

Interim Report

January–September 2019

Mårten Andersson, CEO

Andreas Stenbäck, CFO

24 October 2019

volat1.

Financial development in Q3 2019

Net sales

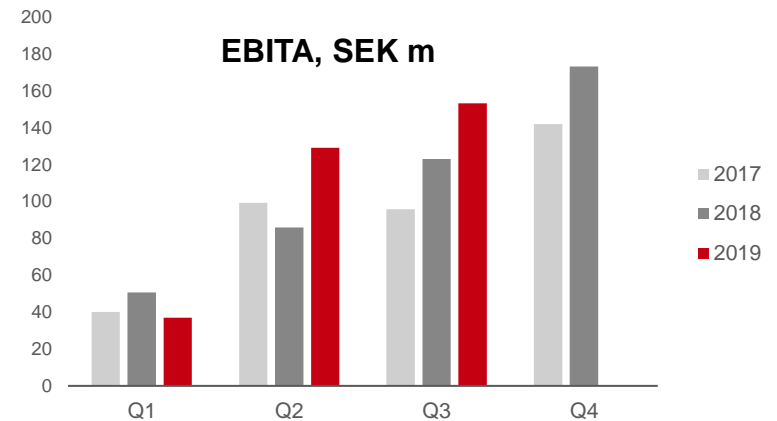
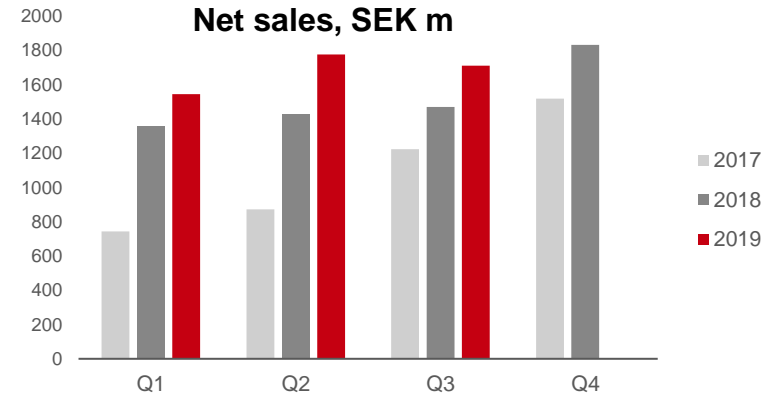
SEK 1,711 m (1,470)

EBITA

SEK 153 m (123)

Organic EBITA growth

+ 4%



Q3 2019 in brief

- EBITA increased by 24 percent and net sales by 16 percent.
- Acquisitions and a good performance in existing operations contributed to the positive developments. Organic EBITA growth was 4 percent.
- Add-on acquisition in business area Trading – Vägghmaterial AB.
- Increased inflow of potential acquisition targets.
- Volati reported non-recurring non-cash costs of SEK -328 million attributable to impairment of goodwill and intangible assets in business area Consumer.
- Adjusted EPS amounted to SEK 1.01 (0.72) for Q3. Adjusted EPS for the period January-September amounted to SEK 1.31 (1.28) and was affected by IFRS 16, one-time items and remeasurement of the Group's deferred tax liability and tax asset.

Events after the reporting period

- Andreas Stenbäck – new CFO and CIO of Volati

Financial development, LTM Q3 2019

Net sales

SEK 6,863 m

(6,084 full-year 2018)

EBITA

SEK 492 m

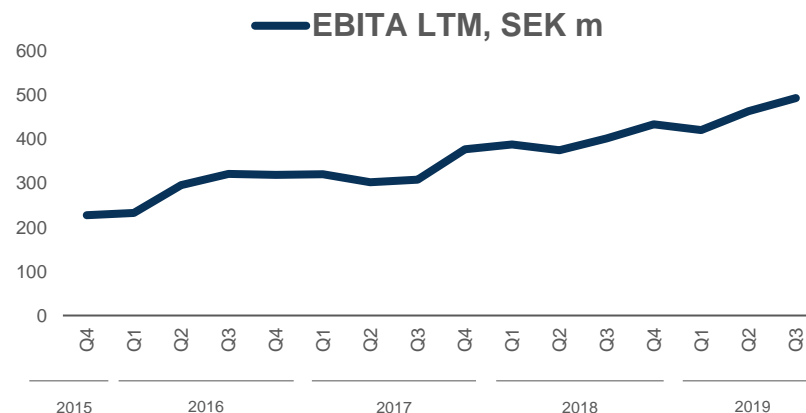
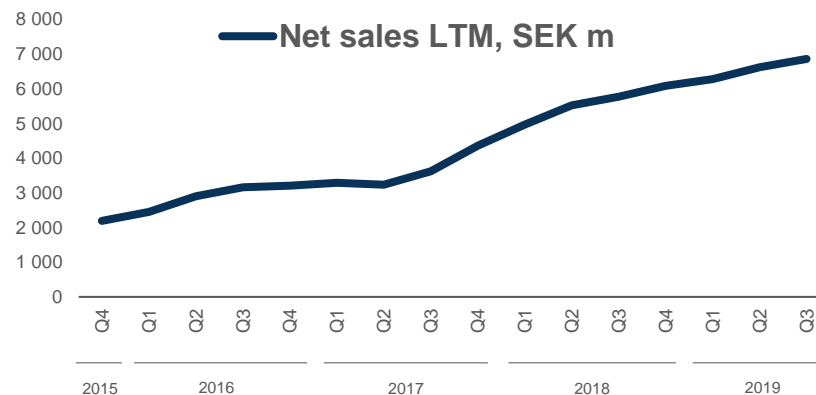
(433 full-year 2018)

Cash conversion

76% (86 full-year 2018)

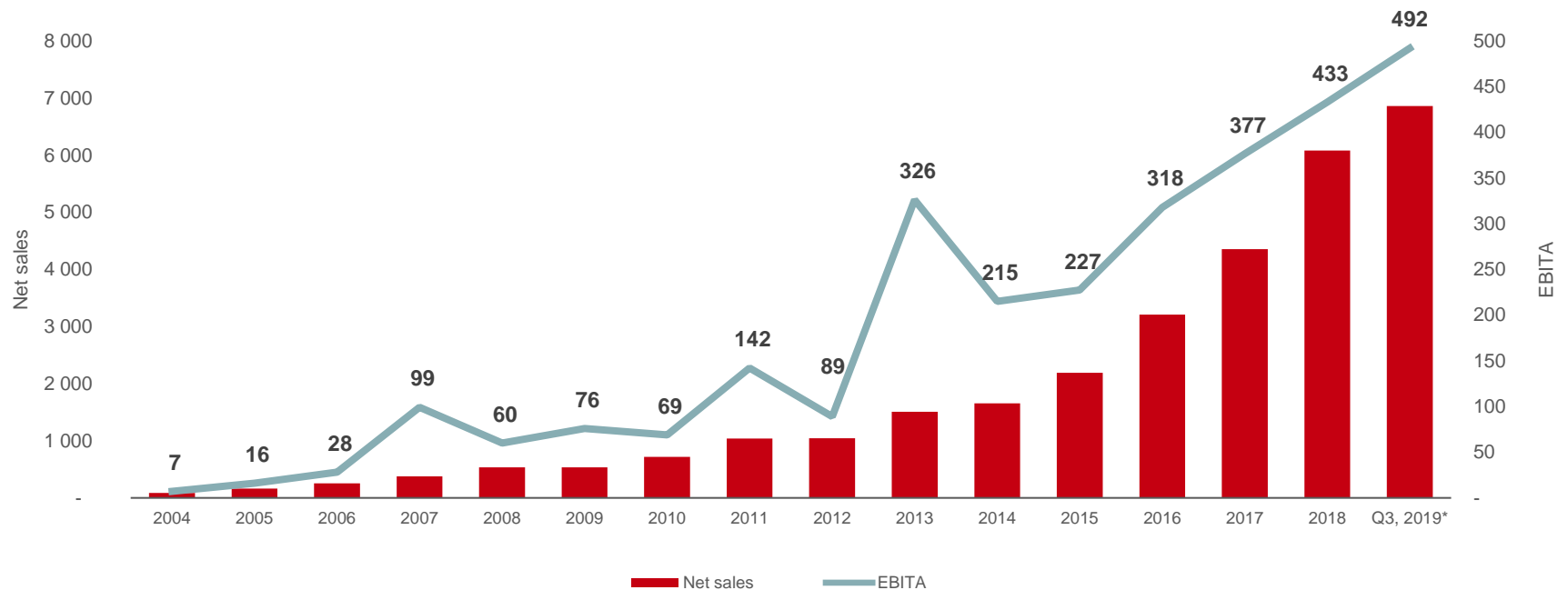
Net debt/Adjusted EBITDA

2.2x (1.7 at end of 2018)



Long-term perspective

- Compound Annual Growth Rate of EBITA 2004-2018: 34 per cent.
- Average organic EBITA growth between 2013-2018: 7 per cent.



*IFRS16 implemented in 2019 which positively affected LTM EBITA by SEK 13 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.

Strong cash flow in the business units...

SEK 475 m

Operating cash flow
2018

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

36%

Average acquired EBITA growth
2013–2018

...at reasonable valuations...

5.9x

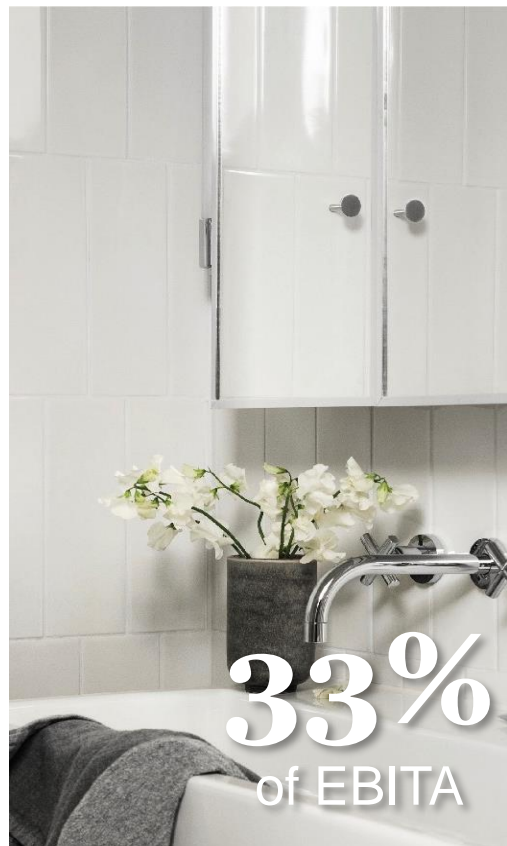
Weighted average EV/EBITDA acquisition multiple since 2004-2018

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

7%

Average organic EBITA growth
2013–2018

Business area Trading



Q3 2019 in brief

- Increased net sales but slightly lower EBITA compared with last year.
- Successful work with cost efficiencies and price to meet the challenges of a weaker Swedish Krona.
- Continued good demand for the business area's products during the quarter.

	Jul-Sep 2019	Jul-Sep 2018	Jan-Sep 2019	Jan-Sep 2018	LTM Q3 2019	Full-year 2018
Net sales, SEK m	535	524	1,620	1,598	2,129	2,107
EBITDA, SEK m	53	59	148	140	184	176
EBITA, SEK m	50	54	137	126	169	158
EBITA margin, %	9	10	8	8	8	7
EBIT, SEK m	47	51	129	118	158	147
ROCE exkl. goodwill, %	36	36	36	36	36	37

Business area Consumer



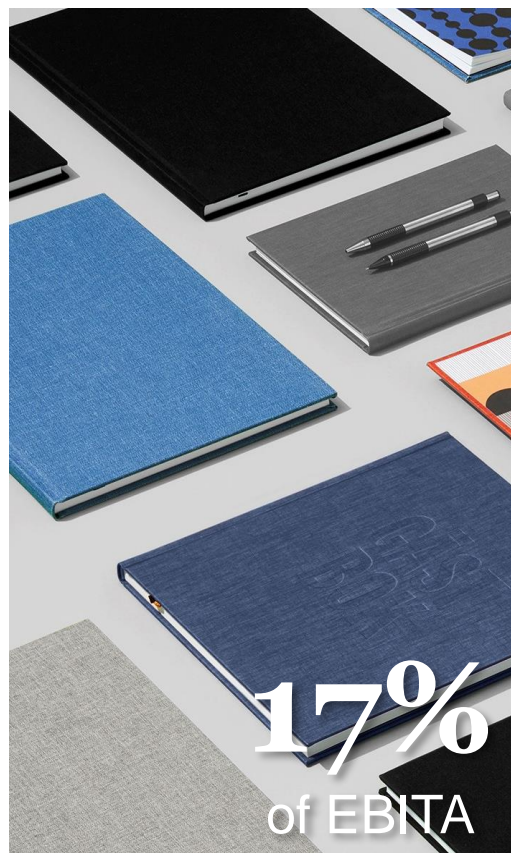
Q3 2019 in brief

- EBITA growth of 22 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.
- Impairment of goodwill and intangible assets of SEK 328 million related to me&i and NaturaMed Pharma, as we assess that profit development in the medium term will be lower than our previous expectations. Both businesses are profitable.

	Jul-Sep 2019	Jul-Sep 2018	Jan-Sep 2019	Jan-Sep 2018	LTM Q3 2019	Full-year 2018
Net sales, SEK m	224	214	694	702	916	923
EBITDA, SEK m	41	35	107	111	133	138
EBITA, SEK m	33	27	83	86	102	104
EBITA margin, %	15	13	12	12	11	11
EBIT, SEK m*	30	24	75	77	91	93
ROCE exkl. goodwill, %	264	237	264	237	264	233

*Excluding impairment of intangible assets in Q3 2019.

Business area Akademibokhandeln

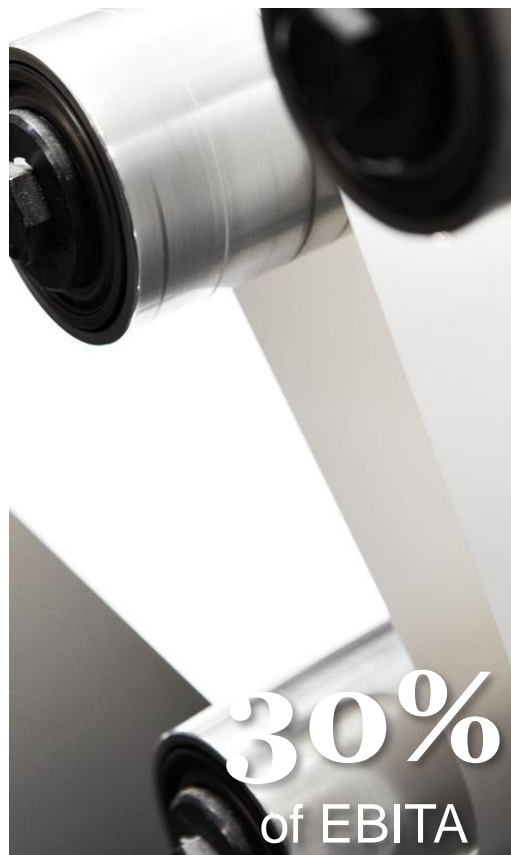


Q3 2019 in brief

- EBITA growth of 25 percent.
- Sales have increased due to good demand for the core product range and a strong development within the non-books range.
- Continued positive contributions from work on purchasing and cost efficiencies.
- The e-commerce channel Bokus continued a positive trend of increased sales volumes and improved margins.

	Jul-Sep 2019	Jul-Sep 2018	Jan-Sep 2019	Jan-Sep 2018	LTM Q3 2019	Full-year 2018
Net sales, SEK m	416	398	1,198	1,150	1,832	1,784
EBITDA, SEK m	23	19	9	-9	118	100
EBITA, SEK m	15	12	-13	-30	89	72
EBITA margin, %	4	3	-1	-3	5	4
EBIT, SEK m	9	6	-31	-47	65	48
ROCE exkl. goodwill, %	114	79	114	79	114	92

Business area Industry



Q3 2019 in brief

- EBITA growth of 11 percent.
- Overall, operations have developed positively.
- Contributions from the acquisition of S:t Eriks.
- A part of the operations is affected among other things by natural fluctuations in demand due to project sales. These fluctuations had a negative impact on results in the quarter.

	Jul-Sep 2019	Jul-Sep 2018	Jan-Sep 2019	Jan-Sep 2018	LTM Q3 2019	Full-year 2018
Net sales, SEK m	536	334	1,521	804	1,988	1,271
EBITDA, SEK m	64	53	166	137	212	183
EBITA, SEK m	49	44	121	114	151	144
EBITA margin, %	9	13	8	14	8	11
EBIT, SEK m	46	43	115	112	144	140
ROCE exkl. goodwill, %	26	51	26	51	26	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

- Strong inflow of companies for evaluation during Q3.
- Good financial position and a stronger cash flow from operations in Q4 due to seasonality means continued good financial scope for additional acquisitions.

383

Operating cash flow, Q4 2018
(SEK million)

2.2

Net debt/adjusted EBITDA, Q3 2019
(1.7 at end of 2018)

Add-on acquisitions in 2019

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

Stenentreprenader

One of the major natural stone contractors in Sweden

Business area Industry

Mundus Maskin

Handling systems for grain and other raw materials

Business area Industry

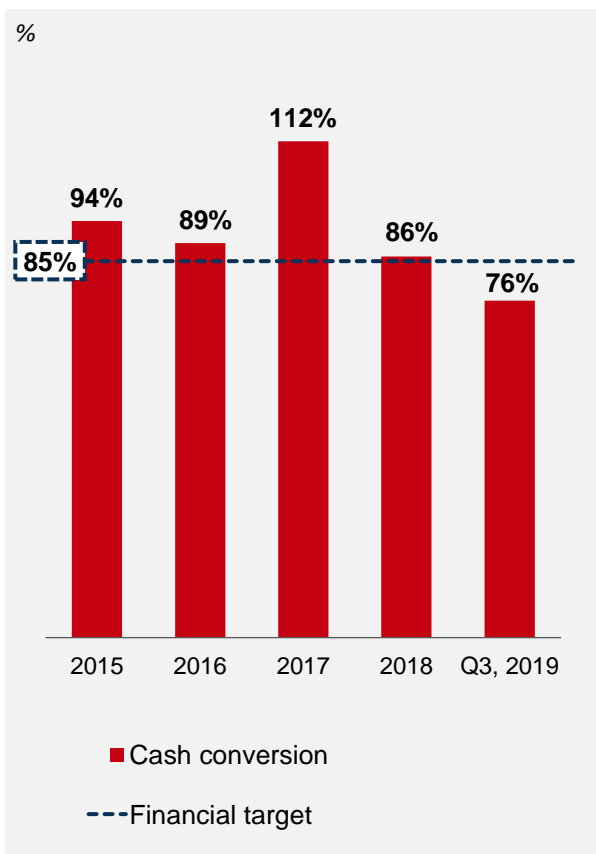
Väggmaterial

Established supplier to the Swedish paint retail sector

Business area Trading

Key financial performance

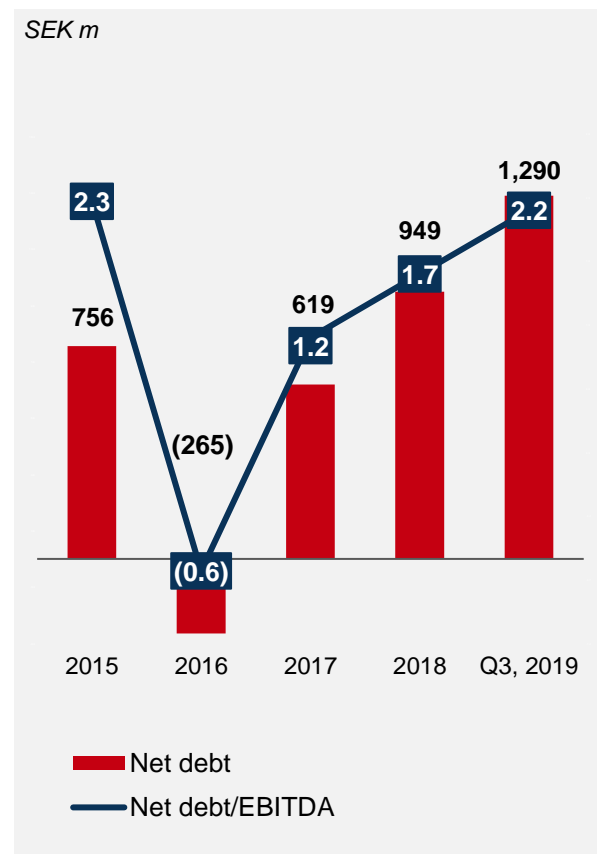
Cash conversion



Sales and EBITA



Net debt



*IFRS16 implemented in 2019.

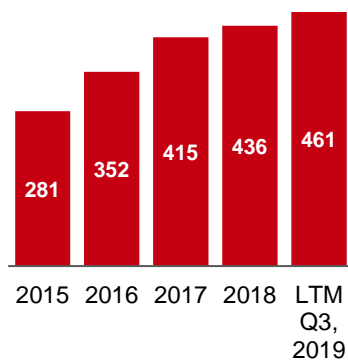
Financial targets

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

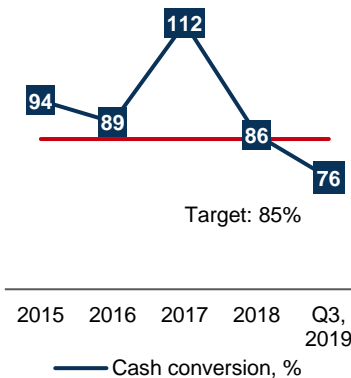


■ Adjusted EBITA, SEK m

Cash conversion

>85%

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



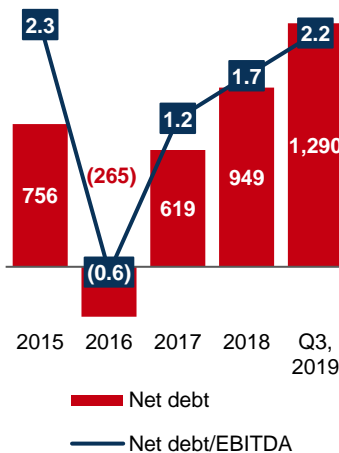
— Cash conversion, %

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

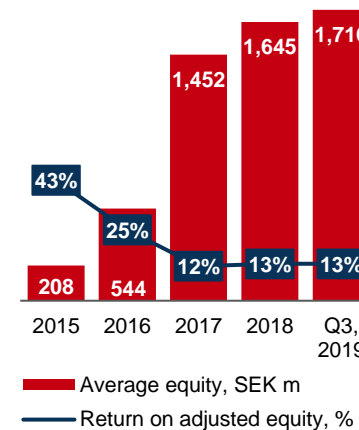
— Net debt/EBITDA

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

Dividend in April 2019

1.00
SEK per share

Conclusions and steps ahead

A solid Q3

- Growth in net sales and EBITA
- Overall, operations developed positively

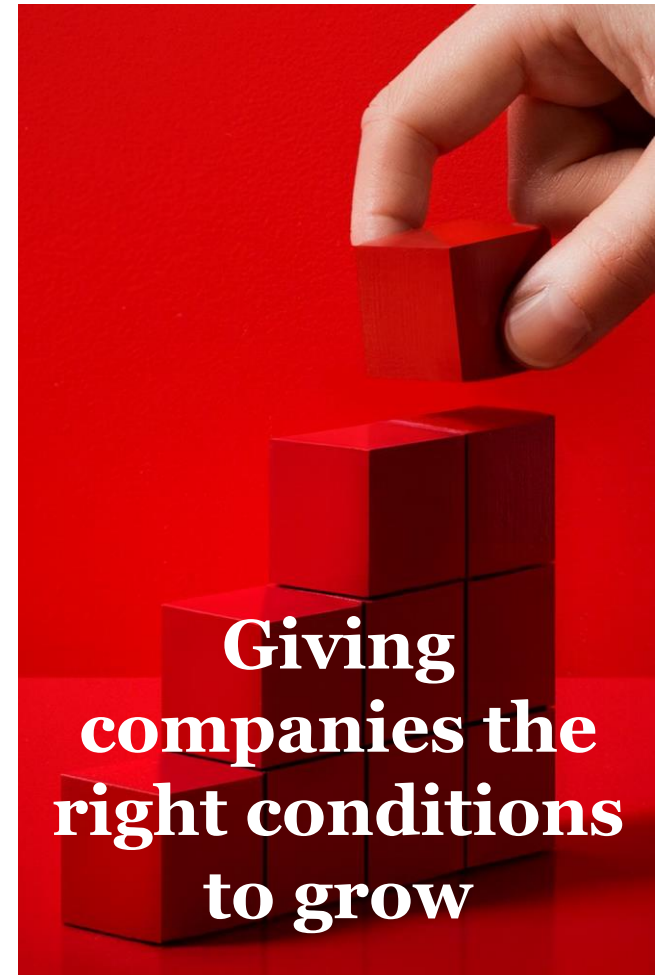
Strong business area organisation

- Provides management resources to achieve strategic plans and value creation in the business units
- Enables efficient management of acquisitions and evaluation of more 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 our efforts to create long-term value growth – both through acquisitions and by developing our existing operations



Volati – a growing Swedish Industrial Group



Appendix

volat1.

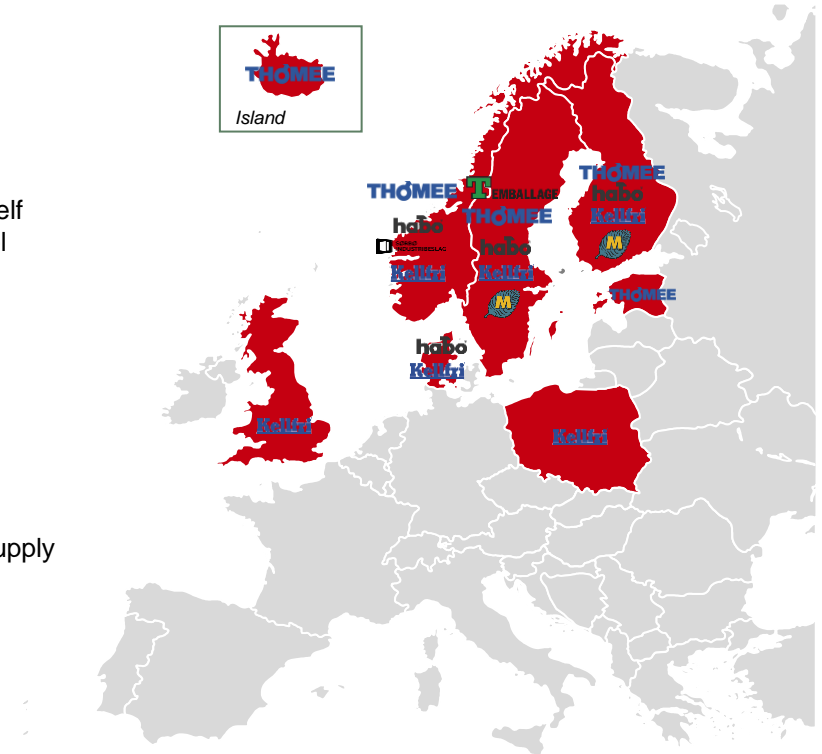
Business area Trading

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, LTM Q3, 2019

- Net sales of SEK **2,129** million
- EBITDA of SEK **184** million
- EBITA of SEK **169** million
- ROCE of **36** percent



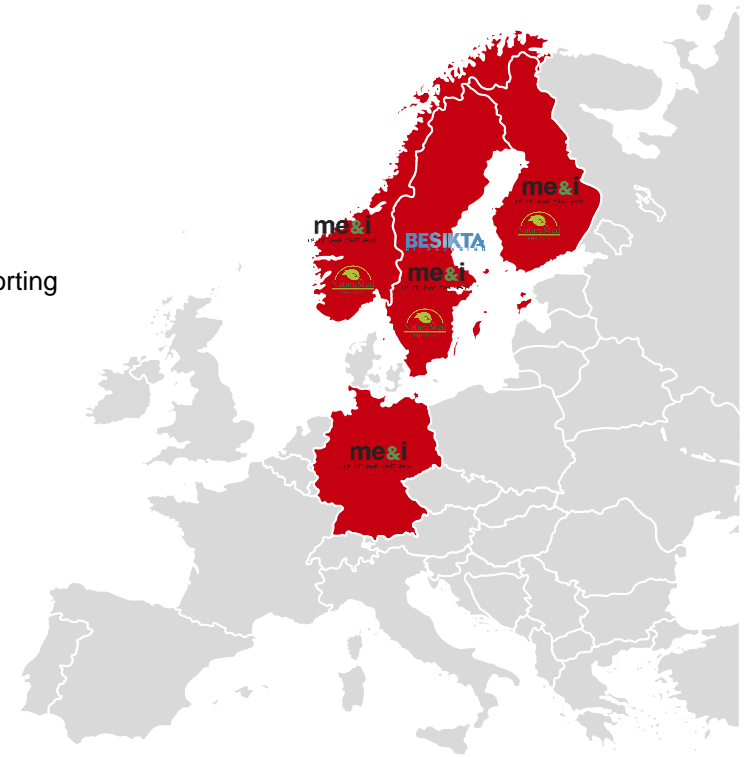
Business area Consumer

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, LTM Q3, 2019

- Net sales of SEK **916** million
- EBITDA SEK of **133** million
- EBITA of SEK **102** million
- ROCE of **264** percent



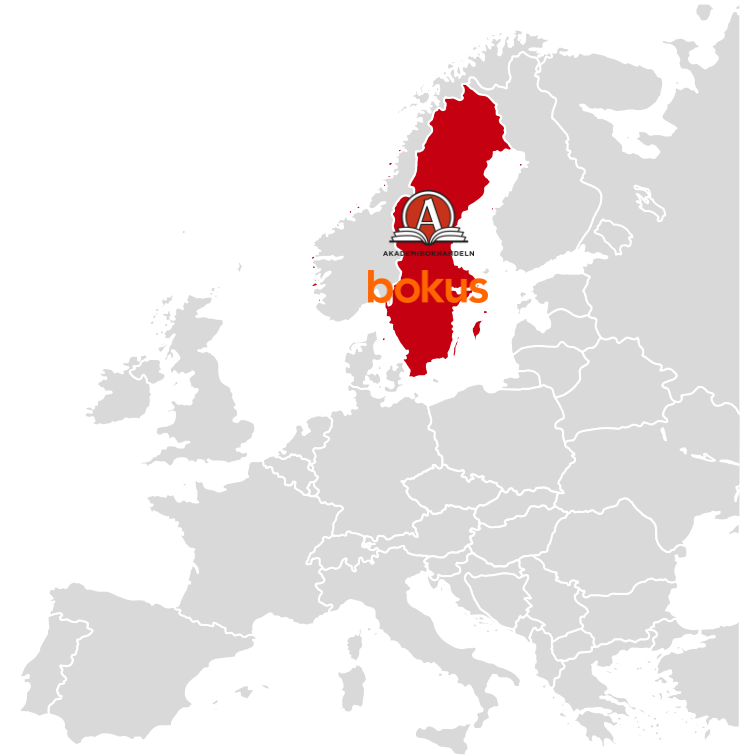
Business area Akademibokhandeln

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)
 - 107 profitable physical stores across Sweden (80 own, 27 franchise)
 - Pure-play e-commerce through Bokus
- 2 million members in the loyalty club

Key financials, LTM Q3, 2019

- Net sales of SEK **1,832** million
- EBITDA of SEK **118** million
- EBITA SEK **89** million
- ROCE of **114** percent



Business area Industry

Overview

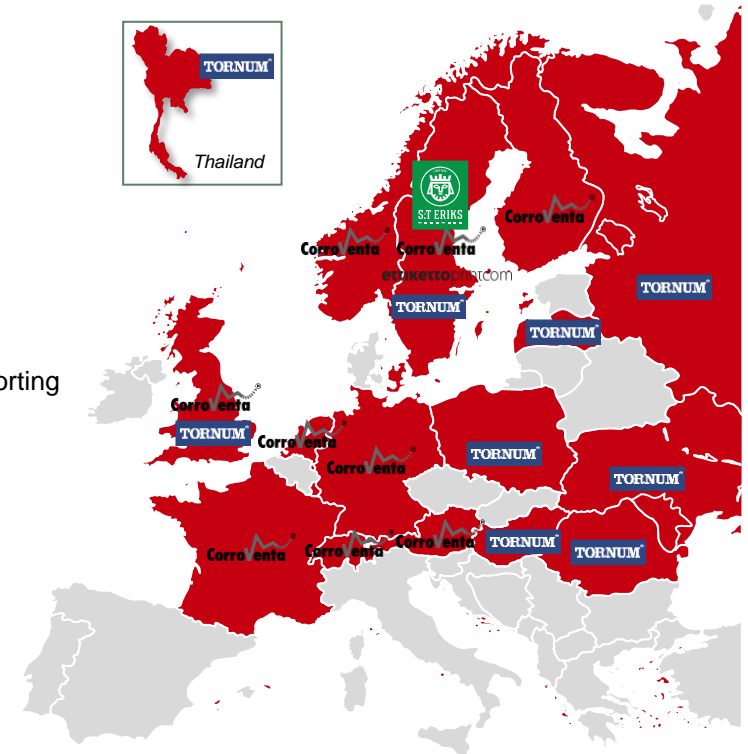
- Organised in **4** business units

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, LTM Q3, 2019

- Net sales of SEK **1,988** million
- EBITDA of SEK **212** million
- EBITA of SEK **151** million
- ROCE of **26** percent



Income statement

SEKm	Q3 2019	Q3 2019 LTM	2018
Net sales	1,711	6,863	6,084
Raw materials and supplies	-965	-3,798	-3,375
Other external costs	-157	-729	-853
Personnel costs	-347	-1,537	-1,318
Other income	15	35	18
Other operating costs	-4	-6	-4
EBITDA	253	828	552
Depreciation	-101	-335	-119
EBITA	153	492	433
Acquisition-related amortisations and write-downs	-14	-53	-49
Impairment of goodwill and intangible assets	-328	-342	-18
EBIT	-189	98	366
Financial income	7	29	29
Financial costs	-24	-101	-80
Profit before tax	-206	26	316
Tax	-19	-70	-42
Net profit	-225	-44	274
<u>Net profit attributable to:</u>			
Parent company owners	-143	35	272
Minority owners	-82	-79	2

Balance sheet

SEKm	30 Sep 2019	30 Sep 2018	31 Dec 2018
Intangible fixed assets	2,831	3,200	3,126
Tangible fixed assets	328	397	404
Right-of-use assets	872	-	-
Financial fixed assets	7	7	8
Deferred tax assets	55	98	59
Total non-current assets	4,093	3,703	3,597
Inventory	937	877	895
Current assets	1,032	1,123	839
Current interest-bearing securities	-	0	0
Cash and cash equivalents	175	141	241
Total current assets	2,144	2,141	1,975
Total assets	6,237	5,843	5,571
Share capital	10	10	10
Other capital contributions	1,995	1,995	1,995
Other reserves	61	57	34
Retained earnings including net profit for the year	247	410	520
Non-controlling interests	-80	7	7
Total shareholders' equity	2,233	2,479	2,567
Non-current interest-bearing debt	599	975	974
Non-current Lease liabilities	607	-	-
Provisions for pensions	2	2	2
Other provisions	6	10	10
Deferred tax liabilities	289	308	287
Other non-interest-bearing non-current liabilities	30	230	89
Total non-current liabilities	1,533	1,525	1,361
Current interest-bearing debt	797	386	241
Current lease liabilities	236	-	-
Current non-interest-bearing debt	1,438	1,453	1,403
Total current liabilities	2,471	1,839	1,644
Total liabilities	4,004	3,364	3,005
Total equity and liabilities	6,237	5,843	5,571

Cash flow statement

SEKm	Q3 2019	Q3 2019 LTM	2018
Profit before tax	-206	26	316
Adjustment for depreciation and impairments	442	730	186
Adjustment for other non-cash items	-1	29	18
Interest paid	-18	-77	-39
Interest received	0	1	2
Cash taxes	-10	-45	-53
Cash flow before changes in working capital	207	664	430
Change in inventories	-2	-57	-62
Change in operating receivables	88	44	37
Change in operating liabilities	-17	-11	43
Cash flow from change in working capital	69	-24	18
Cash flow from operating activities	276	640	448
Investments in tangible and intangible assets	-19	-93	-83
Sale of tangible and intangible assets	0	2	2
Acquisitions	-	-184	-545
Sale of subsidiaries	-	1	1
Investments in financial assets	-	-6	-4
Sale of financial assets	0	0	0
Cash flow from investing activities	-19	-280	-629
Dividends paid	-16	-144	-105
Share buy-back	0	-45	-
Repurchase warrants	-13	-13	-
Transactions with owners	-35	-34	-
Borrowings	-122	-92	87
Cash flow from financing activities	-187	-328	-18
Cash flow for the year	70	33	-199
Cash and cash equivalents at year-beginning	104	141	438
Translation differences	0	1	2
Cash and cash equivalents at year-end	175	175	241

Net debt and working capital

SEKm	Q3 2019	Q3 2018	31 Dec 2018
Net debt			
Cash and cash equivalents	-175	-141	-241
Unrealised derivate instruments assets	0	0	0
Pension liabilities	2	2	2
Non-current interest-bearing liabilities	642	975	974
Current interest-bearing liabilities	821	386	241
Unrealised derivative instruments liabilities	-	0	0
Accrued interest expenses	-	6	7
Pension assets	-2	-2	-2
Adjustment for nominal value obligation loan	4	-12	-6
Adjustment for shareholder loans	-2	-23	-25
Net debt	1,290	1,190	949
Net working capital			
Assets			
Inventories	937	877	895
Receivables	731	755	558
Other short-term receivables	54	51	67
Prepaid expenses / accrued Income	145	204	186
Working capital assets	1,867	1,887	1,706
Liabilities			
Accounts payable	665	650	706
Advances from customers	94	90	73
Other current liabilities	209	217	184
<i>Adjustment for accrued preference share dividend</i>	<i>-48</i>	<i>-48</i>	<i>-32</i>
Accrued expenses / prepaid income	347	383	379
Working capital liabilities	1,267	1,292	1,310
Net working capital	600	595	396

Definitions of key metrics

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