

BALCONIES
FOR
GREATER
LIVING



Q4 report 1 October – 31 December 2018

22 February 2019



Q4 financial highlights

Order intake growth of 36% within Renovation segment

Net sales

- **Net sales** increased 7.3% to SEK 304.2m (283.7), an increase of SEK 20.5m.
- Underlying sales growth 8.8% adjusted for IFRS15 impact
- Renovation accounted for 88.6% of sales and New Build for 11.4%

Order intake and order backlog

- **Order intake** increased with SEK 8.6m or 2.9% to SEK 305.0m (296.4). Growth for the Renovation segment was 36% and accounted for 93% of order intake in the quarter compared with last year 70%
 - high market activity together with acquisition of TBO-Haglinds will support continued growth, expected increase of 25%
- **Order backlog** declined slightly compared with last year SEK 1,203.5m (1,238.4)
 - compared with last quarter the order backlog was flat
 - adding order backlog in TBO-Haglinds AB of SEK 224.5m brings total order backlog to SEK 1,428m, new all time high

Operating profit

- **Operating profit** (EBIT) increased with 2.8% to SEK 27.0m (26.3). Excluding items affecting comparability the adjusted operating profit was SEK 41.6m (37.4) an increase with 11.0%.
- **Operating profit margin** 8.9% (9.3)
- **Adjusted operating profit margin** 13.7% (13.2)

Cash flow

- **Operating cash flow** decreased to SEK 29.5m (138.4) due to higher share of capital tied in ongoing projects

Dividend

- **Dividend** for 2018 is suggested by the Board to be 2.00 SEK per share:
 - 54% of total earnings per share
 - a yield of 3.8% on yesterday closing price

Acquisition of TBO-Haglinds AB to strengthen future growth and earnings

Status acquisition of TBO-Haglinds and impact on fiscal year 2018

- Closing and transfer of ownership of TBO-Haglinds was finalized in December 2018, i.e. the year end balance sheet includes the effects of the acquisition
- Acquisition will be consolidated into the P&L on January 1, 2019, i.e. no impact on revenue, order intake or reported order backlog during 2018
- Current focus on strengthening the combined customer proposition and market penetration
- Cost savings and efficiency savings, primarily within purchase and production

Financials TBO-Haglinds AB

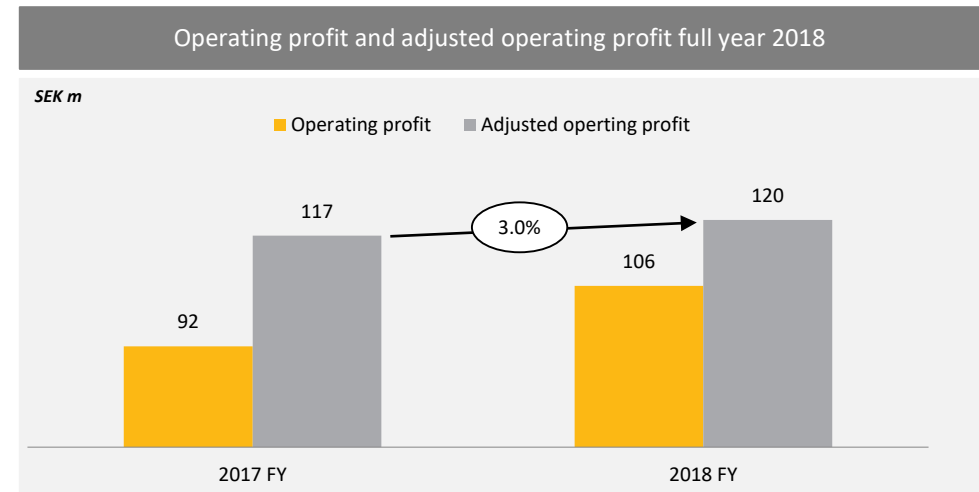
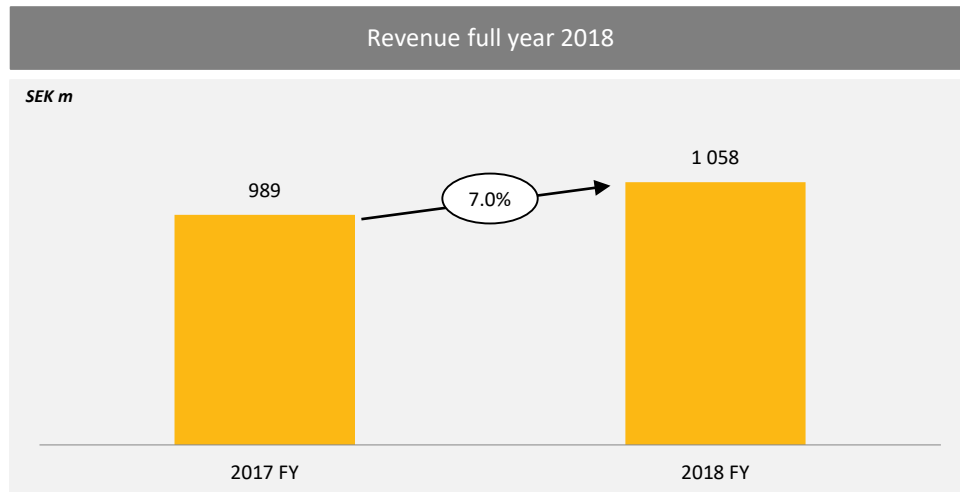
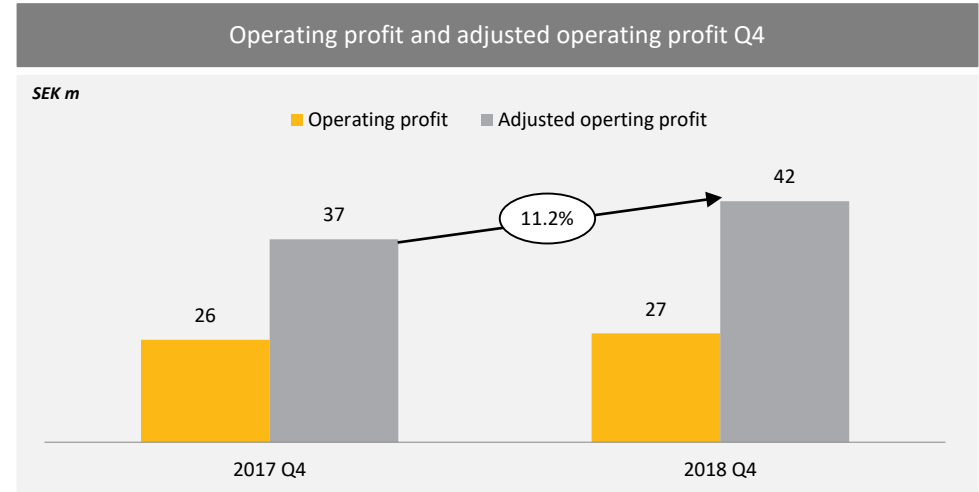
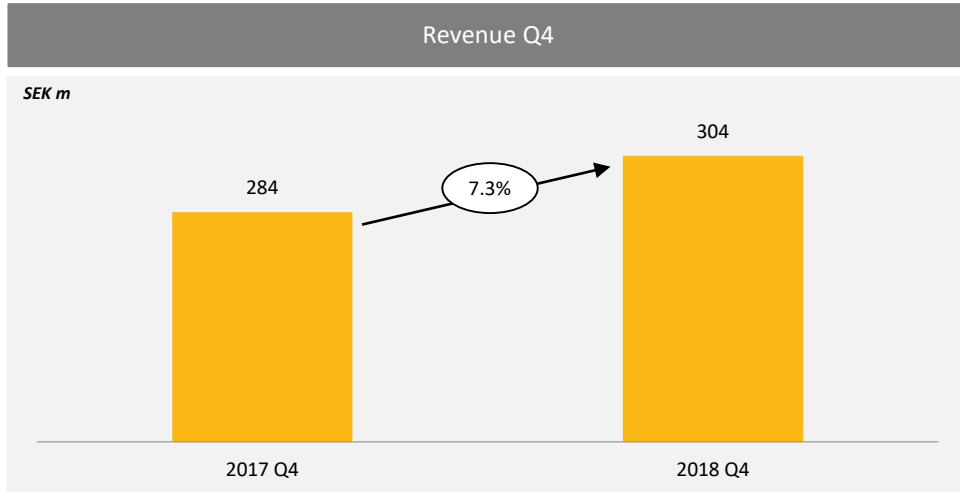
- Order backlog of SEK 224.5m
- Revenue of some SEK 130m
- Annual EBIT of some SEK 15m (normalized)
- Purchase price of SEK 100m in cash upfront and a possible additional purchase consideration depending on development between 2019-2020 of a maximum of SEK 20m.
- Financed through increased debt financing SEK 80m and cash on hand

Future outlook

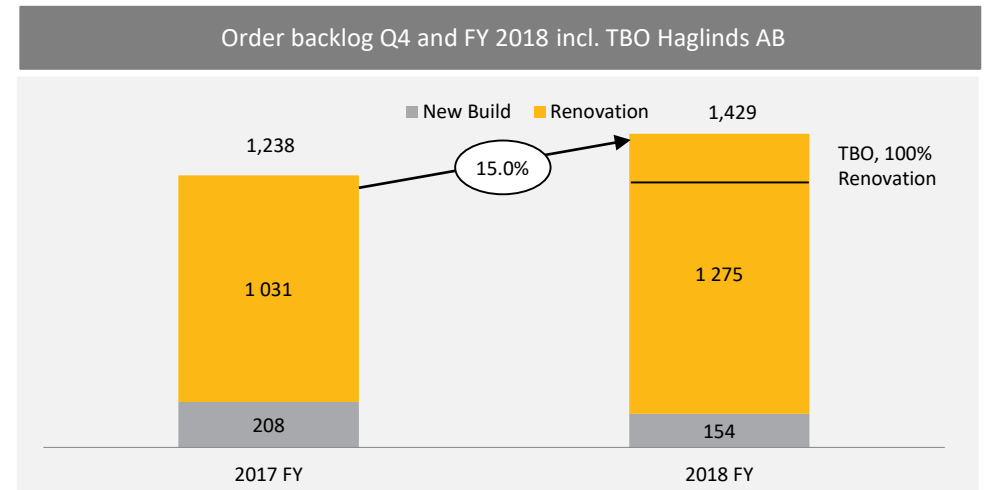
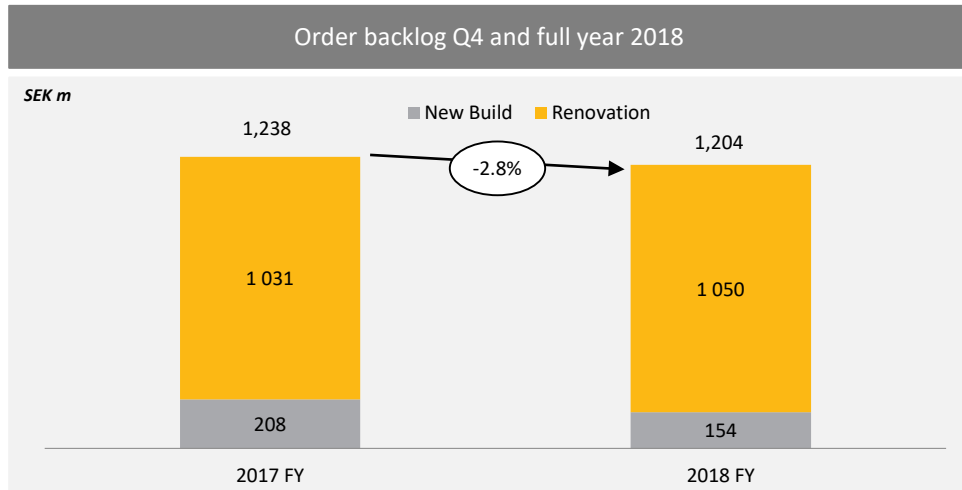
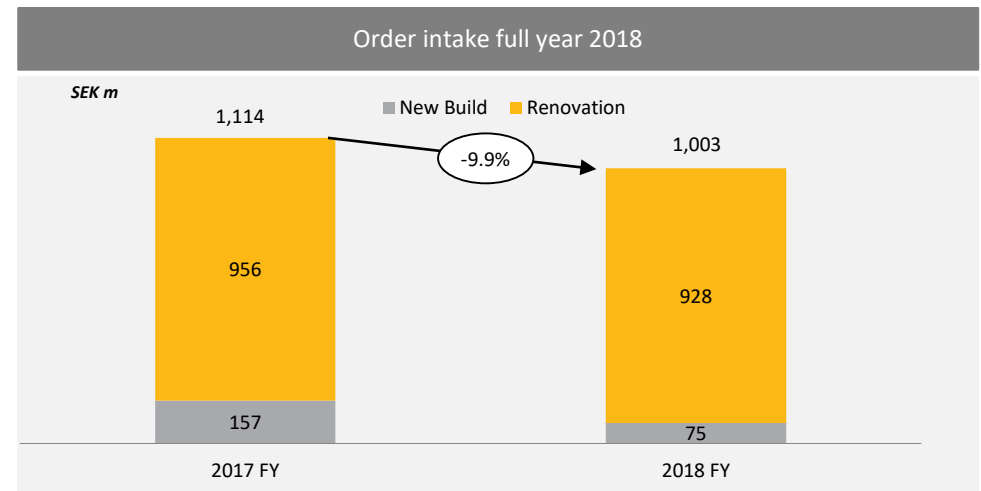
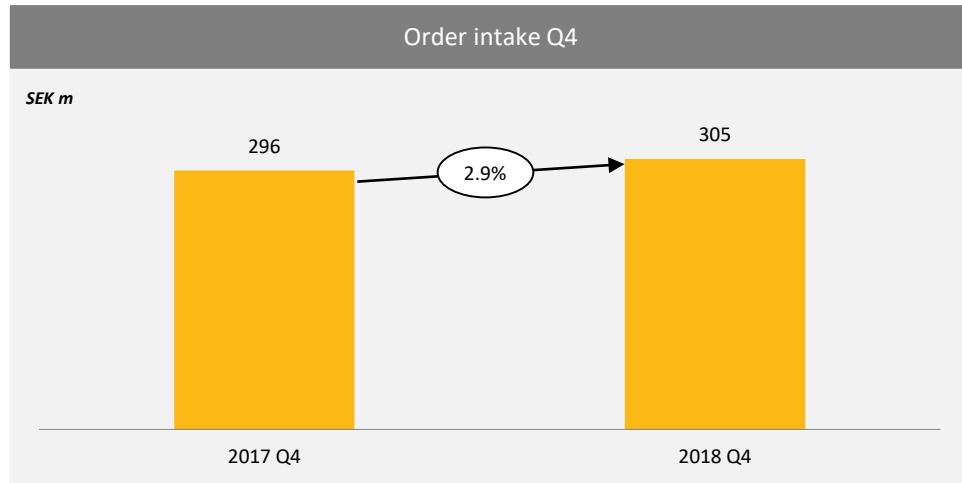
- Will contribute to future earnings and support strong revenue growth
- Renovation segment will grow by additionally 15 %
- The acquisition is forecasted to contribute with some SEK 0.50 to earnings per share during 2019



Topline and earnings growth – Q4 and full year 2018



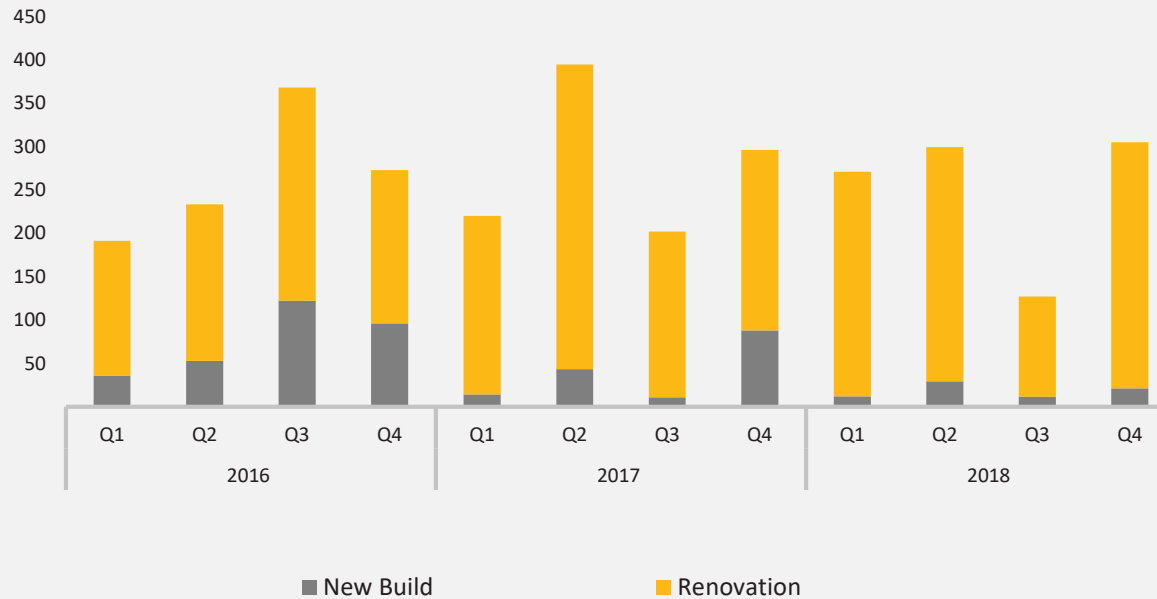
Development order intake and order backlog – Q4 and full year 2018



Renovation segment reported 36% growth in order intake in Q4 2018

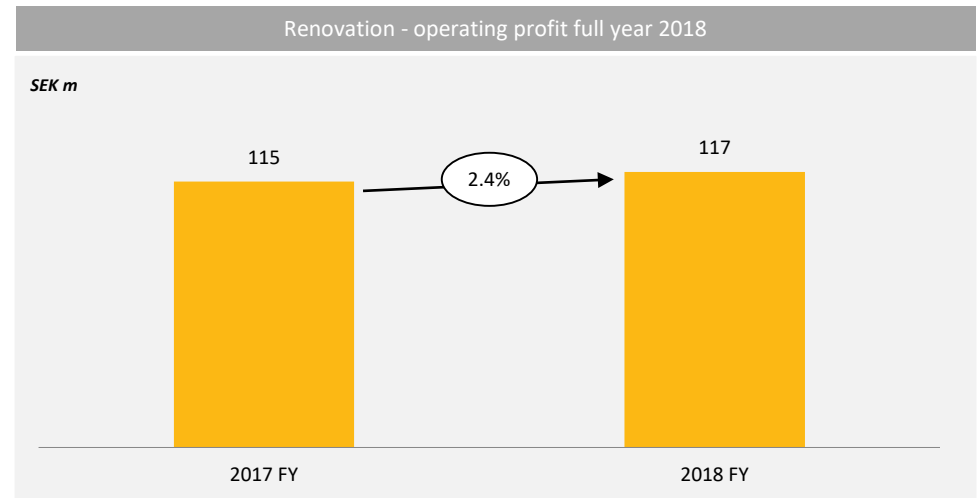
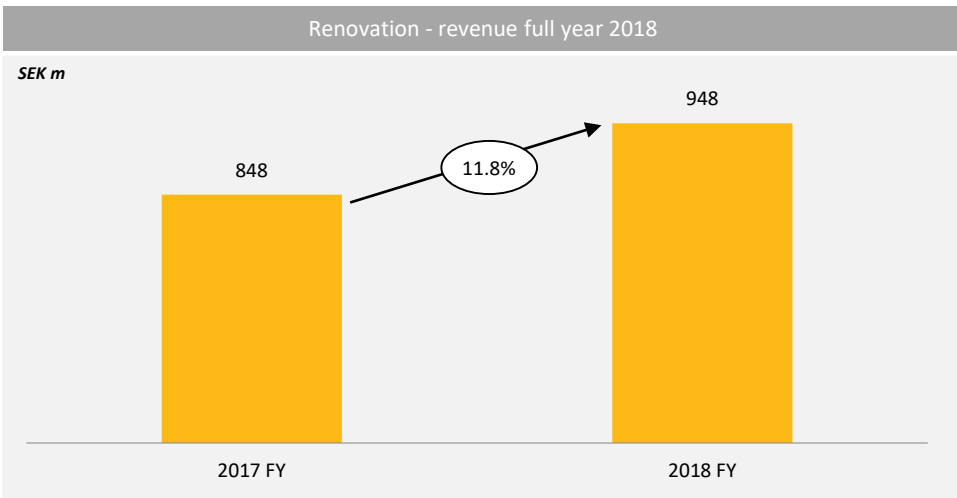
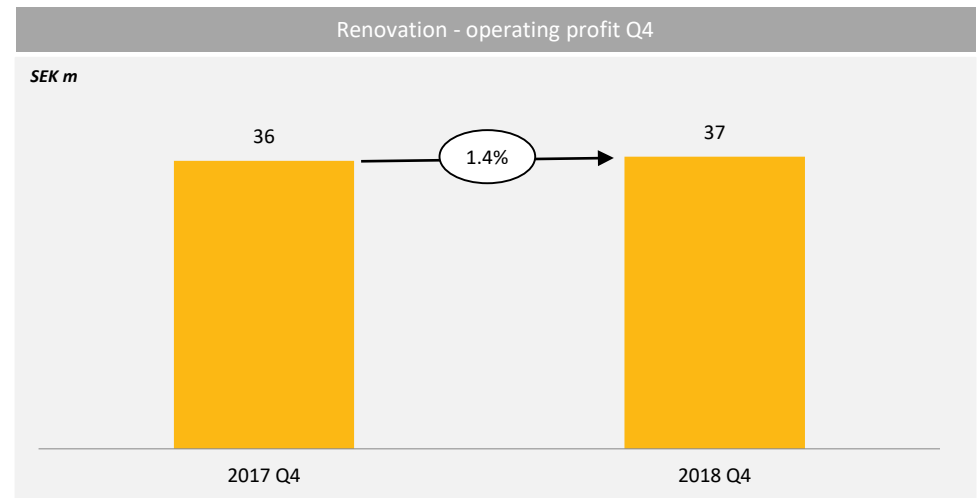
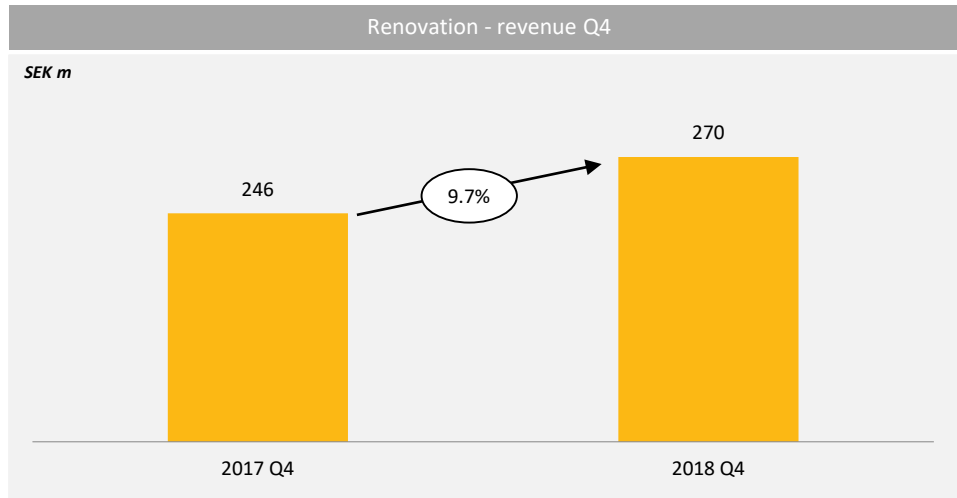
Accumulated order intake per segment Q4 2018

SEK m

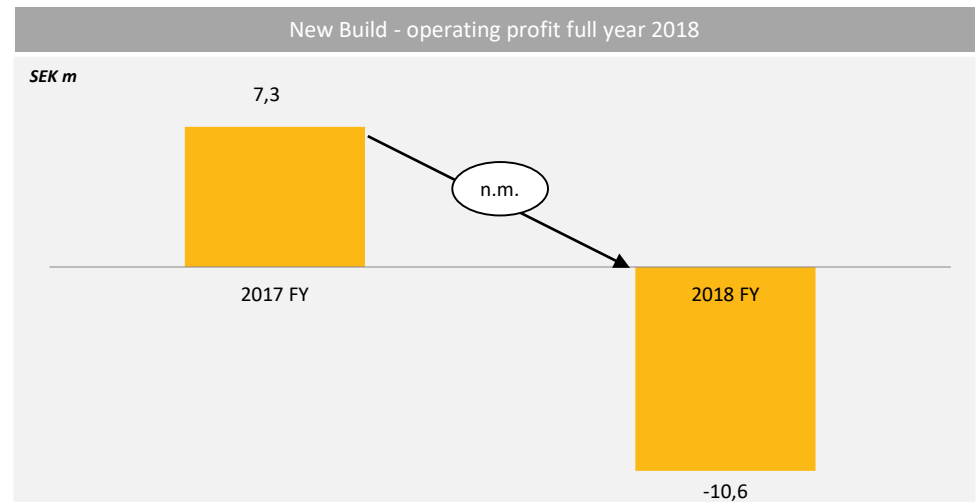
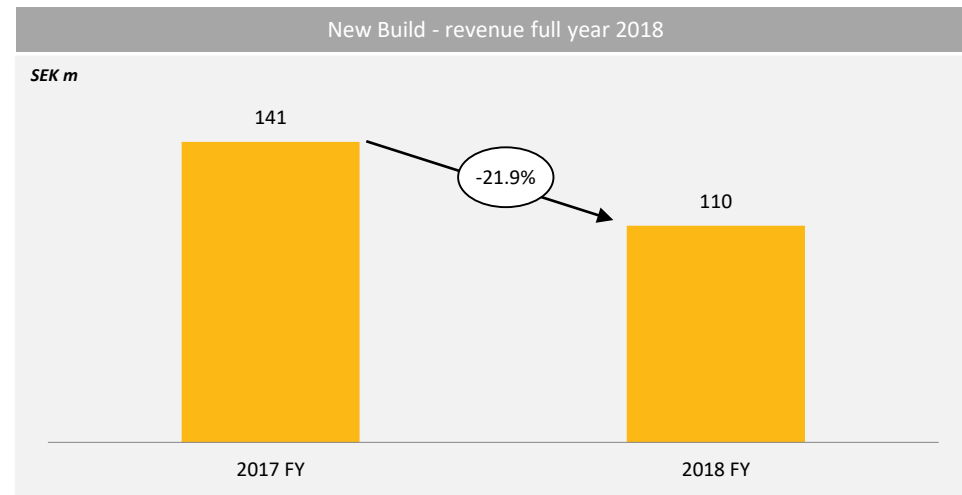
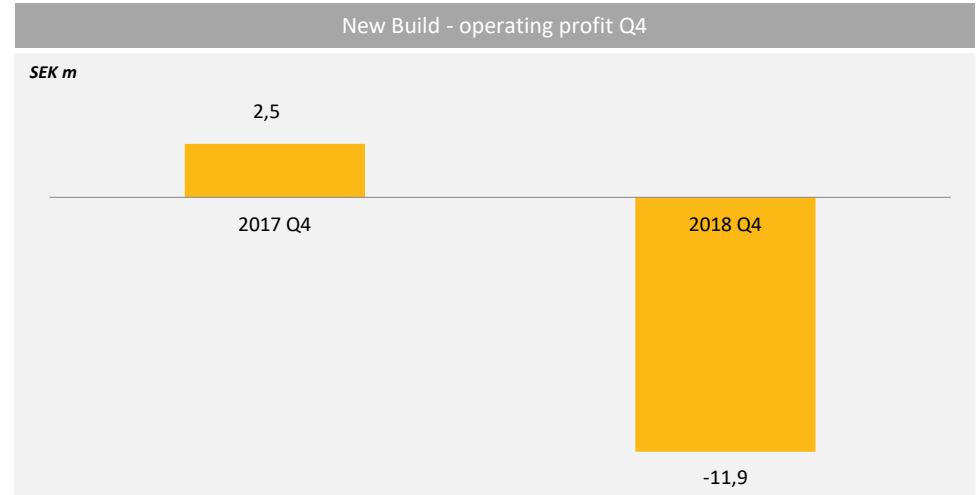
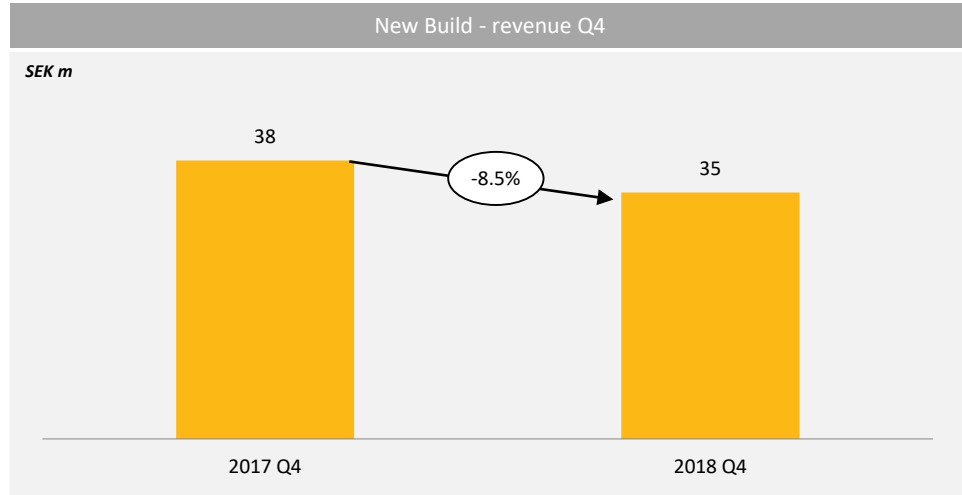


Renovation segment accounted for 93% of total order intake in Q4 2018 vs. 70% in Q4 2017

Continued growth within focus segment Renovation – Q4 and full year 2018



New Build segment – impacted by higher costs for first maritime project



Strong financial position

Solid balance sheet and improving profitability

Equity/asset ratio



- **Equity/asset ratio** at 41.4% (43.6) driven by increased balance sheet (total capital employed) from acquisition of TBO-Haglinds AB

Net debt/EBITDA



- **Net debt/EBITDA** at 1.4x (0.7) by end of December 2018 including the acquisition of TBO-Haglinds AB

Profit before tax



- **Profit before tax** SEK 99.5m (55.2) for the full year 2018, an improvement by SEK 44.2m compared to last year

Head-room for acquisitions



- **Acquisition head-room** with remaining SEK 20m from committed facility plan, unutilized credit facility and cash on hand

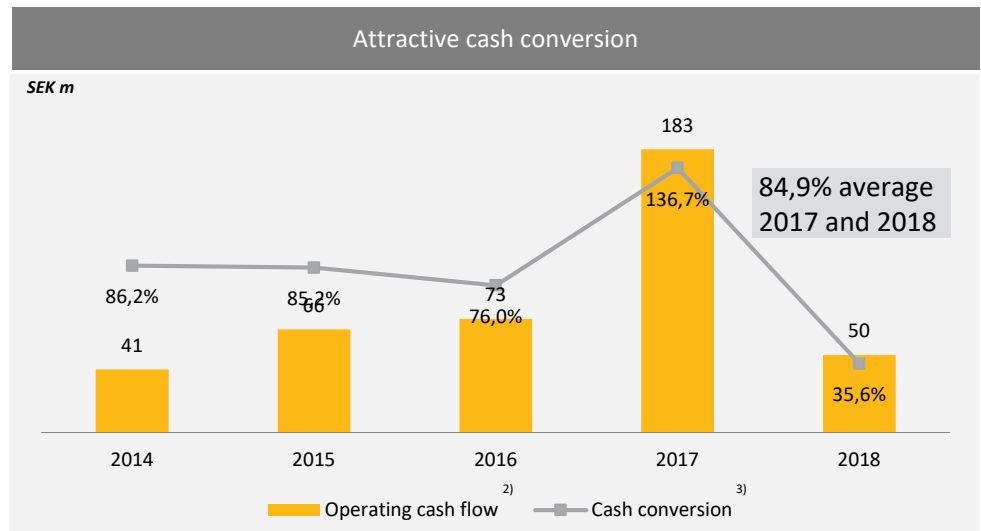
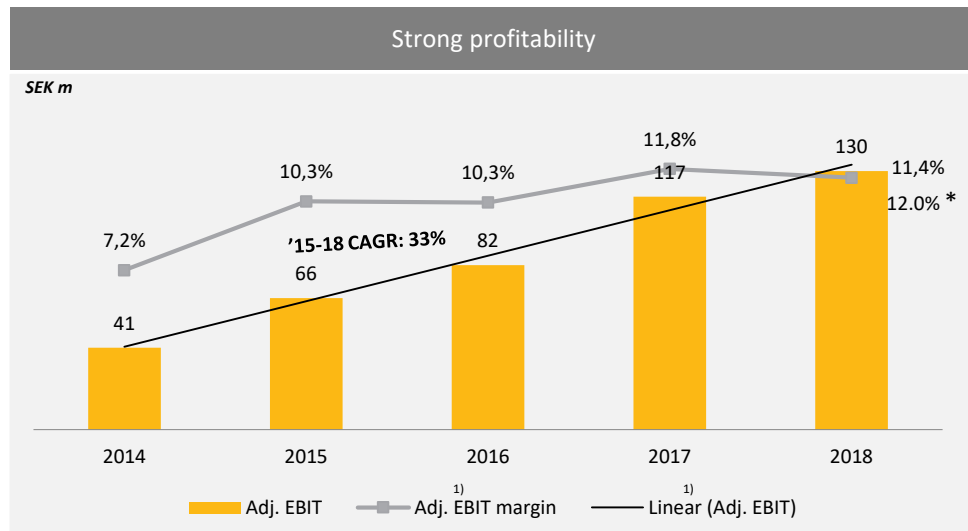
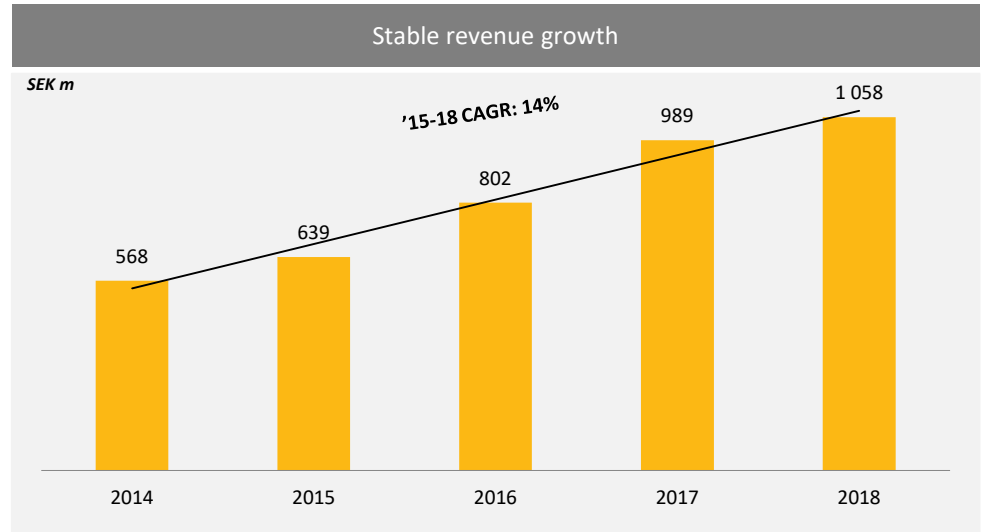
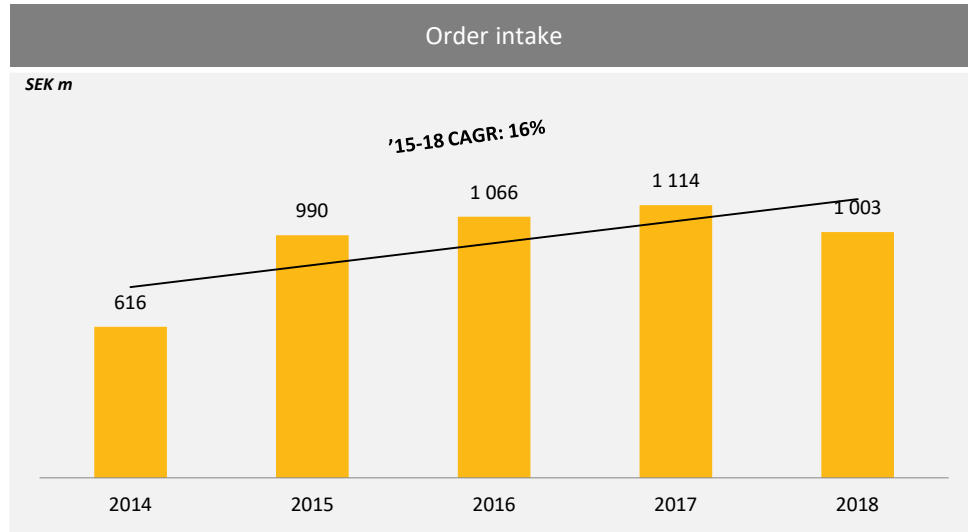
Financial targets

		BALCO FIGURES 2018
GROWTH	<i>"Balco shall achieve growth of 10% per year"</i>	REVENUE GROWTH 7.0%
PROFITABILITY	<i>"Balco shall achieve an operating profit margin (EBIT) of at least 13 percent."</i>	EBIT MARGIN 11.4%¹⁾
CAPITAL STRUCTURE	<i>"Interest-bearing net debt shall not exceed 2.5 times operating profit before depreciation and amortization (EBITDA), other than temporarily"</i>	NET DEBT/ Adj. EBITDA 1.4x
DIVIDEND POLICY	<i>"Balco shall distribute least half of profit after tax, taking into consideration needs for Balco's long-term growth and prevailing market conditions."</i>	54%²⁾

1) Adjusted operating profit margin

2) Suggested dividend from the Board for fiscal year 2018

Balco has an attractive financial profile – high revenue growth coupled with good profitability and stable cash conversion



* Adjusted for IFRS 15 impact of SEK -9.4m in EBIT and SEK 21.8m in revenue

1) Adjusted for items affecting comparability

2) Operating cash flow defined as: Adj. EBITDA – maintenance capex – ΔNWC. NWC defined as: Current assets (less cash and cash equivalents and tax assets) – non-interest-bearing current liabilities (less current tax liabilities). Operating cash flow based on yearly opening and closing balance. NWC 2014 and 2015 adjusted for SEK 25m in trade payables which was occurred in 2014 but handled in 2015

3) Cash conversion defined as: operating cash flow / Adj. EBITDA



Q&A



Financial appendix

Consolidated income statement

SEK M	Q4		Jan-Dec	
	2018	2017	2018	2017
Net sales	304,2	283,7	1 058,1	989,0
Production and project costs	-237,7	-209,9	-804,3	-741,1
Gross profit	66,5	73,8	253,8	247,8
Sales costs	-24,4	-24,3	-94,1	-87,6
Administration costs	-15,0	-23,6	-53,9	-68,4
Share of profit or loss of associates	-0,0	0,0	0,0	0,1
Other operating income	0,1	1,8	0,7	6,8
Other operating expenses	-0,2	-1,5	-0,9	-6,5
Operating costs	-39,5	-47,5	-148,2	-155,5
Operating profit	27,0	26,3	105,6	92,3
Finance income	0,0	0,0	0,1	0,0
Finance costs	-1,7	-2,4	-6,2	-37,1
Profit before tax	25,4	23,9	99,5	55,3
Income tax	-6,4	-3,9	-22,8	-17,6
Net profit for the period	19,0	20,0	76,8	37,7

Consolidated balance sheet

SEK M	31-dec 2018	31-dec 2017
ASSETS		
Non-current assets		
Goodwill	401,1	372,0
Other intangible assets	51,8	11,4
Property, plant and equipment	189,9	130,3
Financial assets	4,2	4,1
Deferred tax assets	1,7	0,9
Total non-current assets	648,6	518,9
Current assets		
Inventory	26,4	21,1
Trade receivables	161,6	119,1
Contract assets	116,9	100,1
Current tax receivables	1,6	1,6
Other current receivables	21,1	18,1
Cash and cash equivalents	87,0	106,5
Total current assets	414,6	366,5
TOTAL ASSETS	1 063,2	885,4
EQUITY AND LIABILITIES		
Equity		
Share capital	128,6	128,6
Additional paid-in capital	381,8	381,8
Retained earnings, incl. profit for year	-69,8	-124,0
Equity attributable to owners of the parent company	440,5	386,4
Non-current liabilities		
Deferred tax liabilities	27,7	4,8
Interest-bearing liabilities	271,3	187,7
Other non-current liabilities	20,1	-
Total non-current liabilities	319,8	192,5
Current liabilities		
Interest-bearing liabilities	10,4	8,8
Contract liabilities	45,7	106,2
Trade payables	138,5	101,2
Current tax liabilities	24,9	14,3
Other liabilities	27,7	22,1
Other accrued expenses and prepaid income	56,4	54,1
Total current liabilities	302,9	306,5
TOTAL EQUITY AND LIABILITIES	1 063,2	885,4

Consolidated cash flow statement

SEK M	Q4		Jan-Dec	
	2018	2017	2018	2017
Operating activities				
Operating profit (EBIT)	27,0	26,3	105,6	92,3
Adjustment for non-cash items	7,6	6,9	21,0	19,7
Interest received	0,0	0,0	0,1	0,0
Interest paid	-1,7	-1,8	-6,2	-7,2
Income tax paid	-4,6	-3,9	-9,6	-6,2
Cash flow from operating activities before changes in working capital	28,4	27,4	110,8	98,6
Changes in working capital				
Increase (-)/Decrease (+) in inventories	1,0	3,6	1,2	-4,4
Increase (-)/Decrease (+) in operating receivables	37,5	57,9	-4,4	-32,1
Increase (+)/Decrease (-) in operating liabilities	-55,9	38,8	-79,7	93,3
Cash flow from operating activities	10,9	127,8	28,0	155,4
Investing activities				
Purchase/sale of intangible assets	-0,5	-0,0	-1,9	-0,2
Purchase/sale of property, plant and equipment	-1,4	-13,4	-21,1	-54,8
Purchase/sale of subsidiaries	-70,6	-	-70,6	-0,5
Change in other financial assets	-	0,1	-	0,4
Cash flow from investing activities	-72,5	-13,4	-93,6	-55,1
Financing activities				
Amortisation of loans	-	-50,9	-	-50,9
Proceeds from loans	80,4	142,6	80,0	143,6
Changes in financial leasing	-1,8	-1,2	-12,5	-8,3
Changes in current financial liabilities	-0,3	-64,5	-	-41,4
Warrants	-	3,0	-	3,0
Redemption, preference shares	-	-45,9	-	-45,9
Repayment, shareholders' contributions	-	-15,6	-	-15,6
Distributed dividend	-	-	-21,4	-
Cash flow from financing activities	78,3	-32,5	46,1	-15,5
Cash flow for the period	16,7	81,9	-19,5	84,8
Cash and cash equivalents at beginning of the period	70,2	24,5	106,5	21,7
Exchange rate differential cash and cash equivalents	0,1	0,0	0,1	0,0
Cash and cash equivalents at end of the period	87,0	106,5	87,0	106,5

Key ratios

SEK M	Q4			Jan-Dec	Jan-Dec
	2018	2017	%	2018	2017
Net sales, SEK M	304,2	283,7	7%	1 058,1	989,0
Order intake, SEK M	305,0	296,4	3%	1 003,1	1 113,5
Order backlog, SEK M	1 203,5	1 238,4	-3%	1 203,5	1 238,4
Gross profit, SEK M	66,5	73,8	-10%	253,8	247,8
EBITDA, SEK M	32,4	30,9	5%	125,9	109,4
Adjusted EBITDA, SEK M	46,9	42,0	12%	140,5	133,8
Operating profit, SEK M	27,0	26,3	3%	105,6	92,3
Adjusted operating profit, SEK M	41,6	37,4	11%	120,2	116,7
Gross profit margin, %	21,9	26,0		24,0	25,1
EBITDA margin, %	10,6	10,9		11,9	11,1
Adjusted EBITDA margin, %	15,4	14,8		13,3	13,5
Operating profit margin (EBIT), %	8,9	9,3		10,0	9,3
Adjusted operating profit margin (EBIT), %	13,7	13,2		11,4	11,8
Operating cash flow, SEK M	29,5	138,4	-79%	49,9	182,9
Operating cash conversion, %	62,9	329,4		35,6	136,7
Capital employed, average	592,3	518,6	14%	555,8	488,0
Capital employed, excl. goodwill, average	205,5	146,6	40%	169,2	116,3
Equity, average	421,8	271,0	56%	413,4	262,9
External interest-bearing net debt, SEK M	194,7	90,0	116%	194,7	90,0
External interest-bearing net debt/Adjusted EBITDA 12 months, times	1,4	0,7	106%	1,4	0,7
Return on capital employed, %, (12 months)	20,3	22,6	-10%	21,6	23,9
Return on capital employed, excl. goodwill, %, (12 months)	58,5	79,6	-27%	71,0	100,4
Return on invested capital, %, (12 months)	18,6	14,6	28%	19,0	15,1
Equity/assets ratio, %	41,4	43,6	-5%	41,4	43,6
Number of full-time employees on the closing date	385,0	346,0	11%	385,0	346,0
	21	21			
Average number of common shares for the period, 000s	428,8	429,2	0%	21 428,8	13 703,7
Equity per common share, SEK	19,68	12,65		19,29	19,19

Segments financials

	Q4		Jan-Dec	
	2018	2017	2018	2017
Net sales, SEK M				
Renovation	269,6	245,9	947,7	847,5
New Build	34,6	37,8	110,4	141,4
Group other	4,1	3,2	16,1	8,6
Elimination	-4,1	-3,2	-16,1	-8,6
Total sales	304,2	283,7	1 058,1	989,0
	Q4		Jan-Dec	
	2018	2017	2018	2017
Operating profit, SEK M				
Renovation	36,8	36,3	117,2	114,5
New Build	-11,9	2,5	-10,6	7,3
Group other	2,1	-12,5	-1,0	-29,5
Elimination	-	-	-	-
Total EBIT	27,0	26,3	105,6	92,3
	Q4		Jan-Dec	
	2018	2017	2018	2017
EBIT margin, %				
Renovation	13,6	14,7	12,4	13,5
New Build	-34,4	6,7	-9,6	5,2
Group other	n/a	n/a	n/a	n/a
Elimination	n/a	n/a	n/a	n/a
Total EBIT margin	8,9	9,3	10,0	9,3