

# INTERIM REPORT Q1 2018

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**BYGG max**<sup>®</sup>

# HIGHLIGHTS

- Net sales decreased 15 percent as long winter delayed outdoor season start
- Operational improvements created positive effects: strong gross margin (+1.7 percent-points), solid cost management, and growth in Byggmax online exclusive categories exceeded 20 percent
- EBITDA decreased to negative SEK 58 M (neg: SEK 24 M last year) due to decreased sales. Positive impact of non-recurring items of SEK 9 M
- Initiatives to ramp up growth in the Byggmax segment are on track, and the transformation of Skånska Byggvaror has started well



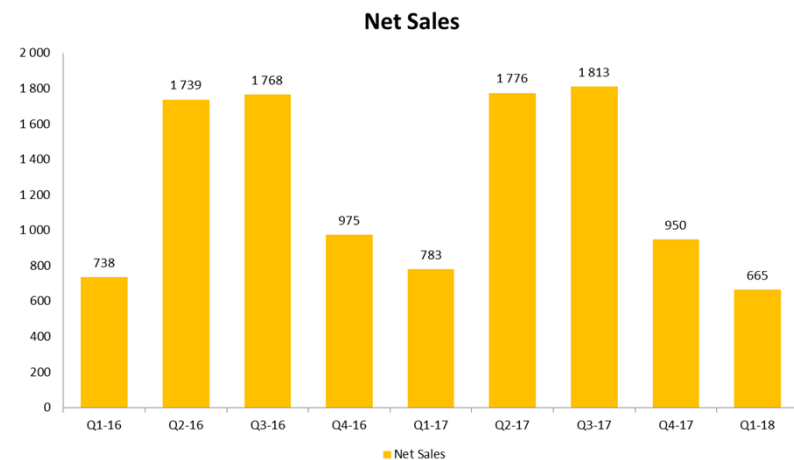
**BYGGmax®**



# SUMMARY Q1 2018

- Net sales decreased 15.0 percent for the first quarter, driven by late start of outdoor season.
- Gross margin 32.0 percent, an increase by 1.7pp compared to, and cost control remained solid
- EBITDA for the Group decreased to negative SEK 58 M compared to negative SEK 24 M in Q1 2017 as a consequence of decreased sales. EBITDA was positively affected by non-recurring items amounting to SEK 9 M.

Mkr	Q1 2018	Q1 2017	Diff.%	R12
Net Sales	665.2	782.6	-15.0	5,204.0
Gross Margin (%)	32.0	30.3	1.7	31.2
EBITDA	-57.5	-23.5	-144.7	410.9
EBITDA adjusted	-66.2	-23.5	-181.7	432.0
EBITDA margin (%)	-8.6	-3.0	-5.6	7.9
EBITDA margin (%) adjusted	-10.0	-3.0	-7.0	8.3



- EBITDA and EBITDA margin Q1 2018 are affected by one-off items totaled SEK + 8.7 M, linked to the reversal of closure cost Finland (+5.0 M) and sale of Pavillon (+3.7 M)
- EBITDA and EBITDA margin R12 are affected by one-off items totaled SEK -21.1M, linked to the closure cost Finland (-25.9 M), sale of Pavillon (+3.7 M), earnout for Buildor AB (+33.4 M) and restructuring cost of Skånska Byggarvaror (-32.3 M).

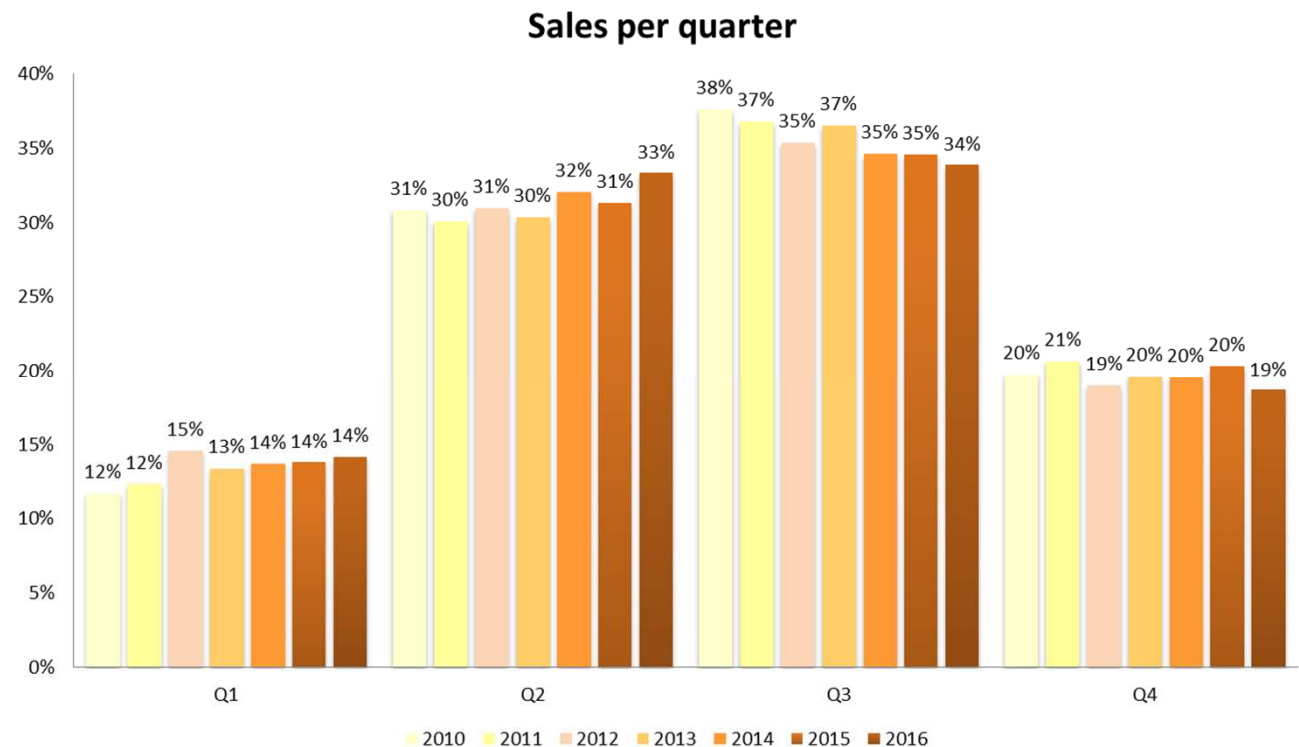
# BYGGMAX

- Sales decreased 11.5 percent in the first quarter.
- Sales was negatively affected by the latest start of the outdoor season in more than a decade.
- Gross margin increased, cost control solid
- Seven Byggmax Garden departments opened in time for Easter
- Growth in Byggmax online exclusive assortment exceeded 20 percent
- EBITDA in the first quarter was negative SEK 28.4 M (0.2), decrease driven by lower sales. Positive non-recurring effect of SEK 5.0 M

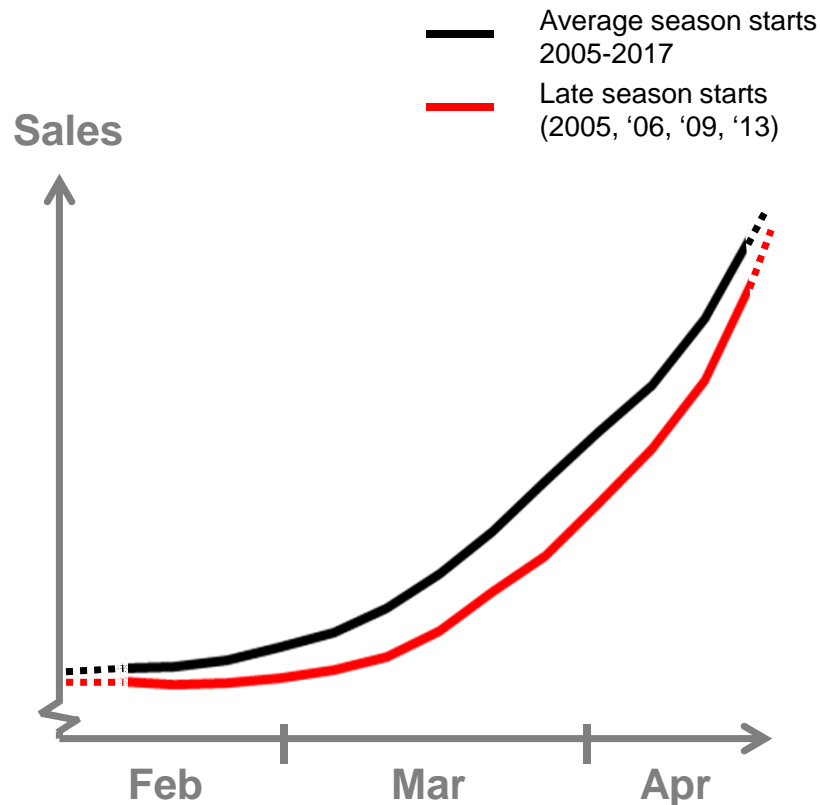
Mkr	Q1 2018	Q1 2017	R12
Net Sales	579.7	655.0	4 415.8
EBITDA	-28.4	0.2	407.0
EBITDA, adjusted	-33.4	0.2	432.9
EBITDA margin %	-4.9	0.0	9.2
EBITDA margin %, adjusted	-5.8	0.0	9.8

# SEASONAL BUSINESS BY NATURE

- About 2/3 of sales are generated during Q2 and Q3
- Rapid sales increase in the spring when the weather improves
- July is by far the strongest sales month, driven by building and repair work carried out during the Scandinavian vacation period
- Weather is particularly important for the timing of Q1–Q2 sales



# DELAYED OUTDOOR SEASON START



- Outdoor project season start latest in over a decade due to cold and long winter (later than any start since 2005)
- Effect biggest in March, as March typically is biggest month in quarter and selling ramps up into high season
- Historically a late season start has not always implied a weak sales development for the full year (first quarter historically 14 percent of annual sales)
- Byggmax has seen good selling of indoor categories, suggesting consumer interest for DIY remains high

# SKÅNSKA BYGGVAROR

- Sales decreased by 35.8 percent in the first quarter, negatively impacted by the cold weather but primarily by the shift toward “Garden Living” and choice to decrease sales of less profitable, non-core categories.
- The gross margin increased significantly, positively affected by mix effects and pricing.
- EBITDA in the first quarter was negative SEK 20.8 M (neg: 19.5). EBITDA was positively affected by the sale of the Danish business Pavillon, amounting to SEK 3.7 M.

Mkr	Q1 2018	Q1 2017	R12
Net Sales	67.3	104.9	671.6
EBITDA	-20.8	-19.5	-20.0
EBITDA, adjusted	-24.5	-19.5	8.6
EBITDA margin %	-30.2	-18.4	-2.9
EBITDA margin %, adjusted	-35.6	-18.4	1.3

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- EBITDA and EBITDA margin Q1 2018 are affected by one-off items totaled SEK + 3.7 M, linked to the sale of Pavillon.
  - EBITDA and EBITDA margin R12 are affected by one-off items totaled SEK -28.6 M, linked to the sale of Pavillon (+3.7 M) and restructuring cost of Skånska Byggvaror (-32.3 M).

# STORE OPENINGS

Following stores were opened first quarter 2018:

- Byggmax Riihimäki, Finland

Kungsängen, Sweden moved to new location

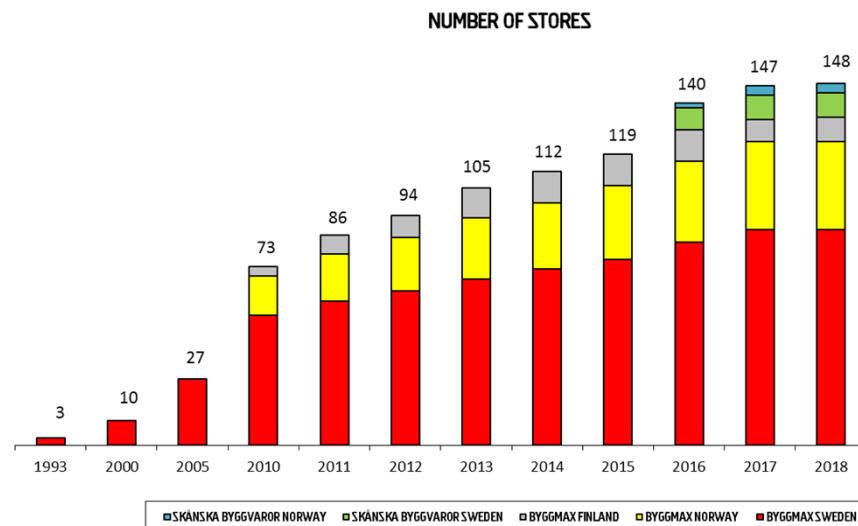
Falun, Malmö, Staffanstorps, Visby and Värmdö in Sweden and Raisio and Turku in Finland added new concept Garden.

The following stores have been publicly announced and will be opened in 2018:

- Sweden: Ljusdal, Malung, Oskarshamn, Sala, Sölvesborg, Tranås and Vallentuna.
- Norway; Karihaugveien, Oslo and Karmøy.
- Finland: Kokkola.

Target is to open 20 new stores in 2018

	Sweden	Norway	Finland	Skånska Byggvaror
New stores Q1 2018	0	0	1	0
Planned openings Q2 2018	6	2	1	0





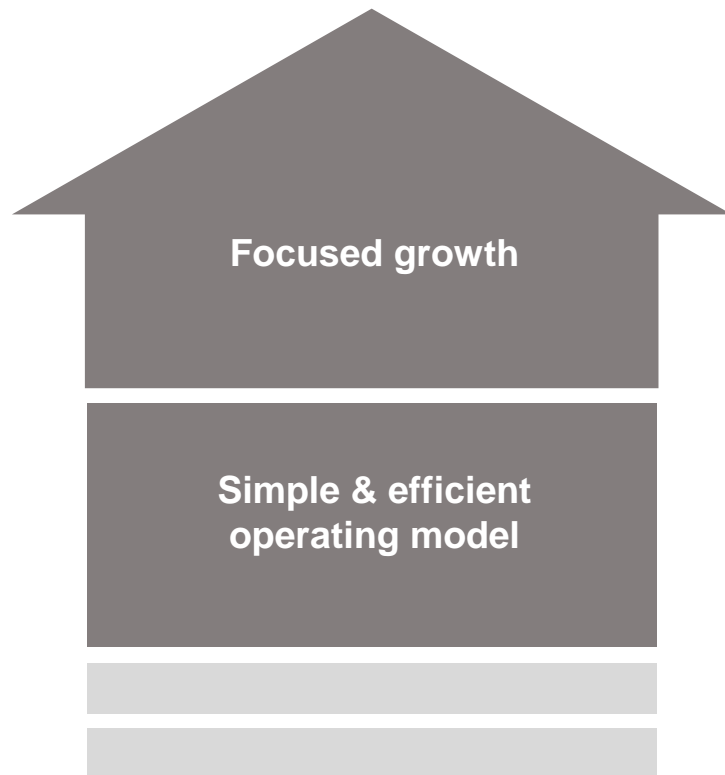
# MARKET DEVELOPMENT



## **Nordic consumer market decreased 10-20 percent in the first quarter**

- Based on internal data sources and information from European DIY Retail Association
- Market decrease due to weather effect, latest spring arrival in over a decade
- Weather impact particularly strong in March
- Norwegian market decreased the most due to longest and toughest winter
- Weather effect mainly impacted outdoor categories

# NEW STRATEGY LAUNCHED IN JUNE 2017



- Based on our strengths
- More ambitious financial goals
- 18-24 month strategic plan
- Potential to reach new financial goals by 2019

# STRATEGIC PLAN



## Initiatives to ramp up growth are on track

- Open 20 new Bygghuset stores – 9 communicated to open by end Q2
- Expand the Bygghuset Garden concept to 10 more stores – 7 opened
- Grow profitable e-commerce – growth in online exclusive product categories >20 percent in Q1



## Transformation towards "Garden Living" has started well

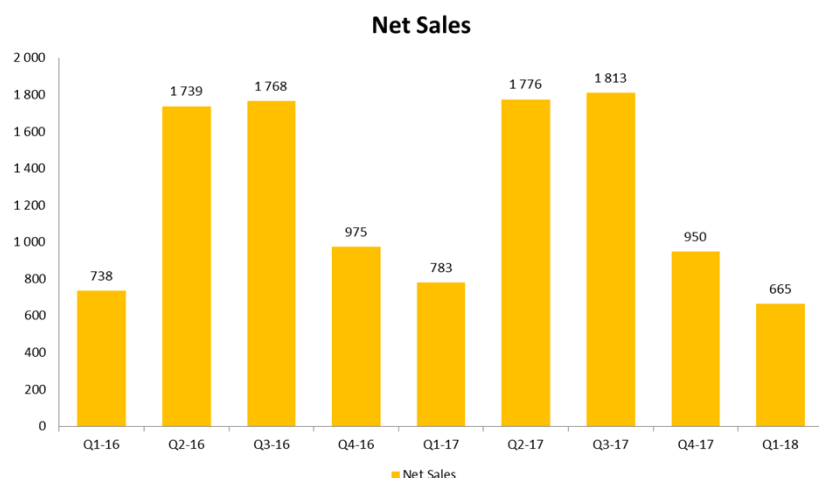
- Danish Pavillon business divested, simplifying our business
- Gross margins back at historically high levels
- Earlier decided restructuring will decrease costs starting in Q2

*For 2018, also expect (i) negative effect on sales development from completed store closures and a more focused business concept for Skånska Bygghuset, (ii) negative effect on profitability from start-up costs of more stores*

# FINANCIAL OVERVIEW



# RESULT DEVELOPMENT



- Profitability measured as adjusted EBITDA margin decreased by 7.0 pp compared with the preceding year, driven by the weaker sales.
- Earnings for the quarter were positively impacted by non-recurring items of SEK 8.7 M.

Mkr	Q1 2018	Q1 2017	Diff.%	R12
Net Sales	665.2	782.6	-15.0	5,204.0
Growth comparable stores (%)	-16.9	0.2	-17.1	N/A
Gross Margin (%)	32.0	30.3	1.7	31.2
EBITDA, adjusted	-66.2	-23.5	-181.7	432.0
EBITDA margin (%), adjusted	-10.0	-3.0	-7.0	8.3
EBIT, adjusted	-106.3	-61.9	-71.8	274.4
EBIT margin (%), adjusted	-16.0	-7.9	-8.1	5.3
Profit after tax	-78.4	-51.6	-51.9	167.8
Earnings per share	-1.3	-0.8	-62.5	2.8

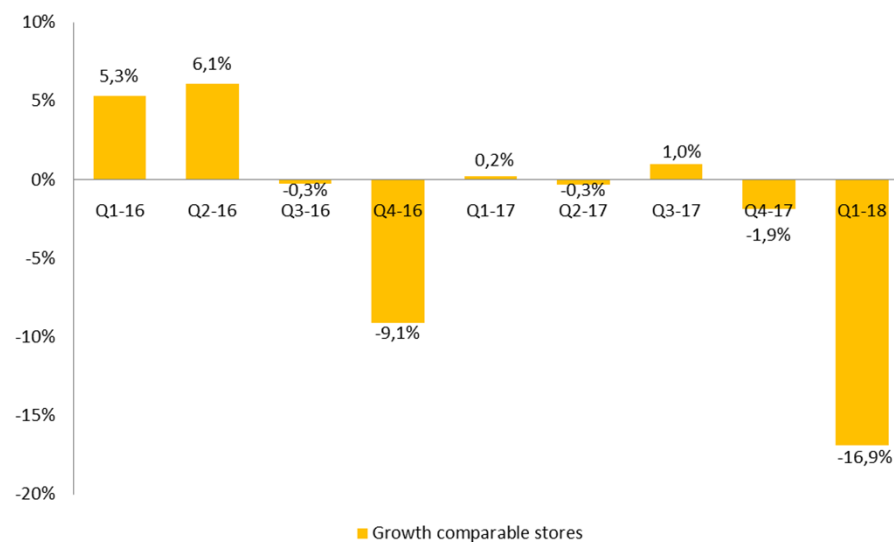
- EBITDA and EBITDA margin Q1 2018 are adjusted for one-off items totaled SEK + 8.7 M, linked to the reversal of closure cost Finland (+5.0 M) and sale of Pavillon (+3.7 M). In addition EBIT is adjusted -0.4 M, linked to reversal closure cost Finland.
- EBITDA and EBITDA margin R12 are adjusted for one-off items totaled SEK -21.1M, linked to the closure cost Finland (-25.9 M), sale of Pavillon (+3.7 M), earnout for Buildor AB (+33.4 M) and restructuring cost of Skånska Byggarvar (-32.3 M). In addition EBIT is adjusted 17.5 M, linked to reversal closure cost Finland (-0.4 M) and, and restructuring cost of Skånska Byggarvar (-17.1 M).

# SALES DEVELOPMENT

- Sales in the first quarter decreased by 15.0 percent year-on-year.
- Net sales for comparable stores was down 16.9 percent (increased 0.2) in local currency for the first quarter.
- Sales for the Byggmax segment decreased 11.5 percent. Sales was negatively affected by the latest start of the outdoor season in more than a decade. Indoor categories developed well. Growth in Byggmax online exclusive categories exceeded 20 percent.
- Sales for Skånska Byggvaror decreased 35.8 percent, negatively affected by the weather but primarily by the shift towards Garden Living and the choice to decrease unprofitable sales.
- The weakest sales month of the quarter was March.

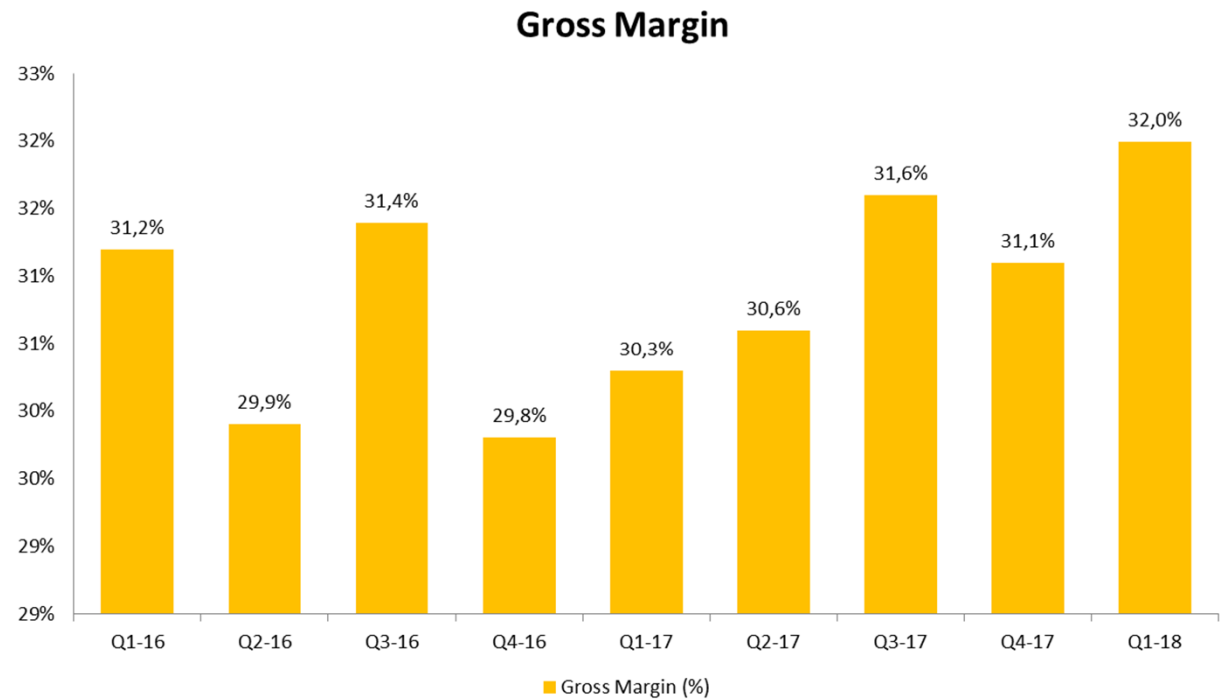
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Growth percent	Q1 2018	Q1 2017
Comparable stores, local currency	-16.9	0.2
Non-comparable stores and Other	2.1	4.2
Currency effect	-0.2	1.7
Total	-15.0	6.1



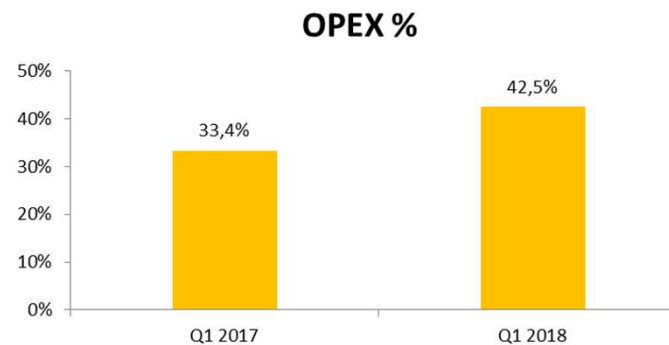
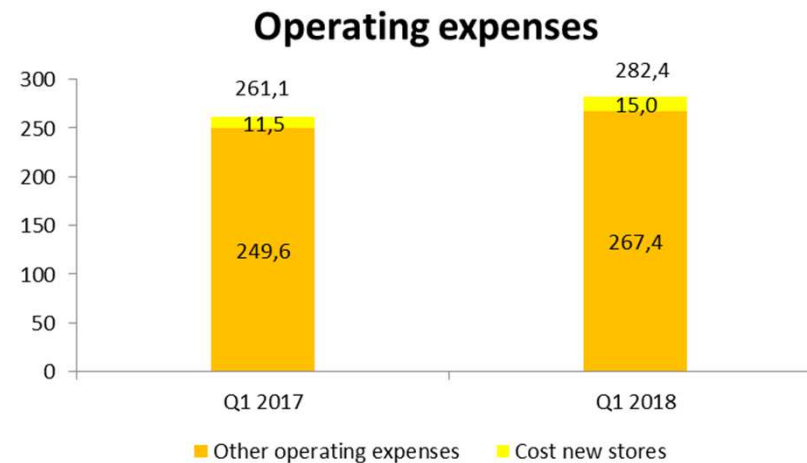
# GROSS MARGIN

- The gross margin was 32.0 percent (30.3), an increase of 1.7 pp compared to previous year.
- The gross margin improved for both Byggmax and Skånska Byggvaror segments.
- The gross margin was positively affected by purchasing improvements, pricing and mix effects. Currency effects impacted the gross margin negatively.



# OPERATING EXPENSES

- Personnel costs and other external expenses rose a total of SEK 16.8 M. Adjusted for reversal of closure cost in Finland expenses rose SEK 21.4 M.
- The increase in expenses compared with the year-earlier period was mainly driven by costs associated with new stores opened after the first quarter of 2017, amounting to SEK 15.0 M (11.5).
- Costs for comparable stores were unchanged in the quarter, despite increased costs for snow removal and the fact that comparable costs decreased also last year
- Total cost increase also impacted by preparations for this year's addition of garden departments (seven opened by Easter) and the planned doubled expansion pace.
- Cost share of sales increased during the quarter, negatively affected by sales development.





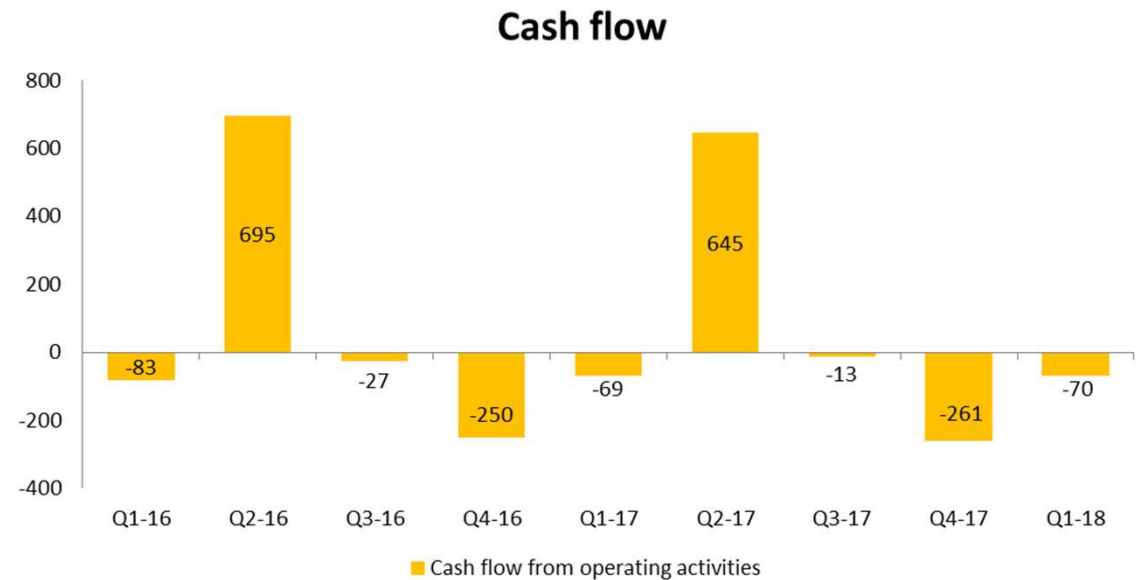
# NET FINANCIAL ITEMS

- Net financial items increased by SEK 3.0 M.
- Net financial items for the quarter were positively impacted by exchange-rate effects of SEK 2.2 M (neg: 0.1).

	Q1 2018	Q1 2017	Diff.%	R12
Net financial items	-1,9	-4,9	61,2	-10,6

# CASH FLOW

- Cash flow from operating activities for the first quarter decreased by SEK 1.4 M.
- As per 31 December 2017, inventory for our distribution company increased due to changed purchase pattern. During the first quarter 2018 distribution inventory decreased, which affected cash flow positively.



# OUTLOOK AND SUMMARY



# OUTLOOK

- Although uncertainty exists about the Nordic market's future development, the decrease in the first quarter is clearly driven by weather effects
- Byggmax good sales of indoor categories suggest interest for DIY projects remains high
- Byggmax is well positioned in the market, with an increasingly stronger low price concept for both stores and e-commerce and good growth opportunities



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# SUMMARY

**Delayed season start drives sales decrease of 15 percent**

**Operational improvements created positive effects**

**Byggmax growth initiatives on track and Skånska Byggvaror transformation started well**



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