

Interim report

January–September 2018

Mårten Andersson, CEO

Mattias Björk, CFO

6 November 2018

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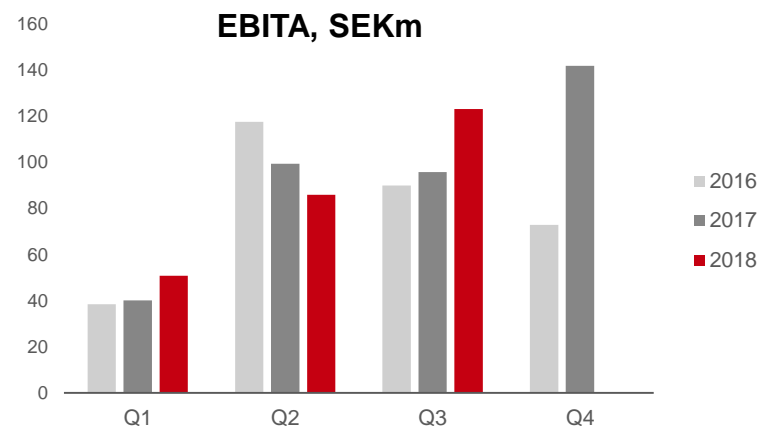
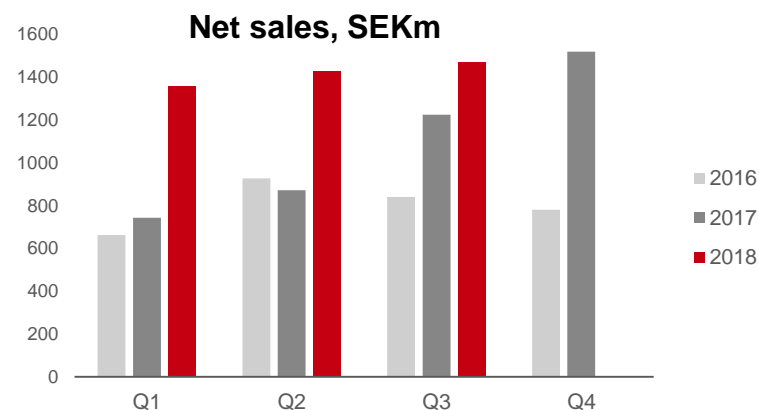
Financial development in Q3 2018

Net sales

SEK 1,470m (1 224)

EBITA

SEK 123m (96)



Q3 2018 in brief

- All key ratios developed in a positive direction with strong growth in both sales (20%) and EBITA (29%). Earnings per share up 60%
- Positive developments in all business areas
- Organic EBITA growth in business areas Trading, Consumer and Industry, despite weather related challenges
- Business area Akademibokhandeln made good progress on the strategic and efficiency agenda. Well-positioned to take advantage of a growing market (6%)¹ by being active in all channels and formats
- S:t Eriks was consolidated in business area Industry from September

1) Total book sales increased by 6.2 percent during the first half of 2018 compared with the same period last year according to report from the Swedish Booksellers Association

Financial development LTM Q3, 2018

Net sales

SEK 5,770m

(4,356 FY2017)

EBITA

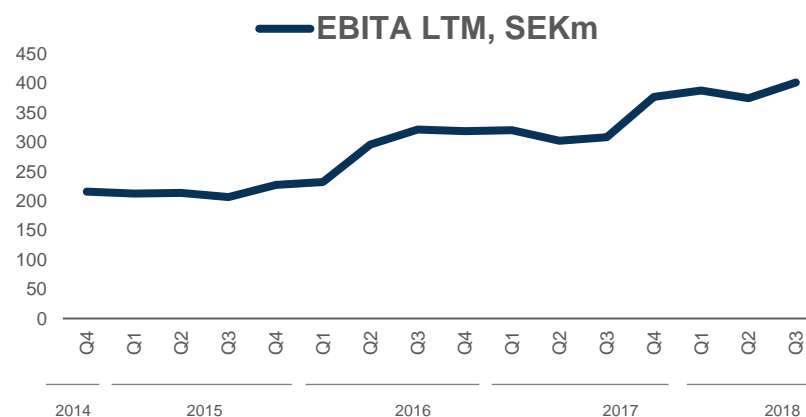
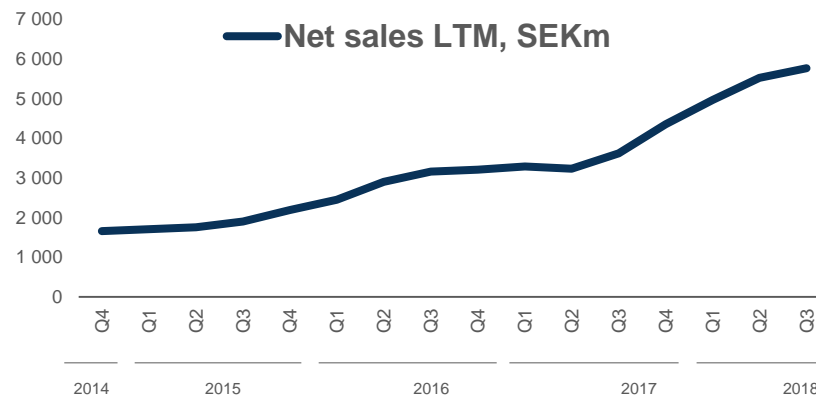
SEK 401m (377 FY2017)

Cash conversion

88% (112 FY2017)

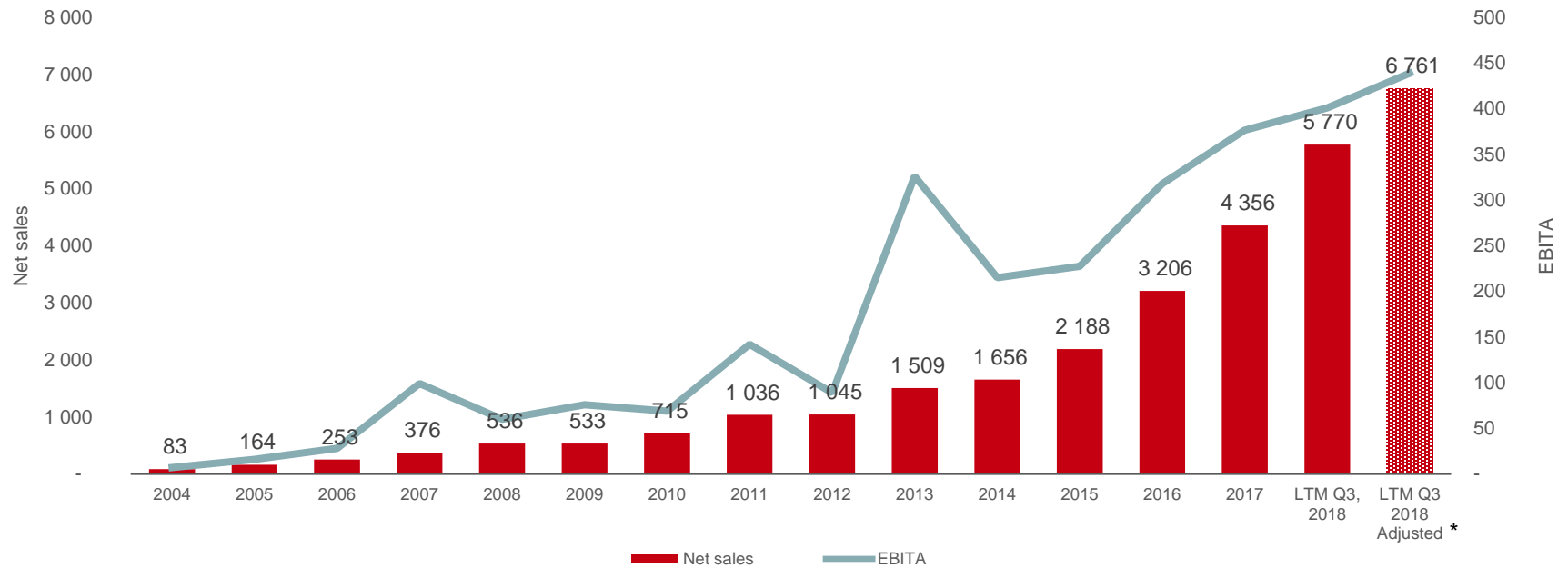
Net debt/Adjusted EBITDA

2.1x



Long-term perspective

- Average organic EBITA growth over the last five years 8 percent (2013-2017).



*Adjusted EBITA which includes the EBITA of the during 2017 and 2018 acquired business of T-Emballage and S:t Eriks as if they had been owned for the whole 12 month period

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

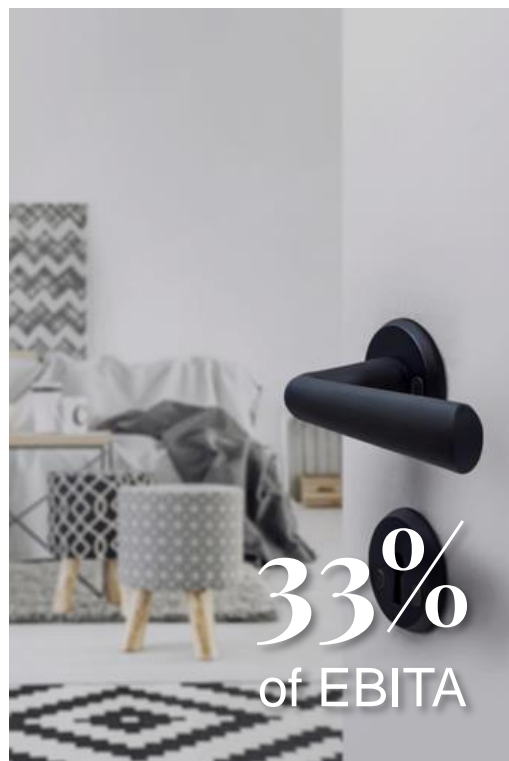
Weighted average EV/EBITDA acquisition multiple since 2004

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

8%

Average organic EBITA growth 2013–2017

Business area Trading



Q3 2018 in brief

- Positive effects from the acquisition of T-Emballage in late 2017
- Operations developed strongly, especially during the latter part of the quarter following a slow start, influenced by the warm summer weather in Sweden

	Jul-Sep 2018	Jul-Sep 2017	Jan-Sep 2018	Jan-Sep 2017	LTM Q3 2018	Full year 2017
Net sales, SEKm	524	394	1,598	1,162	2,051	1,615
EBITDA, SEKm	59	45	140	106	169	136
EBITA, SEKm	54	42	126	99	153	125
EBITA margin, %	10	11	8	9	7	8
EBIT, SEKm	51	40	118	95	143	119
ROCE exkl. goodwill, %	36	36	36	36	36	35

Business area Consumer



Q3 2018 in brief

- EBITA growth
- Activities for increased operational efficiency are being carried out
- Long-term strategic plans in place for operations facing challenges

	Jul-Sep 2018	Jul-Sep 2017	Jan-Sep 2018	Jan-Sep 2017	LTM Q3 2018	Full year 2017
Net sales, SEKm	214	222	702	725	942	966
EBITDA, SEKm	35	33	111	124	154	167
EBITA, SEKm	27	25	86	99	120	134
EBITA margin, %	13	11	12	14	13	14
EBIT, SEKm	24	22	77	91	109	123
ROCE exkl. goodwill, %	237	220	237	220	237	206

Business area Akademibokhandeln



Q3 2018 in brief

- Lower profits due to higher costs for market-related investments to drive the shift towards increased e-commerce
- Measures to improve profitability are in place
- Well-positioned to take advantage of a growing market

	Jul-Sep 2018	Jul-Sep 2017	Jan-Sep 2018	Jan-Sep 2017*	LTM Q3 2018	Jul-dec 2017**
Net sales, SEKm	398	402	1,150	1,154	1,776	1,029
EBITDA, SEKm	19	22	-9	10	85	116
EBITA, SEKm	12	17	-30	-7	58	105
EBITA margin, %	3	4	-3	-1	3	10
EBIT, SEKm	6	12	-47	-24	33	93
ROCE exkl. goodwill, %	79	-	79	-	79	-

* 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



Q3 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

	Jul-Sep 2018	Jul-Sep 2017	Jan-Sep 2018	Jan-Sep 2017	LTM Q3 2018	Full year 2017
Net sales, SEKm	334	205	804	550	1,001	747
EBITDA, SEKm	53	37	137	86	156	106
EBITA, SEKm	44	31	114	66	127	79
EBITA margin, %	13	15	14	12	13	11
EBIT, SEKm	43	30	112	65	124	77
ROCE exkl. goodwill, %	51	53	51	53	51	46

Well-positioned for additional acquisitions

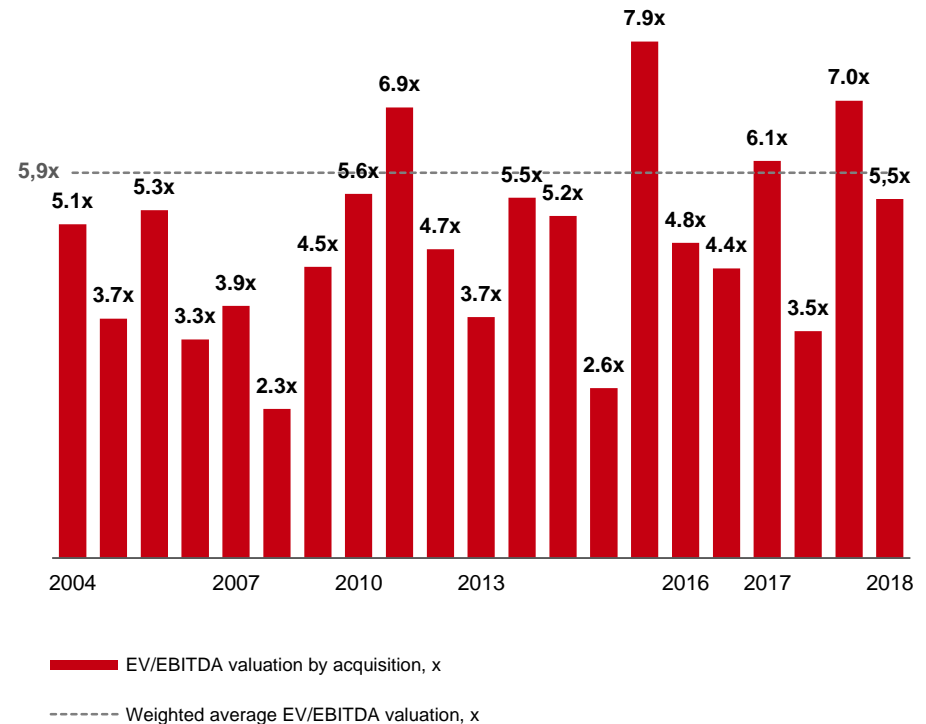
Acquisitions in 2017 and 2018

- Adding approx. SEK 204m in EBITA

Ready for further acquisitions

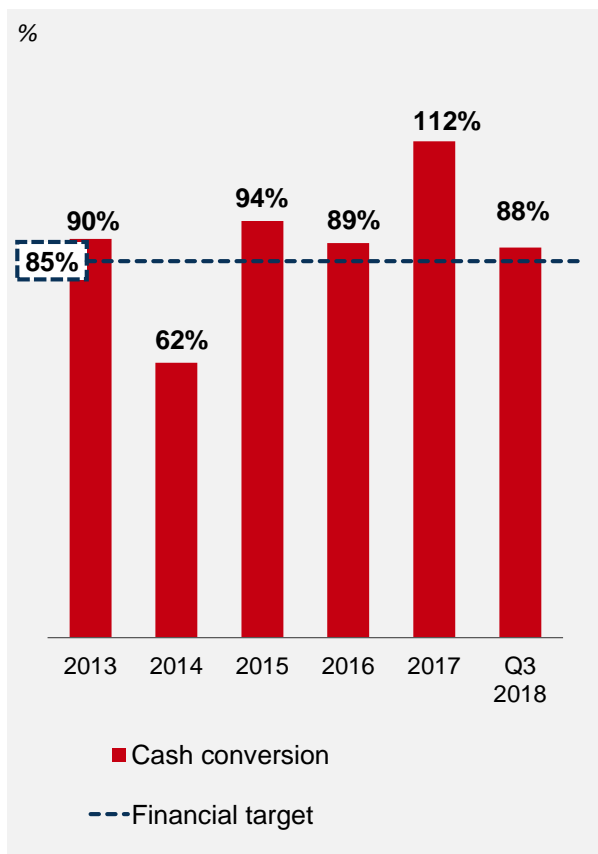
- Financial structure, strong cashflow and balanced net debt that enable us to act rapidly
- New acquisition organisation for efficient acquisition processes
- Continued inflow of companies for evaluation
- Price expectations are currently high, especially for larger acquisition targets

Volati's acquisitions
Acquisition multiples



Net debt/EBITDA ratio well within limits of financial targets

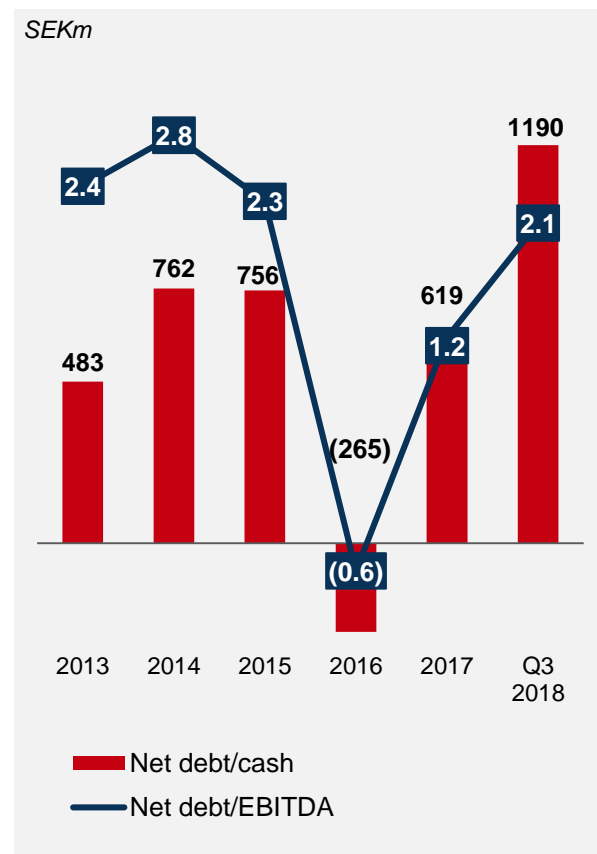
Cash conversion



Sales and EBITA



Net debt/(cash)



¹⁾ Adjusted EBITA which includes the EBITA of the during 2017 and 2018 acquired business of T-Emballage and S:t Eriks as if they had been owned for the whole 12 month period.

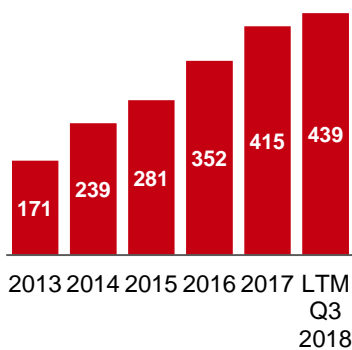
Moving towards our financial targets

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%**

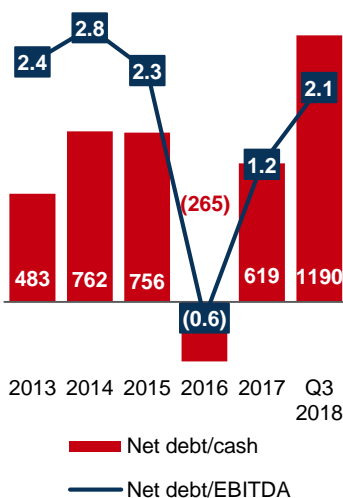


Capital structure

<3.0x

(long-term)

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

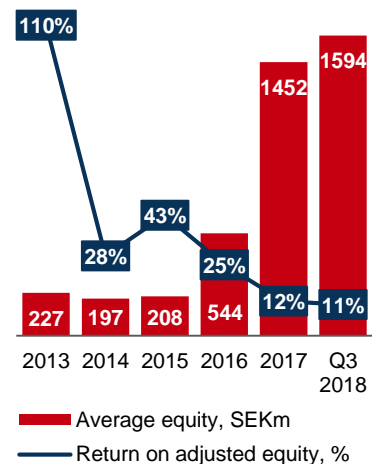


Return on adjusted equity

>20%

(long-term)

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



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

Conclusions and steps ahead

Strong sales and profit growth in Q3

- Healthy development in operations
- All indicators developed positively

Positive results from reinforced business area organisation

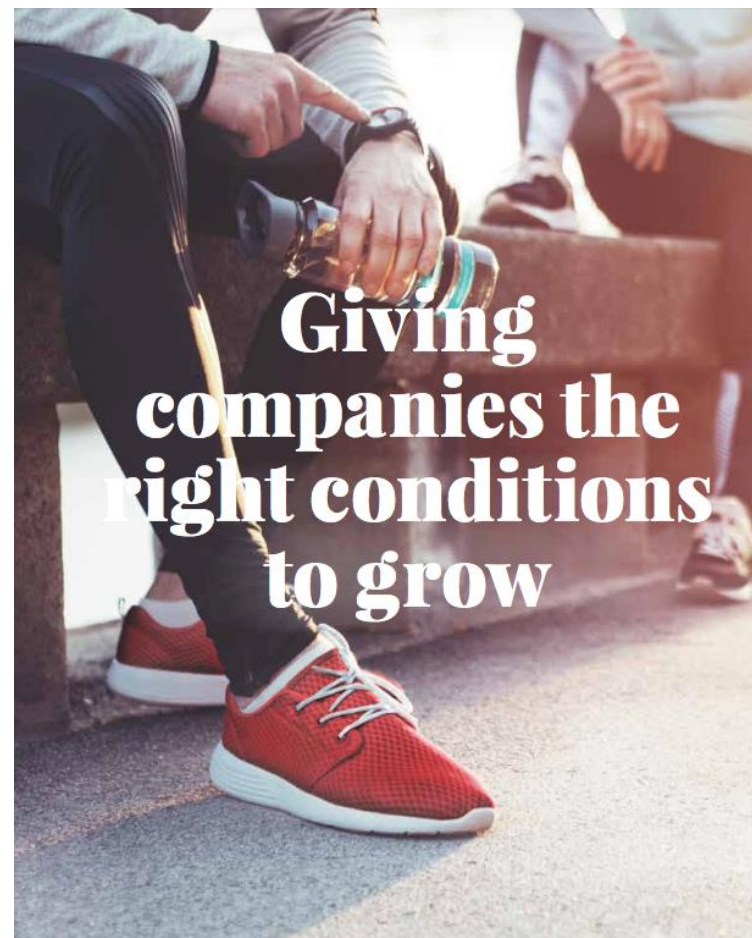
- Provides management resources to achieve strategic plans and value creation in the business units – increased focus on operational efficiency
- Enables efficient management of acquisitions

Capital structure for future acquisitions

- Good position for continuing our acquisition strategy

Long-term value creation

- Focus on acquisitions and organic growth



A growing Swedish industrial group



Appendix

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Business area Trading

Overview

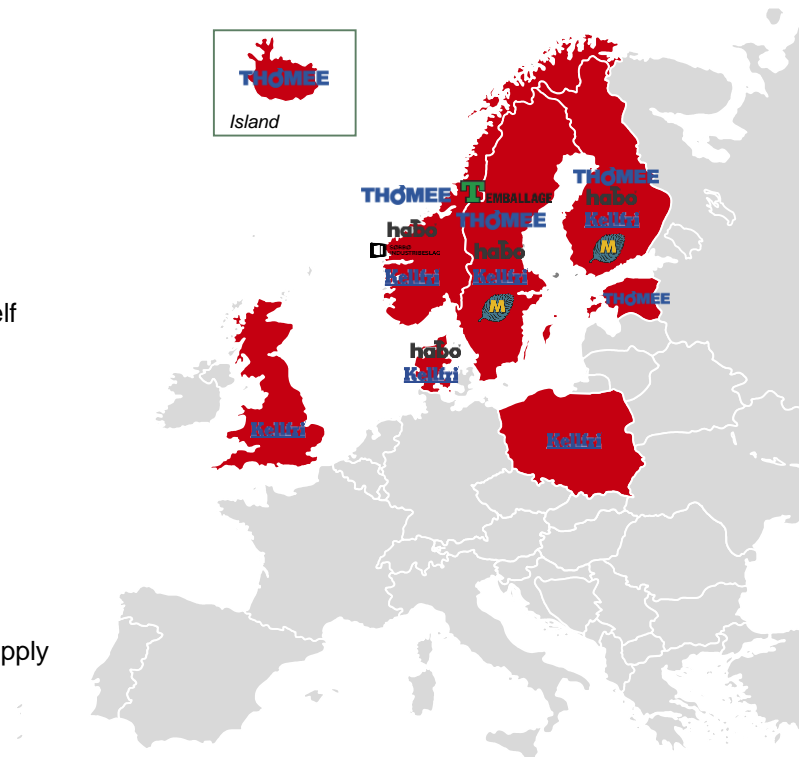
- Organised in **7** business units

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, Q3 2018 LTM

- Net sales SEK **2,051m**
- EBITDA SEK **169m**
- EBITA SEK **153m**
- ROCE **36%**



Business area Consumer

Overview

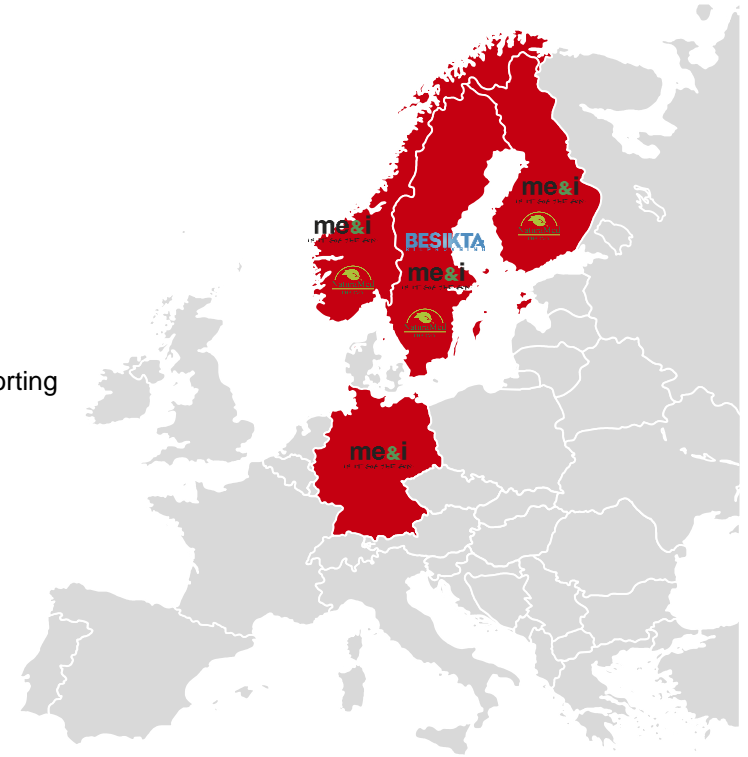
- Organised in **3** business units

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, Q3 2018 LTM

- Net sales SEK **942m**
- EBITDA SEK **154m**
- EBITA SEK **120m**
- ROCE **237%**



Business area Akademibokhandeln

Overview

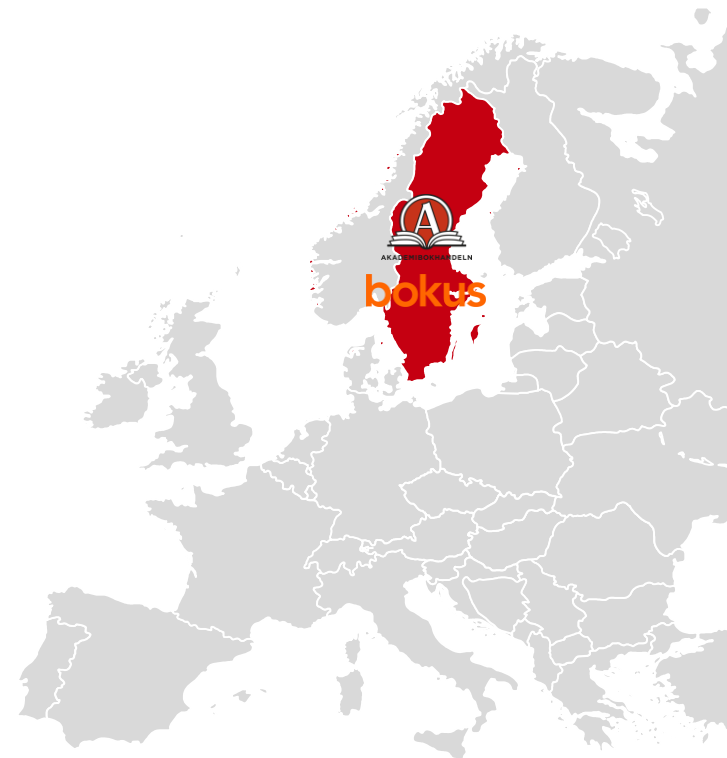
- Organised in **1** business unit

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
- 1.8 million members in the loyalty club

Key financials, Q3 2018 LTM

- Net sales SEK **1,776m**
- EBITDA SEK **85m**
- EBITA SEK **58m**
- ROCE **79%**



Business area Industry

Overview

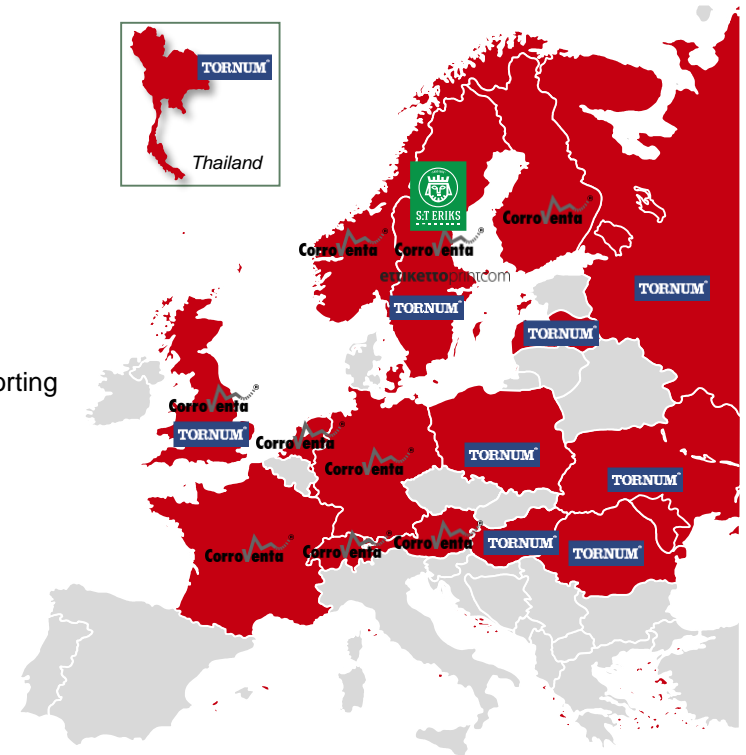
- Organised in **4** business units

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, Q3 2018 LTM

- Net sales SEK **1,001m**
- EBITDA SEK **156m**
- EBITA SEK **127m**
- ROCE **51%**



Income statement

SEKm	2016	2017	Q3 2018 LTM	Q3 2018
Net sales	3,207	4,356	5,770	1,470
Raw materials and supplies	-1,526	-2,228	-3,202	-830
Other external costs	-516	-684	-844	-202
Personnel costs	-771	-983	-1,223	-292
Other income	4	7	17	6
Other operating costs	-12	-9	-8	0
EBITDA	385	459	508	152
Depreciation	-67	-82	-107	-29
EBITA	318	377	401	123
Acquisition-related amortisations and write-downs	-17	-31	-49	-13
Impairment of goodwill	-	-	-4	-
EBIT	301	345	348	110
Financial income	19	8	17	3
Financial costs	-66	-49	-80	-17
Profit before tax	254	305	285	96
Tax	-53	-63	-40	-22
Net profit	201	241	245	74
<u>Net profit attributable to:</u>				
Parent company owners	196	240	243	74
Minority owners	4	1	2	1

Balance sheet

SEKm	31 Dec 2016	31 Dec 2017	30 Sep 2018
Intangible fixed assets	1,840	2,934	3,200
Tangible fixed assets	191	241	397
Financial fixed assets	8	10	7
Deferred tax assets	42	59	97
Total non-current assets	2,081	3,243	3,702
Inventory	387	610	877
Current assets	404	715	1 121
Assets related to discontinued operations	-	-	-
Current interest-bearing securities	-	0	0
Cash and cash equivalents	371	438	141
Total current assets	1,162	1,763	2,141
Total assets	3,243	5,006	5,843
Share capital	10	10	10
Other capital contributions	1,995	1,995	1,995
Other reserves	34	16	57
Retained earnings including net profit for the year	200	331	413
Non-controlling interests	18	13	8
Total shareholders' equity	2,257	2,365	2,482
Non-current interest-bearing debt	80	98	230
Provisions for pensions	3	2	2
Other provisions	6	6	11
Deferred tax liabilities	124	268	308
Other non-interest-bearing non-current liabilities	54	984	975
Total non-current liabilities	267	1,358	1,526
Current interest-bearing debt	73	106	386
Current non-interest-bearing debt	646	1,178	1,448
Total current liabilities	719	1,284	1,834
Total liabilities	986	2,642	3,360
Total equity and liabilities	3,243	5,006	5,843

Cash flow statement

SEKm	2016	2017	Q3 2018 LTM	Q3 2018
Profit before tax	254	305	285	96
Adjustment for non-cash items	122	146	196	51
Interest paid	-39	-21	-36	-8
Interest received	0	1	2	1
Cash taxes	-41	-62	-90	-19
Cash flow before changes in working capital	295	369	358	120
Change in inventories	-29	-18	0	-34
Change in operating receivables	-1	-32	-80	9
Change in operating liabilities	20	156	85	38
Cash flow from change in working capital	-10	106	5	13
Cash flow from operating activities	285	475	363	134
Investments in tangible and intangible assets	-33	-57	-72	-14
Sale of tangible and intangible assets	1	6	3	0
Investments in subsidiaries	-261	-553	-716	-419
Sale of subsidiaries	-	1	-	-
Investments in financial assets	0	-	-	-
Sale of financial assets	10	-	0	-
Cash flow from investing activities	-284	-603	-785	-432
Shareholder contribution	24	-	-	-
Preference share issue	1,177	-1	-	-
Dividends paid	-88	-105	-105	-16
Change in pension liability	-	-24	-24	-
Borrowings	-954	330	610	182
Cash flow from financing activities	159	200	481	166
Cash flow for the year	161	71	59	-132
Cash and cash equivalents at year-beginning	200	371	285	275
Translation differences	10	-4	6	-1
Cash and cash equivalents at year-end	371	438	350	141

Net debt and working capital

SEKm	31 Dec 2016	31 Dec 2017	Q3 2018 LTM
Net debt			
Cash and cash equivalents	-371	-438	-141
Unrealised derivate instruments assets	0	0	0
Pension liabilities	2	2	2
Non-current interest-bearing liabilities	54	984	975
Current interest-bearing liabilities	73	106	386
Unrealised derivative instruments liabilities	0	0	0
Accrued interest expenses	-	2	6
Pension assets	-2	-2	-2
Adjustment for nominal value obligation loan	-	-12	-12
Adjustment for shareholder loans	-22	-23	-23
Net debt	-264	619	1 190
Net working capital			
Assets			
Inventories	387	610	877
Receivables	302	455	755
Other short-term receivables	17	48	51
Prepaid expenses / accrued Income	74	154	204
Working capital assets	780	1,267	1,887
Liabilities			
Accounts payable	267	607	650
Advances from customers	56	65	85
Other current liabilities	112	167	217
<i>Adjustment for accrued preference share dividend</i>	<i>-32</i>	<i>-32</i>	<i>-48</i>
Accrued expenses / prepaid income	158	265	383
Working capital liabilities	562	1,072	1 287
Net working capital	219	195	600

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