

Interim Report

January–June 2019

Mårten Andersson, CEO

Mattias Björk, CFO

16 August 2019

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Financial development in Q2 2019

Net sales

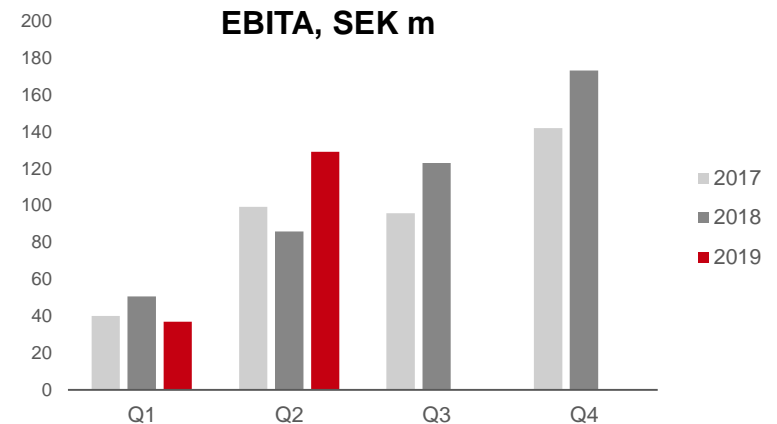
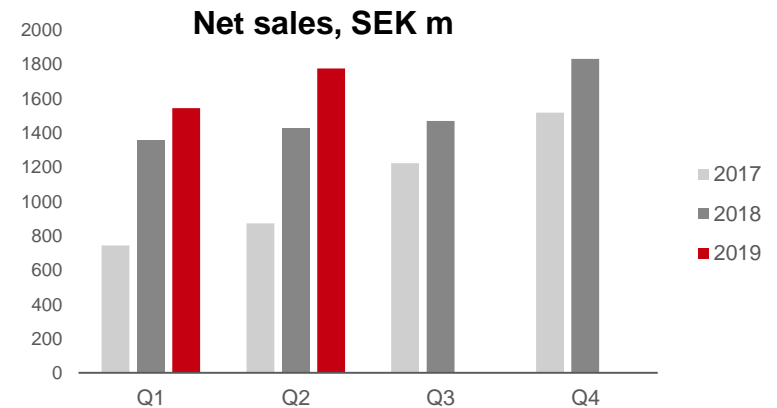
SEK 1,776 m (1,428)

EBITA

SEK 129 m (86)

EBITA growth

+ 50%



Q2 2019 in brief

- A very good quarter. EBITA increased by 50 percent and net sales by 24 percent. Acquisitions and a good performance in our existing operations contributed to the positive developments.
- All business areas reported improved EBITA earnings for the quarter compared to the same period last year.
- Earnings per share were affected by the introduction of IFRS 16 and remeasurement of the Group's deferred tax liability and tax asset. Adjusted for IFRS 16 and remeasurements, earnings per share for the quarter increased by 124 percent to SEK 0.67 (0.30).
- We completed two add-on acquisitions in business area Industry – Stenentreprenader and Mundus Maskin.

Q2 2019 in brief cont'd

- During the quarter we have evaluated, a significant amount of potential acquisition candidates, primarily add-on acquisitions for our existing business units. However, we can note that price expectations are currently high. This has meant that we have refrained from going ahead in a number of acquisition processes.
- Volati repurchased 1,000,000 ordinary shares, for the price of SEK 44.825 per share, on 25 April 2019.

Events after the reporting period

- To create a common focus on long-term value creation with management in business areas and business units, Volati encourages management to invest in the business that they are responsible for.
- The Board has therefore convened an EGM of Volati to decide whether some of Volati key personnel may acquire ownership shares in their respective business units at market values.

Financial development, LTM Q2 2019

Net sales

SEK 6,622 m

(6,084 full-year 2018)

EBITA

SEK 463 m

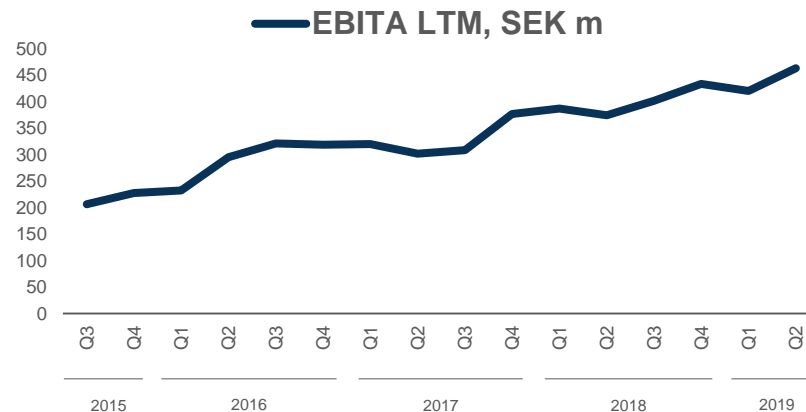
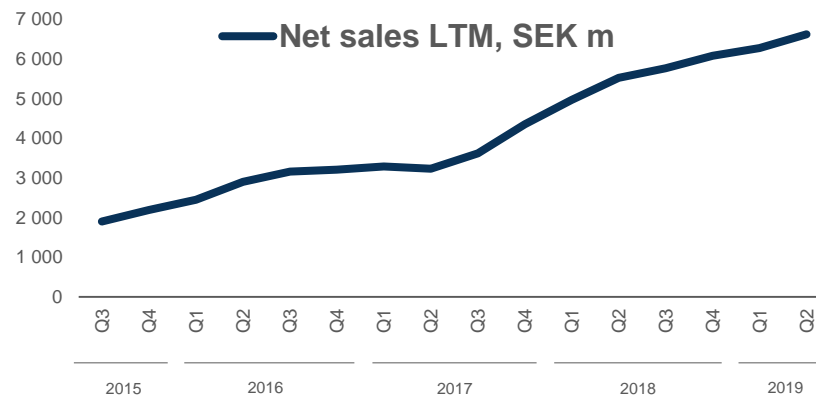
(433 full-year 2018)

Cash conversion

69% (86 full-year 2018)

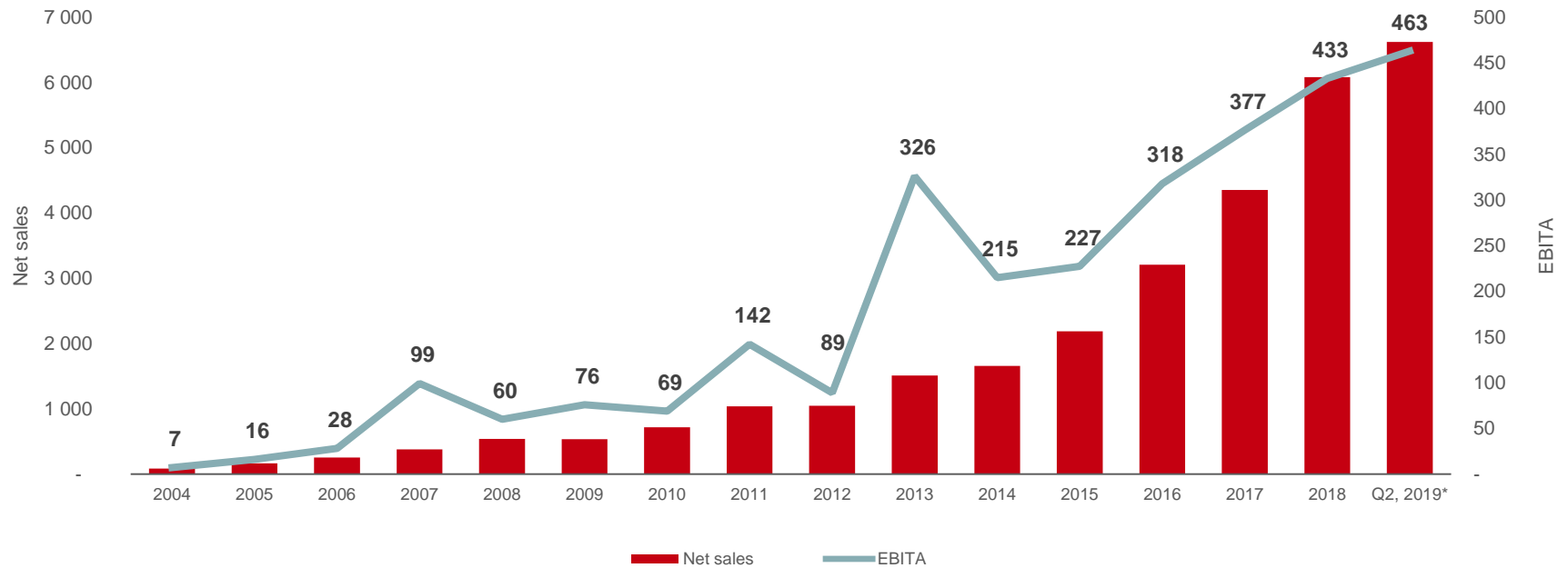
Net debt/Adjusted EBITDA

2.4x (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.



*IFRS16 implemented in 2019 which positively affected LTM EBITA by SEK 10 million

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

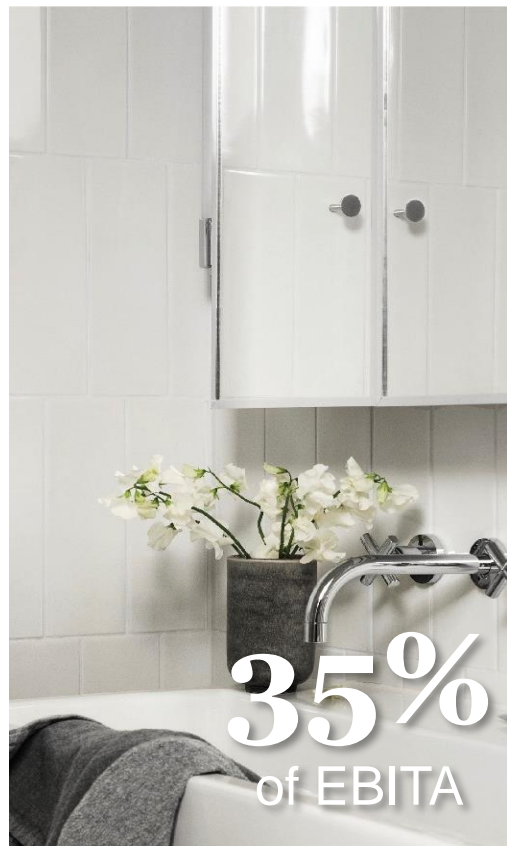
Weighted average EV/EBITDA acquisition multiple since 2004

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

7%

Average organic EBITA growth
2013–2018

Business area Trading



Q2 2019 in brief

- EBITA growth of 10 percent.
- Strengthened operations in companies with own brands have improved margins.
- Successful work with cost efficiencies and price to meet the challenges of a weaker Swedish Krona.
- Slightly lower net sales due to the ongoing consolidation in the hardware trade.

	Apr–Jun 2019	Apr–Jun 2018	Jan–Jun 2019	Jan–Jun 2018	LTM Q2 2019	Full-year 2018
Net sales, SEK m	589	607	1,085	1,075	2,118	2,107
EBITDA, SEK m	63	58	95	81	190	176
EBITA, SEK m	59	53	87	72	173	158
EBITA margin, %	10	9	8	7	8	7
EBIT, SEK m	56	51	82	67	162	147
ROCE exkl. goodwill, %	38	35	38	35	38	37

Business area Consumer

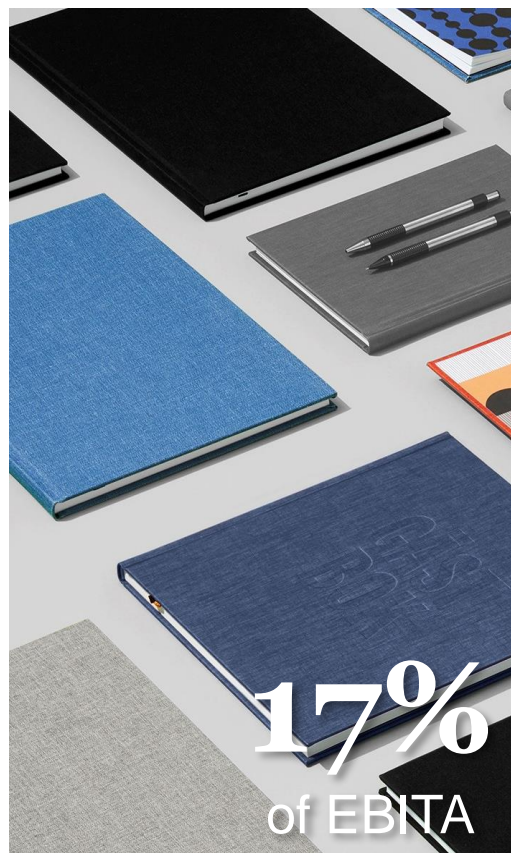


Q2 2019 in brief

- EBITA growth of 11 percent.
- We have managed the challenges from the changed car inspection regulations in a good way. Profitability in the business has developed positively.
- We still have challenges in two of the business units. Measures are ongoing and we are closely monitoring developments.

	Apr–Jun 2019	Apr–Jun 2018	Jan–Jun 2019	Jan–Jun 2018	LTM Q2 2019	Full-year 2018
Net sales, SEK m	248	249	470	487	906	923
EBITDA, SEK m	54	50	66	75	128	138
EBITA, SEK m	46	41	50	58	96	104
EBITA margin, %	18	17	11	12	11	11
EBIT, SEK m	43	38	44	53	85	93
ROCE exkl. goodwill, %	237	212	237	212	237	233

Business area Akademibokhandeln

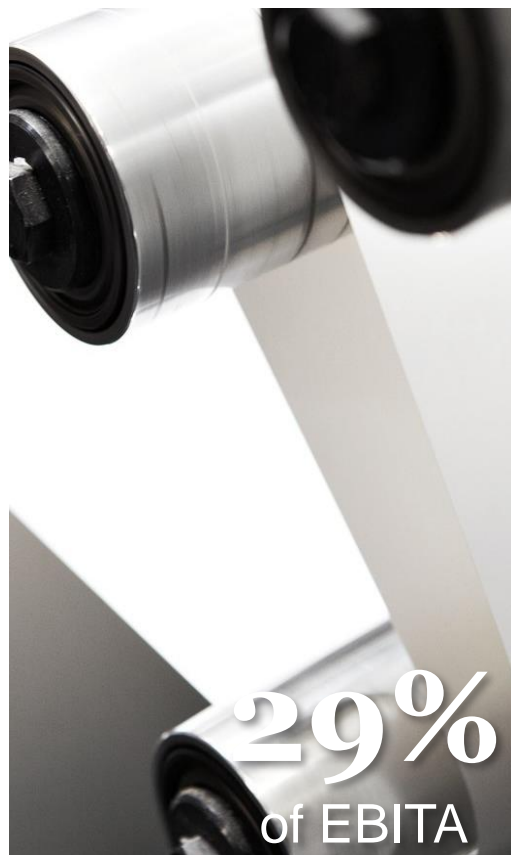


Q2 2019 in brief

- EBITA improved by SEK 8 million.
- Continued positive contributions from work on purchasing and cost efficiency.
- Sales have increased in a stable market by broadening the product offering and by leveraging our presence in all channels and formats.
- The e-commerce channel Bokus has increased sales volume while improving margins.

	Apr–Jun 2019	Apr–Jun 2018	Jan–Jun 2019	Jan–Jun 2018	LTM Q2 2019	Full-year 2018
Net sales, SEK m	328	315	781	751	1,814	1,784
EBITDA, SEK m	-19	-27	-14	-28	114	100
EBITA, SEK m	-26	-34	-28	-41	85	72
EBITA margin, %	-8	-11	-4	-5	5	4
EBIT, SEK m	-32	-40	-40	-53	61	48
ROCE exkl. goodwill, %	108	94	108	94	108	92

Business area Industry



Q2 2019 in brief

- EBITA growth of 59 percent.
- Contributions from the acquisition of S:t Eriks.
- S:t Eriks continues to develop well and to deliver on our investment hypothesis.
- The dry summer in much of Europe has negatively affected the part of the business that rents out water damage restoration products.

	Apr–Jun 2019	Apr–Jun 2018	Jan–Jun 2019	Jan–Jun 2018	LTM Q2 2019	Full-year 2018
Net sales, SEK m	612	257	985	470	1,786	1,271
EBITDA, SEK m	75	45	103	84	202	183
EBITA, SEK m	60	38	73	70	147	144
EBITA margin, %	10	15	7	15	8	11
EBIT, SEK m	58	37	69	69	140	140
ROCE exkl. goodwill, %	27	63	27	63	27	43

Well-positioned for further acquisitions

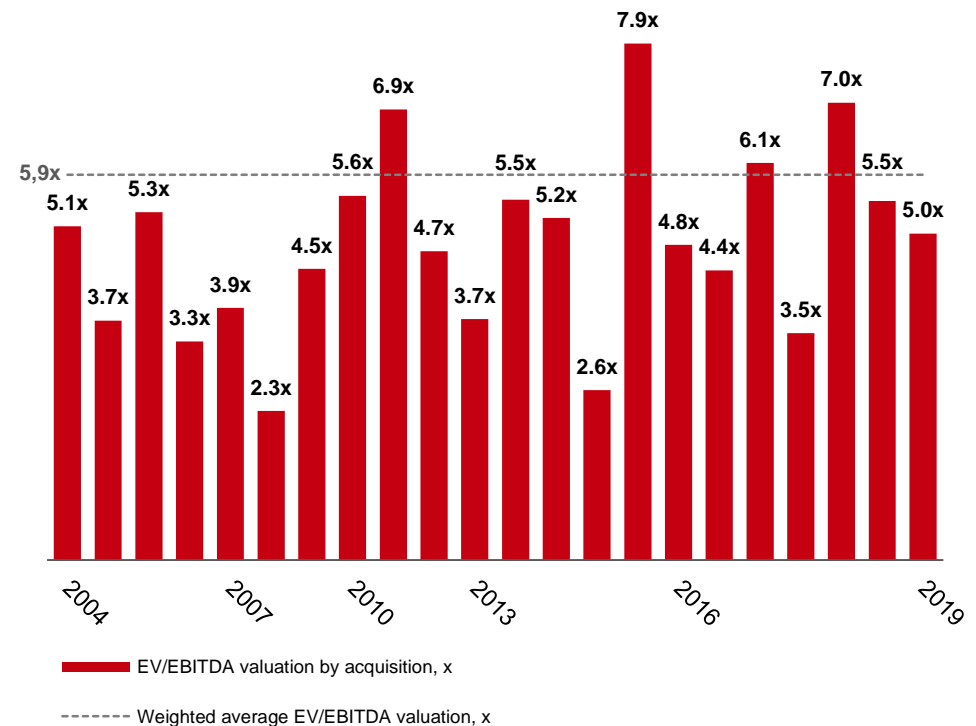
Successful acquirer

- 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.
- Stronger season ahead of us with strong cash flow in operations during second half of 2019
- Continued good pipeline and strong inflow of companies for evaluation.

Volati's acquisitions
Acquisition multiples



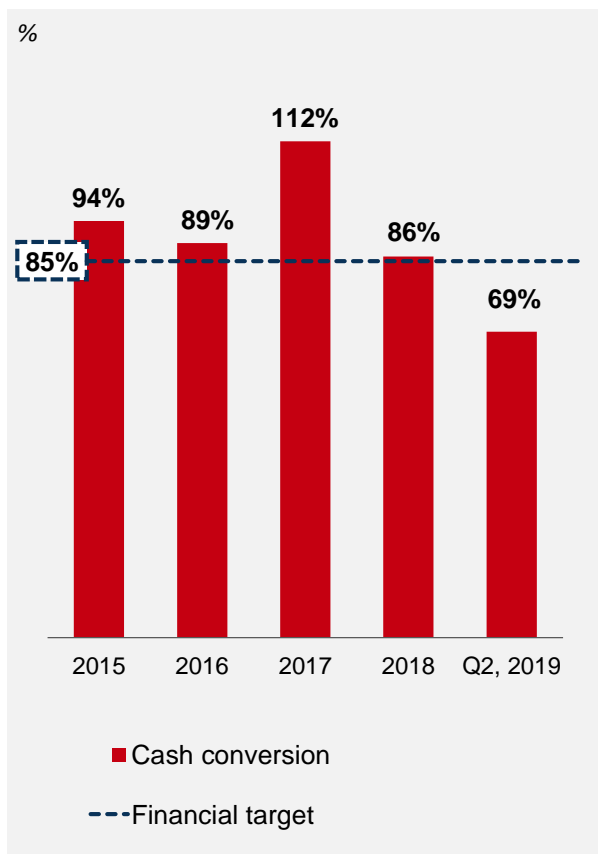
Add-on acquisitions

- 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

Key financial performance

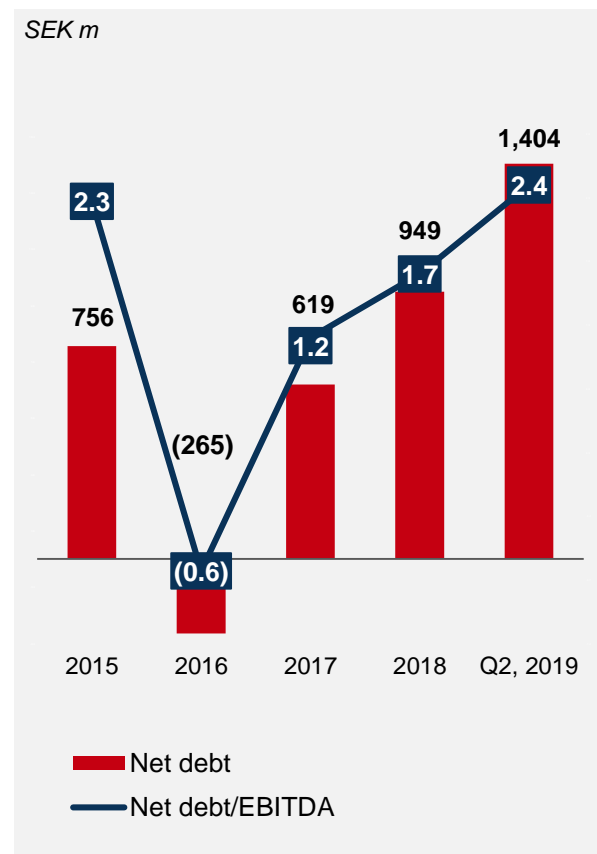
Cash conversion



Sales and EBITA



Net debt



*IFRS16 implemented in 2019.

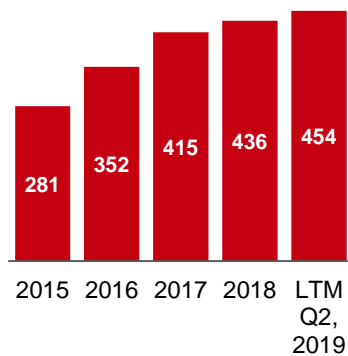
Financial targets

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

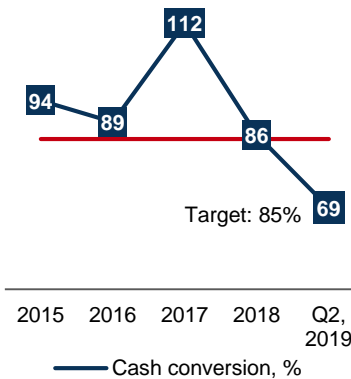


■ Adjusted EBITA, SEK m

Cash conversion

>85%

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

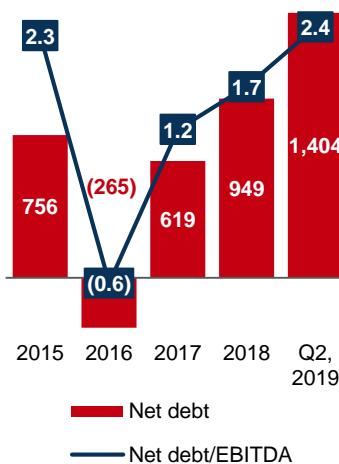


Capital structure

<3.0x

(long-term)

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

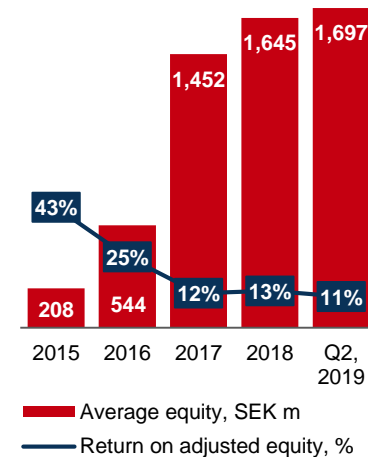


Return on adjusted equity

>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

Dividend in April 2019

1.00
SEK per share

Conclusions and steps ahead

A very good Q2

- Strong profit development in all business areas.
- Overall operations are developing positively.

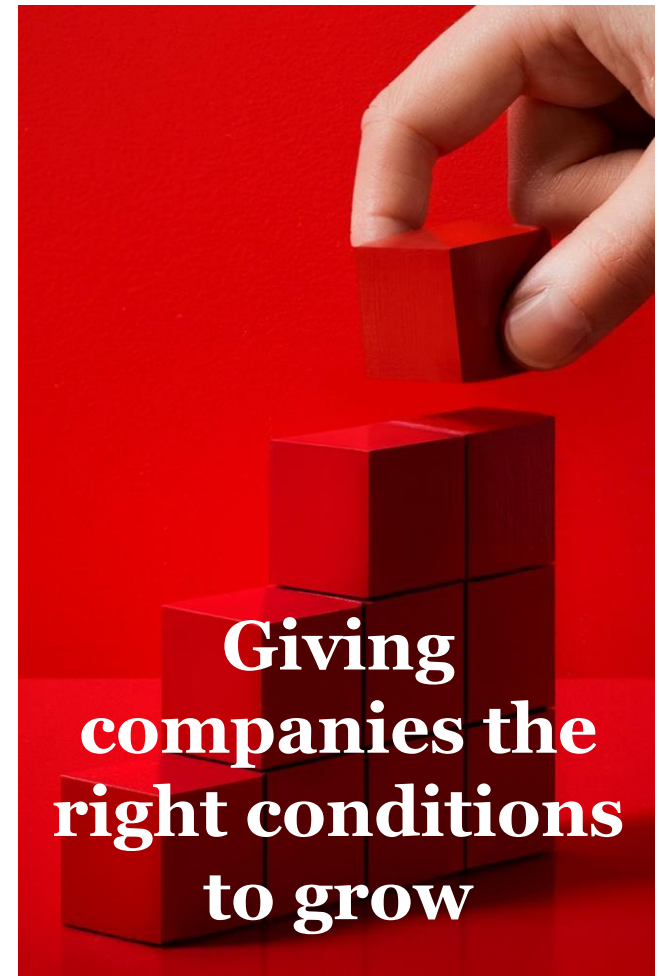
Strong business area organisation

- Provides management resources to achieve strategic plans and value creation in the business units
- Enables efficient management of acquisitions and evaluation of more acquisition targets.

Capital structure for future acquisitions

- Strong cash flow from operations and strong financial position enabling us to continue pursuing our acquisition strategy.

Well positioned to continue our efforts to create long-term value growth – both through acquisitions and by developing our existing operations



Volati – a growing Swedish Industrial Group



Appendix

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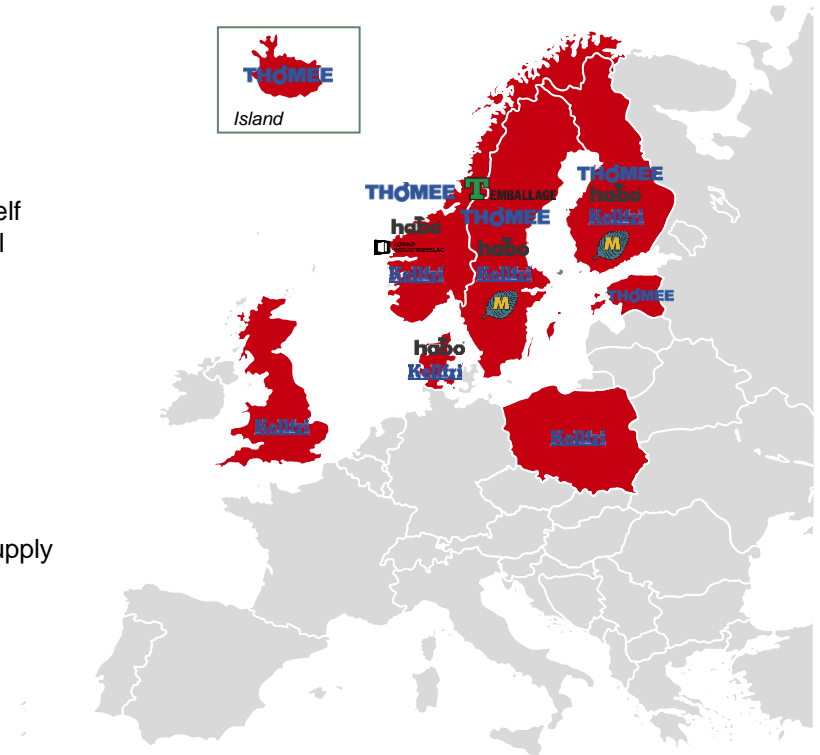
Business area Trading

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 Q2, 2019

- Net sales of SEK **2,118** million
- EBITDA of SEK **190** million
- EBITA of SEK **173** million
- ROCE of **38** percent



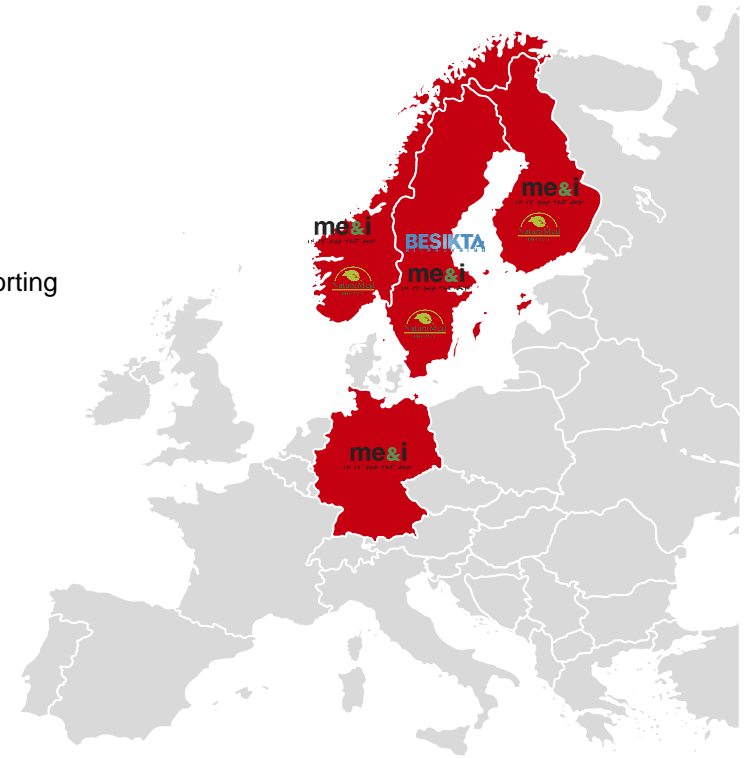
Business area Consumer

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 Q2, 2019

- Net sales of SEK **906** million
- EBITDA SEK of **128** million
- EBITA of SEK **96** million
- ROCE of **237** percent



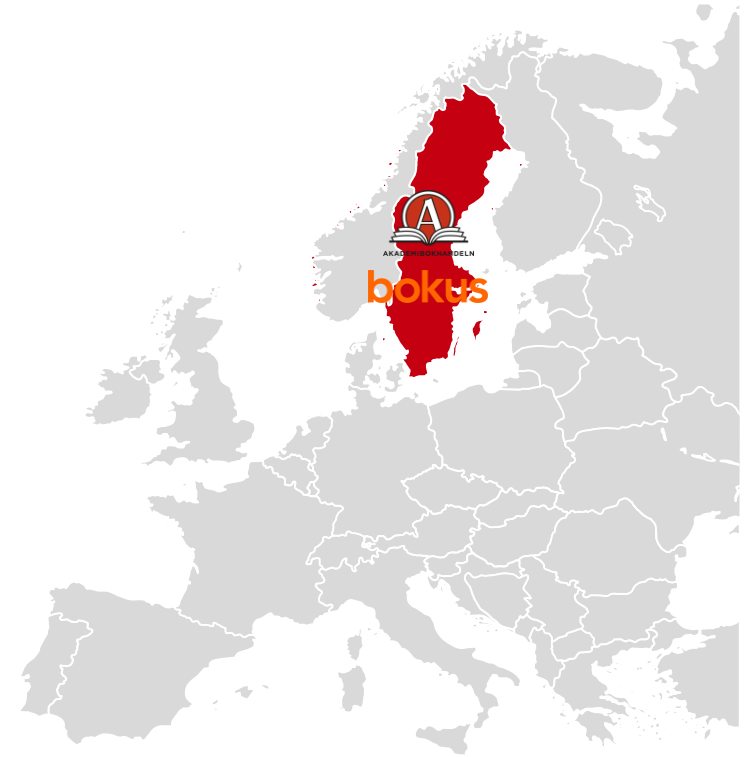
Business area Akademibokhandeln

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 Q2, 2019

- Net sales of SEK **1,814** million
- EBITDA of SEK **114** million
- EBITA SEK **85** million
- ROCE of **108** percent



Business area Industry

Overview

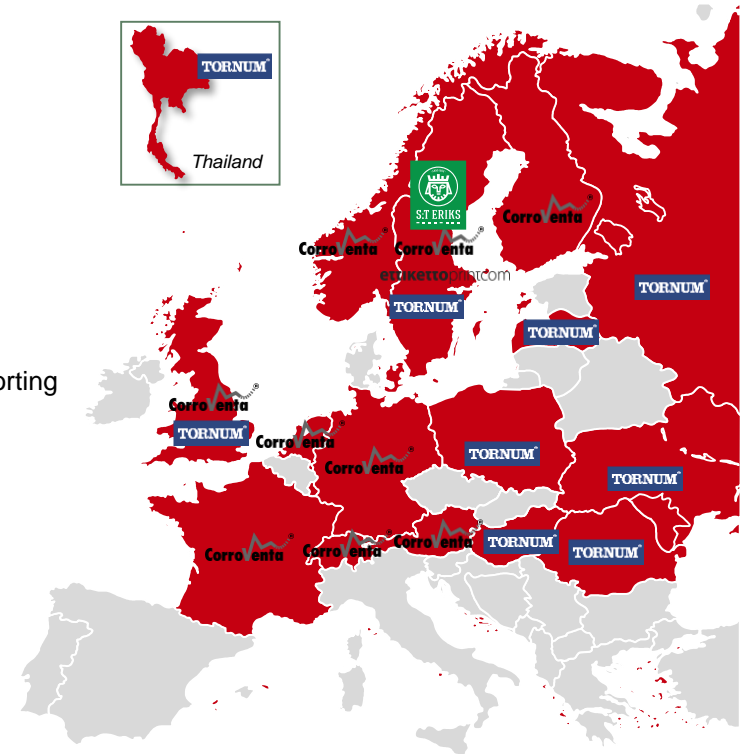
- Organised in **4** business units

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 Q2, 2019

- Net sales of SEK **1,786** million
- EBITDA of SEK **202** million
- EBITA of SEK **147** million
- ROCE of **27** percent



Income statement

SEKm	Q2 2019	Q2 2019 LTM	2018
Net sales	1,776	6,622	6,084
Raw materials and supplies	-981	-3,663	-3,375
Other external costs	-164	-774	-853
Personnel costs	-406	-1,483	-1,318
Other income	4	25	18
Other operating costs	-1	-1	-4
EBITDA	229	727	552
Depreciation	-100	-264	-119
EBITA	129	463	433
Acquisition-related amortisations and write-downs	-14	-52	-49
Impairment of goodwill	-	-14	-18
EBIT	115	397	366
Financial income	4	25	29
Financial costs	-28	-95	-80
Profit before tax	91	328	316
Tax	-30	-73	-42
Net profit	60	255	274
<u>Net profit attributable to:</u>			
Parent company owners	58	251	272
Minority owners	3	3	2

Balance sheet

SEKm	30 Jun 2019	30 Jun 2018	31 Dec 2018
Intangible fixed assets	3,180	2,948	3,126
Tangible fixed assets	333	236	404
Right-of-use assets	918	-	-
Financial fixed assets	6	10	8
Deferred tax assets	54	90	59
Total non-current assets	4,491	3,284	3,597
Inventory	935	624	895
Current assets	1,101	940	839
Current interest-bearing securities	-	0	0
Cash and cash equivalents	104	275	241
Total current assets	2,140	1,839	1,975
Total assets	6,631	5,123	5,571
Share capital	10	10	10
Other capital contributions	1,995	1,995	1,995
Other reserves	61	64	34
Retained earnings including net profit for the year	392	320	520
Non-controlling interests	8	15	7
Total shareholders' equity	2,466	2,404	2,567
Non-current interest-bearing debt	622	967	974
Non-current Lease liabilities	641	-	-
Provisions for pensions	2	2	2
Other provisions	5	4	10
Deferred tax liabilities	296	258	287
Other non-interest-bearing non-current liabilities	88	79	89
Total non-current liabilities	1,655	1,310	1,361
Current interest-bearing debt	829	195	241
Current lease liabilities	242	-	-
Current non-interest-bearing debt	1,439	1,213	1,403
Total current liabilities	2,510	1,408	1,644
Total liabilities	4,165	2,718	3,005
Total equity and liabilities	6,631	5,122	5,571

Cash flow statement

SEKm	Q2 2019	Q2 2019 LTM	2018
Profit before tax	91	328	316
Adjustment for non-cash items	138	369	204
Interest paid	-24	-67	-39
Interest received	0	2	2
Cash taxes	-6	-54	-53
Cash flow before changes in working capital	200	577	430
Change in inventories	5	-89	-62
Change in operating receivables	-172	-34	37
Change in operating liabilities	64	44	43
Cash flow from change in working capital	-103	-79	18
Cash flow from operating activities	96	498	448
Investments in tangible and intangible assets	-20	-87	-83
Sale of tangible and intangible assets	0	2	2
Investments in subsidiaries	-65	-603	-545
Investments in financial assets	-	-6	-4
Sale of financial assets	0	0	0
Cash flow from investing activities	-85	-694	-629
Dividends paid	-95	-143	-105
Share buy-back	-45	-45	-
Transactions with owners	1	1	1
Borrowings	151	211	87
Cash flow from financing activities	11	25	-17
Cash flow for the year	23	-171	-199
Cash and cash equivalents at year-beginning	80	275	438
Translation differences	1	0	2
Cash and cash equivalents at year-end	104	104	421

Net debt and working capital

SEKm	Q2 2019	Q2 2018	31 Dec 2018
Net debt			
Cash and cash equivalents	-104	-275	-241
Unrealised derivate instruments assets	-	0	0
Pension liabilities	2	2	2
Non-current interest-bearing liabilities	666	967	974
Current interest-bearing liabilities	854	195	241
Unrealised derivative instruments liabilities	1	1	0
Accrued interest expenses	7	7	7
Pension assets	-2	-2	-2
Adjustment for nominal value obligation loan	5	-12	-6
Adjustment for shareholder loans	-25	-23	-25
Net debt	1,404	860	949
Net working capital			
Assets			
Inventories	935	624	895
Receivables	799	631	558
Other short-term receivables	60	50	67
Prepaid expenses / accrued Income	210	165	186
Working capital assets	2,004	1,470	1,706
Liabilities			
Accounts payable	609	507	706
Advances from customers	135	90	73
Other current liabilities	217	211	184
<i>Adjustment for accrued preference share dividend</i>	<i>-64</i>	<i>-64</i>	<i>-32</i>
Accrued expenses / prepaid income	366	306	379
Working capital liabilities	1,263	1,050	1 310
Net working capital	741	420	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	-	-
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