



Interim report

January–March 2018

Mårten Andersson, CEO

Mattias Björk, CFO

9 May 2018

volat1.

Financial development in Q1 2018

Net sales

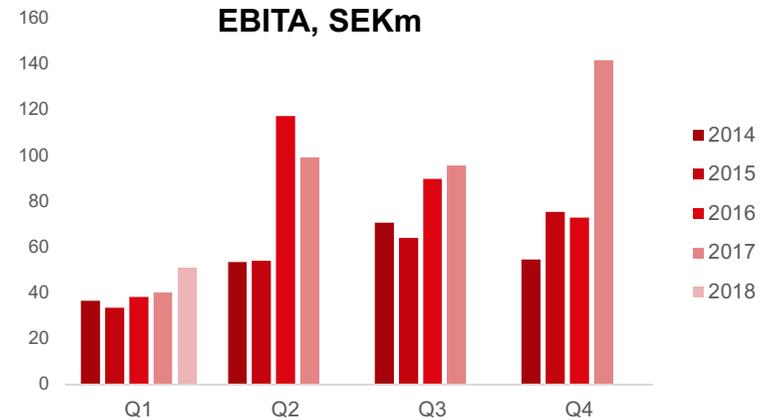
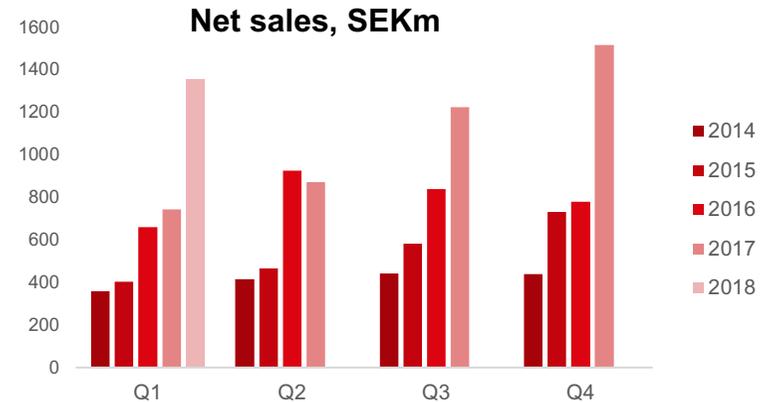
SEK 1,355m (744)

EBITA

SEK 51m (40)

Organic EBITA growth

9%



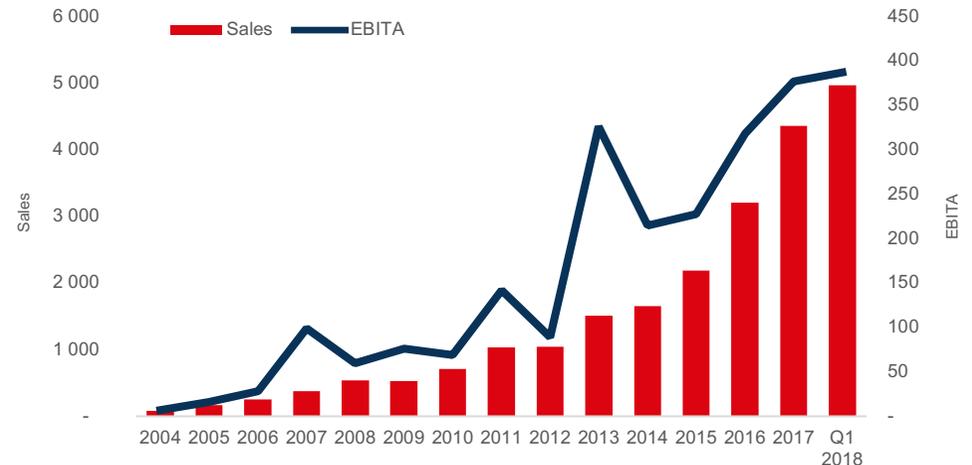
Strong development from organic growth and acquisitions

Q1 2018 in brief

- Strong EBITA growth of 27 %
- Healthy organic growth of 9%
- Positive effects from 2017 acquisitions
- Q1 generally the smallest quarter in terms of EBITA and cashflow

Long-term perspective

- Average organic EBITA growth over the last five years slightly more than 8%
- Average acquired EBITA growth last five years 42% from 10 acquisitions



Financial development LTM Q1 2018

Net sales

SEK 4,967m

(4,356 FY2017)

EBITA

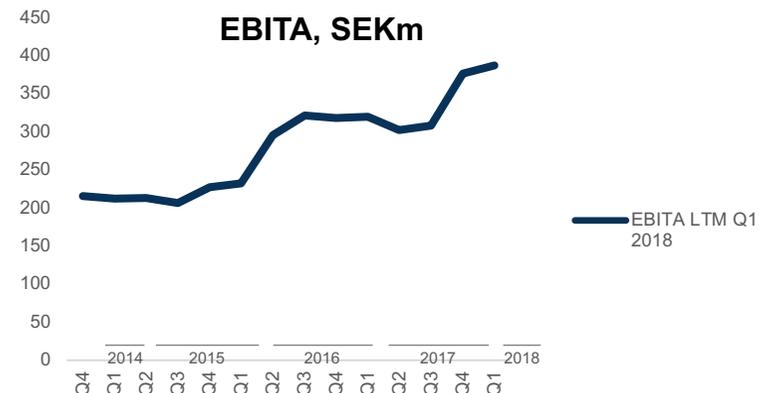
SEK 387m (377 FY2017)

Cash conversion

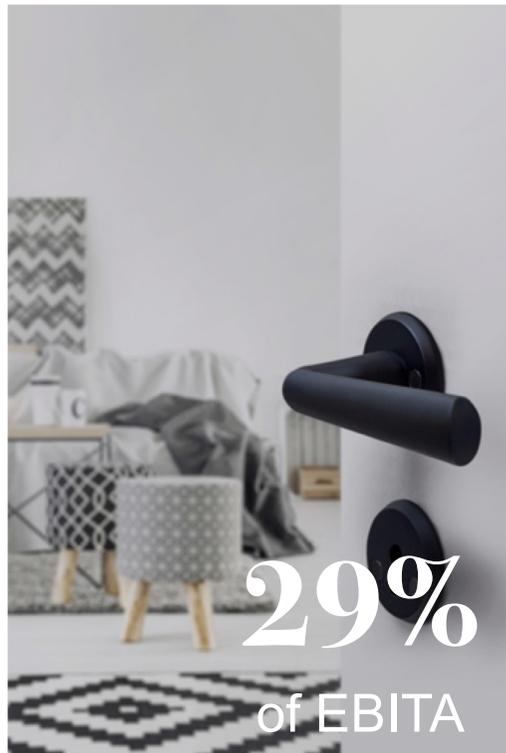
94% (112 FY2017)

Net debt/Adjusted EBITDA

1.5x



Trading Business Area



	Jan-Mar 2018	Jan-Mar 2017	LTM Q1 2018	Full-year 2017
Net sales, SEK m	468	339	1 743	1 615
EBITDA, SEK m	23	16	143	136
EBITA, SEK m	19	14	130	125
EBITA-margin, %	4	4	7	8
EBIT, SEK m	16	13	123	119
ROCE exkl. goodwill, %	34	36	34	35

Q1 2018 in brief

- Positive effects from acquisition of T-Emballage in late 2017
- Less working days and snowy weather in south of Sweden
- Stable underlying development

Consumer Business Area



	Jan-Mar 2018	Jan-Mar 2017	LTM Q1 2018	Full-year 2017
Net sales, SEK m	238	249	954	966
EBITDA, SEK m	26	36	157	167
EBITA, SEK m	17	28	123	134
EBITA-margin, %	7	11	13	14
EBIT, SEK m	14	25	112	123
ROCE exkl. goodwill, %	202	200	202	206

Q1 2018 in brief

- No acquisitions in quarter or corresponding 2017 period
- Lower EBITA due to somewhat challenging conditions in our markets
- Long-term strategic evaluations and actions in operations with challenges

Akademibokhandeln Business Area



	Jan-Mar 2018	Jan-Mar 2017*	Jul 2017 - Mar 2018**	Jul-Dec 2017**
Net sales, SEK m	436	435	1 465	1 029
EBITDA, SEK m	-1	0	115	116
EBITA, SEK m	-7	-6	98	105
EBITA-margin, %	-2	-1	7	10
EBIT, SEK m	-13	-12	80	93
ROCE exkl. goodwill, %	201	-	201	187

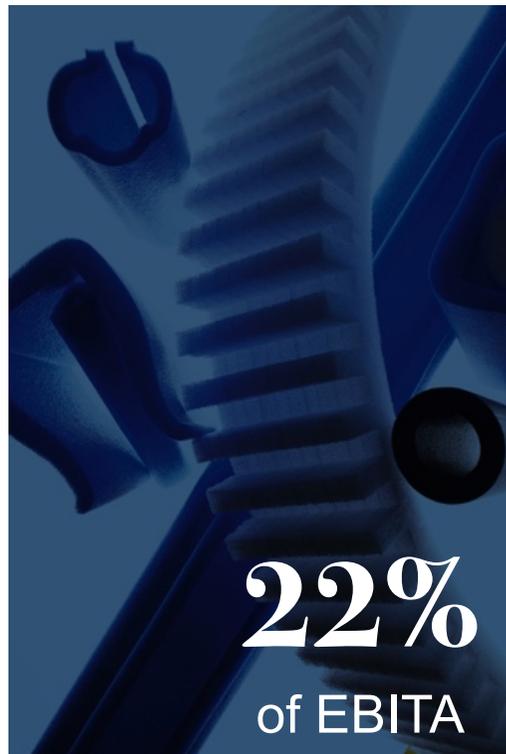
Q1 2018 in brief

- Stable development of net sales and earnings
- Launch of the audio book streaming service Bokus Play to complement existing offering

* 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.

Industry Business Area



	Jan-Mar 2018	Jan-Mar 2017	LTM Q1 2018	Full-year 2017
Net sales, SEK m	213	155	805	747
EBITDA, SEK m	38	19	126	106
EBITA, SEK m	32	12	99	79
EBITA-margin, %	15	8	12	11
EBIT, SEK m	32	11	98	77
ROCE exkl. goodwill, %	58	77	58	46

Q1 2018 in brief

- Healthy net sales growth from strong competitive position of businesses
- Increased margins from measures implemented during 2017

Strong focus on long-term value creation with strengthened organisation

Acquisitions

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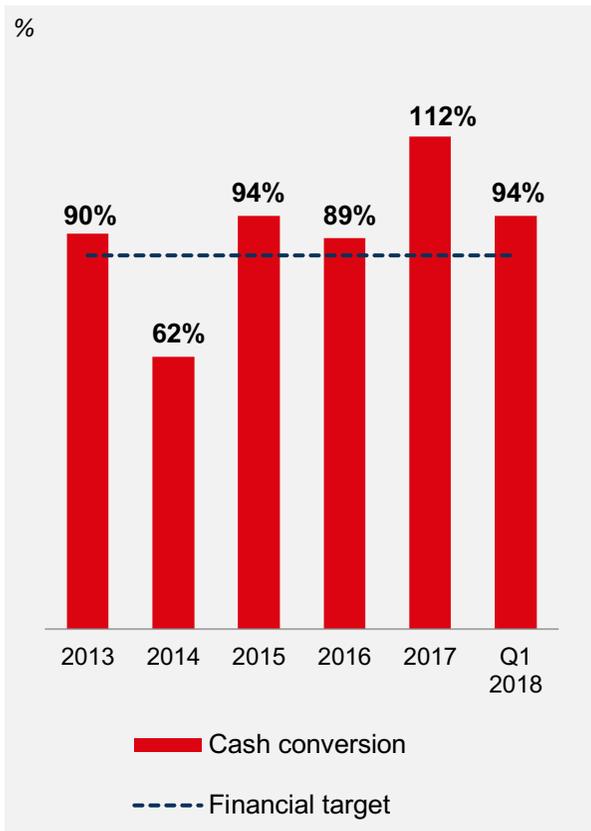
In charge of platform acquisitions



Add-on acquisitions, business development and operations follow-up

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 acquired business of Akademibokhandeln, Silokonsult and T-Emballage as if they had been owned for the whole 12 month period.

A value creating business model

Volati's success has been created through a proven business model that is the same today as when the company was founded in 2003. It is based on four mutually reinforcing foundations.

Strong cash flow
from the business
units...

513 MSEK

Operating cash flow
full year 2017

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

42%

Average acquired
EBITA growth
2013–2017

...at reasonable
valuation
multiples...

6.0x

Weighted average
EV/EBITDA acquisition
multiple since 2004

...and with a long
term value
approach to value
creation.

8%

Average organic
EBITA growth
2013–2017

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

PATRIK WAHLÉN

Well-positioned for additional acquisitions

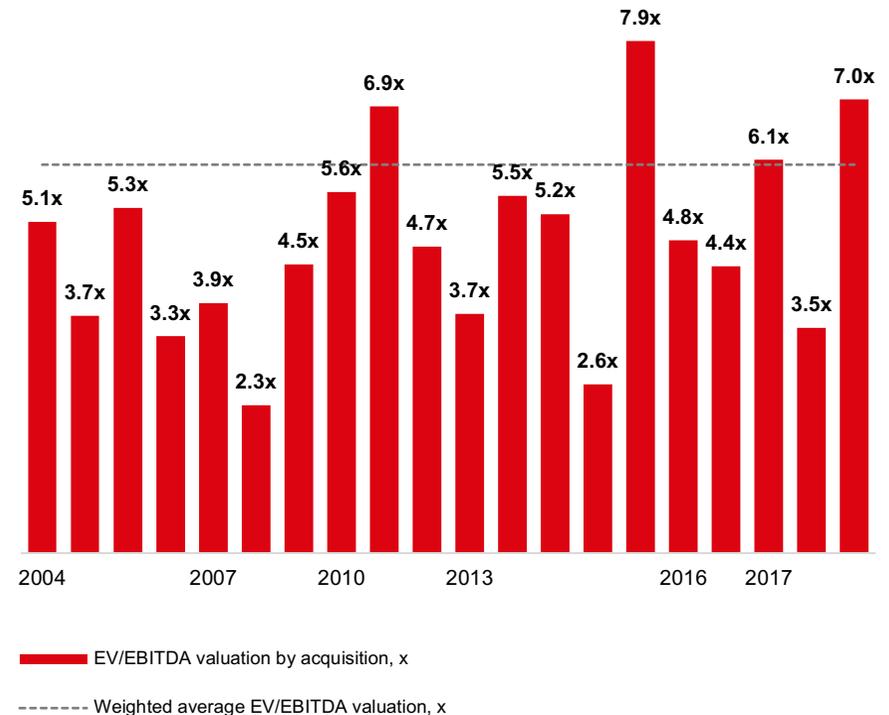
Acquisitions in 2017

- Adding SEK 139m in EBITA

Ready for further acquisitions

- Efficient organization with reinforced business areas
- Continued inflow of companies for evaluation
- Financial structure and balanced net debt that enable us to act rapidly
- Historically we have been able to find acquisition opportunities in all market conditions

Volati's acquisitions
Acquisition multiples



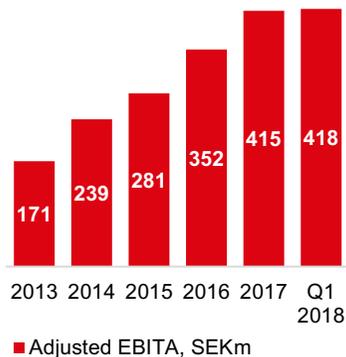
Moving towards our financial targets

EBITA growth

SEK 700m

(by 2019)

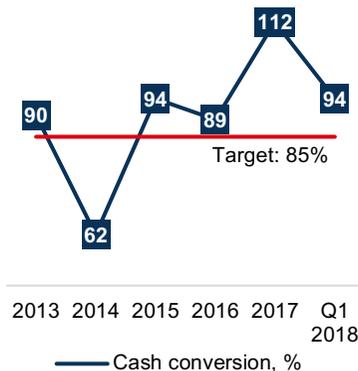
Reach an adjusted **EBITA of SEK 700m** at end of 2019 – annual **organic EBITA growth of 5%** on average



Cash conversion

>85%

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

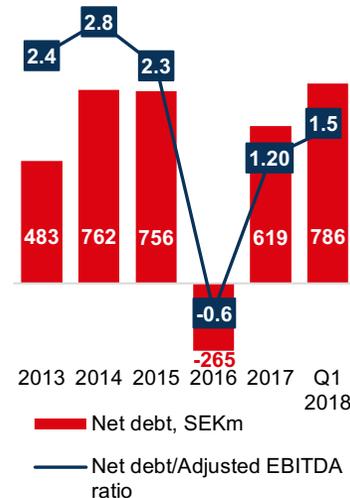


Capital structure

<3.0x

(long-term)

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

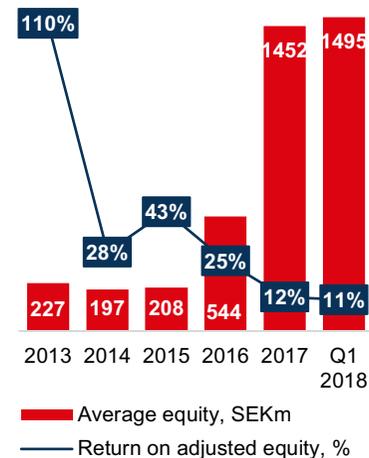


Return on adjusted equity

>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
=17%

Conclusions and steps ahead

Reinforced business area organisation

- Enables efficient management of add-on acquisitions
- Provides management resources to achieve the strategic plans and value creation in the business units

Capital structure for future acquisitions

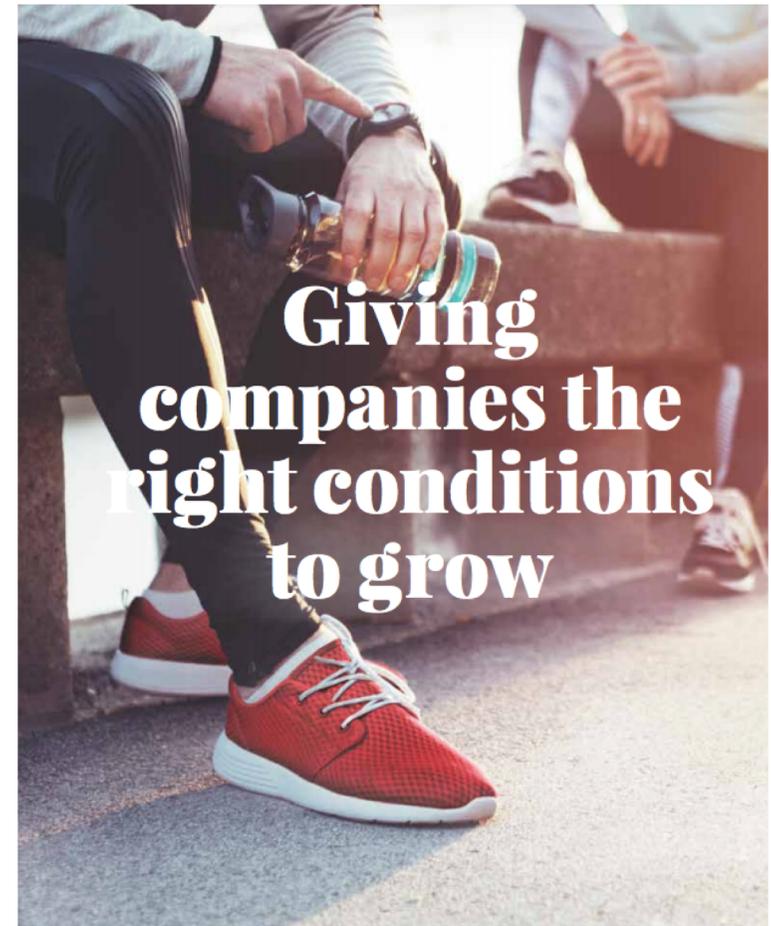
- Good position for continuing our acquisition strategy

Good underlying development

- In total, healthy development in operations
- Actions to improve profitability in operations with challenges

Long-term value creation

- Focus on acquisitions and organic growth
- Further steps towards our financial targets



A growing Swedish industrial group



Appendix

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Business area Trading

An operational business area

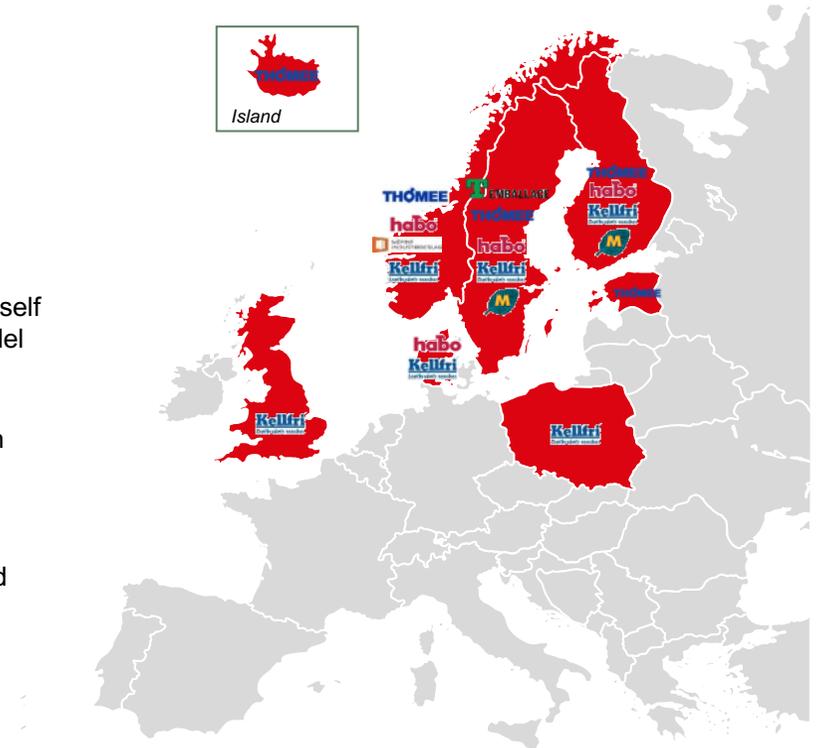
- Organised in **7** business units

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, Q1 2018 LTM

- Net sales SEK **1,743m**
- EBITDA SEK **143m**
- EBITA SEK **130m**
- ROCE **34%**



Business area Consumer

A strategic business area

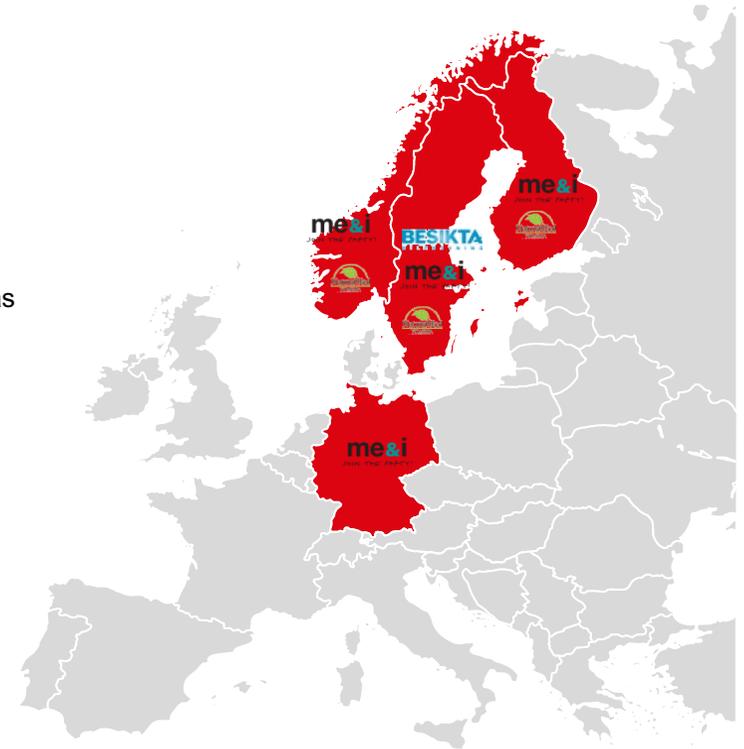
- Organised in **3** business units

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, Q1 2018 LTM

- Net sales SEK **954m**
- EBITDA SEK **157m**
- EBITA SEK **123m**
- ROCE **202%**



Business area Akademibokhandeln

Overview

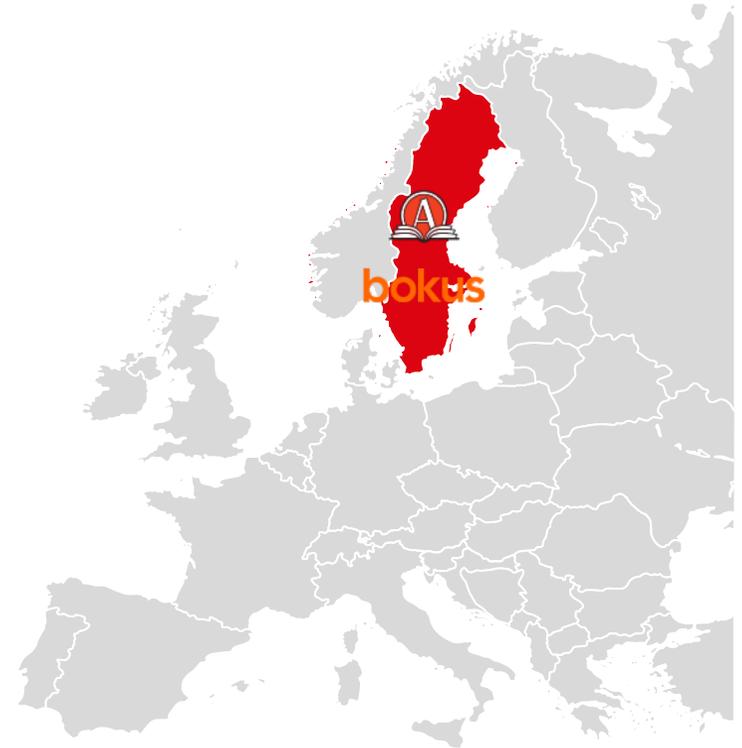
- Organised in **1** business unit

Sweden's leading book retailer

- The only successful omni-channel player
 - # 1 in physical bookstores
 - # 2 online retailer
 - 37% total market share
- 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
 - 32% sales from e-commerce
- 1.5 million members in the book club

Key financials, Q1 2018 LTM*

- Net sales SEK **1,465m**
- EBITDA SEK **115m**
- EBITA SEK **98m**



* Financial performance since its acquisition by Volati in July 2017.

Business area Industry

A strategic business area

- 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, Q1 2018 LTM

- Net sales SEK **805m**
- EBITDA SEK **126m**
- EBITA SEK **99m**
- ROCE **58%**



Income statement

SEKm	2015	2016	2017	Q1 2018 LTM	Q1 2018
Net sales	2,188	3,207	4,356	4,967	1,355
Raw materials and supplies	-933	-1,526	-2,228	-2,648	-764
Other external costs	-413	-516	-684	-759	-212
Personnel costs	-582	-771	-983	-1 085	-304
Other income	18	4	7	14	7
Other operating costs	-3	-12	-9	-10	-5
EBITDA	275	385	459	478	77
Depreciation	-47	-67	-82	-91	-26
EBITA	227	318	377	387	51
Acquisition-related amortisations and write-downs	-13	-17	-31	-38	-12
EBIT	214	301	345	349	39
Financial income	23	19	8	8	3
Financial costs	-76	-66	-49	-61	-18
Profit before tax	161	254	305	296	24
Tax	-35	-53	-63	-64	-6
Net profit	126	201	241	232	18
<u>Net profit attributable to:</u>					
Parent company owners	93	196	240	230	18
Minority owners	33	4	1	2	0

Balance sheet

SEKm	31 Dec 2015	31 Dec 2016	31 Dec 2017	31 Mar 2018
Intangible fixed assets	1,689	1,840	2,934	2,950
Tangible fixed assets	180	191	241	238
Financial fixed assets	13	8	10	10
Other non-current marketable securities	7	-	-	-
Deferred tax assets	33	42	59	63
Total non-current assets	1,922	2,081	3,243	3,261
Inventory	328	387	610	598
Current assets	376	404	715	821
Assets related to discontinued operations	-	-	-	-
Current interest-bearing securities	-	-	0	0
Cash and cash equivalents	200	371	438	192
Total current assets	904	1,162	1,763	1,611
Total assets	2,826	3,243	5,006	4,871
Share capital	5	10	10	10
Other capital contributions	828	1,995	1,995	1,995
Other reserves	-14	34	16	47
Retained earnings including net profit for the year	150	200	331	368
Non-controlling interests	81	18	13	14
Total shareholders' equity	1,051	2,257	2,365	2,434
Non-current interest-bearing debt	908	80	98	78
Provisions for pensions	2	3	2	2
Other provisions	5	6	6	5
Deferred tax liabilities	112	124	268	271
Other non-interest-bearing non-current liabilities	66	54	984	968
Total non-current liabilities	1,093	267	1,358	1,325
Current interest-bearing debt	133	73	106	34
Current non-interest-bearing debt	550	646	1,178	1,078
Total current liabilities	682	719	1,284	1,112
Total liabilities	1,775	986	2,642	2,437
Total equity and liabilities	2,826	3,243	5,006	4,871

Cash flow statement

SEKm	2015	2016	2017	Q1 2018 LTM	Q1 2018
Profit before tax	161	254	305	296	24
Adjustment for non-cash items	96	122	146	158	40
Interest paid	-45	-39	-21	-26	-6
Interest received	1	0	1	1	0
Cash taxes	-19	-41	-62	-76	-33
Cash flow before changes in working capital	196	295	369	353	25
Change in inventories	18	-29	-18	26	16
Change in operating receivables	-16	-1	-32	-38	-68
Change in operating liabilities	50	20	156	39	-98
Cash flow from change in working capital	51	-10	106	27	-150
Cash flow from operating activities	247	285	475	380	-125
Investments in tangible and intangible assets	-69	-33	-57	-61	-15
Sale of tangible and intangible assets	1	1	6	6	1
Investments in subsidiaries	-606	-261	-553	-553	-
Sale of subsidiaries	14	-	1	1	-
Investments in financial assets	-5	0	-	0	-
Sale of financial assets	3	10	-	0	-
Cash flow from investing activities	-660	-284	-603	-607	-14
Shareholder contribution	13	24	-	-	-
Preference share issue	823	1,177	-1	-1	-
Dividends paid	-48	-88	-105	-105	-16
Change in pension liability	-78	-	-24	-24	-
Borrowings	-238	-954	330	261	-96
Cash flow from financing activities	472	159	200	130	-112
Cash flow for the year	59	161	71	-97	-251
Cash and cash equivalents at year-beginning	156	200	371	285	438
Translation differences	-15	10	-4	3	5
Cash and cash equivalents at year-end	200	371	438	192	192

Net debt and working capital

SEKm	31 Dec 2015	31 Dec 2016	31 Dec 2017	Q1 2018 LTM
Net debt				
Cash and cash equivalents	-200	-371	-438	-192
Unrealised derivate instruments assets	0	0	0	0
Pension liabilities	2	2	2	2
Non-current interest-bearing liabilities	908	54	984	968
Current interest-bearing liabilities	133	73	106	34
Unrealised derivative instruments liabilities	4	0	0	1
Accrued interest expenses	-	-	2	8
Pension assets	-1	-2	-2	-2
Adjustment for nominal value obligation loan	-	-	-12	-10
Adjustment for shareholder loans	-89	-22	-23	-23
Net debt	756	-264	619	786
Net working capital				
Assets				
Inventories	328	387	610	598
Receivables	290	302	455	547
Other short-term receivables	22	17	48	37
Prepaid expenses / accrued Income	50	74	154	148
Working capital assets	690	780	1,267	1,330
Liabilities				
Accounts payable	239	267	607	485
Advances from customers	46	56	65	78
Other current liabilities	83	112	167	151
<i>Adjustment for accrued preference share dividend</i>	-32	-32	-32	-16
Accrued expenses / prepaid income	148	158	265	283
Working capital liabilities	484	562	1,072	981
Net working capital	206	219	195	349

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