

Sales and profitability increased in the  
fourth quarter



# **Q4 YEAR-END REPORT JANUARY - DECEMBER 2018**

**BYGGMAX®**

# THE QUARTER IN BRIEF

During the fourth quarter, the strategic plan continued to be implemented at a high pace and sales and profitability increased year-on-year. The Group's sales increased 5.1 percent driven by the Byggmax segment. Profitability measured as EBITDA excluding non-recurring items increased to SEK 27.5 M, compared with SEK 22.1 M for the year-earlier period.

Sales for the Byggmax segment increased 9.7 percent year-on-year, driven by strategic growth initiatives. In 2018, we opened 18 new Byggmax stores, 12 Garden concepts, and continued to develop our e-commerce. Byggmax's sales were also positively affected by the consumer market's return to modest growth.

For Skånska Byggvaror, the fourth quarter meant the end of a transformation year towards a more focused and modern leader in Garden Living. EBITDA excluding non-recurring items improved marginally in the fourth quarter. In the second half of the year, the EBITDA margin excluding non-recurring items increased to 5.5 percent compared with 0.6 percent last year and the goal of ending the year as a smaller, more profitable, company was achieved.

**+10%**

Net sales for the Byggmax segment posted a 10 percent year-on-year increase in the fourth quarter.

**7-8%**

As a result of IFRS 16, it was in the fourth quarter decided that from 2019 the profitability target will be reformulated as 7–8 percent of EBITA margin. Our ambitious targets for our business remain unchanged.

**100**

The number of Byggmax stores in Sweden at year-end 2018. In conjunction with the opening of our one hundredth Swedish store, an updated visual identity was launched.



On this page, a brief summary of the quarter is presented along with selected information to provide examples of Byggmax Group's development.

Year-end report January – December 2018 Byggmax Group AB (publ)

## October 1 – December 31

- Net sales amounted to SEK 998.6 M (950.2), up 5.1 percent.
- Net sales for comparable stores decreased -3.9 percent (down: 1.9). Sales in the Bygghmax segment for comparable stores increased.
- The gross margin increased to 31.3 percent (31.1).
- EBITDA amounted to SEK 27.5 M (-1.9). EBITDA excluding non-recurring items<sup>1</sup> amounted to SEK 27.5 M (22.1).
- EBITDA margin was 2.8 percent (-0.2). EBITDA margin excluding non-recurring items was 2.8 percent (2.3).
- EBIT amounted to SEK -16.3 M (-59.0).
- Profit after tax was SEK -14.4 M (Loss: 58.3).
- Earnings per share totaled SEK -0.2 (-1.0).

## Significant events during the quarter

- Three (three) new stores were opened, one Bygghmax store in Sweden and two Bygghmax stores in Norway.
- The Board of Directors proposes no dividend (prior year 2.5 per share).

## Earnings overview

	October - December	
	2018	2017
Net sales, SEK M	998.6	950.2
Gross margin, percent	31.3	31.1
EBITDA, excluding non-recurring costs, SEK M <sup>1</sup>	27.5	22.1
EBITDA margin excluding non-recurring costs, percent <sup>1</sup>	2.8	2.3
EBITDA, SEK M <sup>1</sup>	27.5	-1.9
EBITDA margin, percent <sup>1</sup>	2.8	-0.2
EBITA, SEK M	-6.4	-41.9
EBITA, margin percent	-0.6	-4.4
EBIT, SEK M <sup>1</sup>	-16.3	-59.0
EBIT margin, percent <sup>1</sup>	-1.6	-6.2
Profit after tax, SEK M <sup>1</sup>	-14.4	-58.3
Earnings per share, SEK	-0.2	-1.0
Return on equity, percent	-1.1	-4.2
Cash flow from operating activities per share, SEK	-3.3	-4.3
Shareholders'equity per share, SEK	22.1	22.3
Number of stores at the end of the period	163	147
New stores opened during the period	3	3

<sup>1</sup> Earnings for the fourth quarter of 2017 were positively affected by the reversal of settlement costs for four Bygghmax stores in Finland at an amount of SEK 8.3 M due to lower closure costs than the amount reserved in Q3 2017. Earnings for the fourth quarter 2017 were negatively impacted by restructuring costs at Skånska Bygghvaror of SEK 49.4 M, of which SEK 32.3 M affected EBITDA and SEK 17.1 M affected depreciation and amortization. See also Note 8 on page 20 for non-recurring items in previous periods.



## January 1 – December 31

- Net sales amounted to SEK 5,107.8 M (5,321.4), down 4.0 percent.
- Net sales for comparable stores decreased 4.0 percent (down: 0.1).
- The gross margin decreased to 30.8 percent (31.0).
- EBITDA amounted to SEK 356.1 M (444.9). EBITDA excluding non-recurring items<sup>1</sup> amounted to SEK 346.2 M (474.8).
- EBITDA margin was 7.0 percent (8.4). EBITDA margin excluding non-recurring items was 6.8 percent (8.9).
- EBIT amounted to SEK 188.1 M (271.9).
- Profit after tax was SEK 137.6 M (194.6).
- Earnings per share totaled SEK 2.3 (3.2).

## Significant events during the period

- 18 (twelve) new stores were opened, twelve Byggmax stores in Sweden, four Byggmax stores in Norway and two Byggmax stores in Finland.

## Earnings overview

	January – December	
	2018	2017
Net sales, SEK M	5,107.8	5,321.4
Gross margin, percent	30.8	31.0
EBITDA, excluding non-recurring costs, SEK M <sup>1</sup>	346.2	474.8
EBITDA margin excluding non-recurring costs, percent <sup>1</sup>	6.8	8.9
EBITDA, SEK M <sup>1</sup>	356.1	444.9
EBITDA margin, percent <sup>1</sup>	7.0	8.4
EBITA, sek M	227.7	318.7
EBITA, margin, percent	4.5	6.0
EBIT, SEK M <sup>1</sup>	188.1	271.9
EBIT margin, percent <sup>1</sup>	3.7	5.1
Profit after tax, SEK M <sup>1</sup>	137.6	194.6
Earnings per share, SEK	2.3	3.2
Return on equity, percent	10.2	14.6
Cash flow from operating activities per share, SEK	6.4	5.0
Shareholders'equity per share, SEK	22.1	22.3
Number of stores at the end of the period	163	147
New stores opened during the period	18	12

<sup>1</sup> Earnings for 2018 were positively affected by the reversal of settlement costs for four Byggmax stores in Finland at an amount of SEK 6.2 M due to lower closure costs than the amount reserved in Q3 2017. Earnings for 2018 were also positively affected by a capital gain of SEK 3.7 M, on the disposal of Skånska Bygghvaror's Danish subsidiary Pavillon. Earnings for 2017 were positively affected by the earn out for Builder of SEK 33.4 M and negatively affected by closure costs for four Byggmax stores in Finland of SEK 30.9 M. Earnings for 2017 were also negatively impacted by restructuring costs at Skånska Bygghvaror of SEK 49.4 M, of which SEK 32.3 M affected EBITDA and SEK 17.1 M affected depreciation and amortization. See also Note 8 on page 20 for non-recurring items in previous periods.



# PRESIDENT'S COMMENTS

## Introduction

In 2018, we implemented strategic initiatives at a high pace and with good results. At the same time, tough market conditions affected large parts of the year. The fourth quarter entails a positive end to the year, with improved financial results and a return to normal for the previously negative external factors.

## Sales and earnings

Sales in the fourth quarter increased 5.1 percent year-on-year.

Sales for the Byggmax segment increased 9.7 percent. The Byggmax growth initiatives have generated positive effects. Sales in comparable stores increased. Growth was mainly driven by new stores. Sales were also positively affected by the consumer market's return to modest growth.

Skånska Bygghvaror's sales decreased 23.5 percent, driven by the decision to reduce unprofitable sales. The realignment of the commercial model, which entails reduced sales, has now largely been completed.

During the quarter, the gross margin rose 0.2 percentage points year-on-year. During the first part of the quarter, the gross margin continued to be adversely impacted by higher raw material prices for timber. This effect normalized in the latter part of the quarter driven by higher consumer prices. In the fourth quarter, the gross margin was negatively impacted by currency effects, positively in terms of the NOK and negatively by the EUR.

Costs as a percentage of sales decreased slightly compared with the year-earlier period. We are continuously working on trimming the Byggmax business and the costs in Skånska Bygghvaror have decreased primarily as an effect of the restructuring program.

Profitability measured as EBITDA excluding non-recurring items<sup>1</sup> increased to SEK 27.5 M, compared with SEK 22.1 M for the year-earlier period. Profitability for the Byggmax segment decreased to SEK 26.5 M (34.7), negatively affected by new stores and lower gross margin. In the fourth quarter, changed purchasing patterns for Byggmax has also resulted in higher profitability in our fully owned distribution company, which is included in segment "Other". For Skånska Bygghvaror, EBITDA excluding non-recurring items increased SEK 0.6 M year compared with the year-earlier period.

## Market

During the quarter, the consumer market stabilized and returned to modest growth. The negative weather effects that impacted the year's previous quarters changed to a positive effect in the fourth quarter, due to the mild autumn weather. Our view is that the underlying consumer market, excluding weather effects, continued to be softened by a somewhat passive consumer behavior. In total we estimate that the Nordic consumer market for DIY projects increased 1–3 percent in the fourth quarter.

The fourth quarter entails a positive end to the year, and our focus for 2019 is profitable growth in the respective segments' core business.



## Strategic business decisions

In 2018, focus for the Byggmax segment was increasingly on building for profitable growth. We doubled the expansion pace to 18 new stores, of which six in the format for smaller towns, launched our Garden concept in twelve stores and continued to develop our e-commerce business.

During the autumn we have also tested a somewhat upgraded store concept in two stores. This initiative, called Store 3.0, mainly means addition of selected product ranges and organizing the store into more clear departments. Early sales indications are positive and investments low.

In 2019, we will continue to execute our strategy of focused growth and improved efficiency, where growth will be driven by new stores, an upgraded offering and increased online sales. Given the positive indications for Store 3.0, we will, to a greater degree than previously, focus on upgrading the offering in existing stores. This also enables us to now plan to drive profitable growth with lower investments than in 2018. For 2019, we plan to open twelve new stores, launch eight garden departments, upgrade 15 existing stores to 3.0 and to develop our e-commerce business.

The transformation of Skånska Bygghvaror has generated positive effects. Gross margin has returned to a high level and costs have decreased in line with the restructuring plan. In the second half of 2018, the EBITDA margin excluding non-recurring items was 5.5 percent compared with 0.6 percent last year and the aim of ending the transformation year 2018 as a smaller more profitable company was achieved. For 2019, focus now shifts to building for profitable growth in the core business. We have growth initiatives within assortment, sales and marketing, and we expect positive effects in the coming peak season, i.e., the second and third quarters.

The Board of Directors propose to not pay any dividend in 2019. 2018 was a year with tough external factors. Although results improved in the fourth quarter, the financial result for the full year was weak. At the same time, the profitability in Byggmax core business is good, and we have good business opportunities and proven initiatives to profitably grow this business. To generate good profits and dividends for the shareholders during the coming years, the board has suggested to this year prioritize having flexibility to capture business opportunities and scale up initiatives, instead of paying a dividend. Our goal to going forward distribute at least 50 percent of net profit remains.

## Outlook

Much of 2018 was impacted by tough market conditions. We are pleased to see that these effects now are normalized, and that profit increases in the fourth quarter.

With the initiatives implemented, we are now in a stronger position. We have trimmed costs and have more alternatives for profitable growth in Byggmax, and the transformation of Skånska Bygghvaror to a more focused company is largely completed. Our focus for 2019 is profitable growth in the respective segment's core business.

We also see certain positive market indications, primarily in terms of Swedish consumers' renovation plans for 2019. And independently of market conditions, Byggmax is well-positioned with our increasingly strong low-price concept.

I look forward to giving more of Byggmax to more customers in the future!

**Mattias Ankarberg**

**President, Byggmax Group AB (publ)**  
January 25, 2019

<sup>1</sup> Earnings for the fourth quarter of 2017 were positively affected by the reversal of settlement costs for four Byggmax stores in Finland at an amount of SEK 8.3 M due to lower closure costs than the amount reserved in Q3 2017. Earnings for the fourth quarter 2017 were negatively impacted by restructuring costs at Skånska Bygghvaror of SEK 49.4 M, of which SEK 32.3 M affected EBITDA and SEK 17.1 M affected depreciation and amortization. Earnings for 2018 were positively affected by the reversal of settlement costs for four Byggmax stores in Finland at an amount of SEK 6.2 M due to lower closure costs than the amount reserved in Q3 2017. Earnings for 2018 were also positively affected by a capital gain of SEK 3.7 M, on the disposal of Skånska Bygghvaror's Danish subsidiary Pavillon. Earnings for 2017 were positively affected by the earn out for Buildor of SEK 33.4 M and negatively affected by closure costs for four Byggmax stores in Finland of SEK 30.9 M. Earnings for 2017 were also negatively impacted by restructuring costs at Skånska Bygghvaror of SEK 49.4 M, of which SEK 32.3 M affected EBITDA and SEK 17.1 M affected depreciation and amortization. See also Note 8 on page 20 for non-recurring items in previous periods.

# CONSOLIDATED SALES AND EARNINGS

## October 1 - December 31

### Revenues

The operation's net sales totaled SEK 998.6 M (950.2), up 5.1 percent. Total revenue was SEK 1 000.3 M (949.8), up 5.3 percent. Net sales for comparable stores decreased 3.9 percent in local currency, due to reduced sales in Skånska Bygghvaror. Net sales for comparable Byggmax stores increased during the quarter.

Net sales amounted to SEK 882.9 M (804.9) for Byggmax, SEK 89.8 M (117.4) for Skånska Bygghvaror and SEK 25.9 M (27.8) for Other. The strongest sales month of the quarter was December.

The sales increase of 5.1 percent was divided according to the following:	
Comparable stores, local currency, percent	-3.9
Non-comparable units and other, percent	7.6
Exchange-rate effects, percent	1.3
<b>Total, percent</b>	<b>5.1</b>

The Group opened three (three) stores during the quarter: one Byggmax store in Sweden and two Byggmax stores in Norway. During the fourth quarter of 2017, four Byggmax stores were closed in Finland. This was in order to increase profitability in Finland as previously communicated. The total number of stores in the Group as of December 31, 2018 thereby amounted to 163 (147).

### EBIT

EBIT amounted to SEK -16.3 M (-59.0), corresponding to an EBIT margin of -1.6 percent (neg: 6.2). The gross margin was 31.3 percent, compared with 31.1 percent in the year-earlier period. The gross margin was still negatively affected by higher raw material prices for timber, which is Byggmax's largest product category. That effect is normalized the later half of the quarter. The gross margin was impacted negatively by currency effects, positively by NOK and negatively by EUR.

Personnel costs and other external expenses decreased with SEK 10.9 M. The costs are positively affected by continued trimmed costs in Byggmax and decreased costs in Skånska Bygghvaror, both as an effect of the earlier decided restructuring program and lower marketing costs as a consequence of the choice to decrease unprofitable sales. Compared to the year-earlier period, expenses were negatively affected by new stores opened after the fourth quarter 2017 up to SEK 19.3 M (13.9). Personnel- and other external costs was affected positively in the quarter 2017 by SEK 8.3 M, attributable to closure costs for four Byggmax stores in Finland.

EBITDA amounted to SEK 27.5 M (-1.9), corresponding to an EBITDA margin of 2.8 percent (-0.2). EBITDA was affected positively in the quarter 2017 from reversal of closure costs for four stores in Finland of SEK 8.3 M and restructure costs of Skånska Bygghvaror SEK -32.3 M.

EBITDA excluding non-recurring items<sup>1</sup> amounted to SEK 27.5 M (22.1), corresponding to an EBITDA margin of 2.8 percent (2.3).

### Profit before tax

Profit before tax amounted to SEK -24.0 M (loss: 62.2). Net financial items amounted to an expense of SEK -7.7 M (expense: 3.2). Net financial items for the quarter were negatively impacted by exchange-rate effects of SEK -3.0 M (pos: 0.1).

### Taxes

Tax cost for the third quarter of 2018 totaled SEK 9.6 M (revenue: 3.9).

## January 1 - December 31

### Revenues

The operation's net sales totaled SEK 5,107.8 M (5,321.4), down 4.0 percent. Total revenue was SEK 5,123.4 M (5,360.8), down 4.4 percent. Operating revenues was positively affected by a capital gain on the divestment of Skånska Bygghvaror's Danish subsidiary Pavillion amounting to SEK 3.7 million. The operation revenues 2017 was affected positively by earn out Buildor SEK 33.4 M. Net sales for comparable stores decreased 10.8 percent in local currency.

Net sales amounted to SEK 4,480.5 M (4,491.1) for Byggmax, SEK 509.9 M (709.2) for Skånska Bygghvaror and SEK 117.4 M (121.1) for Other.

The sales decrease of -4.0 percent was divided according to the following:	
Comparable stores, local currency, percent	-10.8
Non-comparable units and other, percent	5.7
Exchange-rate effects, percent	1.1
<b>Total, percent</b>	<b>-4.0</b>

The Group opened 18 (twelve) stores during the year; twelve Byggmax stores in Sweden, four Byggmax stores in Norway and two Byggmax stores in Finland. During the fourth quarter 2017 four Byggmax stores were closed in Finland. This was in order to increase profitability in Finland as previously communicated. The total number of stores in the Group as of December 31, 2018 thereby amounted to 163 (147).

### EBIT

EBIT amounted to SEK 188.1 M (271.9), corresponding to an EBIT margin of 3.7 percent (5.1). The gross margin was 30.8 percent, compared with 31.0 percent in the year-earlier period. The gross margin was positively impacted by purchasing improvements, pricing and mix effects and negatively affected by significantly higher raw material prices for timber, which is Byggmax largest product category. The gross margin increased for the Skånska Bygghvaror segments.

Personnel costs and other external expenses increased a total of SEK 11.4 M. The costs are positively affected by continued trimmed costs in Byggmax and decreased costs in Skånska Bygghvaror, both as an effect of the earlier decided restructuring program and lower marketing costs as a consequence of the choice to decrease unprofitable sales. Costs associated to new stores opened after the fourth quarter 2017, amounted to SEK 80.3 M (52.5). Personnel- and other external costs was affected negatively in the period 2017 by SEK -30.9 M, the increase in expenses compared with the year-earlier period was attributable to closure costs for four Byggmax stores in Finland.

EBITDA amounted to SEK 356.1 M (444.9), corresponding to an EBITDA margin of 7.0 percent (8.4). EBITDA was affected positively in the earlier-year period by earn out Buildor of SEK 33.4 M and negatively affected by closure costs for four Byggmax stores in Finland of SEK -30.9 M and restructure costs of Skånska Bygghvaror SEK -32.3 M. EBITDA was affected positively in 2018 by reversal of closure costs for four Byggmax stores in Finland of SEK 6.2 M.

EBITDA excluding non-recurring items<sup>1</sup> amounted to SEK 346.2 M (474.8), corresponding to an EBITDA margin of 6.8 (8.9) percent.

### Profit before tax

Profit before tax amounted to SEK 162.2 M (258.2). Net financial items amounted to an expense of SEK -25.9 M (expense: 13.6). Net financial items for 2018 were negatively impacted by exchange-rate effects of SEK 8.4 M (pos: 3.1).

### Taxes

Tax cost for the year totaled SEK -24.6 M (cost: 63.6), and was positively affected with SEK 3.2 M by the revaluation of the deferred tax liability based on the tax rate when the debt is expected to be settled.

<sup>1</sup> Earnings for the fourth quarter of 2017 were positively affected by the reversal of settlement costs for four Byggmax stores in Finland at an amount of SEK 8.3 M due to lower closure costs than the amount reserved in Q3 2017. Earnings for the fourth quarter 2017 were negatively impacted by restructuring costs at Skånska Bygghvaror of SEK 49.4 M, of which SEK 32.3 M affected EBITDA and SEK 17.1 M affected depreciation and amortization. Earnings for 2018 were positively affected by the reversal of settlement costs for four Byggmax stores in Finland at an amount of SEK 6.2 M due to lower closure costs than the amount reserved in Q3 2017. Earnings for 2018 were also positively affected by a capital gain of SEK 3.7 M, on the disposal of Skånska Bygghvaror's Danish subsidiary Pavillion. Earnings for 2017 were positively affected by the earn out for Buildor of SEK 33.4 M and negatively affected by closure costs for four Byggmax stores in Finland of SEK 30.9 M. Earnings for 2017 were also negatively impacted by restructuring costs at Skånska Bygghvaror of SEK 49.4 M, of which SEK 32.3 M affected EBITDA and SEK 17.1 M affected depreciation and amortization. See also Note 8 on page 20 for non-recurring items in previous periods.

# REPORT ON THE BUSINESS SEGMENT

Skånska Byggvaror AB was acquired by Byggmax on January 4, 2016. The internal follow-up includes separate financial information for each brand, which is why segment information from the first quarter of 2016 is presented for three segments. These three segments are Byggmax, Skånska Byggvaror and Other. Other includes Buildor, intra-Group leasing of owned properties, a distribution company and the Parent Company Byggmax Group AB. No individual part of the Other segment represents such a material part that it forms a reportable segment, which is why we have chosen to aggregate them. The performance metric we use internally to follow up and evaluate operations is EBIT before depreciation/amortization and impairment of tangible and intangible fixed assets (EBITDA). For more information see note 1.

## BYGGMAX®

### Byggmax

The Byggmax segment includes Byggmax AB and the branches Byggmax Norge and Filialen Byggmax AB Finland.

Net sales increased 9.7 percent during the quarter to SEK 882.9 M (804.9). Three new stores opened during the quarter, one store in Sweden and two stores in Norway. The sales trend was negatively affected by the closure of four Finnish stores in the fourth quarter of 2017.

The gross margin was negatively affected during the first half of the fourth quarter by higher raw material prices for timber, which is Byggmax's largest product category. During the second half of the quarter, the effect was normalized, driven by higher price to consumers.

EBITDA amounted to SEK 26.5 M (43.1) for the quarter. The EBITDA margin for the quarter was 3.0 percent (5.4). Earnings for the quarter were impacted by costs for stores opened after the fourth quarter of 2017, amounting to SEK 19.3 M (13.9). EBITDA was affected positively in the year-earlier period by reversal of closure costs of four stores in Finland SEK 8.3 M.

Net sales decreased 0.2 percent during the full year to SEK 4,480.5 M (4,491.1).

For the full year 2018 the gross margin was negatively affected by significantly higher raw material prices for timber, which is Byggmax largest product category.

EBITDA amounted to SEK 354.3 M (435.6) for the full year. The EBITDA margin for the full year was 7.9 percent (9.7). Earnings for the full year were impacted by costs for stores opened after the fourth quarter in 2017, amounting to SEK 80.3 M (52.4). EBITDA was affected positively by reversal of accruals of SEK 6.2 M from the closure costs of four stores in Finland in 2017. EBITDA was affected negatively in the period 2017 from the closure costs of four stores in Finland, SEK -30.9 M.

*"The fourth quarter entails a positive end to the year. Sales increased 9,7 percent driven by our growth initiatives. We now have several alternatives for the continued development of our core operations, and we look forward to driving initiatives for profitable growth in 2019."*

*- Mattias Ankarberg,  
CEO of Byggmax Group AB (publ)*





# REPORT ON THE BUSINESS SEGMENT



## Skånska Byggvaror

Net sales decreased 23.5 percent during the quarter to SEK 89.8 M (117.4 ).

Sales decreased during the quarter, according to the decision of reduce unprofitable sales. The restructuring program to reduce unprofitable sale is now almost done. The gross margin at Skånska Byggvaror increased and was positively influenced by mix effects and pricing.

EBITDA amounted to SEK -4.6 M (-37.5) during the quarter and the EBITDA margin was -5.0 percent (-32.5) for the quarter. EBITDA excluding non-recurring-items increased marginally to SEK -4.6 M compared to -5.1 during the same period previous year. External costs decreased significantly in the quarter, as an effect of the previously decided restructuring program, and lower marketing costs as a consequence of the decision to reduce unprofitable sales.

EBIT for the Group was impacted by the amortization of customer relationships and brands totaling SEK 9.9 M (9.9) for the quarter, which were identified in connection with the acquisition of Skånska Byggvaror Group AB by Byggmax Group AB.

During the fall 2018, two showroom-stores were closed, one in Uppsala (quarter three) and one in Norrköping (quarter four).

For the full year 2018, net sales decreased by -28.1 percent to SEK 509.9 M (709.2). The gross margin in Skånska Byggvaror increased and was positively influenced by mix effects and pricing.

EBITDA for the full year amounted to SEK 3.5 M (-18.7). The EBITDA margin was 0.7 percent (-2.6) for the full year.

Earnings for the full year 2018 were impacted by costs for stores opened after the fjärde quarter in 2017, which amounted to SEK 1.5 M (9.2). Operating revenues were positively affected by a capital gain on the divestment of Skånska Byggvaror's Danish subsidiary Pavillion amounting to SEK 3.7 M.

EBIT for the Group was impacted by the amortization of customer relationships and brands totaling SEK 39.6 M (39.6) for the full year. For Skånska Byggvaror, 2018 is a conversion year to a modern leader in "Garden Living," i.e. garden buildings such as the sunroom and greenhouse.

*"For Skånska Byggvaror, the fourth quarter meant the end of a year of rapid change. In the second half of 2018, the EBITDA margin was up on the previous year, and the aim of ending the transformation year 2018 as a more focused, more profitable company had been achieved."*

*- Oscar Tjärnberg, CEO Skånska Byggvaror*



## Segment summary

Amounts in SEK M	October - December		January - December	
	2018	2017	2018	2017
<b>Net sales from external customers</b>				
Byggmax	882.9	804.9	4,480.5	4,491.1
Skånska Byggvaror	89.8	117.4	509.9	709.2
Other	25.9	27.8	117.4	121.1
Total net sales	998.6	950.2	5,107.8	5,321.4
<b>EBITDA</b>				
Byggmax	26.5	43.1	354.3	435.6
Skånska Byggvaror	-4.6	-37.5	3.5	-18.7
Other	5.8	-7.5	-1.6	27.9
Total EBITDA	27.5	-1.9	356.1	444.9
<b>EBITDA, excluding non-recurring items<sup>1</sup></b>				
Byggmax	26.5	34.7	348.1	466.6
Skånska Byggvaror	-4.6	-5.2	-0.2	13.6
Other	5.8	-7.5	-1.6	-5.4
Total EBITDA, excluding non-recurring items	27.5	22.1	346.2	474.8
<b>EBITDA margin, percent</b>				
Byggmax	3.0	5.4	7.9	9.7
Skånska Byggvaror	-5.0	-32.5	0.7	-2.6
Other	2.3	-3.4	-0.1	2.6
Total EBITDA margin, percent	2.8	-0.2	7.0	8.4
<b>EBITDA margin, excluding non-recurring items, percent<sup>1</sup></b>				
Byggmax	3.0	4.4	7.8	10.4
Skånska Byggvaror	-5.0	-4.5	0.0	1.9
Other	2.3	-3.4	-0.1	-0.5
Total EBITDA margin, excluding non-recurring items, percent	2.8	2.3	6.8	8.9

<sup>1</sup>Earnings for the fourth quarter of 2017 were positively affected by the reversal of settlement costs for four Byggmax stores in Finland at an amount of SEK 8.3 M due to lower closure costs than the amount reserved in Q3 2017. Earnings for the fourth quarter 2017 were negatively impacted by restructuring costs at Skånska Byggvaror of SEK 49.4 M, of which SEK 32.3 M affected EBITDA and SEK 17.1 M affected depreciation and amortization. Earnings for 2018 were positively affected by the reversal of settlement costs for four Byggmax stores in Finland at an amount of SEK 6.2 M due to lower closure costs than the amount reserved in Q3 2017. Earnings for 2018 were also positively affected by a capital gain of SEK 3.7 M, on the disposal of Skånska Byggvaror's Danish subsidiary Pavillon. Earnings for 2017 were positively affected by the earn out for Buildor of SEK 33.4 M and negatively affected by closure costs for four Byggmax stores in Finland of SEK 30.9 M. Earnings for 2017 were also negatively impacted by restructuring costs at Skånska Byggvaror of SEK 49.4 M, of which SEK 32.3 M affected EBITDA and SEK 17.1 M affected depreciation and amortization. See also Note 8 on page 20 for non-recurring items in previous periods.

# CASH FLOW AND FINANCIAL POSITION

## Cash flow and financial position

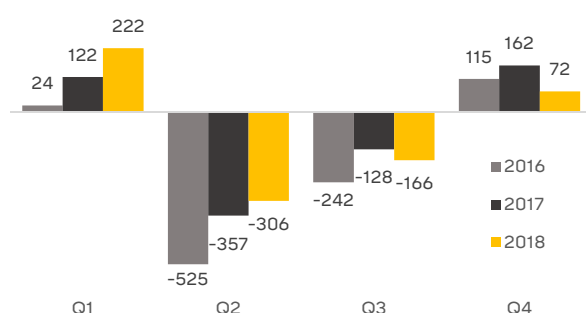
Cash flow from operating activities amounted to an outflow of SEK -204.0 M (outflow: 261.1) for the quarter, up SEK 57.0 M year-on-year and an inflow SEK 390.3 M (inflow: 302.3) for the full year, up SEK 88.0 M. Inventory totaled SEK 871.2 M (879.6), down SEK 8.4 M. Inventory for Skånska Byggvaror totaled SEK 63.7 M (69.9). Compared with the end of the year-earlier period, 18 (nine) new Byggmax stores were added and the associated inventory amounted to SEK 83.0 M (40.5). Distribution inventory was SEK 40.3 M lower year-on-year.

At December 31, 2018, consolidated shareholders' equity amounted to SEK 1,346.4 M (1,358.8). Consolidated net debt was SEK 1,098.4 M (1,177.6), down SEK 79.2 M year-on-year. The equity/assets ratio amounted to 36.6 percent (37.2). Unutilized credits totaled SEK 275.2 M (327.3).

Investments during the quarter amounted to SEK 28.5 M (26.5), out of which, SEK 13.5 M (10.4) pertained to investments in stores opened during 2018 or stores to be opened and SEK 5.2 M (11.2) pertained to IT investments.

Investments during the full year amounted to SEK 176.5 M (134.1). Of these investments, SEK 91.9 M (38.9) pertained to investments in stores opened during 2018 or to be opened and SEK 22.1 M (37.3) to IT investments.

## WORKING CAPITAL (SEK M)



## New store openings

A total of 18 (twelve) new stores were opened during the year: twelve Byggmax stores in Sweden, four Byggmax stores in Norway and two Byggmax stores in Finland.

The stores in Falkenberg, Kungsängen and Motala in Sweden, moved to new locations and the stores in Falun, Malmö, Motala, Staffanstorps, Visby and Värmdö in Sweden, and Raisio and Turku in Finland added the garden concept.

The following stores have been publicly announced and will be opened in 2019: Gislaved, Ljungby, Lund, Lycksele, Kumla, Simrishamn, Skara, Strängnäs and Älmhult in Sweden and Kongsberg in Norway.

Skånska Byggvaror closed one store in Uppsala during the third quarter and one store in Norrköping during the fourth quarter 2018.

## The Byggmax workforce

The number of employees (converted into full-time equivalents) totaled 1,002 (1,009) at the end of the period.

## Parent Company

The Parent Company comprises a holding company. The Parent Company's sales amounted to SEK 0.1 M (0.1) for the quarter and to SEK 0.3 M (0.3) for the full year. Profit before taxes for the quarter was SEK 84.8 M (Profit: 163.3) and for the full year the profit was SEK 70.0 M (Profit: 149.9). Profit is affected by anticipated dividend of SEK 70.0 M (150.0).

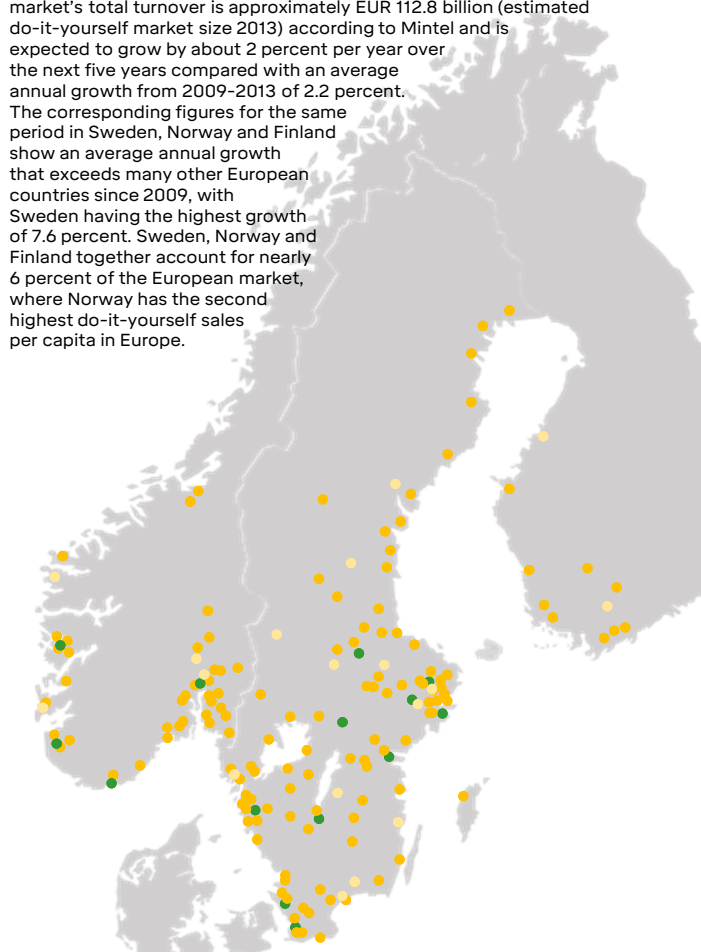
## Events after the close of the reporting period

No significant events have occurred since the end of the reporting period.

## Market – potential for further growth

The Byggmax Group conducts business in the Swedish, Norwegian and Finnish do-it-yourself market. The European do-it-yourself market's total turnover is approximately EUR 112.8 billion (estimated do-it-yourself market size 2013) according to Mintel and is expected to grow by about 2 percent per year over the next five years compared with an average annual growth from 2009-2013 of 2.2 percent.

The corresponding figures for the same period in Sweden, Norway and Finland show an average annual growth that exceeds many other European countries since 2009, with Sweden having the highest growth of 7.6 percent. Sweden, Norway and Finland together account for nearly 6 percent of the European market, where Norway has the second highest do-it-yourself sales per capita in Europe.



Stores	Sweden	Norway	Finland	Total
● Byggmax	88	36	9	133
● Skånska Byggvaror	10	4	0	14
Opened 2018				
● Byggmax	12	4	2	18
● Skånska Byggvaror	-2	0	0	-2
<b>Total</b>	<b>109</b>	<b>44</b>	<b>11</b>	<b>163</b>



## Accounting policies

Bygghmax Group AB (publ) applies the International Financial Reporting Standards (IFRS) as adopted by the EU. This interim report has been prepared in accordance with IAS 34 Interim Financial Reporting, the Annual Accounts Act and RFR 1 Supplementary Accounting Rules for Groups. The same accounting policies and measuring methods apply as in the 2017 Annual Report. The application of the accounting policies corresponds with the policies in the Annual Report for the fiscal year ending December 31, 2017, with the exception of the introduction on January 1, 2018 of IFRS 15 Revenue from Contracts with Customers and IFRS 9 Financial Instruments. However, the transition to IFRS 9 and IFRS 15 had no impact on the Group's performance and financial position.

The Parent Company's accounts have been prepared pursuant to the Annual Accounts Act and RFR 2 Accounting for Legal Entities. The same accounting policies have been applied as for the Group except in those cases stated in the Parent Company's accounting policies section in the 2017 Annual Report, Note 2.18.

Refer to the Annual Report for the 2017 fiscal year, notes 1–4, for a more detailed description of the accounting policies applied for the Group and the Parent Company in this interim report.

The interim data on pages 1–22 comprises an integrated part of this financial report.

## New standards from IASB

### IFRS 15 Revenue from contracts with customers

IFRS 15 Revenue from Contracts with Customers has entailed new requirements regarding recognition of revenue, and replaces IAS 18 Revenue, IAS 11 Construction Contracts, and several related interpretations. The new standard provides more detailed guidance in many areas that previously were not clear from the IFRS rules then in force, including how agreements with several performance obligations, flexible pricing, the customer's right to return and so on should be reported. The standard has been adopted by the EU.

IFRS 15 is applied by the Group for the fiscal year starting January 1, 2018. The Group has chosen to apply the standard retroactively; that is, to report the 2017 comparison year in accordance with IFRS 15 as well. IFRS 15 has not had any material impact on the Group's financial position. For more information, refer to the Annual Report for the 2017 fiscal year, notes 1–4.

### IFRS 9 Financial Instruments

IFRS 9 addresses the classification, measurement and recognition of financial assets and liabilities and introduces new hedge accounting rules. The complete version of IFRS 9 was issued in July 2014.

This replaces the parts of IAS 39 relating to the classification and measurement of financial instruments and introduces a new loss impairment model. The standard has been adopted by the EU.

IFRS 9 is applied by the Group from the fiscal year beginning on January 1, 2018. In accordance with the transition rules of the standard, the Group has not restated comparative figures for the 2017 fiscal year.

The regulation has not entailed any changes as regards measurement of the financial instruments found in the consolidated balance sheet at that time.

IFRS 9 introduced a new impairment model that is based on expected credit losses, and which takes prospective information into account. However, no material effect has been identified from this, since customer losses have historically been extremely low, and our prospective assessment is that credit risk will remain low. For more information, refer to the Annual Report for the 2017 fiscal year, notes 1–4.

## New standards that will be applied after 2018

### IFRS 16 Leasing

IFRS 16 Leases was published in January 2016 by the IASB. The standard has been adopted by the EU and will replace IAS 17 Leases, as well as the appurtenant interpretations IFRIC 4, SIC-15 and SIC-27. IFRS 16 requires assets and liabilities attributable to all lease contracts, excepting brief agreements or agreements regarding low-value assets, to be recognized in the balance sheet.

This report is based on the view that the lessee is entitled to use an asset for a specific period of time while also having an obligation to pay for this entitlement.

This will result in the majority of current operating leases being recognized in the balance sheet beginning 1 January 2019.

The Group has conducted a complete review of all lease contracts, in which information was collected and compiled as a basis for calculations and quantification in connection with conversion to IFRS 16. In the Group, leases primarily relate to store leases. In connection with the transition to IFRS 16, the majority of these leases will be recognized in the balance sheet as assets with a right of use and a financial liability. The Group has decided to apply partial retroactive application, which means that comparison figures do not need to be recalculated and that there is no impact on opening shareholders' equity.

The Group will apply the following practical solutions allowed under the standard:

- The same discount rate will be used for lease portfolios with similar attributes.

- Operating leases with a remaining lease term of 12 months are recognized as short-term leases.

The Group has also chosen not to apply IFRS 16 for agreements not identified as lease agreements pursuant to IAS 17 and IFRIC 4. Determination of whether an agreement comprises a lease.

## Preliminary impact on opening balance 2019 (change)

Amount in SEK million (SEK M)	2019-01-01
ASSETS	
FIXED ASSETS	
Tangible assets	1,420 – 1,520
Summa anläggningstillgångar	1,420 – 1,520
CURRENT ASSETS	
Current receivables	-50 – -70
Total current assets	-50 – -70
Total assets	1,370 – 1,450
SHAREHOLDER'S EQUITY AND LIABILITIES	
Shareholder's equity	
LIABILITIES	
Borrowing from credit institutions	1,080 – 1,155
Total long-term liabilities	1,080 – 1,155
Borrowing from credit institutions	270 – 295
Total current liabilities	270 – 295
Total shareholder's equity and liabilities	1,370 – 1,450

All of the figures listed above and below in parentheses refer to the corresponding period or date in the preceding year.

This report has not been reviewed by the company auditors.

Stockholm January 25, 2019

Mattias Ankarberg  
President

## Financial calendar

Interim report Q1, 2019	April 17, 2019
Interim report Q2, 2019	July 15, 2019
Interim report Q3, 2019	October 21, 2019

The 2019 Annual general meeting will be held on May 9, 2019 in Stockholm.  
The annual report will be available on [www.bygghmax.se](http://www.bygghmax.se) from week 16, 2019

## New financial goal as a result of IFRS 16

### Impact of IFRS 16

The IFRS 16 accounting standard will be implemented from January 1, 2019. This will result in the majority of the company's lease agreements being recognized in the balance sheet. In the Group, leases primarily relate to store leases.

IFRS 16 entails an increase in balance sheet liabilities, which will impact items including the debt/equity ratio. Leases for store premises are no longer classified in profit or loss as lease rents, and are instead recognized as asset depreciation and interest expenses on the lease liability. This positively impacts the EBITDA metric and depreciation increases. The effects on the carrying amounts are described on page 11.

Bygghem has chosen to apply a method that means that comparative figures, in other words 2018, will not be restated. To facilitate for the reader, in 2019 the company will include some key performance indicators for 2019 excluding the effects of IFRS 16 in its interim reporting. This is for the purpose of comparability between the years.

### Updated financial targets from 2019

The Bygghem Group set new financial targets for the Group in June 2017: organic growth of 10–15 percent, an EBITDA of 9–10 percent and a dividend of 50 percent of net profit.

As a result of IFRS 16, from 2019, the profitability target will be updated to an EBITA margin of 7–8 percent. The historic difference between EBITDA and EBITA has been around 2.5 percent. IFRS 16 entails a slightly positive effect on EBITA. Our ambitious targets for the operations remain unchanged and the profitability target is now formulated to comply with the new accounting policies that apply from 2019.



## Consolidated statement of comprehensive income

Amount in SEK M	October - December		January - December	
	2018	2017	2018	2017
REVENUE				
Net sales	998.6	950.2	5,107.8	5,321.4
Other operating income	1.7	-0.4	15.7	39.4
Total revenue	1,000.3	949.8	5,123.4	5,360.8
OPERATING EXPENSES				
Cost of goods sold	-686.3	-654.4	-3,534.4	-3,671.6
Other external costs and operating expenses	-137.4	-158.2	-632.3	-685.8
Personnel costs	-149.1	-139.2	-600.6	-558.5
Depreciation, amortization of tangible and intangible fixed assets	-43.8	-57.1	-168.0	-173.0
Total operating expenses	-1,016.5	-1,008.8	-4,935.3	-5,089.0
EBIT	-16.3	-59.0	188.1	271.9
Profit/loss from financial items	-7.7	-3.2	-25.9	-13.6
Profit before tax	-24.0	-62.2	162.2	258.2
Income tax	9.6	3.9	-24.6	-63.6
Profit/loss for the period	-14.4	-58.3	137.6	194.6
OTHER COMPREHENSIVE INCOME FOR THE PERIOD				
Items that will not be reclassified to profit or loss	0.0	0.0	0.0	0.0
	0.0	0.0	0.0	0.0
ITEMS THAT MAY BE SUBSEQUENTLY RECLASSIFIED TO PROFIT OR LOSS				
Translation differences	-10.4	-2.8	2.5	-7.7
Other comprehensive income for the period	-10.4	-2.8	2.5	-7.7
Total comprehensive income for the period	-24.8	-61.1	140.1	186.9
Earnings per share before dilution, SEK	-0.2	-1.0	2.3	3.2
Earnings per share after dilution, SEK	-0.2	-1.0	2.3	3.2
Average number of shares, (thousand)	60 999	60,995	60 999	60,861
Number of shares at the end of the period, (thousand)	60 999	60,999	60 999	60,999



## Consolidated statement of financial position

Amounts in SEK M	Note	December 31, 2018	December 31, 2017
ASSETS			
FIXED ASSETS			
Intangible fixed assets		2,154.3	2,188.6
Tangible fixed assets		403.0	358.5
Financial fixed assets		18.4	27.8
Total fixed assets		2,575.8	2,574.9
CURRENT ASSETS			
Inventories		871.2	879.6
Derivatives		0.0	1.3
Current receivables		167.0	149.0
Cash and cash equivalents		52.5	40.1
Assets held for sale		0.0	3.4
Total current assets		1,090.7	1,073.4
Total assets		3,666.4	3,648.3
SHAREHOLDERS' EQUITY AND LIABILITIES			
Shareholders' equity		1,346.4	1,358.8
LIABILITIES			
Borrowing from credit institutions		304.9	406.2
Deferred tax liabilities		191.2	200.5
Other long liabilities		0.9	0.5
Long-term liabilities		497.0	607.2
Borrowing from credit institutions		846.0	811.6
Provisions	6	8.5	63.2
Accounts payable		748.4	591.3
Current tax liabilities		0.0	7.3
Derivatives		1.9	0.0
Other liabilities		65.3	44.7
Accrued expenses and deferred income		153.0	160.0
Liabilities that are directly related to assets held for sale		0.0	4.1
Current liabilities		1,823.1	1,682.3
Total shareholders' equity and liabilities		3,666.4	3,648.3

## Consolidated statement of changes in equity

Amounts in SEK M	December 31, 2018	December 31, 2017
Opening balance at the beginning of the period	1,358.8	1,302.2
COMPREHENSIVE INCOME		
Translation differences	2.5	-7.7
Profit/loss for the period	137.6	194.6
Total comprehensive income	140.1	186.9
TRANSACTIONS WITH SHAREHOLDERS		
Dividend to shareholders	-152.5	-145.8
Warrants and issue of new shares	-0.1	11.1
Issue of warrants	0.0	4.3
Total transactions with shareholders	-152.6	-130.2
Shareholders' equity at the end of the period	1,346.4	1,358.8

## Consolidated statement of cash flows

Amounts in SEK M	October - December		January – December	
	2018	2017	2018	2017
CASH FLOW FROM OPERATING ACTIVITIES				
EBIT	-16.3	-59.0	188.1	271.9
Non-cash items				
- Depreciation and amortization of tangible and intangible fixed assets	43.8	57.1	168.0	173.0
- Other non-cash items	-6.7	28.0	-10.5	68.0
Interest received	0.7	1.7	13.3	14.4
Interest paid	-10.0	-6.2	-36.2	-29.6
Tax paid	1.1	-9.7	-61.5	-79.6
Cash flow from operating activities before changes in working capital	10.4	11.8	261.2	418.1
CHANGES IN WORKING CAPITAL				
Increase/decrease in inventories and work in process	71.0	30.6	9.5	-64.9
Increase/decrease in other current receivables	2.6	62.3	2.0	6.2
Increase/decrease in other current liabilities	-287.9	-365.9	117.5	-57.1
Cash flow from operating activities	-204.0	-261.1	390.3	302.3
CASH FLOW FROM INVESTING ACTIVITIES				
Investment in intangible fixed assets	-4.7	-10.4	-25.2	-35.4
Investment in tangible fixed assets	-23.8	-16.1	-151.2	-98.7
Investment in other financial fixed assets	0.0	-0.4	0.0	7.5
Proceeds from sale of subsidiaries	0.0	0.0	2.4	0.0
Cash flow from investing activities	-28.5	-26.8	-174.1	-126.6
CASH FLOW FROM FINANCING ACTIVITIES				
Change in overdraft facilities	323.6	334.4	75.0	87.0
Issue of warrants	0.0	-0.3	-0.1	14.9
Divided to shareholders	0.0	0.0	-152.5	-145.8
Amortization of loans	-125.6	-75.9	-126.2	-125.9
Cash flow from financing activities	197.9	258.2	-203.8	-169.6
Cash flow from the period	-34.6	-29.7	12.4	6.1
Cash and cash equivalents at the beginning of the period	87.1	69.8	40.1	34.0
Cash and cash equivalents at the end of the period	52.5	40.1	52.5	40.1

## Parent Company income statement

Amounts in SEK M	Note	October - December		January - December	
		2018	2017	2018	2017
REVENUE					
Operating income		0.1	0.1	0.3	0.3
Total revenue		0.1	0.1	0.3	0.3
OPERATING EXPENSES					
Other external expenses		-1.3	-3.6	-8.5	-8.7
Personnel costs		-0.2	-0.1	-0.7	-0.4
Total operating expenses		-1.5	-3.8	-9.1	-9.1
EBIT		-1.5	-3.7	-8.8	-8.8
Profit/loss from financial items		86.2	167.0	78.8	158.7
Profit/loss before tax		84.8	163.3	70.0	149.9
Tax on profit/loss		-3.2	-3.0	0.0	0.0
Profit/loss for the period		81.5	160.4	70.0	149.9

No statement of other comprehensive income was prepared since the company recognized no transactions under other comprehensive income. Accordingly, the profit for the period corresponds with the comprehensive income for the period.

## Parent Company balance sheet

Amount in SEK M	Note	December 31, 2018	December 31, 2017
ASSETS			
Fixed assets			
Financial fixed assets		1,573.3	1,573.3
Total fixed assets		1,573.3	1,573.3
Current assets		92.9	173.8
Total current assets		92.9	173.8
Total assets		1,666.2	1,747.1
SHAREHOLDERS' EQUITY AND LIABILITIES			
Shareholders' equity		173.2	255.7
Other long liabilities		304.9	406.1
Current liabilities		1,188.1	1,085.3
Total shareholders' equity and liabilities		1,666.2	1,747.1

## Note 1 Segments

### October - December

REVENUE, SEK M	Byggmax		Skånska Byggvaror		Other		Total	
	2018	2017	2018	2017	2018	2017	2018	2017
Total net sales per segment	884.3	794.2	92.3	115.6	251.0	223.8	1,227.8	1,133.6
Net sales internal	1.4	-10.8	2.6	-1.8	225.1	196.0	229.1	183.4
Net sales external	882.9	804.9	89.8	117.4	25.9	27.8	998.6	950.2
EBITDA	26.5	43.1	-4.6	-37.5	5.8	-7.5	27.5	-1.9
EBITDA margin, percent	3.0	5.4	-5.0	-32.5	2.3	-3.4	2.8	-0.2
Amortization and depreciation							-43.8	-57.1
Financial income							2.7	3.5
Financial expenses							-10.3	-6.7
Profit/loss before tax							-24.0	-62.2

NET SALES PER GEOGRAPHY, SEK M	Sweden		Other Nordic countries		Total	
	2018	2017	2018	2017	2018	2017
Byggmax	657.5	602.4	225.4	202.5	882.9	804.9
Skånska Byggvaror	76.7	94.9	13.1	22.6	89.8	117.4
Others	25.9	27.8	0.0	0.0	25.9	27.8
Total net sales	760.1	725.0	238.5	225.2	998.6	950.2

### January - December

REVENUE, SEK M	Byggmax		Skånska Byggvaror		Other		Total	
	2018	2017	2018	2017	2018	2017	2018	2017
Total net sales per segment	4,486.6	4,495.5	525.7	725.0	1,120.9	1,059.8	6,133.3	6,280.2
Net sales internal	6.1	4.4	15.9	15.7	1,003.5	938.7	1,025.5	958.8
Net sales external	4,480.5	4,491.1	509.9	709.2	117.4	121.1	5,107.8	5,321.4
EBITDA	354.3	435.6	3.5	-18.7	-1.6	27.9	356.1	444.9
EBITDA margin, percent	7.9	9.7	0.7	-2.6	-0.1	2.6	7.0	8.4
Amortization and depreciation							-168.0	-173.0
Financial income							18.7	22.6
Financial expenses							-44.5	-36.2
Profit/loss before tax							162.2	258.2



## January - December

NET SALES PER GEOGRAPHY, SEK M	Sweden		Other Nordic countries		Total	
	2018	2017	2018	2017	2018	2017
Byggmax	3,378.7	3,343.2	1,101.8	1,147.8	4,480.5	4,491.1
Skånska Byggvaror	409.6	566.2	100.3	143.0	509.9	709.2
Others	117.3	120.9	0.1	0.2	117.4	121.1
Total net sales	3,905.6	4,030.4	1,202.2	1,291.0	5,107.8	5,321.4

ASSETS PER SEGMENT	Byggmax		Skånska Byggvaror		Others		Total	
	2018	2017	2018	2017	2018	2017	2018	2017
Total assets per segment	2,316.6	2,247.4	1,053.9	1,075.5	296.0	325.4	3,666.4	3,648.3
- of which fixed assets	1,476.9	1,427.9	942.4	980.6	138.0	138.6	2,557.3	2,547.0

## Note 2 Disclosures about transactions with related parties

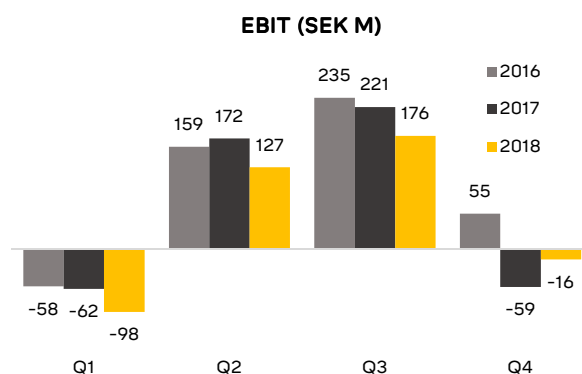
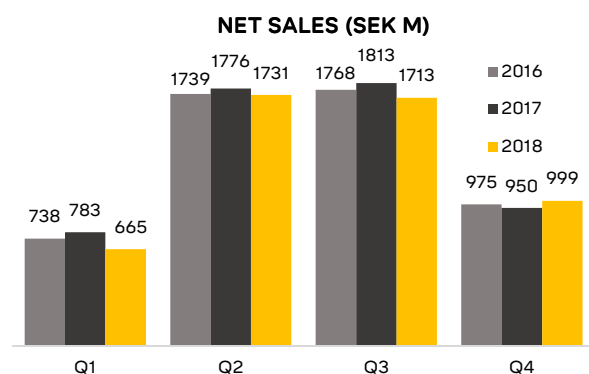
No transactions occurred between Byggmax and related parties that could significantly impact the company's position and results.

The 2015 and 2017 Annual General Meetings resolved to introduce warrant programs for senior executives and other key staff at Byggmax. The warrants are priced at market value, which is based on a valuation made by an independent party. Each warrant entitles its holder to subscribe for one share in the company at the exercise prices shown in the table below. The participants in the warrants program have entered into a pre-emption agreement. The 2015 warrant program expired on November 30, 2018 and was not exercised since the share price was lower than the exercise price. The 2017 warrant program expires on December 7, 2020 and can be exercised from June 8, 2020.

	2017
Total number	954,000
Price	4.37
Exercise price	67.5
Term	3.5
Number of participants	26

## Note 3 Income per quarter

	2016	2016	2016	2016	2017	2017	2017	2017	2018	2018	2018	2018
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Net sales, SEK M	737.9	1,738.7	1,767.8	974.9	782.6	1,775.8	1,812.8	950.2	665.2	1,731.2	1,712.7	998.6
Gross margin, percent	31.2	29.9	31.4	29.8	30.3	30.6	31.6	31.1	32.0	30.2	30.7	31.3
EBITDA, excluding non-recurring costs, SEK M	-24.0	194.0	317.5	94.1	-23.5	210.2	266.0	22.1	-62.5	166.8	218.1	27.5
EBITDA, SEK M	-24.2	193.8	317.5	94.1	-23.5	210.2	260.1	-1.9	-57.5	168.0	218.1	27.5
EBITDA margin, percent	-3.3	11.1	18.0	9.7	-3.0	11.8	14.3	-0.2	-8.6	9.7	12.7	2.8
EBITA, SEK M	-47.9	169.1	245.1	65.1	-52.0	181.8	230.8	-41.9	-88.1	136.5	185.7	-6.4
EBITA margin, percent	-6.5	9.7	13.9	6.7	-6.6	10.2	12.7	-4.4	-13.2	7.9	10.8	-0.6
EBIT, SEK M	-57.8	159.2	235.3	55.2	-61.9	171.8	221.0	-59.0	-98.0	126.6	175.8	-16.3
EBIT margin, percent	-7.8	9.2	13.3	5.7	-7.9	9.7	12.2	-6.2	-14.7	7.3	10.3	-1.6
Working capital, SEK M	23.8	-524.5	-241.6	114.6	121.9	-357.2	-128.8	162.1	221.6	-306.4	-152.0	71.5
Return on equity, percent	-5.2	10.5	14.8	4.4	-4.0	10.6	12.9	-4.2	-5.9	7.7	10.2	-1.1
Cash flow from operating activities per share, SEK	-1.4	11.4	-0.4	-4.1	-1.1	10.6	-0.2	-4.3	-1.2	10.6	0.3	-3.3
Shareholders' equity per share, SEK	17.9	17.7	20.7	21.4	20.6	20.4	23.3	22.3	21.1	20.3	22.5	22.1
Profit after tax per share	-1.0	1.9	2.8	0.9	-0.8	2.2	2.8	-1.0	-1.3	1.6	2.2	-0.2
Share price at the end of the period	74.5	64.3	64.8	63.0	61.5	61.3	68.5	55.0	41.5	39.0	36.4	32.0
Number of stores	131	137	139	140	141	145	148	147	148	159	161	164



## Note 4 Fair value disclosures pertaining to financial instruments

The fair value of financial liabilities and assets is estimated as equal to their carrying amounts. All external loans have an interest period of three months, meaning that the carrying amount closely corresponds to fair value.

## Note 5 Financial instruments

Byggmax only holds derivative instruments measured at fair value in its financial statements. These instruments are measured at fair value in profit or loss. The value of the derivative instruments is attributable to level 2 (observable data for the asset or liability) and is based on the daily rate at closing day. No reclassifications between the various levels took place during the period.

## Note 6 Provisions

Provisions consist of restructuring costs for Skånska Byggarvaror to focus on the core business "Garden Living", strengthening digital skills and reducing operating expenses, SEK 8.5 M.

## Note 7 Depreciation

Depreciation includes depreciation of customer relations and brand for Skånska Byggarvaror with SEK 39.6 M (39.6) for the full year.

## Note 8 Effect of non-recurring items

	October - December		Full year	
	2018	2017	2018	2017
Earn out Buildor 2017	0.0	0.0	0.0	33.4
Closure cost for four stores in Finland	0.0	8.3	6.2	-30.9
Restructuring cost Skånska Byggaror EBITDA	0.0	-32.3	3,7	-32.3
<b>Total EBITDA effect</b>	<b>0.0</b>	<b>-24.0</b>	<b>9,9</b>	<b>-29.8</b>
Impairment Skånska Byggaror	0.0	-7.2	0,0	-7.2
Restructure cost Skånska Byggaror				
Depreciation	0.0	-9.9	0,0	-9.9
<b>Total EBIT effect</b>	<b>0.0</b>	<b>-41.1</b>	<b>9,9</b>	<b>-46.9</b>

## Key ratios

Byggmax has reviewed its terminology for alternative key ratios due to the guidelines from the European Securities and Markets Authority (ESMA). Key ratio EBITA is added in the fourth quarter of 2018 as it becomes a new profitability measure 2019. The Byggmax Group uses the alternative key ratios EBITDA, EBIT working capital, return on equity, net debt and equity/assets ratio. The Group believes that these key ratios can be utilized by users of the financial statements as a supplement in assessing the possibility of dividends, making strategic investments, evaluating profitability and assessing the Group's ability to meet its financial commitments. Byggmax reports alternative key ratios to describe the operations' underlying profitability and to improve comparability between reporting periods and industries.

The Group's definitions are unchanged compared with prior periods. Calculation of alternative key data is available at [www.byggmax.com](http://om.byggmax.se/en/investors/financial-statistics/) under financial statistics. See link (<http://om.byggmax.se/en/investors/financial-statistics/>)

### Financial Key ratios

### Definition

**Net sales for comparable stores:** Net sales for comparable stores is an important industry-specific ratio for the organic increase in sales. The ratio is a good tool for investors who want to compare sales increases for different companies in the industry. The Group defines this as sales for stores that are comparable.

**EBITDA:** EBITDA is a ratio that the Group considers to be relevant for investors to understand earnings generated before investments in fixed assets. The Group defines earnings before interest, tax, depreciation and amortization (EBITDA) as EBIT from continuing operations excluding depreciation/amortization and impairment of tangible and intangible fixed assets.

**EBITDA excluding non-recurring items:** EBITDA excluding non-recurring items is a measure that the Group regards as relevant to an investor who wishes to understand the profit from current operations, excluding the impact on non-recurring items. The Group defines non-recurring items in the report as acquisition costs, earnout and close down costs for four stores in Finland. These items are not included in the ordinary business transactions and the amounts are of significant size and thus affect earnings and key ratios.

**EBITDA margin:** EBITDA divided by net sales

**EBITA:** EBITA is a ratio that the Group considers to be relevant for investors to understand earnings generated before goodwill. The Group defines earnings before interest, tax and amortization (EBITA) as EBIT from continuing operations excluding depreciation/amortization of goodwill, customer relations and brand.

**EBITA margin:** EBITA divided by net sales

**EBIT:** EBIT is a ratio that the Group considers to be relevant for investors to understand the net earnings from revenue and operating expenses without into consider capital costs and taxes. The Group defines earnings before interest and tax (EBIT) as operating profit.

**EBIT margin:** EBIT divided by net sales

**Earnings per share:** Profit after tax divided by the average number of shares outstanding at the end of the period.

**Cash flow from operating activities per share:** Cash flow from operating activities for the period divided by the number of shares outstanding on the balance-sheet date.

**Return on equity:** Return on equity is a ratio that the Group considers to be relevant for investors seeking to compare their investments with alternative investments. The Group defines return on equity as profit after tax divided by average shareholders' equity.

**Working capital:** Working capital is a ratio that the Group considers to be relevant for creditors and investors seeking to compare the amount of capital required by the Group to finance the operating activities. The Group defines working capital as items on the assets side (inventories, current receivables) less items on the liabilities side (accounts payable, current income tax liabilities, other liabilities, accrued expenses and deferred income).

**Net debt:** Net debt is a ratio that the Group considers to be relevant for creditors who want to see the scope of the Group's total liabilities situation. The Group defines net debt as interest-bearing liabilities less cash and cash equivalents.

**Equity/assets ratio:** Equity/assets ratio is a ratio that the Group considers to be important to creditors who want to understand the Group's long-term solvency. The Group defines the equity/assets ratio as shareholders' equity divided by total assets.

## Definition of market-specific ratios and figures

Ratios	Definition
Gross margin:	(Net sales less goods for sale) in relation to net sales
Comparable stores:	A comparable unit is considered comparable from the beginning of the second year following the opening of the online or physical store. Stores relocated to new premises in an existing location are treated in the same manner.

This information is information that Byggmax Group AB (publ) is obliged to make public pursuant to the EU Market Abuse Regulation and the Securities Markets Act. The information was submitted for publication, through the agency of the contact person set out below, at 8:00 a.m. on January 25, 2019.

### Contacts

For further information, please contact the following individuals by telephone at + 46 (0)8 514 930 60 or by calling the direct numbers listed below:

#### **Mattias Ankarberg, President**

Tel: +46 (0)76 11 90 985

E-mail: [mattias.ankarberg@byggmax.se](mailto:mattias.ankarberg@byggmax.se)

#### **Pernilla Valfridsson, CFO**

Tel: +46 (0)76 11 90 040

E-mail: [pernilla.valfridsson@byggmax.se](mailto:pernilla.valfridsson@byggmax.se)

Background information about Byggmax and press photos are available at [www.byggmax.com](http://www.byggmax.com).

Byggmax Group AB (publ)

Box 6063, SE-171 06 Solna

Sweden

Visiting address: Armégatan 38

Tel: +46 (0)8 514 930 60, fax: + 46 (0)8 514 930 79

E-mail: [info@byggmax.se](mailto:info@byggmax.se)

Corporate Registration Number: 556656-3531

Registered office: Solna



# THE BYGGMAX GROUP

## Byggmax in brief

Byggmax Group consists of Byggmax, Buildor and Skånska Byggvaror. The first Byggmax store opened the doors 1993 and 17 years later, 2010, Byggmax Group's stock was listed on the Stockholm Stock Exchange. Byggmax has operations in Sweden, Norway and Finland.

## Business concept

Byggmax's business concept is to sell high-quality building supplies at the lowest price possible.

## Business model and key factors for success

Byggmax offers affordable high-quality products for the most common maintenance and DIY projects. Since the start in 1993, the organization has been characterized by the so-called "Byggmax concept" which has been decisive for the company's development. The concept is built on a limited product range, resource-efficient administration, strong company culture and a competitive and effective pricing strategy, as well as the stores' distinguished shape and design.

## Goals

Byggmax has established the following long-term goals for the Group:

- Organic sales growth of 10 to 15 percent per year.
- The EBITDA margin should be 9 to 10 percent per year<sup>1</sup>
- Distribute at least 50 percent of net profit.

The company's long-term financial targets were updated in connection with the launch of an updated strategy in June 2017. As a result of IFRS 16, we have updated the formulation of our profitability target as follows: an EBITA margin of 7–8 percent.

## Strategies

Focus on organic growth based on existing strengths in store expansion, online shopping and range development. As part of this strategy, two tests were launched in 2017: a condensed store format for smaller locations and a garden concept in accordance with the Byggmax concept, with drive-in and an easy-to-buy, focused range of quality products and the market's lowest prices.

In conjunction with this, the financial targets have been updated to reflect raised ambitions. The target is organic growth of 10-15 percent per year, an EBITDA margin of 9-10 percent and a dividend of at least 50 percent of net profit<sup>1</sup>.

## Byggmax organization

Byggmax has a resource-efficient organization with the majority of business activities managed centrally. Aside from the sales force, which is based in Byggmax stores, most business processes, including Byggmax's online sales, are managed functionwide across all stores by the head office in Solna, near Stockholm. In addition to the office in Solna, Skånska Byggvaror has an office in Helsingborg.

## Risks and uncertainties

A number of factors can impact Byggmax's earnings and operations. Most of these factors can be managed through internal procedures, while certain factors are largely governed by external circumstances. For a more detailed description of the Group's risks and risk management, refer to the Annual Report. Apart from the risks described in the Annual Report, no material risks arose during the period.

## Seasonal fluctuations

The company's operations are affected by strong seasonal variations controlled by consumer demand for basic building supplies.

Due to the weather's impact on demand, Byggmax's sales and cash flow are generally higher in the second and third quarters, when about two thirds of the company's sales are generated, while these usually decline in the fourth and first quarters.

Although seasonal variations do not normally affect Byggmax's earnings and cash flow from year to year, earnings and cash flow may be impacted during the year by unusually harsh or mild weather conditions, or by excessive or insufficient precipitation. Byggmax endeavors to balance the seasonal effects by launching new products that are not as susceptible to seasonal variations.

## About Buildor.se

Buildor.se has been a part of the Byggmax family since October 2015. Buildor.se was launched in 2013 with the goal of making it easier and more pleasant to shop for building supplies. Buildor offers a broad range of varied product categories at the market's most competitive prices for building supplies and interior fittings online. It is just as important for us to provide fast and personal customer service as it is to ensure our employees have the requisite expertise regarding the products' function and accessories to be able to help customers in the most effective way. Another equally important aspect is offering lightning-fast deliveries, which is something Buildor is known for. During the end of 2016, Buildor was launched in the Norwegian market, Buildor.no.

## About Skånska Byggvaror

Skånska Byggvaror has been a part of the Byggmax family since January 2016. Skånska Byggvaror was founded in 1965 and is an online Nordic distance retailer of value-added building products for the DIY market.

With internal product development and carefully selected suppliers, Skånska Byggvaror creates attractive products sold under its own brands. The path from idea to launch is and has always been short. This gives Skånska Byggvaror unique control over the assortment, in areas including quality, design and value. Since 2012, Skånska Byggvaror has successfully sold its products in Norway through the Grønt Fokus brand.



<sup>1</sup> From 2019 we will update the formulation of our profitability target as a result of IFRS 16 from EBITDA margin 9-10 percent per year to EBITA margin 7-8 percent per year.

## Value drivers

Bygghmax's ability to create value through its business is impacted in the long and short term by various external and internal factors. A selection of these are listed below.

### Value drivers – short-term factors

- Trends in cost prices – Cost prices impact Bygghmax's margins. Historically, the market has passed on adjustments in cost prices to the end consumer.
- Competitors' pricing – Bygghmax prices products based on the prices of the competition with the objective of always being the cheapest. Therefore, the pricing of competitors affects margins.
- Short-term trends in the DIY market – Bygghmax operates in the DIY market and, accordingly, its trends impact the company.
- Weather – Bygghmax sells many items for outdoor use and, accordingly, sales are impacted by the weather. Seasonal variations are clearly visible and the company has significantly higher turnover in spring, summer and early autumn.
- Availability of attractive store locations – The establishment of new stores is a key element of Bygghmax's strategy in both the long and short term, thus making attractive store locations of key importance.

### Value drivers – long-term factors

- The ability to maintain the strong corporate culture – The Bygghmax culture plays a key role in the company's success and its retention is a key factor for continued success.
- The ability to execute the Group's strategy and business concept – Maintaining stringency levels in the product range and pricing as well as continuing to trim the organization through continuous improvements comprise a few of the key elements for success.
- The ability to renew the concept and strategies when needed – The Bygghmax concept has remained much the same since it was founded in 1993. However, the concept has developed over time and new ideas have been tested and incorporated or discarded.
- Long-term development of the DIY market – Bygghmax operates in the DIY market and its long-term trend is important.
- Trends in the attractiveness of the low-price segment in the DIY market – Bygghmax's strategy is to become the largest operator in the low-price segment in the Nordic region. Long-term trends are therefore important.
- The competitors' strategies and their execution – Bygghmax operates in a competitive market and the actions of the competitors affect the Group.
- E-commerce trend in building materials – E-commerce comprises a significant portion of Bygghmax's sales and is an area in which the Bygghmax Group is investing.
- Trend in demand for sun rooms – Sun rooms represent an important product group for Skånska Bygghvaror, one of the companies in the Bygghmax Group.

## Ownership structure

Ownership	Number of shares	Holding (%)
CI Investments, Inc.	6,211,000	10.18
Odin Forvaltning AS	5,854,476	9.60
Afa Försäkring	5,172,442	8.48
FIL Gestion SASU	3,364,000	5.51
Alantra Asset Management SGIIC SA	2,968,000	4.86
Försäkringsaktiebolaget, Avanza Pension	2,955,639	4.85
Swedbank Robur fonder	2,407,068	3.95
Unionen- Svenska	2,000,000	3.28
Merian Global Investors (UK) Ltd	1,945,000	3.19
Didner & Gerge Fonder Aktiebolag	1,880,000	3.08
Total of the ten major shareholders	34,757,625	56.98
Total other shareholders	26,241,420	43.02
Total, December 31, 2018	60,999,045	100.00

**BYGGMAX®**