

# **YEAR-END REPORT 2019**

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January 28, 2020

# HIGHLIGHTS Q4

- Stable Q4 profit despite early autumn
  - Net sales decreased 4.9 percent
  - Sales as other autumns with similar weather effects
  - EBITA flat at SEK -6 M (-6)
- 2019 a year in the right direction
  - Improved offer and strong customer metrics
  - Skånska Byggvaror turned around
  - EBITA increase to SEK 270 M (218 M)
  - EBITA margin increase +0.8%-points to 5.1% (4.3%)
- Board of Directors proposes dividend of SEK 1.16 (0)



# SUMMARY Q4 2019

Mkr incl. IFRS 16	Q4 2019	Q4 2018	Diff.%
Net Sales	949,9	998,6	-4,9
Gross Margin (%)	33,3	31,3	2,0
EBITA adjusted	-5,7	-6,4	10,2
EBITA margin (%) adjusted	-0,6	-0,6	0,0

Mkr excl. IFRS 16	Q4 2019	Q4 2018	Diff.%
EBITDA adjusted	25,5	27,5	-7,4
EBITDA margin (%) adjusted	2,7	2,8	-0,1

- Sales in Q4 decreased 4.9 percent year-on-year (YoY), driven by negative weather effect
  - LFL sales decreased 8.7 percent
  - Bygghmax sales developed as other autumns with similar weather effects
- Gross margin increased 2.0pp. The increase was driven by purchasing improvements and positive price/mix effects from our upgraded customer offer
- Cost control remained strong, and comparable costs (costs excl. new Bygghmax stores) was largely flat
- EBITA stable and amounted to SEK -5.7 M (-6.4), EBITDA excl. IFRS 16 amounted to SEK 25.5 M (27.5)

# MARKET DEVELOPMENT Q4



Consumer market for building materials estimated to have decreased in Q4 due to weather effect

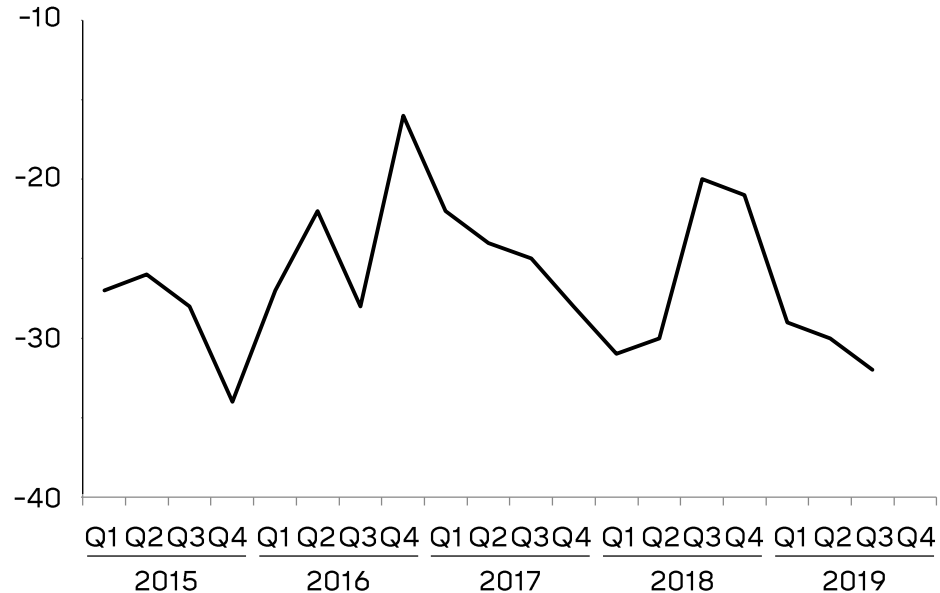
- Clear negative weather effect, with very early and wet autumn vs. favorable mild weather last year
- Nordic consumer market for building materials estimated to decreased -5 to -8 percent in Q4 – a larger decrease for outdoor categories, while indoor categories largely flat
- Continued low consumer intent to renovate in Sweden
- Increasing signs of Swedish house market recovery

# SALES DEVELOPMENT Q4

	Byggmax	Skånska Byggvaror	Total
Share of Byggmax Group sales Q4 2019	90.4%	9.6%	100%
Sales development Q4 2019 vs. Q4 2018	<b>-5.6%</b> <small>LFL    Non-LFL    Currency</small> <small>-10.3% +5.1%    -0.3%</small>	<b>1.9%</b> <small>LFL    Non-LFL    Currency</small> <small>-8.7% +4.1%    -0.3%</small>	<b>-4.9%</b> <small>LFL    Non-LFL    Currency</small> <small>-8.7% +4.1%    -0.3%</small>
	<ul style="list-style-type: none"> <li>- LFL as other autumns with similar weather effects</li> <li>- Outdoor categories decrease</li> <li>- New stores continue to contribute well</li> </ul>	<ul style="list-style-type: none"> <li>- Continued growth</li> <li>- Order intake increased somewhat</li> </ul>	

# LOW INTENT TO RENOVATE DURING 2019

Intent to renovate, Sweden  
Index



House transactions, Sweden

Thousands, rolling twelve months, detached houses (houses for permanent living + houses for seasonal use)



Intent to renovate low during all quarters 2019

House transactions started decrease after Q1 2016 (new mortgage regulation introduced)

In 2019, transaction development flat during first half, increased during second half

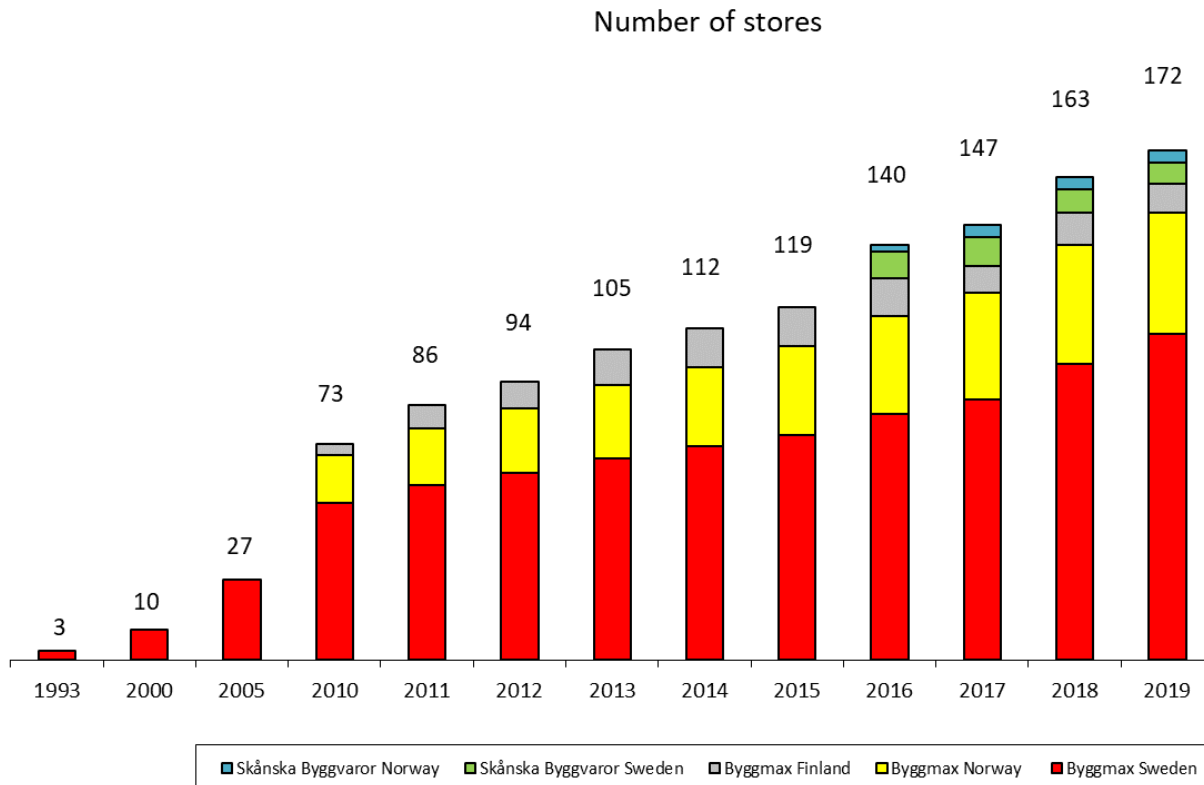


# 2019 – A YEAR IN THE RIGHT DIRECTION



- ✓ **Stronger customer metrics**  
Customer satisfaction and price perception reached very high levels
- ✓ **“Toolbox” with Bygghuset growth initiatives proven**  
Store 3.0, Garden department, e-commerce, small store format
- ✓ **Turned around Skånska Byggvaror**  
6 consecutive quarters of increased profits
- ✓ **Stronger e-commerce, 19% of Group sales**  
Upgraded platforms, increased assortment, improved delivery options
- ✓ **All-time high gross margin**  
Upgraded sales mix, gross margin +1%-p. vs previous historical high
- ✓ **Increased cost efficiency**  
Comparable costs decrease -5% in two years, flat in 2019 following big push in 2018
- ✓ **Operating profit +16% and return to dividend**  
EBITA excl. IFRS16 increased 16%, Board of Directors propose dividend in line with policy

# STORE OPENINGS



11 new stores opened 2019

- Of which 9 in Sweden, 2 in Norway
- Of which 5 small format and two with Garden departments

No stores opened during Q4

1 store closed, in Turku, Finland, and 1 Skånska Byggvaror showroom closed in Värmdö both during Q4 2019



# UPGRADING TO "STORE 3.0"

"Store 3.0" initiative to be more complete for smaller and bigger projects

- Selected new assortments in electrical installation, ventilation, grouting, and a small garden department
- More clear departments and better navigation
- Launched in two test stores autumn 2018

Converted 24 existing stores to 3.0 so far (and added to 6 new stores), of which 11 during Q4

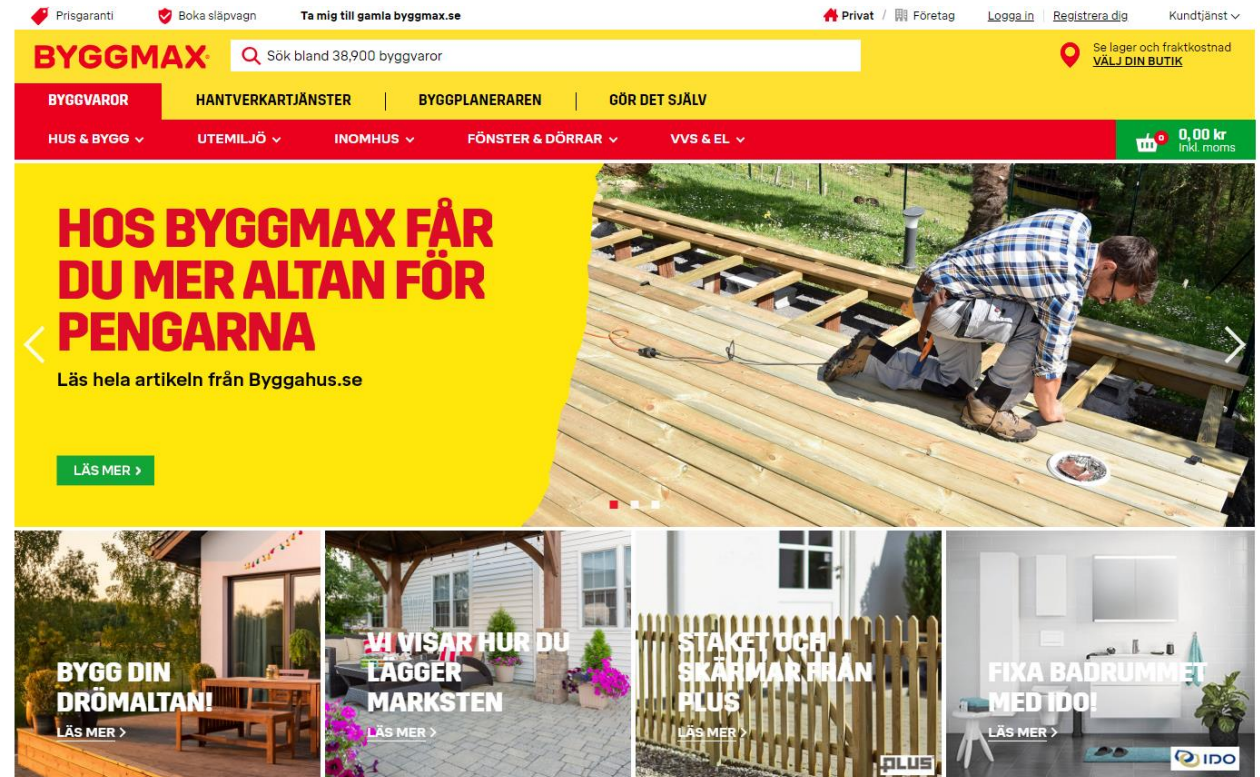
Store 3.0 continues to meet expectations of sales growth of ca 3 percent per store, and a quick return on investment



# CONTINUED TO STRENGTHEN OUR E-COMMERCE

Continued focus on upgrading e-commerce in 2019

- Added assortment
- New technical platform
- New site with improved customer experience
- Launched new delivery options, e.g., express, chose day, collect@store



# PROVEN OPTIONS TO DRIVE PROFITABLE BYGGMAX GROWTH



## Store expansion

- White space remains
- Format for smaller towns proven

Small format in 13 stores (Q4 2019)

## E-commerce

- Well positioned
- Complementary online exclusive assortment



# BYGGMAX®

161 stores and e-com in three countries



## Garden departments

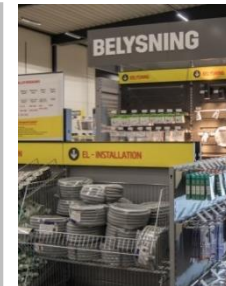
- Large complementary category
- No Nordic discounters exist

Garden departments in 21 stores or 13 percent of portfolio (Q4 2019)

## Store 3.0

- Additional assortment in selected categories
- Clear departments

Store 3.0 in 30 stores or 19 percent of portfolio (Q4 2019)



# SKÅNSKA BYGGVAROR'S POSITIVE TREND CONTINUED

Positive financial trend continued, as of Q4 2019  
profit improved for the sixth consecutive quarter

- EBITA Q4 2019 improved to SEK -4.6 M (-8.0)

Return to sales growth as of second half 2019

Executed transformation has significantly  
improved the business

- Improved efficiency
- Growth initiatives within core assortment,  
sales and marketing starting to give results





# FINANCIAL OVERVIEW

# RESULT DEVELOPMENT Q4

Mkr incl IFRS 16	Q4 2019	Q4 2018	Diff.%
Net Sales	949,9	998,6	-4,9
Growth comparable stores (%)	-8,7	-3,9	-4,8
Gross Margin (%)	33,3	31,3	2,0
EBITA adjusted	-5,7	-6,4	10,2
EBITA margin %, adjusted	-0,6	-0,6	0,0

Mkr excl IFRS 16	Q4 2019	Q4 2018	Diff.%
EBITDA adjusted	25,5	27,5	-7,4
EBITDA margin %, adjusted	2,7	2,8	-0,1

- Net sales in Q4 decreased by 4.9 percent YoY.
- Bygghmax segment sales decreased 5.6 percent
  - Sales decrease due to weather effect
  - Sales in comparable stores decreased 10.3 percent
  - New stores continue to perform well
- Sales for Skånska Byggvaror increased 1.9 percent
  - Slight increase in order intake
- Gross margin in Q4 increased 2.0 percentage points to 33.3 percent (31.3).
- Continued solid cost control
- EBITDA excl. IFRS 16 amounted to SEK 25.5 M (27.5)
- Adjusted EBITA stable -5.7 (-6.4). EBITA Q4 2019 was positively impacted by IFRS 16 effects of SEK +4.3 M.



# SALES DEVELOPMENT FY 2019

	Byggmax	Skånska Byggvaror	Total
Share of Byggmax Group sales 2019	90.3%	9.7%	100%
Sales development 2019 vs. 2018	<b>3,6%</b> LFL -2.7%   Non-LFL +6.3%   Currency 0.0%	<b>0.8%</b> LFL -2.3%   Non-LFL +5.6%   Currency 0.0%	<b>3.3%</b> LFL -2.3%   Non-LFL +5.6%   Currency 0.0%
	<ul style="list-style-type: none"> <li>– LFL in line with market development</li> <li>– New stores contribute well</li> </ul>	<ul style="list-style-type: none"> <li>– Continued growth</li> <li>– Order intake increased second half</li> </ul>	

# RESULT DEVELOPMENT FY 2019

Mkr incl IFRS 16	FY 2019	FY 2018	Diff. %
Net Sales	5 277,4	5 107,8	3,3
Growth comparable stores (%)	-2,3	-10,8	8,5
Gross Margin (%)	32,1	30,8	1,3
EBITA adjusted	269,7	217,8	23,8
EBITA margin %, adjusted	5,1	4,3	0,8
Profit after tax	141,8	137,6	3,1
Earnings per share	2,32	2,26	3,08

Mkr excl IFRS 16	FY 2019	FY 2018	Diff. %
EBITDA adjusted	390,5	346,2	12,8
EBITDA margin %, adjusted	7,4	6,8	0,6

- Net sales increased by 3.3 percent driven by the Byggmax segment full year 2019
- Gross margin increased 1.3pp to 32.1 percent (30.8).
- Continued strong focus on cost control. Almost the entire increase in cost YTD is attributed to new Byggmax stores, with comparable costs in line with last year.
- EBITA excluding non-recurring items increased SEK 51.9 M to SEK 269.7 M. EBITA 2019 was positively impacted by IFRS 16 effects of SEK +17.7 M.

- January-December 2018 is affected by non-recurring items totaling SEK 9.9 M linked to reversal of closure cost Finland (+6.2 M) and sale of Pavillon (+3.7 M).

# OPERATING EXPENSES

Personnel cost and other external expenses, SEK M excl. IFRS 16	Q4 2019	FY 2019
Actuals 2018	286,5	1 232,9
Cost affected by new stores	8,1	64,6
Costs excluding new stores and non-recurring items	3,9	8,6
Non-recurring items		4,8
Actuals 2019	298,4	1 310,9

## Q4 2019

- Majority of the cost increase continue to be attributable to new Byggmax stores
  - Total personnel costs and other external expenses increased SEK 12.0 M in the fourth quarter
  - Cost affected by new Byggmax stores accounted for a SEK 8.1 M increase
  - Comparable costs, i.e., costs excl. new stores and non-recurring items, increased SEK 3.9 M or 1.4 percent
- The efforts to increase our operational efficiency continues

## FY 2019

- FY 2019 almost the entire increase in cost is attributed to new Byggmax stores
- Comparable costs in line with last year, a slight increase of SEK 8.6 M or 0.7 percent

• Neither Q4 2018 nor Q4 2019 were affected by non-recurring items.  
 • January–December 2018 is affected by non-recurring items totaling SEK 4.8 M (other external expenses) linked to reversal of closure cost.

# PROFITABILITY PER SEGMENT Q4 AND 2019

## Byggmax

Mkr	Q4 2019	Q4 2018	Diff.%	2019	2018	Diff.%
Net Sales	858,4	908,8	-5,6	4 763,3	4 597,9	3,6
EBITDA, adjusted	29,1	33,5	-13,2	378,1	355,0	6,5
EBITA, adjusted	-3,8	3,1	-219,4	250,1	238,3	4,9
EBITDA margin %, adjusted	2,7	3,0	-0,3	6,6	6,3	0,3
EBITA margin %, adjusted	-0,4	0,3	-0,7	4,3	4,3	0,0

## Byggmax

- Sales decrease Q4 due to a negative weather effect
- Increased and strong gross margin Q4 and full year
- Costs increase mainly driven by new stores
- Adjusted EBITDA decreased by SEK 4.4 M to SEK 29.1 M (33.5).
- 2019 adjusted EBITDA amounted to SEK 378.1 M (355.0).

## Skånska Byggvaror

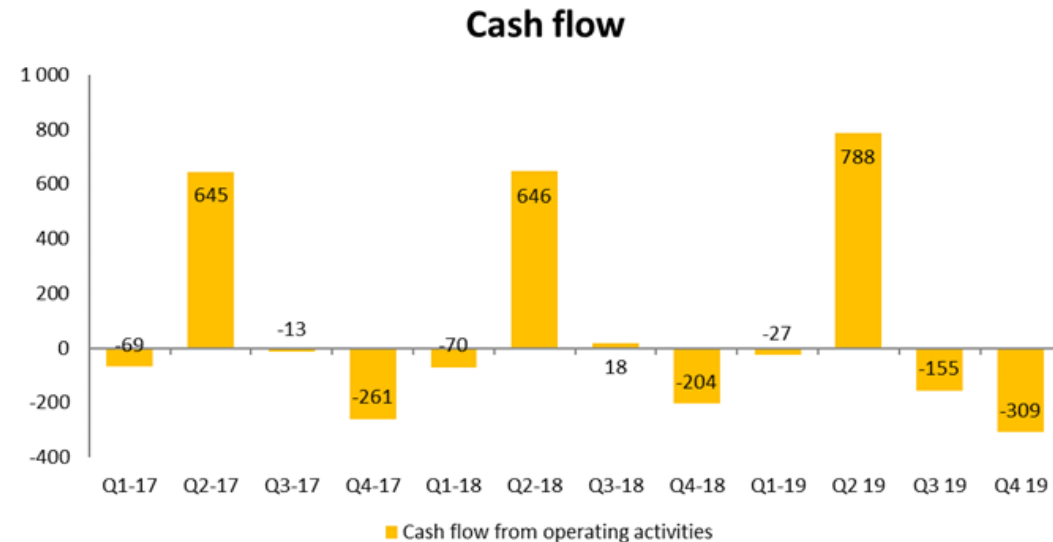
Mkr	Q4 2019	Q4 2018	Diff.%	2019	2018	Diff.%
Net Sales	91,5	89,8	1,9	514,1	509,9	0,8
EBITDA, adjusted	-2,1	-4,6	54,7	19,1	-0,2	8688,5
EBITA, adjusted	-4,6	-8,0	42,2	9,2	-16,1	157,0
EBITDA margin %, adjusted	-2,2	-5,0	2,8	3,6	0,0	3,6
EBITA margin %, adjusted	-4,9	-8,7	3,8	1,7	-3,1	4,8

## Skånska Byggvaror

- Positive financial trend continued
- Improved efficiency
- Adjusted EBITDA improved with SEK 2.5 M to SEK -2.1 M (-4.6).
- 2019 adjusted EBITDA amounted to SEK 19.1 M (-0.2).

# CASH FLOW

- Cash flow from operating activities amounted to SEK -309 M for the fourth quarter 2019. Excluding IFRS16 SEK -379 M compared to SEK -204 M for the corresponding period 2018. Movements are related to lower accounts payable
- Cash flow from operating activities 2019 affected by low accounts payable and increased inventories due to new stores



# IMPACT OF IFRS 16

## Impact of IFRS 16

<b>Profit &amp; Loss (SEK M)</b>	<b>2019 Q4</b>
SG&A	77,7
<b>Affecting EBITDA</b>	<b>77,7</b>
Depreciation	-73,3
<b>Affecting EBITA</b>	<b>4,3</b>
<i>Affecting EBITA margin</i>	<i>0,5%</i>
Net finance	-7,8
Tax	0,7
<b>Net income</b>	<b>-2,6</b>
<b>Balance Sheet (SEK M)</b>	<b>2019 Q4</b>
Tangible fixed assets	1 382,2
Current receivables	-18,0
<b>Affecting Total Assets</b>	<b>1 364,2</b>
Long term borrowing from credit institutions	1 029,0
Current borrowing from credit institutions	335,1
<b>Affecting Shareholders' Equity and Liabilities</b>	<b>1 364,1</b>

The IFRS 16 accounting standard was implemented January 1, 2019

This resulted in company's finance leases (primarily store leases) no longer being classified as operating expenses but will instead be recognized as asset depreciation and interest expenses on the lease liability.

2018 is not adjusted for IFRS 16

- Opening balance increased with SEK 1.4 bn in 2019
- P&L impacted, but total full year net effect on EBITA is small (0.3 p.p). Large impact between items, e.g., opex, depreciation and net interest
  - Total impact on Q4 EBITA was SEK +4.3 M, corresponding to positive effect on EBITA margin of 0.5 percent
- Negative impact on net income
  - Quarterly impact on net income in Q4 amounted to SEK -2.6 M
  - Net income is affected by interest due to a higher share of the lease liability at the beginning than at the end of the lease period
- No effect on net cash flow
  - Cash flow from operating activities is positively affected with SEK 69.9 M
  - Cash flow from financing activities negatively affected by the equivalent amount



# **OUTLOOK AND SUMMARY**

# MARKET OUTLOOK

Swedish “intent to renovate” low during 2019

Market decline in Q4 driven by negative weather effect

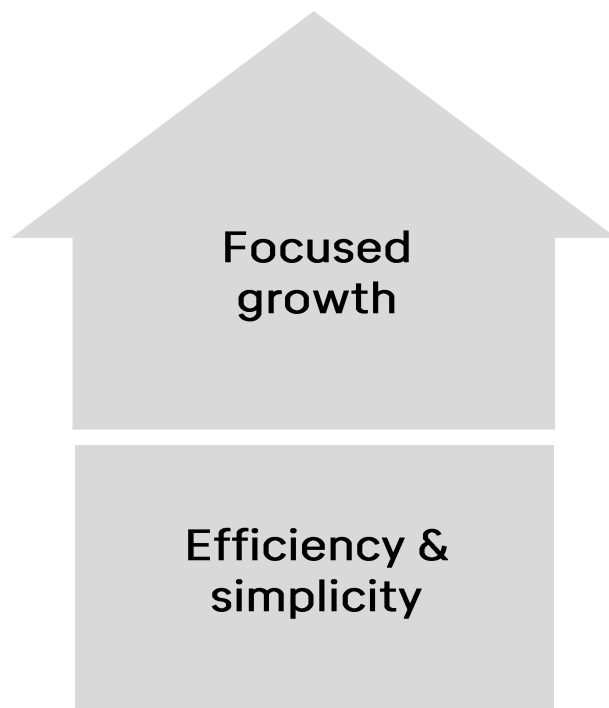
Increasing signs of house market recovery

- House transactions drive renovation demand
- Swedish house transactions flat first half of 2019, followed by increased during the second half

Timber raw material prices stabilizing, following decline during second half 2019



# OUR FOCUS 2020: CONTINUE PROFITABLE GROWTH



## Store upgrades

- Convert 30 Byggmax stores to 3.0
- Store 3.0 to ca 40% of portfolio by end 2020 (19%)
- Add 3-5 Garden departments

## E-commerce growth

- Continue increase assortment and improve customer experience

## Store expansion

- Add 10 new Byggmax stores, of which 5 small format

## Skånska Byggvaror build for growth

- Initiatives within core assortment and digital sales and marketing

## Further cost efficiency improvements

- Supported by new tools and technology

# SUMMARY

Stable Q4 profit despite early autumn

2019 a year in the right direction

Board of Directors propose dividend  
of SEK 1.16 per share



**BYGGMAX®**