dismantled as a division and integrated into other divisions. This entailed reductions and structural changes of approximately 45 full-time positions and restructuring costs of SEK 16 million in the third quarter. AFRY will continue to have a strong offering within industrial digitalisation, analysis and cyber security.

During the quarter, Robert Larsson was appointed as the new Head of Division Infrastructure and Martin Öman as the new Head of Division Industrial & Digital Solutions. I look forward to continuing our collaboration to strengthen profitability and create value for our clients, shareholders and society.

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This report has been subjected to scrutiny by the company's auditors.

This information fulfils AFRY AB's (publ) disclosure requirements under the provisions of the EU's Market Abuse Regulation and the Swedish Securities Markets Act. This information was released, through the agency of the above-mentioned contact person, for publication on 27 October 2023, at 07.00 CET.

All assumptions about the future that are made in this report are based on the best information available to the company at the time the report was written. As is the case with all assessments of the future, such assumptions are subject to risks and uncertainties, which may mean that the actual outcome differs from the anticipated result.

This is a translation of the Swedish original. The Swedish text is the binding version and shall prevail in the event of any discrepancies.

The full report including tables (pdf) is available for download.

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