

YEAR-END REPORT Q4 2018

January 25, 2019

25/01/2019

BYGGMAX®

HIGHLIGHTS

- Increased sales and profit in Q4
 - Net sales increased 5 percent
 - Byggmax segment sales increased 10 percent
 - EBITDA excl. non-recurring items SEK 28m (22m)
- Positive impact of strategic initiatives
- Previous negative effects of external factors normalized during Q4
- Focus on profitable growth in 2019



SUMMARY Q4 2018

- Net sales in Q4 increased by 5.1 percent year-on-year
 - Driven by the Byggmax segment
 - Positive impact of growth initiatives
- Gross margin in Q4 was 31.3 percent, an increase of 0.2pp compared to last year (31.1)
 - Negative pressure from higher timber raw material prices in beginning of quarter
 - Effect offset during second part of quarter
- Cost share of sales decreased slightly
- EBITDA excl. non-recurring costs increased to SEK 27.5 M (SEK 22.1 M in Q4 last year)

Mkr	Q4 2018	Q4 2017	Diff.%	2018
Net Sales	998.6	950.2	5.1	5,107.8
Gross Margin (%)	31.3	31.1	0.2	30.8
EBITDA	27.5	-1.9	N/A	356.1
EBITDA adjusted	27.5	22.1	24.8	346.2
EBITDA margin (%)	2.8	-0.2	3.0	7.0
EBITDA margin (%) adjusted	2.8	2.3	0.5	6.8

- Q4 2018 is not affected by one-off items, however EBITDA and EBITDA margin FY 2018 are affected by one-off items totaling SEK +9.9 M, linked to closure cost Finland (+6.2 M) and sale of Pavillon (+3.7 M).
- EBITDA and EBITDA margin Q4 2017 are affected by one-off items totaling SEK -24.0 M, linked to closure cost Finland (+8.3 M) and restructuring of Skånska Byggsvaror (-32.3 M).

BYGGMAX

- Net sales in Q4 increased 9.7 percent year-on-year
 - Increased sales in comparable stores
 - Growth driven by strategic initiatives, particularly new stores
 - Positive impact of consumer markets' return to modest growth
- Earlier negative pressure from higher timber raw material prices normalized during Q4
 - Negative effect in beginning of quarter
 - Effect offset during second part of quarter, driven by higher consumer prices
- Adjusted EBITDA in the fourth quarter was SEK 26.5 M (34.7), a decrease of SEK 8.3 M, negatively impacted by gross margin and costs of new stores

Mkr	Q4 2018	Q4 2017	Diff. %
Net Sales	882.9	804.9	9.7
EBITDA	26.5	43.1	-38.6
EBITDA, adjusted	26.5	34.7	-23.8
EBITDA margin %	3.0	5.4	-2.4
EBITDA margin %, adjusted	3.0	4.4	-1.4

Mkr	FY 2018	FY 2017	Diff. %
Net Sales	4,480.5	4491.1	-0.2
EBITDA	354.3	435.6	-18.7
EBITDA, adjusted	348.1	466.6	-25.4
EBITDA margin %	7.9	9.7	-1.8
EBITDA margin %, adjusted	7.8	10.4	-2.6

- Q4 2018 is not affected by one-off items, however EBITDA and EBITDA margin FY 2018 are affected by one-off items totaling SEK +6.2 M, linked to closure cost Finland.
- EBITDA and EBITDA margin Q4 2017 are affected by one-off items totaling SEK +8.3.0 M, linked to closure cost Finland.
- EBITDA and EBITDA margin FY 2017 are affected by one-off items totaling SEK -30.9 M, linked to closure cost Finland.

HIGH PACE IN BYGGMAX STRATEGIC INITIATIVES 2018

Building for profitable growth during 2018

- **18 new stores**
 - Six stores of the new format for smaller towns
 - Contribute significantly to sales growth by Q4
- **Garden concept launched in 12 more stores**
- **Continued to develop our e-commerce**
 - Increased assortment
 - New delivery options introduced

Continued cost reduction, in line with our culture



STORE OPENINGS

The following stores were opened during the fourth quarter 2018, Sweden:

- Byggmax Stenungsund

Norway:

- Byggmax Hønefoss
- Byggmax Kristiansund

Skånska Byggvaror closed one showroom store (in Norrköping), in the fourth quarter, totaling 2 closed showroom stores in 2018.

The following stores have been publicly announced and will be opened in 2019:

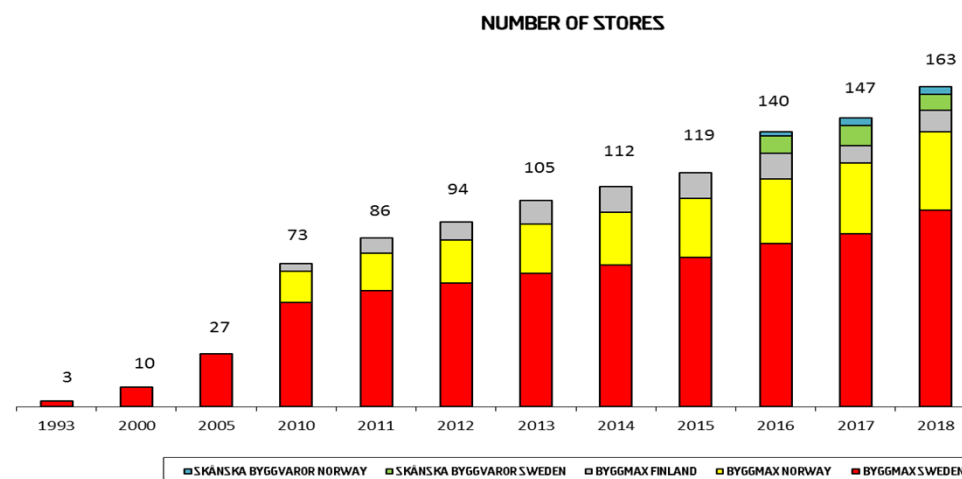
Sweden:

- Byggmax Gislaved
- Byggmax Kumla
- Byggmax Ljungby
- Byggmax Lund
- Byggmax Lycksele
- Byggmax Simrishamn
- Byggmax Skara
- Byggmax Strängnäs
- Byggmax Älmhult

Norway: Byggmax Kongsberg

In total 18 new stores have opened in 2018, of which 6 the format for smaller towns. 12 garden departments were added during 2018.

	Sweden	Norway	Finland	Skånska Byggvaror
New stores Q4 2018	1	2	0	-1
New stores YTD 2018	12	4	2	-2



UPDATED VISUAL IDENTITY

Modernized visual identity launched during Q4:
logo, marketing material, signage, etc.

First launched at opening of store no. 100 in
Sweden, Stenungsund

Introduced gradually during coming years



TESTED "STORE 3.0"

Tested "Store 3.0" in two stores during autumn

Goal to upgrade our offer in existing stores

- More complete for both smaller and bigger projects
- Improved shopping experience

Upgrade to Store 3.0 includes

- Selected new assortments in electrical installation, ventilation, grouting, and a small garden department
- More clear departments and better navigation

Previous Bygghuset 2.0 upgrade program gave good effects, first stores in 2013:

- Sales impact of 6-7% at higher GM%
- Conversion investments of SEK 1.6M per store

For Store 3.0, ambition is to capture half the upside of 2.0 at less than half of the investment



SEVERAL GROWTH OPTIONS CONNECTED TO CORE BUSINESS

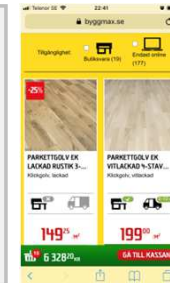


Store expansion

- White space remains
- Format for smaller towns

E-commerce

- Complementary online exclusive assortment



BYGGMAX®

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

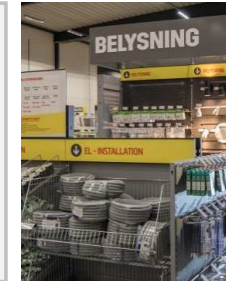


Garden departments

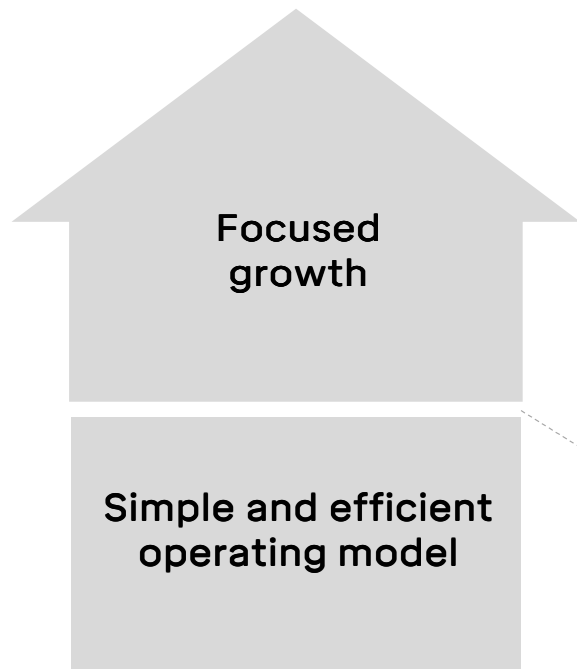
- Large complementary category
- No Nordic discounters exist

Store 3.0

- Additional assortment in selected categories
- Clear departments



BYGGMAX FOCUS 2019: PROFITABLE GROWTH



Store expansion

- 12 new stores
- Of which ca 5 format for smaller towns

Upgrade our offer

- 8 new Garden departments
- Upgrade 15 existing stores to Store 3.0

E-commerce growth

- Expand assortment
- More delivery options

Continue Finland turn-around – right direction

Continuous cost trimming and process simplification

SKÅNSKA BYGGVAROR

- Q4 marked end of restructuring, towards a more focused leader within 'Garden Living'
- Sales decreased by 23.5 percent in Q4
 - Decision to reduce unprofitable sales
 - Realignment of commercial model now largely completed
- Gross margin increased also in in Q4
- Cost base continued to decrease in the quarter, driven by the restructuring program and lower marketing costs
- EBITDA excl. non-recurring costs improved marginally to SEK -4.6 M (SEK -5.0 M)

Mkr	Q4 2018	Q4 2017	Diff.%
Net Sales	89.8	117.4	-23.5
EBITDA	-4.6	-37.5	87.6
EBITDA, adjusted	-4.6	-5.2	10.5
EBITDA margin %	-5.0	-32.5	27.5
EBITDA margin %, adjusted	-5.0	-4.5	-0.5

Mkr	FY 2018	FY 2017	Diff.%
Net Sales	509.9	709.2	-28.1
EBITDA	3.5	-18.7	118.7
EBITDA, adjusted	-0.2	13.6	-101.6
EBITDA margin %	0.7	-2.6	3.3
EBITDA margin %, adjusted	0.0	1.9	-1.9

- EBITDA and EBITDA margin FY 2018 are affected by one-off items totaling SEK +3.7 M, linked to the sale of Pavillon.
- EBITDA and EBITDA margin Q4 2017 are affected by one-off items totaling SEK -32.3 M, linked to the restructuring of Skånska Byggvaror.
- EBITDA and EBITDA margin FY 2017 are affected by one-off items totaling SEK -32.3 M, linked to the restructuring of Skånska Byggvaror.

TRANSFORMATION YEAR 2018 EXECUTED ACCORDING TO PLAN

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

Initiatives executed according to plan with positive effects

- Choice to reduce unprofitable sales
- Gross margins returned to historically high levels
- Costs decrease in line with restructuring program

Goal of ending the transformation year with a stronger, more profitable core business achieved

- EBITDA excl. non-recurring items 5.5% (0.6%) second half year



SKÅNSKA BYGGVAROR FOCUS 2019: BUILD FOR GROWTH

Focus 2019 on building for profitable growth in core business

Growth initiatives within

- Assortment
- Sales
- Marketing

Continuous efficiency improvements

Expect first positive effects of growth initiatives in the coming peak season, i.e., the second and third quarters 2019



MARKET DEVELOPMENT



Nordic consumer market estimated to have increased 1-3 percent in the fourth quarter

- Consumer market for home improvement projects return to modest growth in the fourth quarter
- Positive impact of mild autumn weather
- Continue to perceive somewhat passive consumer behavior in fourth quarter
- Positive market indications for 2019 in particularly Sweden

DIVIDEND

The Board of Directors propose to not pay any dividend in 2019

2018 year with tough external factors

- Results improved in the fourth quarter
- Financial result for full year weak

Good profitability in Byggmax core business, with many business opportunities and proven initiatives driving profitable growth

Board of Directors this year suggested to prioritize having flexibility to capture business opportunities and scale up initiatives, instead of dividend

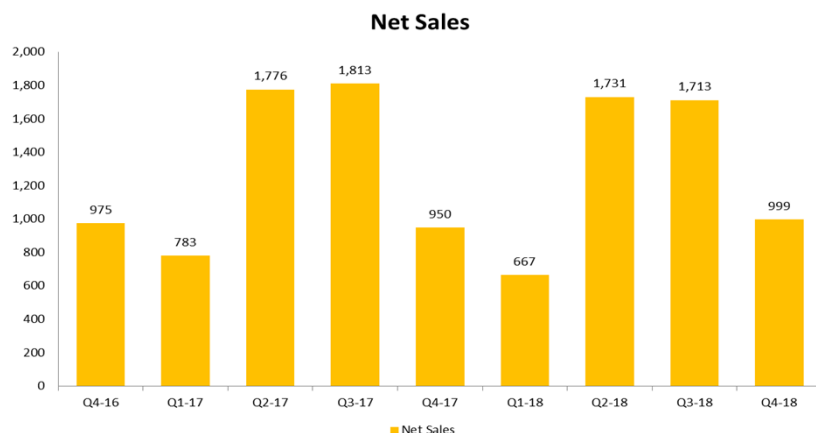
Goal to going forward distribute 50 percent of net profit remains

FINANCIAL OVERVIEW

25/01/2019

BYGGMAX[®]

RESULT DEVELOPMENT Q4



- Byggmax Group's sales increased 5.1 percent in the quarter and profitability measured as adjusted EBITDA increased to SEK 27.5 M (22.1).
- Previous quarters heavily affected by negative external factors, and the effects were normalized during the fourth quarter

Mkr	Q4 2018	Q4 2017	Diff. %	2018
Net Sales	998.6	950.2	5.1	5,107.8
Growth comparable stores (%)	-3.9	-1.9	-2.0	-10.8
Gross Margin (%)	31.3	31.1	0.2	30.8
EBITDA, adjusted	27.5	22.1	24.8	346.2
EBITDA margin (%), adjusted	2.8	2.3	0.5	6.8
EBIT, adjusted	-16.3	-17.9	9.2	178.2
EBIT margin (%), adjusted	-1.6	-1.9	0.3	3.5
Profit after tax	-14.4	-58.3	75.2	137.6
Earnings per share	-0.2	-1.0	75.2	2.3

- Q4 2018 is not affected by one-off items, however EBITDA, EBITDA margin, EBIT and EBIT margin FY 2018 are affected by one-off items totaling SEK +9.9 M, linked to the closure cost Finland (+6.2 M) and the sale of Pavillon (+3.7 M).
- EBITDA and EBITDA margin Q4 2017 are affected by one-off items totaling SEK -24.0 M, linked to closure cost Finland (+8.3 M) and restructuring of Skånska Bygghvar (-32.3 M). EBIT and EBIT margin Q4 2017 are further affected by the write-down of Skånska Bygghvar (-7.2 M) and depreciation connected to the restructuring of Skånska Bygghvar (-9.9 M), totaling EBIT effect of SEK -41.1 M.

RESULT DEVELOPMENT FY 2018

- Sales decreased -4.0 percent
 - Negatively impacted by unfavorable weather during first three quarters
 - Decision to reduce unprofitable sales in Skånska Byggvaror
- Gross margin decreased -0.2 pp, negatively impacted by higher raw material prices for timber
- Profitability measured as adjusted EBITDA decreased to 6.8 percent (8.9 percent)

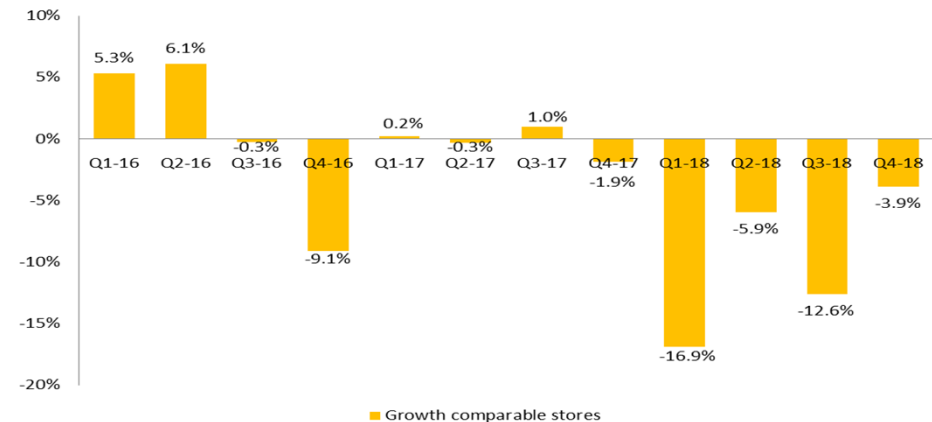
Mkr	2018 FY	2017 FY	Diff.%
Net Sales	5,107.8	5,321.4	-4.0
Byggmax	4,480.5	4,491.1	-0.2
Skånska Byggvaror	509.9	709.2	-28.1
Other	117.4	121.1	-3.1
Gross Margin (%)	30.8	31.0	-0.2
EBITDA margin (%), adjusted	6.8	8.9	-2.1
Byggmax	7.8	10.4	-2.6
Skånska Byggvaror	0.0	1.9	-1.9
Other	-0.1	-0.5	0.4
EBIT margin (%), adjusted	4.1	6.0	-1.9
Profit after tax	137.6	194.6	-29.3
Earnings per share	2.3	3.2	-29.5

- EBITDA, EBITDA margin, EBIT and EBIT margin FY 2018 are affected by one-off items totaling SEK +9.9 M, linked to closure cost Finland (+6.2 M) and the sale of Pavillon (+3.7 M).
- EBITDA and EBITDA margin FY 2017 are affected by one-off items totaling SEK -29.8 M, linked to closure cost Finland (-30.9 M), earn-out Buildor (+33.4 M) and restructuring of Skånska Byggvaror (-32.3 M). EBIT and EBIT margin FY 2017 are further affected by the write-down of Skånska Byggvaror (-7.2 M) and depreciation connected to the restructuring of Skånska Byggvaror (-9.9 M), totaling EBIT effect of SEK -46.9 M.

SALES DEVELOPMENT

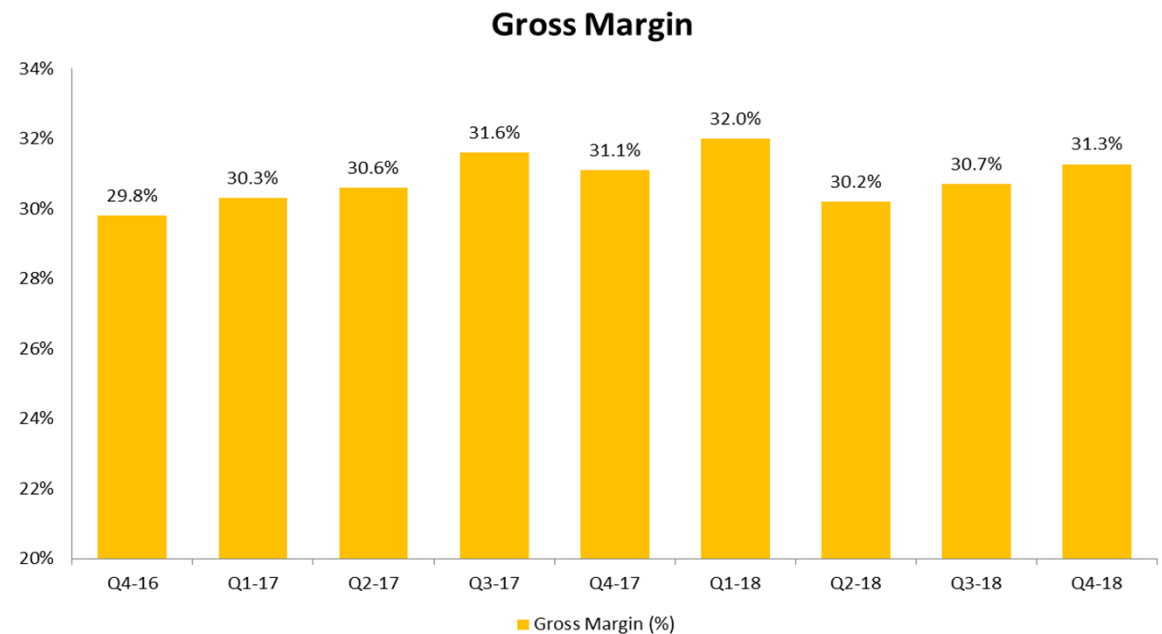
- Sales in Q4 increased by 5.1 percent year-on-year
- Sales for the Byggmax segment increased 9.7 percent
 - Increased sales in comparable stores
 - Growth driven by strategic initiatives, particularly new stores
 - Positive impact of consumer markets' return to modest growth
- Sales for Skånska Byggvaror decreased 23.5 percent, negatively affected by the shift towards Garden Living and the decision to decrease unprofitable sales
- Net sales for comparable stores was down 3.9 percent in local currency for the fourth quarter (-1.9). Sales increased for comparable stores in the Byggmax segment

Growth percent	Q4 2018	Q4 2017
Comparable stores, local currency	-3.9	-1.9
Non-comparable stores and Other	7.6	0.6
Currency effect	1.3	-1.2
Total	5.1	-2.5



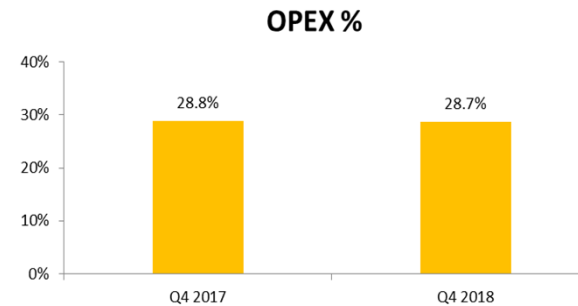
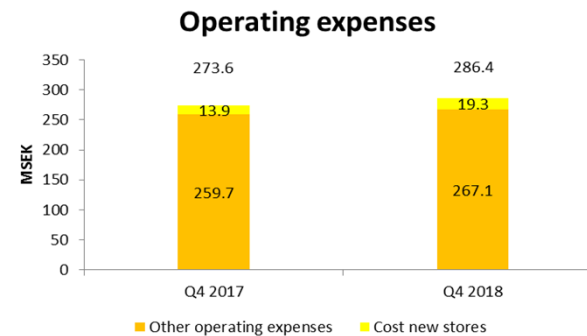
GROSS MARGIN

- The gross margin was 31.3 percent (31.1) in the fourth quarter, an increase of 0.2 pp compared to the same period last year
- The gross margin decreased for Byggmax. In the beginning of the quarter, the gross margin continued to be negatively affected by higher raw material prices for timber
- The gross margin in Skånska Byggvaror continued to increase also in Q4, compared to the previous year, positively influenced by mix effects and pricing
- Gross margin negatively impacted by currency effects in Q4



OPERATING EXPENSES

- Personnel costs and other external expenses decreased SEK 10.9 M in the fourth quarter. Adjusted for non-recurring costs in Q4 2017, the expenses rose SEK 12.8 M
- Costs increase by SEK 19.3 M due to new Byggmax stores
- In total, cost share of sales decreased slightly during the quarter
- Cost efficiency improved for the full year
 - In the Byggmax segment, comparable costs decreased
 - Costs in Skånska Byggvaror decreased as an effect of the restructuring program and reduced marketing costs following decision to reduce unprofitable sales



- Operating expenses Q4 2017 are adjusted for one-off items totaling SEK 23.8 M, linked to closure costs Finland and restructuring Skånska Byggvaror.

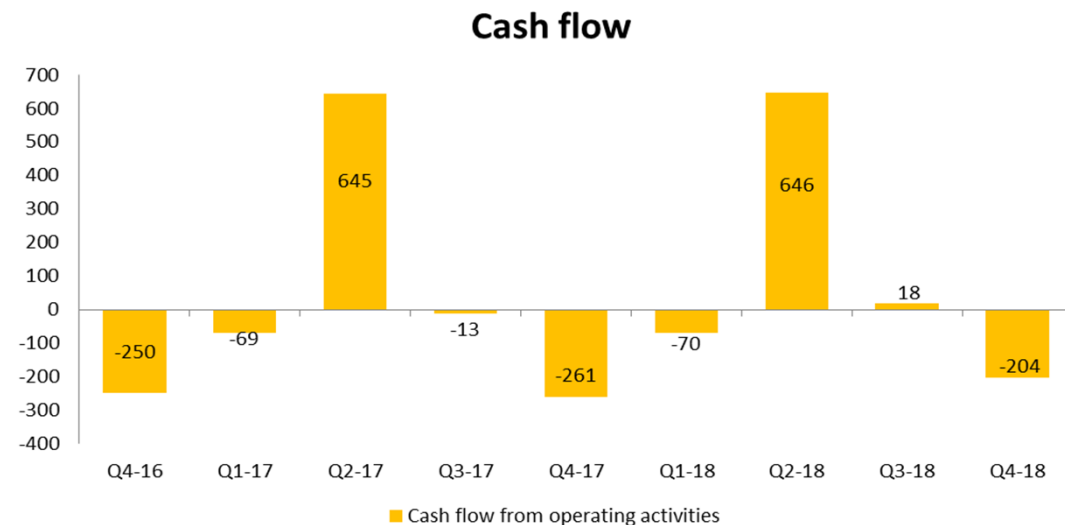
NET FINANCIAL ITEMS

- Net financial items in Q4 were SEK 4.5 M lower than in the same period 2017.
- Net financial items for the quarter were negatively impacted by exchange-rate effects of SEK 10.6 M (negative: 2.8).

	Q4 2018	Q4 2017	Diff. %	2018
Net financial items	-7.7	-3.2	-139.7	-25.9

CASH FLOW

- The fourth quarter generated a cash-flow from operating activities in line with previous seasonal patterns.
- Cash-flow from operating activities increased SEK 57.1 M and amounted to SEK -204.0 M compared to SEK -261.1 M the same period last year.



IMPACT OF IFRS16

- The IFRS 16 accounting standard will be implemented from January 1, 2019.
- This will result in the majority of the company's finance leases being recognized in the balance sheet. In the Group, leases primarily relate to store leases.
- IFRS16 entails an increase in balance sheet liabilities, which will impact items including the debt/equity ratio.
- Leases for store premises will no longer be classified in profit or loss as lease rents, but will instead be recognized as asset depreciation and interest expenses on the lease liability. This has a positive impact on the EBITDA metric, while depreciation increases.

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	0
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

FINANCIAL GOAL


As at result of IFRS 16, from 2019 the profitability target will be updated.

Byggmax will change the profitability goal to be based on EBITA (replacing EBITDA):

- EBITA margin of 7-8 percent per year.
- The historic difference between EBITDA and EBITA has been around 2.5 percent.
- IFRS16 entails a slightly positive effect on EBITA.

Overall, the reformulated profitability target corresponds to the previous EBITDA target, but is now formulated to fit with the new accounting policies that apply from 2019.

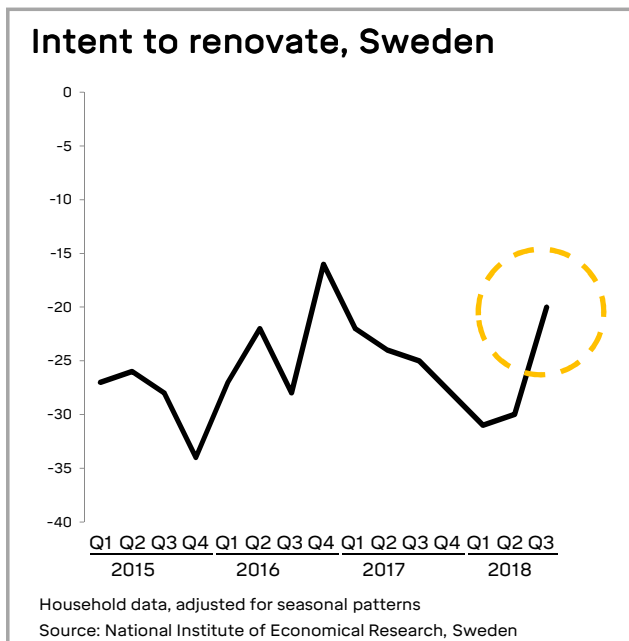
Current goals:

- Organic sales growth of 10 to 15 percent per year.
- **The EBITDA margin should be 9 to 10 percent per year**  **EBITA margin of 7-8 percent per year**
- Distribute at least 50 percent of net profit.

OUTLOOK AND SUMMARY

OUTLOOK

- Previously negative effect of increased timber prices normalized during the fourth quarter
- Positive market indications for 2019, particularly regarding Swedish consumers' intent to renovate
- Focus on profitable growth in 2019
 - Byggmax many alternatives for profitable growth in core business
 - Skånska Byggvaror restructuring largely completed, now building for growth in core categories



SUMMARY

Sales and profit increase in Q4

Positive market indications for 2019

Initiatives in place to drive profitable growth in core business



BYGGMAX®