



Q2 2019 presentation
23 August 2019

Today's presenters

Per Sjöstrand



Group CEO

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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 **4,886** million

Order backlog

SEK **4,508** million

Adjusted EBITA

SEK **410** million

Adjusted EBITA margin

8.4 %

Average no of employees

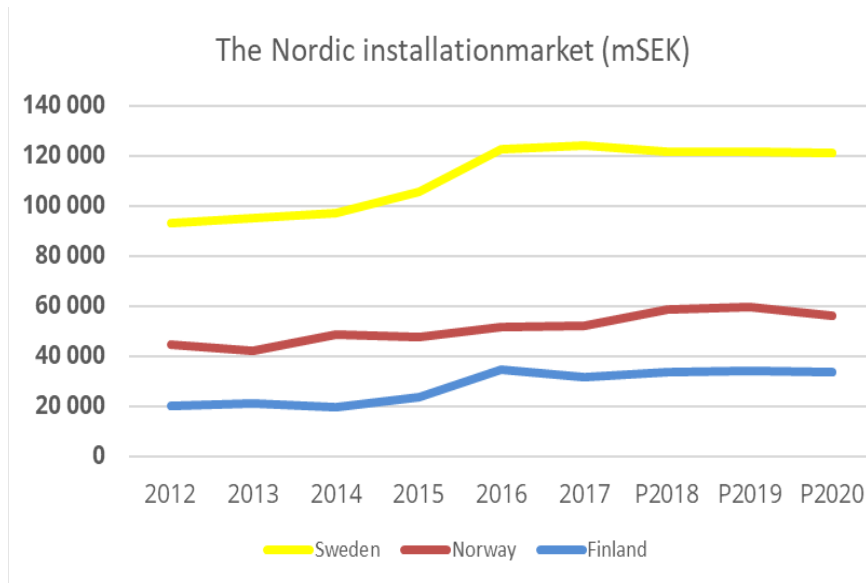
2,277

Acquired annual sales

863



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

Q2 2019 Highlights

- Robust growth and profitability
- Net sales growth 19.8%
- Organic growth 2.7%
- Acquisitions of five high quality companies
- Stable cash flow 126 million
- Strong order backlog

Sales and profitability

Net sales

SEK **1,406** million

Adjusted EBITA

SEK **123** million

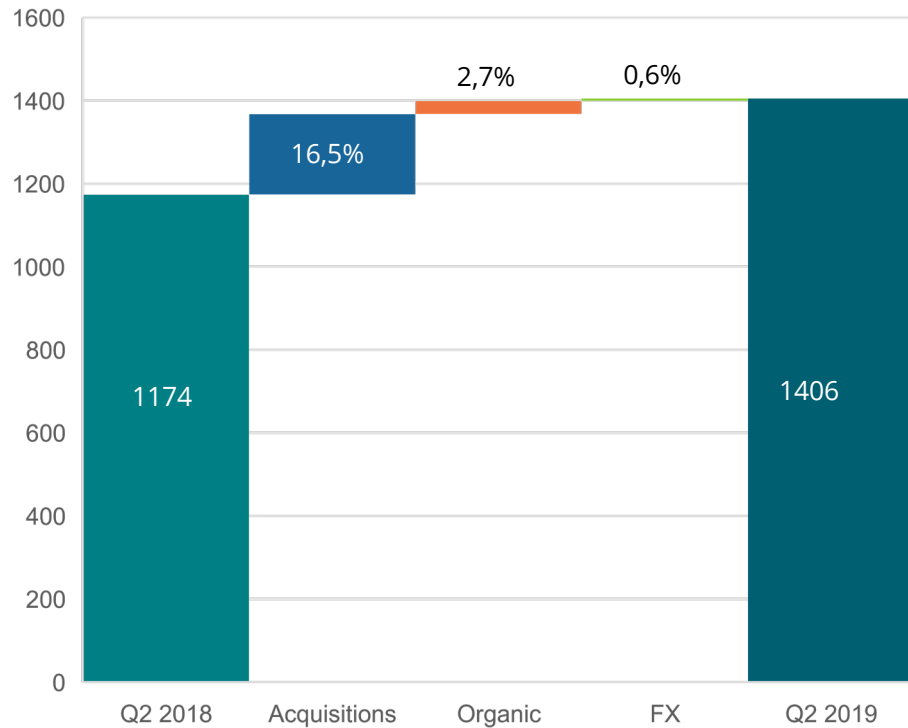
Adjusted EBITA margin

8.7 %

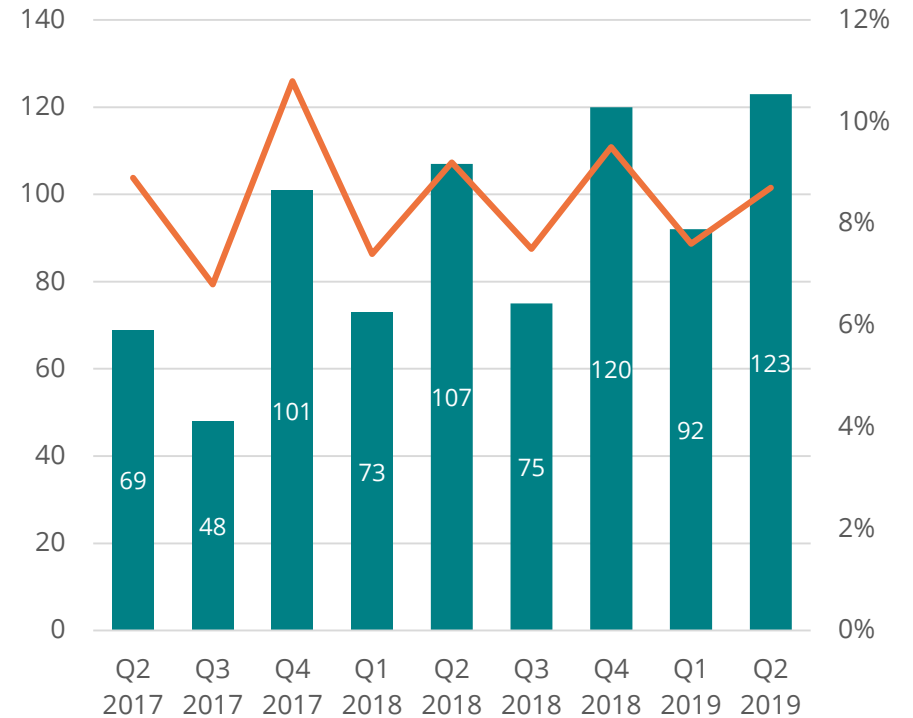


Group development – Net sales and EBITA

Net sales growth (SEK million)



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

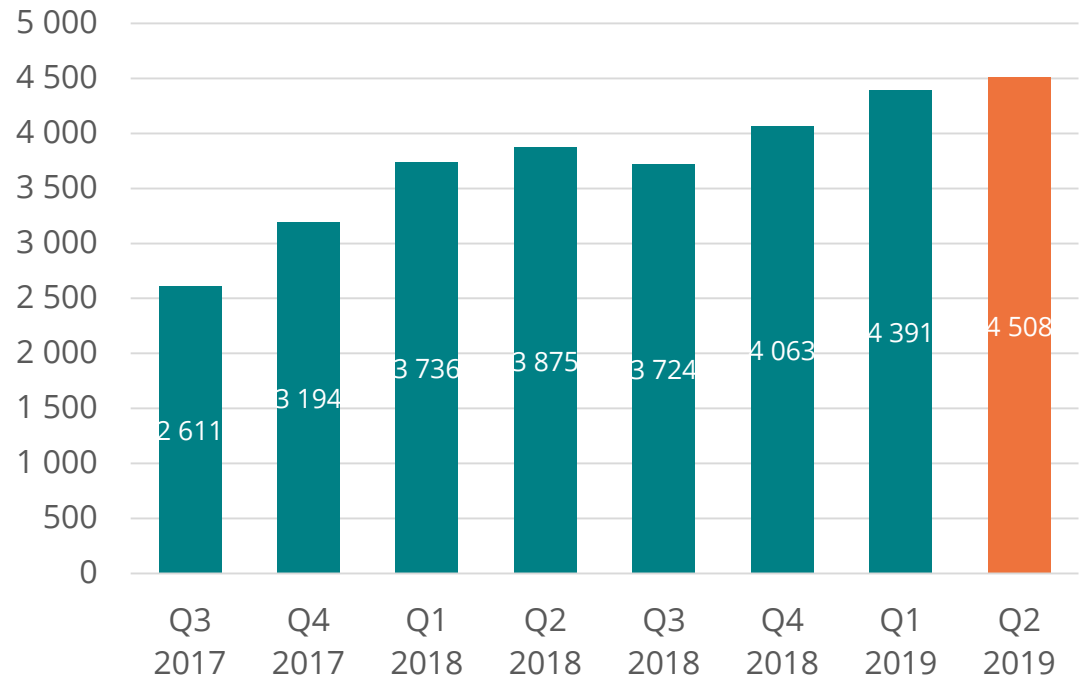


Group development – Order backlog

- Growth of 16.3% (compared to Q2 2018)
- Continued high order backlog ratio of 0.9x (relative to 12 months rolling net sales)



Order backlog (SEK million)



Examples of projects in Q2

Hemköp supermarket Västerås, Sweden



- Five Instalco subsidiaries: Timab, DALAB, OTK, 3EL and Automationsbolaget
- New supermarket in new built area
- Project management, heating and plumbing, electrical, ventilation and control and regulation system installations

Kiinteistö office building, Helsinki, Finland



- Multidisciplinary contract with two Instalco subsidiaries: LVI Paavola and Sähkö-Buumi
- Renovation of 18 000 sq. m. office building
- Installations of heating and plumbing and electrical systems
- Example of collaboration among Instalco companies in Finland that is starting to take off

Segment development - Sweden

- Healthy demand in the market
- High rate of construction for schools, preschools and hospitals
- Net sales growth of 15.5%
- Organic growth of 2.4%
- Order backlog growth of 16% whereof 9.6% in comparable units

Key financials Q2 2019

Net sales

SEK **1,041** million

EBITA

SEK **89** million

EBITA margin

8.6 %

Order backlog

SEK **3,340** million

Segment development – Rest of Nordics

- Continued high demand
- Organic growth of 3.8%
- Net sales growth of 33.7%
- Order backlog growth of 17.3%
- Strong improvement due to acquisitions, improved processes, more focus on measures to improve profitability and IFOCUS (Instalco's improvement programme).

Key financials Q1 2019

Net sales

SEK **365** million

EBITA

SEK **35** million

EBITA margin

9.7 %

Order backlog

SEK **1,168** million

Examples of acquired companies in Q2

Moi Rør, Norway



- Acquisition of the heating & plumbing company, Moi Rør AS
- Kristiansand in Norway new geographic market
- Services primarily to industrial companies
- Annual sales of approx. SEK 75 million

Bogesunds El & Tele, Sweden



- Bogesunds El & Tele AB specialised in electrical installations at residential property
- Expansion of geographic area in Business Area West.
- Company compatible with other Instalco companies
- Annual sales of approx. SEK 92 million

Examples of start ups

Insta EL, Sweden



- Start-up strategy as a supplement to the main acquisition strategy. Start-ups includes setting up an entirely new company together with a local entrepreneur
- Insta-EL new electrical company in Business Area South
- Focus on larger multidisciplinary projects together with other Instalco companies

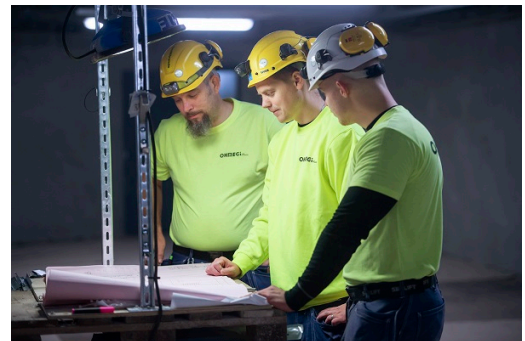
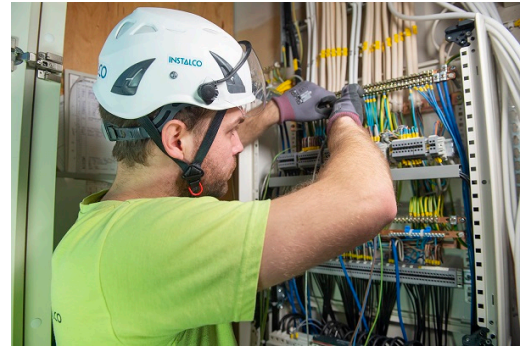
Instamate, Sweden



- Instamate will run operations of the earlier acquired installation division of DynaMate owned by Scania
- Electrical, heating & plumbing and ventilation installation
- Strengthens Instalcos offering to industrial companies

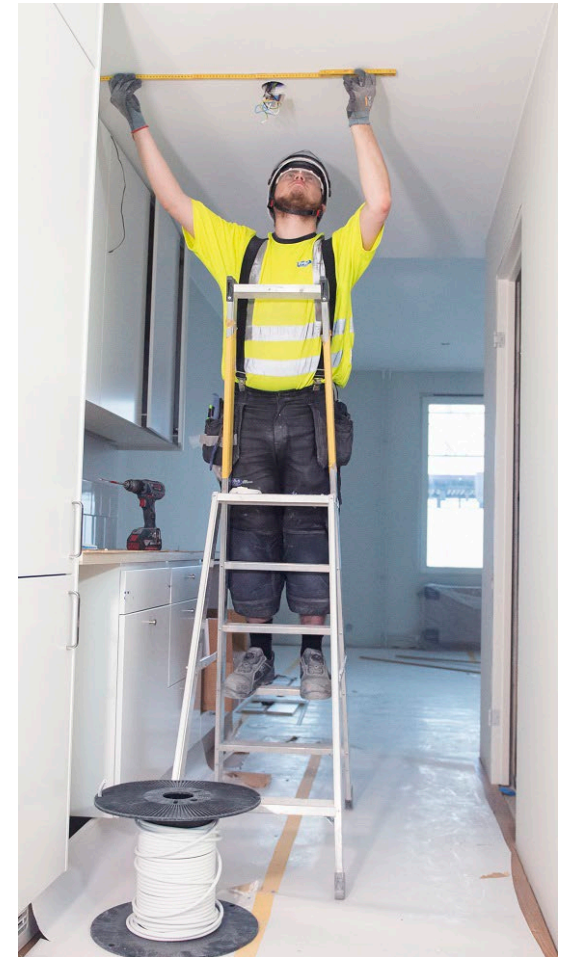
Looking ahead

- Stable installation market and continued high demand reflected in strong order backlog
- High rate of construction and renovations of schools, preschools, hospitals, offices and commercial real estate
- Increased focus on energy-efficient solutions and higher demands on sustainability
- Increasing investments in high tech construction and buildings
- Possible slowdown of economy
- Wide port folio



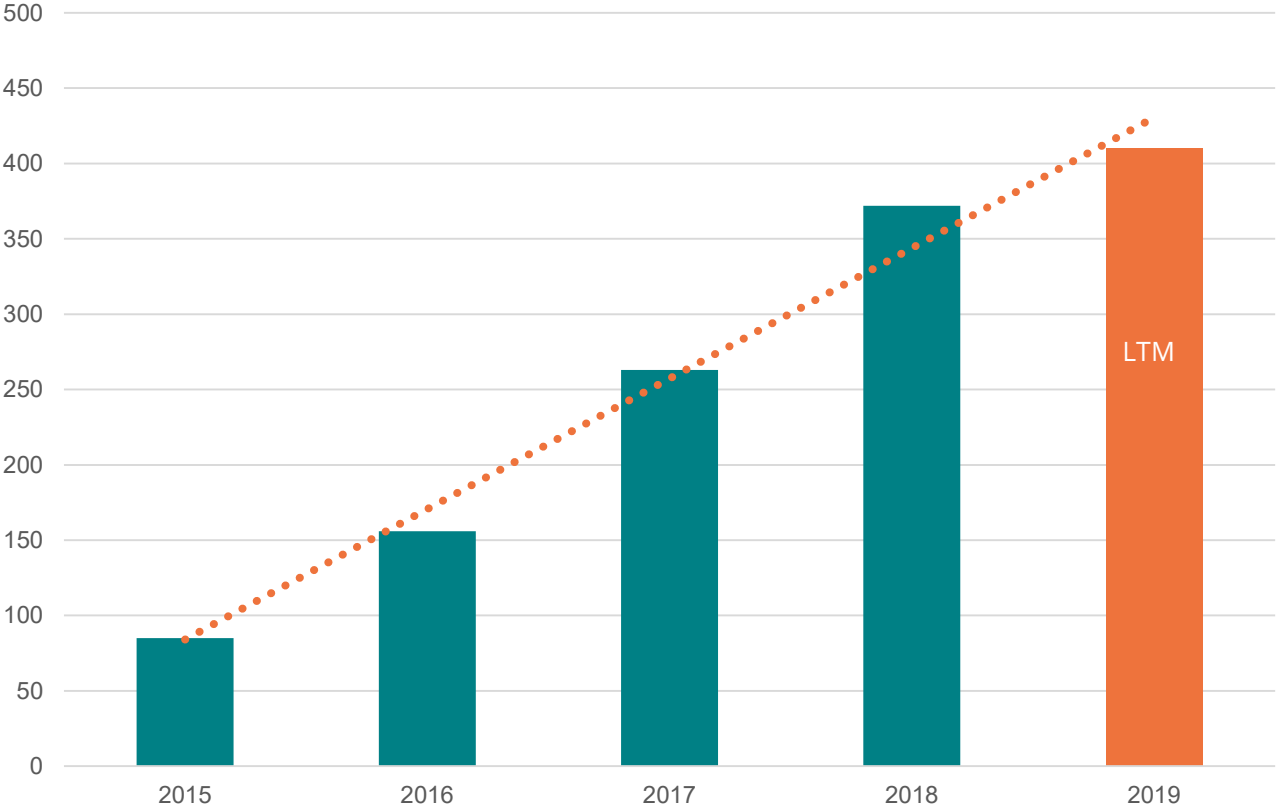
CFO comment's

- In 2019 so far, acquired annual sales of more than SEK 1,000 million. Far exceeds the goal of SEK 600-800 million for a full year
- Eight acquisitions during the first half of 2019 including one division of a company
- High cash conversion enables us to mostly acquire companies without increasing loans
- Adjusted EBITA-margin lower than EBITA-margin due to earn out adjustments
- EBITA-margin in Sweden Q2 2019 lower than Q2 2018 due to extraordinary high margin 2018



Towards the 2019 financial target

Adjusted EBITA



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"> 8,7% YTD, 8,4% RTM |
| 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"> 1.6x June 2019 |
| 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"> 87,5% YTD, 97% RTM |
| 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 |

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

Summary

Q2

- Stable growth in sales and profitability
- Continued stable market
- Strong performance in Business Area Rest of Nordics
- Confident in reaching our financial targets
- Five acquisitions made after Q2



Quarterly data

| SEKm | 2016 Q3 | 2016 Q4 | 2017 Q1 | 2017 Q2 | 2017 Q3 | 2017 Q4 | 2018 Q1 | 2018 Q2 | 2018 Q3 | 2018 Q4 | Q1 2019 | Q2 2019 |
|--|------------|------------|------------|------------|------------|------------|------------|--------------|------------|--------------|--------------|--------------|
| Net sales | 556 | 777 | 689 | 781 | 708 | 935 | 979 | 1,174 | 998 | 1,264 | 1,218 | 1,406 |
| <i>Growth, %</i> | 65.6% | 59.7% | 45.2% | 30.5% | 27.3% | 20.3% | 42.2% | 50.2% | 40.8% | 35,1% | 24,4% | 19,8% |
| EBITDA | 12 | 60 | 38 | 62 | 54 | 96 | 41 | 119 | 87 | 145 | 111 | 166 |
| <i>EBITDA margin, %</i> | 2.2% | 7.7% | 5.5% | 8.0% | 7.6% | 10.2% | 5.8% | 10.1% | 8.7% | 11.5% | 9.1% | 11.8% |
| Adjusted EBITDA | 16 | 63 | 46 | 71 | 50 | 103 | 89 | 126 | 94 | 140 | 114 | 144 |
| <i>Adjusted EBITDA margin, %</i> | 2.9% | 8.1% | 6.7% | 9.1% | 7.0% | 11.0% | 9.1% | 10.7% | 9.4% | 11,1% | 9,3% | 10,3% |
| EBITA | 11 | 58 | 37 | 61 | 52 | 94 | 40 | 101 | 68 | 125 | 90 | 145 |
| <i>EBITA margin, %</i> | 2.0% | 7.4% | 5.3% | 7.8% | 7.4% | 10.0% | 4.1% | 8.6% | 6.8% | 9,9% | 7,4% | 10,3% |
| Adjusted EBITA | 15 | 61 | 45 | 69 | 48 | 101 | 73 | 107 | 75 | 120 | 92 | 123 |
| <i>Adjusted EBITA margin, %</i> | 2.7% | 7.8% | 5.3% | 8.9% | 6.8% | 10.8% | 7.4% | 9.2% | 7.5% | 9,5% | 7,6% | 8,7% |
| Adjustments | | | | | | | | | | | | |
| Earn-outs | 0 | - | 4 | -16 | -9 | 7 | 0 | 4 | 6 | -10 | 1 | -24 |
| Acquisition costs | 3 | 1 | 2 | 4 | 2 | 1 | 3 | 3 | 1 | 3 | 2 | 2 |
| Refinancing costs | - | 1 | 1 | - | - | - | - | - | - | - | - | - |
| Listing costs | 1 | 1 | 2 | 20 | 2 | - | - | - | - | - | - | - |
| Divestment of subsidiary loss | - | - | - | - | - | - | 30 | - | - | - | - | - |
| Other | - | - | - | - | - | - | - | - | - | 2 | - | - |
| Total adjustments | 4 | 3 | 8 | 8 | -4 | 7 | 33 | 7 | 7 | -5 | 2 | -22 |
| Net debt | 210 | 241 | 302 | 346 | 392 | 446 | 629 | 672 | 714 | 663 | 649 | 763 |
| Net debt /LTM adjusted EBITDA | 1.5x | 1.5x | 1.7x | 1.8x | 1.7x | 1.7x | 2.2x | 1.8x | 1.7x | 1.5x | 1.5x | 1,6x |
| Net working capital | 3 | -17 | -69 | -26 | 15 | -1 | -20 | -31 | 64 | 25 | -36 | 2 |
| <i>Net working capital (% of LTM net sales)</i> | 0.1% | -0.7% | -2.9% | -0.9% | 0.5% | 0.0% | -0.6% | -0.8% | 1.6% | 0.6% | -0.8% | 0,1% |
| Order backlog | 1,911 | 1,999 | 2,189 | 2,496 | 2,611 | 3,194 | 3,736 | 3,875 | 3724 | 4063 | 4391 | 4508 |
| Number of operating units at the end of the period | 24 | 26 | 31 | 32 | 33 | 43 | 48 | 52 | 47 | 52 | 54 | 57 |
| Average number of employees | 1,221 | 1,240 | 1,466 | 1,578 | 1,594 | 1,666 | 1,943 | 2,039 | 2067 | 2212 | 2306 | 2524 |
| No. of employ. end of the period | 1,257 | 1,295 | 1,470 | 1,590 | 1,631 | 1,844 | 1,985 | 2,119 | 2139 | 2283 | 2379 | 2555 |