

Interim Report January–September 2020

Mårten Andersson, CEO

Andreas Stenbäck, CFO

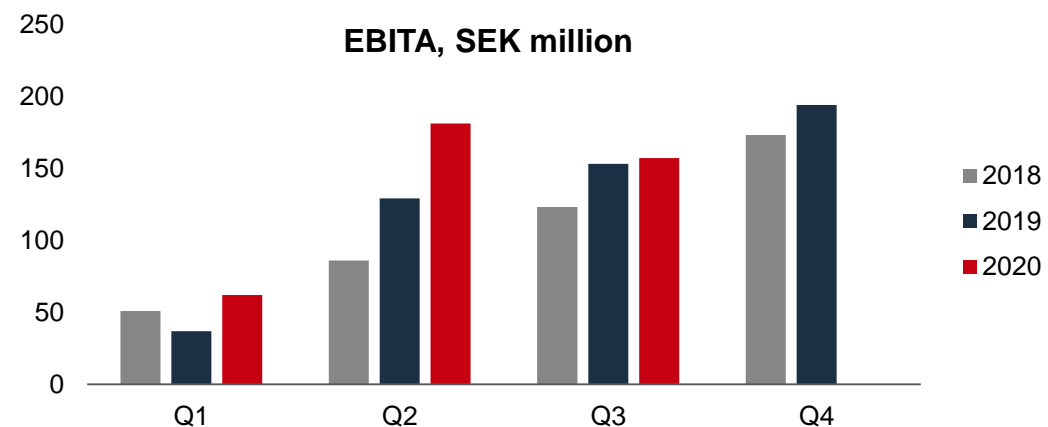
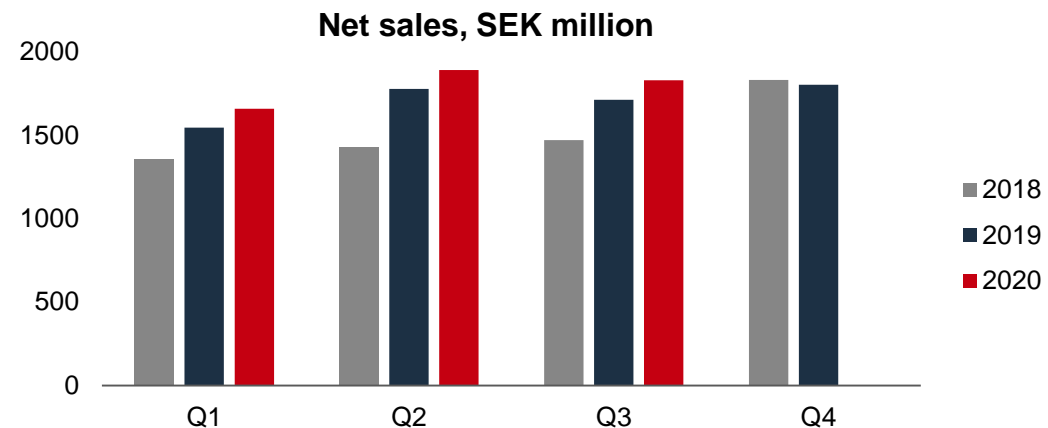
22 October 2020

Financial development in Q3 2020

Net sales
SEK 1,828 m (1,711)

EBITA
SEK 157 m (153)

Return on adjusted equity
20%



Continued impressive earnings growth

- Another quarter of strong earnings growth. EBITA increased by 26 percent to SEK 161 million, excluding Besikta.
- Consumer's EBITA SEK 28 m behind last year, solely because of the so called Omnibus regulation (a temporary EU regulation in response to the corona crisis).
- EBITA YTD excluding Besikta increased by 37 percent.
- Acquisition of fittings and furnishing company Pisle OY in Finland and label manufacturer Märkas AB.
- Return on adjusted equity amounted to 20 percent, in line with long-term financial target despite low leverage ratios.

Events after the reporting period

- Volati divests Besikta Bilprovning with an estimated capital gain of SEK 750 million.



Financial development, LTM Q3 2020

Net sales

SEK **7,177** m
(2019: 6,833)

EBITA

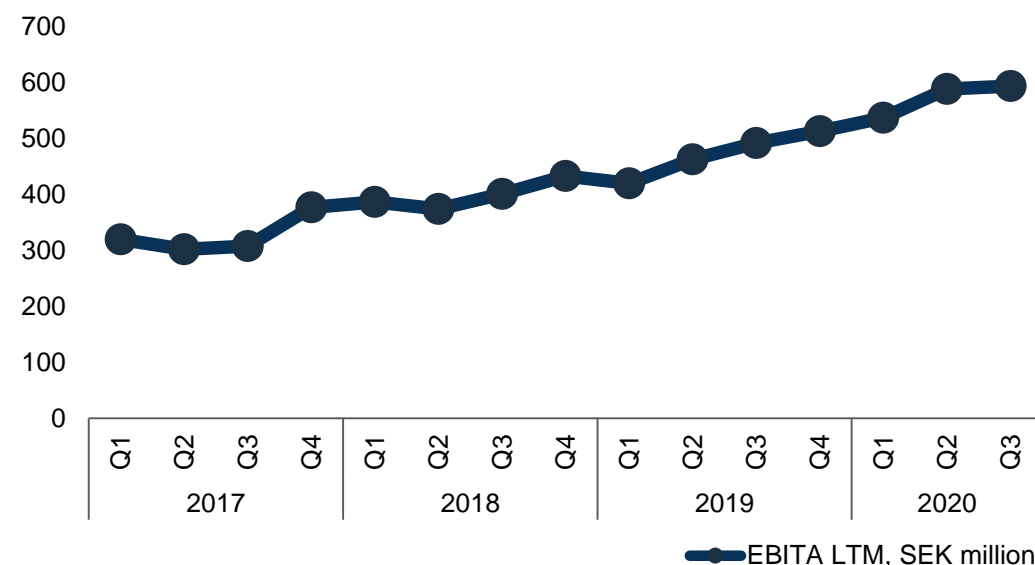
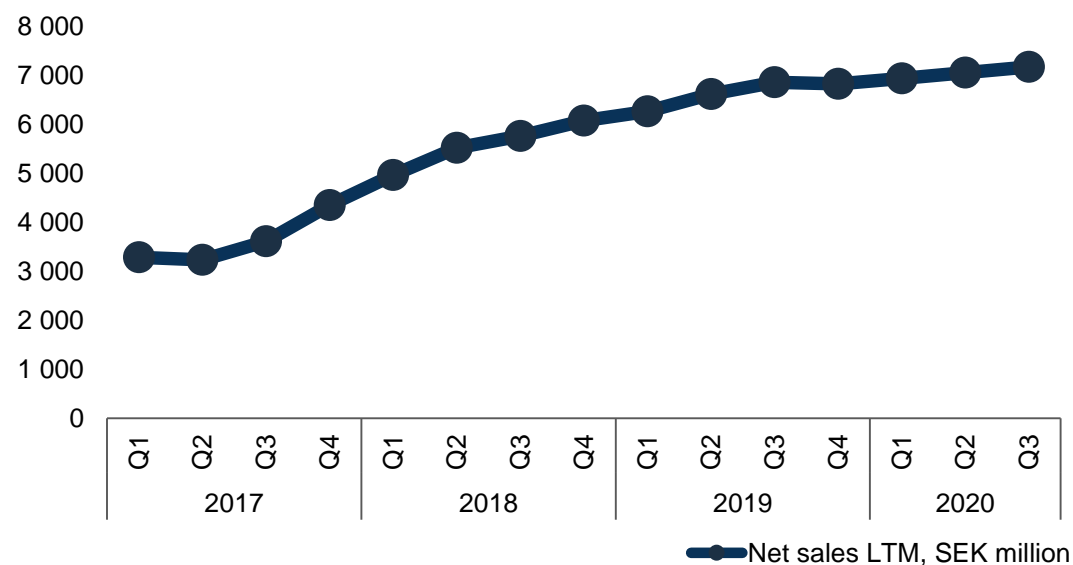
SEK **594** m
(2019: 513)

Operating cash flow

SEK **730** m
(2019: 523)

Net debt/adjusted EBITDA

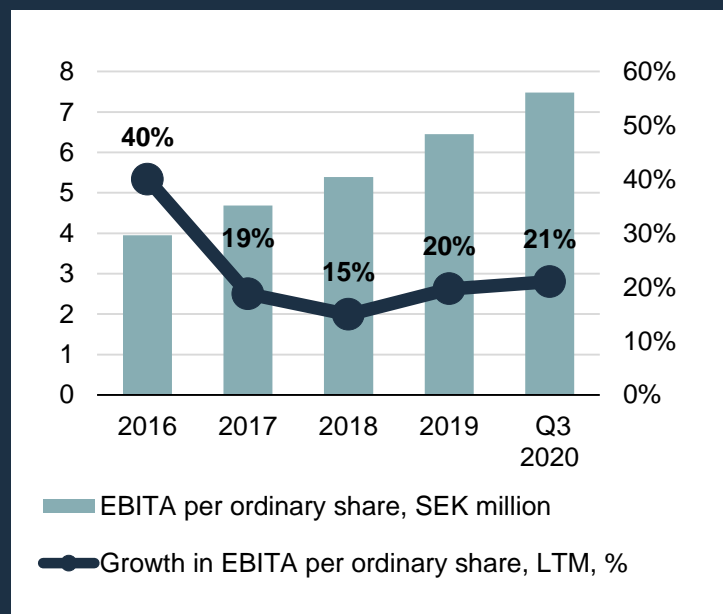
1.4_x
(2019: 1.5)



Financial targets

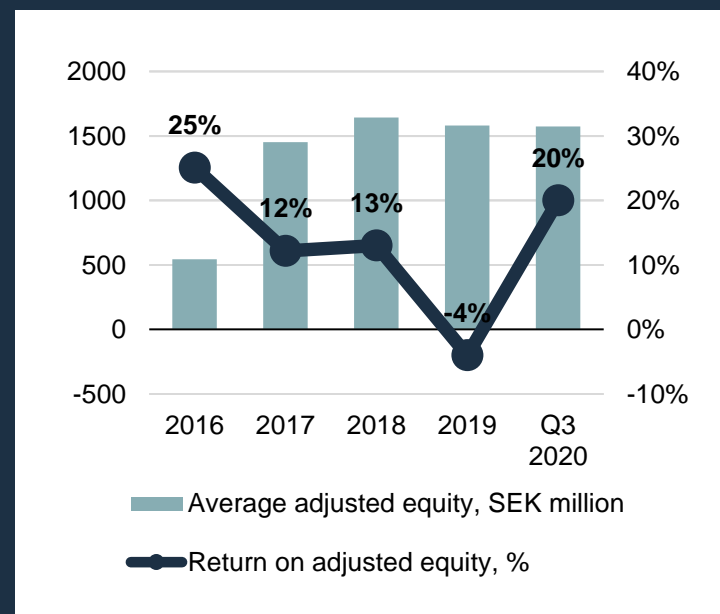
EBITA growth

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



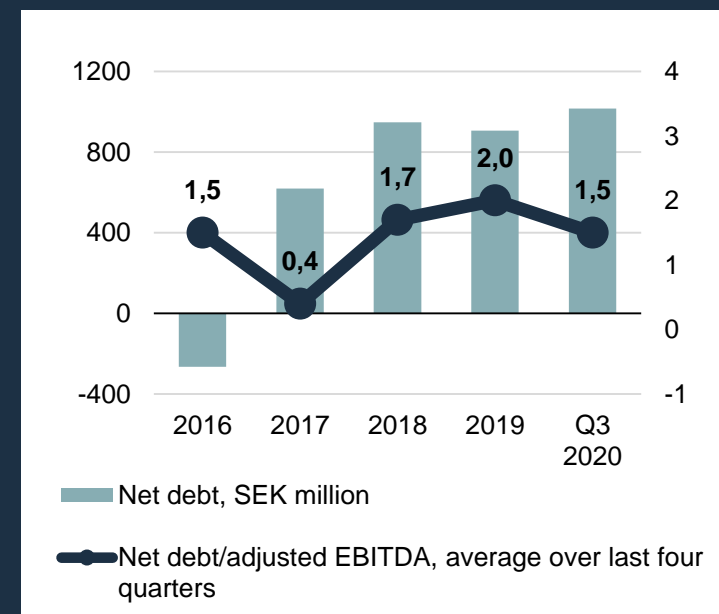
Return on adjusted equity

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



Capital structure

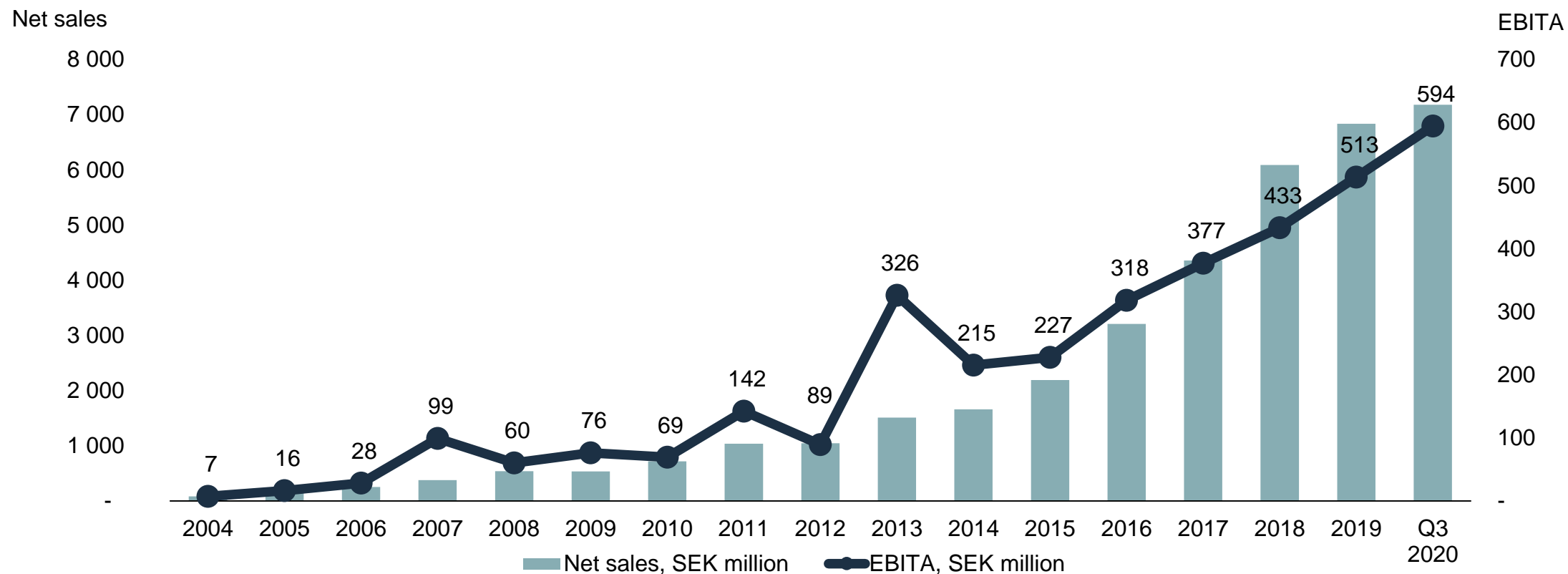
The target is a net debt/adjusted EBITDA* ratio of 2 to 3 times as an average over the last four quarters, and not exceeding 3.5 times.



*See pages 135-143 of the 2019 Annual Report for definitions of alternative performance measures.

Volati creates long-term value growth

Since the IPO in 2016, our average annual EBITA growth has been 18 percent.
33 percent average annual EBITA growth since the 2004.



Volati divests Besikta to Applus+

- Volati has signed an agreement to sell all shares in Besikta Bilprovning i Sverige Holding AB to Applus Servicios Tecnologicos SLU.
- The purchase price is based on an enterprise value of SEK 1,050 million which corresponds to an approximate equity value of SEK 840 million.
- The transaction will generate a capital gain of approximately SEK 750 million and an internal rate of return (IRR) of approximately 50 percent.
- Besikta has shown an EBITA LTM of SEK 71 million, and YTD of SEK 57 million.
- The five acquisitions that Volati closed in 2020 together had an EBITA YTD in line with Besikta's. The acquisitions were closed at a total enterprise value of less than SEK 300 million, compared to the sale of Besikta at an enterprise value of SEK 1,050 million.



A showcase for Volati's value creation agenda

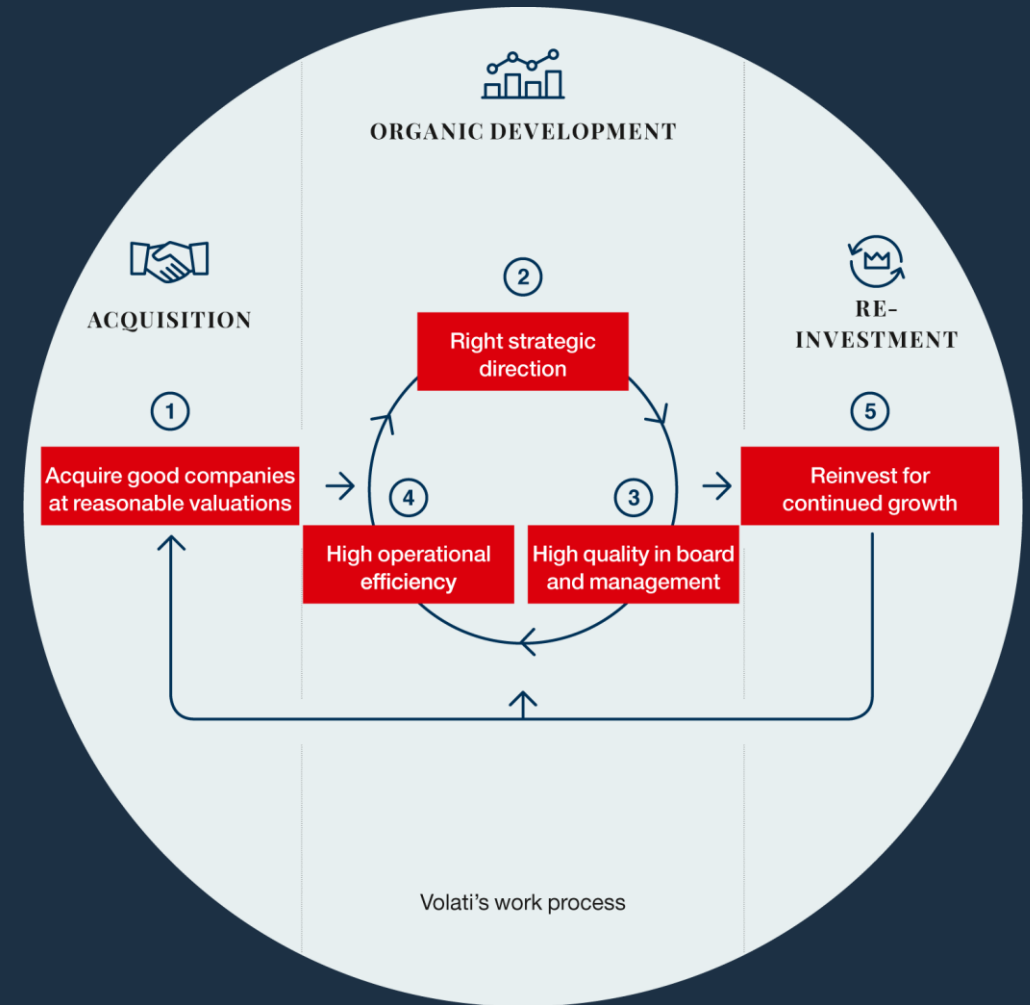
1 Acquired a good company at a reasonable valuation by exploiting difference between perceived and actual risk.
+ Large and profitable cluster of stations in a regulated market.
- No brand name, no management team, no IT system, no financial history and complex transaction.

2 Strong execution

- Created leading brand in a premium position.
- Established new management team.
- Optimising station staffing and pricing.
- Expanded station network from 56 to 185 through acquisition and organically.

3 The right buyer – at the right time

- Currently in process to update the business plan.
- Changing dynamics in regulated market for vehicle inspection.
- Received a very attractive offer from leading global player.
- Great home for Besikta to continue its successful journey.



Business area
Trading

38%
of EBITA,
LTM

Continued growth in Trading

- Another quarter with high growth in both sales and earnings.
- Trading has benefited from a continued strong market, through its well-known brands and leading market positions.
- A strategically important acquisition in Finnish Pisla, which confirms the business area's position as a leading Nordic supplier of fittings and furnishings.

	Jul-Sep 2020	Jul-Sep 2019	Jan-Sep 2020	Jan-Sep 2019	LTM Q3 2020	Full-year 2019
Net sales, SEK m	675	535	1,978	1,620	2,496	2,138
EBITA, SEK m	79	50	203	138	243	178
EBITA margin, %	12	9	10	9	10	8
EBIT, SEK m	76	48	194	130	231	167
ROCE excl. goodwill, %	36	28	36	28	36	28
ROCE incl. goodwill, %	15	12	15	12	15	12



Business area

Consumer

16%
of EBITA,
LTM

Temporary challenges for Consumer

- Decrease in sales and earnings compared to last year, which is solely the result of the introduction of a temporary EU regulation due to the corona crisis, the so-called omnibus regulation.
- Inspection volumes decreased in July and August – back to normal levels in September.
- After the end of the period, Besikta was sold to Applus+.

	Jul-Sep 2020	Jul-Sep 2019	Jan-Sep 2020	Jan-Sep 2019	LTM Q3 2020	Full-year 2019
Net sales, SEK m	149	224	560	694	761	895
EBITA, SEK m	6	34	76	86	102	112
EBITA margin, %	4	15	13	12	13	13
EBIT, SEK m	10	31	75	77	98	101 ¹⁾
ROCE excl. goodwill, %	66	86	66	86	66	76
ROCE incl. goodwill, %	17	12	17	12	17	14

¹⁾Excluding impairment of intangible assets in Q3 2019.

As of november 2019, me&i is no longer consolidated in Volati.

Business area

Akademi- bokhandeln

13%
of EBITA,
LTM

Continued strong growth in digital channels

- Growth in both sales and earnings.
- 20 percent growth in the digital channels Bokus, Akademibokhandeln.se and BokusPlay, in total accounting for 45 percent of sales for the quarter.
- Store sales showed a clear recovery and was only 8 percent lower than the same period last year.

	Jul-Sep 2020	Jul-Sep 2019	Jan-Sep 2020	Jan-Sep 2019	LTM Q3 2020	Full-year 2019
Net sales, SEK m	427	416	1,169	1,198	1,765	1,793
EBITA, SEK m	25	18	-4	-10	82	76
EBITA margin, %	6	4	0	-1	5	4
EBIT, SEK m	19	12	-22	-27	58	53
ROCE excl. goodwill, %	32	37	32	37	32	26
ROCE incl. goodwill, %	9	10	9	10	9	8



Business area
Industry

34%
of EBITA,
LTM

Another good quarter for Industry

- Another good quarter with continued sales and earnings growth.
- Product leaders in their niches with strong market positions.
- The Ettiketto business unit made its second add-on acquisition for the year through the acquisition of Märkas. The two acquisitions showed a combined sales in excess of SEK 300 million in 2019, doubling the size of the business unit. Both acquisitions are synergetic.

	Jul-Sep 2020	Jul-Sep 2019	Jan-Sep 2020	Jan-Sep 2019	LTM Q3 2020	Full-year 2019
Net sales, SEK m	578	536	1,670	1,521	2,157	2,008
EBITA, SEK m	64	51	172	130	221	179
EBITA margin, %	11	10	10	9	10	9
EBIT, SEK m	60	49	164	124	210	171
ROCE excl. goodwill, %	27	20	27	20	27	21
ROCE incl. goodwill, %	17	13	17	13	17	14

Creating a strong acquisition pipeline

Add-on acquisitions

- A decentralised acquisition organisation.
- All structures and processes in place to manage the entire acquisition process in the business areas – from building a pipeline to completing transactions and integrating companies.
- Identifying potential add-on acquisitions is an integrated part of strategic work in the business units, meaning strong inflow.
- We have the position as a natural industrial buyer, in combination with what Volati can offer.

Platform acquisitions

- A centralised acquisition organisation.
- Volati has broad acquisition expertise and experience internally, and a solid reputation as a trustworthy counterpart in acquisition discussions.
- Combination of long term and structured work to build an M&A pipeline, and an opportunistic approach when situations occur
- Important sourcing channels include the Volati group, own network outside Volati, good relations with professional advisors, etc.

Completed add-on acquisitions since 2019

Stenentreprenader

April 2019

Add-on acquisition to
business area Industry
and business unit
S:t Eriks

Mundus Maskin

April 2019

Add-on acquisition to
business area Industry
and business unit
Tornum

Väggmaterial

September 2019

Add-on acquisition to
business area Trading

Swekip

December 2019

Add-on acquisition to
business area Trading

Heco Nordiska

January 2020

Add-on acquisition to
business area Trading

Beneli

June 2020

Add-on acquisition to
business area Industry
and business unit
Ettiketto

Pisla

September 2020

Add-on acquisition to
business area Trading

Märkas

September 2020

Add-on acquisition to
business area Industry
and business unit
Ettiketto

Pisla OY – a typical add-on acquisition

Pisla at a glance

- Headquartered in Viitasaari in central Finland
- Nationwide market leader in fittings
- Just over 100 employees
- Sales of appr. SEK 250 million

Acquisition rationale

- **Expanding geographically** – Pisla no. 1 and Habo no. 2 in fittings for homes and buildings in Finland. Together they are undisputed market leader.
- **Enhanced product offering** – Cross selling opportunities for example by offering Pisla's strong brands such as Muurikka (products for kitchen and outdoor cooking) through Business Area Trading's existing channels in the Nordics
- **Synergies** – In addition to sales synergies mainly in sourcing and operational efficiency.

The acquisition has also strengthened Volati's position as an acquirer in Finland.



Conclusions and steps ahead

Continued impressive earnings growth

The result for the quarter confirms the positive trend with very good earnings growth in our operations.

Solid financial position

- Net debt to EBITDA at 1,4x, well below financial target.
- Cash flow effect from the divesture of Besikta, approx. SEK 1,040 million.

Good momentum with regards to M&A

- 8 acquisitions completed since 2019, of which 2 in the last quarter.
- Structure and processes in place for additional M&A to come.

We are now focusing fully on the continuing growth journey and long-term value creation for Volati, with acquisitions as an important part of the strategy.

Giving companies the right conditions to grow



Volati – a growing Swedish Industrial Group



volati.