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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

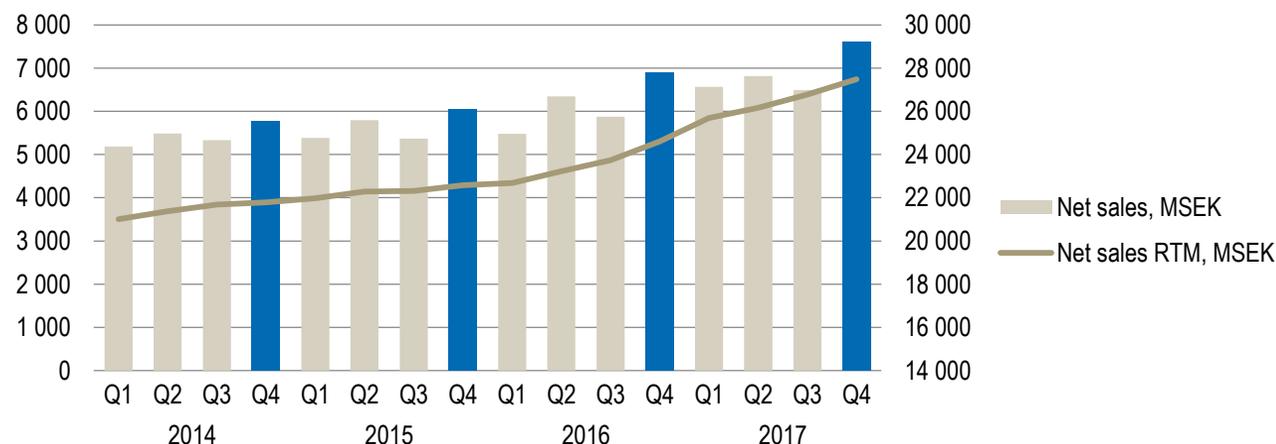
- Continued positive development of initiatives resulted in increased sales and profitability
- Investments in our sales channels
 - both online and in the branch network
- Strong acquisition activity
 - Acquisitions of eight companies with ~556 MSEK* in turnover
 - Another two acquisitions signed with ~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%

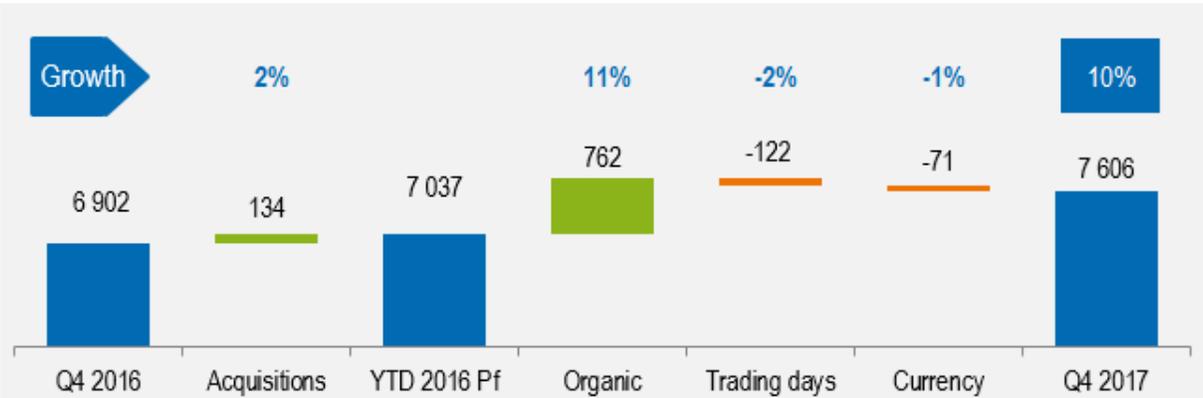
Sweden
+13%

Norway
+8%

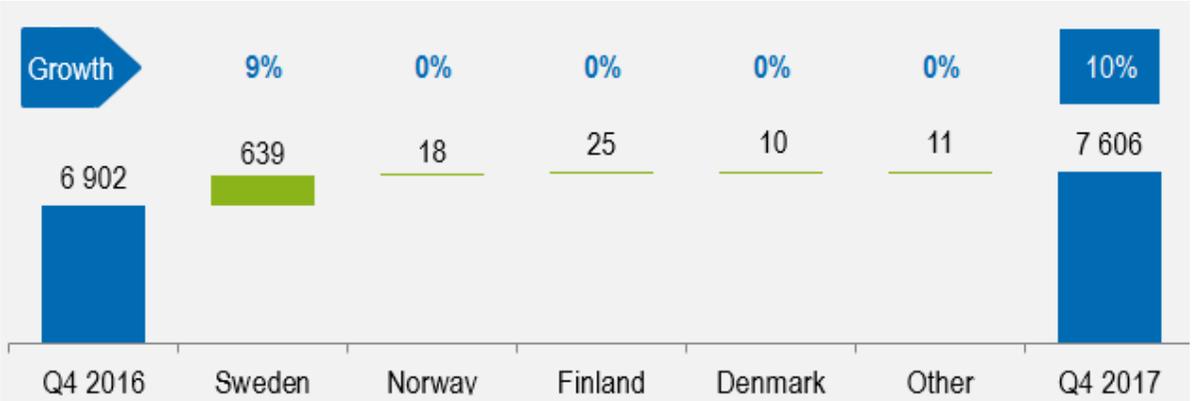
Finland
+4%

- 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%

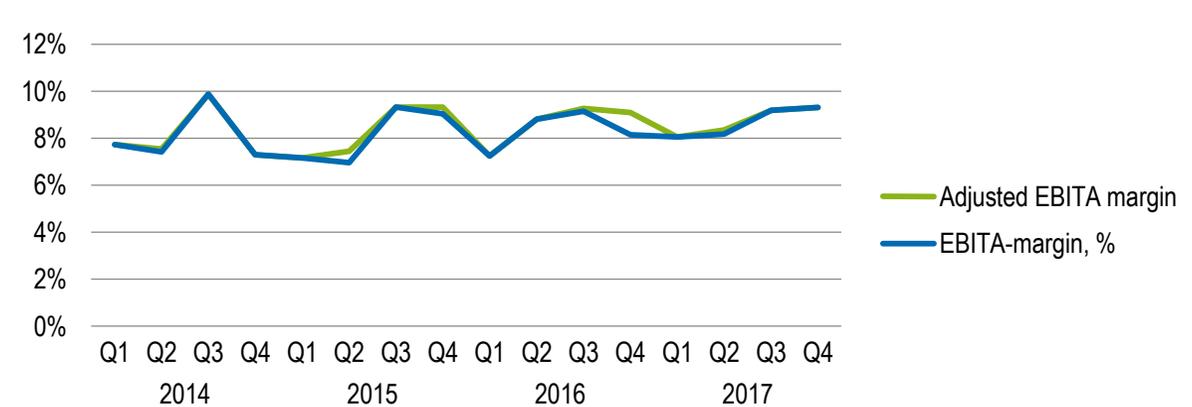
Finland
4.4%

- 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%)

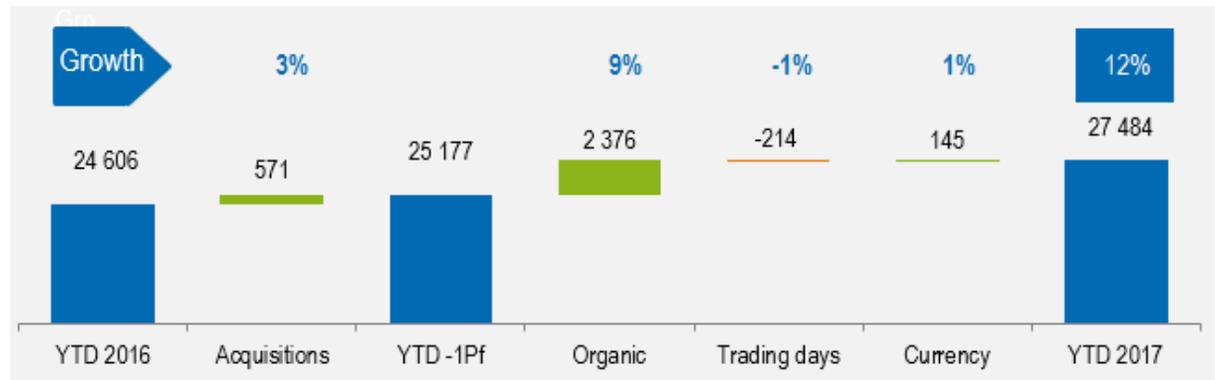
Sweden
+14%

Norway
+9%

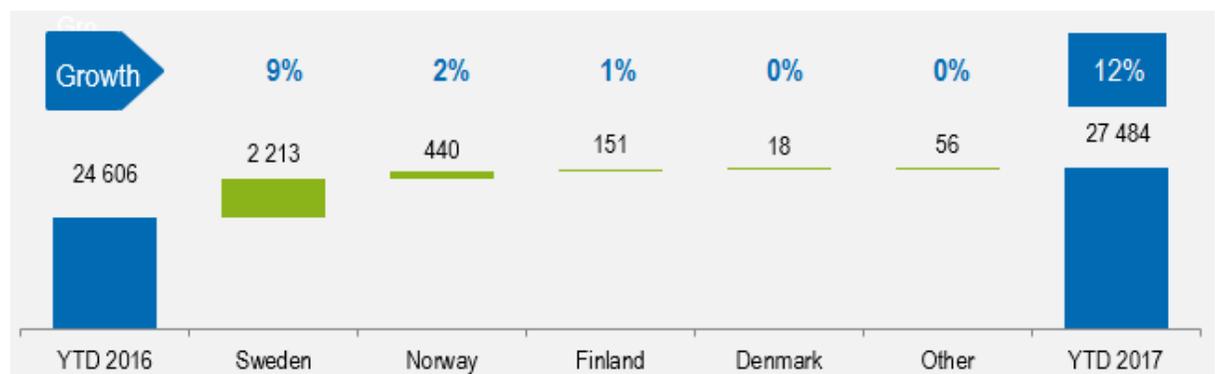
Finland
+5%

- 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)

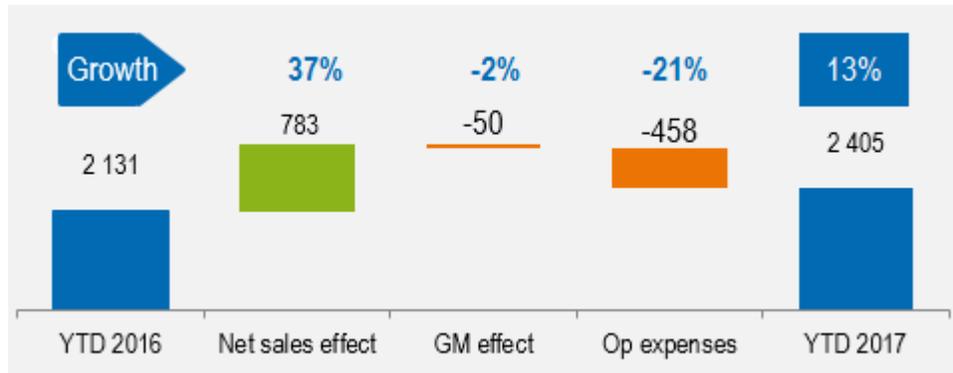


FY 2017: Adj. EBITA up 13%, driven by increased sales

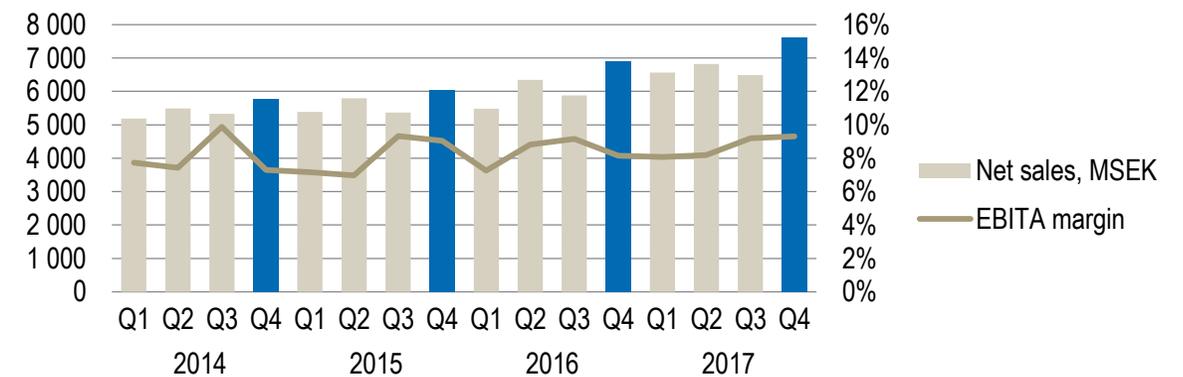


- Strong positive net sales effect
- The gross margin was somewhat hampered by logistic costs due to high activity level, higher project volumes and higher growth in segments with lower margins

Adj. EBITA Bridge (MSEK)



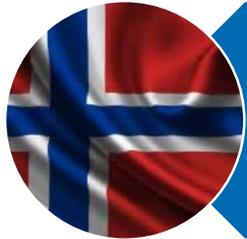
Net sales and Adj. EBITA margin per quarter (MSEK)



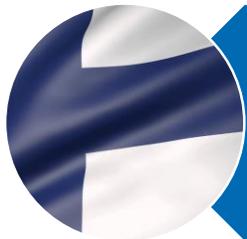
FY 2017- Successful acquisition year



~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

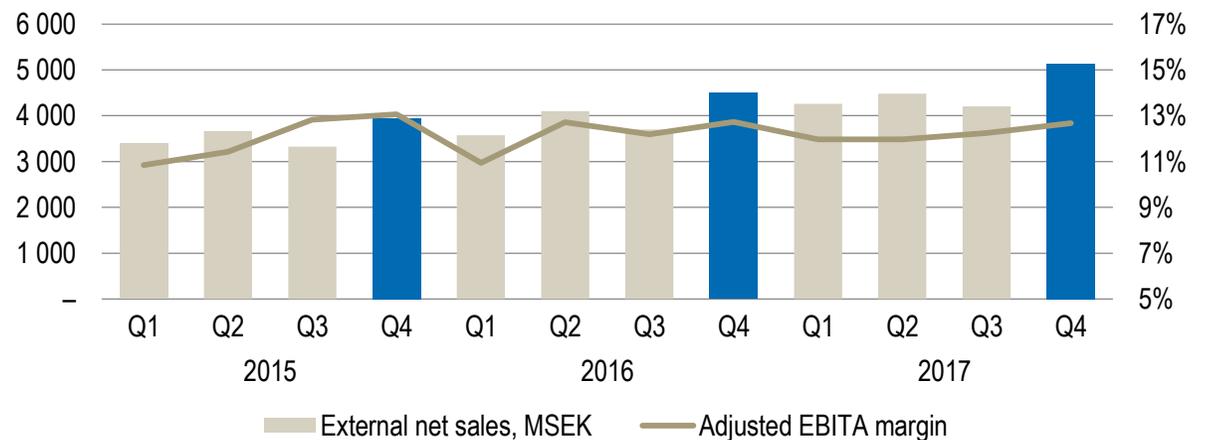
- Six acquisitions with total annual sales of ~493 MSEK
- Agreement signed to acquire Proffsmagasinet AB, a leading e-commerce tools & supplies business, with annual sales of ~260 MSEK

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%

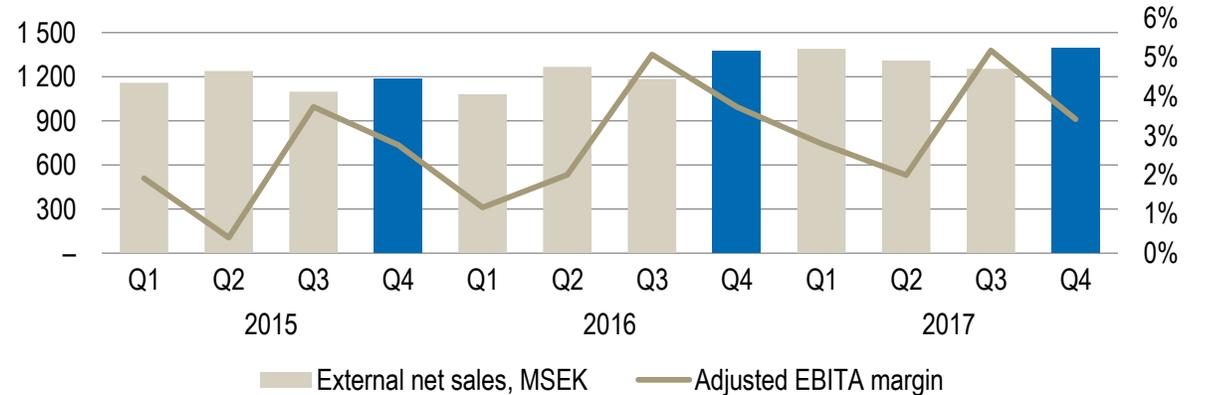
- One trading day less (-6 MSEK) and a large customer loss (-7 MSEK) hampered results
- Excluding the customer loss, costs as a proportion of sales declined
- Gross margin slightly lower due to increased logistic costs and a strong growth rate for large installation customers

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%

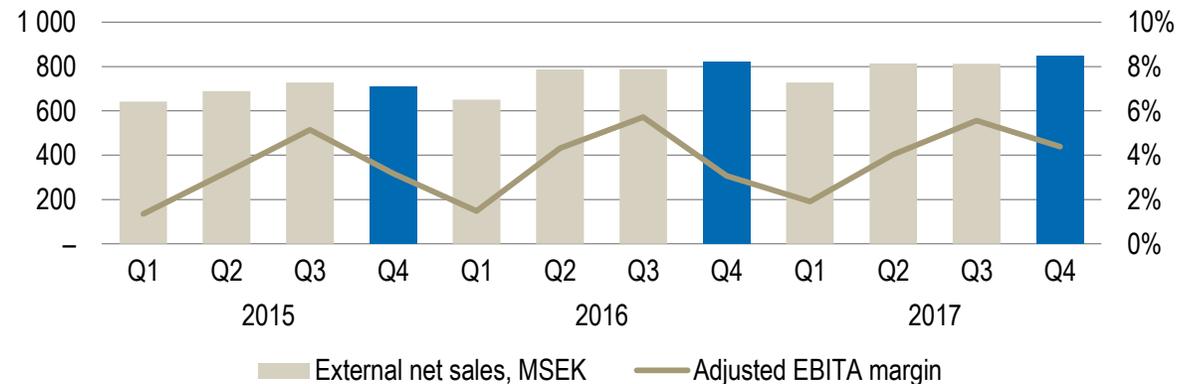
- One trading day less corresponded to -3 MSEK
- Gross margin somewhat weaker due to competition in HVAC and plumbing and a deliberate focus on volume growth in priority areas
- As a result of measures taken, the cost level is lower

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%	



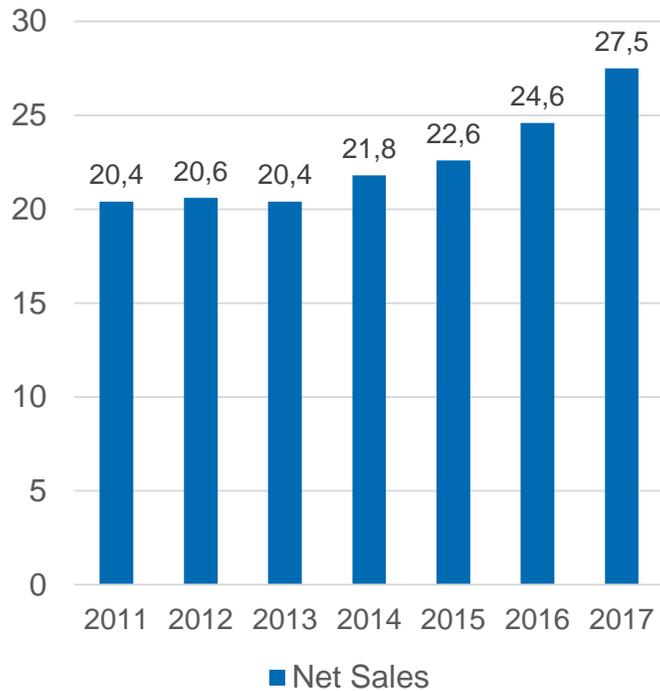
Financials

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Resilient cash flow generator

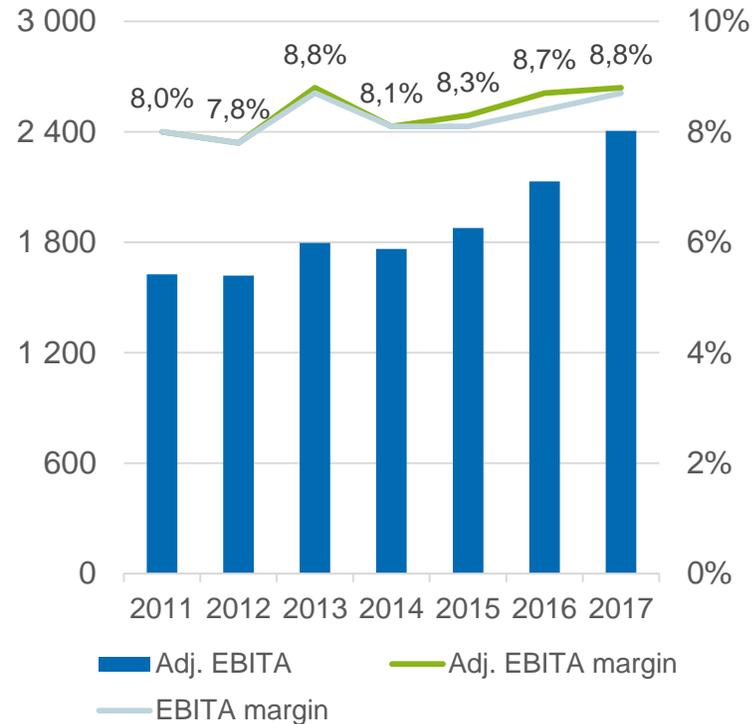
Net sales

2011 – 2017 (SEKbn)



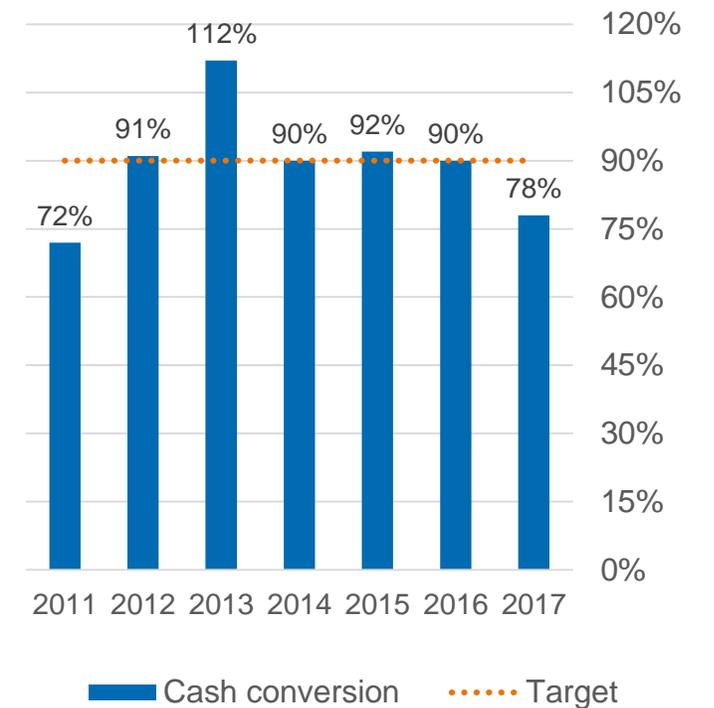
Profitability

2011 – 2017 (SEKbn)

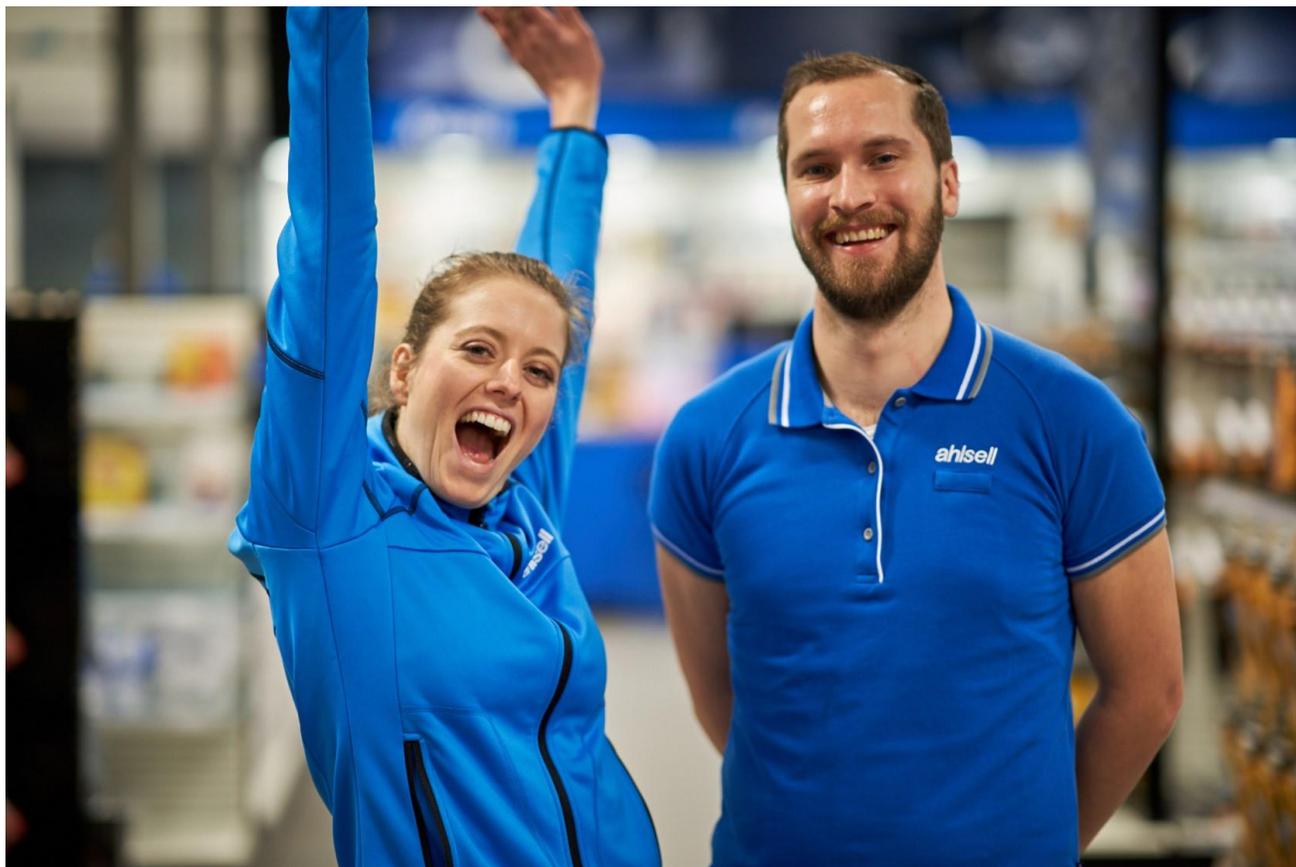


Cash conversion

2011 – 2017
(Operating cash flow / EBITDA)

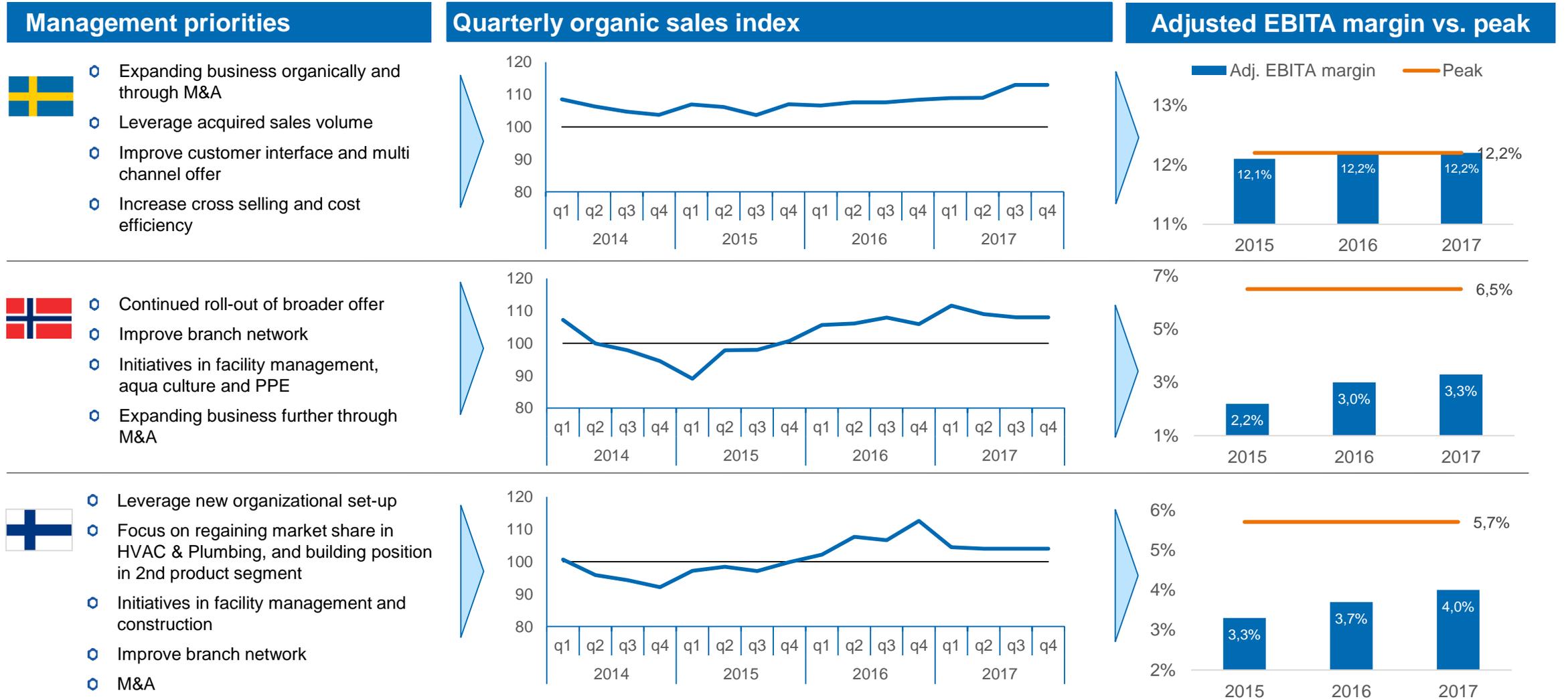


Other performance measures



	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

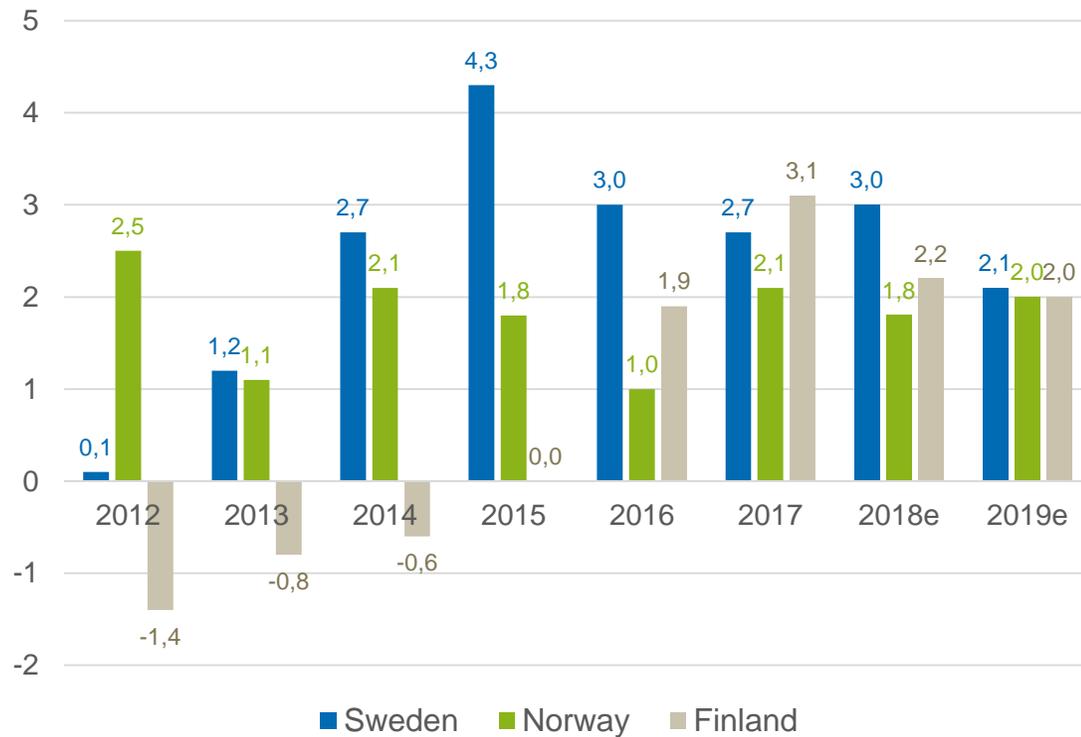
Safeguard profitable growth – Management priorities 2018



Market development

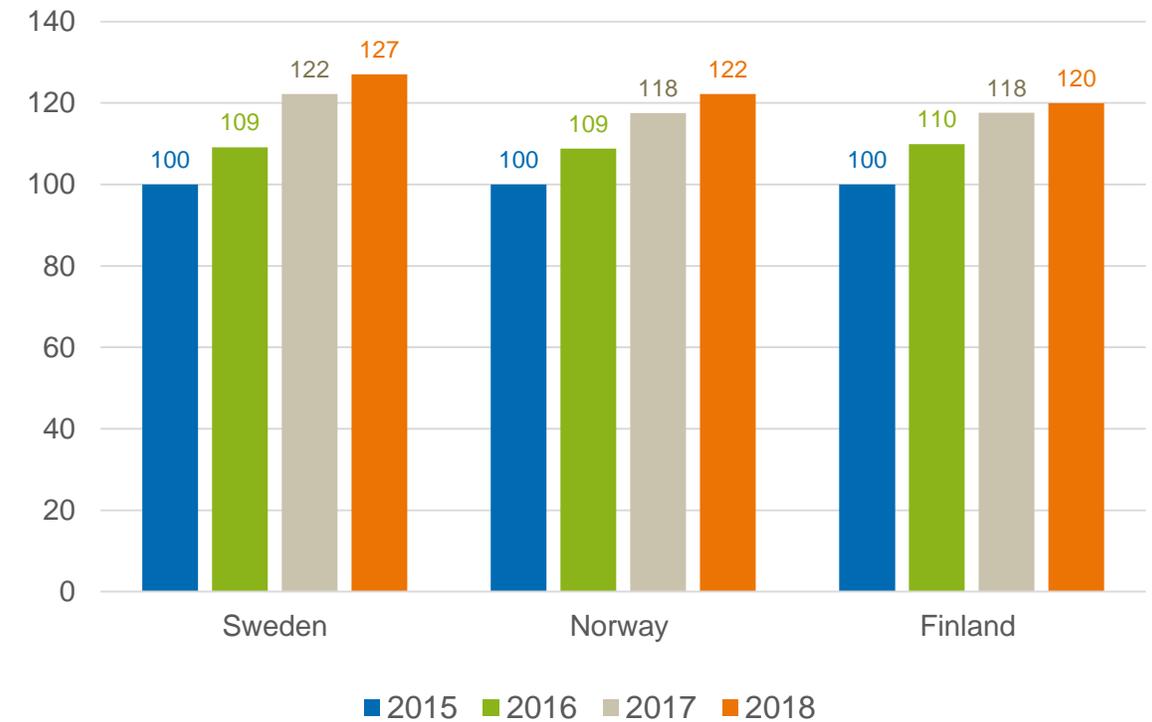
GDP growth

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.