



# Year-end Report

## January–December 2019

Mårten Andersson, CEO

Andreas Stenbäck, CFO

20 February 2020

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# Financial development in Q4 2019

## Net sales

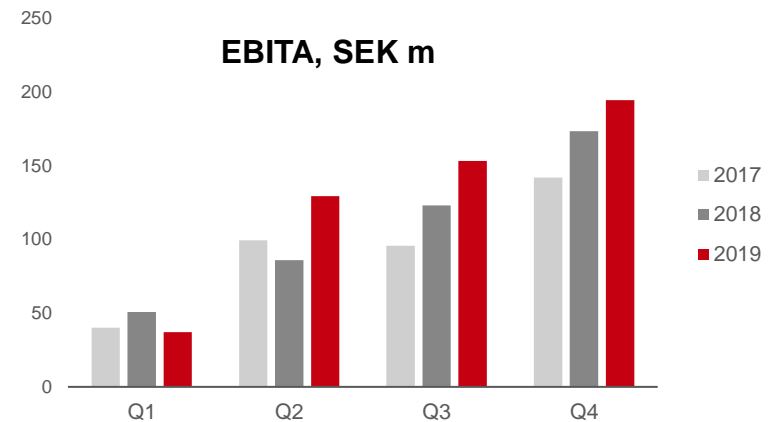
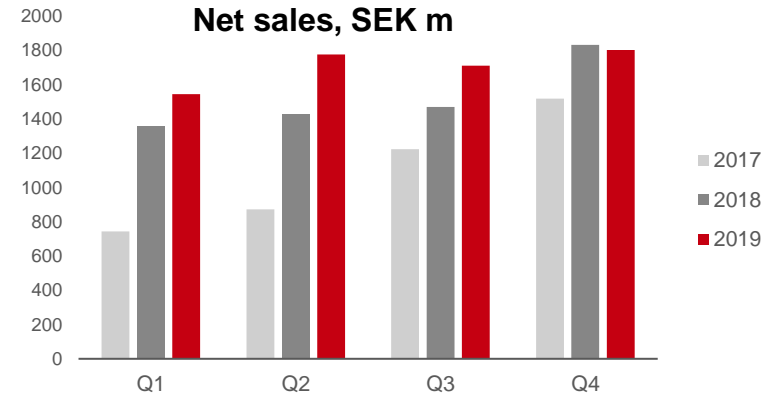
**SEK 1,801 m** (1,831)

## EBITA

**SEK 194 m** (173)

## Organic EBITA growth

**+ 3%**



# Q4 2019 in brief

- EBITA increased by 12 percent of which 3 percent was organic growth. Good underlying operating performance in all business areas.
- A strong operating cash flow in Q4 – SEK 439 million – meant that net debt at year-end was low.
- Continued good inflow of potential acquisition targets from our business area organisation.
- EPS increased by 40 percent to SEK 1.82 (1.30) in Q4. Adjusted EPS for the full year 2019 was SEK 3.12.
- The board proposes a dividend of SEK 1.10 (1.00) per ordinary share.

# Financial development, full year 2019

## Net sales

**SEK 6,833 m**

(6,084 full-year 2018)

## EBITA

**SEK 513 m**

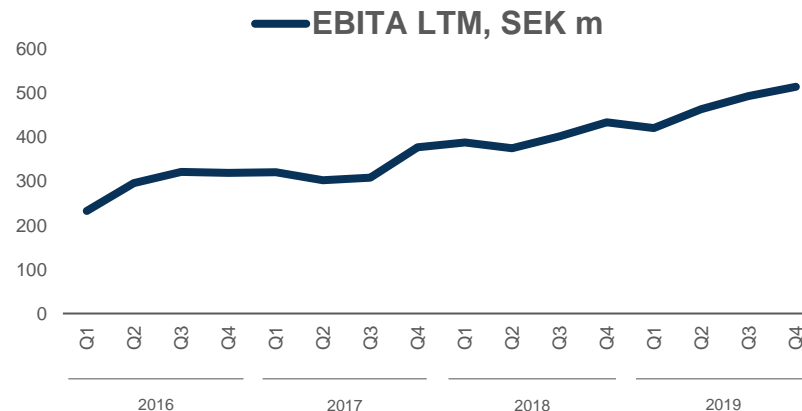
(433 full-year 2018)

## Cash conversion

**83%** (86 full-year 2018)

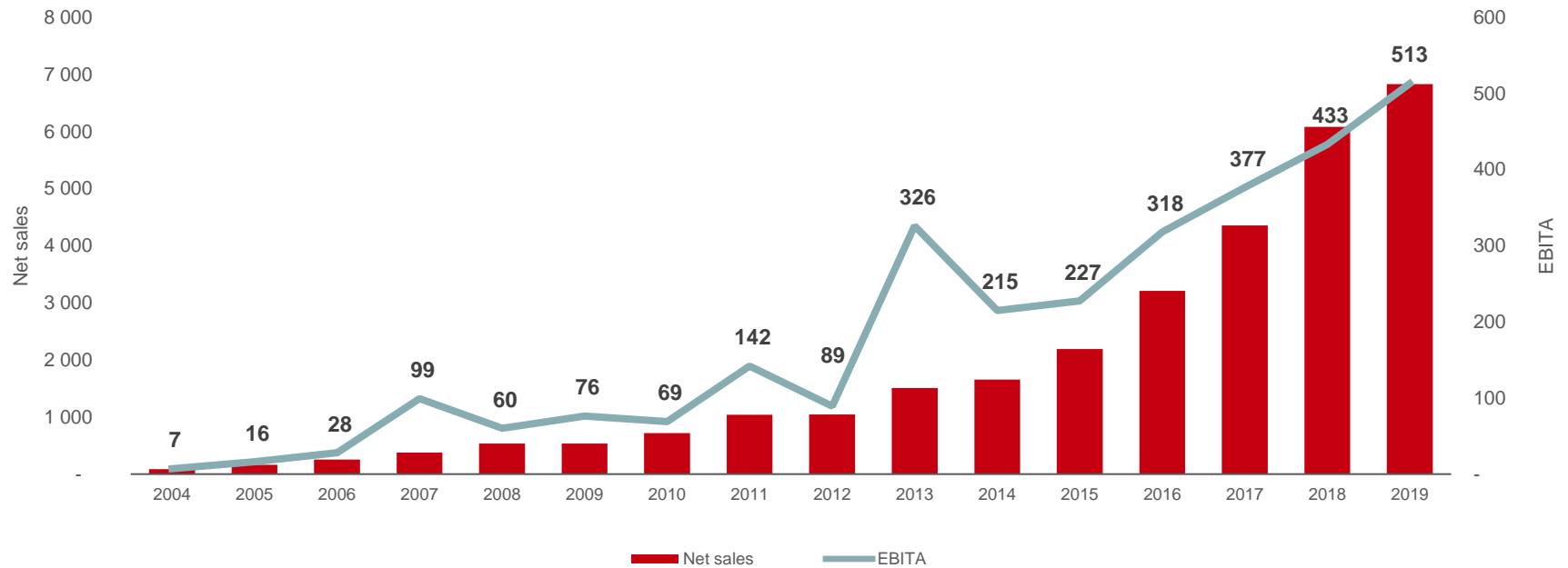
## Net debt/Adjusted EBITDA

**1.5x** (1.7 at end of 2018)



# Long-term perspective

- Compound Annual Growth Rate of EBITA 2004-2019: 33 percent.



\*IFRS16 implemented in 2019 which positively affected EBITA by SEK 22 million

# A value-adding business model

Volati's success has been created with a tried and tested business model that is the same today as when the company was founded in 2003. It is based on four mutually reinforcing fundamental principles.

A strong operating cash flow in the business units...

SEK **523** m

Operating cash flow  
2019

...is used for further acquisitions of companies with strong cash flows...

**30**

Number of completed acquisitions  
2004-2019

...at reasonable valuations...

**6.0x**

Average acquisition multiple (EV/EBITDA)  
2004-2019

...and with focus on long term value creation.

**23%**

CAGR EBITA  
2015-2019

# New financial targets

Volati's overall objective is to generate long-term value growth by building an industrial group of profitable companies with solid cash flows and capacity for continuous development. Volati has the following financial targets, which should be evaluated as a whole.

## EBITA growth

The target is average annual growth in EBITA per ordinary share of at least 15 percent over a business cycle.

## Return on adjusted equity

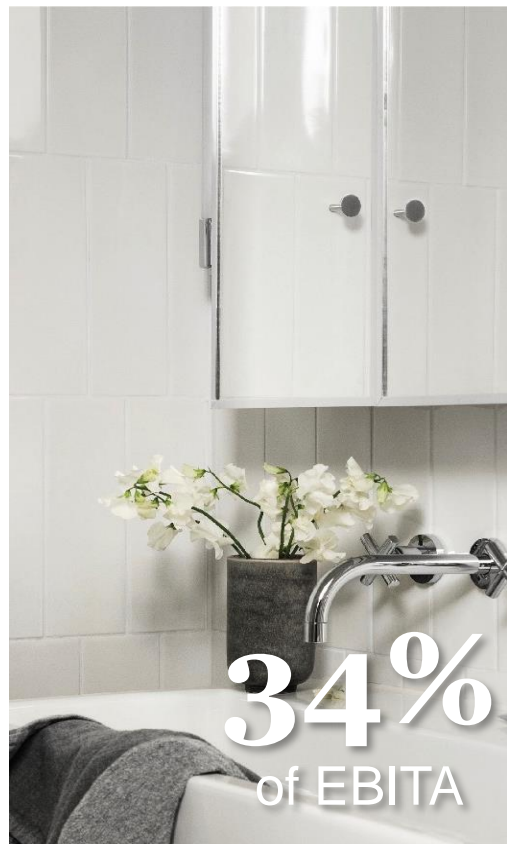
The long-term target is a return on adjusted equity\* of 20 percent.

## Capital structure

The target is a net debt/adjusted EBITDA\* ratio of 2 to 3 times as an average over the last four quarters, and not exceeding 3.5 times.

\*See pages 130-131 of the 2018 Annual Report for definitions of alternative performance measures.

# Business area Trading



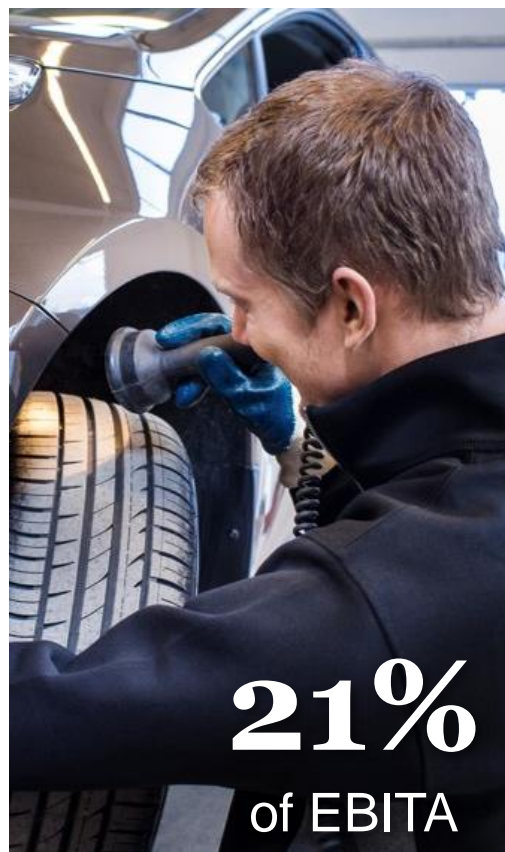
## Q4 2019 in brief

- The business area ended the year strongly with improved profitability, despite challenges in the form of a weak Swedish krona.
- One add-on acquisition was completed during the quarter. In addition, Heco Nordiska was acquired in January 2020.
- A strong structural platform means we can add acquisitions with increasingly clear synergies.

	Oct–Dec 2019	Oct–Dec 2018	Full-year 2019	Full-year 2018
Net sales, SEK m	518	509	2,138	2,107
EBITDA, SEK m	44	36	192	176
EBITA, SEK m	39	32	176	158
EBITA margin, %	8	6	8	7
EBIT, SEK m	36	29	165	147
ROCE excl. goodwill, %	37	37	37	37



# Business area Consumer



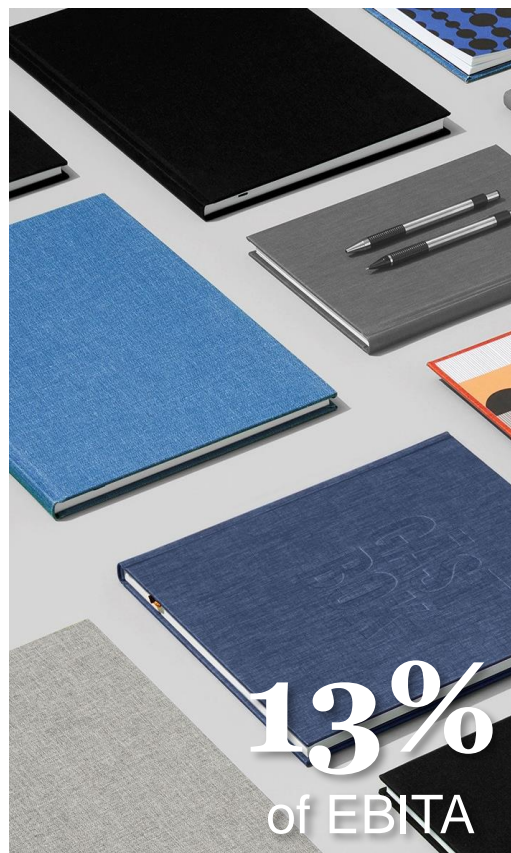
## Q4 2019 in brief

- EBITA growth of 34 percent.
- We have managed the challenges from the changed car inspection regulations in a good way. Profitability in the business has developed positively and the market position is strong.
- Volati changed its ownership of the me&i business unit during the quarter. As of november 2019, Volati no longer consolidates me&i.

	Oct–Dec 2019	Oct–Dec 2018	Full-year 2019	Full-year 2018
Net sales, SEK m	201	222	895	923
EBITDA, SEK m	32	27	139	138
EBITA, SEK m	25	19	108	104
EBITA margin, %	13	8	12	11
EBIT, SEK m	22	16	97 <sup>1)</sup>	93
ROCE excl. goodwill, %	294	233	294	233

<sup>1)</sup>Excluding impairment of intangible assets in Q3 2019.

# Business area Akademibokhandeln

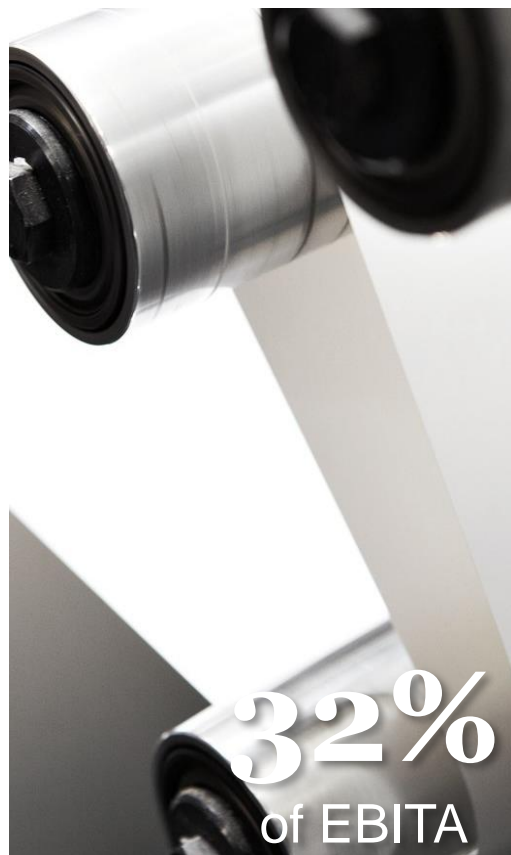


## Q4 2019 in brief

- The business area has shown a very positive development in the first 9 months of the year and had strong fourth quarter sales in its stores.
- Unfortunately, e-commerce was affected by temporary delivery problems in the important fourth quarter as the company changed the logistics management with its 3PL supplier. This led to reduced sales volumes and increased staffing costs.

	Oct–Dec 2019	Oct–Dec 2018	Full-year 2019	Full-year 2018
Net sales, SEK m	595	634	1,793	1,784
EBITDA, SEK m	91	109	99	100
EBITA, SEK m	84	101	71	72
EBITA margin, %	14	16	4	4
EBIT, SEK m	78	96	47	48
ROCE excl. goodwill, %	94	92	94	92

# Business area Industry



## Q4 2019 in brief

- Strong profit development with EBITA growth of 54 percent.
- Contribution from all business units.
- After an intensive year at St Erik's we have laid the foundation to profitably grow that business unit.

	Oct–Dec 2019	Oct–Dec 2018	Full-year 2019	Full-year 2018
Net sales, SEK m	487	467	2,008	1,271
EBITDA, SEK m	62	46	228	183
EBITA, SEK m	46	30	167	144
EBITA margin, %	9	6	8	11
EBIT, SEK m	44	28	159	140
ROCE excl. goodwill, %	28	43	28	43

# Well-positioned for further acquisitions

## Successful acquirer

- Proven ability to make major acquisitions, integrate acquired companies and deliver on the investment hypothesis.

## Ready for further acquisitions

- Volati's acquisition agenda is run both centrally and in the business areas, creating a strong inflow of potential acquisition targets.
- Strong financial position means continued good financial scope for additional acquisitions.

**523**

Operating cash flow, 2019  
(SEK million)

**1.5**

Net debt/adjusted EBITDA, 2019  
(1.7 at end of 2018)

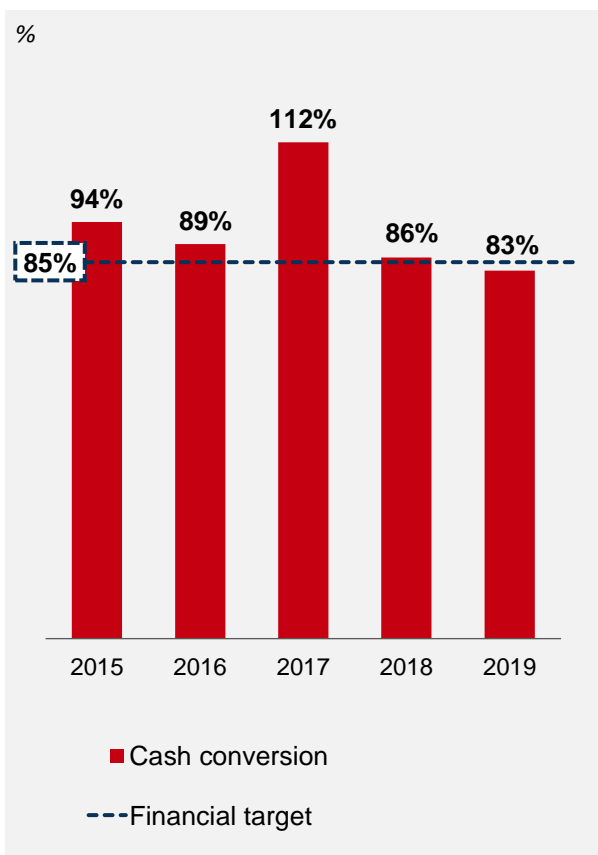
# Add-on acquisitions in 2019 and beginning of 2020

Add-on acquisitions are an important part of Volati's strategy to create long-term value. They reinforce the existing business units' market positions and add further value through synergies.

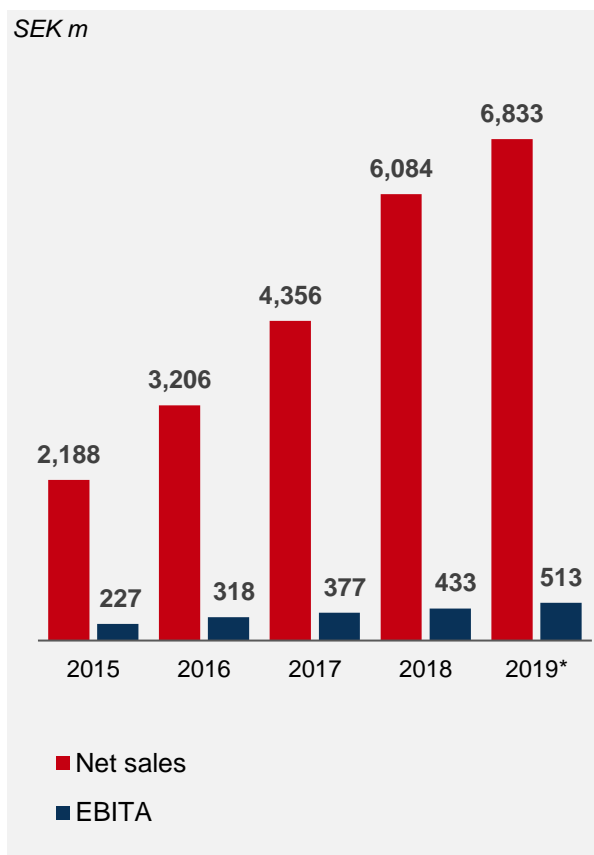
<b>Stenentreprenader</b>	One of the major natural stone contractors in Sweden	Business area Industry
<b>Mundus Maskin</b>	Handling systems for grain and other raw materials	Business area Industry
<b>Väggmaterial</b>	Innovative products to the Swedish paint retail sector	Business area Trading
<b>Swekip</b>	Supplier of competitively priced wheel loaders	Business area Trading
<b>Heco Nordiska</b>	Screws and fastenings for the hardware and building materials sector	Business area Trading

# Key financial performance

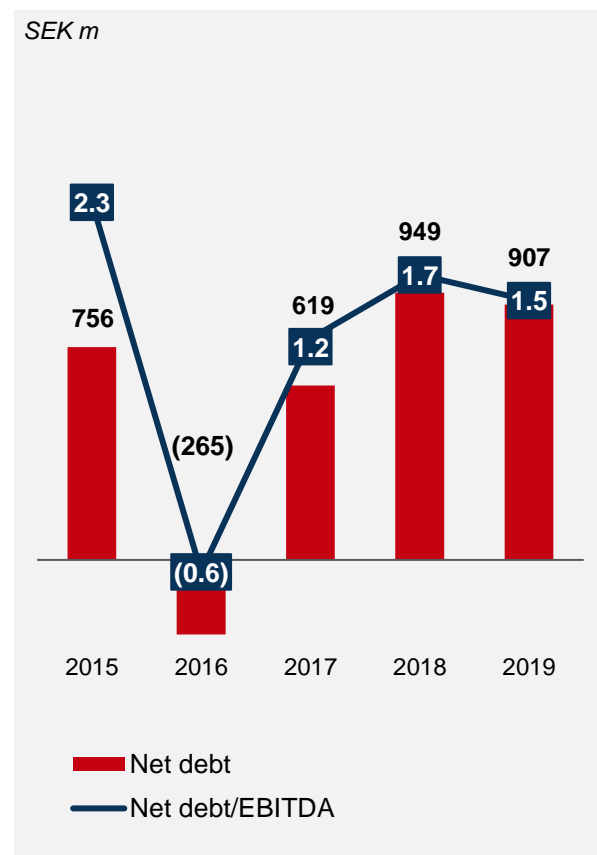
## Cash conversion



## Sales and EBITA



## Net debt



\*IFRS16 implemented in 2019.

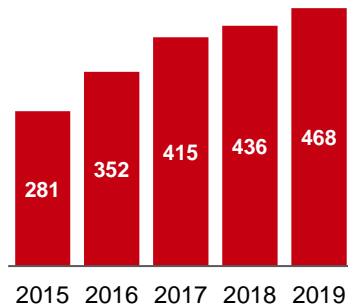
# Financial targets until 2019

## EBITA growth

**SEK 700m**

(by 2019)

Reach an **adjusted EBITA of SEK 700m** at end of 2019 – annual **organic EBITA growth of 5%** on average

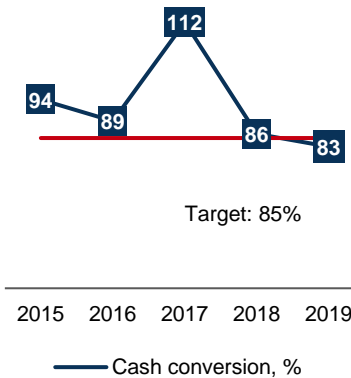


■ Adjusted EBITA, SEK m

## Cash conversion

**>85%**

Annual **cash conversion** of at least **85%**



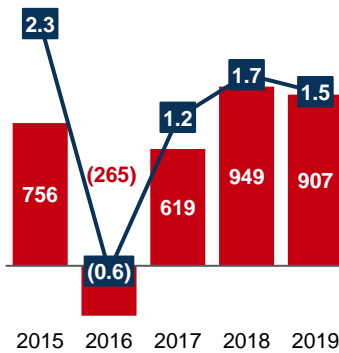
— Cash conversion, %

## Capital structure

**<3.0x**

(long-term)

Volati's long-term objective is to maintain a **net debt** of **<3.0x** adj. EBITDA LTM



■ Net debt

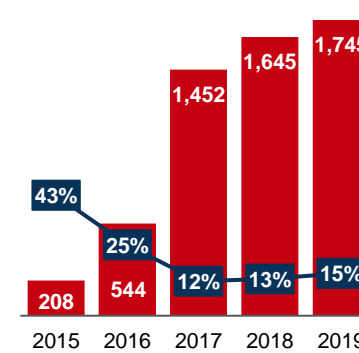
— Net debt/EBITDA

## Return on adjusted equity

**>20%**

(long-term)

Long-term reach a **return on adjusted equity** of at least **20%**



■ Average equity, SEK m

— Return on adjusted equity, %

## Common equity dividend policy

**~10-30%**

Distribute **10-30% of net profit** for the year. Volati's acquisition opportunities will be taken into consideration

Proposed dividend distribution

**1.10**  
SEK per share

# Conclusions and steps ahead

## Stable finish to a good year

- 18 percent growth in EBITA in 2019
- Overall, operations developed positively

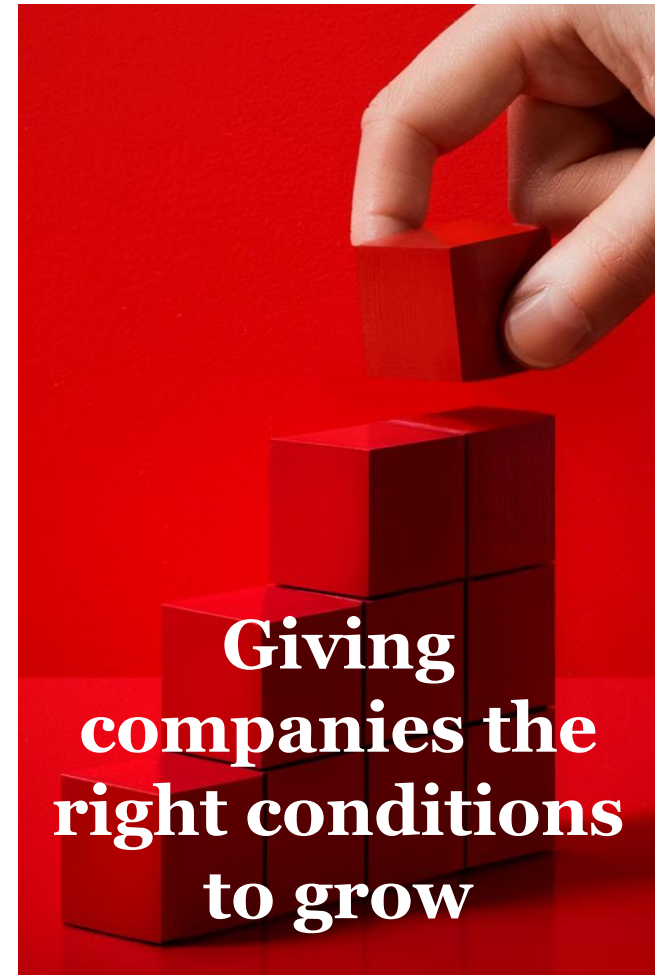
## Strong business area organisation

- Provides management resources to achieve strategic plans and value creation in the business units
- Enables efficient management of acquisitions as well as increased inflow and evaluation of acquisition targets.

## Capital structure for future acquisitions

- Strong cash flow from operations and a strong financial position enabling us to continue pursuing our acquisition strategy.

**Well positioned to continue growing– both through acquisitions and by developing our existing operations**





# Volati – a growing Swedish Industrial Group



# Appendix

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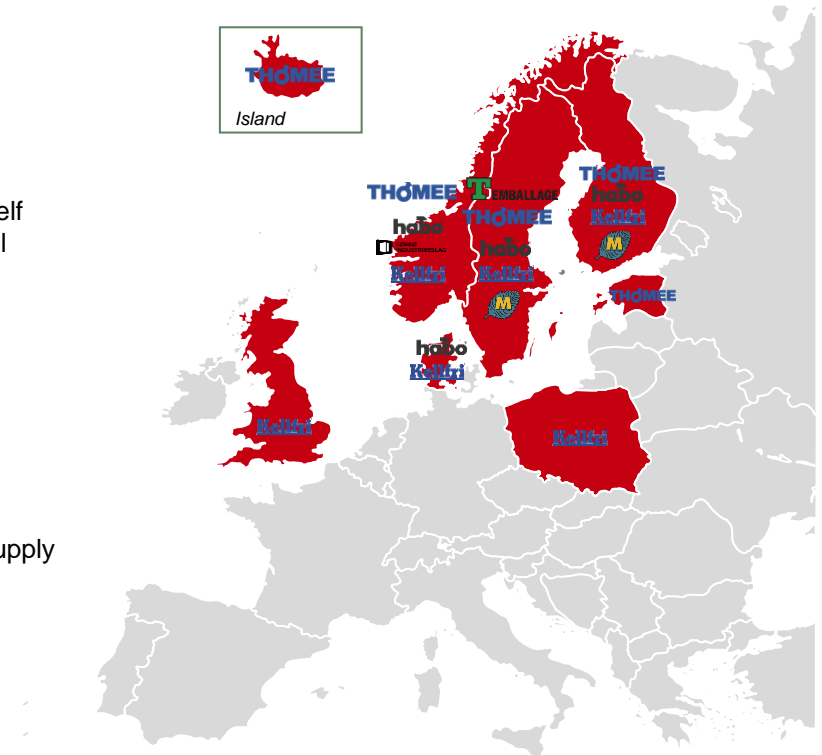
# Business area Trading

## Integrated business model

- Focused on four market segments:
  - Construction consumables and hardware (primarily B2B)
    - Clients include companies within the Nordic professional and do-it-yourself markets such as Ahlsell, Byggmax, Coop, DT Group, Woody Bygghandel and XL Bygg
  - Home and garden (primarily B2B)
    - Clients are predominately retail chains such as Bauhaus and Plantagen
  - Agroforestry (primarily B2C)
    - Clients are predominately small-scale agriculture and forestry farmers
  - Building materials, packaging solutions and logistics
    - Clients include builders' merchants, house manufacturers, sawmills and industrial clients
- Business units have similar business models and a shared service centre for supply chain, IT and finance

## Key financials, 2019

- Net sales of SEK **2,138** million
- EBITDA of SEK **192** million
- EBITA of SEK **176** million
- ROCE of **37** percent



# Business area Consumer

## Strong local entrepreneurship

- Business units focused on B2C niches
- Strong local entrepreneurship combined with collaboration in selected areas such as database marketing, digitalisation and e-commerce
- Business area head responsible for implementing Volati's central initiatives and supporting M&A processes

## Key financials, 2019

- Net sales of SEK **895** million
- EBITDA SEK of **139** million
- EBITA of SEK **108** million
- ROCE of **294** percent



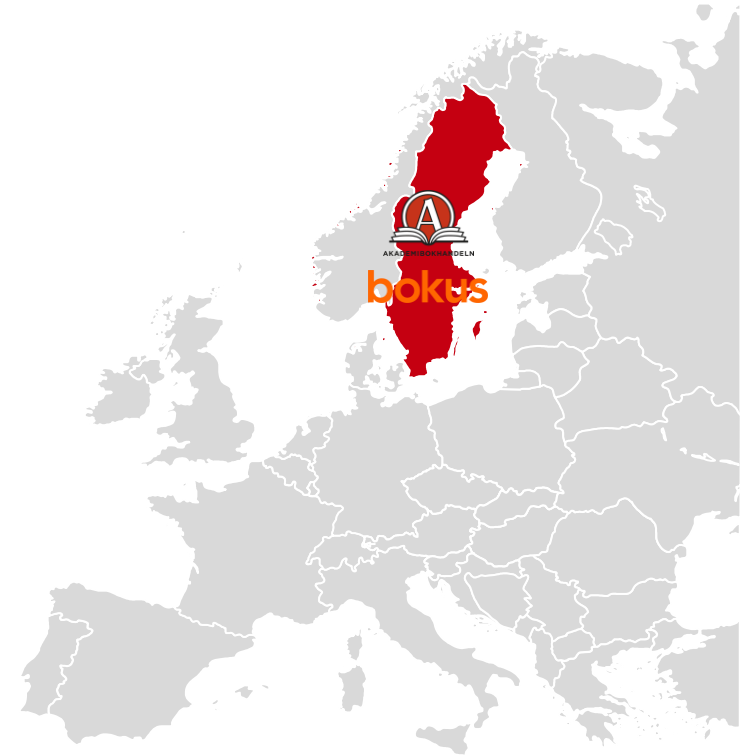
# Business area Akademibokhandeln

## Sweden's leading book retailer

- The only successful omni-channel player
  - # 1 in physical bookstores
  - # 2 online retailer
- Sales from own and franchise stores together with e-commerce channels (akademibokhandeln.se)
  - 104 profitable physical stores across Sweden (76 own, 28 franchise)
  - Pure-play e-commerce through Bokus
- 2 million members in the loyalty club

## Key financials, 2019

- Net sales of SEK **1,793** million
- EBITDA of SEK **99** million
- EBITA SEK **71** million
- ROCE of **94** percent



# Business area Industry

## Overview

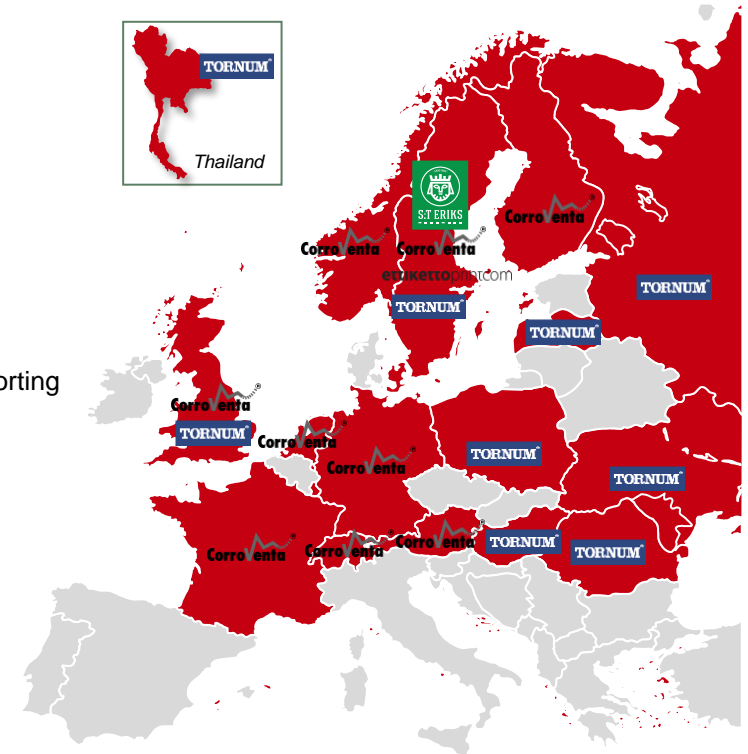
- Organised in **4** business units

## Strong local entrepreneurship

- Business units focused on B2B niches
- Strong local entrepreneurship combined with collaboration in selected areas such as international expansion, lean manufacturing and HR
- Business area head responsible for implementing Volati's central initiatives and supporting M&A processes

## Key financials, 2019

- Net sales of SEK **2,008** million
- EBITDA of SEK **228** million
- EBITA of SEK **167** million
- ROCE of **28** percent



# Income statement

SEKm	Q4 2019	2019	2018
Net sales	1,801	6,833	6,084
Raw materials and supplies	-955	-3,756	-3,375
Other external costs	-166	-672	-853
Personnel costs	-405	-1,533	-1,318
Other income	-1	30	18
Other operating costs	3	-5	-4
Result of divestment	13	13	-
<b>EBITDA</b>	<b>291</b>	<b>909</b>	<b>552</b>
Depreciation	-98	-397	-119
<b>EBITA</b>	<b>194</b>	<b>513</b>	<b>433</b>
Acquisition-related amortisations and write-downs	-14	-54	-49
Impairment of goodwill and intangible assets	-	-328	-18
<b>EBIT</b>	<b>180</b>	<b>130</b>	<b>366</b>
Financial income	-1	14	29
Financial costs	-29	-110	-80
<b>Profit before tax</b>	<b>149</b>	<b>34</b>	<b>316</b>
Tax	14	-37	-42
<b>Net profit</b>	<b>163</b>	<b>-2</b>	<b>274</b>
<b><u>Net profit attributable to:</u></b>			
Parent company owners	160	74	272
Minority owners	3	-77	2

# Balance sheet

SEKm	31 Dec 2019	31 Dec 2018
Intangible fixed assets	2,853	3,126
Tangible fixed assets	336	404
Right-of-use assets	832	-
Financial fixed assets	7	8
Deferred tax assets	58	59
<b>Total non-current assets</b>	<b>4,086</b>	<b>3,597</b>
Inventory	865	895
Current assets	758	839
Current interest-bearing securities	-	0
Cash and cash equivalents	447	241
<b>Total current assets</b>	<b>2,070</b>	<b>1,975</b>
<b>Total assets</b>	<b>6,156</b>	<b>5,571</b>
Share capital	10	10
Other capital contributions	1,995	1,995
Other reserves	44	34
Retained earnings including net profit for the year	301	520
Non-controlling interests	9	7
<b>Total shareholders' equity</b>	<b>2,360</b>	<b>2,567</b>
Non-current interest-bearing debt	599	974
Non-current Lease liabilities	579	-
Provisions for pensions	2	2
Other provisions	4	10
Deferred tax liabilities	290	287
Other non-interest-bearing non-current liabilities	56	89
<b>Total non-current liabilities</b>	<b>1,531</b>	<b>1,361</b>
Current interest-bearing debt	689	241
Current lease liabilities	225	-
Current non-interest-bearing debt	1,352	1,403
<b>Total current liabilities</b>	<b>2,266</b>	<b>1,644</b>
<b>Total liabilities</b>	<b>3,796</b>	<b>3,005</b>
<b>Total equity and liabilities</b>	<b>6,156</b>	<b>5,571</b>



# Cash flow statement

SEKm	Q4 2019	2019	2018
Profit before tax	149	34	316
Adjustment for depreciation and impairments	112	779	186
Adjustment for other non-cash items	8	39	18
Interest paid	-22	-85	-39
Interest received	0	1	2
Cash taxes	24	-40	-53
<b>Cash flow before changes in working capital</b>	<b>271</b>	<b>728</b>	<b>430</b>
Change in inventories	63	27	-62
Change in operating receivables	185	30	37
Change in operating liabilities	25	-26	43
<b>Cash flow from change in working capital</b>	<b>274</b>	<b>31</b>	<b>18</b>
<b>Cash flow from operating activities</b>	<b>544</b>	<b>759</b>	<b>448</b>
Investments in tangible and intangible assets	-39	-98	-83
Sale of tangible and intangible assets	1	2	2
Acquisitions	-57	-122	-545
Sale of subsidiaries	-5	-5	1
Investments in financial assets	-	-2	-4
Sale of financial assets	0	0	0
<b>Cash flow from investing activities</b>	<b>-100</b>	<b>-225</b>	<b>-629</b>
Dividends paid	-16	-144	-105
Share buy-back	0	-45	-
Repurchase warrants	-	-13	-
Transactions with owners	23	-11	-
Borrowings	-177	-118	87
<b>Cash flow from financing activities</b>	<b>-170</b>	<b>-331</b>	<b>-18</b>
Cash flow for the year	274	203	-199
Cash and cash equivalents at year-beginning	175	241	438
Translation differences	-2	3	2
<b>Cash and cash equivalents at year-end</b>	<b>447</b>	<b>447</b>	<b>241</b>

# Net debt and working capital

SEKm	31 dec 2019	31 Dec 2018
<b>Net debt</b>		
Cash and cash equivalents	-447	-241
Unrealised derivate instruments assets	-	0
Pension liabilities	2	2
Non-current interest-bearing liabilities	642	974
Current interest-bearing liabilities	711	241
Unrealised derivative instruments liabilities	0	0
Accrued interest expenses	1	7
Pension assets	-2	-2
Adjustment for nominal value obligation loan	4	-6
Adjustment for shareholder loans	-2	-25
<b>Net debt</b>	<b>907</b>	<b>949</b>
<b>Net working capital</b>		
<b>Assets</b>		
Inventories	865	895
Receivables	574	558
Other short-term receivables	46	67
Prepaid expenses / accrued Income	128	186
<b>Working capital assets</b>	<b>1,613</b>	<b>1,706</b>
<b>Liabilities</b>		
Accounts payable	706	706
Advances from customers	62	73
Other current liabilities	183	184
<i>Adjustment for accrued preference share dividend</i>	-32	-32
Accrued expenses / prepaid income	354	379
<b>Working capital liabilities</b>	<b>1,273</b>	<b>1,310</b>
<b>Net working capital</b>	<b>340</b>	<b>396</b>

# Definitions of key metrics

Metric	Explanation	Adjusted	Explanation
<b>Business area return on capital employed (BA ROCE)</b>	BA EBITA excluding IFRS16 in relation to BA capital employed excluding IFRS16	-	-
<b>Cash conversion</b>	Operating cash flow in relation to EBITDA excluding IFRS16	-	-
<b>EBITA</b>	Operating profit before interest, tax and amortisations of intangible assets arising in connection with company acquisitions	<b>BA EBITA</b> <b>Adj. EBITA</b>	EBITA generated from business area, excluding central costs and, if any, one-off items EBITA excluding IFRS16 including acquired business units' financials as if fully owned and consolidated for the full period
<b>EBITDA</b>	EBIT before interest, tax, depreciation and amortisation	<b>Adj. EBITDA</b>	Excluding non-recurring items, excluding IFRS16 and including acquired business units' financials as if fully owned and consolidated for the full period
<b>Net capex</b>	Investments in tangible and intangible assets less sale of tangible and intangible assets	<b>Adj. net capex</b>	Net capex excluding capex related to Besikta IT investments
<b>Net debt (ND)</b>	Interest bearing long- and short-term debt including pensions and excluding IFRS16 less interest bearing long- and short-term assets, adjusted for subordinated shareholder loans	-	-
<b>Net debt / adj. EBITDA</b>	Net debt excluding IFRS 16 in relation to adj. EBITDA LTM (excluding NRI's)	-	-
<b>Net profit</b>	Net profit including minority interest	<b>Adj. net profit</b>	Net profit excluding preference share dividend
<b>Net sales</b>	-	<b>Adj. net sales</b>	Net sales including acquired business units' financials as if fully owned and consolidated for the full period
<b>Non-recurring items (NRI's)</b>	Non-recurring items, including listing, integration, restructuring and transaction costs	-	-
<b>One-off income</b>	Capital gains, revaluation of earn-out payments and warranty compensations	-	-
<b>Operating cash flow</b>	EBITDA excluding IFRS 16 less change in net working capital excluding IFRS16 (sourced from cash flow statement) less net capex, (excluding acquisitions of group companies, divestments and investments in financial assets)	<b>Adj. operating cash flow</b>	Operating cash flow excluding capex related to Besikta IT investments in relation to EBITDA excluding IFRS 16
<b>Return on equity (ROE)</b>	Net profit divided by the average of ingoing and outgoing total shareholders' equity for the period	<b>Adj. ROE (excl. preference share)</b>	Net profit less preference share dividend divided by the average of common equity during the preceding four quarters (including minority interest) for the period