

# VOLATI

## Full-year 2016 presentation

21 FEBRUARY 2017  
STOCKHOLM

volat1.

# TODAY'S PRESENTERS.

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## MÅRTEN ANDERSSON



### CEO and Head of Industry

- Joined Volati in 2012 and CEO since 2014
- Holds 3.1% ordinary shares and 0.1% preference shares
- Background: CEO of Besikta and CEO of Skandia
- The General Manager Program at Harvard Business School and BSc in Business and Economics from Lund University

## MATTIAS BJÖRK



### CFO



- Joined Volati in 2009 as CFO
- Holds 2.6% ordinary shares and 0.1% preference shares
- Background: Modern Times Group MTG, Kinnevik and CFO at Modern Finance Group (previous Invik & Co. AB)
- Master of Laws and BSc in Business and Economics from Lund University

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1) Post the reverse share split (1:5).  
Source: Company information.

# 2016 HIGHLIGHTS.

## GOOD RESULTS AND WELL POSITIONED FOR FUTURE GROWTH

<b>EBITA GROWTH</b> <b>40%</b>	Strong growth in EBITA	<b>NET CASH POSITION</b> <b>SEK 264m</b>	Strong balance sheet post IPO enabling continued growth through acquisitions
<b>ORGANIC EBITA GROWTH</b> <b>28%</b>	Strong organic EBITA growth	<b>CASH CONVERSION</b> <b>89%</b>	Organic growth while maintaining a high cash generation
<b>ADD-ON ACQUISITIONS</b> <b>5</b>	Add-on acquisitions at attractive valuations		Volati Academy and management program strong leadership – today and tomorrow
<b>RETURN ON EQUITY</b> <b>25%</b>	New financial targets – continued profit growth with attractive return on equity at reasonable financial risk		Establishment of three business areas: trading, consumer and industry

## FINANCIAL DEVELOPMENT 2016.

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**Net sales**

**SEK 3,206m**

**(2 188)**

**EBITA excl. one-offs**

**SEK 352m**

**(219)**

**Operating cash flow**

**SEK 343m**

**(290)**

**2016**

## FINANCIAL DEVELOPMENT IN Q4 2016.

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**Net sales**

**SEK 780m**

(731m)

**EBITA excl. one-offs**

**SEK 83 m**

(76m)

**Operating  
Cash flow**

**SEK 139m**

(123m)

**Q4**

# VOLATI AT A GLANCE.

## OVERVIEW

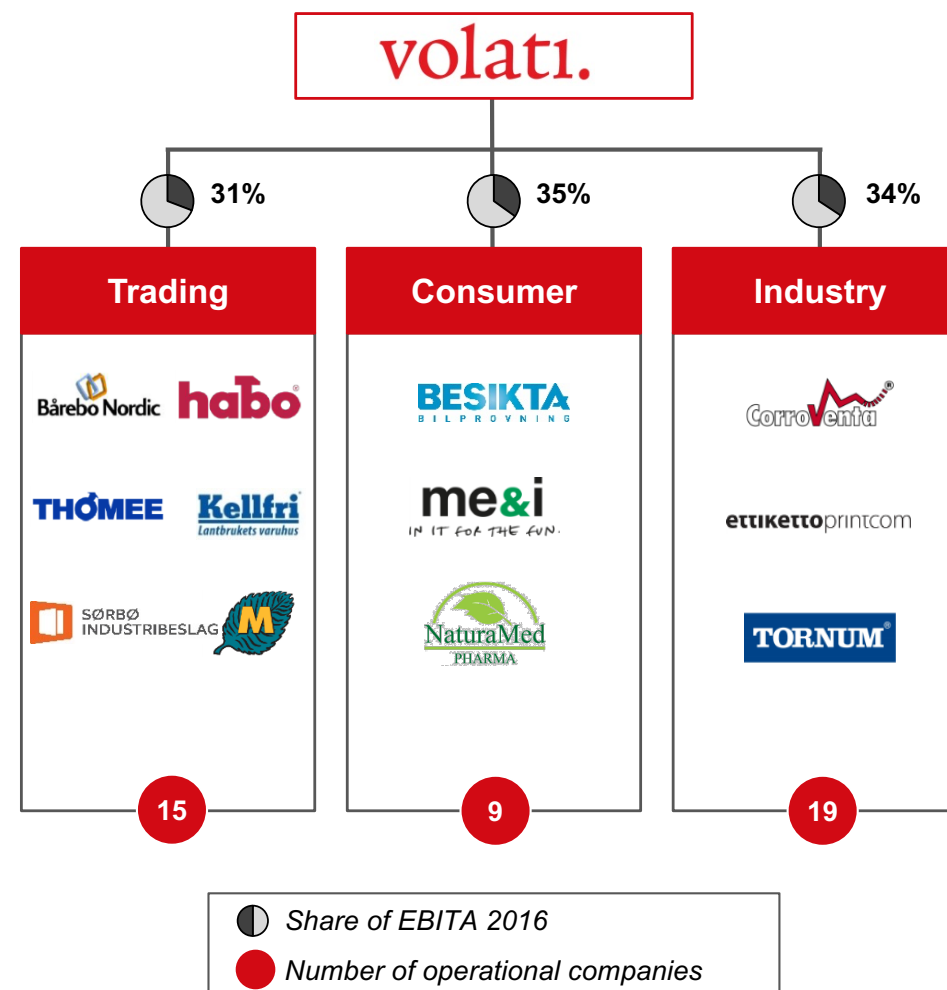
A diversified Swedish industrial group founded in 2003:

- Operating some **40** companies in **16** countries
- Organised in **3** business areas consisting of **12** business units
- **22** acquisitions completed since 2004
- **5** acquisitions completed in 2016
- Average acquisition EV / EBITDA multiple of **4.7x**

## Financials 2016:

- Sales of SEK **3.2 bn**
- EBITA exkl. one-offs of SEK **352m**
- EBITA growth of **40%**
- Cash conversion of **89%**
- Return on adjusted equity of **25%**
- Net cash position of **264m**

## ORGANISATIONAL STRUCTURE



## VOLATI HAS A ROBUST BUSINESS MODEL.

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Strong operating cash flow from the business units...	...is used for acquisitions of additional companies with strong cash flows...	...at reasonable valuation multiples...	...and with a long-term approach to value creation
Operating cash flow	Acquired EBITA growth	Acquisition multiples	Organic EBITA growth
<b>SEK 343m</b> Operating cash flow in 2016	<b>28%</b> Acquired EBITA growth in 2016	<b>4.7x</b> Average acquisition EV / EBITDA multiple since 2004	<b>28%</b> Organic EBITA growth in 2016

# VOLATI'S PROVEN AND SCALABLE OPERATING MODEL.

VOLATI OPERATING MODEL	VALUE-ADD EXAMPLE
Decentralised leadership	<ul style="list-style-type: none"><li>• Common vision and strategic plan for each business unit</li></ul>
Corporate governance	<ul style="list-style-type: none"><li>• Recruited a handful of value-adding external board members</li></ul>
Strategic HR	<ul style="list-style-type: none"><li>• Three CEOs recruited internally</li><li>• Five future leaders recruited to date through Volati Management Program</li></ul>
Tools and knowledge	<ul style="list-style-type: none"><li>• Significant cost savings achieved through procurement and sourcing program</li></ul>
Strategic capital allocation	<ul style="list-style-type: none"><li>• ROCE ex goodwill of &gt;40% in all business areas as of 2016</li></ul>
M&A	<ul style="list-style-type: none"><li>• Four add-on acquisitions completed in 2016 and additional one signed which closes in Q1 2017</li></ul>

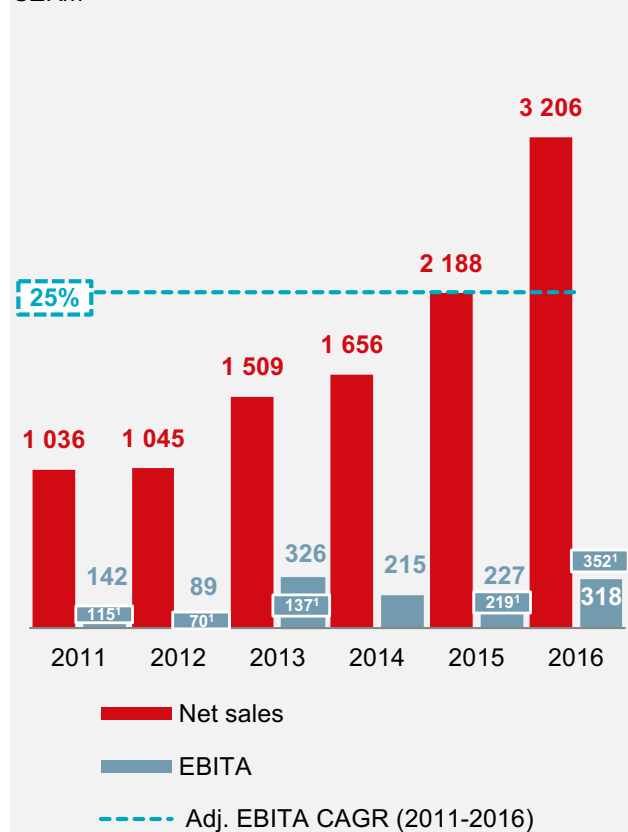
**An operating model enabling rapid growth without compromising oversight**



# FINANCIAL HIGHLIGHTS.

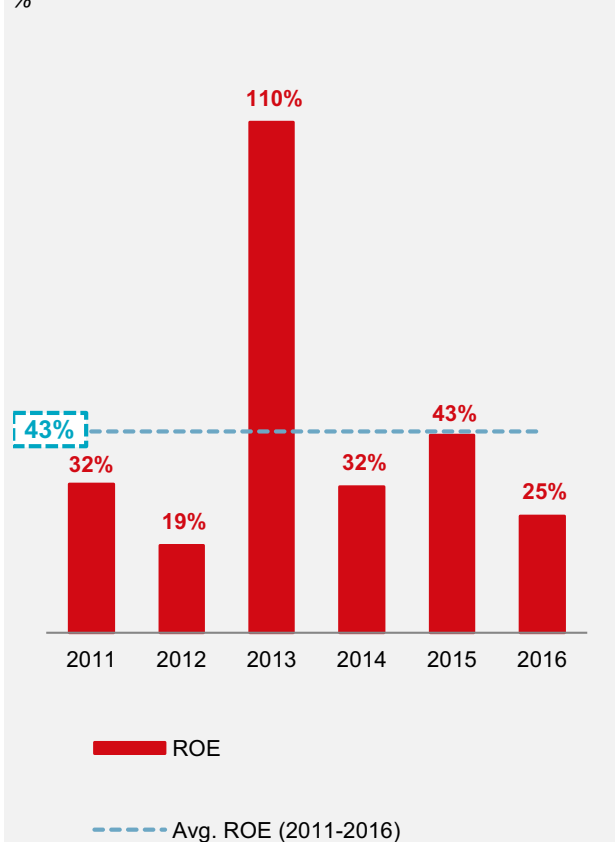
## SALES AND EBITA

SEKm



## RETURN ON EQUITY

%



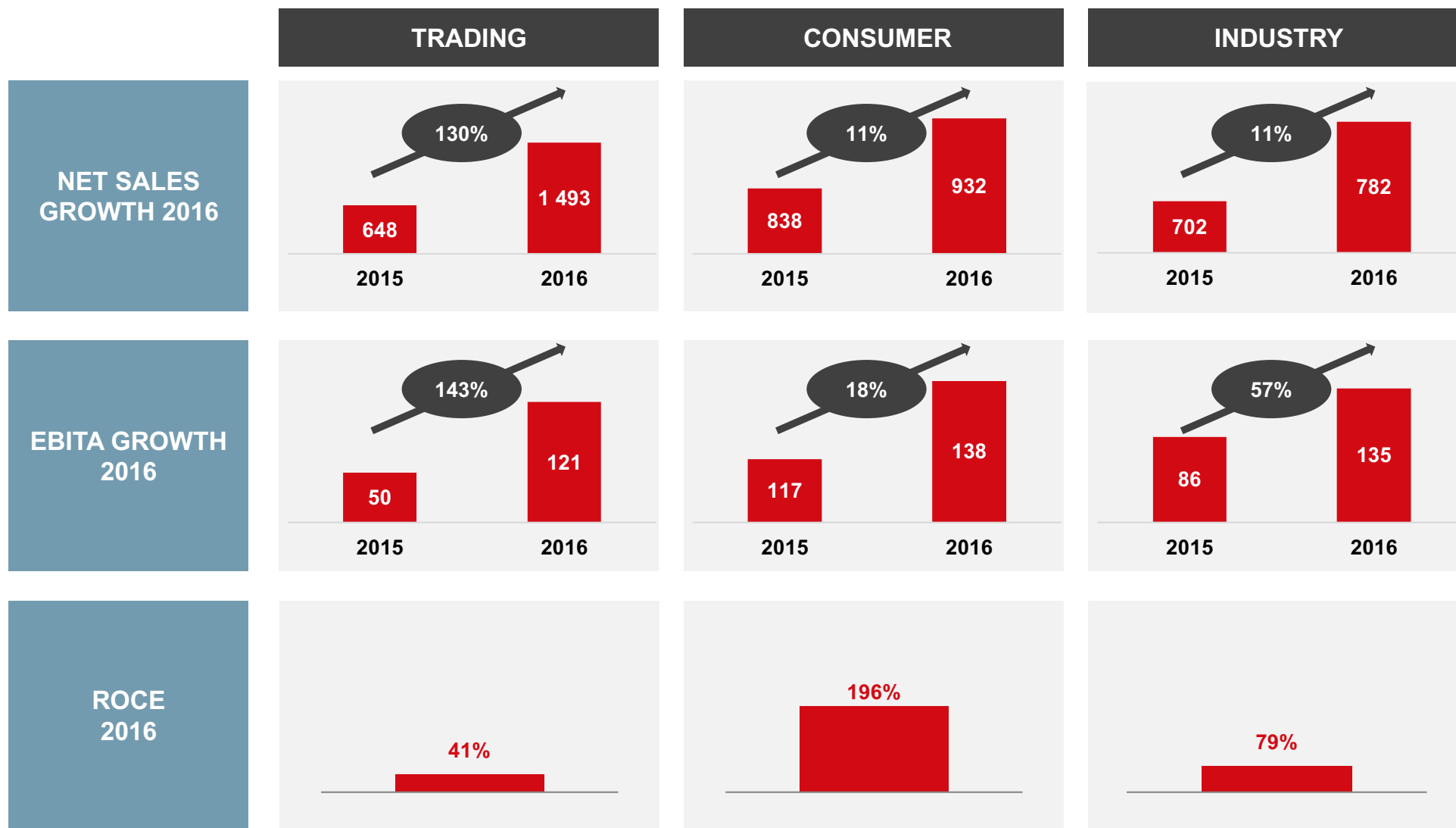
## CASH CONVERSION

%



1) Excluding one-off items.

# OVERVIEW OF BUSINESS AREAS.



# FINANCIAL TARGETS.

METRIC	TARGET	PERFORMANCE IN 2016
<b>EBITA growth</b>	<p><b>SEK 700m</b> (by 2019)</p> <p>Reach an adjusted <b>EBITA of SEK 700m</b> no later than end of 2019, implying close to a doubling of current adjusted EBITA, including an annual <b>organic EBITA growth of 5%</b> on average</p>	<p><b>28%</b> Organic EBITA growth in 2016</p>
<b>Cash conversion</b>	<p><b>&gt;85%</b></p> <p>Volati's objective is to achieve an annual <b>cash conversion</b> of at least <b>85%</b></p>	
<b>Return on adjusted equity</b>	<p><b>&gt;20%</b> (long-term)</p> <p>Volati's long-term objective is to achieve a <b>return on adjusted equity</b> of at least <b>20%</b></p>	
<b>Net debt / adj. EBITDA</b>	<p><b>&lt;3x</b> (long-term)</p> <p>Volati's long-term objective is to maintain a <b>net debt</b> of <b>&lt;3x adj. EBITDA LTM</b></p>	
<b>Common equity dividend policy</b>	<p><b>~10-30%</b></p> <p>Volati's objective is to distribute around <b>10-30%</b> of its <b>net profit</b> for the year, however Volati's acquisition opportunities will be taken into consideration by the Board of Directors</p>	<p><b>SEK 0.50</b></p> <p>per ordinary share has been proposed to the AGM 2017 corresponding to 20% of the net profit</p>

# A growing Swedish industrial group



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# APPENDIX

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

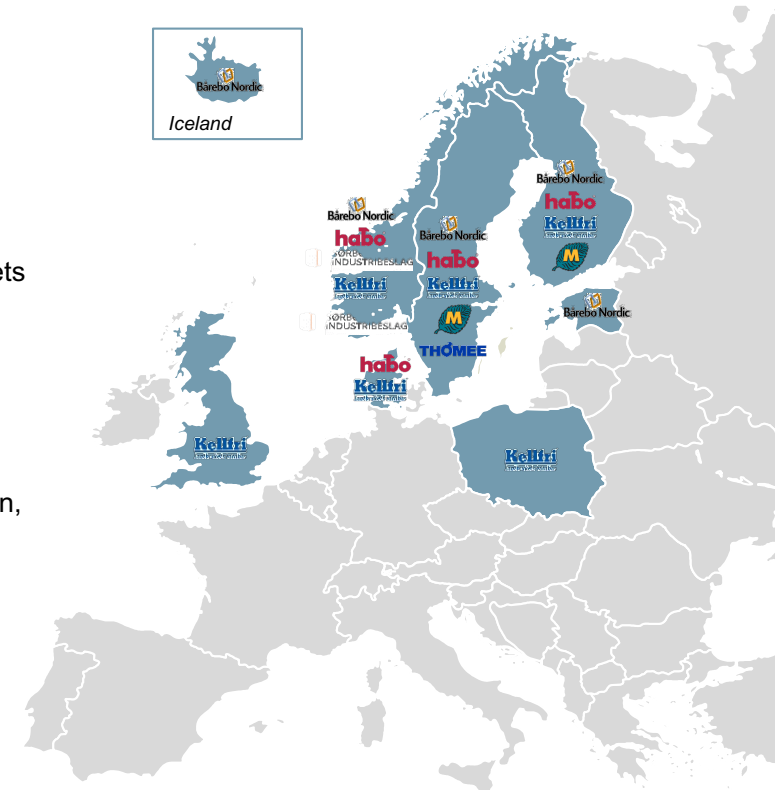


## An operational business area

- Operating some **15** companies in **6** countries
- Organised in **6** business units

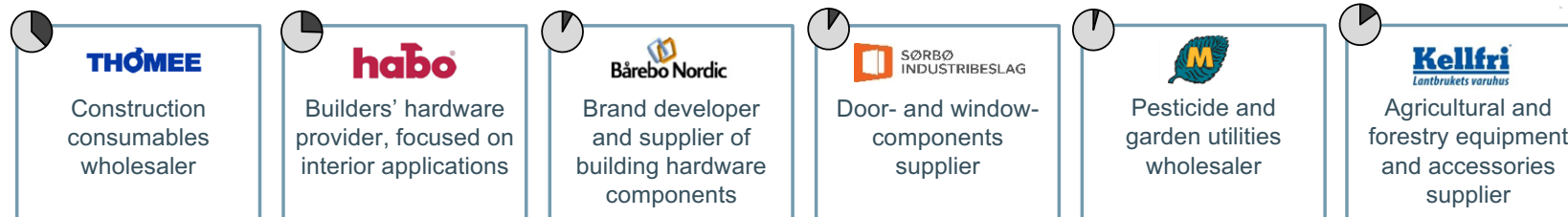
## Integrated business model

- Focused on three 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
- Business units have similar business models and shared service centre for supply chain, IT and finance



## Key financials 2016

- Net sales of SEK **1,493m**
- EBITA of SEK **121m**
- ROCE of **41%**



🕒 Share of business area net sales 2016



# BUSINESS AREA CONSUMER – ATTRACTIVE NICHES.

## A strategic business area

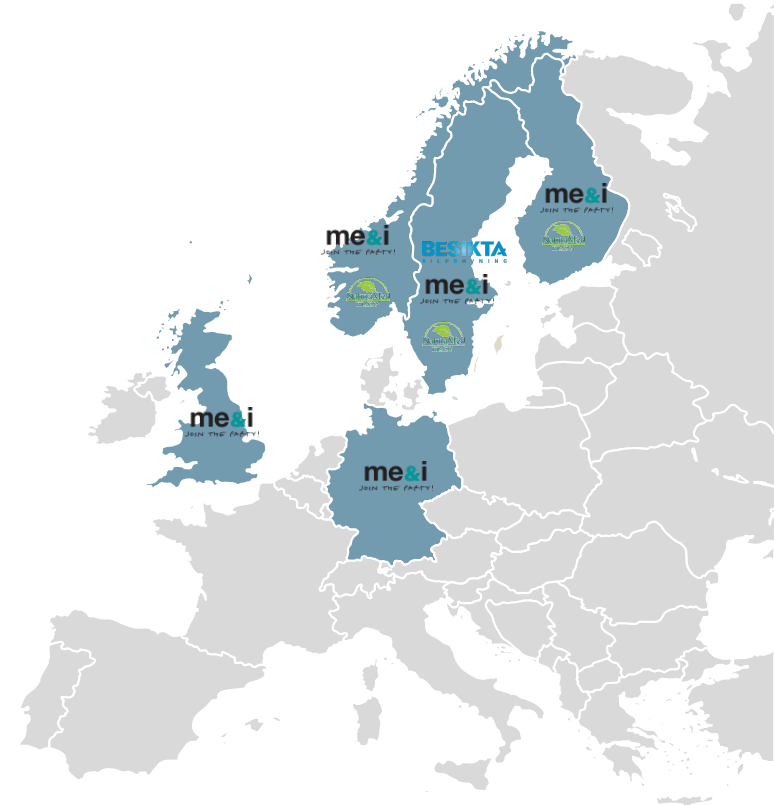
- Operating some **9** companies in **5** countries
- Organised in **3** business units

## 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 as of 2016

- Net sales of SEK **932m**
- EBITA of SEK **138m**
- ROCE of **196%**



**BESIKTA**  
BILPROVNING

A leading Swedish vehicle inspection company



**NaturaMed**  
PHARMA

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

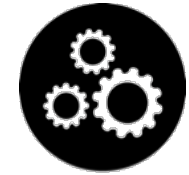


**me&i**  
JOIN THE PARTY!

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

🕒 Share of business area net sales 2016

# BUSINESS AREA INDUSTRY – SUCCESSFUL EXPANSION.



## A strategic business area

- Operating some **19** 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 as of 2016

- Net sales of SEK **782m**
- EBITA of SEK **135m**
- ROCE of **79%**



**TORNUM**

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

**CorroVentia**

Drying, dehumidification and decontamination equipment developer and distributor

**ettikettoprintcom**

Adhesive labels and labelling systems developer and supplier

① Share of business area net sales 2016



# INCOME STATEMENT.

SEKm	2013	2014	2015	2016
Net sales	1,509	1,656	2,188	3,207
Raw materials and supplies	-549	-547	-933	-1,526
Other external costs	-274	-347	-413	-516
Personnel costs	-518	-513	-582	-771
Other income	3	3	18	4
Other operating costs	-2	-2	-3	-12
Realised profit from divestments	189	-	-0	-
<b>EBITDA</b>	<b>359</b>	<b>249</b>	<b>275</b>	<b>385</b>
Depreciation	-32	-34	-47	-67
<b>EBITA</b>	<b>326</b>	<b>215</b>	<b>227</b>	<b>318</b>
Acquisition-related amortisations and write-downs	-7	-60	-13	-17
<b>EBIT</b>	<b>319</b>	<b>155</b>	<b>214</b>	<b>301</b>
Financial income	6	4	23	19
Financial costs	-58	-98	-76	-66
<b>Profit before tax</b>	<b>267</b>	<b>61</b>	<b>161</b>	<b>254</b>
Tax	-20	-6	-35	-53
Profit related to discontinued operations	2	-	-	-
<b>Net profit</b>	<b>249</b>	<b>56</b>	<b>126</b>	<b>201</b>
Net profit attributable to:				
Parent company owners	224	14	93	196
Minority owners	26	41	33	4

- Overview of one-off items in 2016:
  - Restructuring and integration costs related to ClearCar acquisition of SEK 10.3 million
  - Transaction related costs of SEK 1.5 million
  - IPO related costs of SEK 9.9 million
  - One-off remuneration of SEK 5.4 million
  - Earn-out revaluation of SEK 8.2 million

# BALANCE SHEET.

SEKm	31 Dec '13	31 Dec '14	31 Dec '15	31 Dec '16
Intangible fixed assets	860	1,160	1,689	1,840
Tangible fixed assets	141	138	180	191
Financial fixed assets	8	8	13	8
Other non-current marketable securities	4	4	7	-
Deferred tax assets	16	21	33	42
<b>Total non-current assets</b>	<b>1,030</b>	<b>1,332</b>	<b>1,922</b>	<b>2,081</b>
Inventory	138	161	328	387
Current assets	156	174	376	405
Assets related to discontinued operations	1	-	-	-
Current interest-bearing securities	-	-	-	-
Cash and cash equivalents	157	156	200	371
<b>Total current assets</b>	<b>451</b>	<b>492</b>	<b>904</b>	<b>1,162</b>
<b>Total assets</b>	<b>1,481</b>	<b>1,823</b>	<b>2,826</b>	<b>3,243</b>
Share capital	5	5	5	8
Other capital contributions <sup>1</sup>	-	-	828	828
Other reserves	-1	2	-14	35
Retained earnings including net profit for the year	102	119	150	1,373
Non-controlling interests	47	73	81	14
<b>Total shareholders' equity</b>	<b>153</b>	<b>199</b>	<b>1,051</b>	<b>2,258</b>
Non-current interest-bearing debt	441	1,055	908	59
Provisions for pensions	2	2	2	3
Other provisions	6	5	5	6
Deferred tax liabilities	46	79	112	124
Other non-interest-bearing non-current liabilities	-	-	66	80
<b>Total non-current liabilities</b>	<b>495</b>	<b>1141</b>	<b>1,093</b>	<b>271</b>
Current interest-bearing debt	497	165	133	69
Current non-interest-bearing debt	336	318	550	646
<b>Total current liabilities</b>	<b>833</b>	<b>483</b>	<b>682</b>	<b>715</b>
<b>Total equity and liabilities</b>	<b>1,481</b>	<b>1,823</b>	<b>2,826</b>	<b>3,243</b>

1) Preference share capital.

# NET DEBT AND WORKING CAPITAL.

SEKm	31 Dec '13	31 Dec '14	31 Dec '15	31 Dec '16
<b>Net debt</b>				
Cash and cash equivalents	-157	-156	-200	-371
Pension liabilities	2	2	2	3
Non-current interest-bearing liabilities	441	1055	908	54
Current interest-bearing liabilities	497	165	133	73
Unrealised derivative instruments	6	6	4	0
Pension assets	-2	-2	-1	-2
Adjustment for shareholder loans	-304	-308	-89	-22
<b>Net debt</b>	<b>483</b>	<b>762</b>	<b>756</b>	<b>-265</b>
<b>Net working capital</b>				
<b>Assets</b>				
Inventories	138	161	328	387
Receivables	92	116	290	302
Advances to suppliers	0	1	8	4
Other short-term receivables	15	10	14	14
Prepaid expenses / accrued Income	34	29	50	74
<b>Working capital assets</b>	<b>280</b>	<b>317</b>	<b>690</b>	<b>780</b>
<b>Liabilities</b>				
Accounts payable	91	104	239	267
Advances from customers	9	28	46	56
Other current liabilities <sup>1</sup>	32	38	83	99
<i>Of which accrued preference share dividend</i>	<i>0</i>	<i>0</i>	<i>-32</i>	<i>-32</i>
Accrued expenses / prepaid income	119	109	148	175
<b>Working capital liabilities</b>	<b>251</b>	<b>279</b>	<b>484</b>	<b>565</b>
<b>Net working capital</b>	<b>28</b>	<b>38</b>	<b>206</b>	<b>215</b>
NWC / net sales	1.9%	2.3%	9.4%	6.7%
NWC / adj. net sales <sup>2</sup>	-	-	-	6.5%

1) Excluding preference dividend liability amounting to SEK 32m from the working capital post "other current liabilities" in 2015 and 2016.

2) Including acquired business units' financials as if fully owned and consolidated for the full period.

# CASH FLOW STATEMENT.

SEKm	2013	2014	2015	2016
Profit before tax	267	61	161	254
Adjustment for non-cash items	-116	172	96	122
Interest paid	-24	-58	-45	-39
Interest received	1	3	1	1
Cash taxes	-33	-18	-19	-42
<b>Cash flow before changes in working capital</b>	<b>96</b>	<b>160</b>	<b>196</b>	<b>295</b>
Change in inventories	5	-11	18	-29
Change in operating receivables	22	5	-16	-1
Change in operating liabilities	-18	3	50	20
<b>Cash flow from change in working capital</b>	<b>8</b>	<b>-4</b>	<b>51</b>	<b>-10</b>
<b>Cash flow from operating activities</b>	<b>104</b>	<b>156</b>	<b>247</b>	<b>285</b>
Investments in tangible and intangible assets	-47	-91	-69	-33
Sale of tangible and intangible assets	2	1	1	1
Investments in subsidiaries	-209	-297	-606	-261
Sale of subsidiaries	303	0	14	-
Investments in financial assets	-	-	-5	-0
Sale of financial assets	2	0	3	10
<b>Cash flow from investing activities</b>	<b>52</b>	<b>-386</b>	<b>-660</b>	<b>-284</b>
Shareholder contribution	2	-	13	24
Preference share issue	-	-	823	-
Share issue	-	-	-	1,177
Dividends paid	-274	-11	-48	-89
Change in pension liability	-	-	-78	-
Borrowings	258	255	-238	-954
<b>Cash flow from financing activities</b>	<b>-14</b>	<b>244</b>	<b>472</b>	<b>159</b>
Cash flow for the year	135	-1	59	161
Cash and cash equivalents at year-beginning	21	157	156	200
Translation differences	1	0	-15	10
<b>Cash and cash equivalents at year-end</b>	<b>157</b>	<b>156</b>	<b>200</b>	<b>371</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