

# Q4 2017

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## FINANCIAL DEVELOPMENT IN Q4 2017.

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**Net sales**

**SEK 1,517m**

(780)

**EBITA**

**SEK 142m**

(73)

**Operating cash flow**

**SEK 364m**

(139)

**Q4**

## FINANCIAL DEVELOPMENT FULL YEAR 2017.

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**Net sales**

**SEK 4,356m**

(3,206 FY2016)

**EBITA**

**SEK 377m**

(318 FY2016)

**Operating  
cash flow**

**SEK  
513m**

(344 FY2016)

**Organic  
EBITA  
growth  
-18%**

**FULL YEAR**

**2017**

# TOTAL EBITA GROWTH OF 18 PERCENT BUT DISAPPOINTING ORGANIC EBITA GROWTH.

## NET SALES AND EARNINGS

- In 2017, a number of our companies did not deliver in line with expectations, with clear impact on the Group's organic earnings growth, which was negative 18% on full-year
- Despite this, for the full year we can report EBITA growth of slightly more than 18%, together with a strong cash flow and low net debt
- Variations are, and have always been, part of Volati's operations. Therefore, Volati's operating model is focused on long-term value creation

## ACQUISITIONS

- We are pleased with the acquisitions made in 2017 of good companies to reasonable valuations – Akademibokhandeln, Silokonsult and T-Emballage
- The acquired businesses contribute EBITA of SEK 139m – in line with our long-term growth targets

## CONCLUSIONS

- Changes to improve business unit governance and to lower costs – a reinforced business area organisation with increased mandate
- Despite a negative organic growth trend in 2017, the average organic EBITA growth over the past five years was slightly more than 8%

# THE UNDERLYING REASONS FOR WEAK PERFORMANCES DIFFER.

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## INDUSTRY – CORROVENTA

- No major floods in the year, earnings were significantly down on 2016
- Corroventa stands strong and continues to perform well
- Good preconditions for performing well ahead

## INDUSTRY - TORNUM

- Tornum reported healthy sales
- Weak project profitability due to a larger share of sales of external brand products with lower margin
- Project composition varies over time

## CONSUMER – NATURAMED PHARMA AND ME&I

- Weak development during 2017, continued in fourth quarter
- Facing structural challenges due to changed consumer behavior
- Working with measures to strengthen profitability

## OTHER BUSINESSES

- Good or strong development in our other businesses
- Strongest earnings in fourth quarter for Akademibokhandeln and Bokus – contributes with SEK105m in EBITA since acquisition in July 2017

# DECISIONS CLOSER TO OPERATIONS IN STRENGTHENED BUSINESS AREA ORGANISATION.

Acquisitions

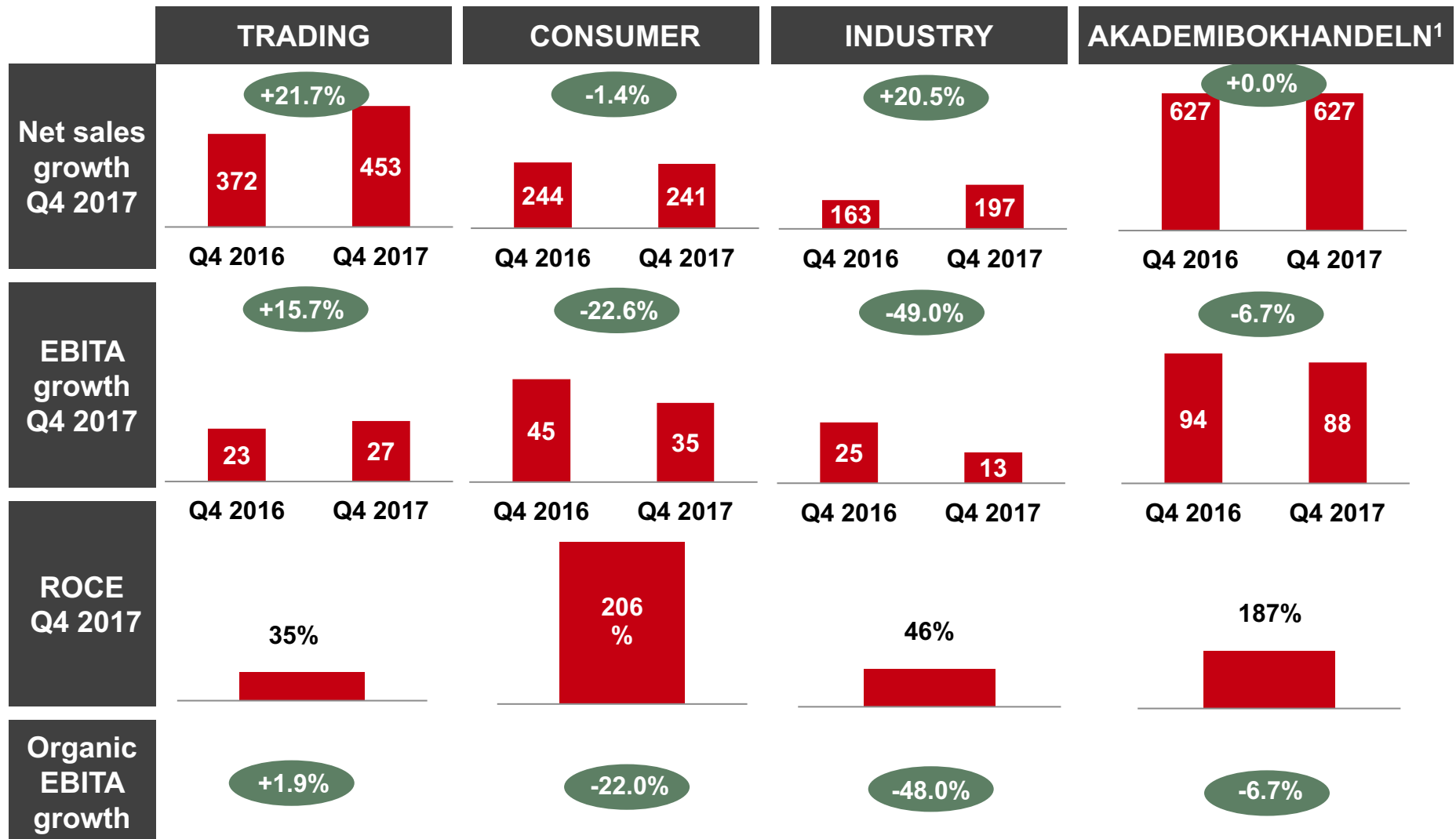
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In charge of platform acquisitions



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

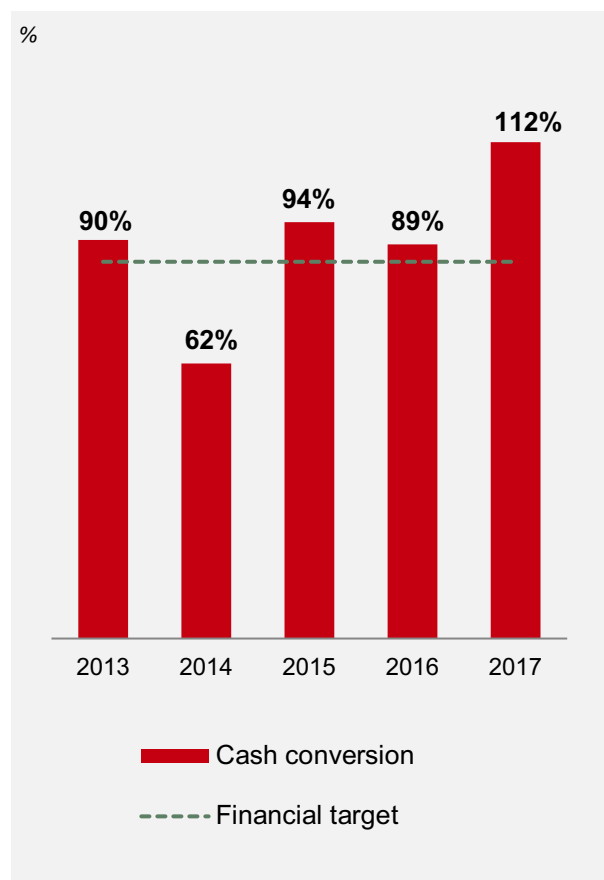
# GROWTH IN TRADING – WEAK DEVELOPMENT IN INDUSTRY AND CONSUMER.



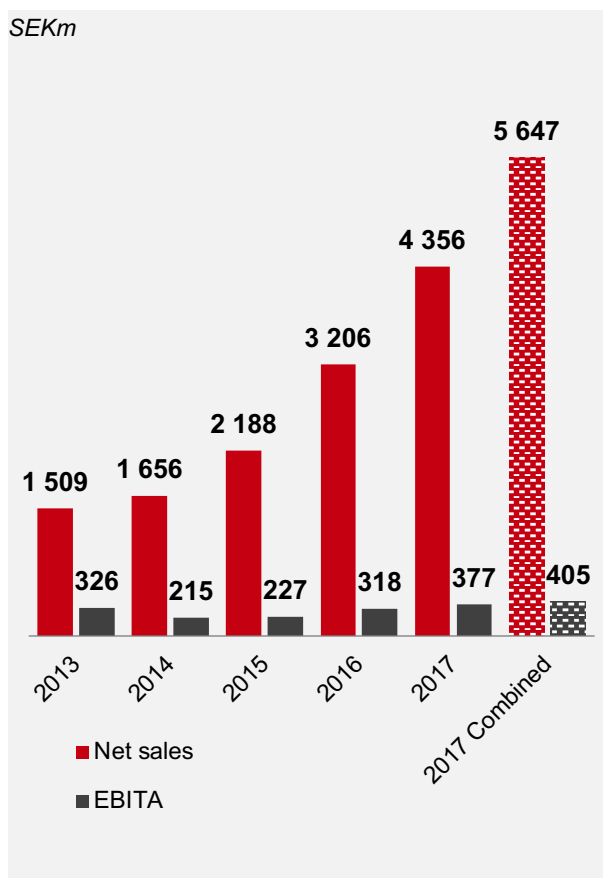
1) Akademibokhandeln was acquired in July 2017, financial information regarding Q4 2016 pro forma not audited

# STRONG CASH FLOW AND LOW NET DEBT.

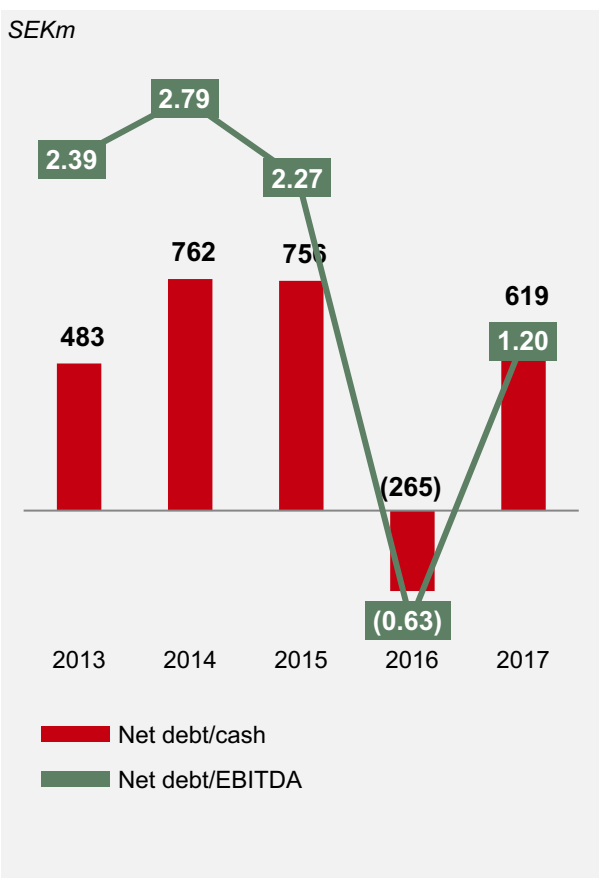
## CASH CONVERSION



## SALES AND EBITA



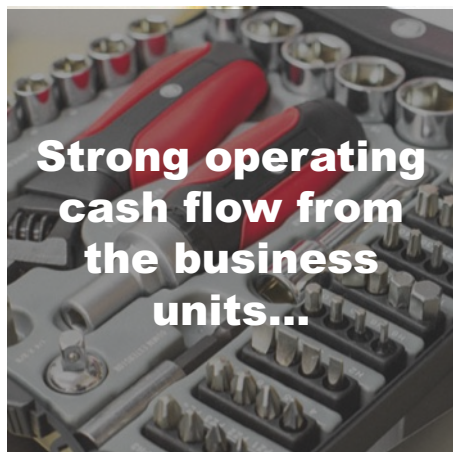
## NET DEBT/(CASH)



1) Adjusted EBITDA   
 2) Adjusted EBITA combined with EBITA of the acquired business of Akademibokhandeln, Silokonsult and T-Emballage as if they had been owned since 1 January 2017



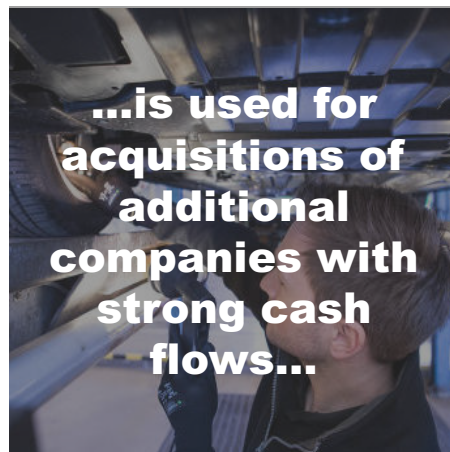
# A ROBUST BUSINESS MODEL.



**OPERATING CASH FLOW**

**SEK 513m**

Operating cash flow full year 2017



**ACQUIRED EBITA GROWTH**

**42%**

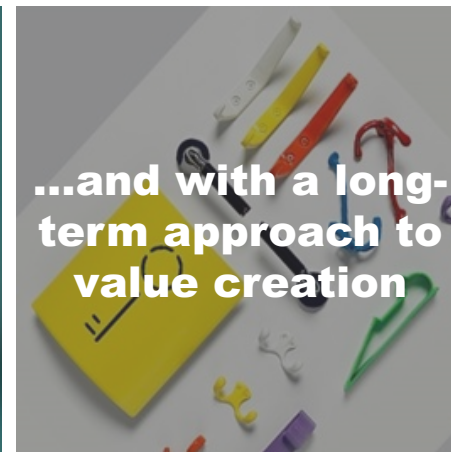
Average acquired EBITA growth 2013-2017



**ACQUISITION MULTIPLES**

**6.0x**

Weighted average EV/EBITDA acquisition multiple since 2004



**ORGANIC EBITA GROWTH**




**8%**

Average organic EBITA growth 2013-2017

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

PATRIK WAHLÉN

# THREE ACQUISITIONS IN 2017 – ADDING SEK 139 M IN EBITA.

			
<b>ANNOUNCEMENT DATE</b>	24 May 2017	5 Jul 2017	27 Oct 2017
<b>CLOSING DATE</b>	3 Jul 2017	5 Jul 2017	10 Nov 2017
<b>TYPE OF ACQUISITION</b>	<ul style="list-style-type: none"> <li>• <b>Business area</b></li> </ul>	<ul style="list-style-type: none"> <li>• <b>Add-on acquisition to existing business unit</b></li> </ul>	<ul style="list-style-type: none"> <li>• <b>Business unit</b></li> </ul>
<b>INVESTMENT THESIS</b>	<ul style="list-style-type: none"> <li>• <i>The only successful omni-channel player (#1 physical bookstores; #2 online retailer)</i></li> <li>• <i>Strong brand names and loyal customer base</i></li> <li>• <i>Solid profitability and strong cash generation</i></li> <li>• <i>Strong offering across all book formats and delivery channels</i></li> </ul>	<ul style="list-style-type: none"> <li>• <i>Strengthens Tornum's position as supplier to industrial clients</i></li> </ul>	<ul style="list-style-type: none"> <li>• <i>Well-managed, profitable business with a strong market position</i></li> <li>• <i>Revenue synergies with the other business units within the Trading business area primarily through access to additional distribution</i></li> </ul>
<b>DEAL DYNAMICS</b>	<ul style="list-style-type: none"> <li>• <b>Bilateral process</b></li> <li>• <b>Deal sourced by external advisor</b></li> </ul>	<ul style="list-style-type: none"> <li>• <b>Bilateral process</b></li> <li>• <b>Deal sourced by Volati</b></li> </ul>	<ul style="list-style-type: none"> <li>• <b>Bilateral process</b></li> <li>• <b>Deal sourced by Volati</b></li> </ul>
<b>ACQUISITION MULTIPLE (EV / EBITDA)</b>	6.1x <sup>1</sup>	3.5x <sup>2</sup>	7.0x <sup>1</sup>
<b>BUSINESS AREA</b>	<b>Own business area</b>	<b>Part of Industry business area</b>	<b>Part of Trading business area</b>

1) Acquisition multiples calculated as enterprise value in relation to reported LFY EBITDA of the acquired company.  
 2) Acquisition multiples calculated as enterprise value in relation to underlying EBITDA of the acquired company.  
 Source: Company information.

# WELL-POSITIONED FOR ADDITIONAL ACQUISITIONS IN A CHALLENGING ENVIRONMENT.

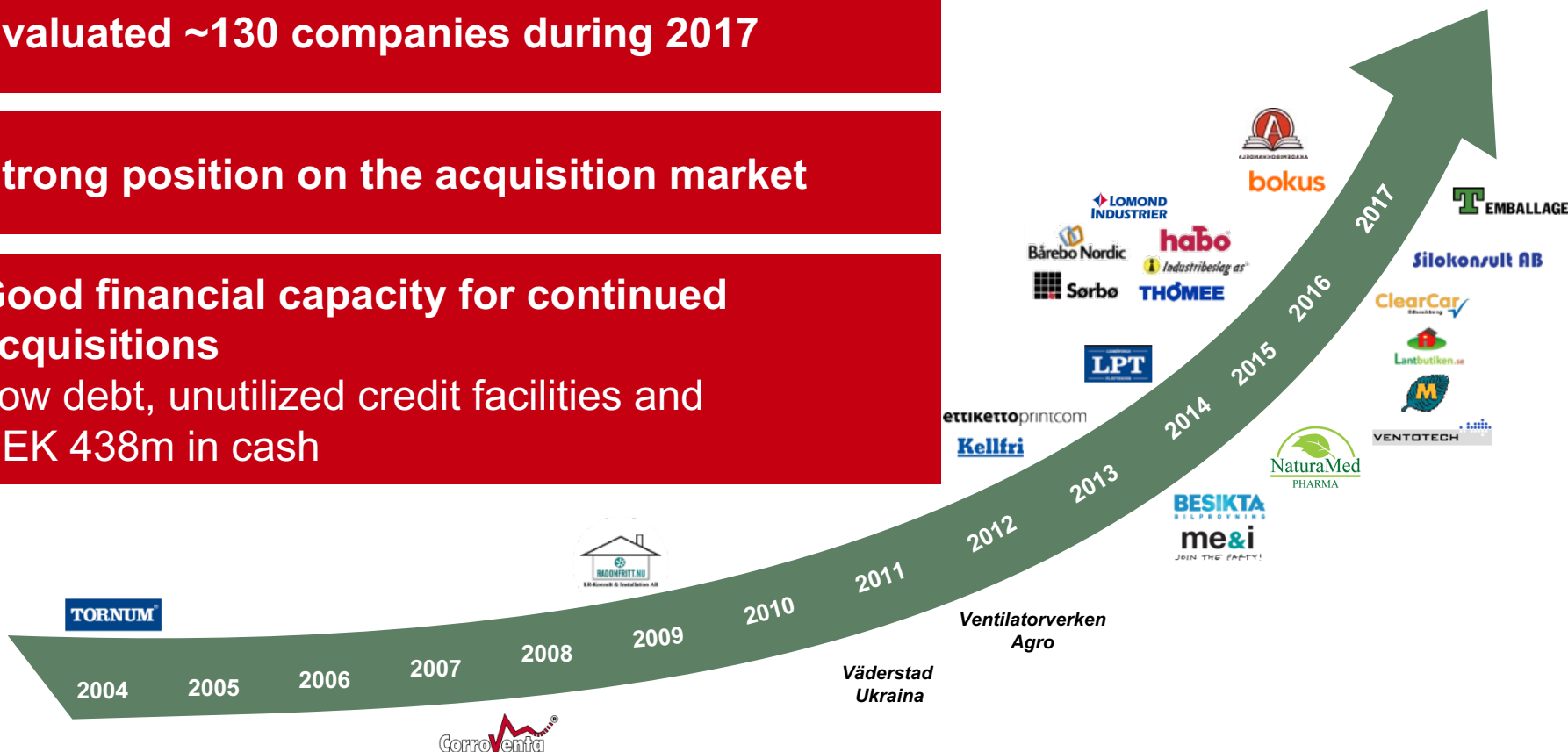
Well-defined acquisition model and process

Evaluated ~130 companies during 2017

Strong position on the acquisition market

Good financial capacity for continued acquisitions

Low debt, unutilized credit facilities and SEK 438m in cash



# LONG-TERM DEVELOPMENT SUPPORTS FINANCIAL TARGETS.

METRIC	TARGET	PERFORMANCE
<b>EBITA growth</b>	<b>SEK 700m</b> (by 2019) Reach an adjusted <b>EBITA of SEK 700m</b> at end of 2019 – annual <b>organic EBITA growth of 5%</b> on average	<p><b>&gt;2.7x</b> 377 137 2013 2017 <b>8%</b> Average organic EBITA growth 2013 – 2017</p>
<b>Cash conversion</b>	<b>&gt;85%</b> Annual <b>cash conversion</b> of at least <b>85%</b>	<p>90% 62% 94% 89% 112% 2013 2014 2015 2016 2017</p>
<b>Return on adjusted equity</b>	<b>&gt;20%</b> (long-term) Long-term reach a <b>return on adjusted equity</b> of at least <b>20%</b>	<p>110% 32% 42% 25% 12% 2013 2014 2015 2016 2017</p>
<b>Net debt / adj. EBITDA</b>	<b>&lt;3x</b> (long-term) Volati's long-term objective is to maintain a <b>net debt</b> of <b>&lt;3x</b> adj. EBITDA LTM	<p>2.4x 2.8x 2.3x (0.6x) 1.2x 2013 2014 2015 2016 2017</p>
<b>Common equity dividend policy</b>	<b>~10-30%</b> Distribute <b>10-30%</b> of <b>net profit</b> for the year – Volati's acquisition opportunities will be taken into consideration	<p><b>SEK 0.50</b></p> <p>Proposed dividend per ordinary share in 2018 corresponding to 16% of the 2017 net profit</p>

# WELL-POSITIONED FOR DELIVERING LONG-TERM VALUE.

## Reinforced business area organisation

- Enables efficient management of our operations and provides management resources to achieve the strategic plans and value creation in the business units

## Low net debt and high acquisition capacity

- Good position for continuing our acquisition strategy

## Long-term value creation

- Confident that we will continue to deliver long-term value with our proven business model and capacity to address challenges



# A growing Swedish industrial group

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# APPENDIX.

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# ACCOUNTING POLICIES – IFRS 15 AND IFRS 9.

## IFRS 15

### IFRS 15 Revenue from Contracts with Customers

- The new standard entails that revenue is to be recognised when the customer obtains control of the sold goods or services and has the opportunity to use or obtain the benefits from the goods or service.
- Volati has applied the transition to IFRS 15 with a forward-looking approach

#### IMPACT

- No impact on the consolidated financial statements other than the expanded disclosure requirements in IFRS 15. The final assessment is that the implementation of IFRS will not have any material impact on the Group's financial position.

## IFRS 9

### IFRS 9 Financial Instruments

- The main impact pertains to a partially new process for credit losses which is based on expected credit losses rather than on incurred credit losses. Volati has applied the transition with a forward-looking approach.

#### IMPACT

- No material impact on the consolidated financial statements. As of 31 December 2017. The effect from the application of IFRS 9 on the consolidated financial statements was SEK 0.5m, which will be seen as an equity item, effect of changed accounting standard, in the first interim report for 2018.

# ACCOUNTING POLICIES – IFRS 16 LEASES.

## IFRS 16

- From 2019, IFRS 16 — Leases requires all assets and liabilities attributable to leasing agreements, with a few exceptions, to be recognised in the balance sheet.
- The standard is applicable for financial years commencing on 1 January 2019 or later and Volati will not use early adoption.
- The implementation of the new leasing standard will entail the majority of the Group's leases being brought on-balance-sheet, since no differential will be made between operating and finance leases.

### IMPACT

- Positive impact on pro forma EBITDA for the 2017 financial year would arise of SEK 223m
- Positive impact on pro forma EBITA would arise of SEK 10m since lease costs would be replaced by depreciation and interest expenses.
- The effect on net earnings would amount to negative SEK 13m. Viewed over the total term of a lease commitment, net profit after tax is not impacted by the introduction of IFRS 16. However, individual years can be positively or negatively impacted. 2017 would be negatively impacted since we are using the forward-looking method with higher financial costs as result of the higher initial debt. Over time, the debt and thus the financial costs will decline and net profit after tax will as a consequence be impacted positively. Furthermore, pro forma total assets would initially increase by SEK 634m due to the recognition of a right-of-use and a corresponding lease liability.

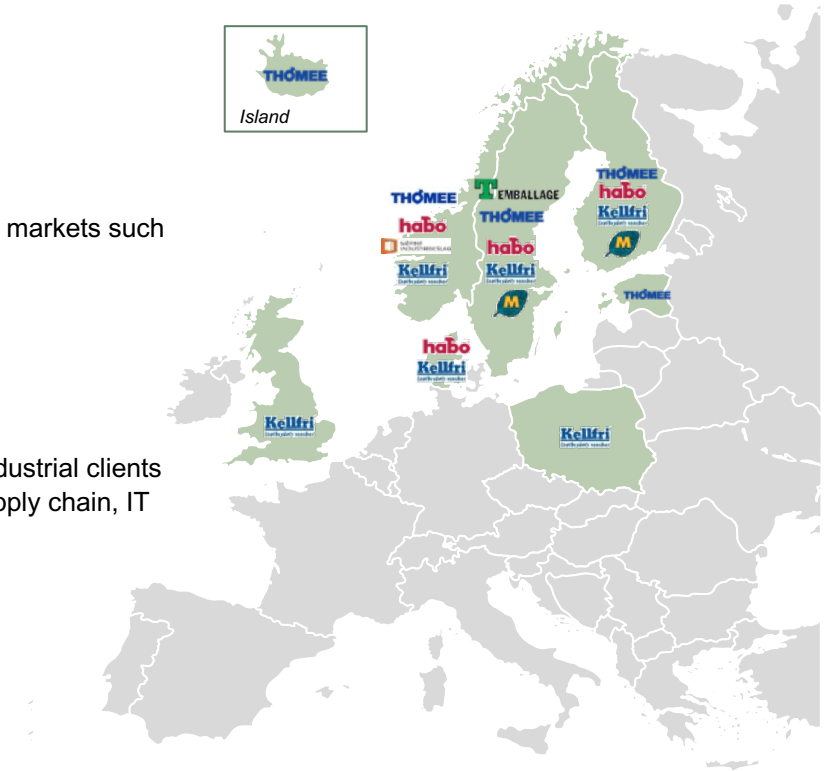
# BUSINESS AREA TRADING – OPERATIONAL SYNERGIES THROUGH SHARED SERVICE CENTRE.

## An operational business area

- Operating **16** companies in **6** countries
- 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, 2017

- Net sales SEK **1,615m**
- EBITDA SEK **136m**
- EBITA SEK **125m**
- ROCE **35%**



◐ Share of business area net sales 2017, including T-Emballage since acquisition date.

1) Lomond Industrier is a shared service centre so no external sales.  
 2) T-Emballage acquired in November 2017 included since acquisition date.

# BUSINESS AREA CONSUMER – ATTRACTIVE NICHES.

## A strategic business area

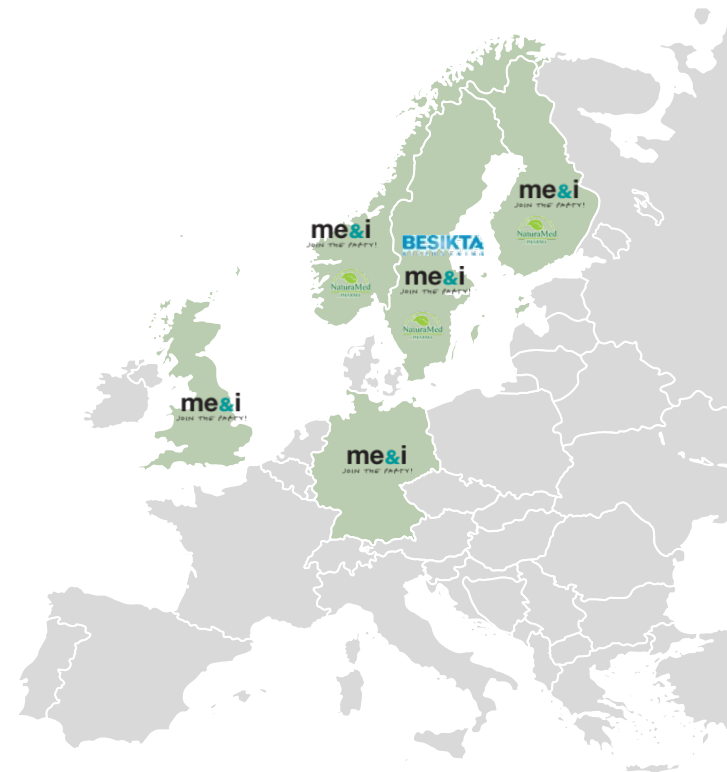
- Operating **9** companies in **5** countries
- Organised in **3** business units

## 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, 2017

- Net sales SEK **966m**
- EBITDA SEK **167m**
- EBITA SEK **134m**
- ROCE **206%**



**BESIKTA**  
BILPROVNING

A leading Swedish vehicle inspection company



**NaturaMed**  
PHARMA

Supplier of subscription-based private label health supplements and OTC pharmaceuticals



**me&i**  
JOIN THE PARTY!

Social sales clothing designer and manufacturer, mainly offered to women with children

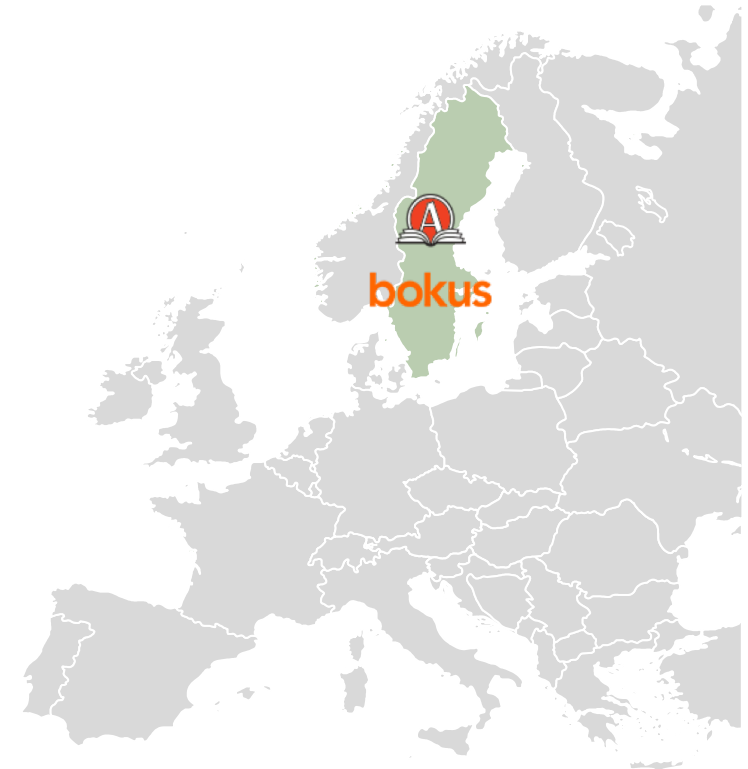
# BUSINESS AREA AKADEMIBOKHANDELN – SWEDEN’S LEADING BOOK RETAILER.

## Overview

- Operating **2** companies in **Sweden**
- 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
- 1.5 million members in the book club



## Key financials, 2017

- Net sales SEK **1.8bn**
- EBITDA SEK **114m**
- EBITA SEK **92m**



#1 in physical bookstores in Sweden with approx. 60-65% market share



**bokus**

#2 online retailer in Sweden with approx. 34% market share

# BUSINESS AREA INDUSTRY – SUCCESSFUL EXPANSION.

## A strategic business area

- Operating **21** companies in **14** countries
- 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, 2017

- Net sales SEK **747m**
- EBITDA SEK **106m**
- EBITA SEK **79m**
- ROCE **46%**



**TORNUM**

Manufacturer and supplier of grain handling equipment with expertise within drying and cooling technologies

**Corroventa**

Drying, dehumidification and decontamination equipment developer and distributor

**ettikettoprintcom**

Adhesive labels and labelling systems developer and supplier

◐ Share of business area net sales 2017.

# INCOME STATEMENT.

SEKm	2014	2015	2016	2017
Net sales	1,656	2,188	3,207	4,356
Raw materials and supplies	-547	-933	-1,526	-2 228
Other external costs	-347	-413	-516	-684
Personnel costs	-513	-582	-771	-983
Other income	3	18	4	7
Other operating costs	-2	-3	-12	-9
<b>EBITDA</b>	<b>249</b>	<b>275</b>	<b>385</b>	<b>459</b>
Depreciation	-34	-47	-67	-82
<b>EBITA</b>	<b>215</b>	<b>227</b>	<b>318</b>	<b>377</b>
Acquisition-related amortisations and write-downs	-60	-13	-17	-31
<b>EBIT</b>	<b>155</b>	<b>214</b>	<b>301</b>	<b>345</b>
Financial income	4	23	19	9
Financial costs	-98	-76	-66	-49
<b>Profit before tax</b>	<b>61</b>	<b>161</b>	<b>254</b>	<b>305</b>
Tax	-6	-35	-53	-64
Profit related to discontinued operations	-	-	-	-
<b>Net profit</b>	<b>56</b>	<b>126</b>	<b>201</b>	<b>241</b>
<b>Net profit attributable to:</b>				
Parent company owners	14	93	196	240
Minority owners	41	33	4	1

# BALANCE SHEET.

SEKm	31 Dec 2014	31 Dec 2015	31 Dec 2016	31 Dec 2017
Intangible fixed assets	1,160	1,689	1,840	2,934
Tangible fixed assets	138	180	191	241
Financial fixed assets	8	13	8	10
Other non-current marketable securities	4	7	-	-
Deferred tax assets	21	33	42	59
<b>Total non-current assets</b>	<b>1,332</b>	<b>1,922</b>	<b>2,081</b>	<b>3,243</b>
Inventory	161	328	387	610
Current assets	174	376	404	715
Assets related to discontinued operations	-	-	-	-
Current interest-bearing securities	-	-	-	0
Cash and cash equivalents	156	200	371	438
<b>Total current assets</b>	<b>492</b>	<b>904</b>	<b>1,162</b>	<b>1,763</b>
<b>Total assets</b>	<b>1,823</b>	<b>2,826</b>	<b>3,243</b>	<b>5,006</b>
Share capital	5	5	10	10
Other capital contributions	-	828	1,995	1,995
Other reserves	2	-14	34	16
Retained earnings including net profit for the year	119	150	200	331
Non-controlling interests	73	81	18	13
<b>Total shareholders' equity</b>	<b>199</b>	<b>1,051</b>	<b>2,257</b>	<b>2,365</b>
Non-current interest-bearing debt	1,055	908	80	98
Provisions for pensions	2	2	3	2
Other provisions	5	5	6	6
Deferred tax liabilities	79	112	124	268
Other non-interest-bearing non-current liabilities	-	66	54	984
<b>Total non-current liabilities</b>	<b>1,141</b>	<b>1,093</b>	<b>267</b>	<b>1,358</b>
Current interest-bearing debt	165	133	73	106
Current non-interest-bearing debt	318	550	646	1,178
<b>Total current liabilities</b>	<b>483</b>	<b>682</b>	<b>719</b>	<b>1,284</b>
<b>Total liabilities</b>	<b>1,624</b>	<b>1,775</b>	<b>986</b>	<b>2,642</b>
<b>Total equity and liabilities</b>	<b>1,823</b>	<b>2,826</b>	<b>3,243</b>	<b>5,006</b>



# CASH FLOW STATEMENT.

SEKm	2014	2015	2016	2017
Profit before tax	61	161	254	305
Adjustment for non-cash items	172	96	122	146
Interest paid	-58	-45	-39	-21
Interest received	3	1	0	1
Cash taxes	-18	-19	-41	-62
<b>Cash flow before changes in working capital</b>	<b>160</b>	<b>196</b>	<b>295</b>	<b>369</b>
Change in inventories	-11	18	-29	-18
Change in operating receivables	5	-16	-1	-32
Change in operating liabilities	3	50	20	156
<b>Cash flow from change in working capital</b>	<b>-4</b>	<b>51</b>	<b>-10</b>	<b>106</b>
<b>Cash flow from operating activities</b>	<b>156</b>	<b>247</b>	<b>285</b>	<b>475</b>
Investments in tangible and intangible assets	-91	-69	-33	-57
Sale of tangible and intangible assets	1	1	1	6
Investments in subsidiaries	-297	-606	-261	-553
Sale of subsidiaries	0	14	-	1
Investments in financial assets	-	-5	0	-
Sale of financial assets	0	3	10	-
<b>Cash flow from investing activities</b>	<b>-386</b>	<b>-660</b>	<b>-284</b>	<b>-604</b>
Shareholder contribution	-	13	24	-
Preference share issue	-	823	1,177	-1
Dividends paid	-11	-48	-88	-105
Change in pension liability	-	-78	-	-24
Borrowings	255	-238	-954	330
<b>Cash flow from financing activities</b>	<b>244</b>	<b>472</b>	<b>159</b>	<b>200</b>
Cash flow for the year	-1	59	161	71
Cash and cash equivalents at year-beginning	157	156	200	371
Translation differences	0	-15	10	-4
<b>Cash and cash equivalents at year-end</b>	<b>156</b>	<b>200</b>	<b>371</b>	<b>438</b>

# NET DEBT AND WORKING CAPITAL.

SEKm	31 Dec 2014	31 Dec 2015	31 Dec 2016	31 Dec 2017
<b>Net debt</b>				
Cash and cash equivalents	-156	-200	-371	-438
Unrealised derivate instruments assets	0	0	0	0
Pension liabilities	2	2	2	2
Non-current interest-bearing liabilities	1,055	908	54	984
Current interest-bearing liabilities	165	133	73	106
Unrealised derivative instruments liabilities	6	4	0	0
Accrued interest expenses	-	-	-	2
Pension assets	-2	-1	-2	-2
Adjustment for nominal value obligation loan	-	-	-	-12
Adjustment for shareholder loans	-308	-89	-22	-23
<b>Net debt</b>	<b>762</b>	<b>756</b>	<b>-264</b>	<b>619</b>
<b>Net working capital</b>				
<b>Assets</b>				
Inventories	161	328	387	610
Receivables	116	290	302	455
Other short-term receivables	11	22	17	48
Prepaid expenses / accrued Income	29	50	74	154
<b>Working capital assets</b>	<b>317</b>	<b>690</b>	<b>780</b>	<b>1,267</b>
<b>Liabilities</b>				
Accounts payable	104	239	-267	-607
Advances from customers	28	46	-56	-65
Other current liabilities	38	83	-112	-167
<i>Adjustment for accrued preference share dividend</i>	0	-32	32	32
Accrued expenses / prepaid income	109	148	-158	-265
<b>Working capital liabilities</b>	<b>279</b>	<b>484</b>	<b>-562</b>	<b>-1,072</b>
<b>Net working capital</b>	<b>38</b>	<b>206</b>	<b>219</b>	<b>195</b>

# DEFINITIONS OF KEY METRICS.

Metric	Explanation	Adjusted	Explanation
<b>Business area return on capital employed (BA ROCE)</b>	BA EBITA in relation to BA capital employed	-	-
<b>Cash conversion</b>	Operating cash flow in relation to EBITDA	<b>Adj. cash conversion</b>	Cash conversion excluding capex related to Besikta IT investments
<b>EBITA</b>	Operating profit before interest, tax and amortisations of intangible assets arising in connection with company acquisitions	<b>BA EBITA</b>	EBITA generated from business area, excluding central costs and, if any, one-off items
		<b>Adj. EBITA</b>	EBITA 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 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 less interest bearing long- and short-term assets, adjusted for subordinated shareholder loans	-	-
<b>Net debt / adj. EBITDA</b>	Net debt 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 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)	<b>Adj. operating cash flow</b>	Operating cash flow excluding capex related to Besikta IT investments in relation to EBITDA
<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