

Q4

Year-end Report

January–December 2018

Mårten Andersson, CEO

Mattias Björk, CFO

21 February 2019

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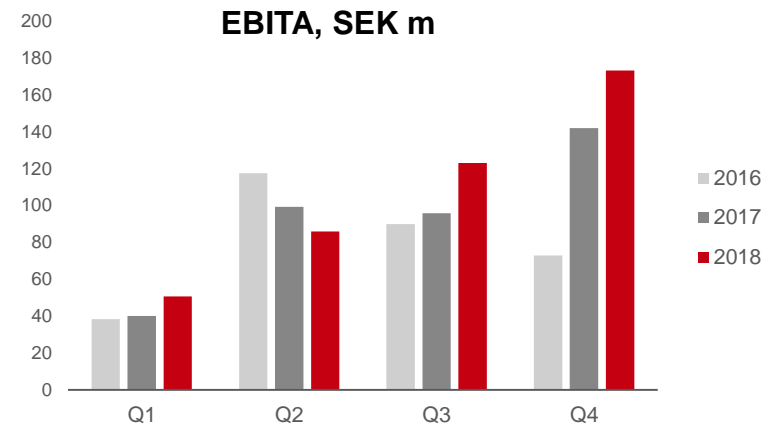
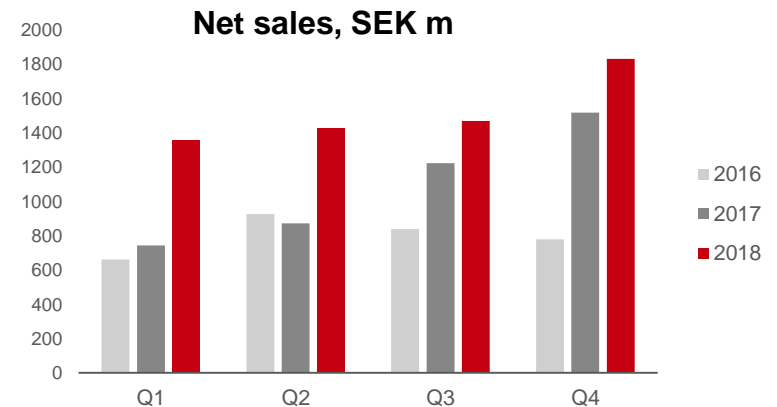
Financial development in Q4 2018

Net sales

SEK 1,831 m (1,517)

EBITA

SEK 173 m (142)



Q4 2018 in brief

- Volati ended the year with strong growth in sales and EBITA, up 21% and 22% respectively. Acquisitions provided significant contributions to the results.
- Earnings per share up 37%.
- Strong EBITA growth in business area Industry and stable development in business area Trading. Continued good market conditions in both business areas.
- Business area Akademibokhandeln had a strong quarter. Good progress was made on the strategic and efficiency agenda, which has yielded significant results whereas earnings are up SEK 13 million. Akademibokhandeln enters 2019 with a strong customer offering and significantly lower fixed costs than in 2018.
- Market challenge in business area Consumer due to changes in car inspection intervals affecting Besikta. Actions taken, including staffing and positive price adjustments, to ensure profitability going forward.
- Strong financial position, net debt/EBITDA = 1.7 (target < 3.0). Significant room for continuing the successful acquisition agenda.

Financial development, full-year 2018

Net sales

SEK 6,084 m (4,356)

EBITA

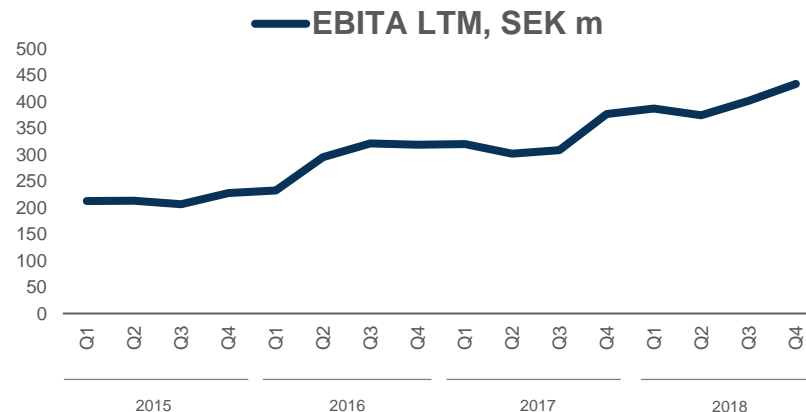
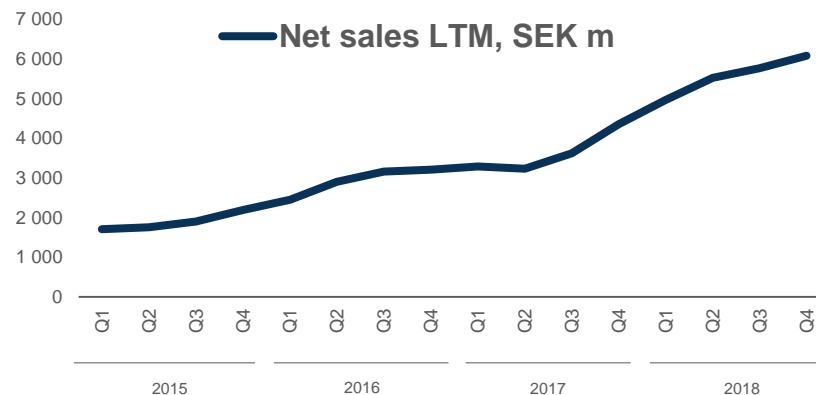
SEK 433 m (377)

Cash conversion

86% (112)

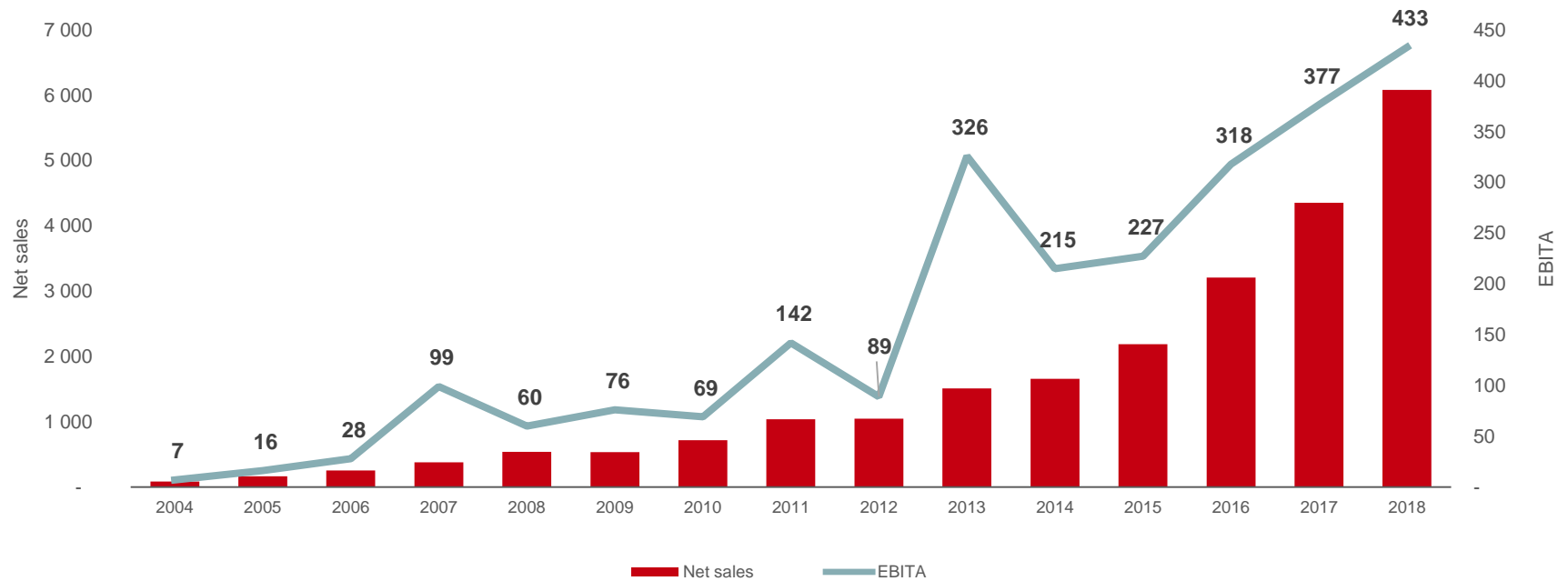
Net debt/Adjusted EBITDA

1.7x (1.2)



Long-term perspective

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



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

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

7%

Average organic
EBITA growth
2013–2018

Business area Trading



Q4 2018 in brief

- Positive effects from the acquisition of T-Emballage in late 2017.
- Existing operations have developed in line with last year, despite currency head-winds since most business units import their products.
- Continued good market conditions.

	Oct–Dec 2018	Oct–Dec 2017	Full-year 2018	Full-year 2017
Net sales, SEK m	509	453	2,107	1,615
EBITDA, SEK m	36	29	176	136
EBITA, SEK m	32	26	158	125
EBITA margin, %	6	6	7	8
EBIT, SEK m	29	24	147	119
ROCE exkl. goodwill, %	37	35	37	35

Business area Consumer



Q4 2018 in brief

- Profits in Besikta affected by changed car inspection regulations, effectively increasing the inspection interval from 12 to 14 months. Positive price adjustments implemented to secure profitability going forward.
- Activities for increased operational efficiency are being carried out in all business units.

	Oct–Dec 2018	Oct–Dec 2017	Full-year 2018	Full-year 2017
Net sales, SEK m	222	241	923	966
EBITDA, SEK m	27	43	138	167
EBITA, SEK m	19	35	104	134
EBITA margin, %	8	14	11	14
EBIT, SEK m	16	32	93	123
ROCE exkl. goodwill, %	233	206	233	206

Business area Akademibokhandeln



Q4 2018 in brief

- Strong profit development. Measures to improve profitability are yielding significant results.
- Strong customer offering and lower fixed costs, leveraging our presence in all channels and formats.
- Loyalty club reached 2 million members in January 2019.

	Oct–Dec 2018	Oct–Dec 2017	Full-year 2018	Jul–Dec 2017*
Net sales, SEK m	634	627	1 784	1 029
EBITDA, SEK m	109	94	100	116
EBITA, SEK m	101	88	72	105
EBITA margin, %	16	14	4	10
EBIT, SEK m	96	80	48	93
ROCE exkl. goodwill, %	92	187	92	187

* Financial performance since its acquisition by Volati in July 2017.

Business area Industry



Q4 2018 in brief

- Strong growth in net sales and EBITA.
- Growth driven both by the acquisition of S:t Eriks, and that existing operations developed well in terms of sales and profitability.
- High operational efficiency and continued good market conditions.

	Oct–Dec 2018	Oct–Dec 2017	Full-year 2018	Full-year 2017
Net sales, SEK m	467	197	1 271	747
EBITDA, SEK m	46	19	183	106
EBITA, SEK m	30	13	144	79
EBITA margin, %	6	6	11	11
EBIT, SEK m	28	12	140	77
ROCE exkl. goodwill, %	43	46	43	46

Improved capital structure

- Volati has entered into a new credit facilities agreement with Nordea and will finance early redemption of Akademibokhandeln's bonds
 - Bond redemption and the new credit facility agreement decreases financial costs by approx. SEK 15 million annually
 - Provides expanded credit facilities for acquisitions
 - Financially attractive terms. New margins on credit facility of STIBOR +0.75%-2.00% depending on ND/EBITDA level
 - Financial covenant of <3.5x ND/EBITDA
- New capital structure:
 - Equity of SEK 2,407 million, of which preference shares SEK 828 million
 - Preference shares of SEK 850 million giving right to SEK 64 million in annual dividends
 - Revolving credit facility of SEK 700 million
 - Overdraft facility of SEK 200 million
 - Bond issued in Volati AB of SEK 600 million. Maturity end of 2022 with yield of STIBOR+350bp – senior unsecured
 - Global cash pool

Well-positioned for additional acquisitions

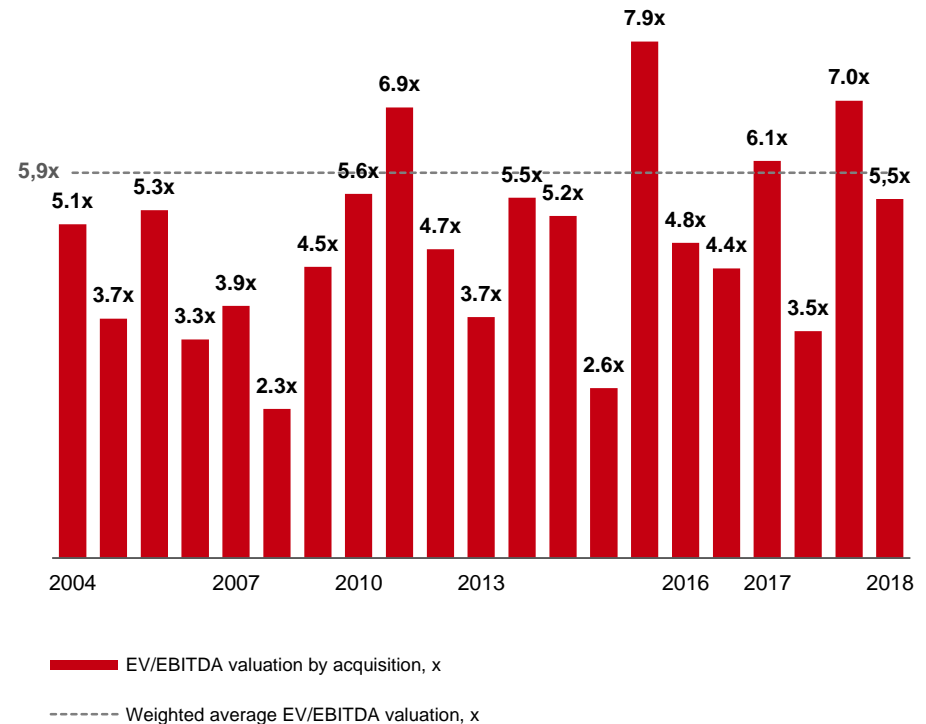
Acquisitions in 2017 and 2018

- Adding approx. SEK 204 million in EBITA.

Ready for further acquisitions

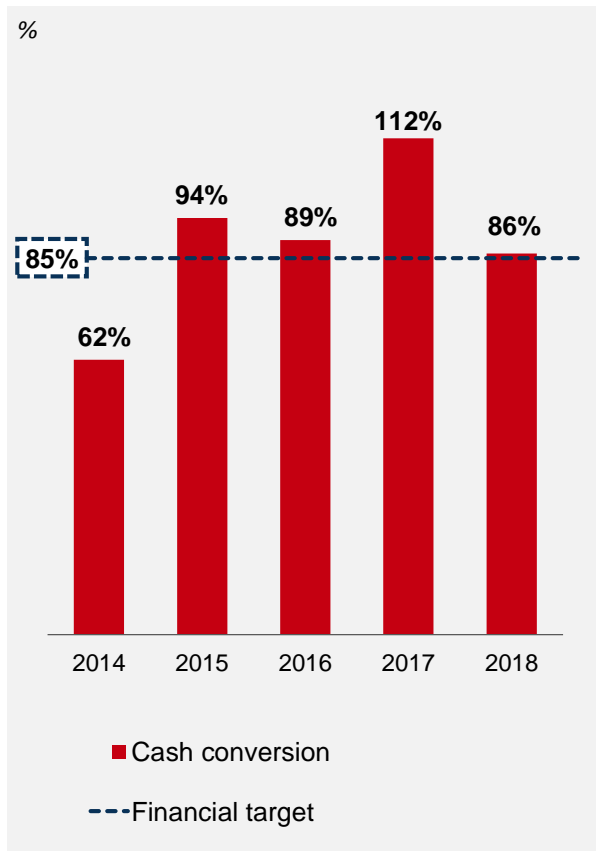
- Financial structure, strong cash flow and low net debt that enable us to act on opportunities.
- Continued good pipeline and strong inflow of companies for evaluation.
- New acquisition organisation enabling us to evaluate more companies and increase the organic sourcing capabilities for add-on's.
- Price expectations are remaining high.

Volati's acquisitions
Acquisition multiples



Net debt/EBITDA ratio well within limits of financial targets

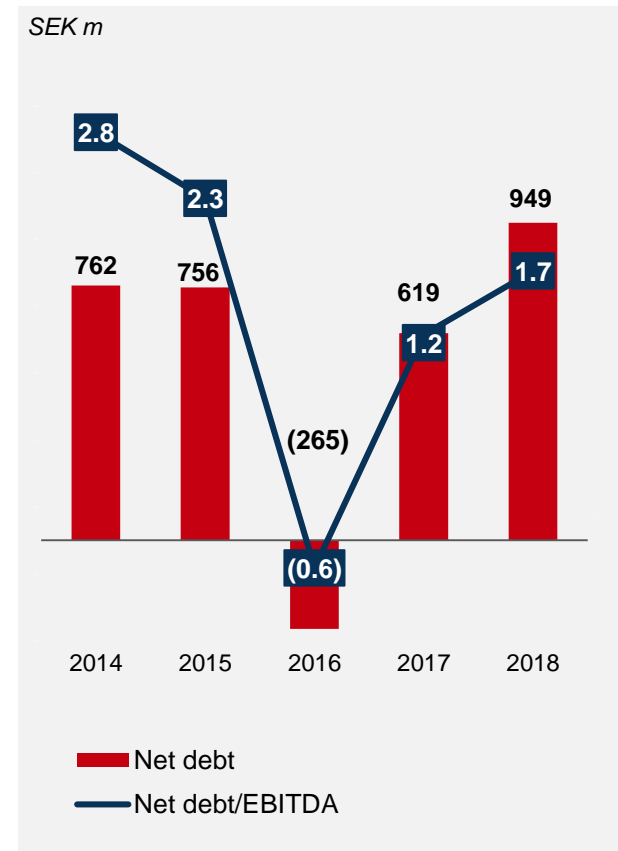
Cash conversion



Sales and EBITA



Net debt



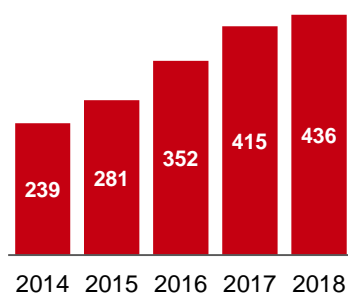
Moving towards our financial targets

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

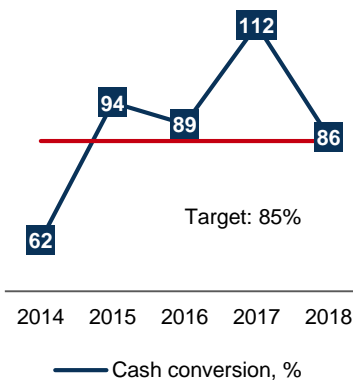


■ Adjusted EBITA, SEK m

Cash conversion

>85%

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



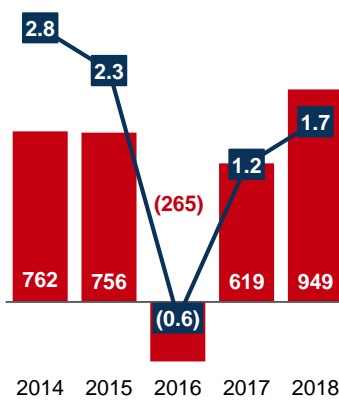
— Cash conversion, %

Capital structure

<3.0x

(long-term)

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



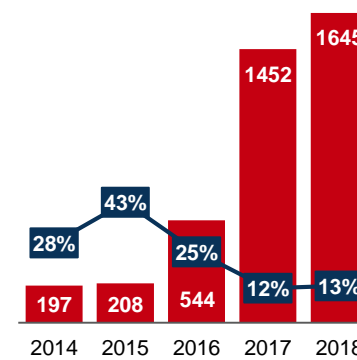
■ Net debt
— Net debt/EBITDA

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

Proposed dividend distribution

SEK 1.00
per share

Conclusions and steps ahead

Strong sales and profit growth in Q4

- Overall healthy development in operations.
- All indicators developed well.

Reinforced business area organisation

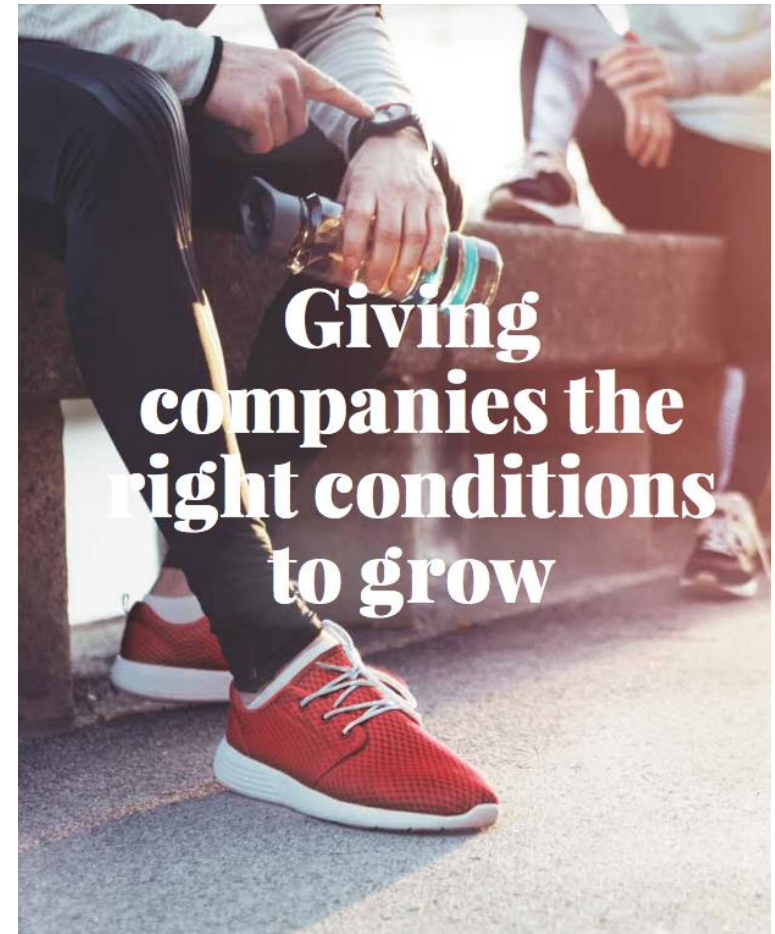
- Provides management resources to achieve strategic plans and value creation in the business units – increased focus on operational efficiency.
- Enables efficient management of acquisitions and evaluation of more acquisition targets.

Capital structure for future acquisitions

- Strong financial position enabling us to continue pursuing our acquisition strategy.

Long-term value creation

- Continued focus on acquisitions and organic growth in line with our strategies.



A growing Swedish industrial group



Appendix

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Business area Trading

Overview

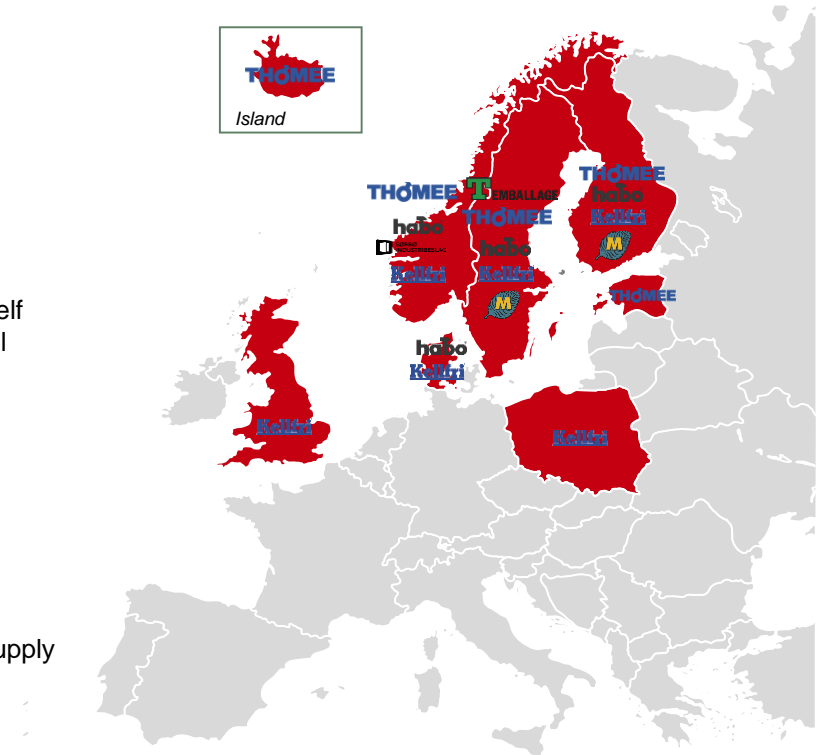
- Organised in **7** business units

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 2018

- Net sales of SEK **2,107 m**
- EBITDA of SEK **176 m**
- EBITA of SEK **158 m**
- ROCE of **37%**



Business area Consumer

Overview

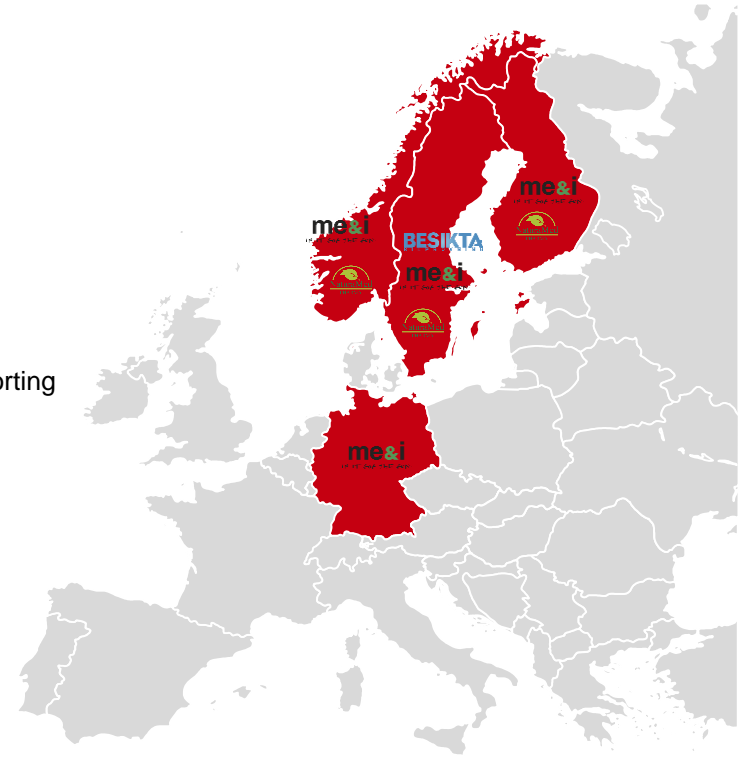
- Organised in **3** business units

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 2018

- Net sales of SEK **923 m**
- EBITDA SEK of **138 m**
- EBITA of SEK **104 m**
- ROCE of **233%**



Business area Akademibokhandeln

Overview

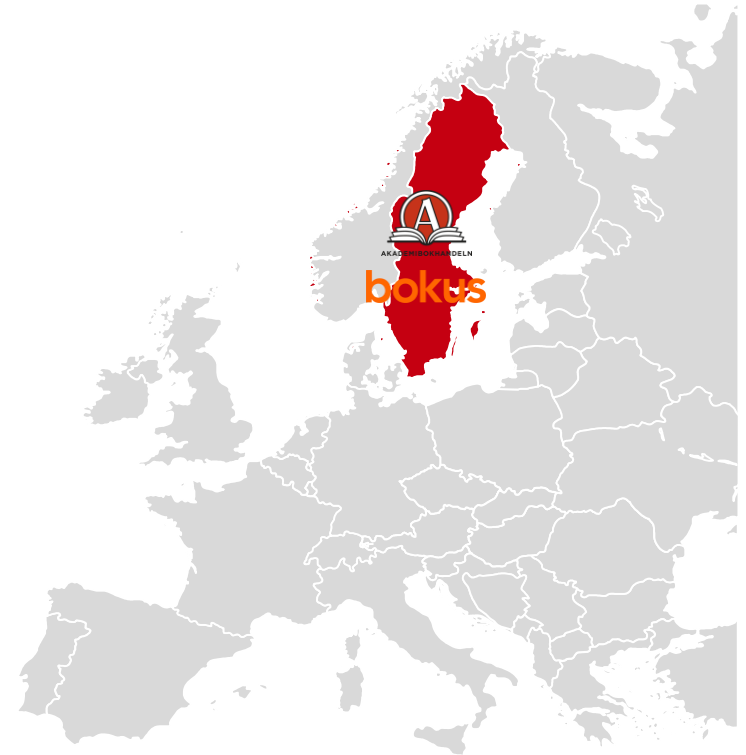
- Organised in **1** business unit

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 2018

- Net sales of SEK **1,784 m**
- EBITDA of SEK **100 m**
- EBITA SEK **72 m**
- ROCE of **92%**



Business area Industry

Overview

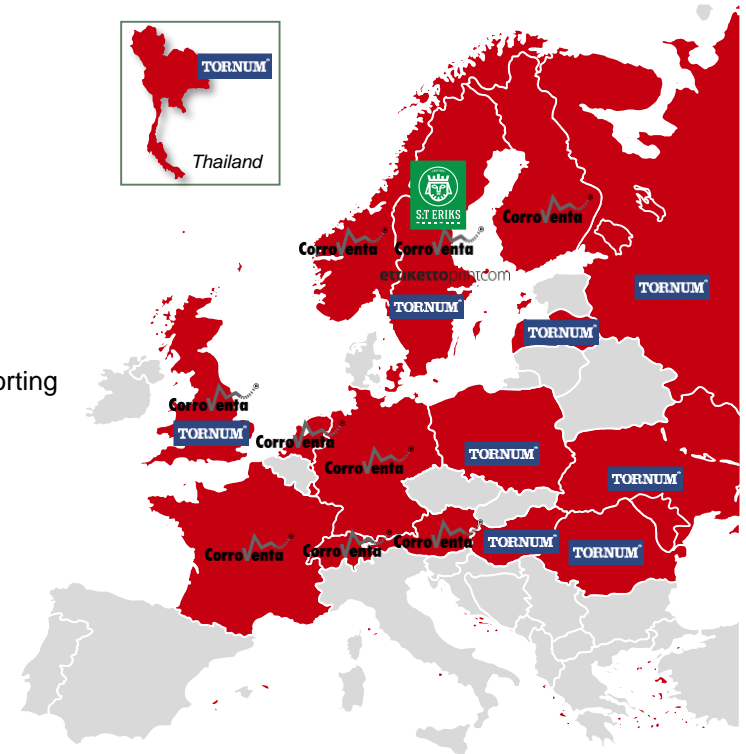
- Organised in **4** business units

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 2018

- Net sales of SEK **1,271 m**
- EBITDA of SEK **183 m**
- EBITA of SEK **144 m**
- ROCE of **43%**



Income statement

SEKm	2016	2017	2018
Net sales	3,207	4,356	6,084
Raw materials and supplies	-1,526	-2,228	-3,375
Other external costs	-516	-684	-853
Personnel costs	-771	-983	-1,318
Other income	4	7	18
Other operating costs	-12	-9	-4
EBITDA	385	459	552
Depreciation	-67	-82	-119
EBITA	318	377	433
Acquisition-related amortisations and write-downs	-17	-31	-49
Impairment of goodwill	-	-	-18
EBIT	301	345	366
Financial income	19	8	29
Financial costs	-66	-49	-80
Profit before tax	254	305	316
Tax	-53	-63	-42
Net profit	201	241	274
<u>Net profit attributable to:</u>			
Parent company owners	196	240	272
Minority owners	4	1	2

Balance sheet

SEKm	31 Dec 2016	31 Dec 2017	31 Dec 2018
Intangible fixed assets	1,840	2,934	3,126
Tangible fixed assets	191	241	404
Financial fixed assets	8	10	8
Deferred tax assets	42	59	59
Total non-current assets	2,081	3,243	3,597
Inventory	387	610	895
Current assets	404	715	839
Assets related to discontinued operations	-	-	-
Current interest-bearing securities	-	0	0
Cash and cash equivalents	371	438	241
Total current assets	1,162	1,763	1,975
Total assets	3,243	5,006	5,571
Share capital	10	10	10
Other capital contributions	1,995	1,995	1,995
Other reserves	34	16	34
Retained earnings including net profit for the year	200	331	520
Non-controlling interests	18	13	7
Total shareholders' equity	2,257	2,365	2,567
Non-current interest-bearing debt	80	98	89
Provisions for pensions	3	2	2
Other provisions	6	6	10
Deferred tax liabilities	124	268	287
Other non-interest-bearing non-current liabilities	54	984	974
Total non-current liabilities	267	1,358	1,361
Current interest-bearing debt	73	106	241
Current non-interest-bearing debt	646	1,178	1,403
Total current liabilities	719	1,284	1,644
Total liabilities	986	2,642	3,005
Total equity and liabilities	3,243	5,006	5,571

Cash flow statement

SEKm	2016	2017	2018
Profit before tax	254	305	316
Adjustment for non-cash items	122	146	204
Interest paid	-39	-21	-39
Interest received	0	1	2
Cash taxes	-41	-62	-53
Cash flow before changes in working capital	295	369	430
Change in inventories	-29	-18	-62
Change in operating receivables	-1	-32	37
Change in operating liabilities	20	156	43
Cash flow from change in working capital	-10	106	18
Cash flow from operating activities	285	475	448
Investments in tangible and intangible assets	-33	-57	-83
Sale of tangible and intangible assets	1	6	2
Investments in subsidiaries	-261	-553	-545
Sale of subsidiaries	-	1	1
Investments in financial assets	0	-	-4
Sale of financial assets	10	-	0
Cash flow from investing activities	-284	-603	-629
Shareholder contribution	24	-	-
Preference share issue	1,177	-1	-
Dividends paid	-88	-105	-105
Change in pension liability	-	-24	-
Borrowings	-954	330	87
Cash flow from financing activities	159	200	-18
Cash flow for the year	161	71	-199
Cash and cash equivalents at year-beginning	200	371	438
Translation differences	10	-4	2
Cash and cash equivalents at year-end	371	438	421

Net debt and working capital

SEKm	31 Dec 2016	31 Dec 2017	31 Dec 2018
Net debt			
Cash and cash equivalents	-371	-438	-241
Unrealised derivative instruments assets	0	0	0
Pension liabilities	2	2	2
Non-current interest-bearing liabilities	54	984	974
Current interest-bearing liabilities	73	106	241
Unrealised derivative instruments liabilities	0	0	0
Accrued interest expenses	-	2	7
Pension assets	-2	-2	-2
Adjustment for nominal value obligation loan	-	-12	-6
Adjustment for shareholder loans	-22	-23	-25
Net debt	-264	619	949
Net working capital			
Assets			
Inventories	387	610	895
Receivables	302	455	558
Other short-term receivables	17	48	67
Prepaid expenses / accrued Income	74	154	186
Working capital assets	780	1,267	1,706
Liabilities			
Accounts payable	267	607	706
Advances from customers	56	65	73
Other current liabilities	112	167	184
<i>Adjustment for accrued preference share dividend</i>	<i>-32</i>	<i>-32</i>	<i>-32</i>
Accrued expenses / prepaid income	158	265	379
Working capital liabilities	562	1,072	1 310
Net working capital	219	195	396

Definitions of key metrics

Metric	Explanation	Adjusted	Explanation
Business area return on capital employed (BA ROCE)	BA EBITA in relation to BA capital employed	-	-
Cash conversion	Operating cash flow in relation to EBITDA	Adj. cash conversion	Cash conversion excluding capex related to Besikta IT investments
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 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 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 less interest bearing long- and short-term assets, adjusted for subordinated shareholder loans	-	-
Net debt / adj. EBITDA	Net debt 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 less change in net working capital (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
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