Instalco

INSTALCO

Interim report January – September 2021

Continued high rate of acquisition and good operating profit

July – September 2021

- Net sales increased by 21.0 percent to SEK 1,989 (1,643) million. Organic growth, adjusted for currency effects, was 2.2 (–2.7) percent.
- EBITA increased to SEK 171 (140) million, which corresponds to an EBITA margin of 8.6 (8.5) percent.
- Cash flow from operating activities for the period was SEK –42 (90) million.
- Six acquisitions were made during the quarter, which, on an annual basis, contribute an estimated total sales of SEK 399 million.
- Earnings per share for the period amounted to SEK 2.47 (2.01).

January - September 2021

- Net sales increased by 23.7 percent to SEK 6,242 (5,044) million. Organic growth, adjusted for currency effects, was 4.2 (4.6) percent.
- EBITA increased to SEK 521 (414) million, which corresponds to an EBITA margin of 8.3 (8.2) percent.
- Cash flow from operating activities for the period was SEK 227 (412) million.
- A total of 21 acquisitions were made during the period, which on an annual basis contribute an estimated total sales of SEK 975 million.
- Earnings per share for the period amounted to SEK 7.44 (6.04).

Key figures

SEK m	July-Sept 2021	July-Sept 2020	Jan-Sept 2021	Jan-Sept 2020	12-months rolling 2020/2021	Jan-Dec 2020
Net sales	1,989	1,643	6,242	5,044	8,319	7,122
Operating profit/loss (EBIT)	163	140	510	414	700	604
Operating profit/loss (EBIT), %	8.2	8.5	8.2	8.2	8.4	8.5
EBITA	171	140	521	414	712	605
EBITA margin, %	8.6	8.5	8.3	8.2	8.6	8.5
Adjusted EBITA	165	150	514	431	708	625
Adjusted EBITA margin, % 1)	8.3	9.2	8.2	8.6	8.5	8.8
Earnings before taxes	158	137	494	397	692	594
Cash flow from operating activities	–42	90	227	412	504	689
Order backlog	6,494	6,263	6,494	6,263	6,494	6,625
Earnings per share, SEK 1)	2.47	2.01	7.44	6.04	10.38	9.00

1) Calculated in relation to the number of shares before dilution at the end of the reporting period.

CEO Comments

Sales in the first quarter were SEK 1,989 (1,643) million, which corresponds to a growth rate of 21.0 percent. EBITA for the quarter was SEK 171 (140) million, which corresponds to an adjusted EBITA margin of 8.6 (8.5) percent. Order backlog has remained strong and at the end of the quarter, it amounted to SEK 6,494 (6,263) million, which corresponds to an increase of 3.7 percent.

During the third quarter, we were still affected by the circumstances of the pandemic, particularly in Norway and Finland. As was the case earlier during the pandemic, we noticed a continued sluggishness with newly signed contracts and absenteeism has also been somewhat higher than normal. We have also been somewhat affected by higher raw material prices during the quarter.

We are now optimistic about the approaching return to more normal circumstances, without restrictions and with good conditions for offering design, installation and service of various types of projects in the Nordic region.

High rate of acquisition

We maintained a high rate of acquisition during the third quarter, having made five company acquisitions in Sweden and one in Norway. In Sweden, all of the acquisitions were niched companies in our regular, or closely related business areas. The acquisitions were: Forsséns El in Södertälje (control technology and automatics), App Start Up in Stockholm (energy), PeMi in Orsa (ventilation), SSE in Blomstermåla (electrical power) and Installationsservice in Eskilstuna (service). In addition to that, our subsidiary Henningsons El made an add-on acquisition of Industriprodukter AB in order to expand its offering in the power and industrial areas.

In Norway, we strengthened our presence in Oslo via the acquisition of Klimateknikk.

We have a strong acquisition pipeline and have noticed that there is much interest among entrepreneurs to join the Instalco team. For the foreseeable future, there are great opportunities for continuing to make high quality company acquisitions in our market. The aim is to widen our base of companies in Norway and Finland in order to create a more stable base that will make it easier for us to create the business synergies that are one of the cornerstones of Instalco.

During the quarter, we added new talent to our team by hiring a new Head of Purchasing, a new CFO and a new set up for managing Business Area Finland, all of which is aimed at ensuring that Instalco can keep growing at the rate we would like. It makes us confident that we can successfully continue on our journey of growth.

Design and installation

During the quarter, we completed many deliveries of design and installation of various types of sustainable installation projects. One example of many is a partnering project with NCC and Karlstad Municipality, where our subsidiary, LG Contracting was engaged for the heating & plumbing installations in conjunction with construction of the new indoor arena for ice hockey in Karlstad. The heat generated from machinery that keeps the ice frozen is captured and used to heat other parts of the facility.

We are also continuing to grow our Technical Consulting business area focused on design and planning. At the centre of it all is our subsidiary, Intec. Before the end of the year, we will have more than 200 technical consultants working for us throughout Sweden.

New collaboration in sustainability

For the Instalco Group, ESG and sustainability lies at the core of everything we do. Our climate-smart installations lower energy and resource consumption to help future-proof society. We are also passionate about water purification and other types of water resource management systems. I am therefore very proud that we were able to initiate a collaboration with Wayout International during the quarter. The collaboration enables Wayout to, with the help of our knowledge and expertise, ramp up their effort with production and distribution of micro-purification factories to areas of the world where clean drinking water is a scarcity.

Robin Boheman
CEO

Performance of the Instalco Group

The Nordic market of installation services

The market for technical installation and service in Sweden, Norway and Finland has been stable over quite some time. The COVID-19 pandemic has had a late cyclical effect on the market in the form of project delays, a lower service offering and higher absenteeism. Raw material prices have increased, which has somewhat of a short-term impact on us as an installation provider. However, thanks to the cost-plus system that Instalco applies, our assessment is that, over the long run, there is no risk of it affecting our margins. However, should there be a shortage of copper, steel, plastic or aluminium, it could possibly impact the business.

To a large extent, the market is fuelled by several long-term trends and developments in society such as technological progress, infrastructure investments, urbanisation, housing shortage, ageing property holdings and demographics. The major driving forces are environmental awareness, societal benefits and sustainability.

Net sales

Third quarter

Net sales for the third quarter amounted to SEK 1,989 (1,643) million, which is an increase of 21.0 percent. Adjusted for currency effects, organic growth was 2.2 (–2.7) percent and acquired growth was 18.8 percent. Currency fluctuations had a positive impact on net sales of 0.1 percent during the quarter. Six new company acquisitions were made during the quarter.

January-September

Net sales for the period amounted to SEK 6,242 (5,044) million, which is an increase of 23.7 percent. Adjusted for currency effects, organic growth was 4.2 (4.6) percent and acquired growth was 19.8 percent. Currency fluctuations had a negative impact on net sales of –0.2 percent. Instalco acquired 21 companies during the period.

Earnings

Third quarter

Adjusted EBITA for the third quarter was SEK 165 (150) million. The adjustment in the quarter of SEK –6 million is attributable to a revaluation of additional consideration and acquisition costs. Net financial items for the quarter amounted to SEK –6 (–3) million. Interest expense on external loans was SEK 3 (1) million. Earnings for the quarter were SEK 129 (105) million, which corresponds to earnings per share of SEK 2.47 (2.01). Tax for the quarter was SEK 28 (32) million.

January-September

Adjusted EBITA for the period was SEK 514 (431) million. The adjustment in the period of SEK –7 million is attributable to a revaluation of additional consideration and acquisition costs. Net financial items for the period amounted to SEK –16 (–17) million. Interest expense on external loans was SEK –9 (–10) million. Earnings for the period were SEK 394 (308) million, which corresponds to earnings per share of SEK 7.44 (6.04). Tax for the period was SEK 100 (89) million.

Order backlog

January – September

Order backlog at the end of the period amounted to SEK 6,494 (6,263) million, which is an increase of 3.7 percent. For comparable units, adjusted for currency effects, order backlog decreased by –5.2 percent and the order backlog for acquired companies contributed with growth of 8.4 percent.

Instalco has, among other things during the quarter and via its subsidiary Intec, signed a nationwide contract pertaining to risk and fire protection. The contract is with WAP Holding which operations 60 padel centers in Sweden and the duration is three years. The contract covers fire prevention work, along with inventory taking, licensing and service.

Cash flow

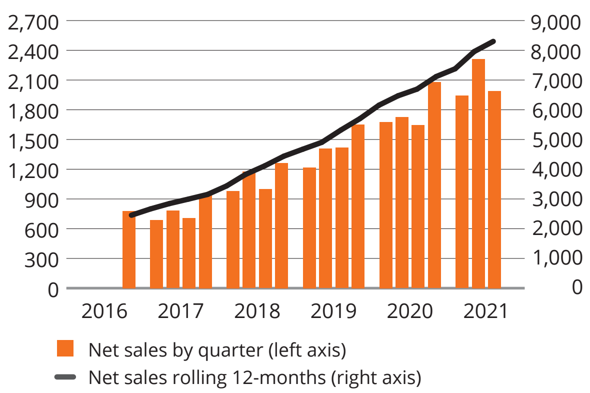
Third quarter

Cash flow from operating activities for the period was SEK –42 (90) million. Instalco's cash flow varies over time, primarily because of work-in-progress. There can be significant fluctuations when making comparisons between quarters and this applies in particular to work-in-progress, accounts receivable and accounts payable.

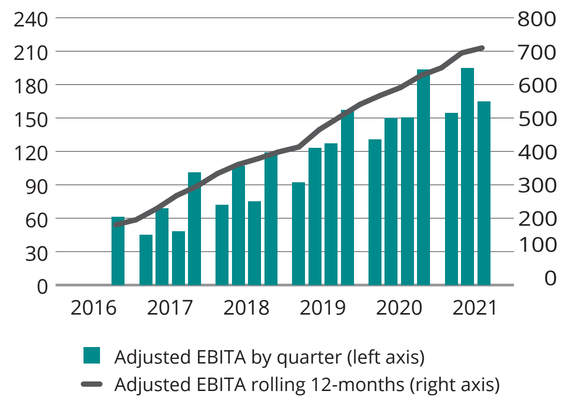
January – September

Cash flow from operating activities for the period was SEK 227 (412) million.

NET SALES BY QUARTER, SEK M



ADJUSTED EBITA BY QUARTER, SEK M



Operations in Sweden

Market

In general, market development has been good. The rate of growth for construction in the public sector (e.g. schools, preschools, hospitals, clinics and nursing homes) remains high. The same applies to renovation of commercial property, such as offices and business facilities. Production of apartment complexes, both condominiums and rental property, has remained relatively stable and the number of new apartment projects that were started up increased during the fall. Still however, the level of new development for residential property is below what is needed to satisfy the long-term needs. For technical consulting, we noticed an increase in demand, primarily for the industrial segment, where the need for maintenance is substantial.

Instalco is monitoring the risk of a future cement shortage in Sweden, which could impact the construction sector. At present, it is too early to assess whether we will be impacted.

Net sales

Third quarter

Net sales for the third quarter increased by SEK 301 million to SEK 1,553 (1,252) million compared to the same period last year. Organic growth was 2.9 percent and acquired growth was 21.2 percent.

January-September

Net sales for the period increased by SEK 1,085 million to SEK 4,907 (3,822) million compared to the same period last year. Organic growth was 7.4 percent and acquired growth was 21.0 percent.

Earnings

Third quarter

EBITA for the quarter was SEK 135 (117) million, which corresponds to a margin of 8.7 (9.3) percent.

January-September

EBITA for the quarter was SEK 440 (370) million, which corresponds to a margin of 9.0 (9.7) percent.

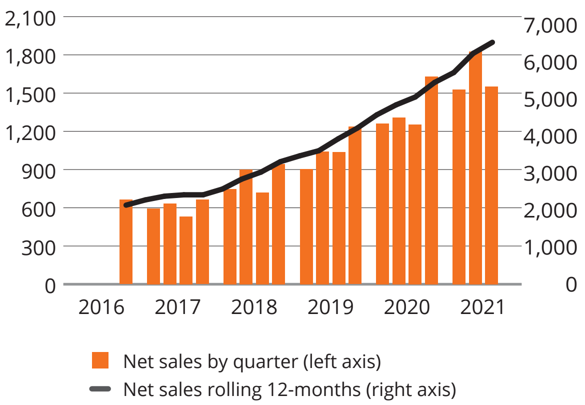
Order backlog

January-September

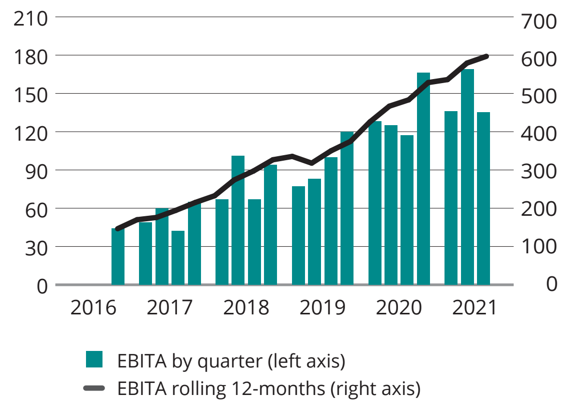
Order backlog at the end of the period amounted to SEK 5,240 (5,054) million, which is an increase of 3.7 percent. For comparable units, order backlog decreased by –5.7 percent and the order backlog for acquired companies contributed with growth of 9.3 percent.

During the third quarter, Instalco has, among other things and via its subsidiary, El-Pågarna, signed a contract for electrical installations at 88 apartments that are being built in the neighbourhood called Lyra, which is at Vipeholmsparken in Lund. The contractor is JM AB and the project is scheduled for completion in Q2 of 2023.

NET SALES BY QUARTER, SEK M



EBITA BY QUARTER, SEK M



Key figures for Sweden

SEK m	July-Sept 2021	July-Sept 2020	Jan-Sept 2021	Jan-Sept 2020	12-months rolling 2020/2021	Jan-Dec 2020
Net sales	1,553	1,252	4,907	3,822	6,535	5,451
EBITA	135	117	440	370	607	537
EBITA margin, %	8.7	9.3	9.0	9.7	9.3	9.9
Operating profit/loss (EBIT)	135	117	439	370	606	536
Operating profit/loss (EBIT), %	8.7	9.3	9.0	9.7	9.3	9.8
Earnings before taxes	135	116	439	368	582	510
Order backlog	5,240	5,054	5,240	5,054	5,240	5,387

Operations in Rest of Nordic

Market

In Norway, we have noticed that demand is high for most of the areas and there are plans in place for major investments in the construction sector in the coming years, particularly as regards new public buildings like schools and hospitals. Our assessment is that the market conditions over the next few years will remain very good. We have noticed that there is higher interest in energy efficiency measures for the operation of both existing and new buildings. By the end of the quarter, the Nordic market had almost returned to normal after the pandemic thanks to national infection control restrictions being lifted and production is now in full swing. Although we were faced with project delays during most of the quarter, we expect that they will now start making better progress. The service market is stable and in general, the order backlog for our Norwegian subsidiaries is strong.

During the quarter, Finland was also negatively impacted by the pandemic more than it has been in the past, primarily from higher absenteeism, a greater spread of infection and periodic shutdowns at construction sites. Order backlog for our Instalco companies in Finland is very strong, even though there are indications of an overall decline in the number of building permits for new construction there. The market is still primarily being fuelled by the major metropolitan regions.

Net sales

Third quarter

Net sales for the third quarter increased by SEK 45 million to SEK 436 (391) million compared to the same period last year. Organic growth, adjusted for currency effects, was –0.1 percent and acquired growth was 11.1 percent.

January-September

Net sales for the period increased by SEK 113 million to SEK 1,335 (1,222) million compared to the same period last year. Organic growth, adjusted for currency effects, was –5.8 percent and acquired growth was 16.2 percent. We have a specific strategy for our operations in Norway of prioritising profitability above volume.

Earnings

Third quarter

EBITA for the quarter was SEK 15 (26) million, which corresponds to a margin of 3.5 (6.7) percent.

January-September

EBITA for the period was SEK 49 (68) million, which corresponds to a margin of 3.7 (5.6) percent.

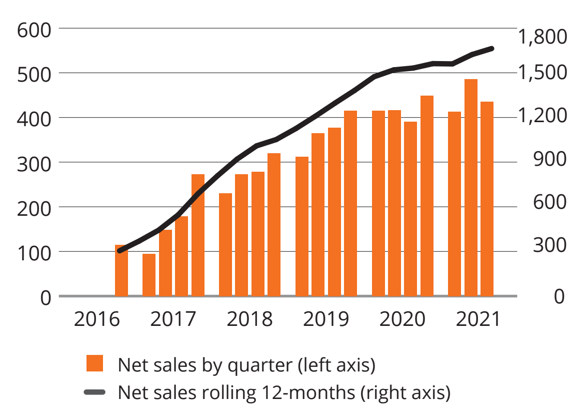
Order backlog

January–September

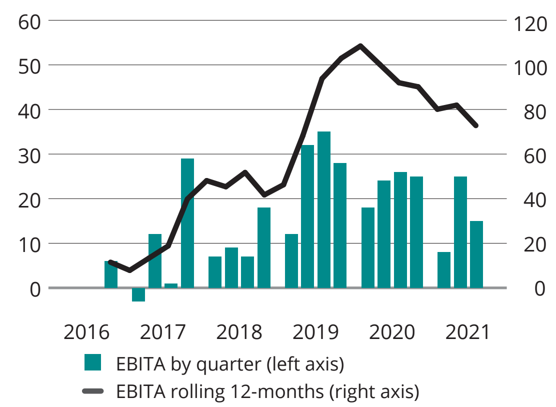
Order backlog at the end of the period amounted to SEK 1,254 (1,209) million, which is an increase of 1.2 percent, adjusted for currency effects. For comparable units, order backlog decreased by –3.5 percent and the order backlog for acquired companies contributed with growth of 4.6 percent.

During the third quarter, among other things, Instalco's Norwegian subsidiary, Moi Rör, signed a contract for heating and plumbing installations at the project called Baneheia Park in Kristiansand. It involves the new construction of an office building that will house 160 offices.

NET SALES BY QUARTER, SEK M



EBITA BY QUARTER, SEK M



Key figures, Rest of Nordic

SEK m	July-Sept 2021	July-Sept 2020	Jan-Sept 2021	Jan-Sept 2020	12-months rolling 2020/2021	Jan-Dec 2020
Net sales	436	391	1,335	1,222	1,784	1,671
EBITA	15	26	49	68	75	94
EBITA margin, %	3.5	6.7	3.7	5.6	4.2	5.6
Operating profit/loss (EBIT)	15	26	49	68	75	94
Operating profit/loss (EBIT), %	3.5	6.7	3.7	5.6	4.2	5.6
Earnings before taxes	15	26	48	67	72	91
Order backlog	1,254	1,209	1,254	1,209	1,254	1,238

Acquisition

Instalco made 21 acquisitions during the period January through September 2021.

In accordance with agreements on contingent consideration, the Group must pay cash for future earnings. The maximum, non-discounted amount that could be paid to prior owners is SEK 471 million, of which SEK 222 million is acquisitions that were made in 2021. The total amount of accrued additional consideration is SEK 346 million, of which SEK 187 million is for acquisitions made in 2021. They are reported among Other current liabilities in the balance sheet. Acquisition costs for the year amount to SEK 7 (8) million and they are reported among Other operating expenses in the income statement.

The fair value of the contingent consideration is at Level 3 in the IFRS fair value hierarchy.

Goodwill of SEK 664 million that has arisen via the acquisitions represents future economic benefits that could not be individually identified and recognised separately.

Company acquisitions

Instalco made the following company acquisitions during the period January – September 2021.

Access gained	Acquisition	Area of technology	Segment	Share of the votes and capital	Assessed annual sales, SEK m	Number of employees
January	JB Elektro AS	Electricity	Rest of Nordic	100%	40	21
January	Lincom AB	Electricity	Sweden	100%	33	25
January	Nässjö Teknikprojektering AB	Technical consulting	Sweden	100%	15	10
February	Stockholm Luftkompetens AB	Ventilation	Sweden	100%	85	20
February	Kempes El AB	Electricity	Sweden	100%	85	66
April	Inva Engineering AS	Heating & plumbing	Rest of Nordic	100%	6	10
April	Calmarsunds VVS AB	Heating & plumbing	Sweden	100%	26	68
May	Rörmokaren i Kolmården AB	Heating & plumbing	Sweden	100%	31	20
May	Lampans Elinstallationer AB	Electricity	Sweden	100%	55	41
May	Elinstallationer i Karlshamn AB	Electricity	Sweden	100%	40	31
June	KaVP AB och Karlskoga Tak AB	Ventilation	Sweden	100%	30	17
June	Nordengen VVS AS	Heating & plumbing	Rest of Nordic	100%	13	6
June	PlanProj AB	Technical consulting	Sweden	100%	17	14
June	Nihlén Elmontage AB	Electricity	Sweden	100%	80	19
June	Industriprodukter AB	Electricity	Sweden	100%	20	22
July	Klimateknikk Oslo AS	Ventilation	Rest of Nordic	100%	40	5
July	Forsséns Elektriska AB	Electricity	Sweden	100%	65	40
August	App Start-up AB	Industrial	Sweden	100%	97	63
September	PeMi Ventilation & Montage AB	Ventilation	Sweden	100%	38	13
September	Installationsservice Nicklas Eriksson AB	Electricity	Sweden	100%	59	30
September	Sydsvenska Elanläggningar AB	Electricity	Sweden	100%	100	70
Total					**975**	**611**

Impact of acquisitions

Acquisitions had the following impact on the Group's assets and liabilities. None of the acquisitions in the period have been assessed as individually significant, which is why the disclosures cover them as a whole. The acquisition analyses for companies acquired in 2021 are preliminary.

SEK m	Fair value of Group
Intangible assets	81
Deferred tax asset	0
Other non-current assets	13
Other current assets	189
Cash and cash equivalents	184
Deferred tax liability	–25
Current liabilities	–175
Total identifiable assets and liabilities (net)	**266**
Goodwill	**664**
Consideration paid	
Cash and cash equivalents	738
Contingent consideration	192
Total transferred consideration	**930**
Impact on cash and cash equivalents	
Cash consideration paid	738
Cash and cash equivalents of the acquired units	–184
Total impact on cash and cash equivalents	**554**
Settled contingent consideration attributable to acquisitions in the current year and prior years	40
Exchange rate difference	0
Total impact on cash and cash equivalents	**594**
Impact on net sales and operating profit/loss 2021	
Net sales	297
Operating profit/loss	37
Consolidated pro forma for net sales and operating profit/loss from 1 January 2021	
Net sales	806
Operating profit/loss	104

Financial information

Financial position

Equity at the end of the period amounted to SEK 2,284 (1,828) million. Interest-bearing net debt as of 30 September 2021 was SEK 1,620 (974) million.

Currency changes impacted net debt positively by SEK 6 million. The gearing ratio was 71.0 (53.5) percent. During the period, net financial items amounted to SEK –16 (–17) million, of which net interest income/expense was SEK –14 (–12) million. The Group's cash and cash equivalents, together with its other short-term investments amounted to SEK 438 (308) million as of 30 September 2021. In September, Instalco signed a supplementary agreement with Danske Bank to increase the credit facility by an additional SEK 500 million. The contract has the same terms as the prior one, the only difference being that the credit facility amount has been increased from SEK 1,501 million to SEK 2,001 million. The Group's interest-bearing liabilities were SEK 2,057 (1,282) million. Instalco's total amount of granted credit, not including leasing, was SEK 2,001 million, of which SEK 1,653 million had been utilised as of 30 September 2021. For the quarter, the change in working capital was SEK –210 (–41) million and it is primarily attributable to a change in work-in-progress, accounts receivable and vacation pay liability.

Investments, depreciation and amortisation

The Group's net investments for the period, not including company acquisitions, amounted to SEK 18 (1) million. Depreciation of fixed assets was SEK 135 (94) million. Investments in company acquisitions amounted to SEK 594 (411) million. The amount includes settled contingent consideration attributable to acquisitions made in the current and prior years equal to SEK 40 (71) million.

Parent Company

The main operations of Instalco AB are head office activities like group-wide management and administration, along with finance and accounting. The comments below pertain to the period 1 January through 30 September 2021. Net sales for the Parent Company amounted to SEK 19 (18) million. Operating profit/loss was SEK 1 (1) million. Net financial items amounted to SEK –1 (–2) million. Earnings before taxes were SEK 0 (–1) million and earnings for the period were SEK 0 (–1) million. Cash and cash equivalents at the end of the period amounted to SEK 20 (18) million.

Risks and uncertainties

Instalco is active in the Nordic market, where the primary risk factors for the business are market conditions and external factors such as financial turmoil and political decisions that affect the demand for new housing and commercial premises, as well as investments from the public sector and industry. Cyclical fluctuations have less of an impact on the demand for service and maintenance work, but not during an ongoing pandemic. The operating risks are attributable to daily operations, like tendering, price risks, commodity risks, expertise, capacity utilisation and revenue recognition.

The Group recognises revenue in its projects over time in accordance with the percentage of completion method. This involves comparing actual expenditure to the total expected expenditure at any given time. The Group has a well-established process for following up on the percentage of completion and total expected costs of each project. It includes monitoring and assessing the risk of losses that could occur in the project.

The Group is also exposed to impairment of fixed price projects, along with various types of financial risks, like currency, interest and credit risks. Besides the risks described on pages 36-39 of the Instalco Annual Report for 2020, Instalco assesses that pandemics, such as COVID-19, could significantly impact the Group's companies in the form of health risks to its employees, customers and suppliers, operational disturbances and a negative impact on the financial position. The Group's structure, with diversified, wide-ranging activities limits all of the various types of aggregated business and financial risks, including this type of risk.

Corona situation

During the quarter, Instalco, along with the entire construction and installation sector, continued to be affected by the consequences of the ongoing pandemic. The main impact has been sluggishness of construction projects, with shutdowns, deferments and delays. We also had somewhat higher absenteeism due to spread of the corona virus.

We are monitoring operations in our business areas and subsidiaries so that we can take additional measures to limit any negative consequences.

Incentive programme

At Instalco's AGM on 7 May 2020, it was decided to implement an incentive program for the Group's senior executives and other key individuals at the company. The total scope of the program is, at most, 989,256 warrants. The price of the warrants corresponded to the market value. The dilutive effect corresponds to, at most, 2.0 percent of share capital and votes after dilution. Warrants may be exercised as of 22 May 2023 through 16 June 2023.

Transactions with related parties

During the period, there were no transactions between Instalco and related parties that had a significant impact on the company's financial position or earnings.

Revenue and earnings by segment

Revenue by segment	Operations		
	Contract	Service	Total
Sweden	3,936	971	4,907
Rest of Nordic	1,039	296	1,335
Group	**4,974**	**1,267**	**6,242**

Revenue and earnings by segment

	Sweden	Rest of Nordic	Group-wide and eliminations	Total
Net sales	4,907	1,335	0	6,242
EBITA	440	49	32	521
Earnings before taxes	439	48	7	494

Events after the end of the reporting period

During the fourth quarter of 2021, Instalco acquired the following companies: the Blomquist Group with expected sales of SEK 160 million and 80 employees, Kompressor-teknik ML AB with expected sales of SEK 37 million and 13 employees and Total VVS AS, with expected sales of SEK 114 million and 26 employees.

Accounting policies

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) along with interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC) as endorsed by the European Commission for application within the EU. The standards and interpretations that have been applied are the ones that go into effect as of 1 January 2021 and which have been adopted by the EU. The Company has also applied recommendations from the Swedish Financial Reporting Board, RFR 1 Supplementary Accounting Rules for Groups. The consolidated financial statements for the interim period have been prepared in accordance with IAS 34 Interim Financial Reporting. Preparation has also been in accordance with the applicable requirements stated in the Annual Accounts Act. The interim report for the Parent Company has been prepared in accordance with the Annual Accounts Act, which is in accordance with RFR 2 Accounting for Legal Entities. The same accounting principles and bases of computation have been applied in this interim report as in the most recent annual report.

New standards and interpretations that enter into for in 2021 and beyond

As of the end of this quarter, no other new standards, amendments and interpretations of existing standards that have not yet entered into force or have been published by the IASB have been early-adopted by the Group.

Other

In its financial statements, Instalco only has liabilities in the form of contingent consideration that are valued at fair value through profit or loss. The valuation of contingent consideration is based on other observable data for assets or liabilities, i.e. Level 3 in the IFRS fair value hierarchy. There have not been any reclassifications between the different levels in the hierarchy during the period. The total amount of contingent consideration recognised as a liability amounts to SEK 346 million.

Condensed consolidated income statement and statement of comprehensive income

AMOUNTS IN SEK M	July-Sept 2021	July-Sept 2020	Jan-Sept 2021	Jan-Sept 2020	12-months rolling 2020/2021	Jan-Dec 2020
Net sales	1,989	1,643	6,242	5,044	8,319	7,122
Other operating income	32	7	67	31	99	63
Operating income	**2,021**	**1,650**	**6,309**	**5,075**	**8,418**	**7,184**
Materials and purchased services	–1,036	–891	–3,204	–2,684	–4,240	–3,720
Other external services	–106	–76	–343	–273	–467	–398
Personnel costs	–646	–499	–2,085	–1,578	–2,781	–2,274
Depreciation/amortisation and impairment of property, plant and equipment and intangible assets	–51	–31	–134	–94	–175	–135
Other operating expenses	–19	–13	–33	–33	–54	–54
Operating expenses	**–1,858**	**–1,510**	**–5,798**	**–4,661**	**–7,718**	**–6,580**
Operating profit/loss (EBIT)	**163**	**140**	**510**	**414**	**700**	**604**
Net financial items	–6	–3	–16	–17	–8	–9
Earnings before taxes	**158**	**137**	**494**	**397**	**692**	**594**
Tax on profit for the year	–28	–32	–100	–89	–144	–133
Earnings for the period	**129**	**105**	**394**	**308**	**548**	**462**
Other comprehensive income						
Translation difference	10	–2	46	–65	20	–91
Comprehensive income for the period	**139**	**103**	**440**	**243**	**568**	**371**
Comprehensive income for the period attributable to:						
Parent Company's shareholders	138	102	433	238	560	365
Non-controlling interests	1	1	7	5	8	6
Earnings per share for the period, before dilution, SEK	2.47	2.01	7.44	6.04	10.38	9.00
Earnings per share for the period, after dilution, SEK	2.42	1.97	7.30	5.89	10.18	8.79
Average number of shares before dilution	52,024,531	51,417,489	52,007,807	50,193,480	51,974,655	50,609,729
Average number of shares after dilution[1)]	53,013,787	52,406,745	52,997,063	51,496,840	52,963,911	51,834,563

1) The company has one warrant scheme outstanding totalling 989,256 warrants (see Incentive program, page 8).

Condensed consolidated balance sheet

AMOUNTS IN SEK M	30 Sept 2021	30 Sept 2020	31 Dec 2020
ASSETS			
Goodwill	3,454	2,578	2,780
Right-of-use assets	411	314	323
Other non-current assets	191	53	71
Total non-current assets	**4,056**	**2,946**	**3,174**
Accounts receivable	1,176	878	995
Contract assets	637	452	407
Other current assets	288	196	266
Cash and cash equivalents	438	308	386
Total current assets	**2,538**	**1,833**	**2,054**
Total assets	**6,594**	**4,779**	**5,228**
Equity and liabilities			
Equity	2,269	1,820	1,960
Non-controlling interests	14	7	12
Total equity	**2,284**	**1,828**	**1,973**
Non-current liabilities	1,798	1,065	1,099
Lease liabilities	274	197	210
Total non-current liabilities	**2,073**	**1,262**	**1,308**
Lease liabilities	123	104	103
Accounts payable	754	616	588
Contract liabilities	322	308	349
Other current liabilities	1,039	662	907
Total current liabilities	**2,238**	**1,690**	**1,947**
Total liabilities	**4,311**	**2,951**	**3,255**
Total equity and liabilities	**6,594**	**4,779**	**5,228**
Of which interest-bearing liabilities	2,057	1,282	1,298
Equity attributable to:			
Parent Company shareholders	2,269	1,820	1,960
Non-controlling interests	14	7	12

Condensed statement of changes in equity

AMOUNTS IN SEK M	30 Sept 2021	30 Sept 2020	31 Dec 2020
Opening equity	**1,973**	**1,485**	**1,485**
Total comprehensive income for the period	433	238	365
New issues	23	196	222[1)]
Issue warrants	4	18	18
Change in non-controlling interests	–10	–	–
Repurchase of own shares	–	–	–14
Dividends	–141	–115	–115
Other	1	1	1
Non-controlling interests	2	5	10
Closing equity	**2,284**	**1,828**	**1,973**
Equity attributable to:			
Parent Company's shareholders	2,269	1,820	1,960
Non-controlling interests	14	7	12

1) The amount is attributable to redemption of warrants from prior incentive programs along with smaller amounts associated with the acquisition of new companies. For more information, please see the following link: https://instalco.se/investerare/bolagsstyrning/incitamentsprogram

Condensed consolidated cash flow statement

AMOUNTS IN SEK M	July-Sept 2021	July-Sept 2020	Jan-Sept 2021	Jan-Sept 2020	12-months rolling 2020/2021	Jan-Dec 2020
Cash flow from operating activities						
Earnings before taxes	158	137	494	397	692	594
Adjustment for items not included in cash flow	52	29	124	111	159	146
Tax paid	–42	–35	–138	–97	–166	–125
Changes in working capital	–210	–41	–254	1	–181	73
Cash flow from operating activities	**–42**	**90**	**227**	**412**	**504**	**689**
Investing activities						
Acquisition of subsidiaries and businesses	–267	–184	–594	–411	–765	–582
Other	–3	0	–18	–1	–19	–2
Cash flow from investing activities	**–270**	**–183**	**–612**	**–412**	**–784**	**–584**
Financing activities						
New issue	10	108	23	196	49	222
Warrants	1	18	4	18	4	18
Change in non-controlling interests	–15	–	–15	–	–15	–
Repurchase of own shares	–	–	–	–	–14	–14
Dividends	0	0	–141	–115	–141	–115
New loans	474	0	674	70	674	70
Repayment of loan	–6	–6	–8	–72	–10	–74
Amortisation of lease liability	–39	–30	–109	–85	–142	–119
Cash flow from financing activities	**425**	**89**	**429**	**12**	**405**	**–12**
Cash flow for the period	**113**	**–4**	**43**	**11**	**124**	**92**
Cash and cash equivalents at the beginning of the period	323	313	386	317	308	317
Translation differences in cash and cash equivalents	1	–1	8	–20	6	–22
Cash and cash equivalents at the end of the period	**438**	**308**	**438**	**308**	**438**	**386**

Condensed Parent Company income statement

AMOUNTS IN SEK M	July-Sept 2021	July-Sept 2020	Jan-Sept 2021	Jan-Sept 2020	12-months rolling 2020/2021	Jan-Dec 2020
Net sales	6	6	19	18	24	23
Operating expenses	–6	–5	–18	–17	–23	–21
Operating profit/loss	**0**	**0**	**1**	**1**	**2**	**2**
Net financial items	0	–1	–1	–2	–2	–2
Profit/loss after net financial items	**0**	**0**	**0**	**–1**	**0**	**–1**
Group contributions received	–	–	–	–	7	7
Earnings before taxes	**0**	**0**	**0**	**–1**	**7**	**6**
Tax	–	–	–	–	–2	–2
Earnings for the period	**0**	**0**	**0**	**–1**	**5**	**5**

Condensed Parent Company balance sheet

AMOUNTS IN SEK M	30 Sept 2021	30 Sept 2020	31 Dec 2020
ASSETS			
Shares in subsidiaries	1,375	1,465	1,465
Total non-current assets	**1,375**	**1,465**	**1,465**
Receivables from Group companies	6	18	7
Other current assets	3	0	0
Cash and cash equivalents	20	18	50
Total current assets	**30**	**36**	**57**
Total assets	**1,405**	**1,501**	**1,522**
Equity and liabilities			
Equity	1,251	1,351	1,369
Total equity	**1,251**	**1,351**	**1,369**
Liabilities to credit institutions	143	142	142
Total non-current liabilities	**143**	**142**	**142**
Accounts payable	1	1	0
Other current liabilities	10	7	11
Total current liabilities	**11**	**8**	**11**
Total liabilities	**154**	**151**	**154**
Total equity and liabilities	**1,405**	**1,501**	**1,522**

Quarterly data

AMOUNTS IN SEK M	Q3 2021	Q2 2021	Q1 2021	Q4 2020	Q3 2020	Q2 2020	Q1 2020	Q4 2019
Net sales	1,989	2,311	1,942	2,078	1,643	1,725	1,676	1,652
Growth in net sales, %	21.0	33.9	15.9	25.8	16.1	22.7	37.6	30.7
Operating profit/loss (EBIT)	163	197	150	190	140	154	120	144
EBITA	171	199	152	190	140	154	120	145
EBITDA	214	241	189	231	171	186	150	171
Adjusted EBITA	165	195	154	193	150	150	131	157
Adjusted EBITDA	209	237	192	234	182	182	161	183
EBIT margin, %	8.2	8.5	7.7	9.1	8.5	8.9	7.1	8.7
EBITA margin, %	8.6	8.6	7.8	9.2	8.5	9.0	7.2	8.8
EBITDA margin, %	10.8	10.4	9.7	11.1	10.4	10.8	9.0	10.3
Adjusted EBITA margin, %	8.3	8.4	8.0	9.3	9.2	8.7	7.8	9.5
Adjusted EBITDA margin, %	10.5	10.3	9.9	11.3	11.0	10.6	9.6	11.1
Working capital	–15	–156	–216	–176	–60	–55	–30	–22
Interest-bearing net debt	1,620	1,219	911	912	974	903	853	872
Gearing ratio, %	71.4	57.2	42.4	46.5	53.5	56.7	55.2	58.8
Net debt/in relation to adjusted EBITDA, times	1.9	1.4	1.2	1.2	1.4	1.3	1.3	1.5
Cash conversion %	–2	62	117	130	78	121	102	102
Cash flow from operating activities	–42	104	164	277	90	190	131	152
Earnings before taxes	158	197	140	198	137	152	108	137
Equity ratio, %	34.6	36.5	39.3	37.7	38.2	35.5	36.9	35.6
Order backlog	6,494	6,610	6,708	6,625	6,263	6,006	5,215	4,865
Average number of employees	4,335	4,085	3,876	3,609	3,474	3,202	3,075	2,972
Number of employees at the end of the period	4,597	4,256	3,993	3,856	3,630	3,352	3,180	3,103

Reconciliation of key figures not defined in accordance with IFRS

The Company presents certain financial measures in the interim report, which are not defined under IFRS. The Company believes that these measures provide useful supplemental information to investors and the company's management, since they allow for the evaluation relevant trends. Instalco's definitions of these measures may differ from other companies using the same terms. These financial measures should therefore be viewed as a supplement, rather than as a replacement for measures defined under IFRS. Presented below are definitions of measures that are not defined under IFRS and which are not mentioned elsewhere in the interim report. Reconciliation of these measures is provided in the table, below. For definitions of key figures, see page 20-21.

Earnings measures and margin measures

AMOUNTS IN SEK M	Q3 2021	Q2 2021	Q1 2021	Q4 2020	Q3 2020	Q2 2020	Q1 2020	Q4 2019
(A) Operating profit/loss (EBIT)	**163**	**197**	**150**	**190**	**140**	**154**	**120**	**144**
Depreciation/amortisation and impairment of acquisition-related intangible assets	7	2	2	0	0	0	0	0
(B) EBITA	**171**	**199**	**152**	**190**	**140**	**154**	**120**	**145**
Depreciation/amortisation and impairment of other property, plant and equipment and intangible assets	51	44	39	41	31	32	30	26
(C) EBITDA	**214**	**241**	**189**	**231**	**171**	**186**	**150**	**171**
Non-recurring items								
Additional consideration	–9	–5	0	1	8	–7	8	10
Acquisition costs	4	1	3	2	2	2	3	3
Total, non-recurring items	**–6**	**–4**	**3**	**3**	**10**	**–4**	**11**	**13**
(D) Adjusted EBITA	**165**	**195**	**154**	**193**	**150**	**150**	**131**	**157**
(E) Adjusted EBITDA	**209**	**237**	**192**	**234**	**182**	**182**	**161**	**183**
(F) Net sales	**1,989**	**2,311**	**1,942**	**2,078**	**1,643**	**1,725**	**1,676**	**1,652**
(A/F) EBIT margin, %	*8.2*	*8.5*	*7.7*	*9.1*	*8.5*	*8.9*	*7.1*	*8.7*
(B/F) EBIT margin, %	*8.6*	*8.6*	*7.8*	*9.2*	*8.5*	*9.0*	*7.2*	*8.8*
(C/F) EBIT margin, %	*10.8*	*10.4*	*9.7*	*11.1*	*10.4*	*10.8*	*9.0*	*10.3*
(D/F) Adjusted EBITA margin, %	*8.3*	*8.4*	*8.0*	*9.3*	*9.2*	*8.7*	*7.8*	*9.5*
(E/F) Adjusted EBITDA margin, %	*10.5*	*10.3*	*9.9*	*11.3*	*11.0*	*10.6*	*9.6*	*11.1*

Capital structure

AMOUNTS IN SEK M	Q3 2021	Q2 2021	Q1 2021	Q4 2020	Q3 2020	Q2 2020	Q1 2020	Q4 2019
Calculation of working capital and working capital in relation to net sales								
Inventories	76	76	68	62	52	50	48	45
Accounts receivable	1,176	1,093	900	995	878	889	818	874
Contract assets	637	565	570	407	452	470	416	322
Prepaid expenses and accrued income	93	67	54	107	56	47	53	93
Other current assets	118	111	99	96	88	87	73	64
Accounts payable	–754	–755	–677	–588	–616	–566	–528	–420
Contract liabilities	–322	–296	–344	–349	–308	–400	–314	–357
Other current liabilities	–549	–489	–399	–431	–293	–244	–223	–289
Accrued expenses and deferred income, including provisions	–490	–529	–487	–476	–369	–388	–373	–354
(A) Working capital	**–15**	**–156**	**–216**	**–176**	**–60**	**–55**	**–30**	**–22**
(B) Net sales (12-months rolling)	8,319	7,973	7,388	7,122	6,696	6,469	6,149	5,692
(A/B) Working capital as a percentage of net sales, %	**–0.2**	**–2.0**	**–2.9**	**–2.5**	**–0.9**	**–0.9**	**–0.5**	**–0.4**
Calculation of interest-bearing net debt and gearing ratio								
Non-current, interest-bearing financial liabilities	1,935	1,423	1,204	1,196	1,178	1,129	1,040	1,104
Current, interest-bearing financial liabilities	123	120	112	103	104	86	85	84
Cash and cash equivalents	–438	–323	–404	–386	–308	–313	–272	–317
(A) Interest-bearing net debt	**1,620**	**1,219**	**911**	**912**	**974**	**903**	**853**	**872**
(B) Equity	2,269	2,130	2,147	1,960	1,820	1,592	1,544	1,483
(A/B) Gearing ratio, %	**71.4**	**57.2**	**42.4**	**46.5**	**53.5**	**56.7**	**55.2**	**58.8**
(C) EBITDA (12-months rolling)	876	833	778	739	678	646	626	587
(A/C) Interest-bearing net debt in relation to EBITDA (12-months rolling)	**1.9 times**	**1.5 times**	**1.2 times**	**1.2 times**	**1.4 times**	**1.4 times**	**1.4 times**	**1.5 times**
Calculation of operating cash flow and cash conversion								
(A) Adjusted EBITDA	209	237	192	234	182	182	161	183
Net investments in property, plant and equipment and intangible assets	–3	–13	–2	–1	0	–2	0	1
Changes in working capital	–210	–78	34	72	–41	39	2	2
(B) Operating cash flow	**–4**	**146**	**223**	**305**	**141**	**220**	**164**	**186**
(B/A) Cash conversion %	**–2**	**62**	**117**	**130**	**78**	**121**	**102**	**102**

Signatures

Future reporting dates

Year-end report 2021	17 February 2022
Interim report January – March 2022	5 May 2022
AGM	5 May 2022
Interim report January – June 2022	25 August 2022
Interim Report January – September 2022	9 November 2022

Board of Directors' assurance

The Board of Directors and CEO ensure that this interim report provides a fair view of the company's and the Group's operations, position and earnings, and describes significant risks and uncertainties faced by the company and the companies belonging to the Group.

Stockholm, 9 November 2021
Instalco AB (publ)

Per Sjöstrand Chairman of the Board	Johnny Alvarsson Board member	Camilla Öberg Board member	Carina Qvarngård Board member
Olof Ehrlén Board member	Per Leopoldsson Board member	Carina Edblad Board member	Robin Boheman CEO

This report has been reviewed by the company's auditors.

Presentation of the report

The report will be presented in a telephone conference/audiocast today, 9 November at 14:00 CET via https://tv.streamfabriken.com/instalco-q3-2021 To participate by phone: +46(0)8-505 583 55.

Note

This information is information that Instalco is required to disclose under the EU Market Abuse Regulation. The information was made public, via the contact person listed below on 9 November 2021 at 11.00 CET.

Additional information

Robin Boheman, CEO
Fredrik Trahn, IR, fredrik.trahn@instalco.se +46 (0)70 913 67 96

Auditor’s review report

Auditor's report on review of condensed interim financial information (interim report) prepared in accordance with IAS 34 and Chapter 9 of the Annual Accounts Act (1995:1554).

Instalco AB (publ)
CIN 559015–8944

Introduction

We have conducted a review of the condensed interim financial information (interim report) for Instalco AB as of 30 September 2021 and for the nine-month period that ended on that date. The Board of Directors and CEO are responsible for the preparation and presentation of this interim report in accordance with IAS 34 and the Annual Accounts Act. Our responsibility is to express a conclusion on this interim report based on our review.

Focus and scope of the review

We conducted the review in accordance with the International Standard on Review Engagements ISRE 2410 Review of Interim Financial Information conducted by the company’s independent auditor. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical review and taking other review procedures. A review has a different focus and is substantially less in scope compared to the focus and scope of an audit in accordance with ISA and generally accepted auditing standards. The procedures performed in a review do not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. The conclusion based on a review does not therefore give the same level of assurance as a conclusion based on an audit.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim report for the Group, has not, in all material respects, been prepared in accordance with IAS 34 and the Annual Accounts Act and, for the Parent Company, in accordance with the Annual Accounts Act.

Stockholm, 9 November 2021
Grant Thornton Sweden AB

Camilla Nilsson
Authorised Public Accountant

Definitions with explanation

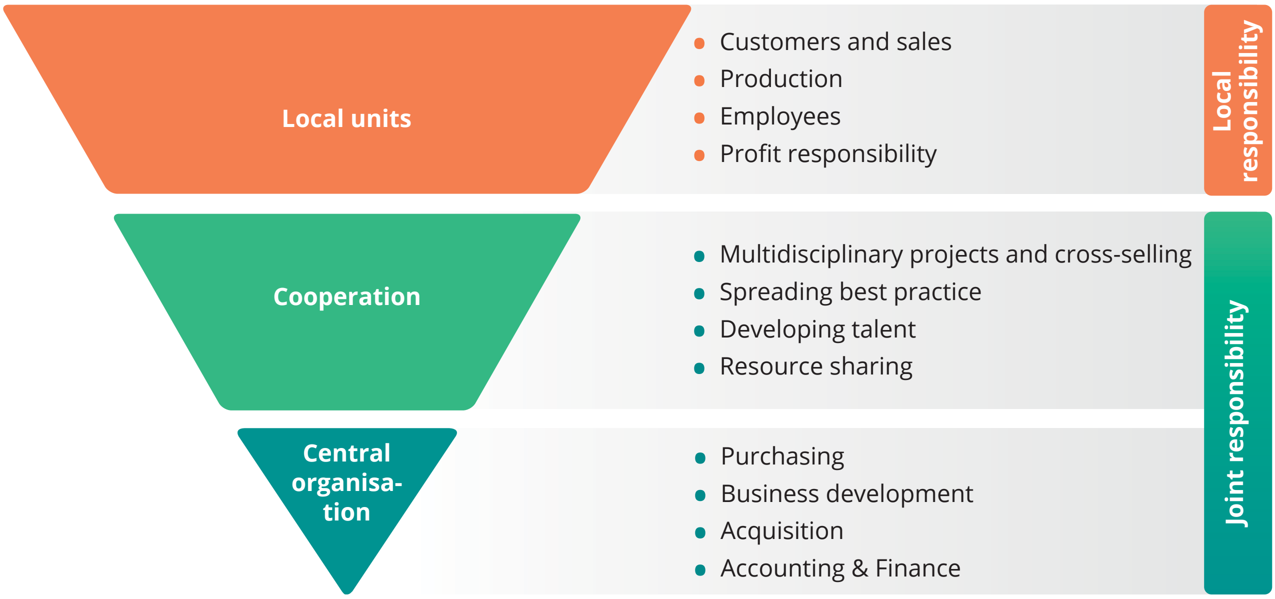
General	Unless otherwise indicated, all amounts in the report and tables are in SEK m. All amounts in parentheses () are comparison figures for the same period in the prior year, unless otherwise indicated.

Key figures	**Definition/calculation**	**Purpose**
Acquired growth in net sales	Change in net sales as a percentage of net sales during the comparable period, fuelled by acquisitions. Acquired net sales is defined as net sales during the period that are attributable to companies that were acquired during the last 12-month period and for these companies, the only amounts that are considered as acquired net sales are their sales up until 12 months after the acquisition date.	Acquired net sales growth reflects the acquired units' impact on net sales.
Adjusted EBITA	Adjusted EBITA for non-recurring items, primarily attributable to revaluation of additional consideration and acquisition costs.	Adjusted EBITA increases comparability of EBITA.
Adjusted EBITA margin	EBITA adjusted for non-recurring items, primarily attributable to revaluation of additional consideration and acquisition costs, as a percentage of net sales.	Adjusted EBITA margin excludes the effect of items affecting non-recurring items, which facilitates a comparison of the underlying operational profita-bility.
Adjusted EBITDA	Adjusted EBITDA for non-recurring items, primarily ttributable to revaluation of additional consideration and acquisition costs.	Adjusted EBITDA increases comparability of EBITDA.
Adjusted EBITDA margin	EBITDA adjusted for non-recurring items, primarily attributable to revaluation of additional consideration and acquisition costs, as a percentage of net sales.	Adjusted EBITDA margin excludes the effect of non-recurring items, which facilitates a comparison of the underlying operational profitability.
Cash conversion	Operating cash flow as a percentage of adjusted EBITDA	Cash conversion is used to monitor how effective the Group is in managing ongoing investments and working capital.
EBIT margin	Earnings before interest and taxes, as a percentage of net sales.	EBIT margin is used to measure operational profitability.
EBITA	Operating profit/loss (EBIT) before depreciation/ amortisation and impairment of acquisition-related intangible assets.	EBITA provides an overall picture of the profit generated from operating activities.
EBITA margin	Operating profit/loss (EBIT) before depreciation/ amortisation and impairment of acquisition-related intangible assets, as a percentage of net sales.	EBIT margin is used to measure operational profitability.
EBITDA	Operating profit/loss (EBIT) before depreciation/ amortisation and impairment of acquisition-related intangible assets and depreciation/amortisation and impairment of property, plant and equipment and intangible assets	EBITDA, together with EBITA provides an overall picture of the profit generated from operating activities.
EBITDA margin	Operating profit/loss (EBIT) before depreciation/ amortisation and impairment of acquisition-related intangible assets and depreciation/amortisation and impairment of property, plant and equipment and intangible assets, as a percentage of net sales.	EBITDA margin is used to measure operational profitability.
Gearing ratio	Interest-bearing net debt as a percentage of total equity.	Gearing ratio measures the extent to which the Group is financed by loans. Because cash and other short-term investments can be used to pay off the debt on short notice, net debt is used instead of gross debt in the calculation.
Growth in net sales	Change in net sales as a percentage of net sales in the comparable period, prior year.	The change in net sales reflects the Groups realised sales growth over time.
Interest-bearing net debt	Non-current and current interest bearing liabilities less cash and other short-term investments.	Interest-bearing net debt is used as a measure that shows the Groups total debt.

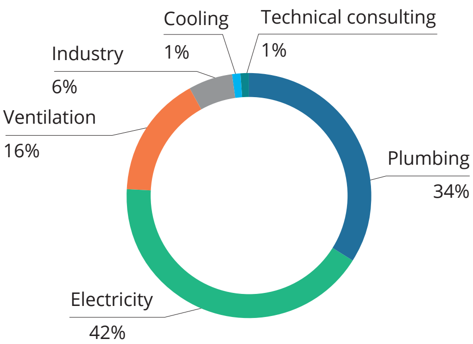
Key figures	Definition/calculation	Purpose
Net debt in relation to adjusted EBITDA	Net debt at end of period divided by adjusted EBITDA, on a 12-month rolling basis.	Net debt in relation to adjusted EBITDA provides an estimate of the company's ability to reduce its debt. It represents the number of years it would take to pay back the debt if the net debt and adjusted EBITDA is kept constant, without taking into account the cash flows relating to interest, taxes and investments.
Non-recurring items	Non-recurring items, like additional consideration, acquisition costs, the costs associated with refinancing, listing costs and sponsorship costs.	By excluding non-recurring items, it is easier to compare earnings between periods.
Operating cash flow	Adjusted EBITDA less investments in property, plant and equipment and intangible assets, along with an adjustment for cash flow from change in working capital.	Operating cash flow is used to monitor the cash flow generated from operating activities.
Operating profit/loss (EBIT)	Earnings before interest and taxes.	Operating profit/loss (EBIT) provides an overall picture of the profit generated from operating activities.
Order backlog	The value of outstanding, not yet accrued project revenue from received orders at the end of the period.	Order backlog provides an indication of the Group's remaining project revenue from orders already received.
Organic growth adjusted for currency effects	The change in net sales for comparable units after adjustment for acquisition and currency effects, as a percentage of net sales during the comparison period.	Organic growth in net sales does not include the effects of changes in the Group's structure and exchange rates, which enables a comparison of net sales over time.
Working capital	Inventories, accounts receivable, earned but not yet invoiced income, prepaid expenses and accrued income and other current assets, less accounts payable, invoiced but not yet earned income, accrued expenses and deferred income and other current liabilities.	Working capital is used to measure the company's ability to meet short-term capital requirements.
Working capital as a percentage of net sales	Working capital at the end of the period as a percentage of net sales on a 12-month rolling basis.	Working capital as a percentage of net sales is used to measure the extent to which working capital is tied up.

Instalco in brief

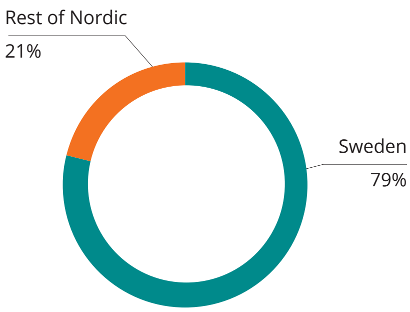
Instalco has a decentralised structure, where operations are conducted in each unit, in close cooperation with customers and with the support of a very streamlined central organisation. The Instalco model is designed to benefit from the advantages of both strong local ties and joint functions.



NET SALES BY AREA OF OPERATION



NET SALES BY MARKET AREA



INSTALCO

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