

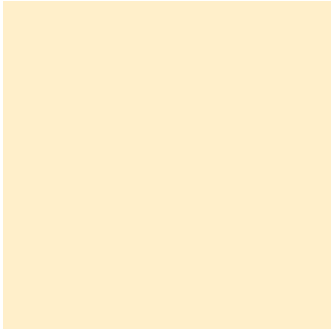
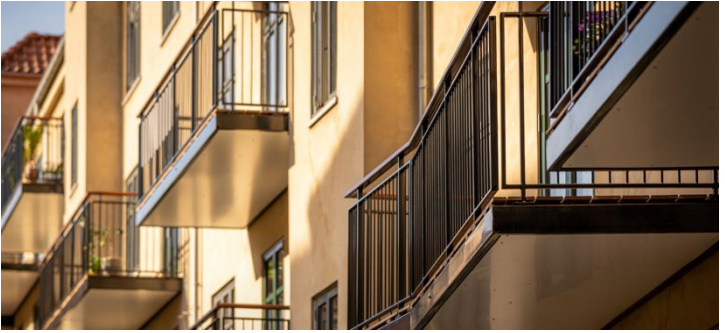
# BALCO | GROUP

**Q1 Report 2024**

January - March

**CAMILLA EKDAHL, CEO**

**MICHAEL GRINDBORN, CFO**



BALCO / RIIKKU / BALCO ALTANER / RK TEKNIK / TBO-HAGLINDS /  
STORA FASAD / SÖDERÅSEN / SUOMEN OHUTLEVYASENNUS

# Snapshot of Balco Group

## The Group

- Balco Group was founded in 1987 and consists of the companies Balco, Riikku, Balco Altaner, RK Teknik, TBO-Haglinds, Stora Fasad and Söderåsens Mur & Kakel. Since March 6, 2024, Suomen ohutlevyasennus Oy is also a company in our group.
- The head office is in Växjö and the group has approximately 700 employees.

## The offering

- Balco operates in two main segments: renovations and new build.
- The core expertise is supplying glazed balconies and balcony solutions, primarily on the renovation market and to tenant-owner associations and replacing existing balconies with new glazed balconies according to the Balco method.
- However, the group has a broad offering of balcony solutions, including both open and glazed balconies, as well as complementary offerings such as façade renovations.

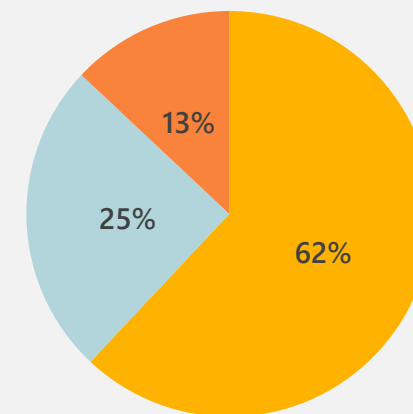
## The market

- Balco Group is the market leader in the Nordics with key markets being Sweden, Denmark, Norway and Finland.
- Strong challenger position on other northern European markets.

## Energy-savings

- All glazing of a balcony results in energy savings. Simpler glazing provides 5 to 10 percent energy savings, while Balco's patented glazing provides a documented energy saving of 20 to 30 percent.
- Facade renovation with additional insulation give energy savings of up to 10 percent.

REVENUE PER MARKET (2023)



■ Sweden ■ Other Nordics ■ Other Europe





# Increased order intake and new acquisition

## Order intake increased during the quarter

Order intake increased significantly in the quarter by 44% to 352 MSEK (245). The increase comes from the new acquisitions we made during the quarter. The organic order intake was at the same level as the previous year.

Net sales was, as expected, weak based on the lower order backlog we had at the start of the year, but it was also affected by the long winter in the Nordic countries, which delayed certain projects

## The market situation

The improved inflation situation and the discussions about expected interest rate cuts means that our customers have an increased willingness to invest, but the trend we have seen in recent quarters that the processes take longer is continuing. It is important that we now begin to see that the discussed interest rate cuts are implemented.

## Acquisitions in Finland

During Q1, Balco Group has made two acquisitions in Finland, Riikku Group Oy and Suomen ohutlevyasennus Oy. Through these two acquisitions, we take a leading market position in Finland, where we were previously weak. The acquisitions are in line with our long-term strategy to be the leading balcony supplier in the Nordics and to be able to run larger turnkey projects for the green transformation of residential properties to more energy-efficient properties.

## Green transformation and renovation

During the quarter, we have taken another large order in Norway of approximately 65 MNOK, where we will install our unique solution with air-to-air heat pumps and the project is also including solar panels. This is the third project we get in Norway with heat pumps that are integrated with the balconies.

Another independent analysis in Norway regarding the effect on energy savings when glazing a balcony with the Balco brand shows the same results as before. Glazing from Balco provides an energy saving of between 20-30 percent, depending on the size of the balcony and direction.

## Continued cost focus

We continue to work on reviewing our costs and organization on an ongoing basis. During the quarter, we have decided to move production between our companies to get better synergies within certain production processes. This means staff cuts at some of our units/factories.

# Q1 2024

## Order intake

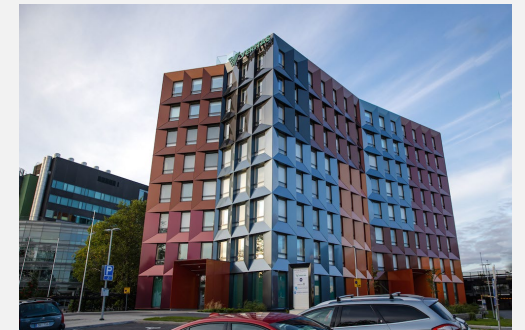
**352** MSEK  
Jan – Mar 2024

**245** MSEK  
Jan – Mar 2023



# Suomen ohutlevyasennus acquisition

- Suomen ohutlevyasennus was founded in 1984 and is a Finnish facade and turnkey company situated in Turku with a turnover of approximately 11 MEUR with a higher operating margin than Balco Group's for several years.
- Just over 90 percent of their turnover comes from the renovation segment, where the company has been very successful in obtaining and running larger facade renovation projects with additional insulation and re-placement of balcony glazing in apartment buildings.
- Balco Group has acquired 60 percent of the company and has an option to buy the remaining 40 percent of the shares.
- Suomen ohutlevyasennus will continue to be run by co-owners Jukka Stam and Mikko Jokinen.
- Balco Group's latest acquisition Riikku is a major supplier to Suomen Ohutlevyasennus, and together the two acquisitions lead to the group establishing itself as a leading player in Finland.

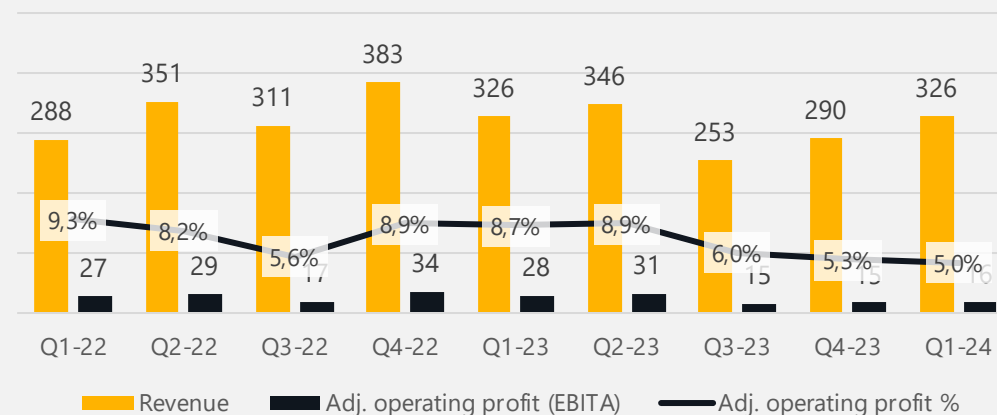


# Quarterly results

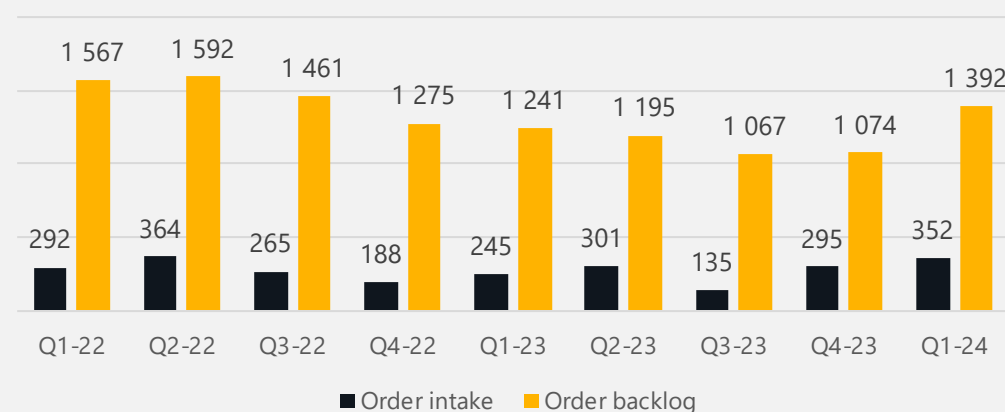
## Increased order intake

- **Net sales** amounted to 326 MSEK (326). Acquired growth was 31 percent, currency effect was 1 percent and organic growth was -32 percent.
- **Adjusted operating profit (EBITA)** amounted to 16 MSEK (28), corresponding to an adjusted operating margin (EBITA-margin) of 5.0 percent (8.7).
- **Order intake** increased by 44 percent to 352 MSEK (245). Acquired order intake was 46 percent and organic order intake was -2 percent.
- **Order backlog** increased by 12 percent to 1,392 MSEK (1,241), of which 24 percent was acquired order backlog.
- **Earnings per share** amounted to 0.10 SEK (0.63).
- **Operating cash flow** amounted to 18 MSEK (-11).

## REVENUE AND ADJUSTED OPERATING PROFIT, MSEK



## ORDER INTAKE AND BACKLOG, MSEK

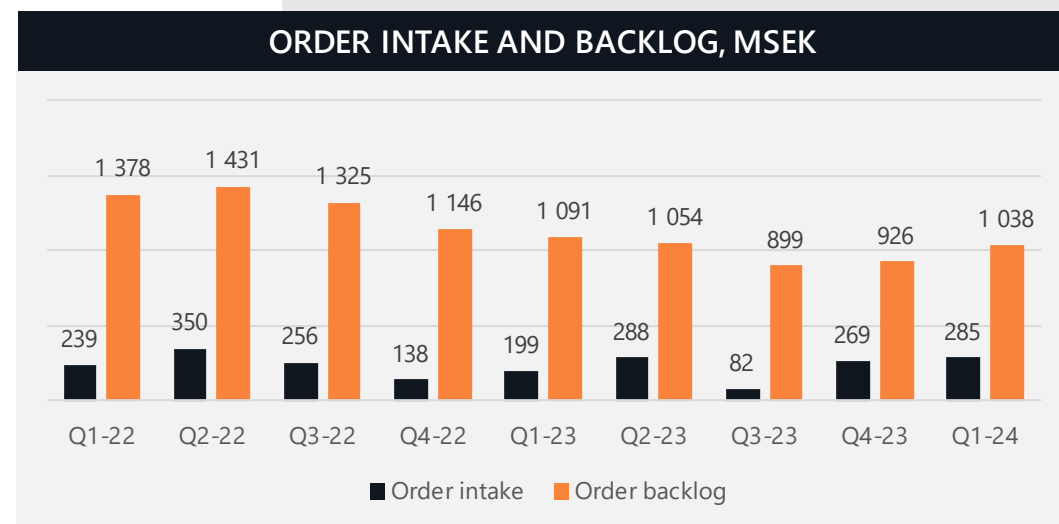
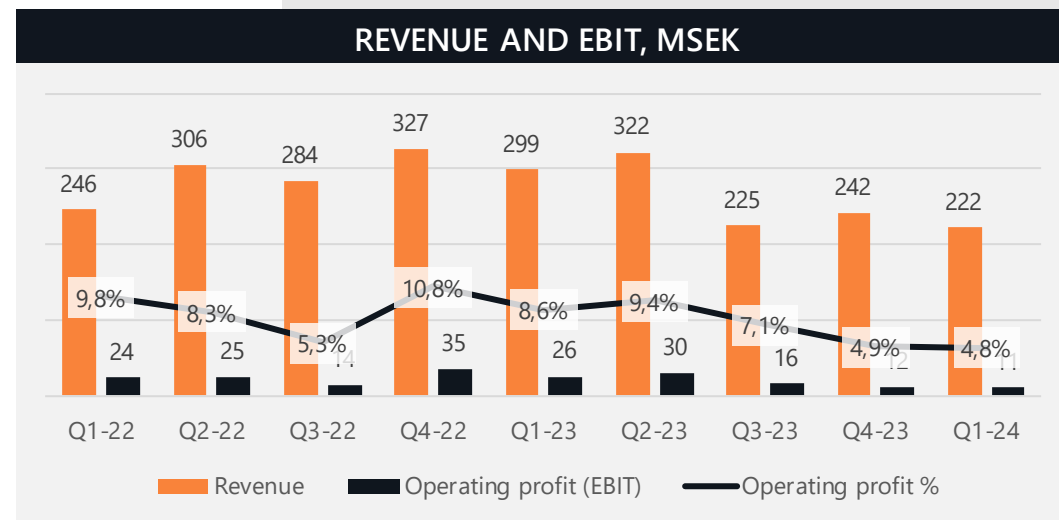


# Renovation

## Increased order intake from the acquisitions

- **Net sales** in the quarter amounted to 222 MSEK (299), which corresponds to 68 percent of the total net sales.
- **Order intake** in the quarter increased by 43 percent to 285 MSEK (199), which corresponds to 81 percent of the total order intake.
- **Adjusted operating profit (EBITA)** in the quarter amounted to 11 MSEK (26), corresponding to an adjusted operating margin of 4.8 percent (8.6).
- **Order backlog** amounted to 1,038 MSEK (1,091) which corresponds to 75 percent of the total order backlog

| Renovation, MSEK                     | Jan-Mar 2024 | Jan-Mar 2023 | Apr-Mar 2023/24 | Jan-Dec 2023 |
|--------------------------------------|--------------|--------------|-----------------|--------------|
| Net sales                            | 222,0        | 299,2        | 1 010,8         | 1 088,0      |
| Adjusted Operating profit (EBITA)    | 10,7         | 25,7         | 68,8            | 83,8         |
| Adjusted Operating margin (EBITA), % | 4,8          | 8,6          | 6,8             | 7,7          |
| Order intake                         | 284,9        | 199,2        | 924,4           | 838,7        |
| Order backlog                        | 1 037,8      | 1 090,6      | 1 037,8         | 925,5        |



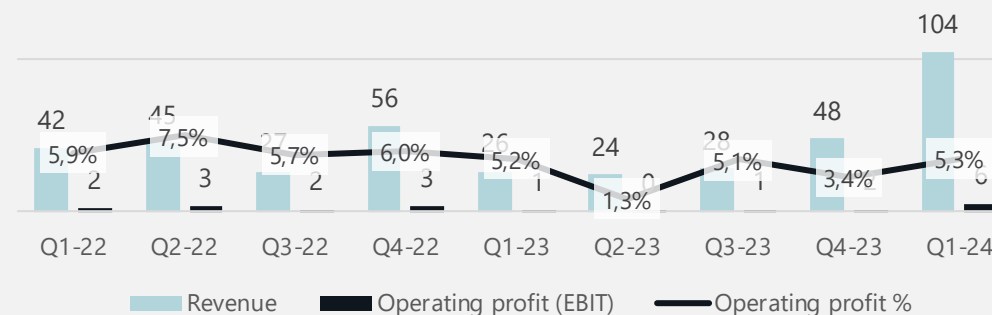
# New build

## Increased sales and order intake from the Riikku acquisition

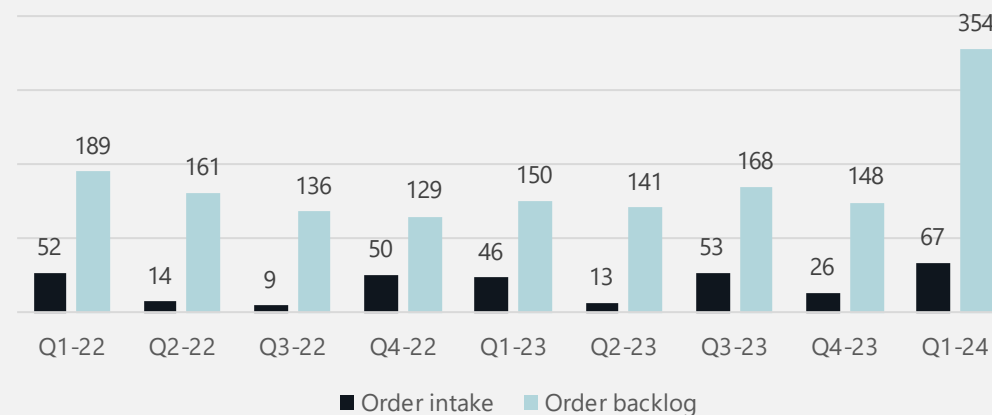
- **Net sales** in the quarter amounted to 104 MSEK (26), which corresponds to 32 percent of the total net sales.
- **Order intake** in the quarter increased by 46 percent to 67 MSEK (46), which corresponds to 19 percent of the total order intake.
- **Adjusted operating profit (EBITA)** in the quarter amounted to 6 MSEK (1), corresponding to an adjusted operating margin of 5.3 percent (5.2).
- **Order backlog** amounted to 354 MSEK (150) which corresponds to 25 percent of the total order backlog

| New Build, MSEK                      | Jan-Mar 2024 | Jan-Mar 2023 | Apr-Mar 2023/24 | Jan-Dec 2023 |
|--------------------------------------|--------------|--------------|-----------------|--------------|
| Net sales                            | 104,4        | 26,4         | 204,9           | 126,9        |
| Adjusted Operating profit (EBITA)    | 5,6          | 1,4          | 9,0             | 4,8          |
| Adjusted Operating margin (EBITA), % | 5,3          | 5,2          | 4,4             | 3,8          |
| Order intake                         | 67,1         | 46,0         | 159,4           | 138,3        |
| Order backlog                        | 354,4        | 150,1        | 354,4           | 148,1        |

## REVENUE AND EBIT, MSEK



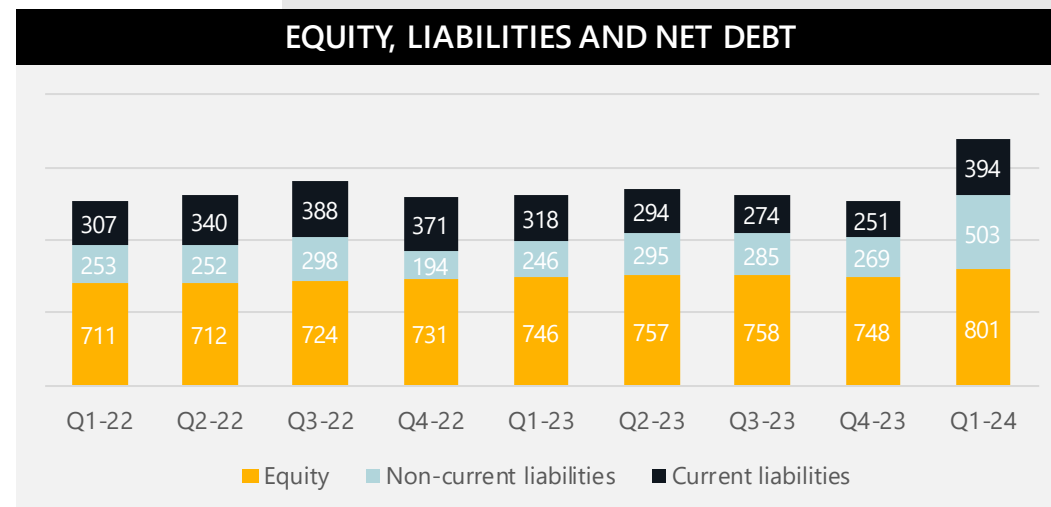
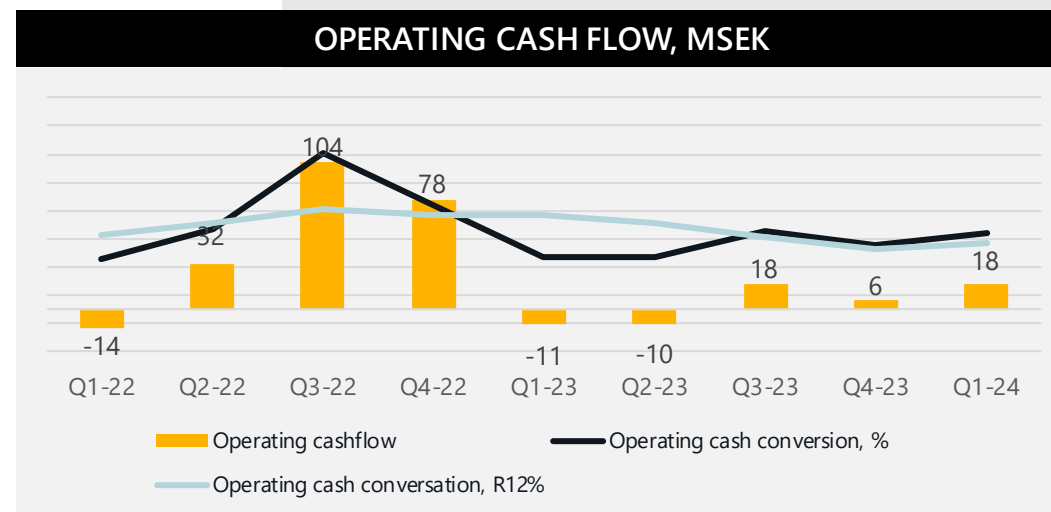
## ORDER INTAKE AND BACKLOG, MSEK



# Financial position

*Increased debt after the two large Finnish acquisitions*

- At the end of the quarter, the Group's **equity** amounted to 801 MSEK (746). Equity ratio at 47% (57).
- **Net debt** (incl. leasing) / EBITDA at 3.2 (1.2)  
Net debt (excl. leasing) / EBITDA at 3.2 (0.9)  
Including 12 month result of the acquired companies, net debt in relation to adjusted EBITDA amounted to 2.2 times
- Bank agreement with Danske Bank which is valid until October 12, 2026 with a sustainability-linked RCF of 510 MSEK and an overdraft facility of 75 MSEK.





# Financial targets

BALCO GROUP  
R12 Q1 2024

|                   |   |   |
|-------------------|---|---|
| Growth            | "Balco shall achieve growth of <b>10%</b> per year during a business cycle"   | REVENUE GROWTH<br><b>-11%</b>             |
| Profitability     | "Earnings per share shall grow by <b>20%</b> per year during a business cycle"  | EPS GROWTH<br><b>-50%</b>                 |
| Capital structure | "Interest-bearing net debt shall not exceed <b>2.5</b> times adjusted earnings before interest, taxes, depreciation and amortization (EBITDA), other than temporarily" (excl. leasing debt) | NET DEBT/ adj. EBITDA<br><b>3.2 / 2.2</b> |
| Dividend policy   | "Balco shall distribute <b>30-50%</b> of profit after tax, taking into consideration needs for Balco's long-term growth and prevailing market conditions"                                   | <b>0%<sup>1)</sup></b>                    |

1) The Board does not propose a dividend to the Annual General Meeting to finance the recently completed strategic acquisitions.

# Sustainability update

## A prerequisite for long-term growth

- Another independent analysis in Norway regarding the effect on energy savings when glazing a balcony with the Balco brand shows the same results as before. Glazing from Balco provides an energy saving of between 20-30 percent, depending on the size of the balcony and direction of the wind. This once again strengthens our market case that glazing from Balco is a trigger to be able to make further improvements to the property's energy consumption.
- We already in 2023 reached our goal in reducing our environmental impact in Scope 1 and Scope 2 by 35 percentage which was set until 2025.
- Balco Group has committed to developing short-term and long-term targets for emission reduction including net zero targets in line with the Science Based Targets initiative (SBTi).

We continue to work on reducing our environmental impact, offering more sustainable materials, improving waste management, and providing opportunities for customers to reduce their energy consumption.



# Market update

- The improved inflation situation and the discussions about expected interest rate cuts means that our customers have an increased willingness to invest, but the trend we have seen in recent quarters that the processes take longer is continuing. It is important that we now begin to see that the discussed interest rate cuts are implemented.
- Balco's unique sales model supported by financial expertise is important in our dialogues with customers. We continue to work closely with customers and help them throughout the process.
- We have not yet seen a strong recovery in the market despite increased willingness to invest, which is why our previous assessment that we will continue to have an impact on sales and results in the coming quarters remains
- We know that there is and will be a great need to renovate not only balconies, but also the entire surface layer of apartment buildings, as approximately 40% of our total energy consumption is used for heating. As we have previously announced, Balco will be part of this necessary change by being able to carry out turnkey projects.
- The need to renovate balconies remains. Postponing work will not improve balconies.

|   |   |
|---|---|
| <b>70</b><br>years lifetime<br>City balconies | <b>90</b><br>years lifetime<br>Glazed balconies |
|---|---|





# Acquisition strategy

## Long experience in acquisitions

- Acquisitions are an important part of Balco Group's growth strategy. Our experience from previous acquisitions has given us a clear and structured process for the successful integration and development of the acquired companies.

## What are we looking for?

- European balcony companies or companies with activities that can complement Balco's Green Transformation product offering
- Strong position in a niche market
- Profitable, well-managed companies
- Business philosophy and culture in line with Balco Group
- Sustainable business model
- Continued commitment from management and key employees.

## What do we offer?

- Financial stability
- Collaboration and knowledge sharing within the Balco Group
- Decentralized business model where the company retains its own brand, identity and culture
- Expertise and resources in sustainability, digitalization and business development





# Concluding remarks

## Summary

- Net sales in Q1 of 326 MSEK and adj. EBITA-margin 5.0 percent.
- Two strategic acquisitions in Finland, Riikku Group and Suomen ohutlevyasennus, was made during Q1.

## Outlook

- Demand and need for balcony renovations remains.
- We have not yet seen a strong recovery in the market despite increased willingness to invest, which is why our previous assessment that we will continue to have an impact on sales and results in the coming quarters remains. We continue to work on reviewing our costs and organization on an ongoing basis.
- Our investment in being able to run projects aimed at a more comprehensive energy saving on the property continues to meet with great interest, for example our unique solution with air-to-air heat pumps and also include installation of solar panels in our projects.
- Through the two acquisitions, we take a leading market position in Finland, where we were previously weak. The acquisitions are in line with our long-term strategy to be the leading balcony supplier in the Nordics and to be able to run larger turnkey projects for the green transformation of residential properties to more energy-efficient properties.



*Balco Group has a strong market position with high quality and long durability.*





Q&A

**BALCO**  

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**GROUP**