

INTERIM REPORT Q3 2018

October 18, 2018

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BYGG max[®]

HIGHLIGHTS

- Good progress on strategic plan, but also challenging external factors – hot summer and continued higher raw material prices for timber
- Net sales decreased 5.5 percent and EBITDA decreased to SEK 218 M (260)
- Positive outcome of Byggmax growth initiatives – contribute well and increasingly to Byggmax sales
- High pace in Skånska Byggvaror transformation and negative profitability trend turned – EBITDA increased MSEK 11 in the quarter



SUMMARY Q3 2018

- Net sales in the third quarter decreased by 5.5 percent compared to the same period last year
 - Highly affected by the extraordinary warm summer
 - Choice to reduce unprofitable sales at Skånska Byggvaror
- Gross margin in the third quarter was 30.7 percent, a decrease of 0.9pp compared to last year (31.6), as increased raw material prices for the biggest category timber continued to pressure gross margins negatively.
- EBITDA for the Group decreased to SEK 218.1 M (260.1), a decrease of SEK 41.9 M, mainly driven by lower sales

Mkr	Q3 2018	Q3 2017	Diff.%	R12
Net Sales	1,712.7	1,812.8	-5.5	5,059.3
Gross Margin (%)	30.7	31.6	-0.9	30.8
EBITDA	218.1	260.1	-16.1	326.7
EBITDA adjusted	218.1	266.0	-18.0	340.7
EBITDA margin (%)	12.7	14.3	-1.6	6.5
EBITDA margin (%) adjusted	12.7	14.7	-2.0	6.7

- EBITDA and EBITDA margin R12 are affected by one-off items totaling SEK -14.1M, linked to the closure cost Finland (+14.5 M), sale of Pavillon (+3.7 M), and restructuring cost of Skånska Byggvaror (-32.3 M). EBITDA and EBITDA margin Q3 2017 are affected by one-off items totaling SEK -5.9M, linked to the closure cost Finland (-39.3M) and earn-out for Buildor (+33.4M).

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- Sales in the third quarter decreased 1.6 percent vs. the same quarter last year
- Following a July with considerably decreased sales, affected by the hot summer, sales increased in the second half of the quarter
- The increased raw material prices for timber continued to negatively impact the gross margin
- Cost control is core to Byggmax business, and costs for comparable stores continued to decrease also in this quarter.
- Adjusted EBITDA in the third quarter was SEK 204.5 M (255.6), a decrease of SEK 51.1 M, and adjusted EBITDA margin was 13.4 percent (16.3).

Mkr	Q3 2018	Q3 2017	R12
Net Sales	1,529.3	1,554.1	4,402.5
EBITDA	204.5	216.3	370.9
EBITDA, adjusted	204.5	255.6	356.4
EBITDA margin %	13.4	13.8	8.4
EBITDA margin %, adjusted	13.4	16.3	8.1

STRATEGIC INITIATIVES FOR BYGGMAX SEGMENT ON TRACK

Focus for 2018 is increasingly on building for profitable growth

Fifteen new stores opened this year so far (three in Q3)

- Double expansion pace to 18 new stores in 2018 (9 in 2017)
- Two store openings out of originally planned 20 moved to spring 2019 to open closer to high season
- Six of new stores are of the new smaller format for smaller towns
- Contribute significantly to sales growth by end of quarter

Garden concept launched in 13 stores

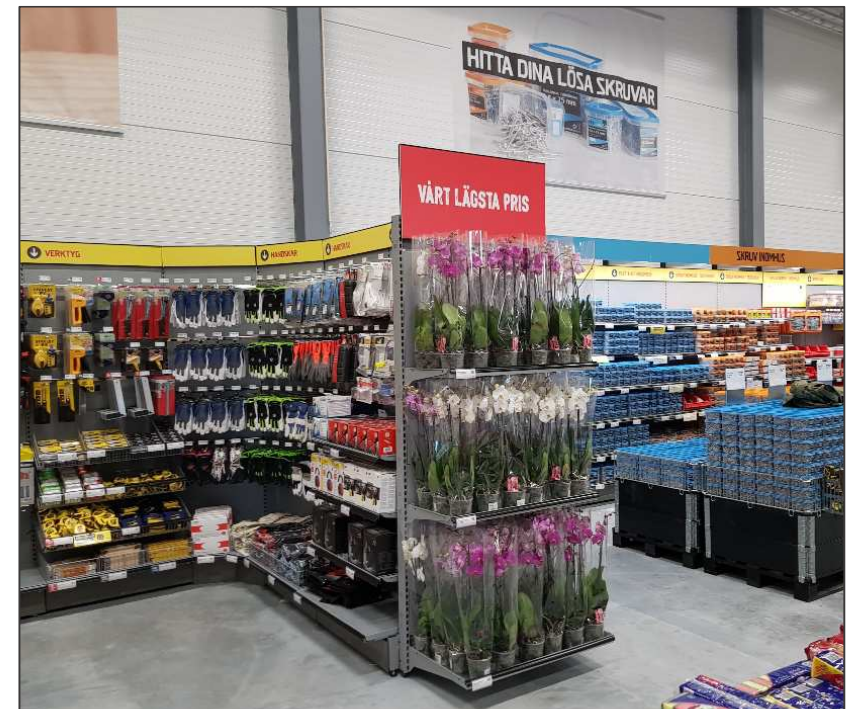
- Eleven Garden departments opened so far this year (one in Q3)
- One more planned for opening 2018

The new small format and the garden concept part of future offer

Continued to develop our e-commerce

- Good growth in online exclusive categories, complementing store offer
- New delivery options introduced in selected geographies

Growth initiatives created positive results and in September, when weather conditions were more normal, sales increased 8 percent



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STORE OPENINGS

The following stores were opened during the third quarter 2018, all in Sweden:

- Byggmax Malung
- Byggmax Ronneby
- Byggmax Södertälje

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

- Sweden: Byggmax Stenungsund
- Norway: Byggmax Hönefoss, Byggmax Kristiansund

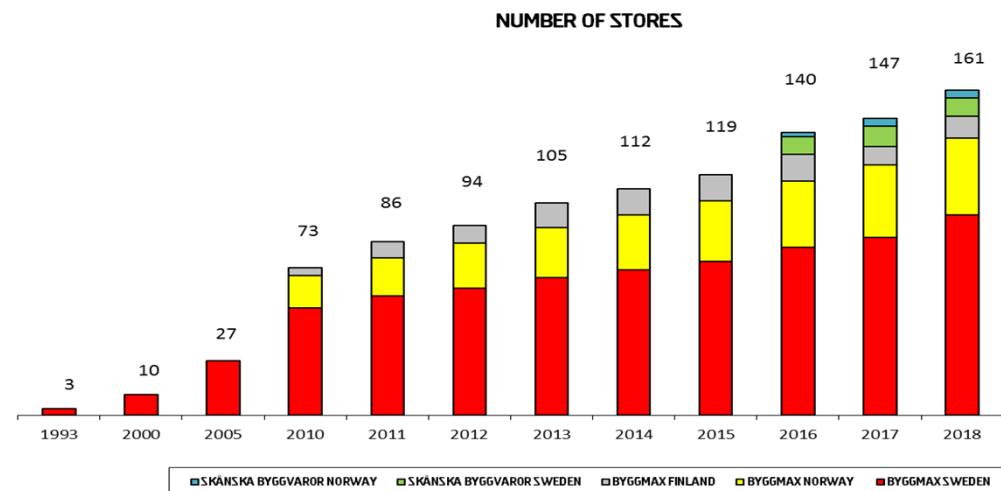
YTD 15 new stores have opened in 2018, and in total 18 new stores are planned for 2018

The store in Motala, Sweden moved to a new location

One garden department opened in the third quarter, in total eleven garden departments opened in 2018.

Skånska Byggvaror closed one showroom store, in Uppsala, at the end of the third quarter

	Sweden	Norway	Finland	Skånska Byggvaror
New stores Q3 2018	3	0	0	-1
Planned openings Q4 2018	1	2	0	0
New stores YTD 2018	11	2	2	-1



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SMALLER FORMAT FOR SMALLER TOWNS

Same Byggmax experience, same Byggmax brand, and same lowest price position

Extra cost efficient Byggmax store:

- Less generous opening hours
- More narrow assortment – core categories intact
- Sites can be smaller
- Optimized routines and staffing

Eight small format stores opened so far (six this year), all in Sweden

- 2017: Mariannelund, Kalix
- 2018: Hällefors, Ljusdal, Malung, Sala, Sollefteå, Tranås

Positive financial effects and part of future offer



GARDEN DEPARTMENT

Garden concept the Bygghem way – lowest prices and easy to shop with drive through solution

Integrated in Bygghem regular store concept

Initiative launched summer 2017 (in 2 stores)

In total, 13 garden departments opened so far (11 this year): 11 in Sweden, 2 in Finland

Positive second-year effects in first two stores

In all, positive financial effects and part of future offer



BYGGMAX BEST IN TEST IN NORWAY

VG SPORTEN VG LIVE TV-GUIDE VG+ TIPS OSS

FORBRUKER Bil, båt og motor Helse Livsstil Mat og drikke Teknologi Forbrukslån

MIN KONTA



NASJONALHOBBY: Nordmenn er glade i å pusse opp boligene sine, og det er ikke langt til nærmeste byggevarehus. Foto: Sven Arne Bugg... [Les hele](#)

Forbrukerrådet: Dette er de beste byggevare-kjedene

Ser du kun på prisen når du skal kjøpe byggevarer? Dersom du også synes det er viktig med garantiordninger, prisløfte og åpent kjøp, er det lurt å lese denne saken. Her får du en stor oversikt fra Forbrukerrådet over de beste og dårligste kjedene.

VG+
Av Jørn E. Kaaletad
29.08.18 05:04

Bygghuset declared "best in test" out of 18 DIY retail chains by the Consumer Council of Norway (Forbrukerrådet)

Aug 29, 2018

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WE NOW HAVE SEVERAL GROWTH OPTIONS AVAILABLE, ALL CONNECTED TO OUR CORE BUSINESS



Faster store expansion

- Doubling pace in 2018
- White space remains

Format for smaller towns

- Profitably serve more of market



148 stores and e-com in three countries
Focused store assortment, lowest prices, and quick and easy shopping

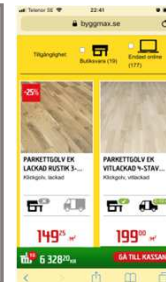


Garden departments

- Large complementary category
- No Nordic discounter exists

E-commerce

- Complementary online exclusive assortment



SKÅNSKA BYGGVAROR

- Sales decreased by 33.3 percent in the third quarter
 - Choice to reduce unprofitable sales
 - Unusually hot summer
- Gross margin increased and is back to historically high levels.
- Costs decreased both as an effect of the earlier decided restructuring program, and lower marketing costs as a consequence of the choice to decrease unprofitable sales.
- Profitability trend is turned and EBITDA in third quarter increased to SEK 18.5 M (7.2), an increase of SEK 11.4 M.

Mkr	Q3 2018	Q3 2017	R12
Net Sales	151.5	227.1	537.5
EBITDA	18.5	7.2	-29.4
EBITDA, adjusted	18.5	7.2	-0.8
EBITDA margin %	11.5	3.0	-5.4
EBITDA margin %, adjusted	11.5	3.0	-0.1

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

TRANSFORMATION EXECUTED ACCORDING TO PLAN

2018 transformation year towards a modern leader within “Garden Living”

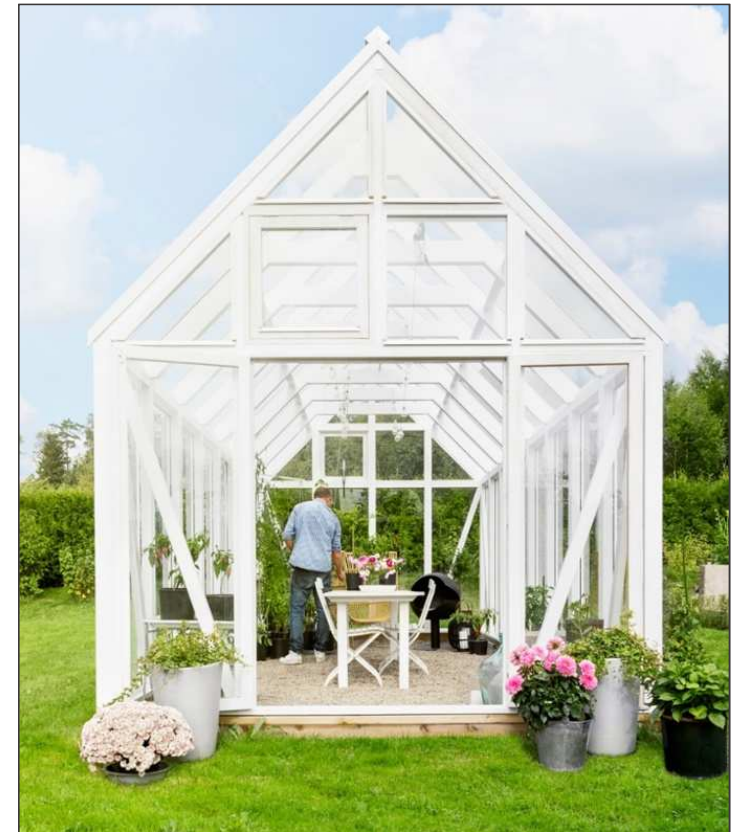
Expect to end the year with a stronger, more profitable core business

Initiatives continue to be executed according to plan and give positive effects

- Choice to reduce unprofitable sales
- Gross margins returned to historically high levels
- Costs decrease according to previously announced restructuring program

Although sales development negatively impacted by the hot summer, negative profitability trend is turned during the third quarter

Going forward, we continue to execute the transformation plan and complement with growth initiatives to increase sales during coming years



MARKET DEVELOPMENT

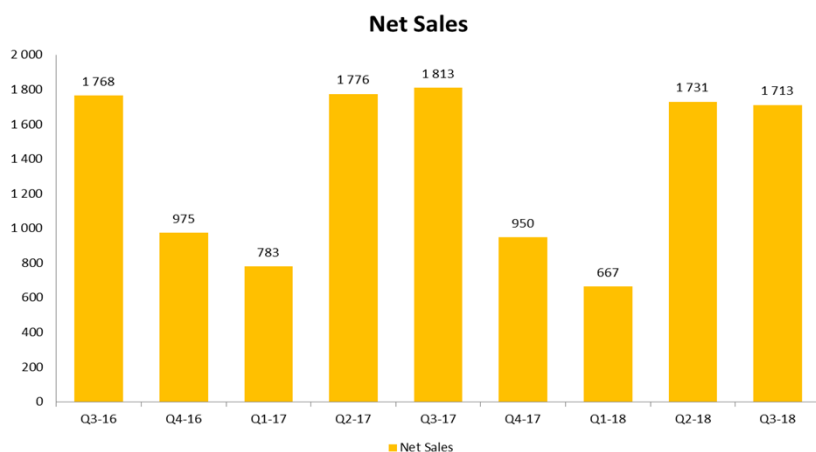


Nordic consumer market estimated to have decreased 4-6 percent in the third quarter, primarily due to the hot summer

- Consumer market strongly negatively affected by the hot summer
- Negative impact particularly large for outdoor projects during the first half of the quarter
- Swedish market also softened by more passive consumer behavior, likely affected by uncertainty regarding future economic development
- More normal conditions and market in September

FINANCIAL OVERVIEW

RESULT DEVELOPMENT



- Bygghmax Group's sales decreased 5.5 percent in the quarter and profitability measured as adjusted EBITDA decreased to SEK 218.1 M (266.0).
- The quarter was affected by challenging external factors. The warm summer led to a reduced interest for DIY projects, and raw material prices for timber has increased substantially during spring which affected gross margin negatively.

Mkr	Q3 2018	Q3 2017	Diff. %	R12
Net Sales	1,712.7	1,812.8	-5.5	5,059.3
Growth comparable stores (%)	-12.6	1.0	-13.6	N/A
Gross Margin (%)	30.7	31.6	-0.9	30.8
EBITDA, adjusted	218.1	266.0	-18.0	340.7
EBITDA margin (%), adjusted	12.7	14.7	-2.0	6.7
EBIT, adjusted	175.8	226.9	-22.5	176.5
EBIT margin (%), adjusted	10.3	12.5	-2.2	3.5
Profit after tax	133.7	171.9	-22.2	93.7
Earnings per share	2.2	2.8	-22.2	1.5

- EBITDA and EBITDA margin R12 are affected by one-off items totaling SEK -14.1M, linked to the closure cost Finland (+14.5 M), sale of Pavillon (+3.7 M), and restructuring cost of Skånska Bygghvaror (-32.3 M). In addition EBIT is adjusted 17.1 M, linked to restructuring cost of Skånska Bygghvaror.
- EBITDA and EBITDA margin Q3 2017 are affected by one-off items totaling SEK -5.9M, linked to the closure cost Finland (-39.3M) and earn-out for Buildor (+33.4M).

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SALES DEVELOPMENT

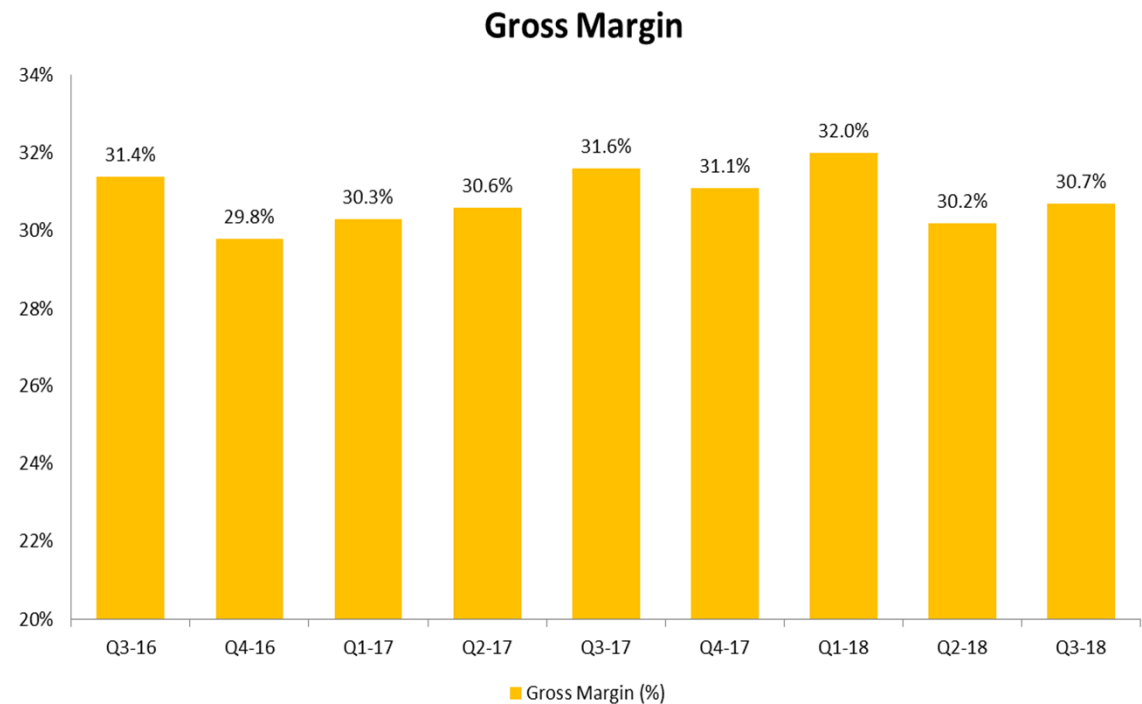
- Sales in the third quarter decreased by 5.5 percent year-on-year.
- Sales for the Byggmax segment decreased 1.6 percent. Following a significant decrease in July, sales increased during the second half of the quarter. Three new stores opened in Q3. The 15 new stores opened in 2018 now generate a significant contribution to overall sales.
- Sales for Skånska Byggvaror decreased 33.3 percent, negatively affected by the shift towards Garden Living and the decision to decrease unprofitable sales, but also significantly impacted by the hot summer.
- Net sales for comparable stores was down 12.6 percent in local currency for the third quarter (1.0). Comparable stores include comparable stores and e-commerce for both Byggmax and Skånska Byggvaror.

Growth percent	Q3 2018	Q3 2017
Comparable stores, local currency	-12.6	1.0
Non-comparable stores and Other	5.7	1.5
Currency effect	1.4	0.0
Total	-5.5	2.5



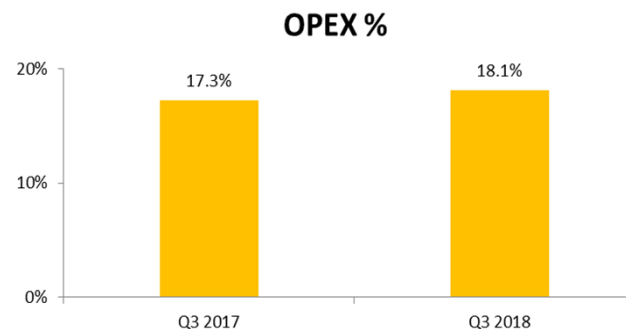
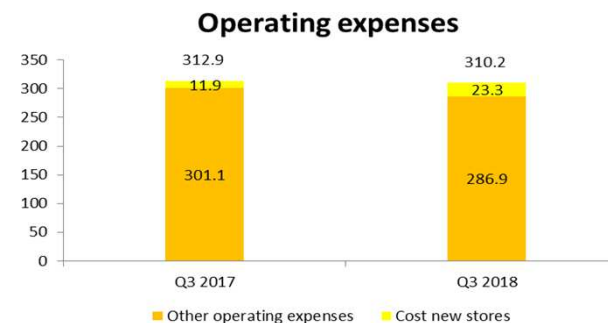
GROSS MARGIN

- The gross margin was 30.7 percent (31.6) in the third quarter, a decrease of 0.9 pp compared to the same quarter last year.
- The gross margin decreased for Byggmax year-on-year. The gross margin was negatively affected by significantly higher raw material prices for timber, which is Byggmax largest product category. For the other product categories in total, the gross margin increased compared to last year.
- The gross margin in Skånska Byggvaror increased significantly in Q3 compared to the previous year. The margin was positively influenced by mix effects and pricing.



OPERATING EXPENSES

- A low cost base is key to the business and personnel costs and other external expenses decreased with SEK 2.7 in the third quarter.
- We have continued to trim costs in the Byggmax segment. Costs in Skånska Byggvaror decreased both as an effect of the earlier decided restructuring program, and by reduced marketing costs as a consequence of the choice to decrease unprofitable sales.
- Operating expenses are affected by additional costs incurred by the opening of new stores after the third quarter of 2017. These amounted to SEK 23.3 M (11.9).
- Cost share of sales increased during the quarter, driven by negative sales development.



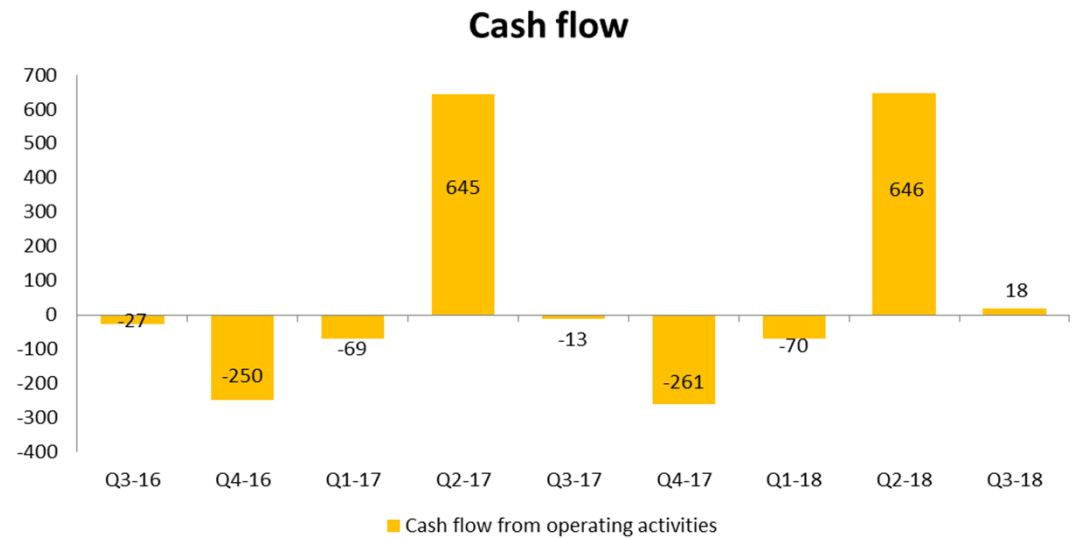
NET FINANCIAL ITEMS

- Net financial items in Q3 were SEK 1.6 M lower than in the same period 2017.
- Net financial items for the quarter were negatively impacted by exchange-rate effects of SEK 2.8 M (negative: 1.4).

	Q3 2018	Q3 2017	Diff.%	R12
Net financial items	-7.3	-5.8	-27.1	-21.4

CASH FLOW

- The third quarter generated a cash-flow from operating activities in line with previous seasonal patterns.
- Cash-flow from operating activities increased SEK 31.1. M and amounted to SEK 18.4 M compared to SEK -12.7 M the same period last year.



OUTLOOK AND SUMMARY

OUTLOOK

- Challenging market conditions during the third quarter: hot summer and higher raw material prices for timber
- Market normalizing at end of quarter
 - Sep more normal weather
 - Raw material prices increasingly reflected in consumer prices, effect less negative at end of quarter
- Swedish market also softened by more passive consumer behavior
- Bygghuset is well positioned with an increasingly stronger low price concept for both stores and e-commerce, and with good growth opportunities



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SUMMARY

**Challenging market conditions,
more normal at end of quarter**

**Positive effects of Byggmax
growth initiatives**

**Skånska Byggvaror's negative
profitability trend turned**



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