

Q3 2017

MÅRTEN ANDERSSON, CEO

MATTIAS BJÖRK, CFO

NOVEMBER 9, 2017

volat1.

FINANCIAL DEVELOPMENT IN Q3 2017.

Net sales

SEK 1,224m

(839)

EBITA

SEK 96m

(90)

Operating cash flow

SEK 97m

(69)

Q3

GROWTH AND FURTHER ACQUISITIONS.

NET SALES AND EARNINGS

- A substantial growth leap with Akademibokhandeln as a new business area with a growth in net sales and EBITA by 46% and 6% respectively compared to Q3 2016. Stable performance in our business areas – the business areas Trading and Consumer show increased EBITA
- Like in Q2, Corroventa's rental business was negatively impacted by the absence of floods in Europe during the summer. Akademibokhandeln's earnings are strongest in the fourth quarter
- Quarterly variations are, and have always been, part of Volati's operations. Therefore, Volati's operating model is focused on long-term value creation

ACQUISITIONS

- Volati's strong position in the acquisition market enabled further acquisitions of good companies at reasonable valuations – Akademibokhandeln, Silokonsult and T-Emballage
- The 2017 acquisitions will contribute positively to the EBITA result of SEK 154m on a yearly basis, corresponding to a 53% growth

CONCLUSION

- Volati's businesses are developing well and we remain confident in achieving our long-term financial targets

1) Calculated based on full year 2016 financials of the acquired entities.

FINANCIAL DEVELOPMENT LTM Q3 2017.

Net sales

SEK 3,618m

(3,206 FY2016)

EBITA¹

SEK 308m

(318 FY2016)

**Operating
cash flow²**

**SEK
301m**

(344 FY2016)

**Organic
EBITA
growth**

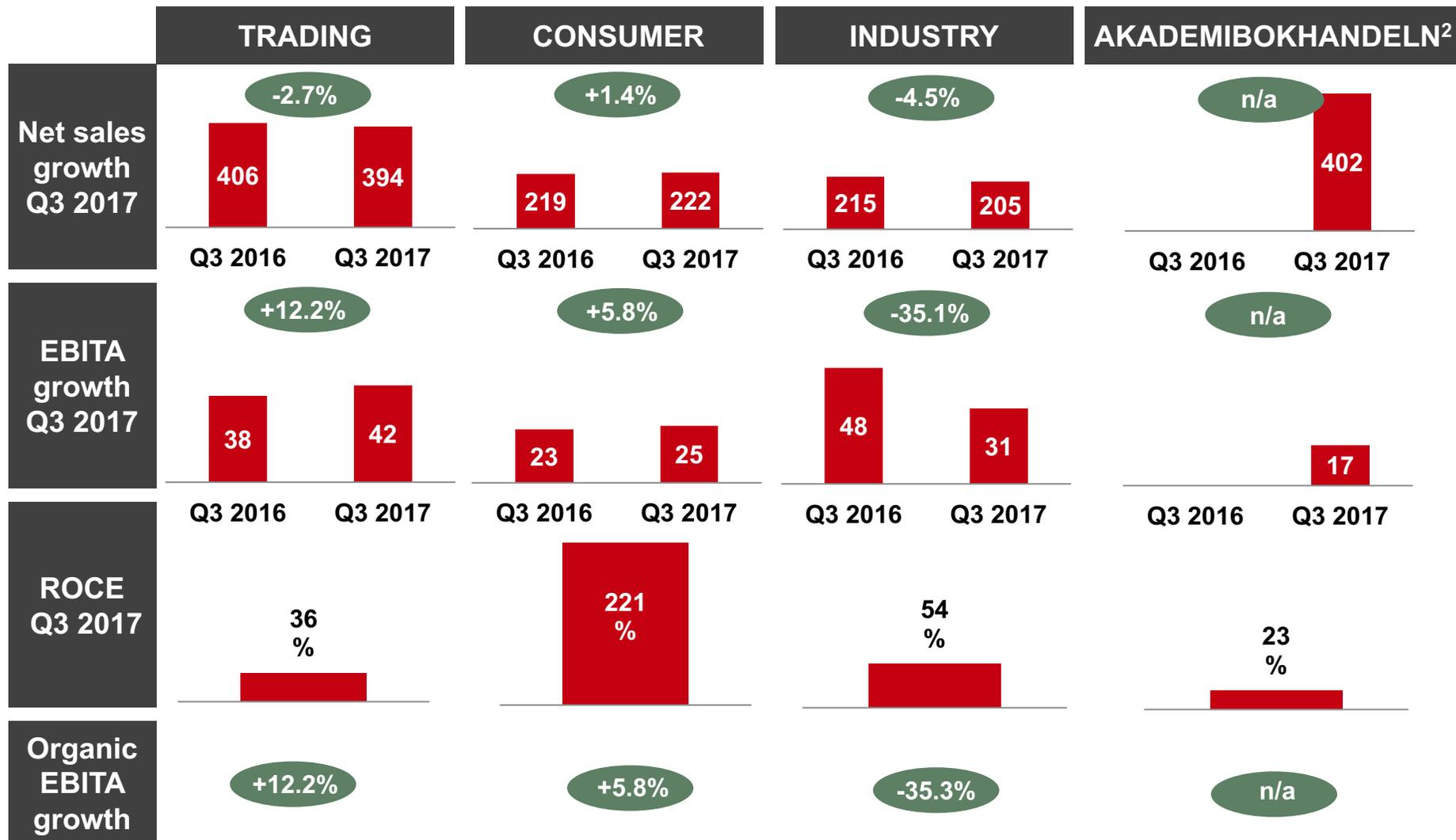
-8%

LTM

1) EBITA negatively affected by one-off items of SEK 12.1m (33.8m)

2) Operating cash flow negatively affected by payment of one-off items consisting primarily of IPO related costs of SEK 20.3m (2.3m not IPO related)

GROWTH IN CONSUMER AND TRADING, STILL WEAK DEVELOPMENT IN INDUSTRY.

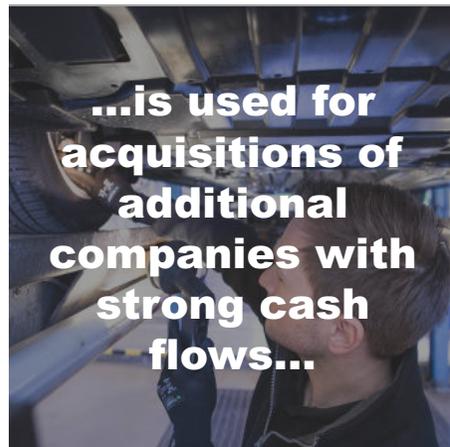


1) Negative growth related to lower sales for Corroventa since, as opposed to the third quarter of 2016, no major floods occurred in Europe leading to a lower level of rentals and sales.
 2) Akademibokhandeln was acquired in July 2017

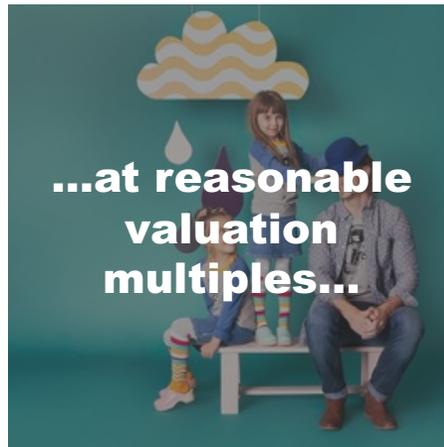
A ROBUST BUSINESS MODEL.



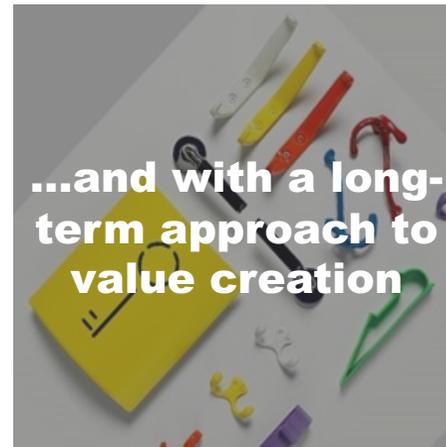
Strong operating cash flow from the business units...



...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

SEK 301m
Operating cash flow LTM Q3 2017¹

37%
Average acquired EBITA growth 2013-Q3 2017

6.0x
Weighted average EV/EBITDA acquisition multiple since 2004

9%
Average organic EBITA growth 2013-Q3 2017

1) Not adjusted for one-off items amounting to SEK 20.3m consisting primarily of IPO related costs.

”Rather turn down
a good deal
than risk making
a bad one.”

PATRIK WAHLÉN

THREE ACQUISITIONS IN 2017 – ADDING SEK 171 M IN EBITDA.

			
ANNOUNCEMENT DATE	24 May 2017	5 Jul 2017	27 Oct 2017
CLOSING DATE	3 Jul 2017	5 Jul 2017	10 Nov 2017
TYPE OF ACQUISITION	<ul style="list-style-type: none"> • Business area 	<ul style="list-style-type: none"> • Add-on acquisition to existing business unit 	<ul style="list-style-type: none"> • Business unit
INVESTMENT THESIS	<ul style="list-style-type: none"> • <i>The only successful omni-channel player (#1 physical bookstores; #2 online retailer)</i> • <i>Strong brand names and loyal customer base</i> • <i>Solid profitability and strong cash generation</i> • <i>Strong offering across all book formats and delivery channels</i> 	<ul style="list-style-type: none"> • <i>Strengthens Tornum's position as supplier to industrial clients</i> 	<ul style="list-style-type: none"> • <i>Well-managed, profitable business with a strong market position</i> • <i>Revenue synergies with the other business units within the Trading business area primarily through access to additional distribution</i>
DEAL DYNAMICS	<ul style="list-style-type: none"> • Bilateral process • Deal sourced by external advisor 	<ul style="list-style-type: none"> • Bilateral process • Deal sourced by Volati 	<ul style="list-style-type: none"> • Bilateral process • Deal sourced by Volati
ACQUISITION MULTIPLE (EV / EBITDA)	6.1x ¹	3.5x ²	7.0x ¹
EBITDA	SEK 125m	SEK 4m	SEK 42m

1) Acquisition multiples calculated as enterprise value in relation to reported LFY EBITDA of the acquired company.

2) Acquisition multiples calculated as enterprise value in relation to underlying EBITDA of the acquired company.

Source: Company information.

T-EMBALLAGE – A PERFECT MATCH FOR THE TRADING BUSINESS UNIT.

T-EMBALLAGE

- Operations in building materials, packaging solutions and logistics
- A new business unit within the Trading business area
- Expected revenue synergies with the business area's other business units
- Financials
 - Sales SEK 584m
 - EBITDA SEK 42m, EBITA SEK 40m

ACQUISITION IN BRIEF

- Enterprise value (EV) of about SEK 300m
A new business unit within the Trading Business Area
- EV/EBITDA multiple of 7.0x
- Transfer of the shares is expected to take place in the fourth quarter of 2017
- No material impact on Volati's earnings expected in the current financial year



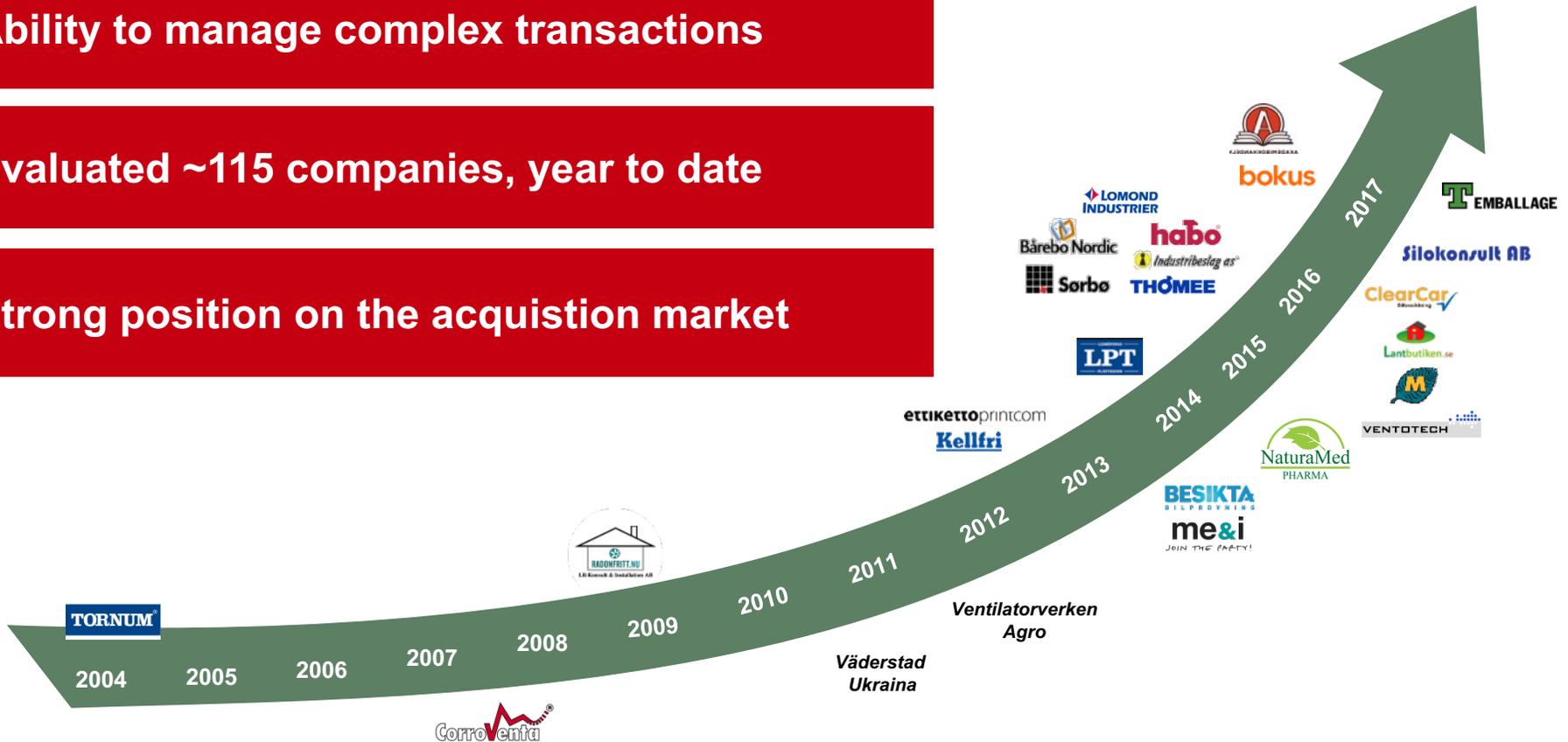
WELL-POSITIONED FOR ADDITIONAL ACQUISITIONS.

Well-defined acquisition model and process

Ability to manage complex transactions

Evaluated ~115 companies, year to date

Strong position on the acquisition market



DECISION TO EVALUATE A BOND ISSUE IN VOLATI.

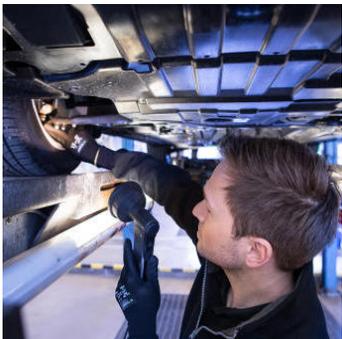
Purpose

To strengthen financial flexibility and acquisition capacity

Five years SEK bond issue

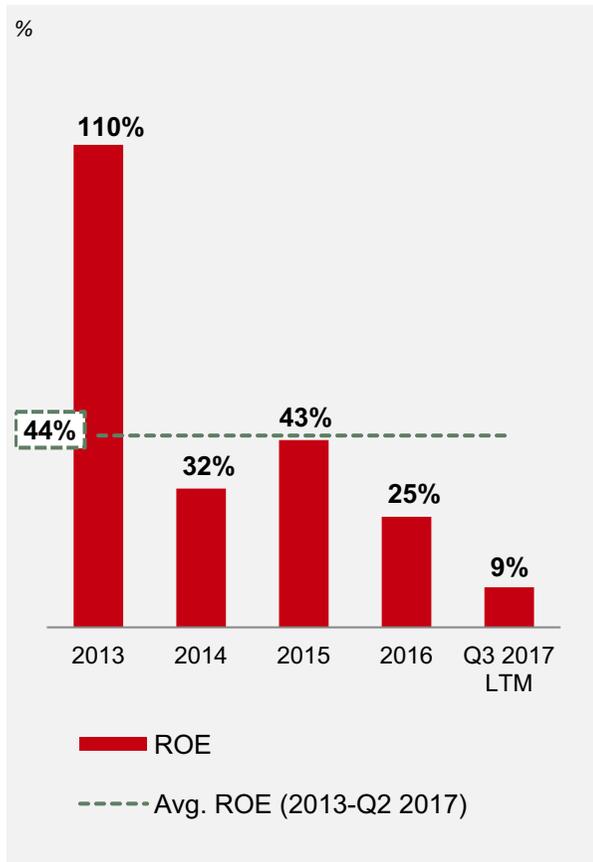
Minimum of SEK 750m

Commissioned SEB and Nordea

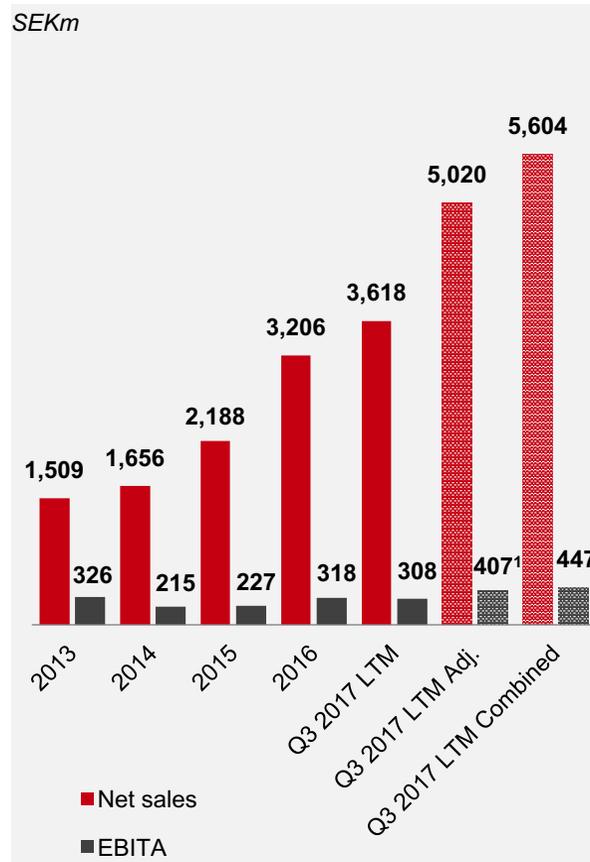


STRONG FINANCIAL POSITION FOR CONTINUED GROWTH.

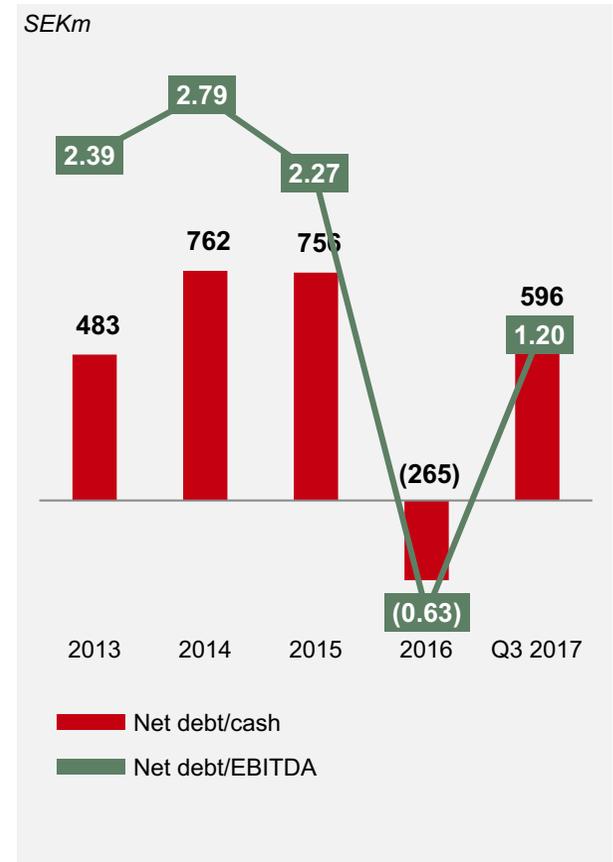
RETURN ON EQUITY



SALES AND EBITA



NET DEBT/(CASH)



1) Adjusted EBITDA
 2) Adjusted EBITA combined with EBITA of T-Emballage full year 2016

LONG-TERM DEVELOPMENT SUPPORTS FINANCIAL TARGETS.

METRIC	TARGET	PERFORMANCE
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	<p>137 >2.2x 308 2013 Q3 2017 LTM</p> <p>9% Average organic EBITA growth 2013 – Q3 2017 LTM</p>
Cash conversion	>85% Annual cash conversion of at least 85%	<p>93% 83% 106% 89% 84%¹ 2013 2014 2015 2016 Q3 2017 LTM</p>
Return on adjusted equity	>20% (long-term) Long-term reach a return on adjusted equity of at least 20%	<p>110% 32% 42% 25% 9% 2013 2014 2015 2016 Q3 2017 LTM</p>
Net debt / adj. EBITDA	<3x (long-term) Volati's long-term objective is to maintain a net debt of <3x adj. EBITDA LTM	<p>2.4x 2.8x 2.3x (0.6x) 1.2x 2013 2014 2015 2016 Q3 2017 LTM</p>
Common equity dividend policy	~10-30% Distribute 10-30% of net profit for the year – Volati's acquisition opportunities will be taken into consideration	<p>SEK 0.50 per ordinary share in 2017 corresponding to 20% of the 2016 net profit</p>

1) Adjusted for one-off items amounting to SEK 20.3m consisting primarily of IPO related costs.

A growing Swedish industrial group

volat1.

APPENDIX.

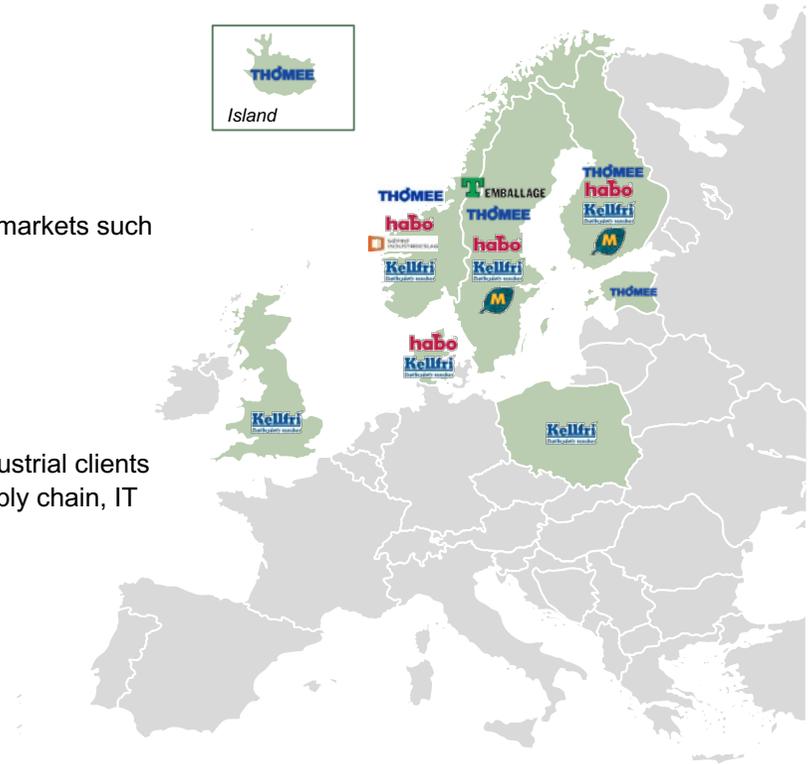
BUSINESS AREA TRADING – OPERATIONAL SYNERGIES THROUGH SHARED SERVICE CENTRE.

An operational business area

- Operating **18** companies in **6** countries
- 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 2017 LTM¹

- Net sales SEK **1,534m**
- EBITDA SEK **131m**
- EBITA SEK **122m**
- ROCE **36%**



¹ Share of business area net sales Q3 2017 LTM, excluding T-Emballage (net sales of SEK 584m in 2016).

1) Excluding T-Emballage, EBITDA of SEK 42m and EBITA of SEK 40m in 2016.
 2) Lomond Industrier is a shared service centre so no external sales.
 3) T-Emballage acquired in November 2017 excluded from share of sales.

BUSINESS AREA CONSUMER – ATTRACTIVE NICHES.

A strategic business area

- Operating **9** companies in **6** 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, Q3 2017 LTM

- Net sales SEK **969m**
- EBITDA SEK **177m**
- EBITA SEK **144m**
- ROCE **220%**




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

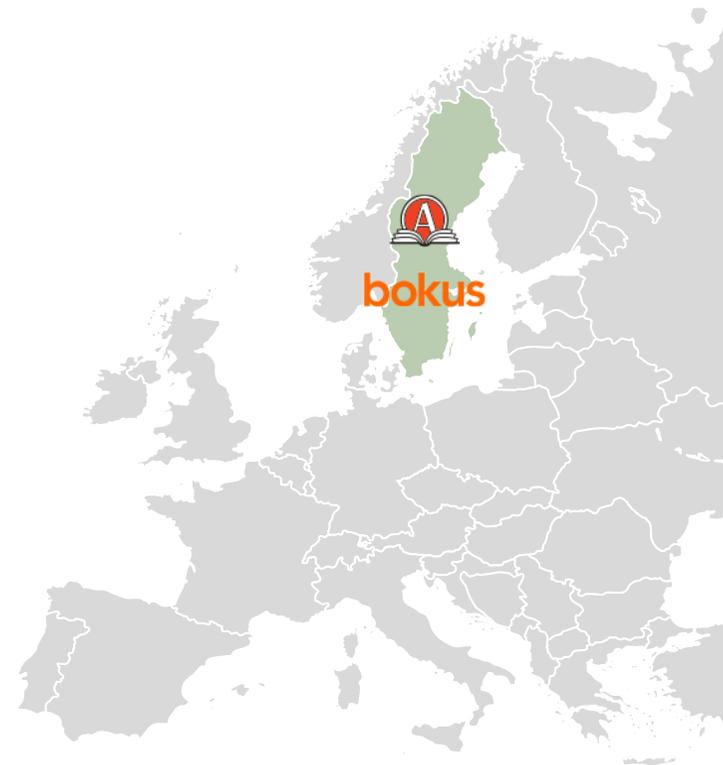
BUSINESS AREA AKADEMIBOKHANDELN – SWEDEN'S LEADING BOOK RETAILER.

Overview

- Operating **2** companies in **Sweden**
- Organised in **1** business unit

Sweden's leading book retailer

- The only successful omni-channel player
 - # 1 in physical bookstores
 - # 2 online retailer
 - 37% total market share
- Sales from own and franchise stores together with e-commerce channels (akademibokhandeln.se)
 - 107 profitable physical stores across Sweden (79 own, 28 franchise)
 - Pure-play e-commerce through Bokus
 - 32% sales from e-commerce
- 1.5 million members in the book club



Key financials, 2016

- Net sales SEK **1.8bn**
- EBITDA SEK **125m**
- EBITA SEK **108m**



#1 in physical bookstores in Sweden with approx. 60-65% market share

bokus

#2 online retailer in Sweden with approx. 34% market share

BUSINESS AREA INDUSTRY – SUCCESSFUL EXPANSION.

A strategic business area

- Operating **21** companies in **15** 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, Q3 2017 LTM

- Net sales SEK **713m**
- EBITDA SEK **118m**
- EBITA SEK **91m**
- ROCE **53%**



TORNUM

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

Corroventa

Drying, dehumidification and decontamination equipment developer and distributor

ettikettoprintcom

Adhesive labels and labelling systems developer and supplier

① Share of business area net sales Q3 2017 LTM.

INCOME STATEMENT.

SEKm	2014	2015	2016	Q3 2017 LTM	1 Jan – 30 Sep 2017
Net sales	1,656	2,188	3,207	3,618	2,839
Raw materials and supplies	-547	-933	-1,526	-1,755	-1,404
Other external costs	-347	-413	-516	-602	-470
Personnel costs	-513	-582	-771	-870	-669
Other income	3	18	4	3	5
Other operating costs	-2	-3	-12	-11	-7
EBITDA	249	275	385	383	293
Depreciation	-34	-47	-67	-76	-58
EBITA	215	227	318	308	235
Acquisition-related amortisations and write-downs	-60	-13	-17	-23	-18
EBIT	155	214	301	285	217
Financial income	4	23	19	10	6
Financial costs	-98	-76	-66	-45	-29
Profit before tax	61	161	254	250	195
Tax	-6	-35	-53	-55	-46
Profit related to discontinued operations	-	-	-	-	-
Net profit	56	126	201	194	149
Net profit attributable to:					
Parent company owners	14	93	196	192	148
Minority owners	41	33	4	2	1

BALANCE SHEET.

SEKm	31 Dec 2014	31 Dec 2015	31 Dec 2016	30 Sep 2017
Intangible fixed assets	1,160	1,689	1,840	2,693
Tangible fixed assets	138	180	191	205
Financial fixed assets	8	13	8	8
Other non-current marketable securities	4	7	-	-
Deferred tax assets	21	33	42	59
Total non-current assets	1,332	1,922	2,081	2,965
Inventory	161	328	387	597
Current assets	174	376	404	693
Assets related to discontinued operations	-	-	-	-
Current interest-bearing securities	-	-	-	-
Cash and cash equivalents	156	200	371	76
Total current assets	492	904	1,162	1,366
Total assets	1,823	2,826	3,243	4,331
Share capital	5	5	10	10
Other capital contributions	-	828	1,995	1,995
Other reserves	2	-14	34	20
Retained earnings including net profit for the year	119	150	200	239
Non-controlling interests	73	81	18	13
Total shareholders' equity	199	1,051	2,257	2,277
Non-current interest-bearing debt	1,055	908	80	582
Provisions for pensions	2	2	3	2
Other provisions	5	5	6	6
Deferred tax liabilities	79	112	124	216
Other non-interest-bearing non-current liabilities	-	66	54	89
Total non-current liabilities	1,141	1,093	267	895
Current interest-bearing debt	165	133	73	111
Current non-interest-bearing debt	318	550	646	1,048
Total current liabilities	483	682	719	1,159
Total liabilities	1,624	1,775	986	2,054
Total equity and liabilities	1,823	2,826	3,243	4,331

CASH FLOW STATEMENT.

SEKm	2014	2015	2016	Q3 2017 LTM	1 Jan – 30 Sep 2017
Profit before tax	61	161	254	250	195
Adjustment for non-cash items	172	96	122	133	94
Interest paid	-58	-45	-39	-24	-11
Interest received	3	1	0	1	1
Cash taxes	-18	-19	-41	-48	-44
Cash flow before changes in working capital	160	196	295	312	234
Change in inventories	-11	18	-29	-45	-60
Change in operating receivables	5	-16	-1	-42	-115
Change in operating liabilities	3	50	20	43	74
Cash flow from change in working capital	-4	51	-10	-43	-101
Cash flow from operating activities	156	247	285	269	133
Investments in tangible and intangible assets	-91	-69	-33	-43	-34
Sale of tangible and intangible assets	1	1	1	4	4
Investments in subsidiaries	-297	-606	-261	-388	-263
Sale of subsidiaries	0	14	-	1	1
Investments in financial assets	-	-5	0	0	-
Sale of financial assets	0	3	10	0	0
Cash flow from investing activities	-386	-660	-284	-426	-292
Shareholder contribution	-	13	24	24	-
Preference share issue	-	823	1,177	1,175	-1
Dividends paid	-11	-48	-88	-105	-89
Change in pension liability	-	-78	-	-	-
Borrowings	255	-238	-954	-1,016	-42
Cash flow from financing activities	244	472	159	77	-132
Cash flow for the year	-1	59	161	-79	-291
Cash and cash equivalents at year-beginning	157	156	200	160	371
Translation differences	0	-15	10	-5	-4
Cash and cash equivalents at year-end	156	200	371	76	76

NET DEBT AND WORKING CAPITAL.

SEKm	31 Dec 2014	31 Dec 2015	31 Dec 2016	30 Sep 2017
Net debt				
Cash and cash equivalents	-156	-200	-371	-76
Current interest-bearing assets	0	0	0	0
Pension liabilities	2	2	2	2
Non-current interest-bearing liabilities	1,055	908	54	582
Current interest-bearing liabilities	165	133	73	111
Unrealised derivative instruments	6	4	0	0
Pension assets	-2	-1	-2	-2
Adjustment for shareholder loans	-308	-89	-22	-22
Net debt	762	756	-264	596
Net working capital				
Assets				
Inventories	161	328	387	597
Receivables	116	290	302	435
Other short-term receivables	11	22	17	41
Prepaid expenses / accrued Income	29	50	74	129
Working capital assets	317	690	780	1,202
Liabilities				
Accounts payable	104	239	-267	-439
Advances from customers	28	46	-56	-72
Other current liabilities	38	83	-112	-168
<i>Of which accrued preference share dividend</i>	<i>0</i>	<i>-32</i>	<i>32</i>	<i>48</i>
Accrued expenses / prepaid income	109	148	-158	-250
Liabilities held for sale	-	-	-	-
Working capital liabilities	279	484	-562	-880
Net working capital	38	206	219	321

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	EBITA generated from business area, excluding central costs and, if any, one-off items
		Adj. EBITA	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