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Q4 2017 report presentation
January 26, 2017

Q4 in brief

Strong fourth quarter
High activity level

Organic sales growth of 11%
Growth in all segments

Adj. EBITA of 709 MSEK
Increased by 13%

The Board proposes a dividend of 1.65 SEK,
corresponding to a payout-ratio of 50%



Q4: Organic growth of 11 percent in a strong market

Highlights

- Organic growth of +11%
- Adj. EBITA increased by +13%
- Negative effect of one trading day less was ~122 MSEK on sales and ~33 MSEK on operating profit

Events

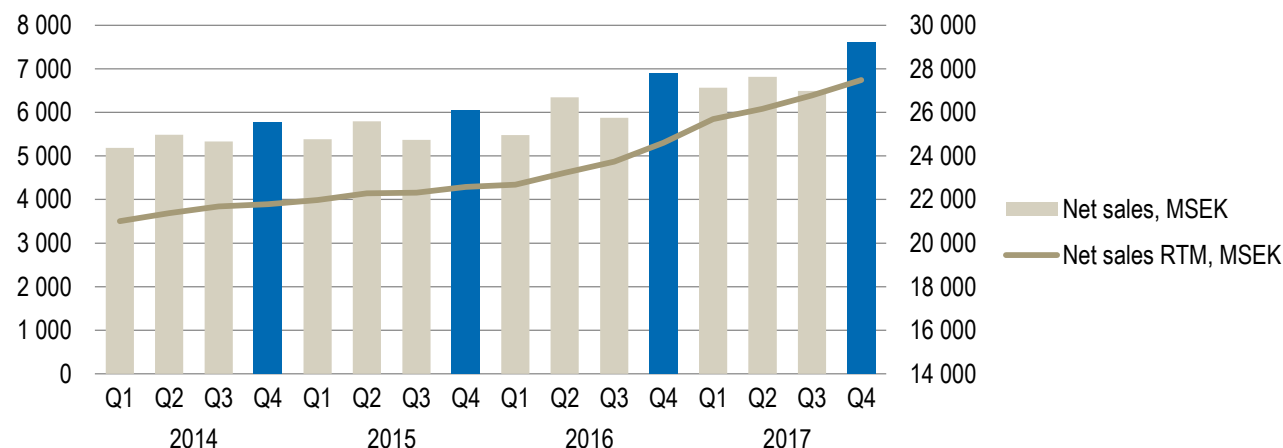
- Continued positive development of initiatives resulted in increased sales and profitability
- Investments in our sales channels
 - both online and in the branch network
- Strong acquisition activity
 - Acquisitions of eight companies with ~556 MSEK* in turnover
 - Another two acquisitions signed with ~675 MSEK* in turnover. Proffsmagasinet, which was completed in January, and Bekken & Strøm, which is expected to be finalised in February

Dividend, cash flow and financial position

- The board proposes a dividend of 1.65 SEK, corresponding to a payout-ratio of 50%
- Cash conversion 78%*
- Net debt/adj. EBITDA 2.6x*

| | 2017 Oct-Dec | 2016 Oct-Dec | change | 2017 Jan-Dec | 2016 Jan-Dec | change |
|-------------------------------|-----------------|-----------------|--------|-----------------|-----------------|--------|
| Net sales, SEK million | 7,606 | 6,902 | 10% | 27,484 | 24,606 | 12% |
| Organic growth, % | 11% | 8% | | 9% | 7% | |
| Operating profit, EBIT | 620 | 477 | 30% | 2,043 | 1,719 | 19% |
| Profit (EBITA), SEK million | 709 | 563 | 26% | 2,394 | 2,058 | 16% |
| Adjusted EBITA, SEK million | 709 | 628 | 13% | 2,405 | 2,131 | 13% |
| Adjusted EBITA margin | 9.3% | 9.1% | | 8.8% | 8.7% | |
| Basic earnings per share, SEK | 1.07 | 0.16 | | 3.28 | 1.11 | |

Net sales per quarter and RTM, MSEK



Q4: Strong organic growth

Organic sales growth
+11%

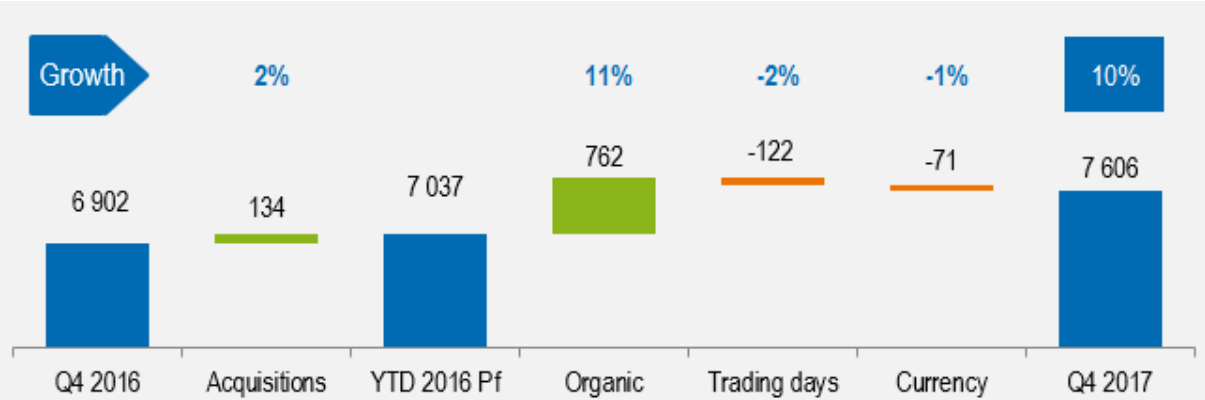
Sweden
+13%

Norway
+8%

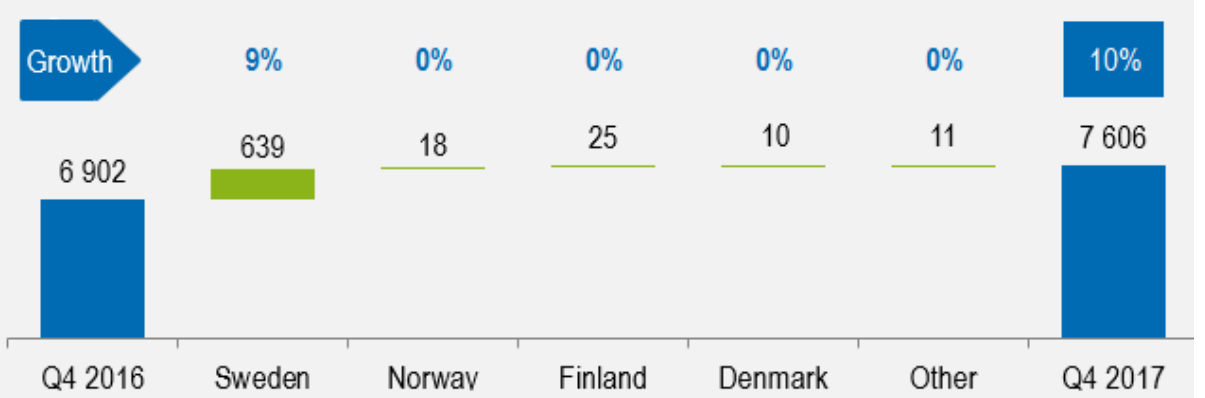
Finland
+4%

- Good demand in all markets and product categories
- Organic growth +11%, supported by successful market initiatives
- Negative effect from lower number of trading days and currency
- Acquisitions contributed 134 MSEK to net sales

Sales Bridge (MSEK)



Sales Bridge per market segment (MSEK)



Q4: Strong sales drove group EBITA

Group adj. EBITA margin
9.3%

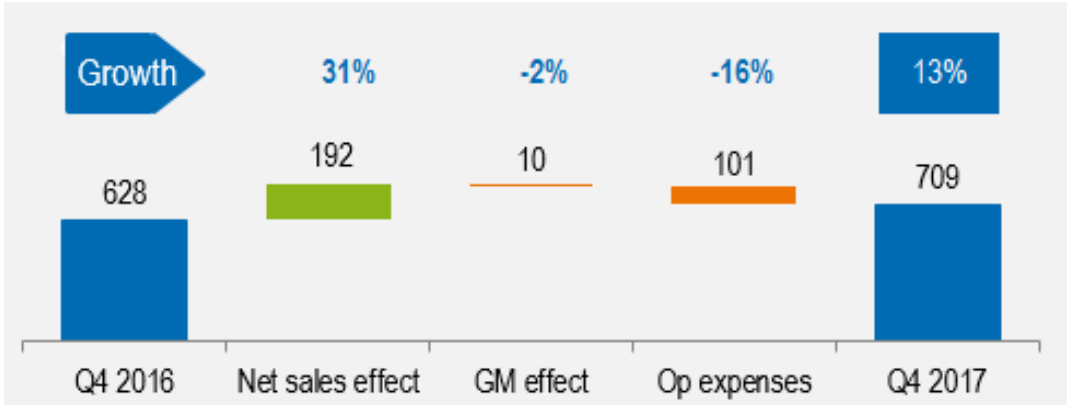
Sweden
12.7%

Norway
3.4%

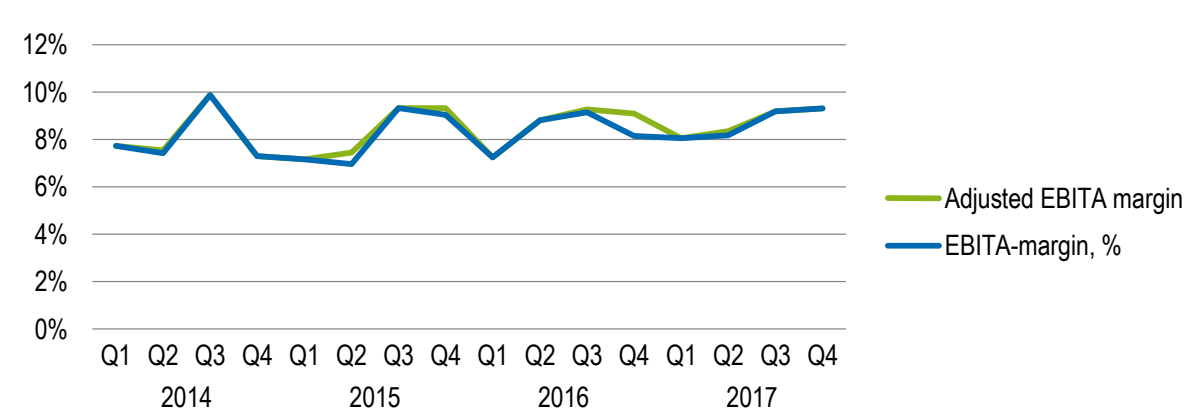
Finland
4.4%

- Adjusted EBITA up 13%
- Activity levels and project volumes remained strong
- Gross margin at 27.1%, marginally down y-o-y (27.3%)
- One trading day less had negative impact of ~33 MSEK

Adj. EBITA Bridge (MSEK)



EBITA margin per quarter, %



FY 2017: Record high total sales

Group net sales
+ SEK 2.9 billion (+12%)

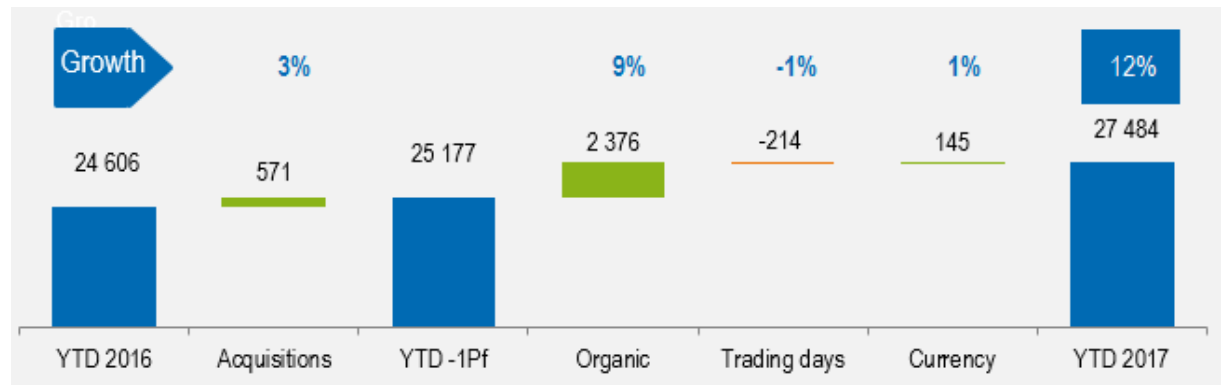
Sweden
+14%

Norway
+9%

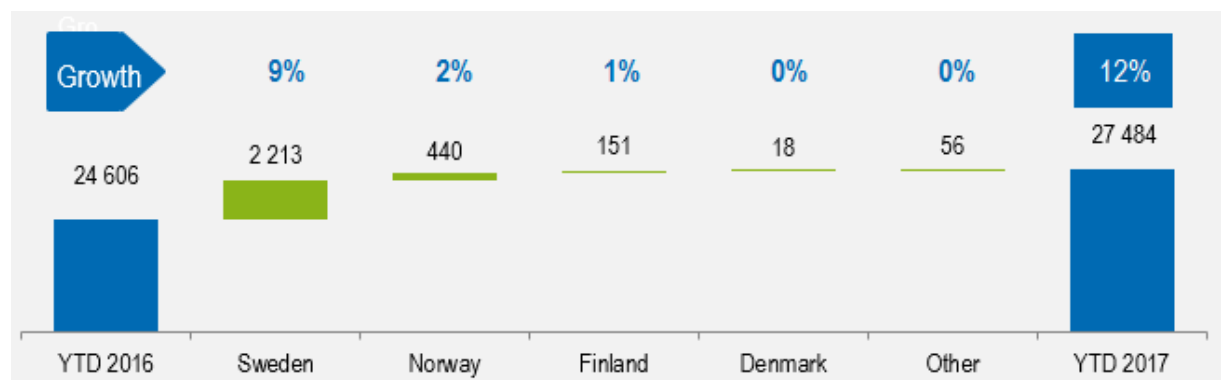
Finland
+5%

- Increased sales driven by good market conditions in combination with successful strategy
- Organic growth increased by 9%
- Particularly strong growth in:
 - Sweden; Infrastructure, new residential and industry in all geographies
 - Norway; Construction (new and renovation) and the Oslo region
 - Finland: Industry and new construction

Sales Bridge (MSEK)



Sales Bridge per market segment (MSEK)



FY 2017: Adj. EBITA up 13%, driven by increased sales

Group
8.8%
 adj. EBITA margin

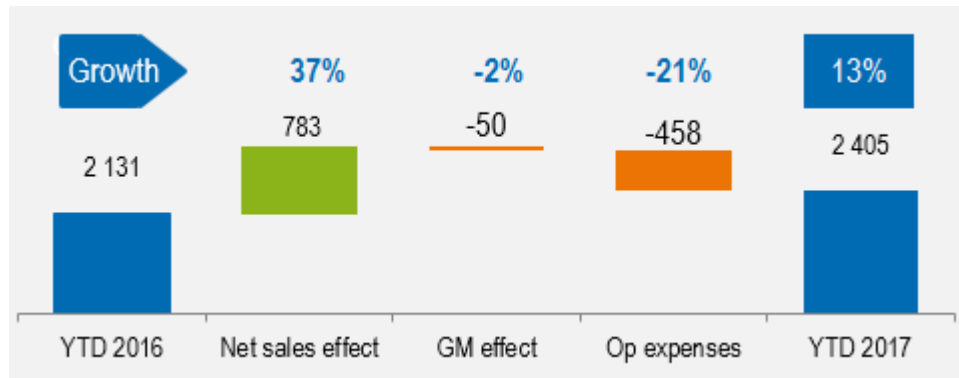
Sweden
 12.2%

Norway
 3.3%

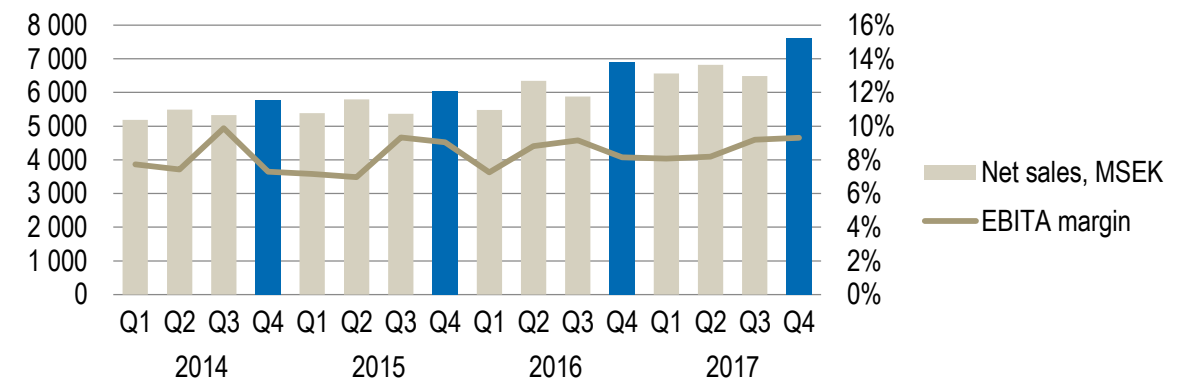
Finland
 4.0%

- Strong positive net sales effect
- The gross margin was somewhat hampered by logistic costs due to high activity level, higher project volumes and higher growth in segments with lower margins

Adj. EBITA Bridge (MSEK)



Net sales and Adj. EBITA margin per quarter (MSEK)



FY 2017- Successful acquisition year



~974 MSEK acquired annual sales
Of which 714 MSEK completed



~438 MSEK acquired annual sales
Of which 23 MSEK completed



~40 MSEK acquired annual sales
Of which 40 MSEK completed

In total ~1 450 MSEK in 2017

High acquisition activity in combination with organic initiatives bodes well for future profitable growth

Sweden – Highlights Q4

Successful sales initiatives and favourable market conditions created strong demand

Net sales up 14% and organic growth was strong at 13%

- Acquisitions contributed 3% and one trading day less had negative effect of 2%
- Strongest growth within Electrical infrastructure and Construction

Adj. EBITA up 14%

- Negative effect of one trading day less of -23 MSEK
- Strong sales growth in infrastructure projects and mix changes had a negative effect on the gross margin
- Operational costs as a proportion of sales declined

Successful acquisition quarter

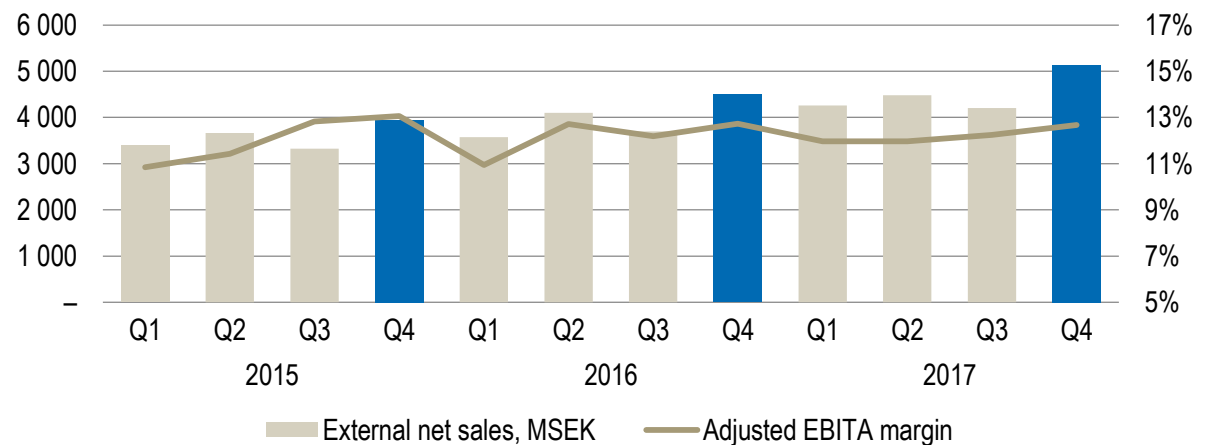
- Six acquisitions with total annual sales of ~493 MSEK
- Agreement signed to acquire Proffsmagasinet AB, a leading e-commerce tools & supplies business, with annual sales of ~260 MSEK

Subsequent events

- Agreement to acquire HMK in Västerås with annual sales of ~16 MSEK

| Sweden | 2017 Oct-Dec | 2016 Oct-Dec | change | 2017 Jan-Dec | 2016 Jan-Dec | change |
|---------------------------------|-----------------|-----------------|--------|-----------------|-----------------|--------|
| External net sales, SEK million | 5,140 | 4,501 | 14% | 18,087 | 15,874 | 14% |
| Organic growth, % | 13% | 8% | | 11% | 8% | |
| Profit (EBITA), SEK million | 651 | 573 | 14% | 2,213 | 1,936 | 14% |
| Adjusted EBITA, SEK million | 651 | 573 | 14% | 2,213 | 1,936 | 14% |
| EBITA margin, % | 12.7% | 12.7% | | 12.2% | 12.2% | |
| Adjusted EBITA margin, % | 12.7% | 12.7% | | 12.2% | 12.2% | |

Net sales and adj. EBITA margin per quarter



Norway - Highlights Q4

Favourable market conditions driven by increased construction and investments in infrastructure

Net sales up 1% and organic growth was strong at 8%

- One trading day less had negative effect of 2%
- Strongest growth within HVAC, Electrical and Aqua culture
- Negative translation effect of 6% (-76 MSEK)

Adj. EBITA down 7%

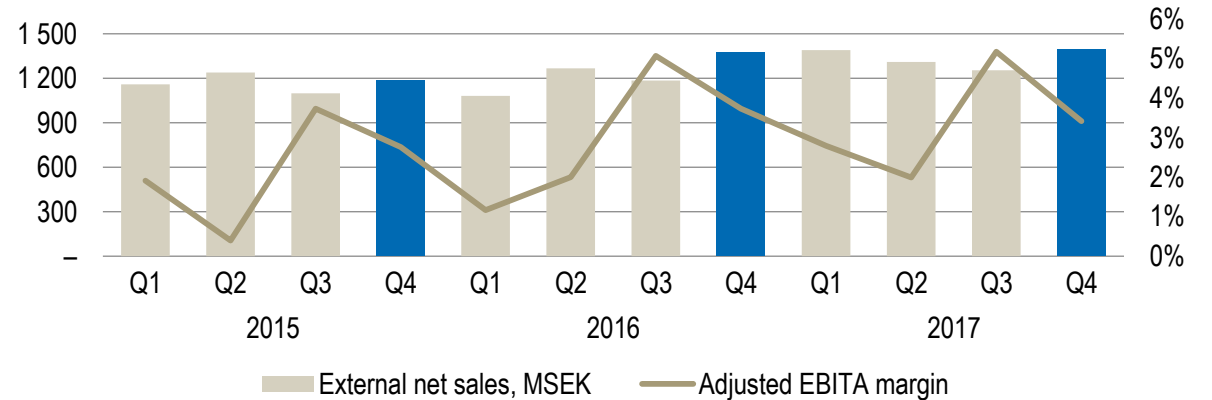
- One trading day less (-6 MSEK) and a large customer loss (-7 MSEK) hampered results
- Excluding the customer loss, costs as a proportion of sales declined
- Gross margin slightly lower due to increased logistic costs and a strong growth rate for large installation customers

Acquisition

- Two acquisitions with combined annual sales of ~438 MSEK presented during the autumn
- The latter one, the acquisition of Bekken & Strøm, one of Norway's leading retailers of protective equipment, with annual sales of ~415 MSEK, is expected to close in February

| Norway | 2017 | 2016 | change | 2017 | 2016 | change |
|---------------------------------|---------|---------|--------|---------|---------|--------|
| | Oct-Dec | Oct-Dec | | Jan-Dec | Jan-Dec | |
| External net sales, SEK million | 1,393 | 1,375 | 1% | 5,349 | 4,909 | 9% |
| Organic growth, % | 8% | 6% | | 8% | 7% | |
| Profit (EBITA), SEK million | 48 | 51 | -7% | 177 | 142 | 25% |
| Adjusted EBITA, SEK million | 48 | 51 | -7% | 177 | 149 | 19% |
| EBITA margin, % | 3.4% | 3.7% | | 3.3% | 2.9% | |
| Adjusted EBITA margin, % | 3.4% | 3.7% | | 3.3% | 3.0% | |

Net sales and adj. EBITA margin per quarter



Finland - Highlights Q4

Growth driven by the export industry and domestic demand

Organic growth 4%

- One trading day less had negative effect of -2%
- Construction and industrial customers accounted for the strongest growth

Adj. EBITA up 47%

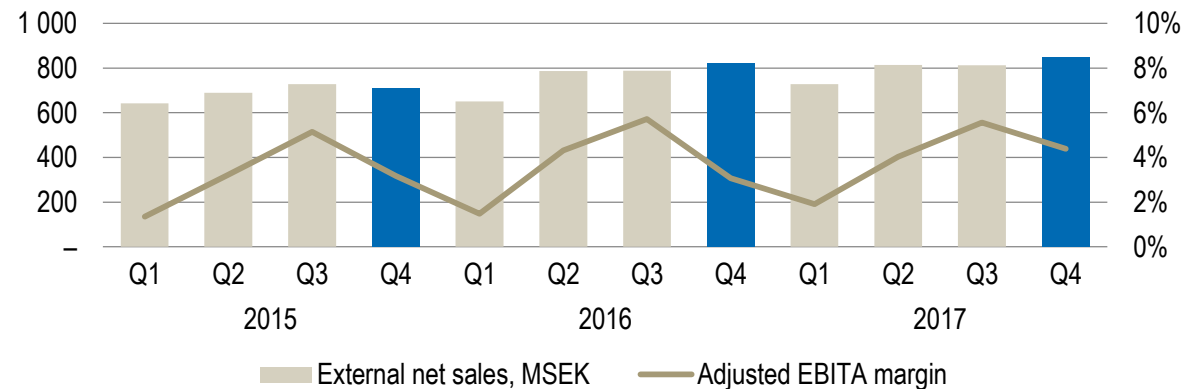
- One trading day less corresponded to -3 MSEK
- Gross margin somewhat weaker due to competition in HVAC and plumbing and a deliberate focus on volume growth in priority areas
- As a result of measures taken, the cost level is lower

Acquisition

- Enexia Oy, with operations in sprinkler systems and annual sales of ~40 MSEK was acquired

| Finland | 2017 | 2016 | change | 2017 | 2016 | change |
|---------------------------------|---------|---------|--------|---------|---------|--------|
| | Oct-Dec | Oct-Dec | | Jan-Dec | Jan-Dec | |
| External net sales, SEK million | 848 | 824 | 3% | 3,201 | 3,050 | 5% |
| Organic growth, % | 4% | 13% | | 4% | 7% | |
| Profit (EBITA), SEK million | 37 | 25 | 47% | 117 | 114 | 3% |
| Adjusted EBITA, SEK million | 37 | 25 | 47% | 129 | 114 | 13% |
| EBITA margin, % | 4.4% | 3.1% | | 3.7% | 3.7% | |
| Adjusted EBITA margin, % | 4.4% | 3.1% | | 4.0% | 3.7% | |

Net sales and adj. EBITA margin per quarter



Denmark and Other - Highlights Q4

Denmark

- Net sales increased by 11%, organic growth 13%
- Strong sales and earnings growth driven by positive development within Danish refrigeration operations
- Fewer trading days impacted net sales by -2%
- Adj. EBITA margin increased to 12.9%

| Denmark | 2017 | | | 2016 | | |
|---------------------------------|---------|---------|--------|---------|---------|--------|
| | Oct-Dec | Oct-Dec | change | Jan-Dec | Jan-Dec | change |
| External net sales, SEK million | 98 | 88 | 11% | 382 | 364 | 5% |
| Organic growth, % | 13% | -1% | | 4% | -1% | |
| Profit (EBITA), SEK million | 13 | 6 | 95% | 42 | 33 | 28% |
| Adjusted EBITA, SEK million | 13 | 6 | 95% | 42 | 33 | 28% |
| EBITA margin, % | 12.9% | 7.3% | | 11.1% | 9.1% | |
| Adjusted EBITA margin, % | 12.9% | 7.3% | | 11.1% | 9.1% | |

Other

- Organic growth and sales up 10% driven by strong organic growth in Estonia and Poland
 - Good demand from house manufacturers in Estonia
 - Strategic investments in the sales force boosted topline in Poland
- Russian operation hampered by weak market conditions
- Adj. EBITA margin at 2.5%

| Other | 2017 | | | 2016 | | |
|---------------------------------|---------|---------|--------|---------|---------|--------|
| | Oct-Dec | Oct-Dec | change | Jan-Dec | Jan-Dec | change |
| Estonia, Russia and Poland | | | | | | |
| External net sales, SEK million | 126 | 115 | 10% | 465 | 410 | 14% |
| Organic growth, % | 10% | -1% | | 10% | -7% | |
| Profit (EBITA), SEK million | 3 | 2 | 51% | 12 | 9 | 34% |
| Adjusted EBITA, SEK million | 3 | 2 | 51% | 12 | 9 | 34% |
| EBITA margin, % | 2.5% | 1.8% | | 2.6% | 2.2% | |
| Adjusted EBITA margin, % | 2.5% | 1.8% | | 2.6% | 2.2% | |



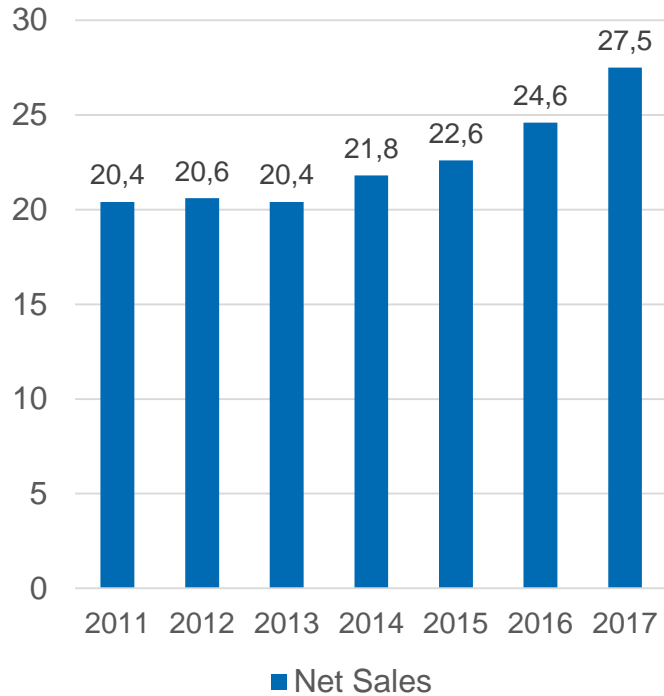
Financials

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Resilient cash flow generator

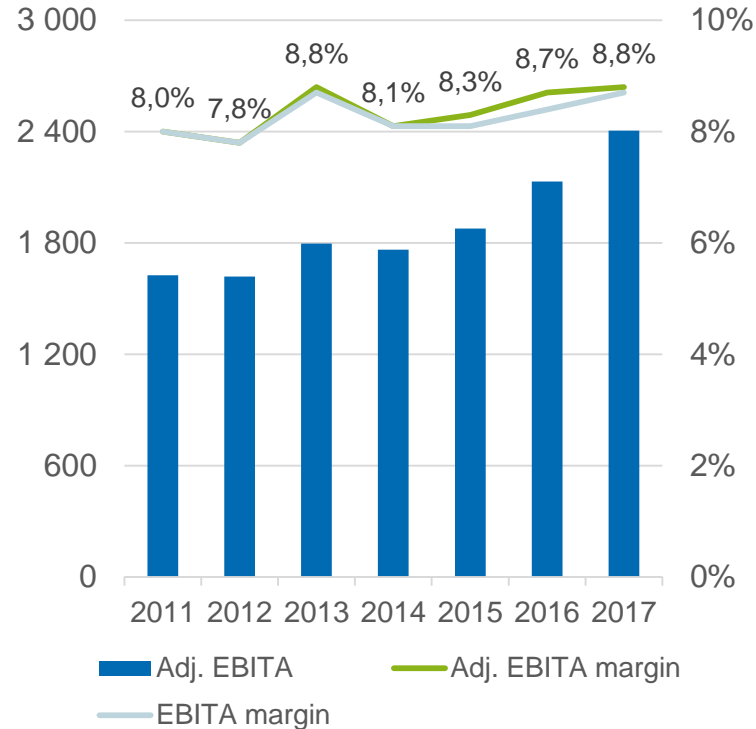
Net sales

2011 – 2017 (SEKbn)



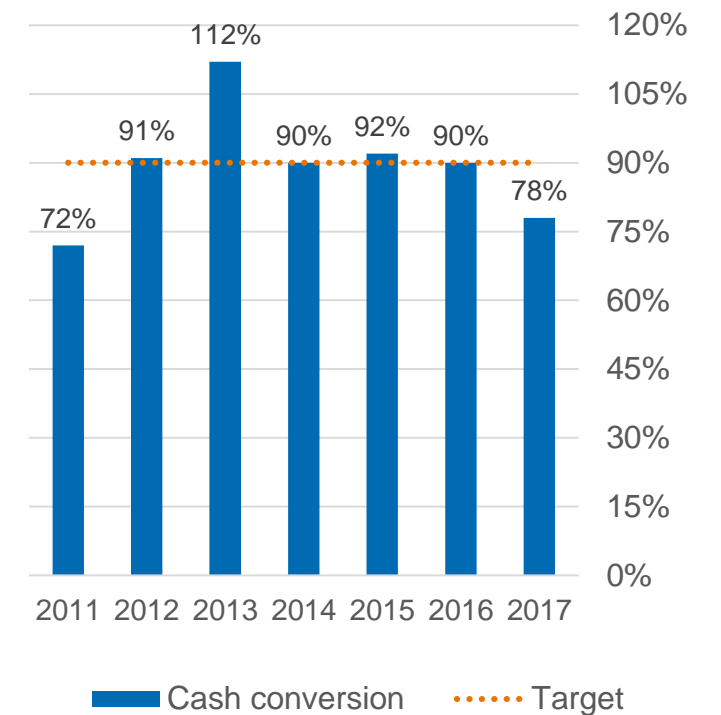
Profitability

2011 – 2017 (SEKbn)



Cash conversion

2011 – 2017
(Operating cash flow / EBITDA)

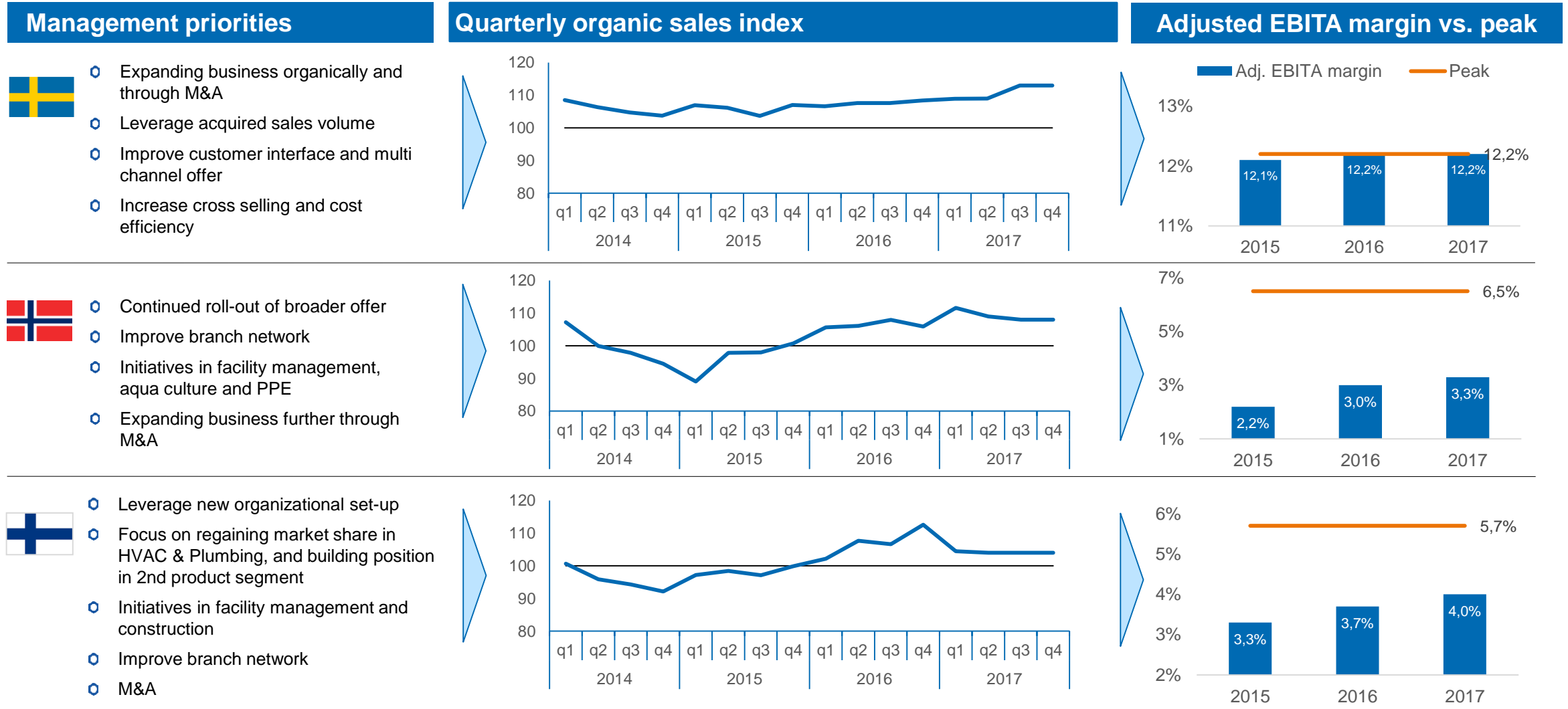


Other performance measures



| | 2017 Jan-Dec | 2016 Jan-Dec |
|---|-----------------|-----------------|
| Cash conversion rate, % <i>Operating cash flow/EBITDA</i> | 78 | 90 |
| Leverage <i>External net debt/Adjusted EBITDA</i> | 2.6 | 3.3 |
| Debt equity ratio, % | 36 | 34 |
| Investments, % of sales | 0.8 | 0.6 |
| Average working capital, % of sales | 8.9 | 8.9 |
| Return on operating capital, % <i>excluding intangible fixed assets</i> | 73 | 67 |
| Return on equity, % | 17 | 15 |
| Return on working capital % | 99 | 94 |
| Basic earnings per share, SEK | 3.28 | 1.11 |
| Dividend <i>as proposed by the Board</i> | 1.65 | 0.35 |

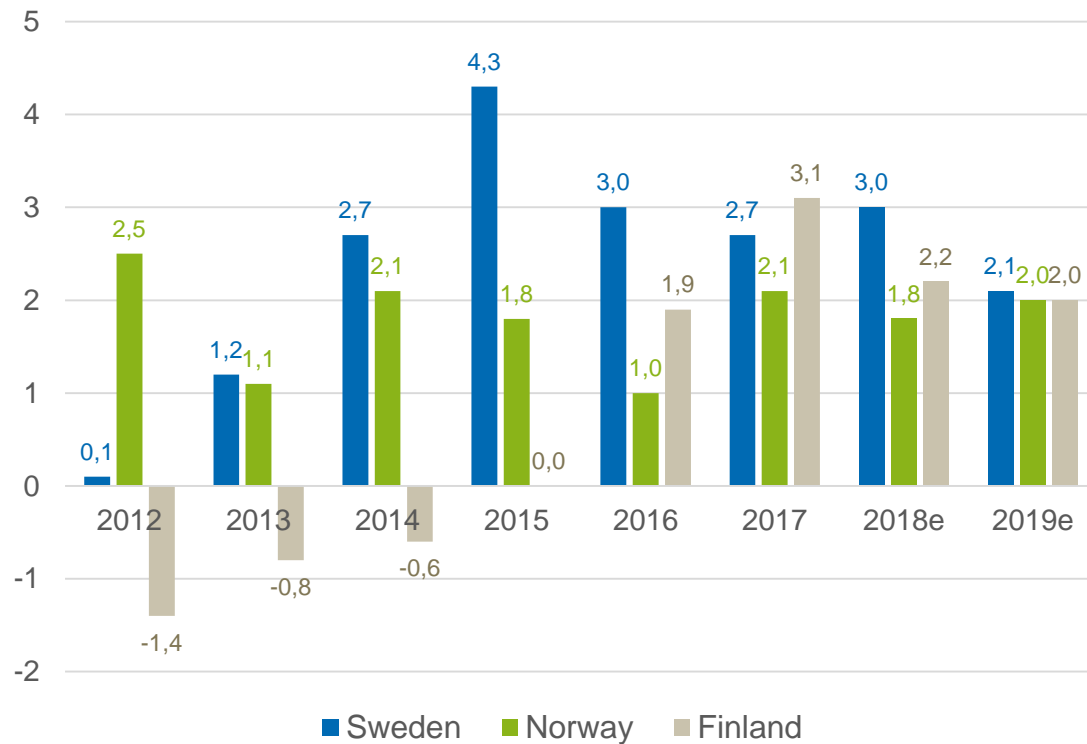
Safeguard profitable growth – Management priorities 2018



Market development

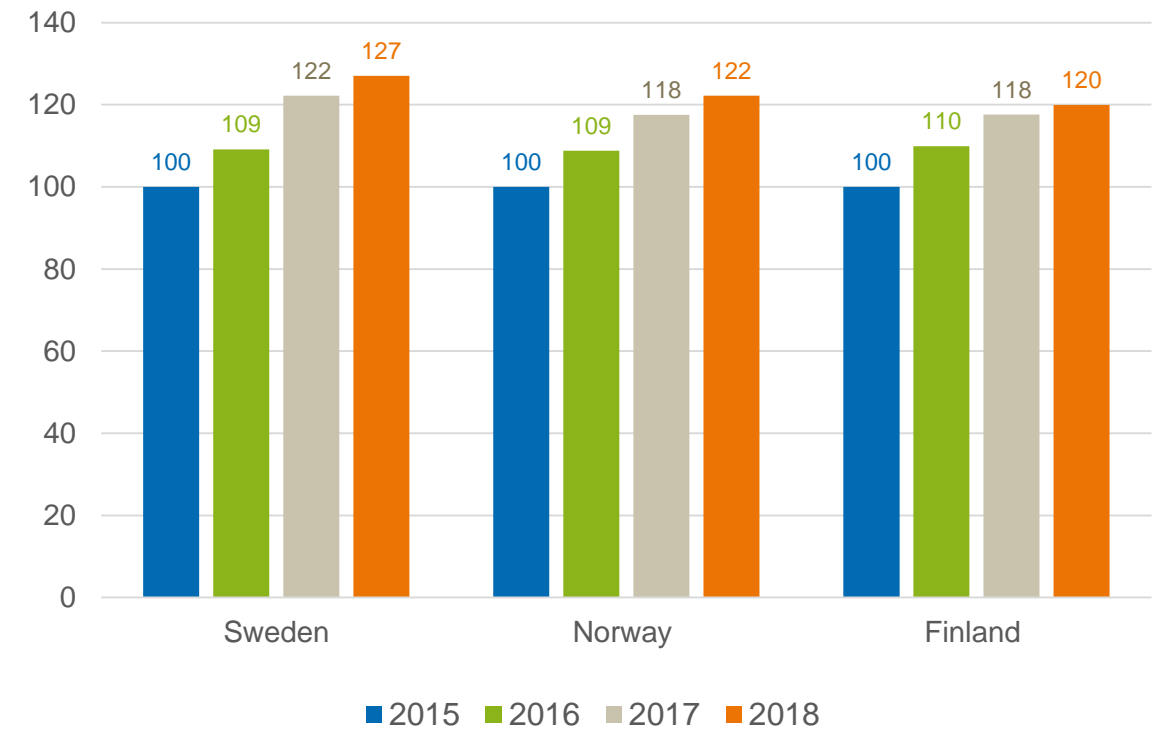
GDP growth

Per country, calendar-adjusted



Total construction investments

Infrastructure, residential and commercial, index 100



Outlook

“All in all, we expect good demand for our products and services as we enter 2018”



Q&A





Appendix

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Condensed Income Statement

| SEK millions | 2017 | 2016 | 2017 | 2016 |
|-------------------------------------|--------------|--------------|--------------|--------------|
| | Oct-Dec | Oct-Dec | Jan-Dec | Jan-Dec |
| Net sales | 7,606 | 6,902 | 27,484 | 24,606 |
| Cost of goods sold | -5,543 | -5,021 | -20,062 | -17,916 |
| Gross profit | 2,063 | 1,882 | 7,423 | 6,690 |
| Selling expenses | -1,344 | -1,266 | -4,962 | -4,559 |
| Administration expenses | -112 | -150 | -455 | -443 |
| Other operating income and expenses | 12 | 11 | 38 | 31 |
| Operating profit, EBIT | 620 | 477 | 2,043 | 1,719 |
| Net financial items | -45 | -417 | -209 | -1,140 |
| Profit before tax | 575 | 60 | 1,834 | 579 |
| Income tax | -113 | 1 | -406 | -237 |
| Profit/loss for the period | 462 | 62 | 1,428 | 342 |
| Attributable to | | | | |
| Owners of the parent company | 462 | 62 | 1,428 | 342 |
| Non-controlling interests | – | – | – | – |
| Basic earnings per share, SEK | 1.07 | 0.16 | 3.28 | 1.11 |
| Diluted earnings per share, SEK | 1.07 | 0.16 | 3.28 | 1.11 |

Condensed Balance Sheet

| SEK millions | 2017 31 Dec | 2016 31 Dec |
|---------------------------------|----------------|----------------|
| ASSETS | | |
| Customer relationships | 2,929 | 3,249 |
| Trademark | 3,837 | 3,837 |
| Goodwill | 7,206 | 7,028 |
| Other intangible assets | 136 | 123 |
| Property, plant and equipment | 853 | 781 |
| Financial assets | 10 | 8 |
| Deferred tax assets | 8 | 7 |
| Total non-current assets | 14,980 | 15,033 |
| Inventories | 3,888 | 3,287 |
| Trade receivables | 3,491 | 3,054 |
| Other receivables | 1,220 | 1,091 |
| Cash and cash equivalents | 1,295 | 1,209 |
| Total current assets | 9,894 | 8,641 |
| TOTAL ASSETS | 24,874 | 23,674 |

| SEK millions | 2017 31 Dec | 2016 31 Dec |
|--|----------------|----------------|
| EQUITY AND LIABILITIES | | |
| Equity | 9,004 | 8,089 |
| Non-current interest-bearing liabilities | 7,934 | 7,930 |
| Provisions | 55 | 55 |
| Deferred tax liabilities | 1,494 | 1,426 |
| Other non-current liabilities | 29 | 25 |
| Total non-current liabilities | 9,512 | 9,436 |
| Current interest-bearing liabilities | 51 | 724 |
| Trade payables | 5,218 | 4,599 |
| Provisions | 10 | 19 |
| Other current liabilities | 1,079 | 807 |
| Total current liabilities | 6,358 | 6,148 |
| TOTAL EQUITY AND LIABILITIES | 24,874 | 23,674 |

Condensed Cash Flow Statement

| SEK millions | 2017 Oct-Dec | 2016 Oct-Dec | 2017 Jan-Dec | 2016 Jan-Dec |
|--|-----------------|-----------------|-----------------|-----------------|
| Profit after financial items | 575 | 60 | 1,834 | 579 |
| Adjustments for non-cash items | 126 | 363 | 563 | 1,001 |
| Tax paid | 71 | -81 | -203 | -245 |
| Cash flow from operating activities before changes in working capital | 772 | 342 | 2,193 | 1,335 |
| Change in inventories | -33 | 57 | -489 | -165 |
| Change in operating receivables | 554 | 466 | -547 | -554 |
| Change in operating liabilities | 184 | 107 | 703 | 630 |
| Cash flow from changes in working capital | 705 | 630 | -333 | -89 |
| Cash flow from operating activities | 1,477 | 972 | 1,861 | 1,246 |
| Cash flow from acquisition of assets, liabilities and operations | -234 | -34 | -346 | -451 |
| Other cash flow from investing activities | 15 | -46 | -195 | -79 |
| Cash flow from investing activities | -218 | -81 | -541 | -530 |
| Cash flow before financing activities | 1,258 | 891 | 1,320 | 716 |
| Dividend paid | - | - | -153 | - |
| Repurchase of shares | -369 | - | -369 | - |
| Disposal of derivatives | - | 455 | - | 455 |
| Proceeds from borrowings | - | 8,651 | 999 | 8,651 |
| Amortisation of borrowings | -206 | -10,425 | -1,712 | -10,979 |
| Cash flow from financing activities | -575 | -1,316 | -1,235 | -1,871 |
| CASH FLOW FOR THE PERIOD | 683 | -425 | 86 | -1,155 |
| Cash and cash equivalents at beginning of period | 613 | 1,634 | 1,209 | 2,360 |
| Cash and cash equivalents at end of period | 1,295 | 1,209 | 1,295 | 1,209 |

Disclaimer

Some statements are forward-looking and the actual outcome can be different. In addition to the factors explicitly commented upon, the actual outcome may be affected by other factors such as macroeconomic conditions, movements in foreign exchange- and interest-rates, political risks, competitor behaviour, supply- and IT-disturbances.