

INTERIM REPORT Q2 2018

July 16, 2018
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BYGG max®

HIGHLIGHTS

- High pace in implementing strategic initiatives, incl. eleven new Byggmax stores, >20 percent growth in Byggmax online exclusive categories, and transformation of Skånska Byggvaror executed according to plan
- Positive outcome and conclusion that both the small format for smaller towns and the garden concept will be part of Byggmax' future offer
- Challenging external factors, as season start delayed until end of April and raw material prices for timber increased significantly
- Net sales decreased 2.5 percent and EBITDA decreased to SEK 168 M (210)



SUMMARY Q2 2018

- Net sales in the second quarter decreased by 2.5 percent compared to the same quarter last year. April sales heavily affected by the late season start.
- Gross margin in the second quarter was 30.2 percent, a decrease of 0.4pp compared to last year (30.6). The gross margin was negatively affected by significantly higher raw material prices for timber
- Continued strong cost control in the quarter
- Mainly driven by the lower sales, EBITDA for the Group decreased to SEK 168.0 M (210.2), a decrease of SEK 42.2 M

Mkr	Q2 2018	Q2 2017	Diff.%	R12
Net Sales	1,731.2	1,775.8	-2.5	5,159.4
Gross Margin (%)	30.2	30.6	-0.4	31.1
EBITDA	168.0	210.2	-20.1	368.6
EBITDA adjusted	166.8	210.2	-20.7	388.6
EBITDA margin (%)	9.7	11.8	-2.1	7.1
EBITDA margin (%) adjusted	9.6	11.8	-2.2	7.5

- EBITDA and EBITDA margin Q2 2018 are affected by one-off items totaling SEK + 1.2 M, linked to the reversal of closure cost Finland.
- EBITDA and EBITDA margin R12 are affected by one-off items totaling SEK -37.1M, linked to the closure cost Finland (-24.7 M), sale of Pavillon (+3.7 M), earn-out for Buildor AB (+33.4 M) and restructuring cost of Skånska Byggarvar (-32.3 M).

BYGGMAX

- Sales in the second quarter increased 0.8 percent vs. the same quarter last year. Following the cold April, sales increased in May and June
- Improvements in purchasing, mix and pricing continue to impact gross margin positively. Total gross margin decreased, affected by significantly higher raw material prices for timber
- Cost control is core to Byggmax business, and costs for comparable stores decreased also in this quarter
- EBITDA in the second quarter was SEK 151.8 M (176.0), decrease of SEK 24.2 M, and EBITDA margin was 10.2 percent (11.9)

Mkr	Q2 2018	Q2 2017	R12
Net Sales	1,488.6	1,477.1	4,427.3
EBITDA	151.8	176.0	382.8
EBITDA, adjusted	150.6	176.0	407.5
EBITDA margin %	10.2	11.9	8.6
EBITDA margin %, adjusted	10.1	11.9	9.2

STRATEGIC INITIATIVES FOR BYGGMAX SEGMENT ON TRACK

Focus for 2018 is increasingly on building for profitable growth

Twelve new stores opened this year so far

- Target to double expansion pace to 20 stores
- Twelve new stores opened so far this year (eleven in Q2, six in June)
- Contribute significantly to sales growth by end of quarter
- Positive outcome of smaller format for smaller towns

Garden concept launched in ten stores

- Ten Garden departments opened so far this year (three in Q2)
- Positive outcome and part of future offer
- Two more planned for opening 2018

Online exclusive categories grew > 20 percent in Q2



STORE OPENINGS

The following stores were opened during the second quarter 2018:

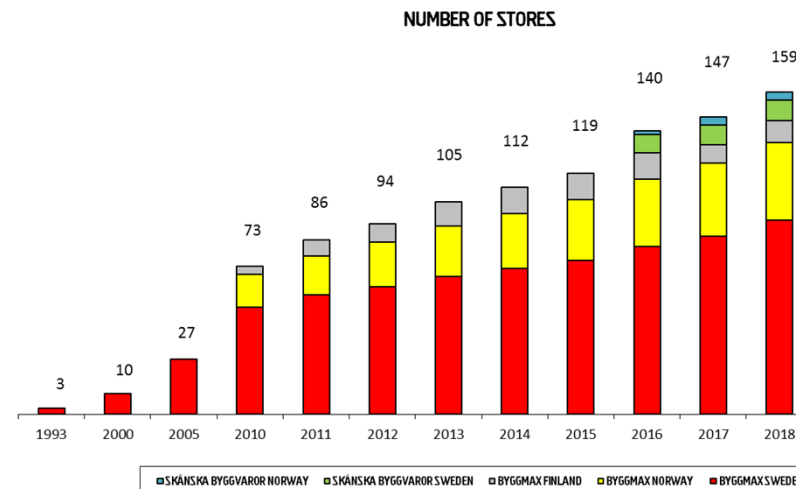
- Sweden
 - Byggmax Hällefors
 - Byggmax Ljusdal
 - Byggmax Oskarshamn
 - Byggmax Sala
 - Byggmax Sollefteå
 - Byggmax Sölvesborg
 - Byggmax Tranås
 - Byggmax Vallentuna
- Norway
 - Byggmax Karihaugveien, Oslo
 - Byggmax Karmøy
- Finland
 - Byggmax Karleby

Falkenberg, Sweden moved to new location and three garden departments opened, in total ten new opened in 2018.

The following stores have been publicly announced and will be opened in 2018: Malung, Södertälje, Ronneby, Sweden. Motala, Sweden will be moved to a new location.

The target to open 20 new stores in 2018 remains.

	Sweden	Norway	Finland	Skånska Byggvaror
New stores Q2 2018	8	2	1	0
Planned openings Q3 2018	3	0	0	0
New stores in 2018	8	2	2	0



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

Six small format stores opened so far (four this year)

Positive financial effects and can now conclude that small format will be part of future offer

Roll out plan developed autumn 2018



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 and twelve garden departments opened so far (ten this year)

Positive financial effects and can now conclude that garden concept will be part of future offer

Roll out plan developed autumn 2018



SKÅNSKA BYGGVAROR

- Sales decreased by 22.5 percent in the second quarter. Sales was negatively affected by the shift towards “Garden Living” and choice to reduce unprofitable sales, but also impacted by the long winter
- The gross margin increased year-on-year, driven by the shift to more profitable core products, mix effects, and price/promotions management
- EBITDA in the second quarter decreased to SEK 10.4 M (31.2), a decrease of SEK 20.8 M

Mkr	Q2 2018	Q2 2017	R12
Net Sales	201.3	259.8	613.1
EBITDA	10.4	31.2	-40.8
EBITDA, adjusted	10.4	31.2	-12.1
EBITDA margin %	5.1	11.7	-6.5
EBITDA margin %, adjusted	5.1	11.7	-1.9

- EBITDA and EBITDA margin R12 are affected by one-off items totaling SEK -45.7 M, linked to the sale of Pavillon (+3.7 M) and restructuring cost of Skånska Byggsvaror (-32.3 M).

TRANSFORMATION EXECUTED ACCORDING TO PLAN

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

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

- Choice to reduce unprofitable sales
- Gross margins returned to historically high levels
- Previously decided restructure decrease costs starting in the second quarter

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



MARKET DEVELOPMENT

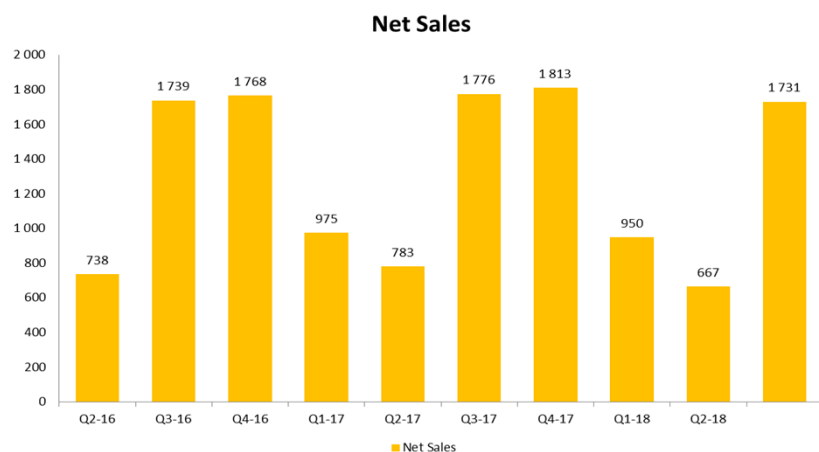


Nordic consumer market estimated to have decreased 2-4 percent in the second quarter, primarily due to the late season start

- Consumer market decreased in April due to the long winter, followed by recovery in May-June
- Market also softened by more passive consumer behavior, likely affected by uncertainty regarding future economic development
- More positive development in Finland

FINANCIAL OVERVIEW

RESULT DEVELOPMENT



- Byggmax Group's sales decreased 2.5 percent in the quarter and profitability measured as EBITDA decreased to SEK 168 M (210).
- The quarter was affected by challenging external factors. Sales in April was significantly negatively affected by the late season start, and raw material prices for timber has increased substantially during spring which affected gross margin negatively.

Mkr	Q2 2018	Q2 2017	Diff.%	R12
Net Sales	1,731.2	1,775.8	-2.5	5,159.4
Growth comparable stores (%)	-5.9	-0.3	-5.6	N/A
Gross Margin (%)	30.2	30.6	-0.4	31.1
EBITDA, adjusted	166.8	210.2	-20.7	388.6
EBITDA margin (%), adjusted	9.6	11.8	-2.2	7.5
EBIT, adjusted	125.4	171.8	-27.0	227.6
EBIT margin (%), adjusted	7.2	9.7	-2.5	4.4
Profit after tax	96.7	132.6	-27.1	131.9
Earnings per share	1.6	2.2	-27.2	2.2

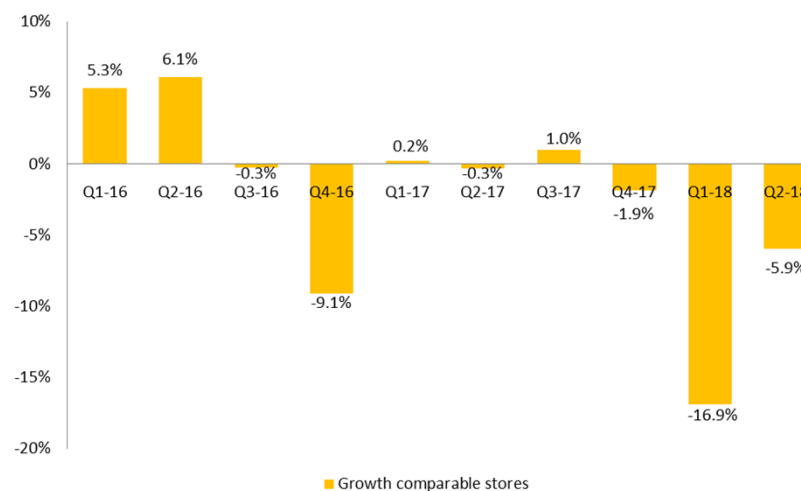
- EBITDA and EBITDA margin Q2 2018 are adjusted for one-off items totaling SEK + 1.2 M, linked to the reversal of closure cost Finland .
- EBITDA and EBITDA margin R12 are adjusted for one-off items totaling SEK -37.1M, linked to the closure cost Finland (-24.7 M), sale of Pavillon (+3.7 M), earn-out for Buildor AB (+33.4 M) and restructuring cost of Skånska Byggaror (-32.3 M). In addition EBIT is adjusted 17.1 M, linked to restructuring cost of Skånska Byggaror.

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SALES DEVELOPMENT

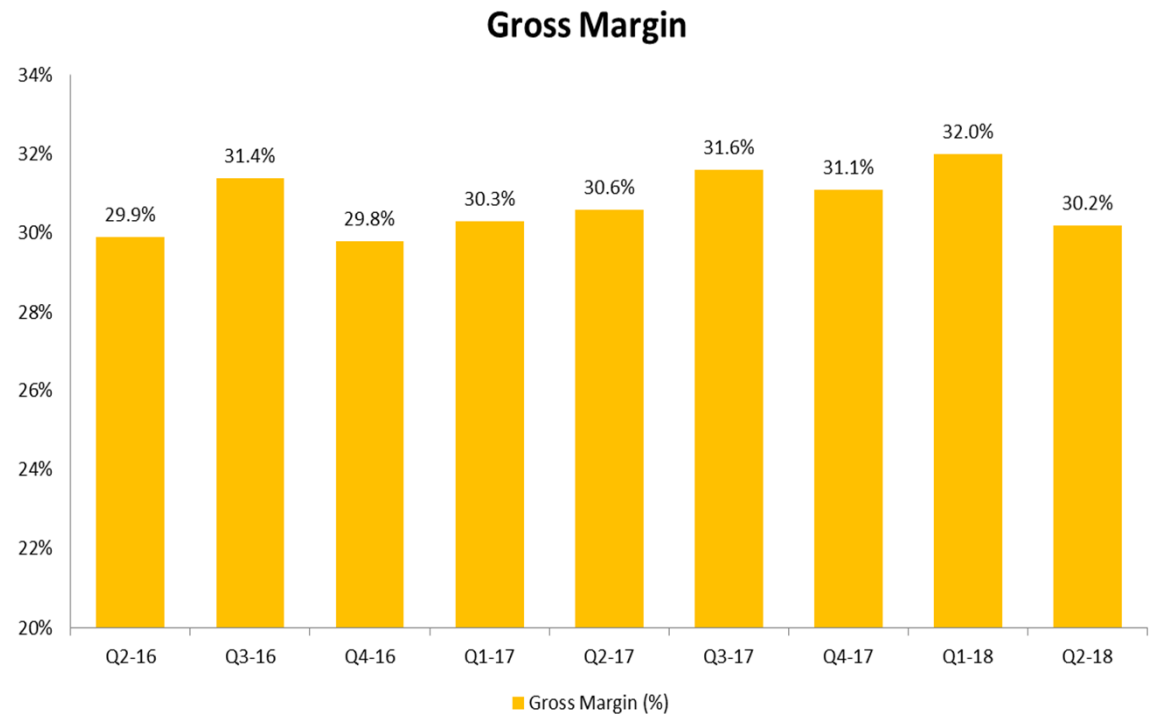
- Sales in the second quarter decreased by 2.5 percent year-on-year.
- Net sales for comparable stores was down 5.9 percent in local currency for the second quarter.
- Sales for the Byggmax segment increased 0.8 percent. The long winter delayed the season start for outdoor projects until the end of April. New stores mainly opened towards the end of the quarter, and therefore contribute to sales growth at an increasing pace. Sales was affected negatively by the closure of four Finnish stores.
- Sales for Skånska Byggvaror decreased 22.5 percent, negatively affected by the shift towards Garden Living and the choice to decrease unprofitable sales, but also the late season start.
- April saw the weakest sales, affected by the late season start.

Growth percent	Q2 2018	Q2 2017
Comparable stores, local currency	-5.9	-0.3
Non-comparable stores and Other	2.3	1.5
Currency effect	1.2	0.9
Total	-2.5	2.1



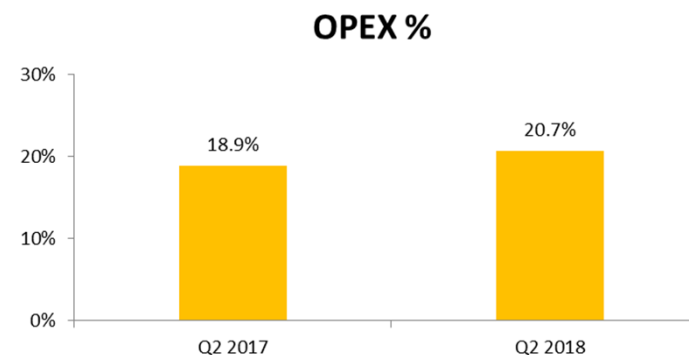
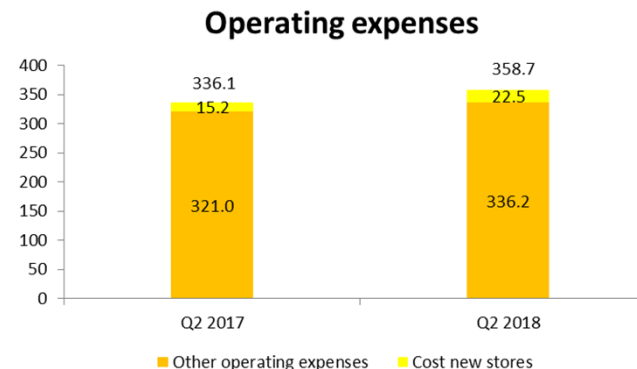
GROSS MARGIN

- The gross margin was 30.2 percent (30.6) in the second quarter, a decrease of 0.4 pp compared to the same quarter last year.
- The gross margin decreased slightly for Byggmax year-on-year, whereas the Skånska Byggvaror segment saw a gross margin improvement.
- The gross margin for the Byggmax segment was negatively affected by significantly higher raw material prices for timber. Historically higher raw material prices have been reflected in consumer prices, with some delay. Currency effects impacted the gross margin positively.
- The gross margin of Skånska Byggvaror was positively impacted by the shift to more profitable core products, mix effects, and improved price/promotions management.



OPERATING EXPENSES

- Personnel costs and other external expenses rose a total of SEK 22.3 M in the second quarter.
- The increase in operating expenses compared to the same period last year was driven by additional costs incurred by the opening of new stores after the second quarter of 2017. These amounted to SEK 22.5 M (15.2).
- The cost base was affected by expenses associated with the planned addition of garden departments and the rapid expansion pace of new stores.
- Cost share of sales increased during the quarter, mainly driven by negative sales development.



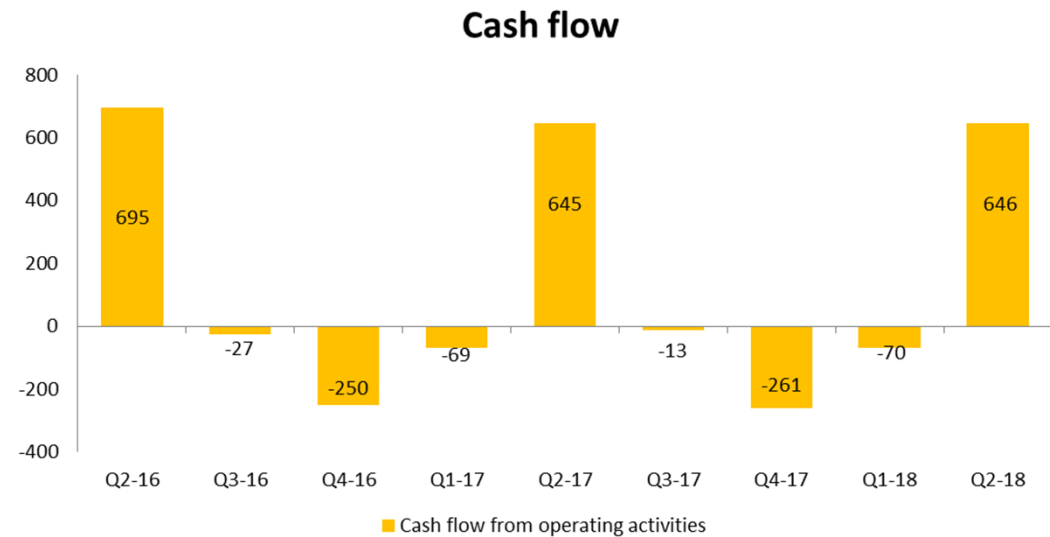
NET FINANCIAL ITEMS

- Net financial items decreased by SEK 9.2 M.
- Net financial items for the quarter were negatively impacted by exchange-rate effects of SEK 4.6 M (pos: 4.9).

	Q2 2018	Q2 2017	Diff.%	R12
Net financial items	-9.0	0.3	-3310.9	-19.9

CASH FLOW

- The second quarter generated a cash-flow from operating activities in line with previous seasonal patterns.
- Cash-flow from operating activities amounted to SEK 646.2 M compared to SEK 645.0 M the same period last year. The increase of SEK 1.2 M was a result of a lower EBIT offset by a positive change in net working capital.



OUTLOOK AND SUMMARY

OUTLOOK

- Challenging market conditions during first six months of 2018, long winter and higher raw material prices for timber.
- Market also softened by more passive consumer behavior, likely affected by uncertainty regarding future economic developments
- Historically higher raw material prices have been reflected in consumer prices, after some delay
- Byggmax 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

Strategic initiatives on track, incl. eleven new stores in the quarter

Bygghmax small store format and Garden concept part of future offer

Late season start and high timber prices affects results negatively



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