



Interim report

January–June 2018

Mårten Andersson, CEO

Mattias Björk, CFO

17 August 2018

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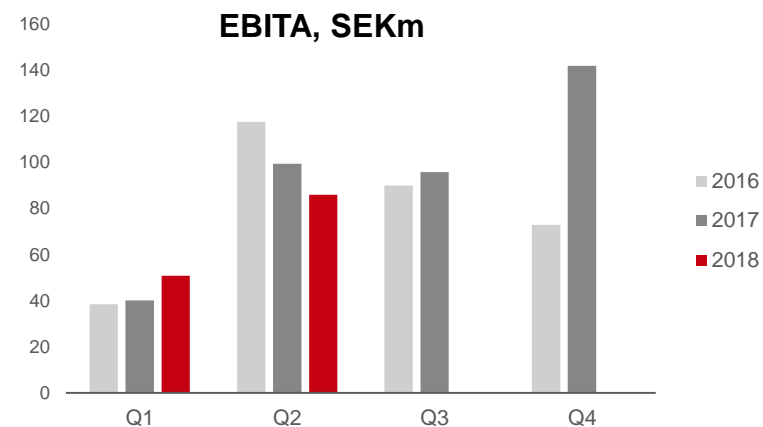
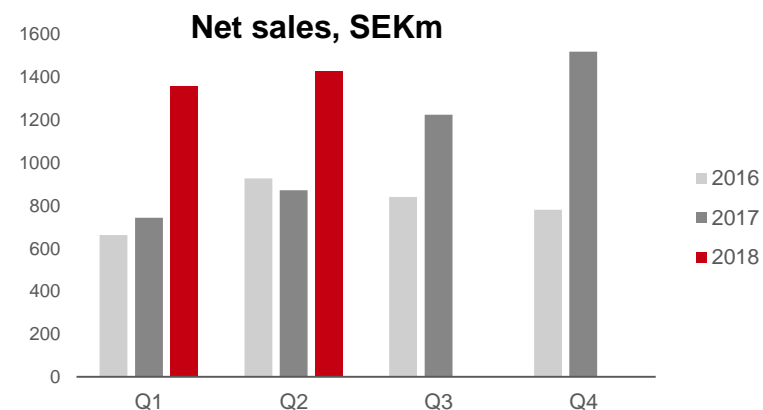
Financial development in Q2 2018

Net sales

SEK 1,428m (872)

EBITA

SEK 86m (99)



Q2 2018 in brief

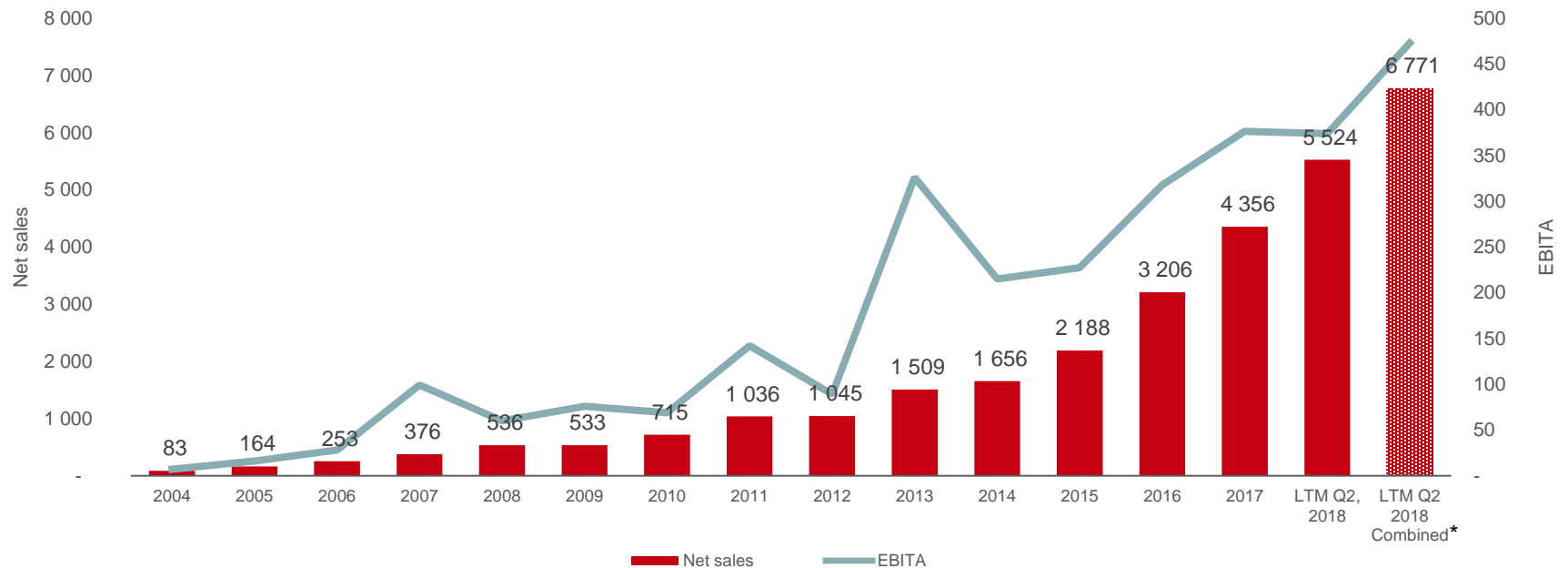
- Volati's operations have developed well in the quarter with variations between business areas.
- Net sales increased by 64 percent – a result of last years acquisitions as well as organic sales growth.
- The Industry business area showed strong sales and earnings growth as a result of measures during the first quarter.
- EBITA decreased by 13 percent, primarily affected by the fact that the business area Akademibokhandeln is included in the Volati Group's figures for the second quarter. Second quarter typically a quarter with a negative result for Akademibokhandeln due to seasonal variations.
- The historic warm summer has had a negative effect on several of the Group's business areas.

Events after the reporting period

- Completed the acquisition of S:t Eriks Group AB, one of Sweden's leading manufacturers of concrete products and natural stone for infrastructure and landscape architecture. S:t Eriks had a net sales of SEK 1,038m and EBITDA of SEK 91m in 2017. The EV/EBITDA multiple was approximately 5.5x.

Long-term perspective

- Average organic EBITA growth over the last five years 8 percent (2013-2017).
- During 2017 and 2018 SEK 204m in EBITA added through acquisitions.



*Adding S:t Eriks net sale for full year 2017 and adjusted EBITA combined with EBITA of S:t Eriks full year 2017.

Financial development LTM Q2, 2018

Net sales

SEK 5,524m

(4,356 FY2017)

EBITA

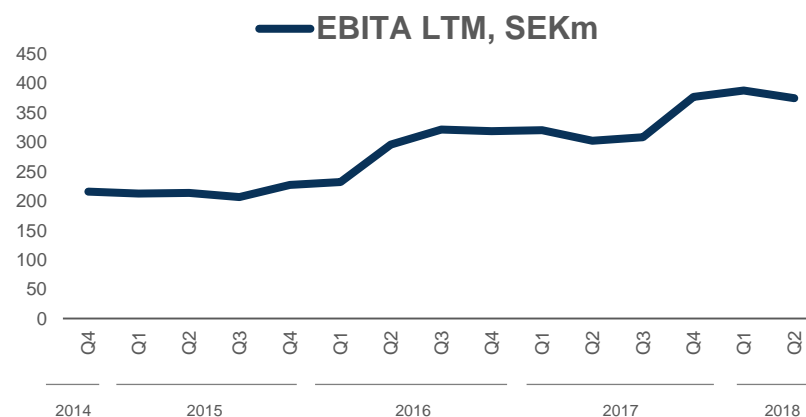
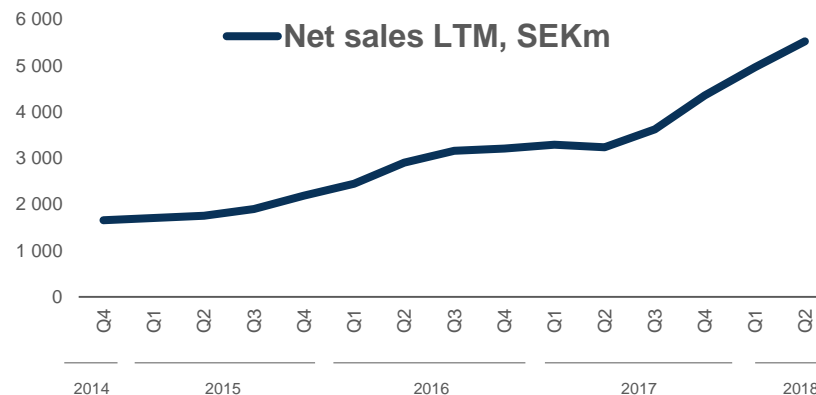
SEK 374m (377 FY2017)

Cash conversion

82% (112 FY2017)

Net debt/Adjusted EBITDA

1.7x



Events after the reporting period – Acquisition of S:t Eriks

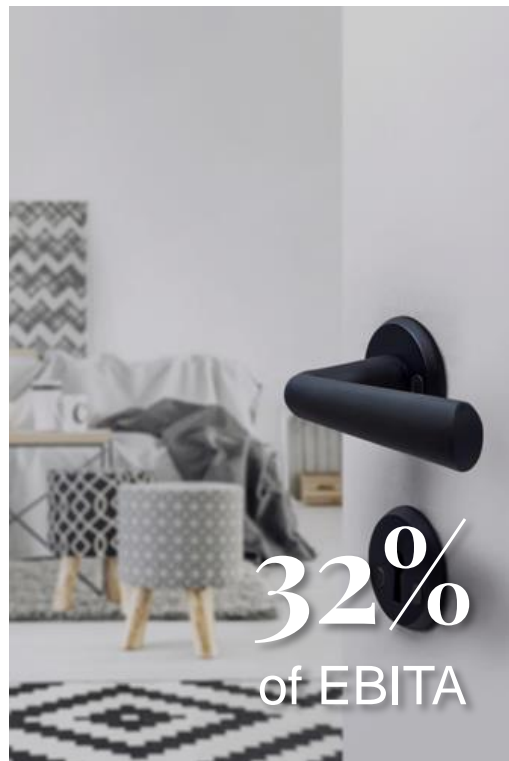
S:t Eriks in brief

- A leading manufacturer of concrete products and natural stone for infrastructure and landscape architecture.
- Customers are mainly infrastructure and construction contractors.
- Strong market position in all its segments.
- Financials (FY 2017):
 - Net sales of SEK 1,038m
 - EBITDA of SEK 91m
 - EBITA of SEK 65m

Acquisition in brief

- Acquired 100% of the shares.
- Purchase consideration of SEK 260-295m, depending on an additional consideration of up to SEK 35m.
- Estimated enterprise value of approx. SEK 500m.
- EV/EBITDA multiple of 5.5x.
- Acquisition made through our new acquisition organization, where business area managers have greater responsibility.

Business area Trading



Q2 2018 in brief

- Positive effects from the acquisition of T-Emballage in late 2017.
- Stable underlying development.

	Apr–jun 2018	Apr–jun 2017	Jan–jun 2018	Jan–jun 2017	LTM Q2 2018	Full year 2017
Net sales, SEKm	607	428	1,075	767	1,922	1,615
EBITDA, SEKm	58	45	81	62	155	136
EBITA, SEKm	53	43	72	57	141	125
EBITA margin, %	9	10	7	7	7	8
EBIT, SEKm	51	42	67	54	132	119
ROCE exkl. goodwill, %	35	34	35	34	35	35

Business area Consumer



27%
of EBITA

Q2 2018 in brief

- Lower net sales and EBITA due to somewhat challenging market conditions for some business units.
- Strategic evaluations and actions in operations with challenges is proceeding according to plan.

	Apr–jun 2018	Apr–jun 2017	Jan–jun 2018	Jan–jun 2017	LTM Q2 2018	Full year 2017
Net sales, SEKm	249	253	487	503	950	966
EBITDA, SEKm	50	55	75	91	152	167
EBITA, SEKm	41	46	58	74	118	134
EBITA margin, %	17	18	12	15	12	14
EBIT, SEKm	38	44	53	69	107	123
ROCE exkl. goodwill, %	212	211	212	211	212	206

Business area Akademibokhandeln



Q2 2018 in brief

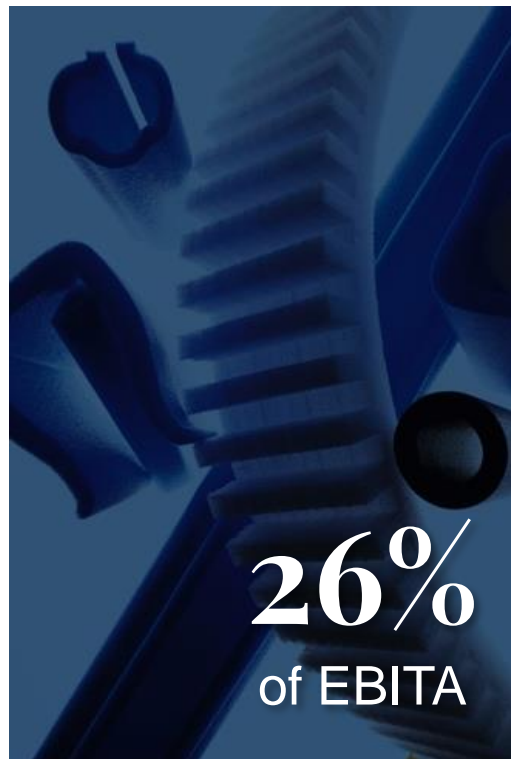
- Higher costs due to market-related investments to drive the shift towards increased e-commerce and to exploit the potential of the company's strong loyalty club of 1.8 million customers.
- Significant increase in the share of sales from e-commerce.

	Apr–jun 2018	Apr–jun 2017*	Jan–jun 2018	Jan–jun 2017*	LTM Q2 2018	Jul–dec 2017**
Net sales, SEKm	315	317	751	752	1,780	1,029
EBITDA, SEKm	-27	-12	-28	-12	88	116
EBITA, SEKm	-34	-18	-41	-23	64	105
EBITA margin, %	-11	-6	-5	-3	4	10
EBIT, SEKm	-40	-21	-53	-29	40	93
ROCE exkl. goodwill, %	94	-	94	-	94	187

* Akademibokhandeln was acquired in July 2017 and, therefore, no restated comparative figures are available. In this column, the company's historical financial development to enable comparison with the outcome has been stated as if the company had been owned since 1 January 2017.

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

Business area Industry



Q2 2018 in brief

- Strong growth in net sales and EBITA.
- Continued favourable market position.
- Increased margins from measures implemented during 2017 and Q1 2018.

	Apr–jun 2018	Apr–jun 2017	Jan–jun 2018	Jan–jun 2017	LTM Q2 2018	Full year 2017
Net sales, SEKm	257	190	470	345	872	747
EBITDA, SEKm	45	30	84	49	141	106
EBITA, SEKm	38	24	70	35	113	79
EBITA margin, %	15	12	15	10	13	11
EBIT, SEKm	37	23	69	35	111	77
ROCE exkl. goodwill, %	63	64	63	64	63	46

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 513 m

Operating cash flow full year 2017

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

42%

Average acquired EBITA growth 2013–2017

...at reasonable valuations...

5.9x

Weighted average EV/EBITDA acquisition multiple since 2004

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

8%

Average organic EBITA growth 2013–2017

Strong focus on long-term value creation with strengthened organisation

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In charge of platform acquisitions



Add-on acquisitions, business development and operations follow-up

Well-positioned for additional acquisitions

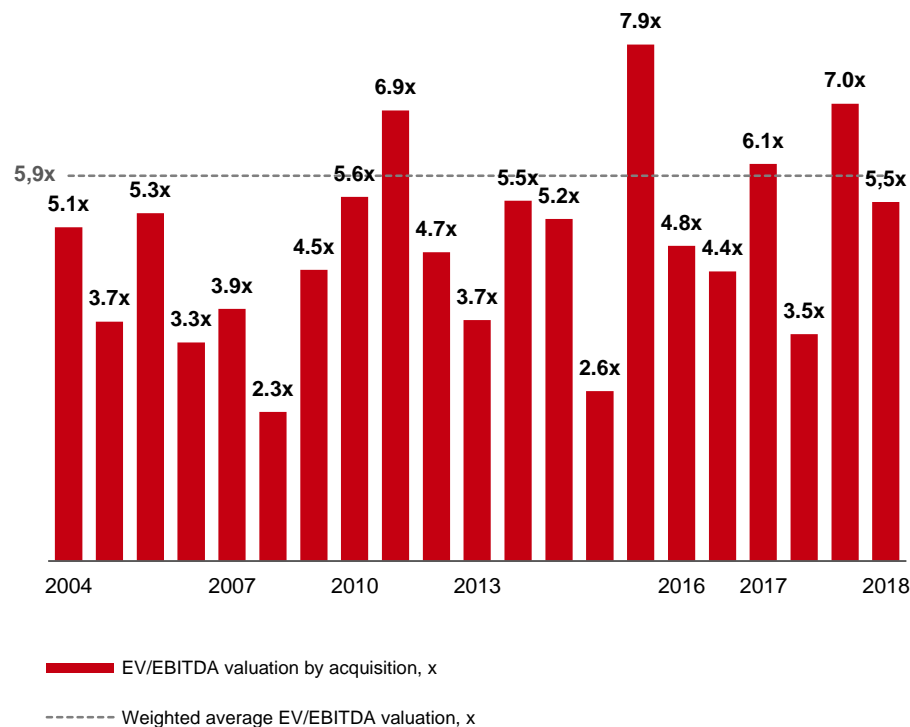
Acquisitions in 2017 and 2018

- Adding approx. SEK 204m in EBITA.

Ready for further acquisitions

- Financial structure and balanced net debt that enable us to act rapidly.
- New acquisition organisation for efficient acquisition processes.
- Continued inflow of companies for evaluation.
- Historically we have been able to find acquisition opportunities in all market conditions.

Volati's acquisitions
Acquisition multiples

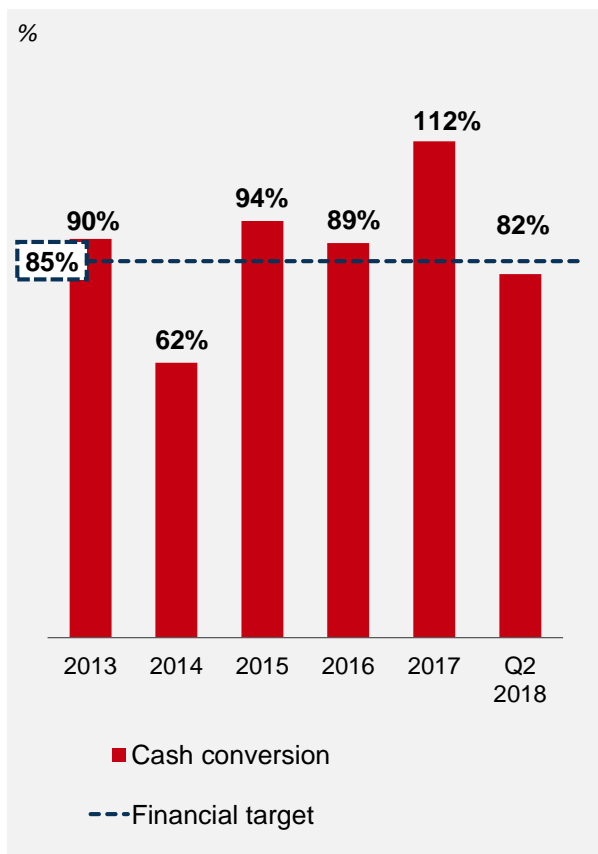


”Rather turn down
a good deal
than risk making
a bad one.”

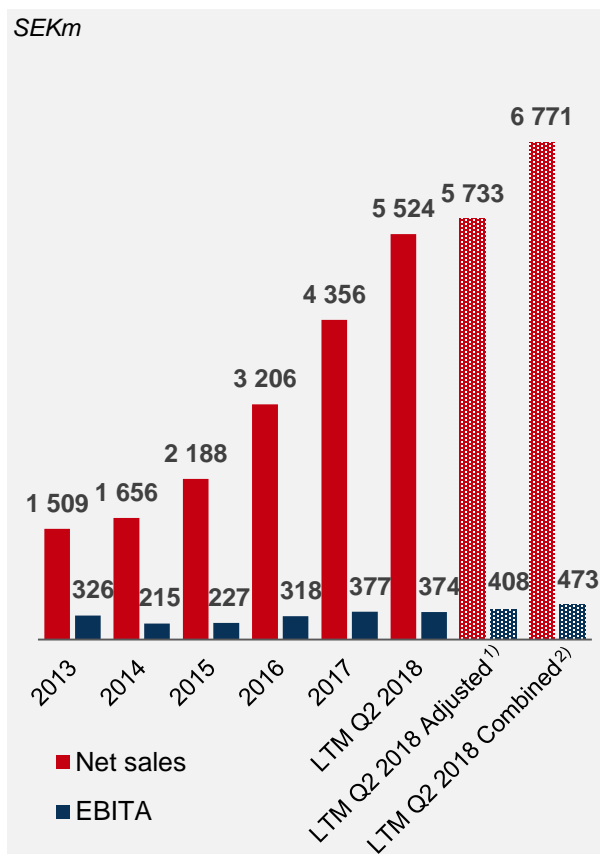
PATRIK WAHLÉN

Net debt/EBITDA ratio well within limits of financial targets

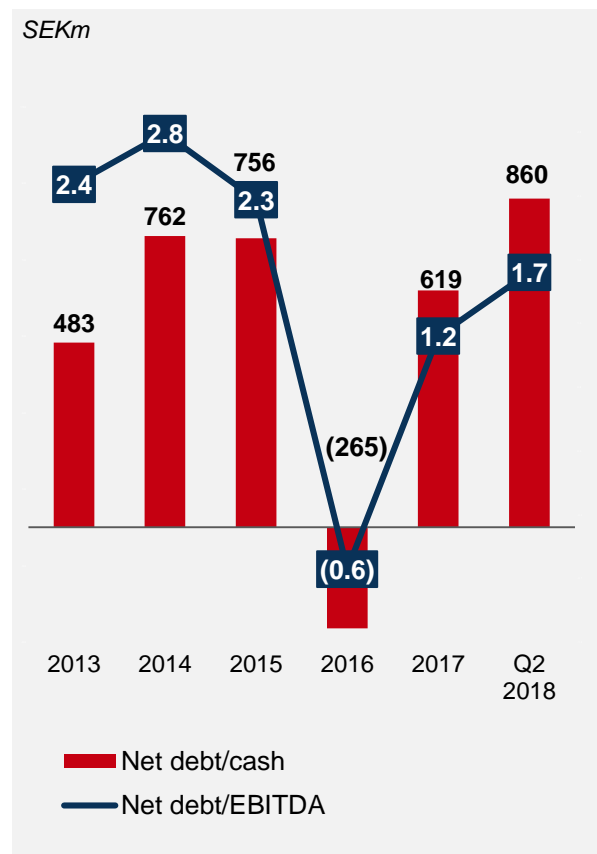
Cash conversion



Sales and EBITA



Net debt/(cash)



¹⁾ Adjusted EBITA which includes the EBITA of the during 2017 acquired business of Akademibokhandeln, Silokonsult and T-Emballage as if they had been owned for the whole 12 month period.

²⁾ Adjusted EBITA combined with EBITA of S:t Eriks full year 2017.

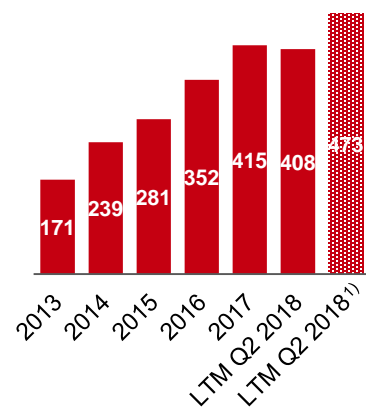
Moving towards our financial targets

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

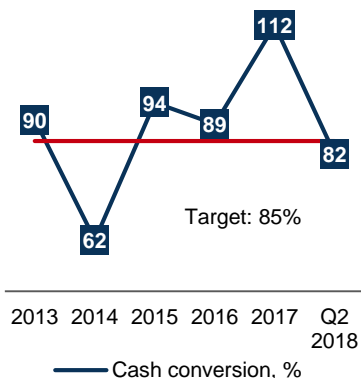


■ Adjusted EBITA, SEKm

Cash conversion

>85%

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



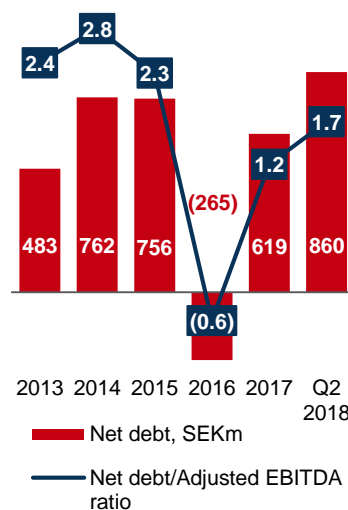
— Cash conversion, %

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, SEKm

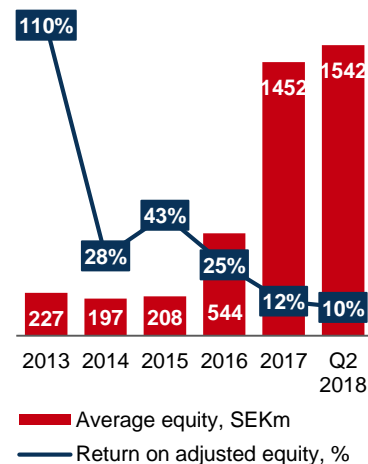
— Net debt/Adjusted EBITDA ratio

Return on adjusted equity

>20%

(long-term)

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



■ Average equity, SEKm

— 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 distribution 2017

SEK 0.50
per share

¹⁾ Adjusted EBITA combined with EBITA of S:t Eriks full year 2017.

Conclusions and steps ahead

Reinforced business area organisation

- Enables efficient management of acquisitions
- Provides management resources to achieve the strategic plans and value creation in the business units

Capital structure for future acquisitions

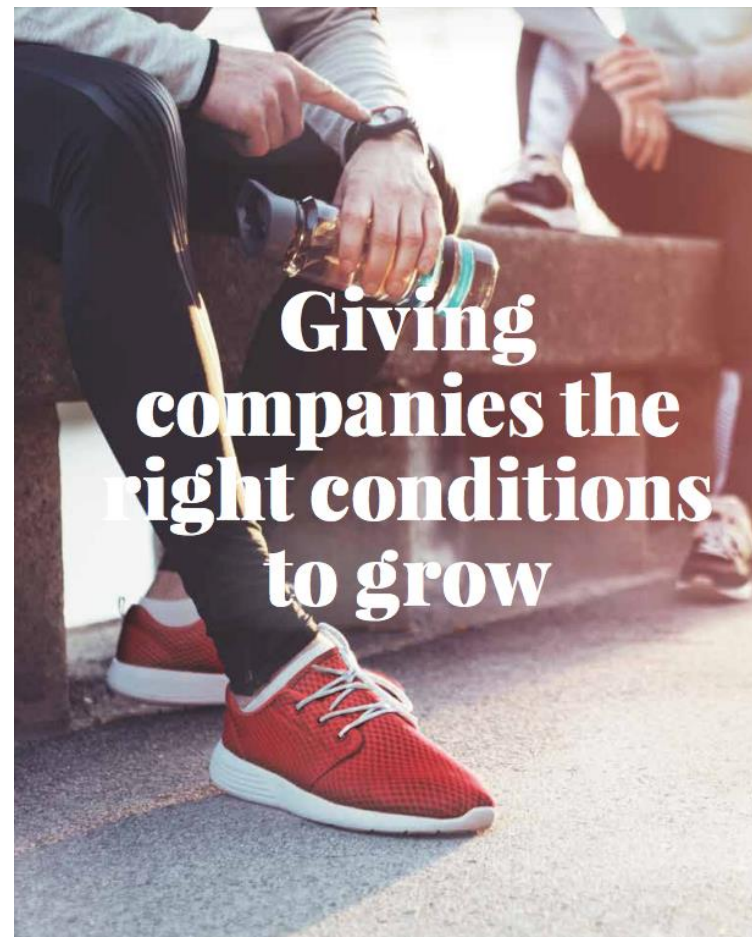
- Good position for continuing our acquisition strategy

Good underlying development

- In total, healthy development in operations
- Actions to improve profitability in operations with challenges

Long-term value creation

- Focus on acquisitions and organic growth
- Further steps towards our financial targets



A growing Swedish industrial group



Appendix

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Business area Trading

Overview

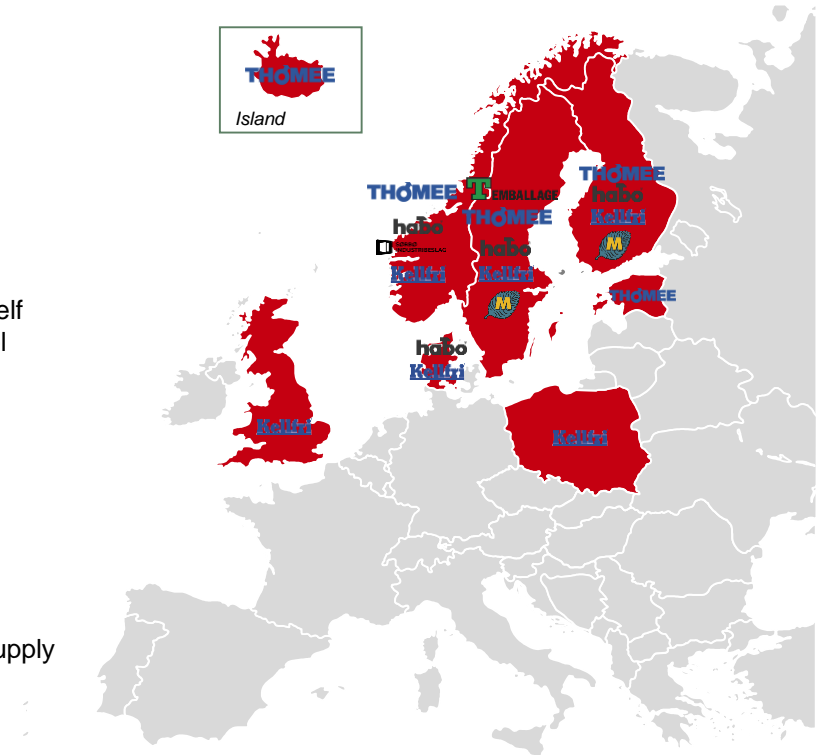
- Organised in **7** business units

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, Bygghuset, 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, Q2 2018 LTM

- Net sales SEK **1,922m**
- EBITDA SEK **155m**
- EBITA SEK **141m**
- ROCE **35%**



Business area Consumer

Overview

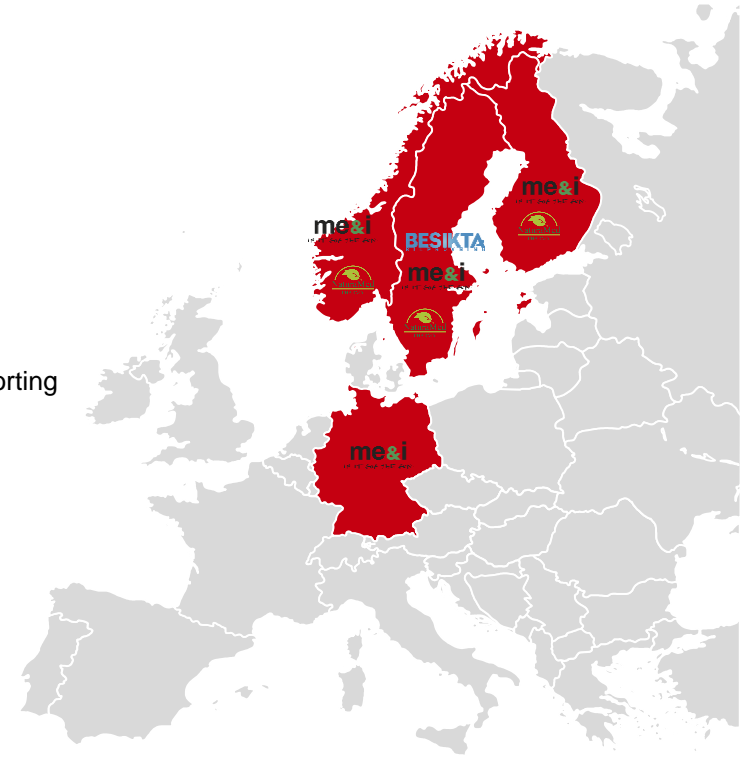
- Organised in **3** business units

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, Q2 2018 LTM

- Net sales SEK **950m**
- EBITDA SEK **152m**
- EBITA SEK **118m**
- ROCE **212%**



Business area Akademibokhandeln

Overview

- Organised in **1** business unit

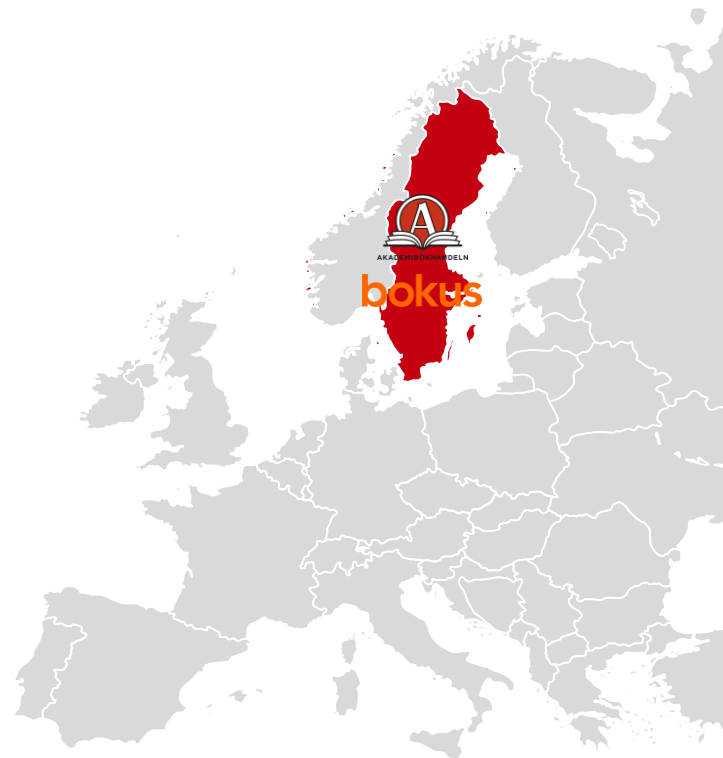
Sweden's leading book retailer

- The only successful omni-channel player
 - # 1 in physical bookstores
 - # 2 online retailer
 - 37% total market share
- 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
 - 32% sales from e-commerce
- 1.6 million members in the book club

Key financials, Q2 2018 LTM*

- Net sales SEK **1,780m**
- EBITDA SEK **88m**
- EBITA SEK **64m**
- ROCE **94%**

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



Business area Industry

Overview

- Organised in **3** 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, Q2 2018 LTM

- Net sales SEK **872m**
- EBITDA SEK **141m**
- EBITA SEK **113m**
- ROCE **63%**



Income statement

SEKm	2016	2017	Q2 2018 LTM	Q2 2018
Net sales	3,207	4,356	5,524	1,428
Raw materials and supplies	-1,526	-2,228	-3,024	-784
Other external costs	-516	-684	-845	-216
Personnel costs	-771	-983	-1,183	-312
Other income	4	7	14	1
Other operating costs	-12	-9	-10	-2
EBITDA	385	459	475	114
Depreciation	-67	-82	-101	-28
EBITA	318	377	374	86
Acquisition-related amortisations and write-downs	-17	-31	-46	-12
Impairment of goodwill	-	-	-4	-4
EBIT	301	345	324	70
Financial income	19	8	16	10
Financial costs	-66	-49	-79	-24
Profit before tax	254	305	261	55
Tax	-53	-63	-38	5
Net profit	201	241	224	61
<u>Net profit attributable to:</u>				
Parent company owners	196	240	222	60
Minority owners	4	1	2	1

Balance sheet

SEKm	31 Dec 2016	31 Dec 2017	30 Jun 2018
Intangible fixed assets	1,840	2,934	2,948
Tangible fixed assets	191	241	236
Financial fixed assets	8	10	10
Deferred tax assets	42	59	89
Total non-current assets	2,081	3,243	3,283
Inventory	387	610	624
Current assets	404	715	940
Assets related to discontinued operations	-	-	-
Current interest-bearing securities	-	0	0
Cash and cash equivalents	371	438	275
Total current assets	1,162	1,763	1,839
Total assets	3,243	5,006	5,122
Share capital	10	10	10
Other capital contributions	1,995	1,995	1,995
Other reserves	34	16	64
Retained earnings including net profit for the year	200	331	323
Non-controlling interests	18	13	15
Total shareholders' equity	2,257	2,365	2,407
Non-current interest-bearing debt	80	98	79
Provisions for pensions	3	2	2
Other provisions	6	6	5
Deferred tax liabilities	124	268	258
Other non-interest-bearing non-current liabilities	54	984	967
Total non-current liabilities	267	1,358	1,311
Current interest-bearing debt	73	106	195
Current non-interest-bearing debt	646	1,178	1,209
Total current liabilities	719	1,284	1,404
Total liabilities	986	2,642	2,715
Total equity and liabilities	3,243	5,006	5,122

Cash flow statement

SEKm	2016	2017	Q2 2018 LTM	Q2 2018
Profit before tax	254	305	261	55
Adjustment for non-cash items	122	146	184	53
Interest paid	-39	-21	-37	-12
Interest received	0	1	2	0
Cash taxes	-41	-62	-83	-20
Cash flow before changes in working capital	295	369	327	77
Change in inventories	-29	-18	17	-24
Change in operating receivables	-1	-32	-110	-104
Change in operating liabilities	20	156	76	63
Cash flow from change in working capital	-10	106	-16	-65
Cash flow from operating activities	285	475	312	13
Investments in tangible and intangible assets	-33	-57	-74	-21
Sale of tangible and intangible assets	1	6	4	0
Investments in subsidiaries	-261	-553	-560	-7
Sale of subsidiaries	-	1	2	1
Investments in financial assets	0	-	-	-
Sale of financial assets	10	-	0	0
Cash flow from investing activities	-284	-603	-627	-26
Shareholder contribution	24	-	-	-
Preference share issue	1,177	-1	-1	-
Dividends paid	-88	-105	-105	-57
Change in pension liability	-	-24	-24	-
Borrowings	-954	330	382	151
Cash flow from financing activities	159	200	252	95
Cash flow for the year	161	71	-64	81
Cash and cash equivalents at year-beginning	200	371	285	192
Translation differences	10	-4	8	2
Cash and cash equivalents at year-end	371	438	229	275

Net debt and working capital

SEKm	31 Dec 2016	31 Dec 2017	Q2 2018 LTM
Net debt			
Cash and cash equivalents	-371	-438	-275
Unrealised derivate instruments assets	0	0	0
Pension liabilities	2	2	2
Non-current interest-bearing liabilities	54	984	967
Current interest-bearing liabilities	73	106	195
Unrealised derivative instruments liabilities	0	0	1
Accrued interest expenses	-	2	7
Pension assets	-2	-2	-2
Adjustment for nominal value obligation loan	-	-12	-12
Adjustment for shareholder loans	-22	-23	-23
Net debt	-264	619	860
Net working capital			
Assets			
Inventories	387	610	624
Receivables	302	455	631
Other short-term receivables	17	48	50
Prepaid expenses / accrued Income	74	154	165
Working capital assets	780	1,267	1,470
Liabilities			
Accounts payable	267	607	507
Advances from customers	56	65	85
Other current liabilities	112	167	211
<i>Adjustment for accrued preference share dividend</i>	<i>-32</i>	<i>-32</i>	<i>-64</i>
Accrued expenses / prepaid income	158	265	306
Working capital liabilities	562	1,072	1045
Net working capital	219	195	425

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