



# **Year-end report January - December 2016**

January 24, 2017

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# Summary Q4 2016

- Net sales increased +16.2 percent, compared with pro forma unchanged (0.0%).
- Net sales for comparable stores declined 9.1 percent (+16.4).
- The gross profit margin amounted to 29.8 percent, compared with 32.4 percent (pro forma 32.4).
- No earnout relating to the acquisition of Skånska Byggvaror will be paid out, which impacts the Q4 results in an amount of SEK 60.0 M.
- EBITDA amounted to SEK 94.1 M, and excluding the revaluation of earnouts, EBITDA amounted to SEK 30.9 M. For the year-earlier quarter, EBITDA was SEK 58.0 M, and the pro forma figure was SEK 68.6 M.
- The EBITDA margin amounted to 9.7 percent, and excluding the revaluation of earnouts, 3.2 percent. For the year-earlier quarter, the pro forma figure was 7.0 percent.
- The quarter was characterized by a weaker market and challenging comparable figures from last year, which had a negative impact on sales.
- The gross margin for the Byggmax segment declined during the quarter as a result of lower volume bonuses from suppliers compared with the fourth quarter of 2015, which was strong in terms of sales.
- The gross margin for Skånska Byggvaror declined sharply during the quarter as a result of aggressive pricing, partly due to de-stocking, and mix effects.
- Both the Byggmax segment and Skånska Byggvaror opened more new stores in 2016 than in the preceding year, which also has resulted in higher costs.

# Summary full-year 2016

- Net sales increased +26.3 percent, compared to pro forma increased +6.6 percent
- Net sales for comparable stores increased +0.8 percent (+12.8).
- The gross margin amounted to 30.6 percent, compared with 30.6 percent (pro forma 30.9).
- The earnout related to the acquisition of Skånska Byggvaror, which is not to be paid, impacts full-year earnings in an amount of SEK 109.1 M.
- EBITDA amounted to SEK 581.3 M, and excluding the revaluation of earnouts, EBITDA amounted to SEK 469.0 M. In 2015, EBITDA excluding acquisition costs was SEK 425.5 M, and pro forma excluding acquisition costs, EBITDA was SEK 475.4 M.
- The EBITDA margin amounted to 11.1 percent, and excluding the revaluation of earnouts, 9.0 percent. Last year, pro forma was 9.7 percent.
- 15 (seven) new stores were opened, of which six Byggmax in Sweden, three Byggmax in Norway, five Skånska Byggvaror in Sweden, and one Design Your Living (DYL) store in Sweden
- During the period January through December, 11 stores were converted to the Byggmax 2.0 concept.
- We continue to take market shares in our categories, which confirms the strength of the concepts in the Byggmax Group.

# Segments

SEK M	October-December		January - December	
	2016	2015	2016	2015
<b>Income from external customers</b>				
Byggmax	807.7	848.8	4,331.6	4,143.1
Skånska Byggvaror	145.4	0.0	794.7	0.0
Other	88.7	-6.8	221.7	-2.0
<b>Total income</b>	<b>1,041.8</b>	<b>842.0</b>	<b>5,348.0</b>	<b>4,141.1</b>
<b>EBITDA</b>				
Byggmax	36.1	60.5	417.8	389.1
Skånska Byggvaror	-4.4	0.0	54.4	0.0
Other	62.5	-2.5	109.2	26.7
<b>Total</b>	<b>94.1</b>	<b>58.0</b>	<b>581.3</b>	<b>415.8</b>
<b>EBITDA margin, percent</b>				
Byggmax	4.5%	7.1%	9.6%	9.4%
Skånska Byggvaror	-3.0%	0.0%	6.8%	0.0%
Other	21.1%	-1.2%	10.2%	3.3%
<b>Total</b>	<b>7.6%</b>	<b>5.5%</b>	<b>9.4%</b>	<b>8.3%</b>

As a result of the acquisition of Skånska Byggvaror, Byggmax has updated the report on its business segments. From the first quarter of 2016, segment information will be provided for the three segments Byggmax, Skånska Byggvaror and Other.

December 2016

# Comments on the segments

## Sales

- The Byggmax segment declined 4.8 percent during the quarter, as a result of the weaker market and tough comparable figures.
- Sales for Skånska Byggvaror continued to increase during the quarter, +10.8 percent, and the weaker market was offset by an increase in the number of stores and more aggressive pricing.

## Gross margin

- The Byggmax segment's gross margin declined during the quarter.
  - The reduction corresponds to a lower volume bonus from suppliers compared with the fourth quarter of 2015, which was strong in terms of sales
  - In addition, the gross margin was positively affected by the stronger NOK, and negatively by the stronger EUR and mix effects resulting from increased online sales.
- The gross margin for Skånska Byggvaror declined sharply during the quarter as a result of aggressive pricing, partly due to de-stocking, and mix effects.

## Costs

- Costs increased as a result of new stores, and both the Byggmax segment and Skånska Byggvaror opened more stores in 2016 than in the preceding year.
- Both companies have trimmed their costs and while the measures implemented have had an impact, they have not been sufficient to fully offset the weaker sales development in the quarter.

Taking into consideration the fourth quarter's challenging comparables and weak market, the Byggmax segment continues to develop positively, and both sales and the EBITDA margin increased for the full year. Skånska Byggvaror demonstrated good sales growth but decreased EBITDA margin, both for the fourth quarter and the full year.

# 15 stores were opened in 2016

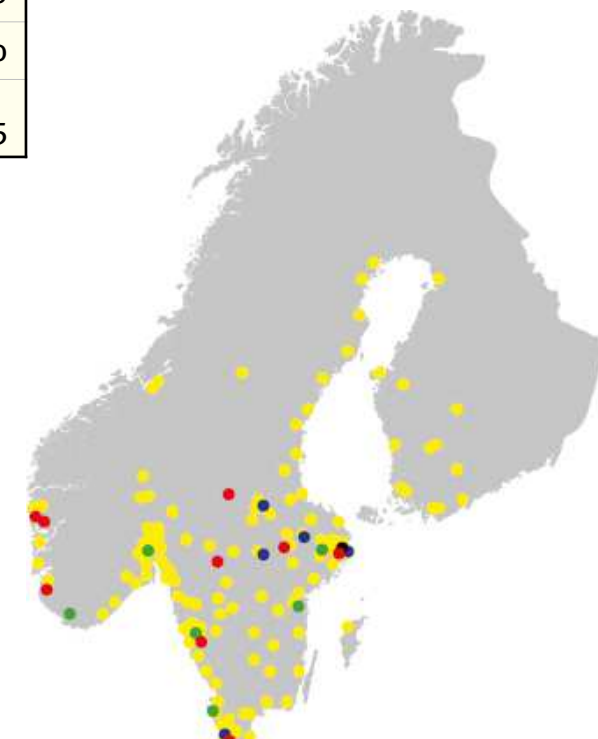
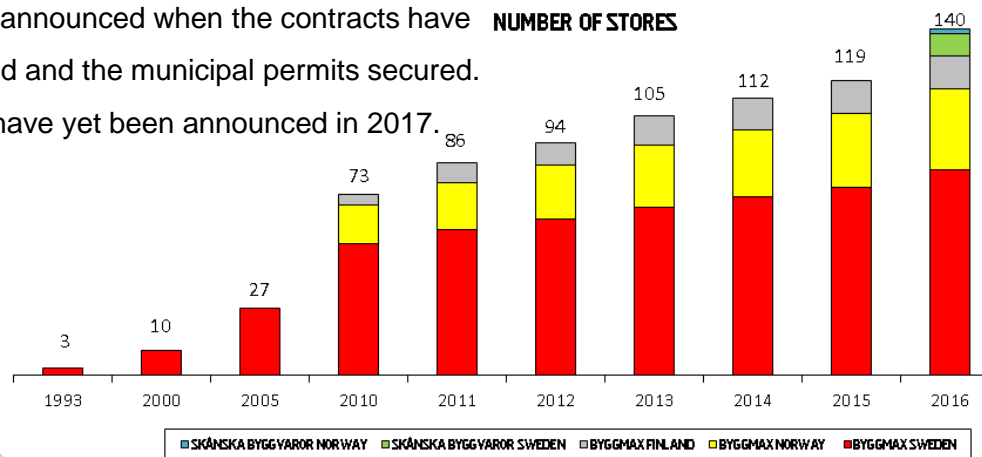
	Sweden	Norway	Finland	Skånska Byggvaror
Number of stores, Q4 2016	0	1	0	0
Planned openings, Q1 2017	0	0	0	0
New stores in 2016	7	3	0	5

Store network at December 31, 2016

## The following stores were opened in 2016:

- Sweden: Arlanda stad, Kungälv, Köping, Mora, Trelleborg and Åmål.
- Norway: Bergen Rådal, Bergen Midtun and Sandnes.
- Skånska Byggvaror: Falun, Malmö, Uppsala, Värmdö and Örebro
- "DYL – Desing Your Living" in Stockholm.

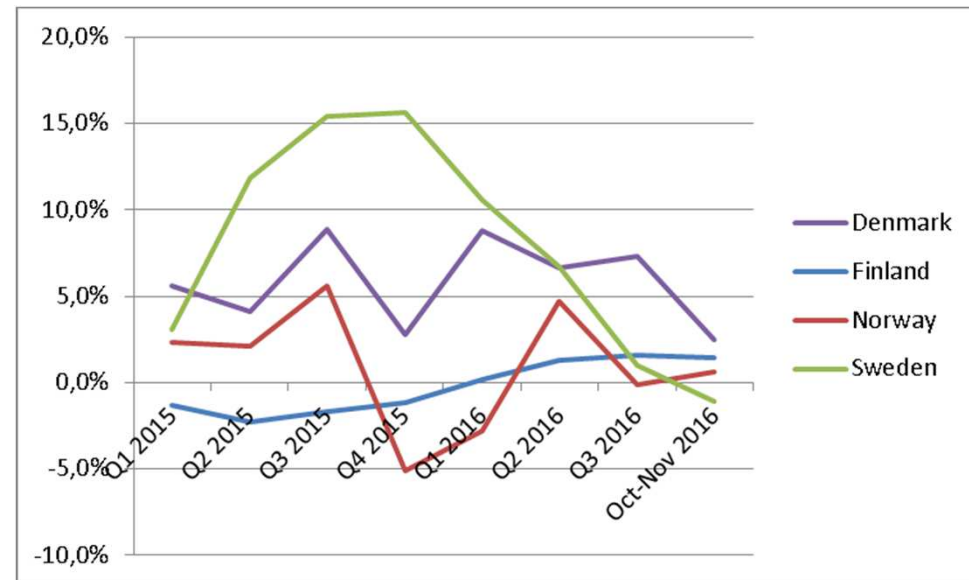
Stores are announced when the contracts have been signed and the municipal permits secured.  
No stores have yet been announced in 2017.



●	Byggmax butiker	119
●	Nya Byggmax butiker	9
●	Skånska Byggvaror/ Grönt fokus butiker	6
●	Nya Skånska Byggvaror/ Grönt fokus butiker	5
●	DYL "Design your living"	1

# Market development

- The Swedish building supplies market grew 4.7% during the first eight months of the year.
- During the same period, the Norwegian market increased 0.6 percent and the Finnish market 0.6 percent.
- The Danish market increased 7.1 percent between January and October.
- The Association of Swedish Building Materials Merchants attributes the surprisingly strong Swedish market figure for November (+0.5%) to increased housing production as well as positive calendar effects for trade sales and negative calendar effects for consumer sales.

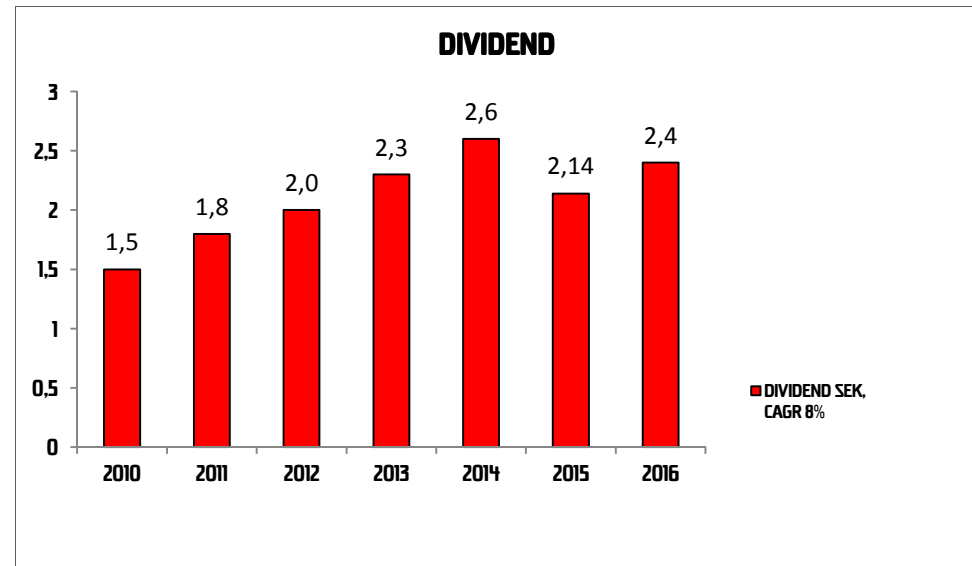


Information regarding Denmark pertains to October 2016

Source: Statistics Sweden, Statistics Norway, Statistics Finland and Statistics Denmark.

# The Board of Directors proposes a dividend of SEK 2.4 per share

- The Board of Directors proposes a dividend of SEK 2.4 (2.14) per share
- Byggmax's dividend policy is to distribute at least 50 percent of net profits for the year





# Outlook

- The market trend in Sweden is positive over time. The market grew strongly during the first half of 2016, which means that market development will probably remain weak in the first half of 2017. In both the Finnish and Norwegian market, uncertainty remains regarding economic developments.
- We plan to continue grow through both online sales and stores, and aim to open 8 to 12 new stores in 2017.
- We will continue to invest in developing our customer offer, but keep the focus on our core business. We have therefore decided to for example discontinue the test of the new DYL store concept.
- We are taking measures to increase the profitability of Skånska Byggvaror, and will during spring update the plan for an even stronger Byggmax Group.



# Financial information

January 24, 2017

# Results trend

Earnings overview	October - December		October-December pro forma
	2016	2015	2015
Net sales, SEK M	974.9	839.3	975.4
Gross margin, percent	29.8	32.4	32.4
EBITDA, excluding acquisition costs, SEK M	94.1	67.3	68.6
EBITDA, SEK M	94.1	58.0	52.2
EBITDA margin, percent	9.7	6.9	7.0
EBIT, SEK M	55.2	35.5	43.5
EBIT margin, SEK M	5.7	4.2	4.5
Profit after tax, SEK M	56.8	26.3	
Earnings per share, SEK	0.9	0.4	
Return on shareholders' equity	4.4	2.3	
Cash flow from operating activities per share, SEK	-4.1	-4.6	
Shareholders' equity per share, SEK	21.4	18.8	
Number of stores at the end of the period	140	119	
New stores opened during the period	1	1	

- EBITDA, excluding acquisition costs, amounted to SEK 94.1 M during the fourth quarter of 2016. This can be compared with SEK 68.6 M pro forma during the fourth quarter of 2015.
- Earnings were impacted by revaluation of part of the earn out linked to the acquisition of Skånska Byggvaror Group AB and Buildor AB, the effect on other operating income was SEK 63.3 M.
- EBIT for 2016 was impacted by the amortization of customer relationships and brands totaling SEK 9.9 M each quarter, which were identified in connection with the acquisition of Skånska Byggvaror.

# Results trend

Earnings overview	January - December		January-December pro-forma
	2016	2015	2015
Net sales, SEK M	5,219.3	4,131.1	4,898.0
Gross margin, percent	30.6	30.6	30.9
EBITDA, excluding acquisition costs, SEK M	581.6	425.5	475.4
EBITDA, SEK M	581.3	415.8	455.6
EBITDA margin, percent	11.1	10.1	9.7
EBIT, SEK M	391.8	331.7	380.1
EBIT margin, SEK M	7.5	8.0	7.8
Profit after tax, SEK M	284.6	259.8	
Earnings per share, SEK	4.7	4.3	
Return on shareholders' equity	23.3	23.7	
Cash flow from operating activities per share, SEK	5.5	8.1	
Shareholders' equity per share, SEK	21.4	18.8	
Number of stores at the end of the period	140	119	
New stores opened during the period	15	7	

- EBITDA, excluding acquisition costs, amounted to SEK 581.6 M during the full year of 2016. This can be compared with SEK 475.4 M pro forma during the full year of 2015.

# Sales trend

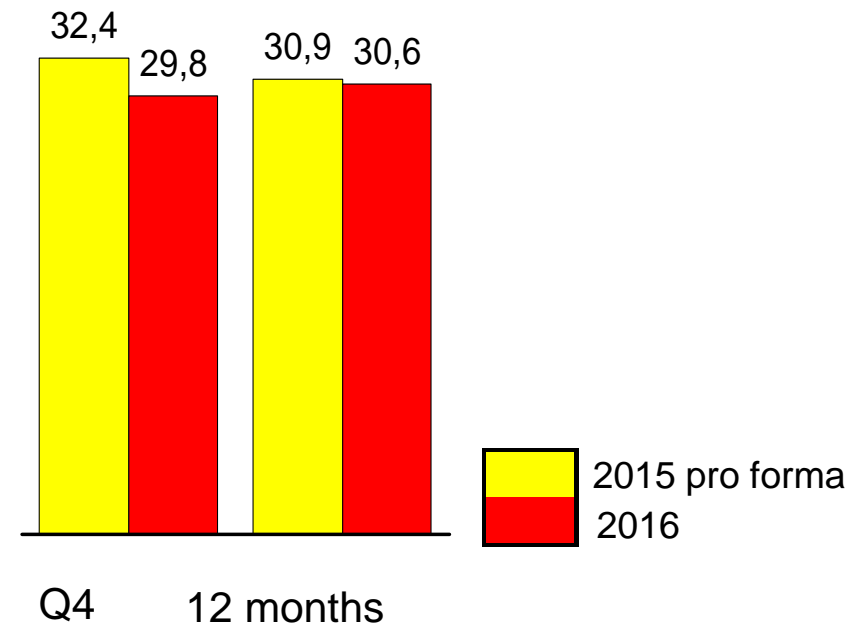
The sales increase was divided according to the following:	October - December 2016	January - December 2016
Comparable stores, local currency, percent	-9.1	0.8
Non-comparable stores and Other, percent	23.4	26.2
Currency effects, percent	1.9	-0.6
Total, percent	16.2	26.3

- The operation's net sales amounted to SEK 974.9 M (839,3) for the fourth quarter, up 16.2 percent, and SEK 5,219.3 M (4,131.1) for the full year, up 26.3 percent.
- Net sales for comparable stores decreased 9.1 percent (increase 16.4) in local currency for the fourth quarter and increased 0.8 percent (12.8) for the full year.
- Operating income amounted to SEK 807.7 M (848.8) for Byggmax, SEK 145.4 M for Skånska Byggvaror and SEK 88.7 M (-6.8) for Other.

# Gross margin

## Fourth quarter

- The gross margin was 29.8 percent (32.4). The pro forma gross margin amounted to 32.4 percent.
- The gross margin for the Byggmax segment was adversely impacted by lower volume bonuses from suppliers compared with the corresponding quarter in preceding year, which was strong in terms of sales.
- Additionally, the gross margin was positively affected by the strong NOK, but it was adversely impacted by the stronger EUR and mix effects.
- The gross margin for Skånska Byggvaror declined sharply during the quarter as a result of aggressive pricing, partly due to de-stocking, and mix effects.
- **Full year**
- The gross margin was 30.6 percent (30.6). Pro forma gross margin was 30.9 percent.



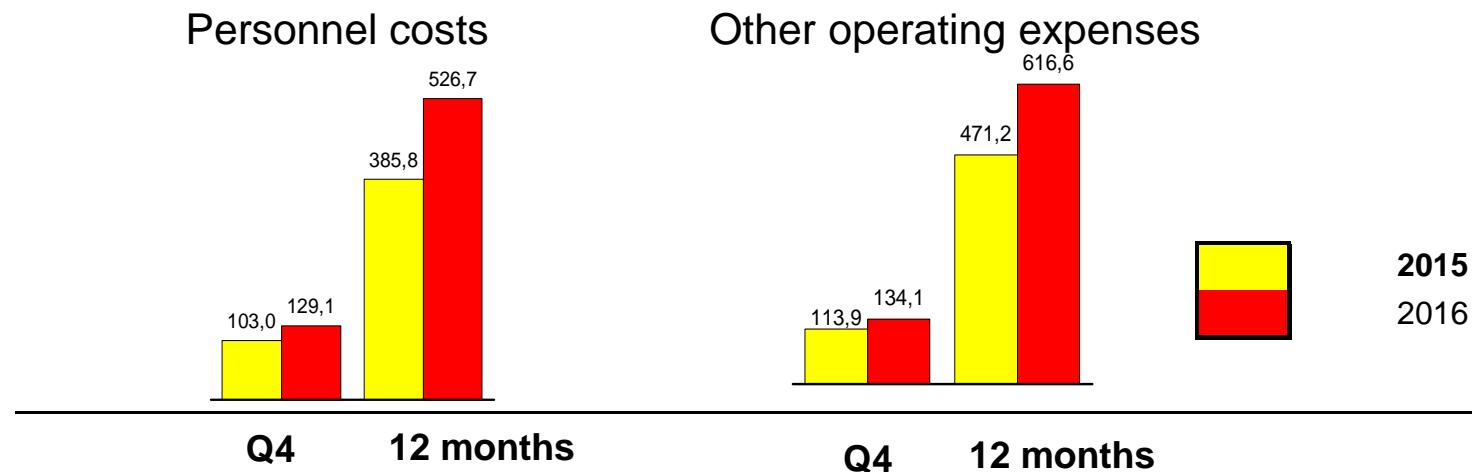
# Operating expenses

## Fourth quarter

- Personnel costs and other external expenses rose a total of SEK 46.4 M.
- The increase in expenses compared with the year-earlier period was mainly attributable to costs linked to the acquired companies amounting to SEK 44.8 M.
- Personnel and other external expenses compared with the pro forma fourth quarter of 2015 increased SEK 13.2 M. The increase in expenses compared with the pro forma year-earlier period was mainly attributable to costs associated with new stores opened after the fourth quarter of 2015, amounting to SEK 17.1 M.

## Full year

- Personnel costs and other external expenses rose a total of SEK 286.3 M.
- The increase in expenses compared with the year-earlier period was mainly attributable to costs linked to the acquired companies amounting to SEK 245.6 M.
- Personnel and other external expenses compared with the pro forma of 2015 increased SEK 92.4 M. The increase in expenses compared with the pro forma year-earlier period was mainly attributable to costs associated with new stores opened after the fourth quarter of 2015, amounting to SEK 71.2 M. The increase in costs during the quarter, other than for new stores, was attributable to expenses associated with the investments being made.



# Net financial items



Profit/loss from financial items	October - December		January - December	
SEK M	2016	2015	2016	2015
Group				
Profit from participations in Group companies	0.0	0.0	0.0	11.8
Comprehensive income from participations in Group companies	0.0	0.0	0.0	11.8
Financial income				
Exchange-rate gains	2.9	2.3	7.1	8.5
Changes in fair value – interest swaps and currency derivatives	3.8	0.3	12.3	10.5
Interest income	-0.6	0.0	0.8	0.1
Other financial income	0.1	0.0	0.1	0.0
Total financial income	6.2	2.5	20.3	19.1
Financial expenses				
Exchange-rate losses	-5.0	-1.0	-18.4	-8.1
Changes in fair value – interest swaps and currency derivatives	-0.3	-4.1	-10.0	-11.9
- interest expenses, bank loans	-1.1	-1.6	-20.6	-6.2
- interest expenses, discount rate earnout	-2.2	-0.8	-11.7	-0.8
- financial leasing, reversal of discounting effect	0.0	0.0	0.0	-0.2
Other financial expenses	-0.4	-1.2	-1.1	-1.5
Total financial expenses	-9.0	-8.6	-61.8	-28.6
Profit/loss from financial items	-2.8	-6.1	-41.5	2.4

- Net financial items for the quarter were impacted positively in an amount of SEK 1.5 M (negative 2.5) by exchange-rate effects and negatively by discounted earnouts attributable to the acquisitions of Skånska Bygghvaror and Buildor AB as well as increased borrowing as a result of these acquisitions.



# Financial position and cash flow

Amounts in SEK M	Oct 1, 2016- Dec 31, 2016	Oct 1, 2015- Dec 31, 2015	Jan 1, 2016- Dec 31, 2016	Jan 1, 2015 - Dec 31, 2015
Cash flow from operating activities before changes in working capital	76.2	44.2	487.3	351.1
Changes in working capital	-326.0	-320.8	-151.8	140.9
Cash flow from operating activities	-249.7	-276.6	335.5	491.9
Cash flow from investing activities	-21.5	-107.9	-875.4	-203.7
Cash flow from financing activities	259.8	147.1	549.9	-286.8
Cash flow for the period	-11.4	-237.5	10.1	1.4
Cash and cash equivalents at the beginning of the period	45.5	261.4	23.9	22.5
Cash and cash equivalents at the end of the period	34.0	23.9	34.0	23.9

- Cash flow from operating activities for the fourth quarter up by SEK 26.9 M. The cash flow was impacted by the acquisition of Buildor AB and the Skånska Byggvaror Group.
- Investments relating to the conversion of stores to the Byggmax 2.0 concept totaled SEK 0.0 M (16.9) for the fourth quarter and SEK 38.0 M (61.2) for the full year.
- Cash flow from investments for the full year was impacted by the acquisition of Skånska Byggvaror in an amount of SEK 703.7 M.



# **Condensed financial statements January - December 2016**

January 24, 2017

# Income statement

	Oct 1, 2016-	Oct 1, 2015-	Jan 1, 2016 -	Jan 1, 2015 -
Amounts in SEK M	Dec 31, 2016	Dec 31, 2015	Dec 31, 2016	Dec 31, 2015
Net sales	974.9	839.3	5,219.3	4,131.1
Other operating income	66.9	2.7	128.7	10.0
Operating income	1,041.8	842.0	5,348.0	4,141.1
Operating expenses				
Goods for sale	-684.4	-567.1	-3,623.4	-2,868.3
Other external and operating expenses	-134.1	-113.9	-616.6	-471.2
Personnel costs	-129.1	-103.0	-526.7	-385.8
Depreciation, amortization and impairment of intangible and tangible fixed assets	-39.0	-22.5	-189.5	-84.1
Total operating expenses	-986.6	-806.5	-4,956.2	-3,809.4
EBIT	55.2	35.5	391.8	331.7
Profit/loss from financial items	-2.8	-6.1	-41.5	2.4
Profit/loss before tax	52.4	29.4	350.3	334.1
Income tax	4.4	-3.1	-65.7	-74.3
Profit/loss for the period	56.8	26.3	284.6	259.8

# Balance sheet

Amounts in SEK M	Dec 31, 2016	Dec 31, 2015	Amounts in SEK M	Dec 31, 2016	Dec 31, 2015
<b>ASSETS</b>			<b>SHAREHOLDERS' EQUITY AND LIABILITIES</b>		
Fixed assets			Shareholders' equity	1,302.2	1,142.0
Intangible fixed assets	2,222.3	1,215.7	Liabilities		
Tangible fixed assets	375.7	286.6	Borrowing from credit institutions	525.1	0.1
Financial fixed assets	21.0	25.0	Deferred tax liabilities	201.3	105.8
Total fixed assets	2,619.0	1,527.2	Other long-term liabilities	47.3	42.9
Current assets			Long-term liabilities	773.7	148.7
Inventories	818.5	666.1	Borrowing from credit institutions	699.6	350.9
Derivatives	0.2	0.0	Accounts payable	630.7	520.3
Current receivables	150.9	109.3	Current tax liabilities	20.8	18.4
Cash and cash equivalents	41.9	31.7	Derivatives	0.3	0.1
Total current assets	1,011.5	807.1	Other liabilities	62.3	34.4
<b>TOTAL ASSETS</b>	<b>3,630.5</b>	<b>2,334.4</b>	Accrued expenses and deferred income	141.0	119.6
			Current liabilities	1,554.7	1,043.7
			<b>TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES</b>	<b>3,630.5</b>	<b>2,334.4</b>
			Pledged assets – Shares in subsidiaries	0.0	0.0
			Pledged assets – Chattel mortgages	0.0	0.0
			Pledged assets – Blocked funds	7.9	7.7
			Contingent liabilities	None	None

# Cash flow statement

Amounts in SEK M	Oct, 2016- Dec 31, 2016	Oct 1, 2015- Dec 31, 2015	Jan 1, 2016 - Dec 31, 2016	Jan 1, 2015 - Dec 31, 2015
Cash flow from operating activities				
EBIT	55.2	35.5	391.8	331.7
Non-cash items				
-Depreciation/amortization of intangible and tangible fixed ASSETS	39.0	23.8	189.5	85.4
- Other non-cash items	-2.1	-0.3	8.1	-6.5
Interest received	3.9	2.2	13.9	8.7
Interest paid	-8.8	-4.5	-55.2	-16.7
Tax paid	-10.9	-12.5	-60.8	-51.5
Cash flow from operating activities before changes in working capital	76.2	44.2	487.3	351.1
Changes in working capital				
Increase/decrease in inventories and work in progress	48.5	16.8	-94.2	-59.0
Increase/decrease in other current receivables	50.2	-24.3	-10.4	25.9
Increase/decrease in other current liabilities	-424.7	-313.3	-47.2	174.0
Cash flow from operating activities	-249.7	-276.6	335.5	491.9

# Cash flow statement, continued

Amounts in SEK M	Oct 1, 2016- Dec31, 2016	Oct 1, 2015- Dec31, 2015	Jan 1, 2016 - Dec 31, 2016	Jan 1, 2015 - Dec 31, 2015
Cash flow from investing activities				
Investment in intangible fixed assets	-5.9	-9.0	-22.4	-22.8
Investment in tangible fixed assets	-15.6	-27.4	-149.1	-141.4
Divestment of tangible fixed assets	0.0	0.0	0.0	0.0
Investment in other financial fixed assets	0.0	0.6	-0.2	0.7
Investments in subsidiaries	0.0	-72.1	-703.7	-72.1
Proceeds from the sale of subsidiaries	0.0	0.0	0.0	31.8
Cash flow from investing activities	-21.5	-107.9	-875.4	-203.7
Cash flow from financing activities				
Change in overdraft facility	316.7	148.4	210.6	-128.3
Issue of warrants	-6.4	0.0	-6.4	3.9
Dividend to shareholders	0.0	0.0	-130.0	-157.9
Borrowings	0.0	0.0	800.0	0.0
Amortization of loans	-50.5	-1.3	-324.3	-4.4
Cash flow from financing activities	259.8	147.1	549.9	-286.8
Cash flow for the period	-11.4	-237.5	10.1	1.4
Cash and cash equivalents at the beginning of the period	45.5	261.4	23.9	22.5
Cash and cash equivalents at the end of the period	34.0	23.9	34.0	23.9

Note that cash and cash equivalents in the cash flow statement are adjusted for blocked bank funds

# Largest shareholders at December 31, 2016

Name	Number of shares	Holding (%)
Nordea Investment Funds	6 715 894	11,06
Swedbank Robur fonder	5 876 132	9,67
SEB Investment Management	5 785 570	9,53
Handelsbanken fonder	2 962 808	4,88
Carnegie fonder	2 899 150	4,77
ODIN Forvaltning AS	2 608 158	4,29
FÖRSÄKRINGSAKTIEBOLAGET, AVANZA PENSION	1 595 652	2,63
Threadneedle Asset Management Ltd.	1 541 542	2,54
Evli Fund Management Co. Ltd.	1 499 575	2,47
Skandinaviska Enskilda Banken AB (Denmark)	881 340	1,45
<b>Total ten largest shareholders (grouped by shareholders) - based on holding</b>	<b>32 365 821</b>	<b>53,29</b>
Total other shareholders	28 371 224	46,71
Total, December 31, 2016	60 737 045	100,00