



Interim Report

January–March 2019

Mårten Andersson, CEO

Mattias Björk, CFO

24 April 2019

volat1.

Financial development in Q1 2019

Net sales

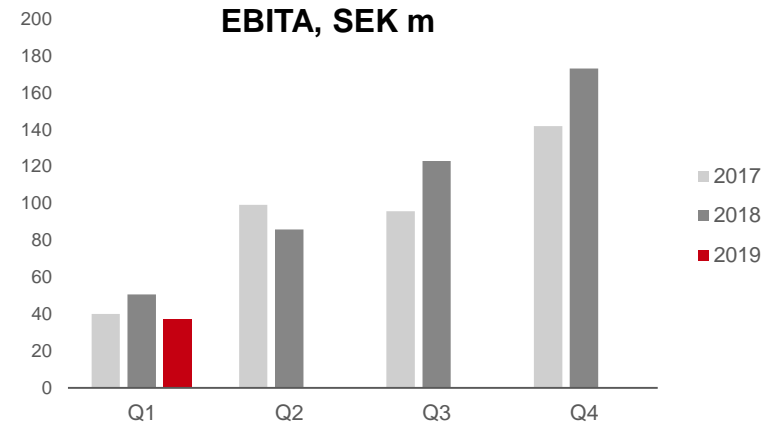
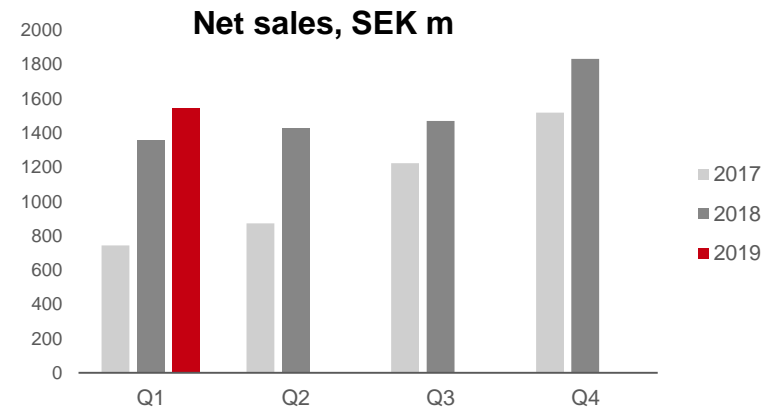
SEK 1,544 m (1,355)

EBITA

SEK 37 m (51)

Organic EBITA growth

+ 8%



Q1 2019 in brief

- Strong net sales growth from both acquisitions and positive developments in several business areas.
- Seasonality and acquisitions mean that we report 8% organic EBITA growth while the reported EBITA decreases from SEK 51 to 37 million.
 - A good quarter for S:t Eriks contributed to organic EBITA growth
 - The EBITA decline is mainly related to the Industry business area. We normally have quarterly variations in the part of the business that includes project sales of systems for grain handling and in the part that rents out water damage restoration products. Order intake for project sales was good during Q1.
- The Trading business area showed strong development both in terms of sales and earnings and reported its best ever Q1.
- Market challenge in business area Consumer due to changes in car inspection intervals. Actions taken, including staffing and positive price adjustments, to ensure profitability going forward.
- Continued positive development in business area Akademibokhandeln with growth in both sales and earnings.
- Events after the reporting period: Add-on acquisitions of Stenentreprenader and Mundus in line with Volati's strategies for value creation in existing business units.

Financial development, LTM Q1 2019

Net sales

SEK 6,273 m

(6,084 full-year 2018)

EBITA

SEK 420 m

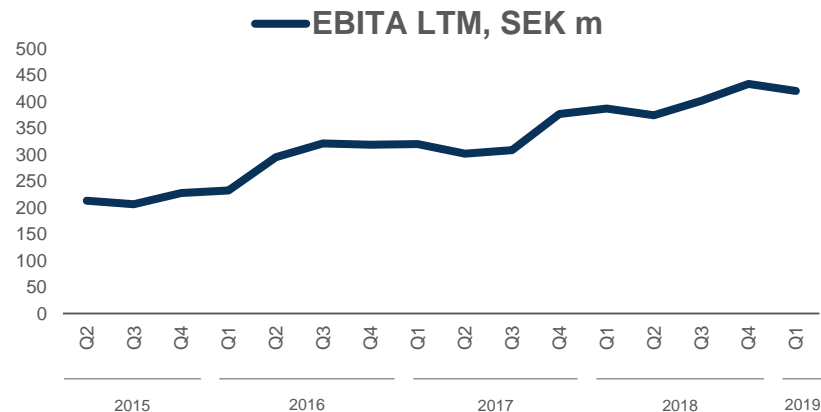
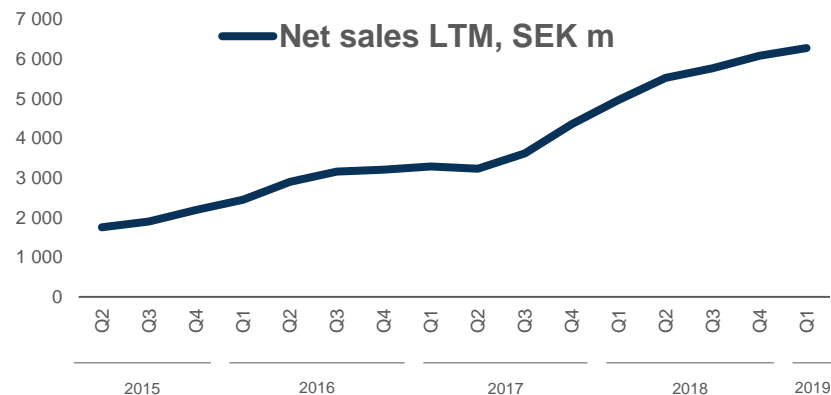
(433 full-year 2018)

Cash conversion

73% (86 full-year 2018)

Net debt/Adjusted EBITDA

2.1x (1.7 at end of 2018)



Long-term perspective

- Compound Annual Growth Rate of EBITA 2004-2018: 34 per cent.
- Average organic EBITA growth between 2013-2018: 7 per cent.



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 475 m

Operating cash flow
2018

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

36%

Average acquired EBITA growth
2013–2018

...at reasonable valuations...

5.9x

Weighted average EV/EBITDA acquisition multiple since 2004

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

7%

Average organic EBITA growth
2013–2018

Business area Trading



Q1 2019 in brief

- Strong growth in sales and earnings – best ever Q1.
- The business area has successfully taken advantage of a continued favorable market in the hardware and building materials trade.

	Jan–Mar 2019 ¹	Jan–Mar 2018	LTM Q1 2019	Full-year 2018
Net sales, SEK m	496	468	2,135	2,107
EBITDA, SEK m	33	23	185	176
EBITA, SEK m	28	19	167	158
EBITA margin, %	6	4	8	7
EBIT, SEK m	26	16	157	147
ROCE exkl. goodwill, %	38	34	38	37

¹ Excluding effects of IFRS 16.

Business area Consumer



Q1 2019 in brief

- Profits in Besikta affected by changed car inspection regulations, effectively increasing the inspection interval from 12 to 14 months. Positive price adjustments implemented to secure profitability going forward.
- We are making progress in the work of reversing the trend in the other business units, but profitability is still below expectations.

	Jan–Mar 2019 ¹	Jan–Mar 2018	LTM Q1 2019	Full-year 2018
Net sales, SEK m	222	238	908	923
EBITDA, SEK m	12	26	124	138
EBITA, SEK m	4	17	91	104
EBITA margin, %	2	7	10	11
EBIT, SEK m	1	14	80	93
ROCE exkl. goodwill, %	217	202	217	233

¹ Excluding effects of IFRS 16.

Business area Akademibokhandeln



Q1 2019 in brief

- Strong sales and profit development. Measures to improve profitability are yielding significant results.
- Strong customer offering, good demand from customers and lower fixed costs.
- Leveraging our presence in all channels and formats.

	Jan–Mar 2019 ¹	Jan–Mar 2018	LTM Q1 2019	Full-year 2018
Net sales, SEK m	453	436	1 800	1 784
EBITDA, SEK m	5	-1	107	100
EBITA, SEK m	-2	-7	77	72
EBITA margin, %	0	-2	4	4
EBIT, SEK m	-8	-13	53	48
ROCE exkl. goodwill, %	101	201	101	92

¹ Excluding effects of IFRS 16.

Business area Industry



Q1 2019 in brief

- EBITA affected by temporary variations in the part of the business that includes project sales of systems for grain handling and in the part that rents out water damage restoration products.
- High operational efficiency and good market conditions remain in other parts of the business.

	Jan–Mar 2019 ¹	Jan–Mar 2018	LTM Q1 2019	Full-year 2018
Net sales, SEK m	373	213	1 431	1 271
EBITDA, SEK m	27	38	171	183
EBITA, SEK m	13	32	125	144
EBITA margin, %	3	15	9	11
EBIT, SEK m	11	32	120	140
ROCE exkl. goodwill, %	29	58	29	43

¹ Excluding effects of IFRS 16.

Well-positioned for further acquisitions

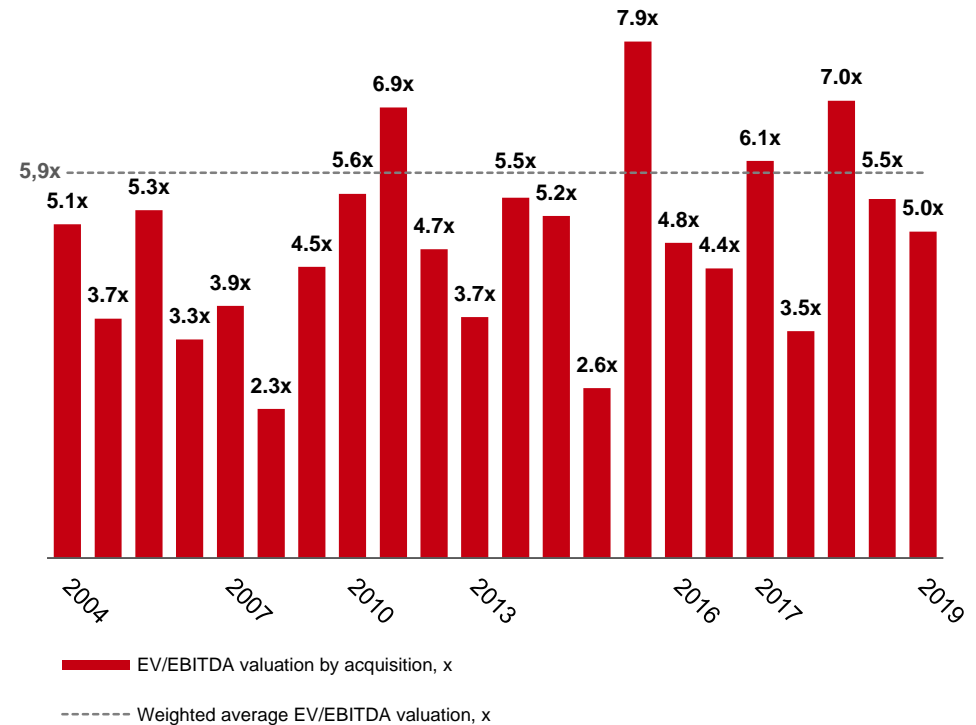
Successful acquirer

- Proven ability to make major acquisitions, integrate acquired companies and deliver on the investment hypothesis.

Ready for further acquisitions

- Enhanced acquisition organisation enabling us to evaluate more companies and increase the organic sourcing capabilities for add-on's.
- Capital structure, strong cash flow and low net debt enable us to act on opportunities.
- Continued good pipeline and strong inflow of companies for evaluation.

Volati's acquisitions
Acquisition multiples



Add-on acquisitions after the reporting period

- Acquired Stenentreprenader i Hesselholm AB and Mundus Maskin AB, with combined sales of SEK 125 million and an EBITDA of SEK 16 million in 2018.
- Add-on acquisitions are an important part of Volati's strategy to create long-term value growth. They reinforce the existing business units' market positions and add further value through synergies.

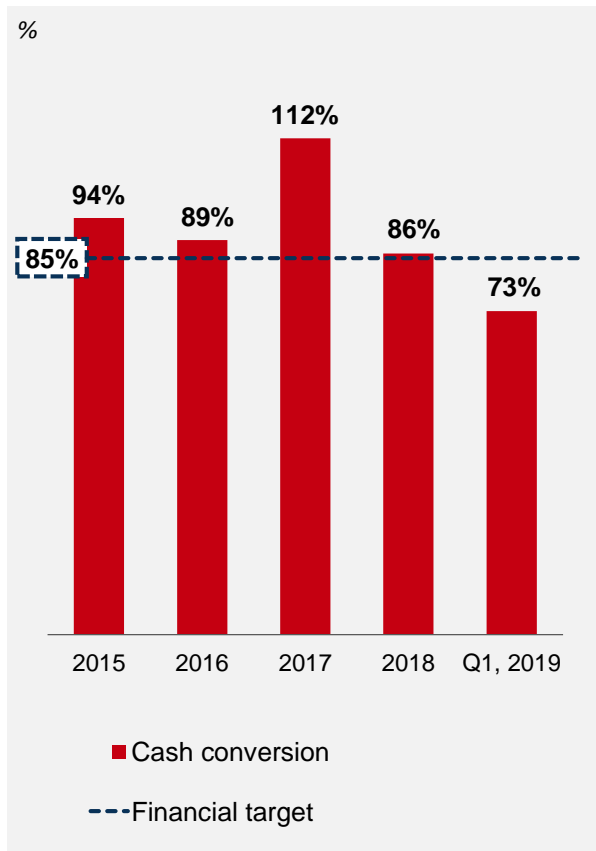
Stenentreprenader	One of the major natural stone contractors in Sweden	Add-on acquisition to S:t Eriks	EV/EBITDA: 5.0
Mundus Maskin	Handling systems for grain and other raw materials	Add-on acquisition to Tornum	EV/EBITDA: 1.5

Improved capital structure

- Volati entered into a new credit facilities agreement with Nordea and financed the early redemption of Akademibokhandeln's bonds
 - Bond redemption and the new credit facility agreement decreases financial costs by approx. SEK 15 million annually
 - Provides expanded credit facilities for acquisitions
 - Financially attractive terms. New margins on credit facility of STIBOR +0.75%-2.00% depending on ND/EBITDA level
 - Financial covenant of <3.5x ND/EBITDA
- New capital structure:
 - Equity of SEK 2,407 million, of which preference shares SEK 828 million
 - Preference shares of SEK 850 million giving right to SEK 64 million in annual dividends
 - Revolving credit facility of SEK 700 million
 - Overdraft facility of SEK 200 million
 - Bond issued in Volati AB of SEK 600 million. Maturity end of 2022 with yield of STIBOR+350bp – senior unsecured
 - Global cash pool

Net debt/EBITDA ratio well within limits of financial targets

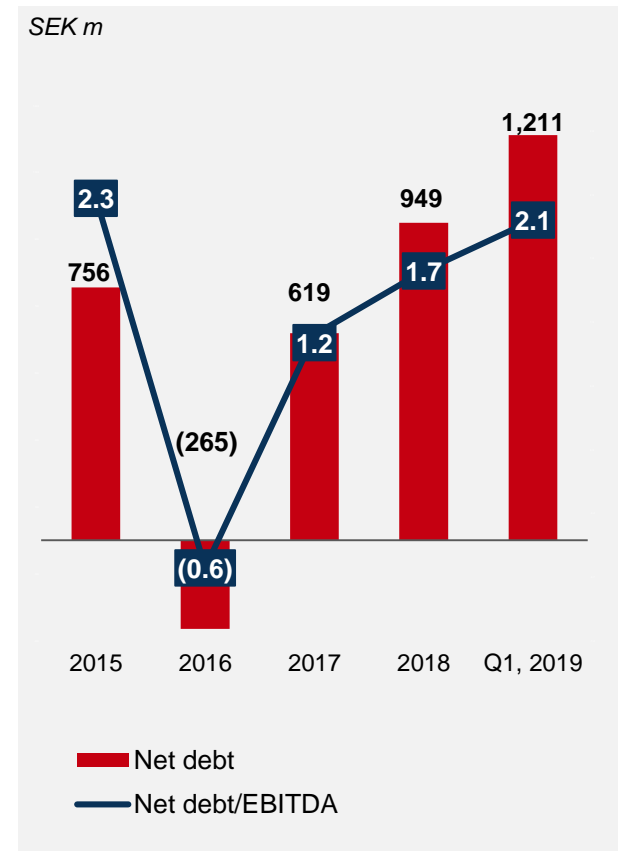
Cash conversion



Sales and EBITA



Net debt



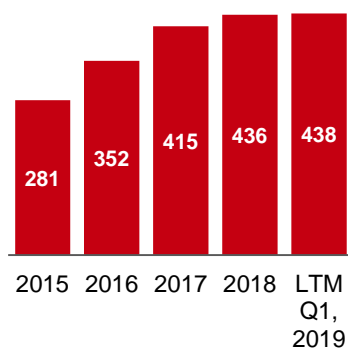
Towards our financial targets

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

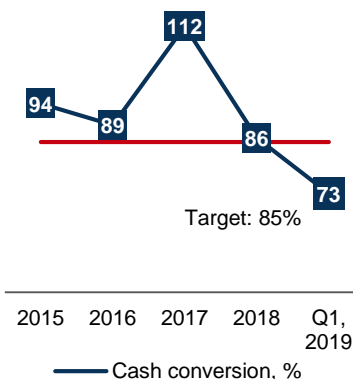


■ Adjusted EBITA, SEK m

Cash conversion

>85%

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

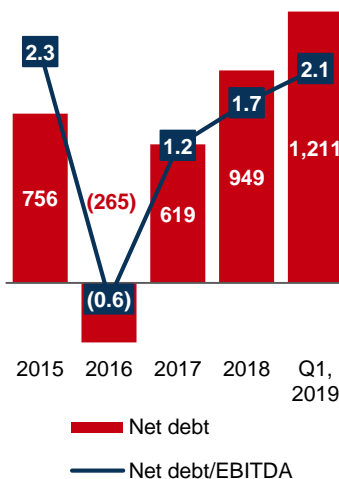


Capital structure

<3.0x

(long-term)

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

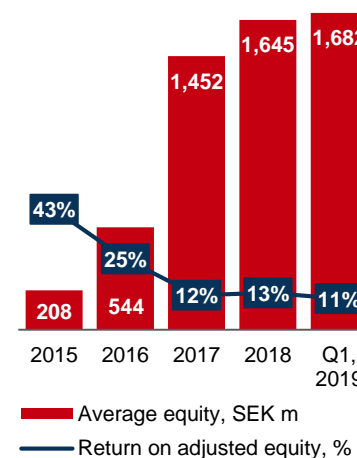


Return on adjusted equity

>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

Proposed dividend distribution

1.00
SEK per share

Conclusions and steps ahead

A good start to 2019

- Overall operations are developing positively.

Strong 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 and evaluation of more acquisition targets.

Capital structure for future acquisitions

- Strong financial position enabling us to continue pursuing our acquisition strategy.

Long-term value creation

- Continued focus on acquisitions and organic growth in line with our strategies.



Volati – a growing Swedish Industrial Group



Appendix

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Business area Trading

Overview

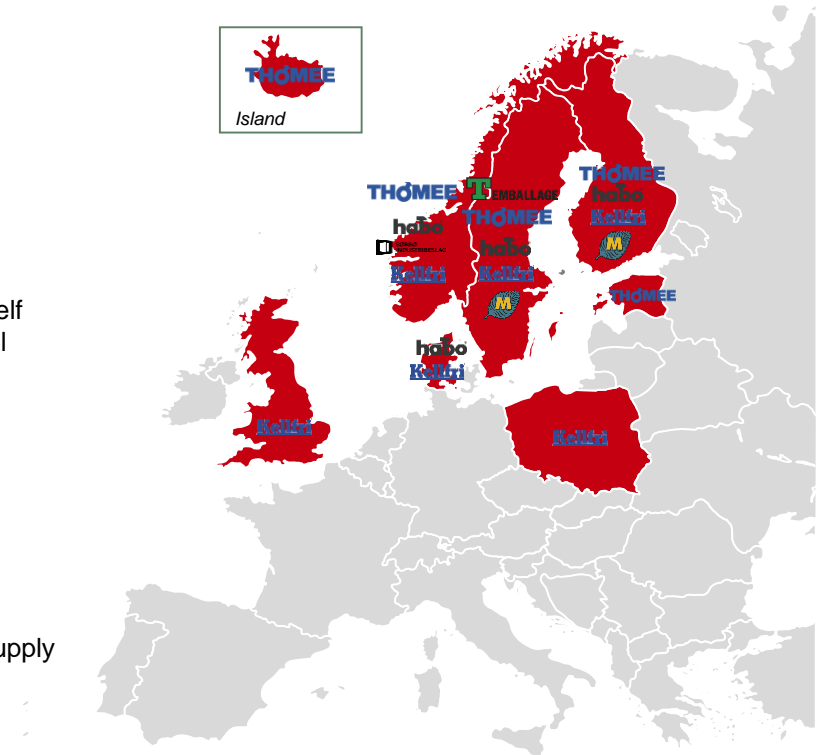
- Organised in **7** business units

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, LTM Q1, 2019

- Net sales of SEK **2,135** million
- EBITDA of SEK **185** million
- EBITA of SEK **167** million
- ROCE of **38** percent



Business area Consumer

Overview

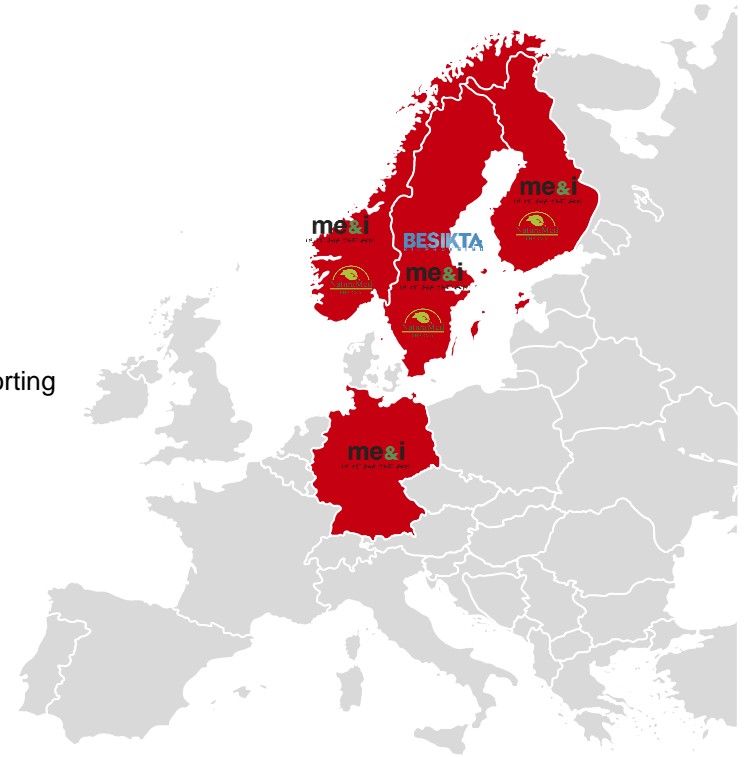
- Organised in **3** business units

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, LTM Q1, 2019

- Net sales of SEK **908** million
- EBITDA SEK of **124** million
- EBITA of SEK **91** million
- ROCE of **217** percent



Business area Akademibokhandeln

Overview

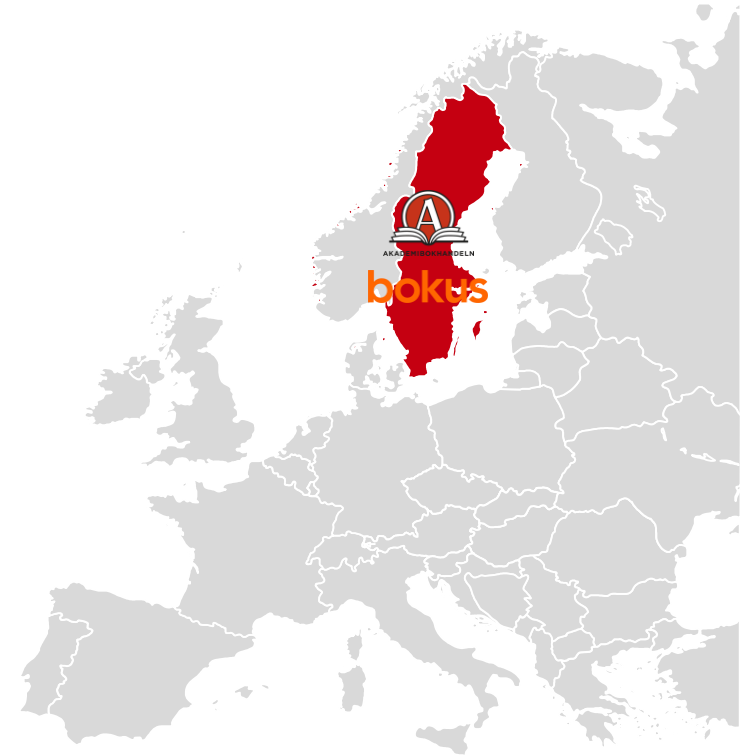
- Organised in **1** business unit

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
- 2 million members in the loyalty club

Key financials, LTM Q1, 2019

- Net sales of SEK **1,800** million
- EBITDA of SEK **107** million
- EBITA SEK **77** million
- ROCE of **101** percent



Business area Industry

Overview

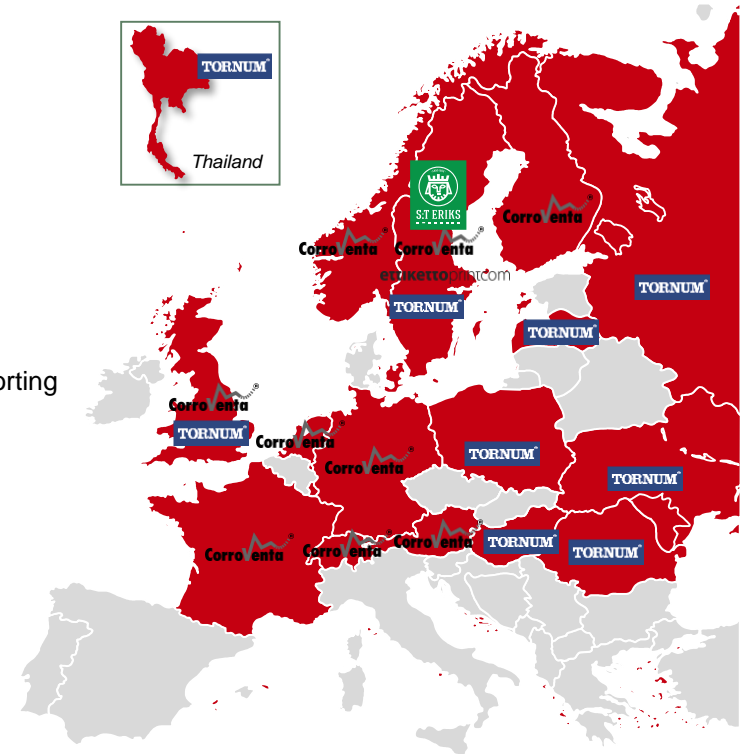
- Organised in **4** business units

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, LTM Q1, 2019

- Net sales of SEK **1,431** million
- EBITDA of SEK **171** million
- EBITA of SEK **125** million
- ROCE of **29** percent



Income statement

SEKm	Q1 2019	Q1 2019 LTM	2018
Net sales	1,544	6,273	6,084
Raw materials and supplies	-856	-3,467	-3,375
Other external costs	-185	-826	-853
Personnel costs	-376	-1,389	-1,318
Other income	11	22	18
Other operating costs	-3	-2	-4
EBITDA	136	611	552
Depreciation	-98	-192	-119
EBITA	37	420	433
Acquisition-related amortisations and write-downs	-13	-51	-49
Impairment of goodwill	-	-18	-18
EBIT	24	351	366
Financial income	5	31	29
Financial costs	-29	-90	-80
Profit before tax	0	292	316
Tax	-1	-37	-42
Net profit	-1	255	274
<u>Net profit attributable to:</u>			
Parent company owners	-1	254	272
Minority owners	0	1	2

Balance sheet

SEKm	31 Mar 2019	31 Mar 2018	31 Dec 2018
Intangible fixed assets	3,127	2,950	3,126
Tangible fixed assets	324	238	404
Right-of-use assets	926	-	-
Financial fixed assets	9	10	8
Deferred tax assets	67	63	59
Total non-current assets	4,453	3,261	3,597
Inventory	937	598	895
Current assets	898	821	839
Current interest-bearing securities	0	0	0
Cash and cash equivalents	80	192	241
Total current assets	1,915	1,611	1,975
Total assets	6,368	4,872	5,571
Share capital	10	10	10
Other capital contributions	1,995	1,995	1,995
Other reserves	54	47	34
Retained earnings including net profit for the year	520	365	520
Non-controlling interests	7	14	7
Total shareholders' equity	2,586	2,432	2,567
Non-current interest-bearing debt	89	78	89
Non-current Lease liabilities	649	-	-
Provisions for pensions	2	2	2
Other provisions	5	5	10
Deferred tax liabilities	288	271	287
Other non-interest-bearing non-current liabilities	621	967	974
Total non-current liabilities	1,655	1,323	1,361
Current interest-bearing debt	611	34	241
Current lease liabilities	237	-	-
Current non-interest-bearing debt	1,280	1,083	1,403
Total current liabilities	2,128	1,117	1,644
Total liabilities	3,782	2,441	3,005
Total equity and liabilities	6,368	4,872	5,571

Cash flow statement

SEKm	Q1 2019	Q1 2019 LTM	2018
Profit before tax	0	292	316
Adjustment for non-cash items	120	284	204
Interest paid	-21	-55	-39
Interest received	0	2	2
Cash taxes	-48	-68	-53
Cash flow before changes in working capital	51	455	430
Change in inventories	-40	-117	-62
Change in operating receivables	-71	33	37
Change in operating liabilities	-98	44	43
Cash flow from change in working capital	-209	-40	18
Cash flow from operating activities	-158	415	448
Investments in tangible and intangible assets	-20	-88	-83
Sale of tangible and intangible assets	0	2	2
Investments in subsidiaries	-	-545	-545
Sale of subsidiaries	-	1	1
Investments in financial assets	-2	-6	-4
Sale of financial assets	-	0	0
Cash flow from investing activities	-21	-635	-629
Dividends paid	-16	-105	-105
Change in pension liability	-	-	-
Borrowings	-30	213	87
Cash flow from financing activities	14	108	-18
Cash flow for the year	-165	-113	-199
Cash and cash equivalents at year-beginning	241	192	438
Translation differences	3	1	2
Cash and cash equivalents at year-end	80	80	421

Net debt and working capital

SEKm	Q1 2019	Q1 2018	31 Dec 2018
Net debt			
Cash and cash equivalents	-80	-192	-241
Unrealised derivate instruments assets	0	0	0
Pension liabilities	2	2	2
Non-current interest-bearing liabilities	668	968	974
Current interest-bearing liabilities	637	34	241
Unrealised derivative instruments liabilities	0	1	0
Accrued interest expenses	6	8	7
Pension assets	-2	-2	-2
Adjustment for nominal value obligation loan	5	-10	-6
Adjustment for shareholder loans	-25	-23	-25
Net debt	1,211	786	949
Net working capital			
Assets			
Inventories	937	598	895
Receivables	652	547	558
Other short-term receivables	55	37	67
Prepaid expenses / accrued Income	184	148	186
Working capital assets	1,828	1,330	1,706
Liabilities			
Accounts payable	593	485	706
Advances from customers	93	78	73
Other current liabilities	166	151	184
<i>Adjustment for accrued preference share dividend</i>	<i>-16</i>	<i>-16</i>	<i>-32</i>
Accrued expenses / prepaid income	356	283	379
Working capital liabilities	1,192	981	1 310
Net working capital	636	349	396

Definitions of key metrics

Metric	Explanation	Adjusted	Explanation
Business area return on capital employed (BA ROCE)	BA EBITA excluding IFRS16 in relation to BA capital employed excluding IFRS16	-	-
Cash conversion	Operating cash flow in relation to EBITDA excluding IFRS16	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 excluding IFRS16 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, excluding IFRS16 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 and excluding IFRS16 less interest bearing long- and short-term assets, adjusted for subordinated shareholder loans	-	-
Net debt / adj. EBITDA	Net debt excluding IFRS 16 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 excluding IFRS 16 less change in net working capital excluding IFRS16 (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 excluding IFRS 16
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