



Q4 2018 presentation
15 February 2019

Today's presenters

Per Sjöstrand



Group CEO

Lotta Sjögren



Group CFO

Instalco

- A leading Nordic installation group in heating and plumbing, electrical, ventilation and cooling
- Strong local brands
- Highly decentralised structure
- Deliver high margins over time

Key financials (LTM)

Net sales

SEK **4,414** million

Order backlog

SEK **4,063** million

Adjusted EBITA

SEK **372** million

Adjusted EBITA margin

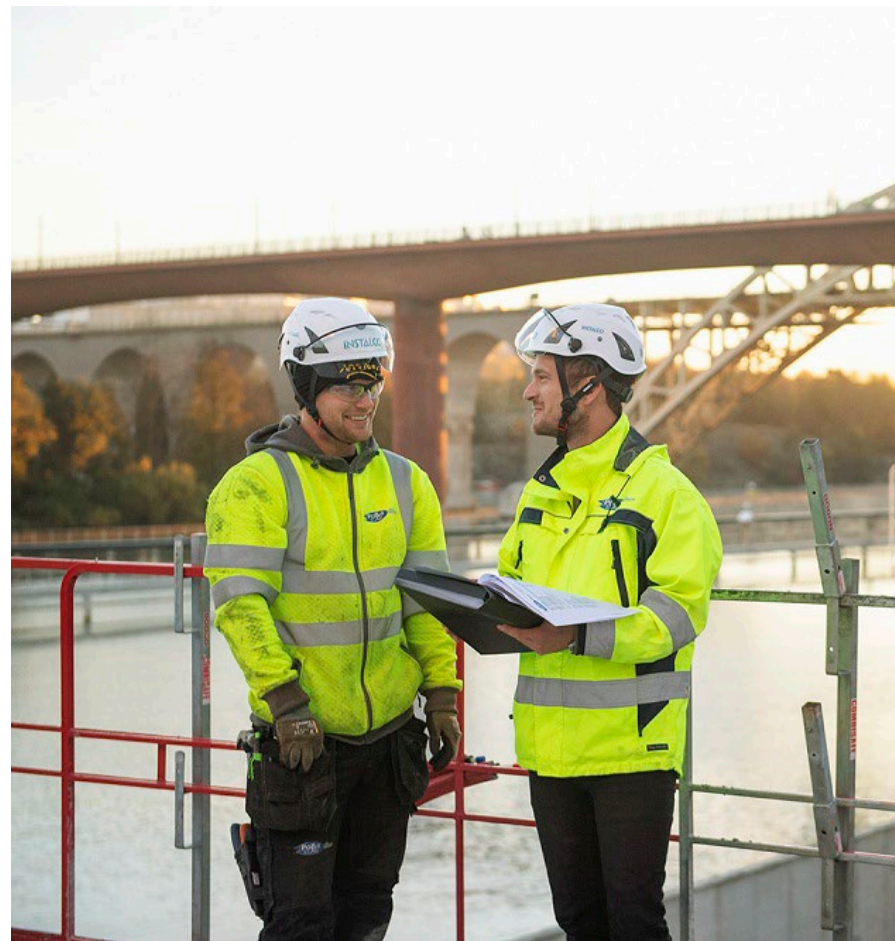
8.4 %

Average no of employees

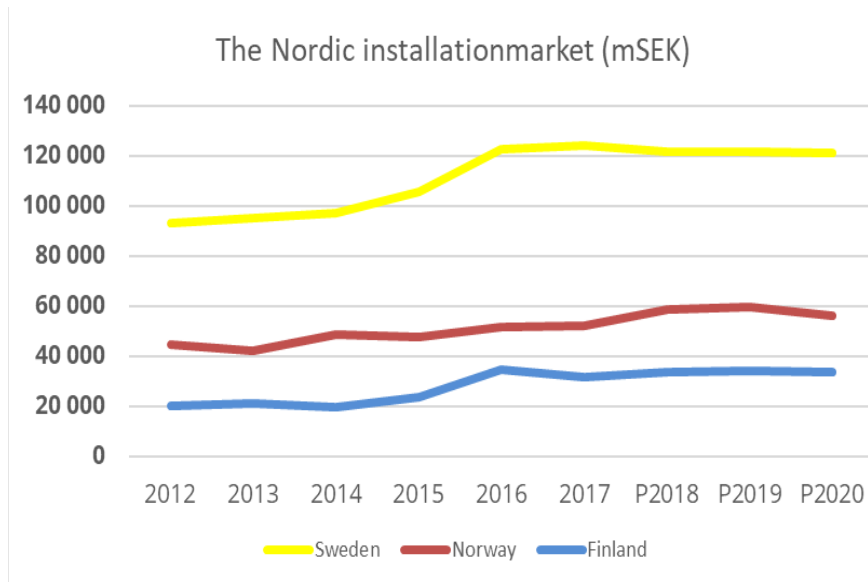
2,065

Acquired annual sales

759



The Nordic installation market



Overall

- Total market of about 200+ billion SEK
- Sweden is the largest market
- Market will level out or even decline the coming years but still stay on high levels

Sweden

- + Population increase and urbanization, low unemployment, investments in industry
- Fewer permits granted for buildings

Norway

- + Urbanization, lower unemployment, oil investments are increasing, increase in energy efficiency regulations
- Higher interest rates, lower population growth

Finland

- + Migration and urbanization, positive development in industry, increased public spending
- Lower granted building permits overall, aging population

Q4 2018 Highlights

- High growth in sales and profitability
- Net sales growth 35.1%
- Organic growth 1.5%
- Several acquisitions in Sweden and Finland
- Continued stable market
- Strong order backlog

Sales and profitability

Net sales

SEK **1,264** million

Adjusted EBITA

SEK **119** million

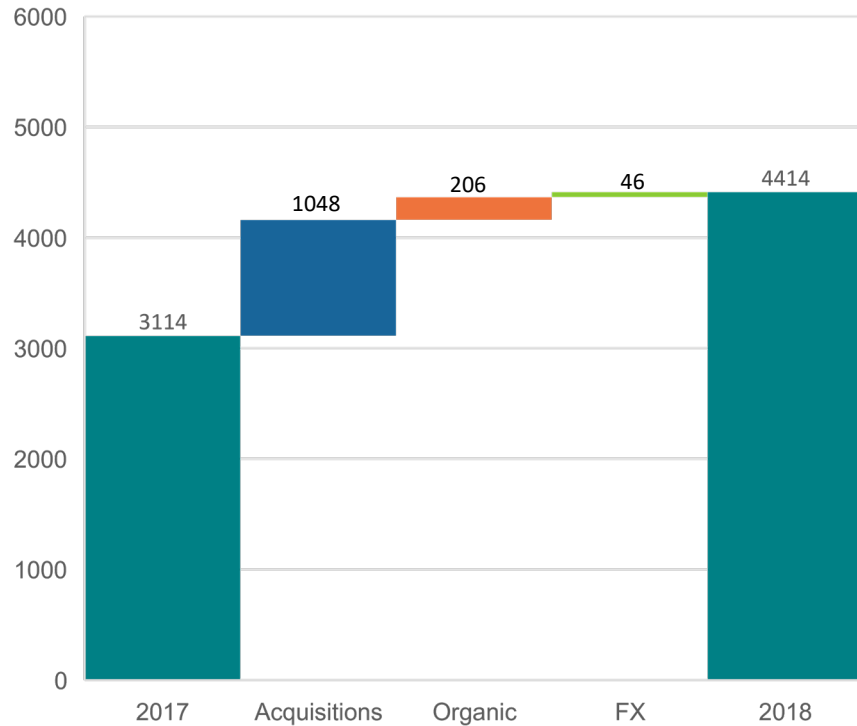
Adjusted EBITA margin

9.4 %

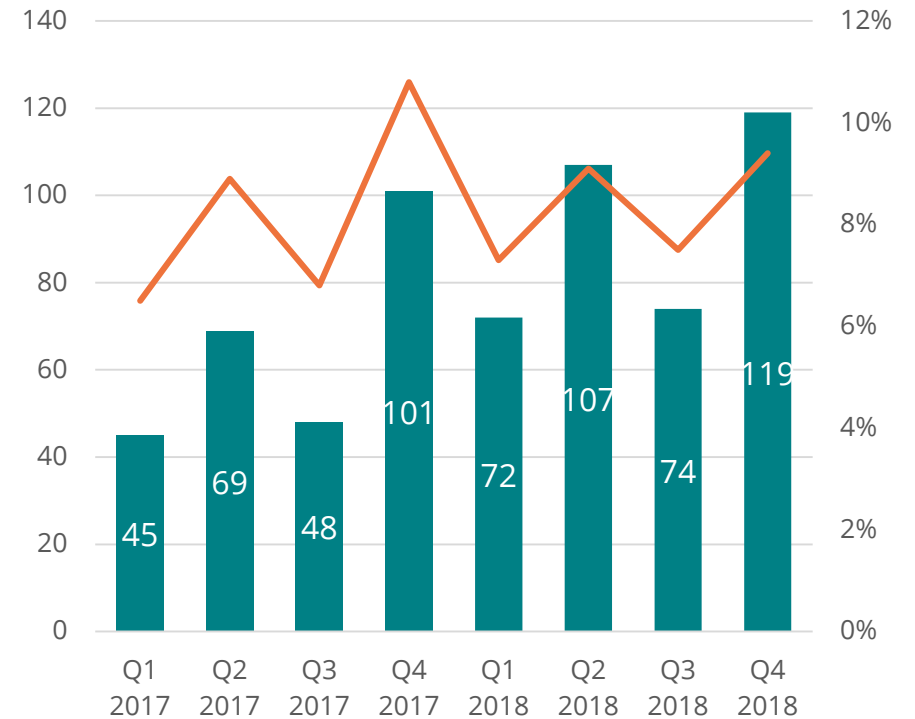


Group development – Net sales and EBITA

Net sales growth (SEK million)

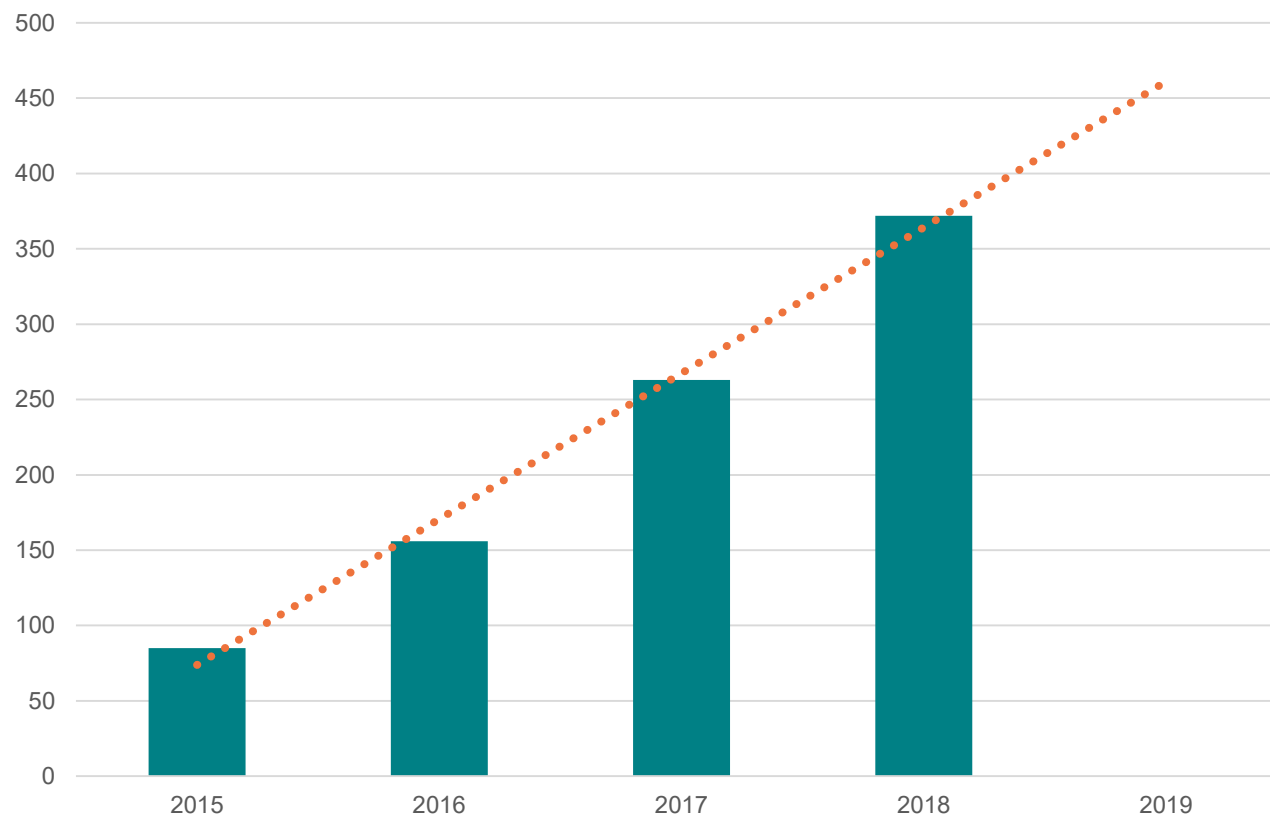


Adj. EBITA (SEK million) and adj. EBITA margin (%)



Towards the 2019 financial target

Adjusted EBITA

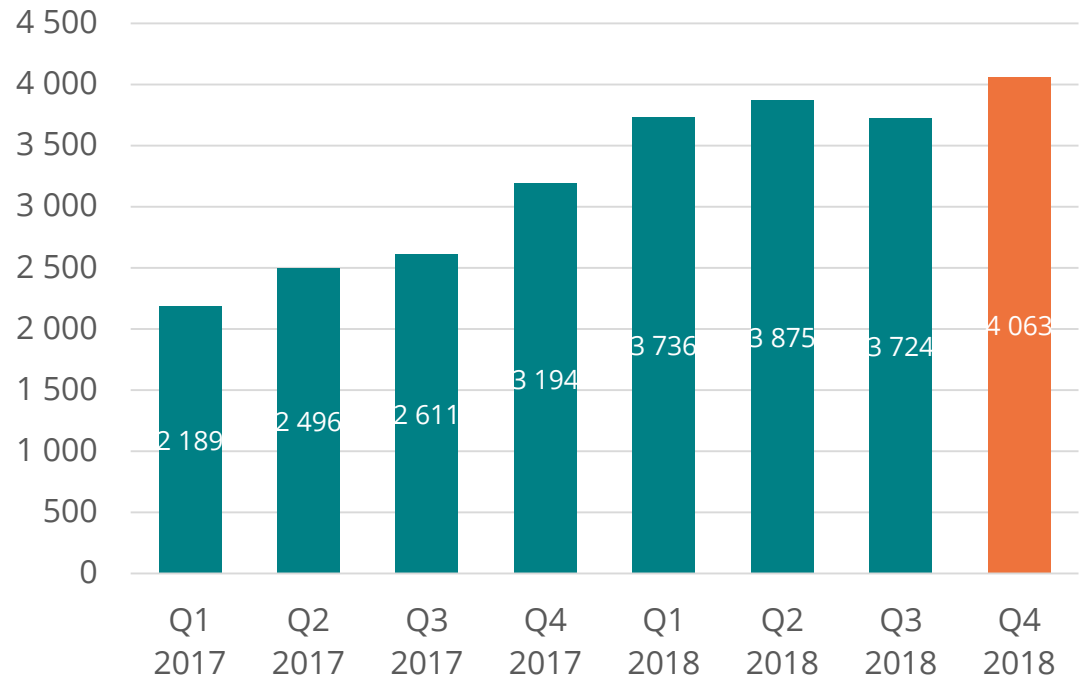


Group development – Order backlog

- Growth of 27.2% (compared to Q4 2017)
- Continued high order backlog ratio of 0.9x (relative to 12 months rolling net sales)



Order backlog (SEK million)



Examples of projects in Q4

Hotel Savoy Malmö



- Three Instalco subsidiaries: Rörläggaren, El-Pågarna and VFB
- Renovation in one of Sweden's oldest hotels – historical building
- Electrical, heating and plumbing and ventilation system installations

Linköping University Hospital



- APC Elinstallatören
- Rebuilding of Linköping University Hospital
- Installations of electrical, power and telecommunication systems
- Will become one of Sweden's most energy-efficient hospital buildings

Segment development - Sweden

- Continued strong demand
- Stable market
- Public sector continues to build hospitals, schools and pre-schools
- Net sales growth of 42.3%
- Organic growth of 6.9%
- Order backlog growth of 23.8% whereof 9.7% in comparable units

Key financials Q4 2018

Net sales

SEK **944** million

EBITA

SEK **99** million

EBITA margin

10.5 %

Order backlog

SEK **3,202** million

Segment development – Rest of Nordics

- Continued high demand
- Stable market
- Recovering after earlier loss-making project in Norway
- Two acquisitions in Finland
- Net sales growth of 11.5%
- Order backlog growth of 37.7% whereof 6.7% in comparable units

Key financials Q4 2018

Net sales

SEK **320** million

EBITA

SEK **22** million

EBITA margin

6.7 %

Order backlog

SEK **860** million

Examples of acquired companies in Q4

MSI, Sweden



- Offer services within electrical installations, heating and plumbing, service and maintenance
- Strengthens Instalco's operations in the Östergötland region
- Annual sales of approx. SEK 97 million

Sähkö-Buumi, Finland



- Specializes in electrical installation work in conjunction with apartment renovations
- Operations in Helsinki and surrounding areas
- Annual sales of approx. SEK 34 million

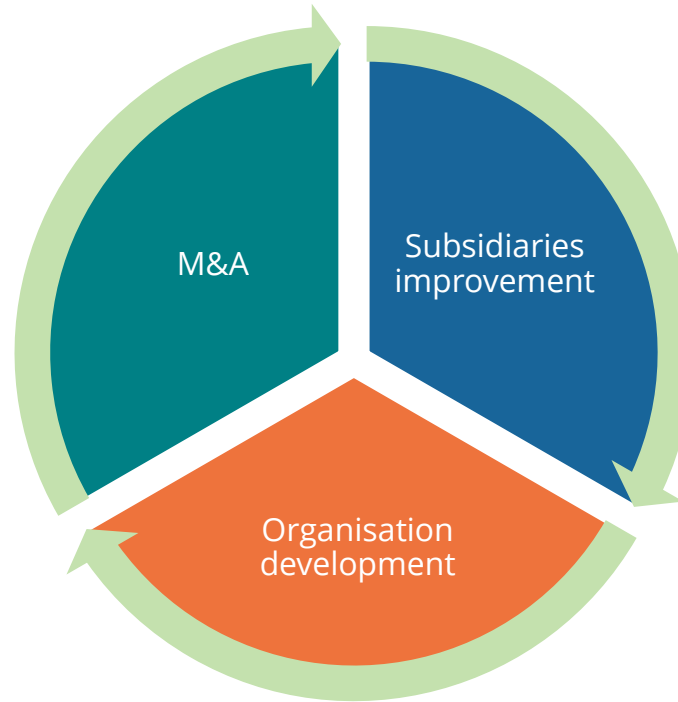
Acquisitions 2018

Acquisition	Discipline	Segment	Estimated yearly sales (SEKm)	Acquired
Trel AB	Electrical	Sweden	75	Jan
Sprinklerbolaget i Stockholm AB	Sprinkler	Sweden	77	Jan
Vent och Värmeteknik VVT AB	Ventilation	Sweden	18	Jan
VVS-Kraft Teknikservice AB	Heating & Plumbing	Sweden	85	Feb
RIKELEKTRO AB	Electrical	Sweden	60	Feb
Dala Kylmecano AB	Heating & Plumbing	Sweden	31	Apr
APC Elinstallatören AB	Electrical	Sweden	50	Apr
Teknisk Ventilasjon AS	Ventilation	Rest of Nordics	57	May
LVI-Urakointi Paavola Oy	Heating & Plumbing	Rest of Nordics	100	June
Rörman i Svedala AB	Heating & Plumbing	Sweden	31	October
MSI-EI Motala Ström Installations AB	Electrical	Sweden	65	October
MSI-Järn AB	Other	Sweden	12	October
MSI-Rör AB	Heating & Plumbing	Sweden	13	October
Larm & Teleteknik i Motala AB	Other	Sweden	10	October
Twinputki Oy	Sprinkler	Rest of Nordics	27	November
Sähkö-Buumi Oy	Electrical	Rest of Nordics	48	November
TOTAL			759	

*For companies acquired, estimated yearly sales corresponds to reported sales for the latest full financial year.

We create value by...

- Acquiring best in class companies with strong brands
- Attractive multiples
- Three types of acquisitions: (strategic, opportunistic and adds-on)
- Start-ups



- Focusing on value creating activities (lean)
- Effectiveness
- Cooperation between units
- Flat organisation
- Decentralised decisions

- Commitment and entrepreneurial spirit
- Demand driven functions
- Keeping our overhead costs extremely low
- IFOKUS (lean, best practise, go and see, Instalco Academy)

Updated financial targets and dividend policy

Area	Target	Comment
Growth	<ul style="list-style-type: none"> Average sales growth should be at least 10% per year over a business cycle Growth will take place both organically and through acquisitions 	<ul style="list-style-type: none"> Acquired sales and EBITA in line with plan
Margin	<ul style="list-style-type: none"> Instalco aims to deliver an adjusted EBITA margin of 8.0% 	<ul style="list-style-type: none"> 8.4% YTD
Capital structure	<ul style="list-style-type: none"> Instalco's net debt in relation to adjusted EBITDA² shall not exceed a ratio of 2.5 	<ul style="list-style-type: none"> 1.4x December 2018
Cash conversion	<ul style="list-style-type: none"> Instalco aims to achieve a cash conversion ratio of 100%, measured over a rolling twelve-month period over a business cycle 	<ul style="list-style-type: none"> 99% YTD
Dividend policy	<ul style="list-style-type: none"> Instalco targets a dividend payout ratio of 30% of net profit 	<ul style="list-style-type: none"> Proposal of 30% of net profit 2018

Instalco's financial targets set forth above constitute forward-looking information that is subject to considerable uncertainty. The financial targets are based upon a number of assumptions relating to, among others, the development of Instalco's industry, business, results of operations and financial condition. Instalco's business, results of operations and financial condition, and the development of the industry and the macroeconomic environment in which Instalco operates, may differ materially from, and be more negative than, those assumed by Instalco when preparing the financial targets set out above. As a result, Instalco's ability to reach these financial targets is subject to uncertainties and contingencies, some of which are beyond its control, and no assurance can be given that Instalco will be able to reach these targets or that Instalco's financial condition or results of operations will not be materially different from these financial targets

Looking ahead

- Stable market and demand reflected in strong order backlog
- Slowdown in housing construction but with continued stability in the installation sector
- Public sector continues to build hospitals, schools and pre-schools
- Still difficult to find qualified workforce
- Upcoming acquisitions



Summary

Q4

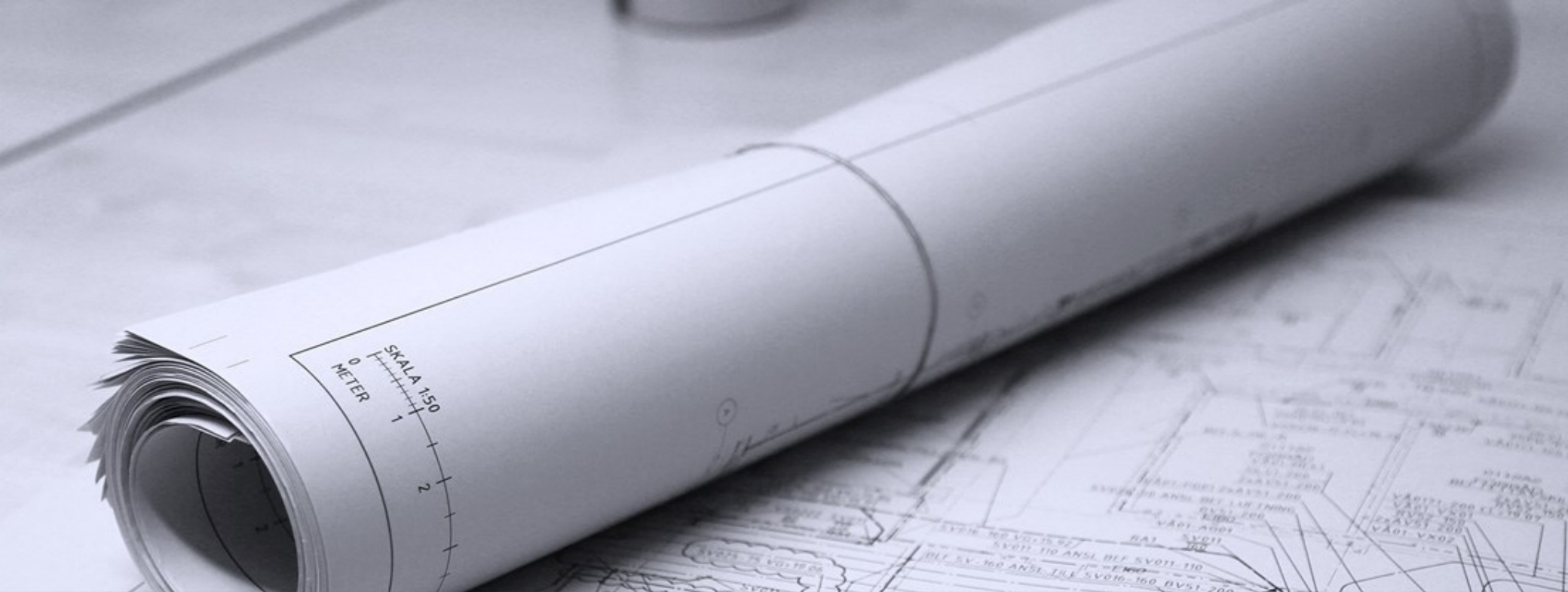
- High growth in sales and profitability
- Continued stable market
- Confident in reaching our financial targets

Looking ahead

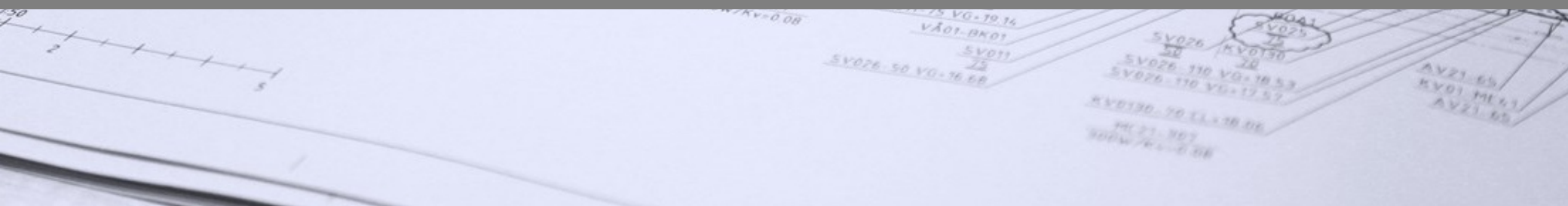
- Several upcoming acquisitions and start-ups
- Updated financial targets







Q&A



Quarterly data

SEKm	2016 Q1	2016 Q2	2016 Q3	2016 Q4	2017 Q1	2017 Q2	2017 Q3	2017 Q4	2018 Q1	2018 Q2	2018 Q3	2018 Q4
Net sales	474	599	556	777	689	781	708	935	979	1,174	998	1,264
<i>Growth, %</i>	95.8%	97.1%	65.6%	59.7%	45.2%	30.5%	27.3%	20.3%	42.2%	50.2%	40.8%	35.1%
EBITDA	23	49	12	60	38	62	54	96	41	102	70	127
<i>EBITDA margin, %</i>	4.9%	8.2%	2.2%	7.7%	5.5%	8.0%	7.6%	10.2%	4.2%	8.7%	7.0%	10.0%
Adjusted EBITDA	26	56	16	63	46	71	50	103	74	109	77	122
<i>Adjusted EBITDA margin, %</i>	5.5%	9.3%	2.9%	8.1%	6.7%	9.1%	7.0%	11.0%	7.5%	9.3%	7.7%	9.6%
EBITA	23	49	11	58	37	61	52	94	39	100	68	124
<i>EBITA margin, %</i>	4.8%	8.1%	2.0%	7.4%	5.3%	7.8%	7.4%	10.0%	4.0%	8.5%	6.8%	9.8%
Adjusted EBITA	25	55	15	61	45	69	48	101	72	107	74	119
<i>Adjusted EBITA margin, %</i>	5.3%	9.2%	2.7%	7.8%	5.3%	8.9%	6.8%	10.8%	7.3%	9.1%	6.8%	9.4%
Adjustments												
Earn-outs	-	6	0	-	4	-16	-9	7	0	4	6	-10
Acquisition costs	2	0	3	1	2	4	2	1	3	3	1	3
Refinancing costs	-	-	-	1	1	-	-	-	-	-	-	-
Listing costs	-	-	1	1	2	20	2	-	-	-	-	-
Divestment of subsidiary loss	-	-	-	-	-	-	-	-	30	-	-	-
Other	-	-	-	-	-	-	-	-	-	-	-	2
Total adjustments	3	6	4	3	8	8	-4	7	33	7	7	-5
Net debt	293	265	210	241	302	346	392	446	493	538	588	520
Net debt /LTM adjusted EBITDA	2.8x	2.0x	1.5x	1.5x	1.7x	1.8x	1.7x	1.7x	1.7x	1.6x	1.6x	1.4x
Net working capital	35	15	3	-17	-69	-26	15	-1	-14	-24	71	33
<i>Net working capital (% of LTM net sales)</i>	2.2%	0.8%	0.1%	-0.7%	-2.9%	-0.9%	0.5%	0.0%	-0.4%	-0.6%	1.7%	0.8%
Order backlog	1,650	1,683	1,911	1,999	2,189	2,496	2,611	3,194	3,736	3,875	3,724	4,063
Number of operating units at the end of the period	18	19	24	26	31	32	33	43	48	52	47	52
Average number of employees	1,043	1,082	1,221	1,240	1,466	1,578	1,594	1,666	1,943	2,039	2,067	2,212
Nb of employ. end of the period	1,060	1,120	1,257	1,295	1,470	1,590	1,631	1,844	1,985	2,119	2,139	2,283