

INTERIM REPORT

Q3 2019

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October 21, 2019

HIGHLIGHTS Q3

- Increased sales and profit in Q3
 - Net sales increased 5.9 percent
 - Strong gross margin and solid cost control
 - EBITA increased to SEK 220 M (186 M)*
 - YTD EBITA increased to SEK 275 M (224 M)
- Bygghmax increasingly well positioned, with more proven initiatives to drive profitable growth
- Skånska Bygghvaror increase profit for fifth consecutive quarter, now also return to growth



2 * Excluding effects of IFRS 16, EBITDA amounted to SEK 251 M (218 M). Neither Q3 2018 nor Q3 2019 were affected by non-recurring items. January-September 2018 positively affected by non-recurring items totaling +9.9 M, attributable to reversal of closure cost Finland (+6.2 M) and sale of Pavillon (+3.7 M).

SUMMARY Q3 2019

- Sales in Q3 increased 5.9 percent year-on-year (YoY)
 - Good growth in both Byggmax and Skånska Byggvaror
 - LFL sales increased 0.6 percent
- Gross margin increased 1.5pp. Earlier negative effect of timber prices reversed, complemented by further purchasing improvements and positive price/mix effect
- Cost control remained solid. Cost increase continues to be mainly attributable to new Byggmax stores
- EBITA increased to SEK 220.4 M (185.7), and EBITA margin increased to 12.2 (10.8) percent
- EBITDA excl. IFRS 16 increased to SEK 250.9 M (218.1)
- For the first nine months net sales increased 5.3 percent, and EBITA excl. non-rec. items increased to SEK 275.4 M (224.2)*

Mkr incl. IFRS 16	Q3 2019	Q3 2018	Diff.%	R12
Net Sales	1 813.1	1 712.7	5.9	5 326.1
Gross Margin (%)	32.2	30.7	1.5	31.7
EBITA adjusted	220.4	185.7	18.7	269.0
EBITA margin (%) adjusted	12.2	10.8	1.4	5.1
Mkr excl. IFRS 16	Q3 2019	Q3 2018	Diff.%	R12
EBITDA adjusted	250.9	218.1	15.0	392.5
EBITDA margin (%) adjusted	13.8	12.7	1.1	7.4
EBITA adjusted	215.7	185.7	16.2	255.8
EBITA margin (%) adjusted	11.9	10.8	1.1	4.8

* January – September 2018 positively affected by non-recurring items totaling +9.9 M, attributable to reversal of closure cost Finland (+6.2 M) and sale of Pavillon (+3.7 M).

MARKET DEVELOPMENT

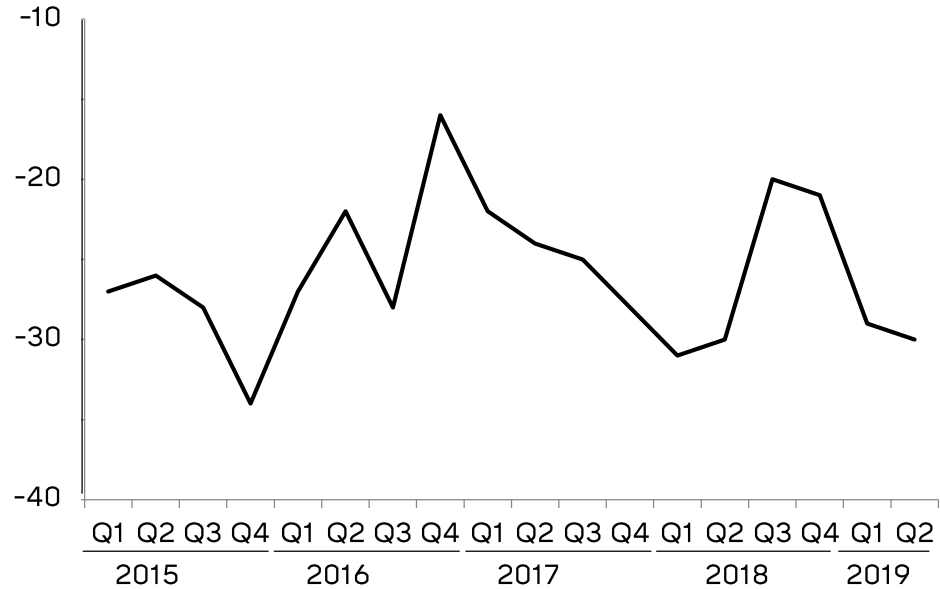


Nordic consumer market for building materials estimated to be flat or somewhat decreased (0 to -2 percent) in Q3

- Still a cautious market
- Clear positive weather effect compared to last year's hot summer
- Continued negative development in consumer intent to renovate and still negative trend in Swedish housing market*
 - Swedish household's intent to renovate declined further in the second quarter, following clear decline in the first quarter
 - Despite early signs of an improved Swedish housing market, the decline in number of detached houses sold continued also in both the first and second quarter

MARKET DEVELOPMENT, CONT.

Intent to renovate, Sweden
Index



House transactions, Sweden

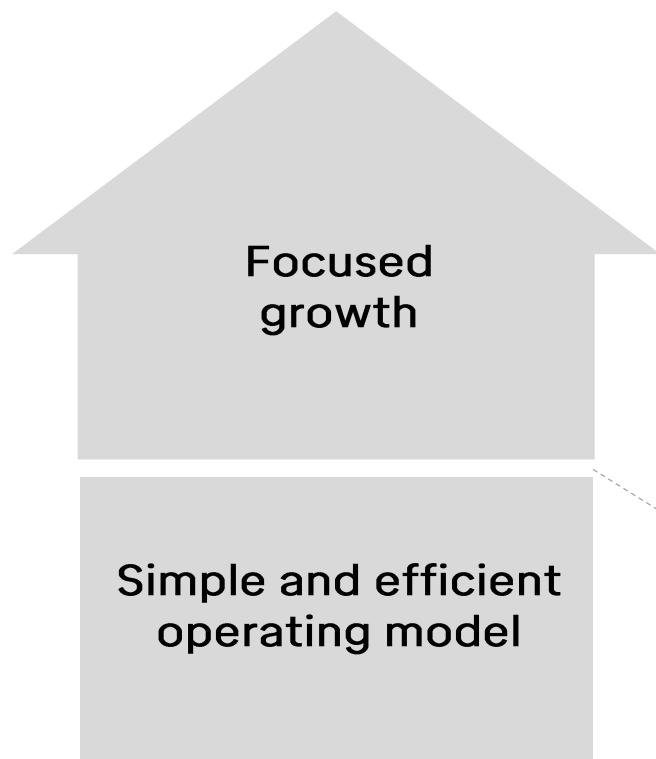
Thousands, rolling twelve months, detached houses (houses for permanent living + houses for seasonal use)



SALES DEVELOPMENT Q3

	Byggmax	Skånska Byggvaror	Other	Total		
Share of Byggmax Group sales Q3 2019	89.5%	9.1%	1.4%	100%		
Sales development Q3 2019 vs. Q3 2018	+6.1%	8.8%	-19.4%	+5.9%		
	LFL 0.0%	Non-LFL +6.0%	Currency 0.0%	LFL +0.6%	Non-LFL +5.2%	Currency 0.0%
	<ul style="list-style-type: none">- LFL somewhat above market- New stores contribute well- Byggmax continues to take market share	<ul style="list-style-type: none">- Return to growth, following a flat Q2 (+0.4%)- Order intake increased, driven by growth in core categories	<ul style="list-style-type: none">- Sales increase driven by good growth in both Byggmax and Skånska Byggvaror			

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

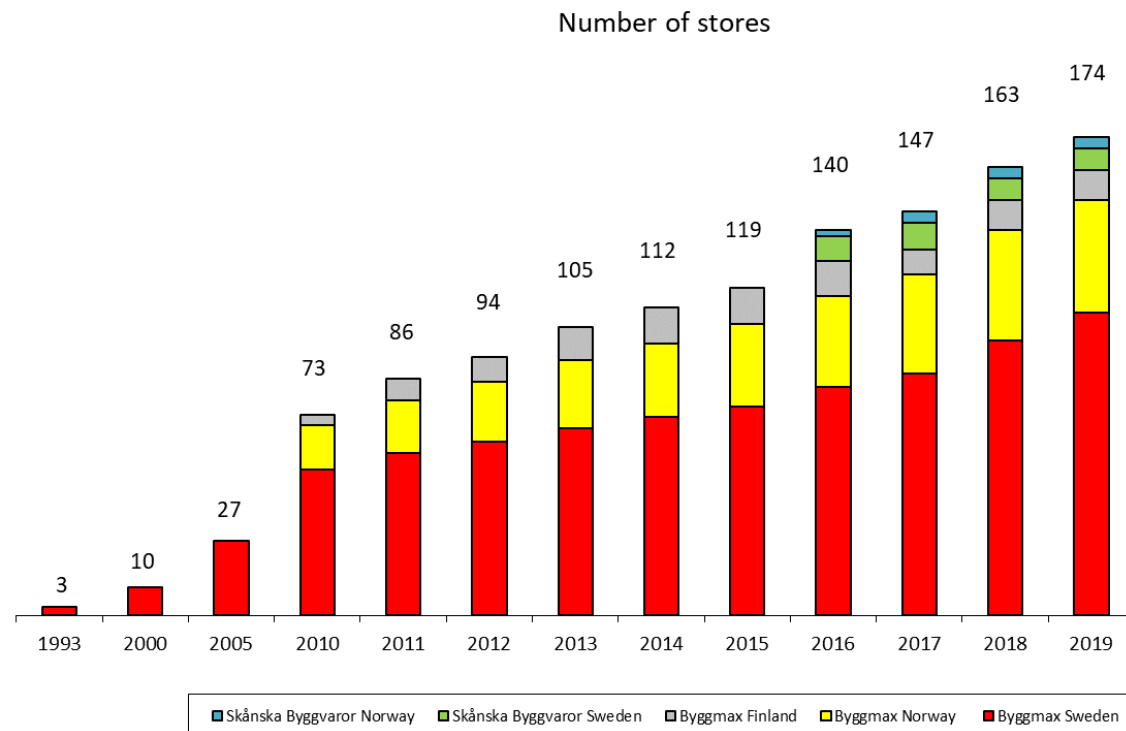
E-commerce growth

- Expand assortment
- More delivery options

Continue Finland turn-around

Continuous cost trimming and process simplification

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

3 stores opened in Q3

- Lund (with garden department), Sweden
- Kumla, Sweden
- Slemmestad (Oslo), Norway

UPGRADING TO "STORE 3.0"

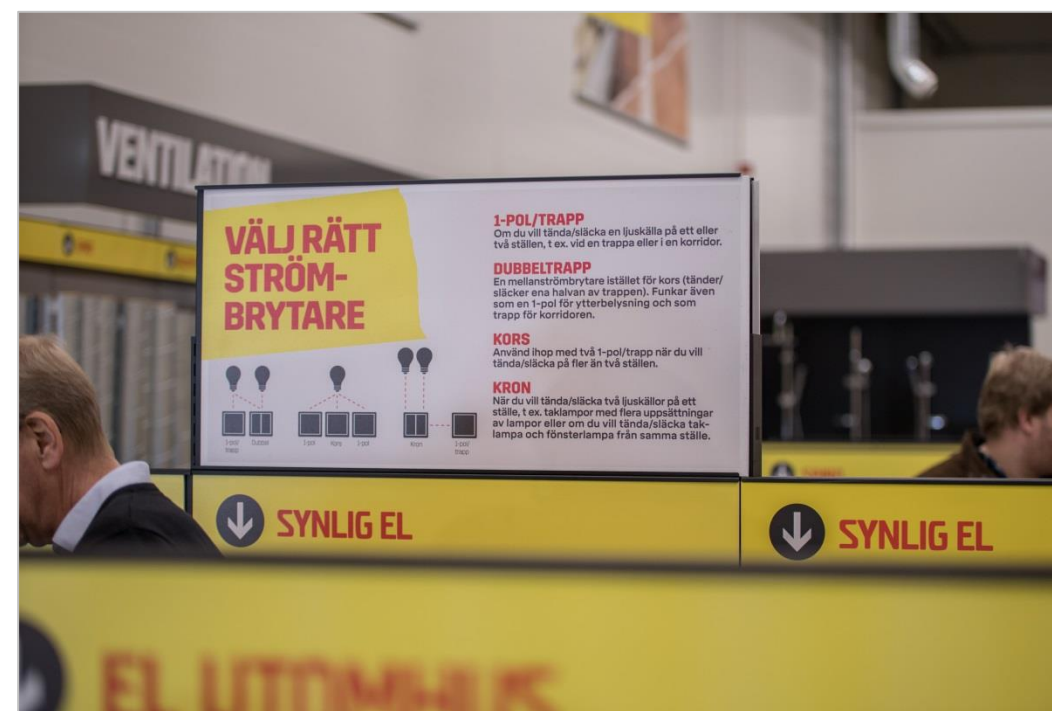
Tested "Store 3.0" in two stores during autumn 2018

Goal 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

Converted 13 existing stores to 3.0 so far (and added to 6 new stores)

Following peak season and Q3 2019, conclusion that Store 3.0 meets expectations of sales growth of ca 3 percent per store, and a quick return on investment



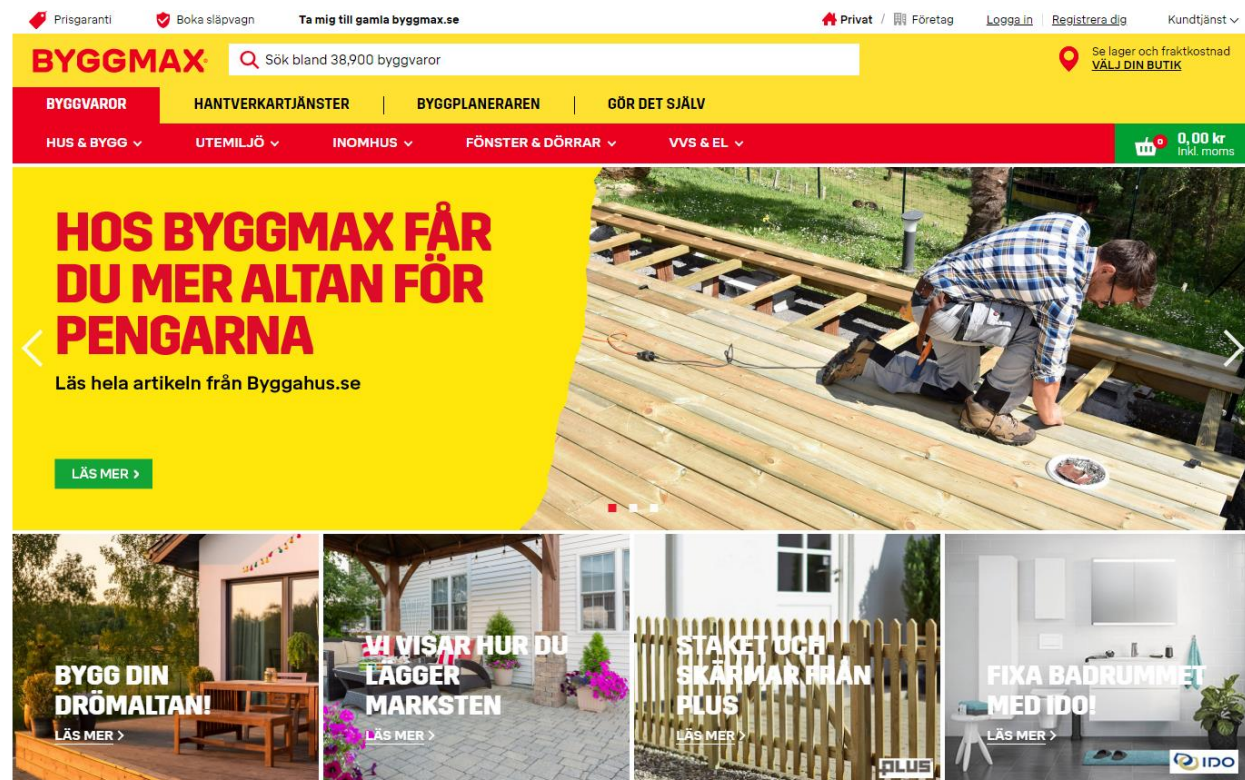
CONTINUED TO STRENGTHEN OUR E-COMMERCE

Continued to add assortment and improve the customer experience on our site

Continued to improve our delivery options during 2019

- Launched collect@store in Sweden, Norway, Finland
- Launched new home delivery options in Sweden: Evening and Express

Online sales increased during Q3 2019



MAINTAINING OUR STRONG PRICE POSITION



20M² PLATTING TEST

NORGES BILLIGSTE PLATTING

Produkt	Antal	Byggmax		Coop		Montér		Bauhaus		Maxbo		Byggmakker	
		Ski		Nygårdskryssset		Vestby		Vestby		Vestby		Askim	
22x95 imp	255 lm	9,85	2511,75	10,9	2779,5	11,9	3034,5	10,9	2779,5	11,9	3034,5	12,9	3289,5
48x198 imp	54 lm	34,85	1881,9	34,85	1881,9	44,9	2424,6	34,9	1884,6	43,9	2370,6	43,9	2370,6
Trallskruv C4 55mm	700 stk	59,95	167,86	49	171,5	59,9	209,65	109	381,5	69	241,5	129	361,2
Bjelkesko 48x136	22 stk	14,89	327,58	39	858	19,9	437,8	49,9	1097,8	22,9	503,8	14,9	327,8
Ankarskrub 4x40 C4	88 stk	129	56,76	249	87,648	249	87,648	189	66,528	229	80,608	189	66,528
Totalt		4 945,85		5 778,55		6 194,19		6 209,93		6 231,01		6 415,63	

+17%

+25%

+26%

+26%

+29%

SVERIGES BILLIGASTE ALTAN INKLUSIVE HEMLEVERANS

Den helt oberoende prisjämförelsetjänsten Buildflow har för fjärde året jämfört kostnader för att hyra ett altanprojekt. Byggmax stod som vinnare när de räknade ihop byggmaterial och frakt – hela 852 kr billigare än den dyreste aktören i undersökningen.

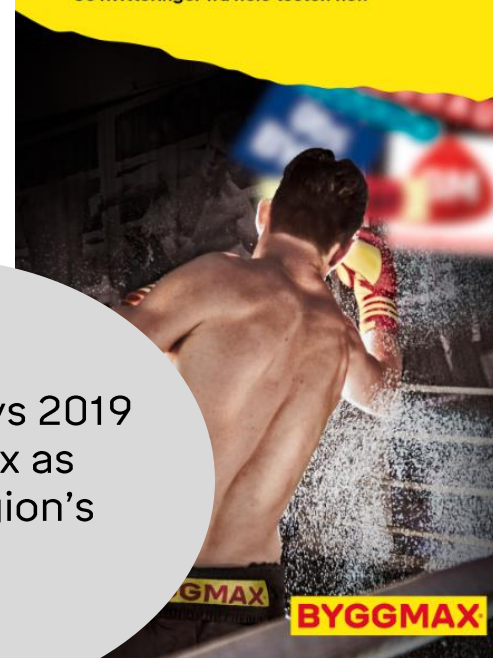
Det är pengar vi tycker att du kan göra något roligare för: ta köpa 426 mjuka bilar. Eller 710 fikabröd, om du hellre vill det.



BYGGMAX

KNOCKOUT! BEST PÅ PRIS

Norges billigste plattung finner du hos Byggmax 17% billigere enn nærmeste konkurrent. Se kvitteringer fra hele testen her.



Several surveys 2019 show Byggmax as the Nordic region's price leader

MORE PROVEN OPTIONS TO CONTINUE DRIVE PROFITABLE GROWTH



Store expansion

- White space remains
- Format for smaller towns proven

Small format in 13 stores (Q3 2019)

E-commerce

- Well positioned
- Complementary online exclusive assortment



BYGGMAX®

162 stores and e-com in three countries



Garden departments

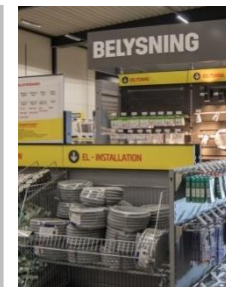
- Large complementary category
- No Nordic discounters exist

Garden departments in 21 stores or 13 percent of portfolio (Q3 2019)

Store 3.0

- Additional assortment in selected categories
- Clear departments

Store 3.0 in 19 stores or 12 percent of portfolio (Q3 2019)



SKÅNSKA BYGGVAROR: CONTINUED IMPROVED PROFITABILITY

Executed transformation has significantly improved the business

Profit in Q3 improved for the fifth consecutive quarter, now also return to growth

- EBITA increased to SEK 19.0 M (15.9)
- Sales increased 8.8 percent
- Order intake increased in the quarter, driven by core categories

Focus remains on building for profitable growth through

- Growth initiatives within core assortment, sales and marketing
- Continue improve efficiency



NEW CFO APPOINTED

Byggmax Group has appointed Helena Nathhorst as new CFO (information released Jul 17, 2019)

Helena Nathhorst is today CFO for Addnode Group

Earlier experience include CFO for Teracom Group, and a long career with KPMG where she has worked with audits and later also M&A advisory

Helena Nathhorst will assume the position latest January 15, 2020



FINANCIAL OVERVIEW

INTRODUCTION OF IFRS 16

The IFRS 16 accounting standard was implemented January 1, 2019.

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

This has several implications on Byggmax Group's Profit and Loss and Balance Sheet

IMPACT OF IFRS 16

Main impact of IFRS 16 on Byggmax Group's financials:

- Balance sheet increased with SEK 1.40 bn in Q3.
- Several items in P&L impacted, but total net effect on EBITA is small and estimated to ca +0.3%-points on full-year EBITA margin
 - Large impact between items, e.g., SG&A and Depreciation
 - Total impact on Q3 EBITA was SEK +4.7 M, corresponding to positive effect on EBITA margin of 0.3 percent
 - With Byggmax Group's sales pattern, annual estimated impact on full year EBITA margin is ca 0.3 percent
- Negative impact on net income
 - Quarterly impact on net income in Q3 amounted to SEK -2.6 M
 - Net income is affected by interest as this is a higher share of the lease liability at the beginning than at the end of the lease period
 - Estimated negative annual impact: SEK 10-12 M
- No effect on net cash flow
 - Cash flow from operating activities is positively affected with SEK 69.5 M
 - Cash flow from financing activities negatively affected by the equivalent amount.

Impact of IFRS 16

Profit & Loss (SEK M)	2019 Q3
SG&A	77.5
Affecting EBITDA	77.5
Depreciation	-72.8
Affecting EBITA	4.7
<i>Affecting EBITA margin</i>	<i>0.3%</i>
Net finance	-8.0
Tax	0.7
Net income	-2.6

Balance Sheet (SEK M)	2019 Q3
Tangible fixed assets	1 416.8
Current receivables	-18.0
Affecting Total Assets	1 398.7
Long term borrowing from credit institutions	1 061.4
Current borrowing from credit institutions	337.4
Affecting Shareholders' Equity and Liabilities	1 398.7

- Current receivables decrease as prepaid leases are re-classified as fixed assets.

RESULT DEVELOPMENT Q3

Mkr incl IFRS 16	Q3 2019	Q3 2018	Diff. %	R12
Net Sales	1 813.1	1 712.7	5.9	5 326.1
Growth comparable stores (%)	0.6	-12.6	13.2	N/A
Gross Margin (%)	32.2	30.7	1.5	31.7
EBITA adjusted	220.4	185.7	18.7	269.0
EBITA margin %, adjusted	12.2	10.8	1.4	5.1
Profit after tax	155.7	133.7	16.4	147.0
Earnings per share	2.6	2.2	16.4	2.4

Mkr excl IFRS 16	Q3 2019	Q3 2018	Diff. %	R12
EBITDA adjusted	250.9	218.1	15.0	392.5
EBITDA margin %, adjusted	13.8	12.7	1.1	7.4
EBITA, adjusted	215.7	185.7	16.2	255.8
EBITA margin %, adjusted	11.9	10.8	1.1	4.8
Profit after tax	158.3	133.7	18.4	155.3

- Net sales in Q3 increased by 5.9 percent YoY
- Gross margin in Q3 increased 1.5 percentage points to 32.2 percent (30.7)
- Continued solid cost control, cost increase in the quarter largely explained by costs attributable to new Bygghuset stores.
- Adjusted EBITA increased SEK 34.7 M compared to the same period last year and amounted to SEK 220.4 M (185.7). EBITA Q3 2019 was positively impacted by IFRS 16 effects of SEK +4.7 M.

• Neither Q3 2018 nor Q3 2019 were affected by non-recurring items.

RESULT DEVELOPMENT YTD

Mkr incl IFRS 16	YTD 2019	YTD 2018	Diff. %
Net Sales	4 327.5	4 109.1	5.3
Growth comparable stores (%)	-0.2	-12.0	11.8
Gross Margin (%)	31.8	30.7	1.1
EBITA adjusted	275.4	224.2	22.8
EBITA margin %, adjusted	6.4	5.5	0.9
Profit after tax	161.4	152.0	6.2
Earnings per share	2.6	2.5	6.2

Mkr excl IFRS 16	YTD 2019	YTD 2018	Diff. %
EBITDA adjusted	365.0	318.7	14.5
EBITDA margin %, adjusted	8.4	7.8	0.7
EBITA, adjusted	262.2	224.2	16.9
EBITA margin %, adjusted	6.1	5.5	0.6
Profit after tax	169.7	152.0	11.6

- Net sales YTD increased by 5.3 percent YoY.
- Gross margin for the first nine months increased 1.1pp to 31.8 percent (30.7).
- Continued strong focus on cost control. Almost the entire increase in cost YTD is attributed to new Bygghuset stores, with comparable costs in line with last year.
- EBITA excluding non-recurring items increased SEK 51.2 M to SEK 275.4 M for the first nine months (224.2). EBITA 2019 was positively impacted by IFRS 16 effects of SEK +13.2 M.

• January-September 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).

SALES DEVELOPMENT

- Sales in Q3 increased by 5.9 percent YoY
- Byggmax segment sales increased 6.1 percent
 - Sales growth driven by new stores that perform well. Non-comparable stores drive 6.0 percent growth for the Byggmax segment
 - Sales in comparable stores remained flat
- Sales for Skånska Byggvaror increased 8.8 percent
 - Order intake also increased in Q3 driven by growth in core categories
- Sales for the first nine months increased 5.3 percent, driven by the Byggmax segment that increased 6.6 percent.

Net sales increase of 5.9 percent for the Group was divided according to the following:	Q3 2019 %	Q3 2018 %
Comparable stores, local currency	0.6	-12.6
Non-comparable stores and Other	5.2	5.7
Currency effect	0.0	1.4
Total	5.9	-5.5

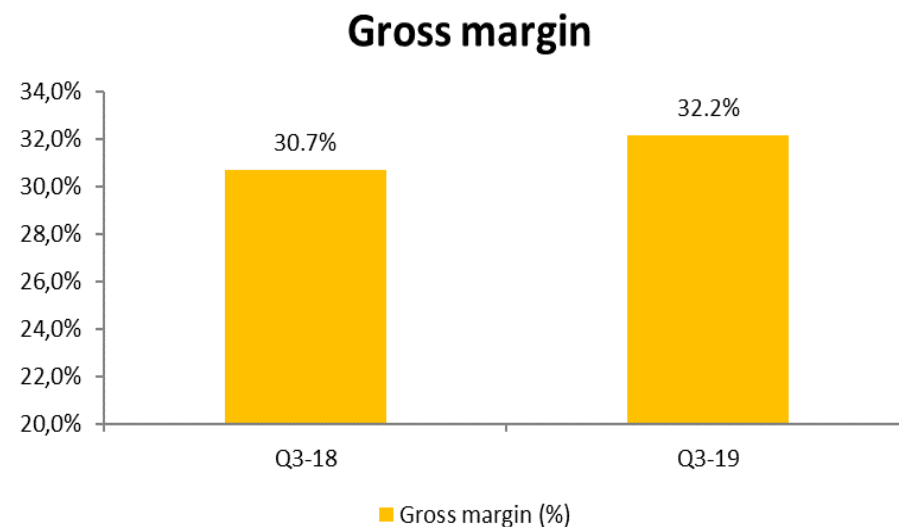
Net sales increase of 6.1 percent for the Byggmax segment was divided according to the following:	Q3 2019 %	Q3 2018 %
Comparable stores, local currency	0.0	-8.7
Non-comparable stores and Other	6.0	5.5
Currency effect	0.0	1.6
Total	6.1	-1.6

GROSS MARGIN

Gross margin was 32.2 percent (30.7) in the third quarter, an increase of 1.5 pp compared to the same period last year

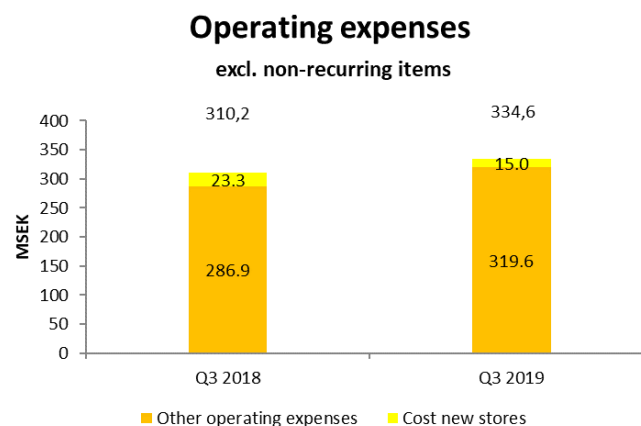
- The negative effect of timber prices that impacted last year's quarter has been reversed in Q3 2019
- The gross margin was further strengthened by continued purchasing improvements and favorable price/mix effects
- Exchange rate development impacted gross margin negatively
- Gross margin improved for both Bygghmax and Skånska Bygghvaror

YTD gross margin amounted to 31.8 percent compared to 30.7 percent last year, an increase of 1.1 percent



OPERATING EXPENSES

- Majority of the cost increase continue to be attributable to new Byggmax stores
 - Total personnel costs and other external expenses increased SEK 24.4 M in the third quarter
 - Cost affected by new Byggmax stores accounted for a SEK 15.0 M increase
 - Comparable costs, i.e., costs excl. new stores and non-recurring items, increased SEK 9.4 M
- The efforts to increase our operational efficiency continues
- YTD almost the entire increase in cost is attributed to new Byggmax stores, with comparable costs in line with last year (comparable costs increased SEK 4.7 M or 0.5 percent)



Personnel cost and other external expenses, SEK M excl. IFRS 16	Excl. one-off items 2019
Actuals Q3 2018	310.2
Cost affected by new stores	15.0
Costs excluding new stores and non-recurring items	9.4
Non-recurring items	
Actuals Q3 2019	334.6

- Neither Q3 2018 nor Q3 2019 were affected by non-recurring items.
- January-September 2018 is affected by non-recurring items totaling SEK 4.8 M linked to reversal of closure cost.

PROFITABILITY PER SEGMENT

Mkr incl IFRS 16		Q3 2019	Q3 2018	Diff. %	R12
EBITA, adjusted	Byggmax	208.9	175.3	19.2	267.9
	Skånska Byggvaror	19.0	15.9	19.4	6.1
	Other	-7.5	-5.5	-37.3	-4.9
	Group	220.3	185.7	18.7	269.1
EBITA margin %, adjusted	Byggmax	12.9	11.4	1.5	5.7
	Skånska Byggvaror	10.9	9.8	1.1	1.2
	Other	-2.5	-1.9	-0.6	-0.4
	Group	12.2	10.8	1.4	5.1

Byggmax

- Good sales growth driven by new stores
- Increased and strong gross margin
- Costs increase mainly driven by new stores
- New stores impacted EBITA positively by circa SEK 4 M.
- Adjusted EBITA increased by SEK 33.6 M to SEK 208.9 M (175.3).
- YTD adjusted EBITA amounted to SEK 271.3 M (236.8).

Skånska Byggvaror

- Profitability increased YoY for the fifth consecutive quarter, now also return to sales growth.
- Adjusted EBITA improved with SEK 3.1 M to SEK 19.0 M (15.9).
- YTD adjusted EBITA amounted to SEK 14.1 M (-3.5).

Other

- EBITA largely in line with last year, negative development driven by negative currency impact in the fully owned distribution company, included in the 'Other' segment.
- Q3 adjusted EBITA was SEK -7.5 M (-5.5).
- YTD adjusted EBITA amounted to SEK -10.1 M (-9.1).

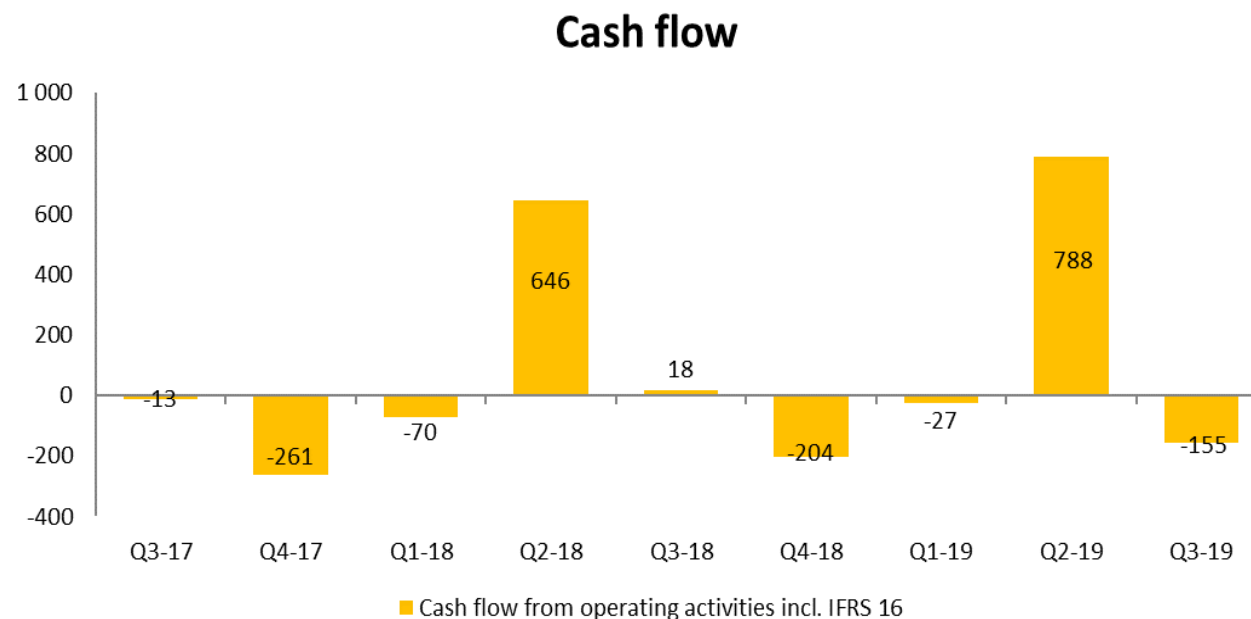
NET FINANCIAL ITEMS

- Negative development of SEK 2.9 M in net financial items YoY. Excluding the effects of IFRS 16, net financial items in the third quarter increased by +5.1 M.
- Net financial items for the quarter were positively impacted by exchange-rate effects of SEK +0.6 M.
- YTD net financial items were SEK 21.5 M lower than the previous year. Excluding the effects of IFRS 16, the first nine months however generated a positive development in net financial items of SEK 2.3 M.

Mkr incl. IFRS 16	Q3 2019	Q3 2018	Diff. %	R12
Net financial items	-10.2	-7.3	-39.3	-47.5

CASH FLOW

- Cash flow from operating activities amounted to SEK -155.4 M.
- Excluding the impact of IFRS 16, cash flow from operating activities decreased by SEK 243.3 M in Q3 compared to the same period last year.
- The Q3 YoY decrease was mostly related to a reduction of account payables. An increased share of accounts payables have been prepaid compared to the same period last year.
- Impact on cash flow may vary between quarters due to varying sales and purchasing patterns.



Effect of IFRS 16 on cash flow from operating activities: EBITA SEK -4.7 M, depreciation SEK -72.8 M, interest SEK +8.0 M.

OUTLOOK AND SUMMARY

OUTLOOK

- Still a cautious market in Q3 2019
- Market grew last autumn supported by mild weather, and for Q4 we expect negative development compared to last year
- Factors suggest more positive trend possible medium and long term
 - In the medium term, a stronger housing market would benefit the renovation market
 - Longer term, renovation needs are substantial for many years
- Timber raw material prices flat or declining



SUMMARY

Increased sales and profit

Bygghmax increasingly well positioned,
with more proven initiatives

Skånska Byggvaror increase profit
for fifth consecutive quarter



BYGGMAX®