

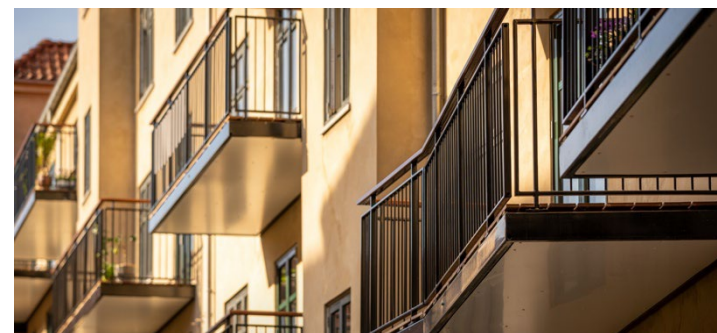
BALCO | GROUP

Q1 report 2023

January - March

CAMILLA EKDAHL, CEO

MICHAEL GRINDBORN, CFO



BALCO AB / BALCO ALTANER / RK TEKNIK / TBO-HAGLINDS / NMT / STORA FASAD / SÖDERÅSEN

Snapshot of Balco Group

The Group

- Balco Group was founded in 1987 and consists of the companies Balco AB, Balco Altaner, TBO-Haglinds, RK Teknik, NMT, Stora Fasad and Söderåsens Mur & Kakel.
- The head office is in Växjö, and the group has over 500 employees.

The Offering

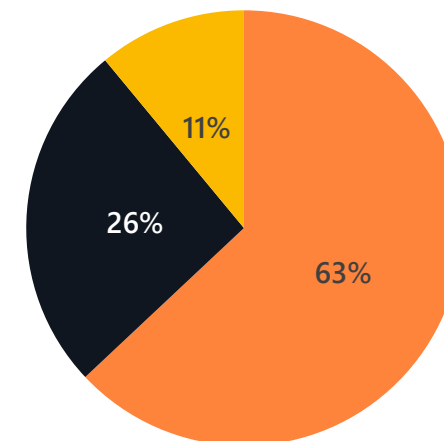
- Balco operates in two main segments: renovations and new build.
- The core expertise is supplying glazed balconies and balcony solutions, primarily on the renovation market and to tenant-owner associations and replacing existing balconies with new glazed balconies according to the Balco method.
- However, 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 Scandinavia with key markets being Sweden, Denmark and Norway.
- Strong challenger position on other northern European markets.

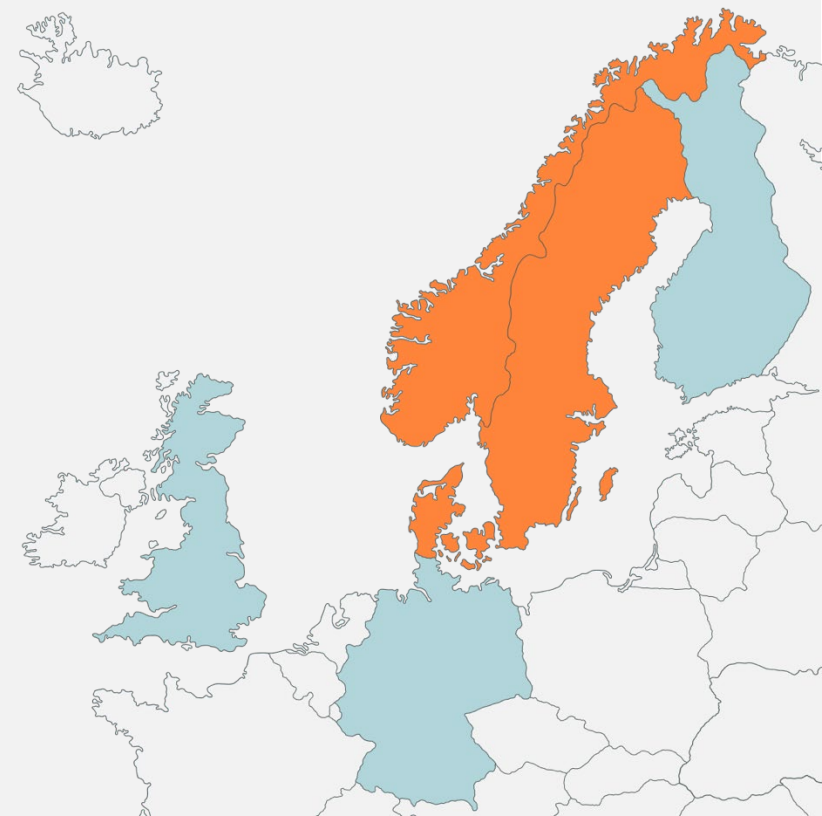
Energy-savings

- 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 15 to 30 percent.
- Facade renovation with additional insulation give energy savings of up to 10 percent.



Sweden Other Scandinavia Other Europe

REVENUE PER MARKET (2022)



Good net sales growth and stable profitability

Net sales increase

Net sales increased 13 percent to 326 MSEK.

Cost saving program to strengthen profitability

Due to pending order intake even during the first quarter, lower profitability and tougher market conditions, we have implemented another cost-saving program which involves staff reductions in Sweden and Norway. The cost-savings program is estimated to provide savings of 15 MSEK annually and has resulted in costs affecting comparability of 5 MSEK in the quarter.

The need for renovation of balconies remains

The need for renovation of balconies remains and around 90 percent of Balco Group's turnover comes from the renovation segment. We have many customer meetings and the interest in our products and offers is still great and the customers are getting used to a higher interest rate. When there is a stabilization of inflation and the interest rate increases are over, we are confident that order intake will pick up again.

Acquisition of NMT Montageteknik i Norden AB

On March 2, NMT Montageteknik i Norden AB was acquired, with turnover in the last financial year of 49 MSEK. NMT is a turnkey company that has been one of Balco's strongest competitors in northern Sweden.

Q1 2023

Revenue

326 MSEK
Jan – Mar 2023

288 MSEK
Jan – Mar 2022



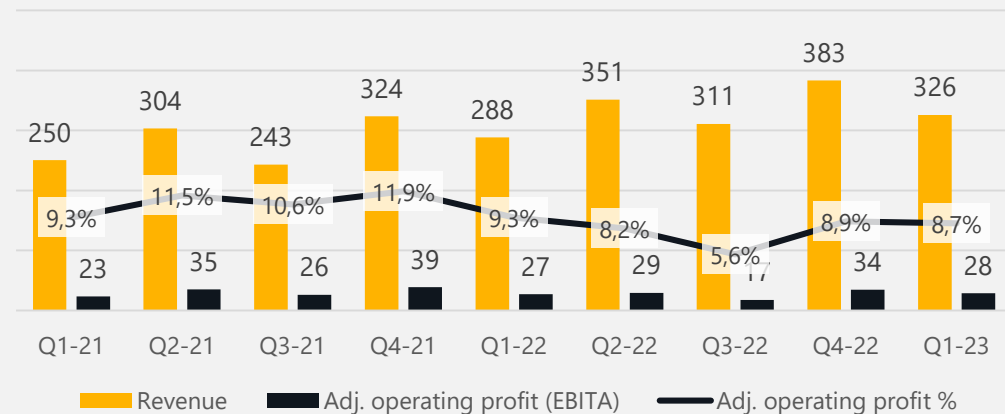
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Quarterly results

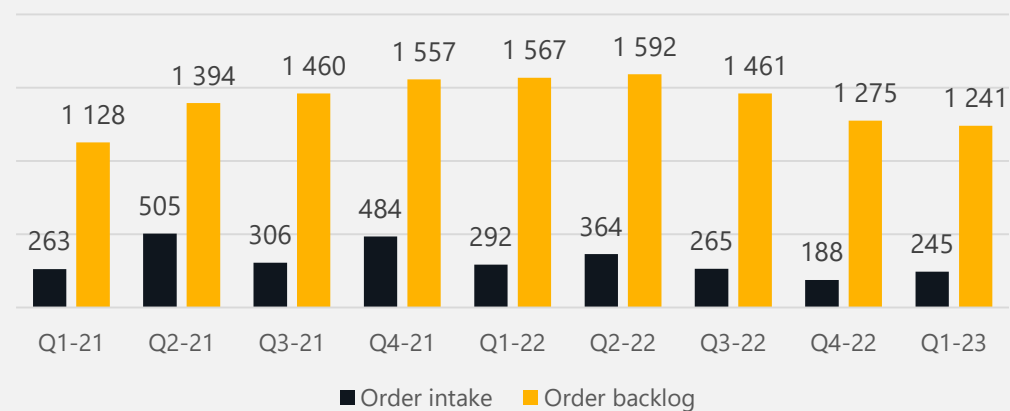
Good net sales growth and stable profitability

- Net sales increased by 13 percent to 326 MSEK (288). Acquired growth was 3 percent, currency effect was 1 percent and organic growth was 9 percent. All of the organic growth comes from price increases.
- Adjusted operating profit (EBITA) amounted to 28 MSEK (27), corresponding to an adjusted operating margin (EBITA-margin) of 8.7 percent (9.2).
- The order intake amounted to 245 MSEK (292).
- Order backlog amounted to 1,241 MSEK (1,567).
- Profit after tax amounted to 14 MSEK (19), corresponding to earnings per share of 0.68 SEK (0.89).
- Operating cash flow amounted to -11 (-14)

REVENUE AND ADJUSTED OPERATING PROFIT, MSEK



ORDER INTAKE AND BACKLOG, MSEK



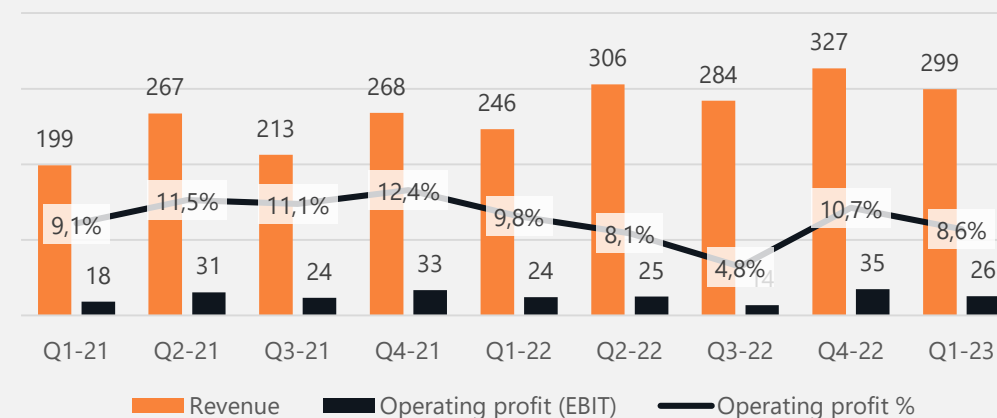
Renovation

Strong growth in Net sales

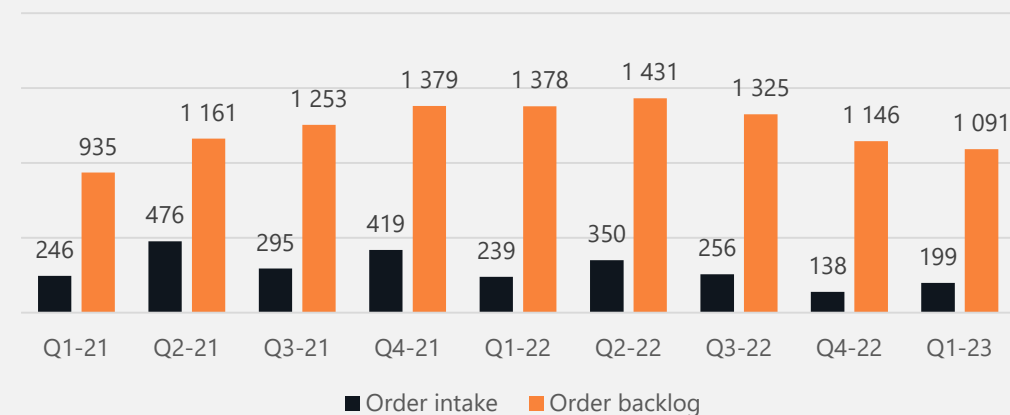
- Net sales in the quarter increased by 21 percent to 299 MSEK (246), which corresponds to 92 percent of the total net sales.
- Order intake in the quarter amounted to 199 MSEK (420), which corresponds to 81 percent of the total order intake.
- Adjusted operating profit in the quarter amounted to 26 MSEK (33), corresponding to an adjusted operating margin of 8.6 percent (9.8).
- The order backlog amounted to 1,091 MSEK (1,378) which corresponds to 88 percent of the total order backlog

Renovation, MSEK	Jan-Mar 2023	Jan-Mar 2022	Apr-Mar 2022/23	Jan-Dec 2022
Net sales	299,2	246,4	1 216,3	1 163,5
Adjusted Operating profit (EBITA)	25,7	24,2	99,3	97,9
Adjusted Operating margin (EBITA)	8,6	9,8	8,2	8,4
Order intake	199,2	239,4	943,7	983,9
Order backlog	1 090,6	1 378,3	4 992,3	5 280,0

REVENUE AND EBIT, MSEK



ORDER INTAKE AND BACKLOG, MSEK



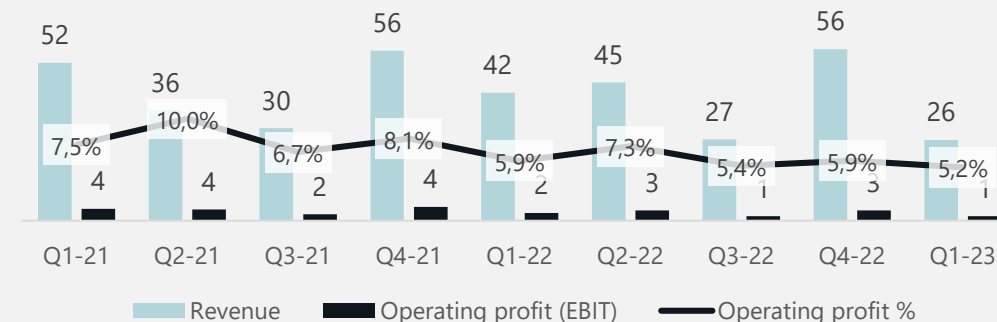
New Build

Good order intake in UK

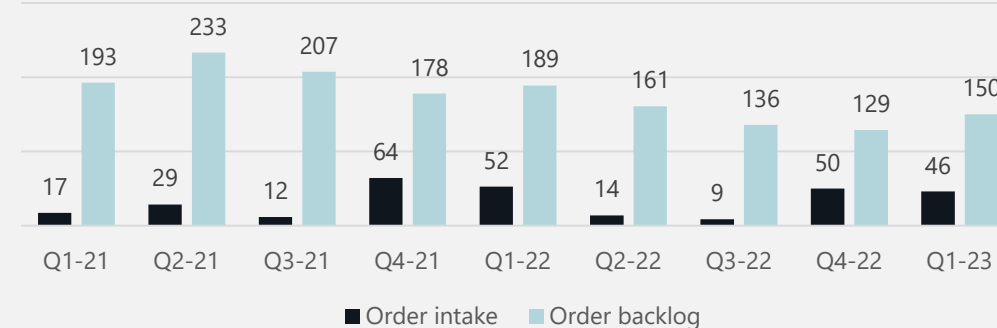
- Net sales in the quarter amounted to 26 MSEK (42), which corresponds to 8 percent of the total net sales.
- Order intake in the quarter amounted to 46 MSEK (52), which corresponds to 19 percent of the total order intake.
- Adjusted operating profit in the quarter amounted to 1.4 MSEK (2.5), corresponding to an adjusted operating margin of 5.2 percent (5.9).
- The order backlog amounted to 150 MSEK (189) which corresponds to 12 percent of the total order backlog

	Jan-Mar 2023	Jan-Mar 2022	Apr-Mar 2022/23	Jan-Dec 2022
New Build, MSEK				
Net sales	26,4	42,0	154,6	170,1
Adjusted Operating profit (EBITA)	1,4	2,5	9,4	10,5
Adjusted Operating margin (EBITA)	5,2	5,9	6,1	6,2
Order intake	46,0	52,4	118,3	124,7
Order backlog	150,1	189,0	575,8	614,7

REVENUE AND EBIT, MSEK



ORDER INTAKE AND BACKLOG, MSEK

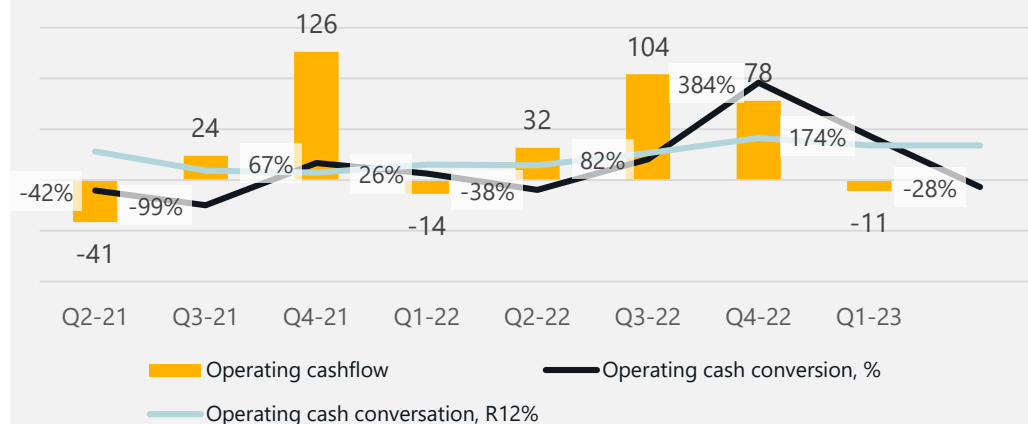


Financial position

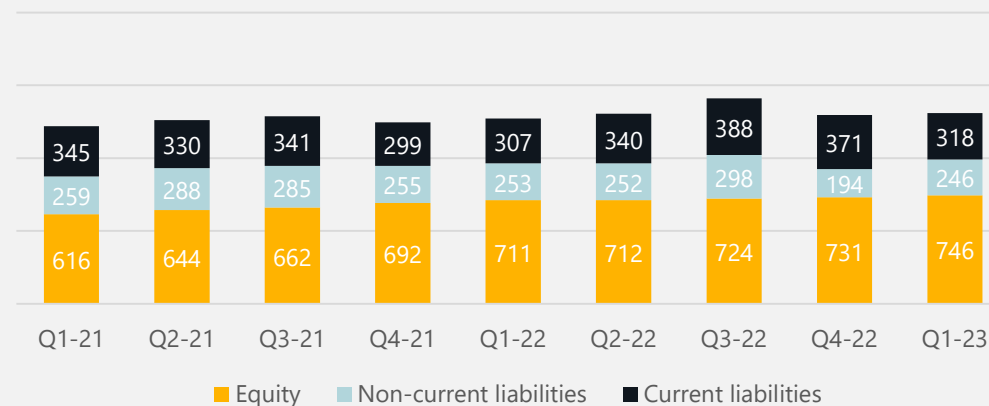
Equity ratio and balance sheet strong, prepared for more acquisitions

- At the end of the quarter, the Group's equity amounted to 746 MSEK (711). Equity ratio at 57% (56)
- Net debt (incl. leasing) / EBITDA at 1.2x (1.2)
Net debt (excl. leasing) / EBITDA at 0.9x (0.6)
During the quarter, the acquisitions of both Arutex AB and NMT Montageteknik i Norden AB were completed
- Acquisition head-room: Bank agreement with Danske Bank which is valid until 12 October 2024 with a sustainability-linked RCF of 510 MSEK and an overdraft facility of 75 MSEK.

OPERATING CASH FLOW, MSEK



EQUITY, LIABILITIES AND NET DEBT



Financial targets

BALCO LTM
MAR-23

Growth	"Balco shall achieve growth of 10% per year"	REVENUE GROWTH 18%
Profitability	"Earnings per share shall grow by 20% per year"	EPS GROWTH -16%
Capital structure	"Interest-bearing net debt shall not exceed 2.5 times adjusted earnings before interest, taxes, depreciation and amortization (EBITDA), other than temporarily"	NET DEBT/ adj. EBITDA 1.2x / 0.9x
Dividend policy	"Balco shall distribute 30-50% of profit after tax, taking into consideration needs for Balco's long-term growth and prevailing market conditions"	40%¹⁾
Sustainability	"More than 30% of the group's sales shall provide at least 30 percent energy savings to our customers and be compatible with the EU taxonomy"	9% / 61%

1) Proposed dividend 2022, 1.50 SEK per share

Sustainability update

A prerequisite for **long-term** profitability

- Balco has improved its ESG risk rating from 20.8 to 18.7, now ranked as a low-risk company among the 20% of all companies in the world with the lowest ESG risk.
- We have reduced our environmental impact according to scope 1 measure in grams CO₂e/worked hours by 37 percent compared to 2019 and according to scope 2 by 30 percent.
- The accident rate measured as number of accidents at work per 1 million hours worked reduced to 8.2 (13.0) in 2022.

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



Market update

- We notice that our customers are to some extent getting used to a higher interest rate level, but uncertainty about when the inflation will stabilize and when Riksbanken will be ready with its interest rate increases, continues to keep customers waiting in our main market, Sweden.
- There is a pent-up demand for balcony renovations that will not disappear and we see that more meetings are planned during the second quarter, but several decisions are still being moved forward in time.
- We have many customer meetings and the interest in our products and offers is still great. We have different alternative solutions to help the customer to dare to take decisions. Many tenant-owned associations have strong financial positions and have possibilities to invest in new glazed balconies with rather low monthly cost increases for its residents.
- Some of our companies will focus more on publicly owned companies which continue to invest in renovations.
- New building for social housing in UK and Germany has good demand and the have products for these markets.



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 market niche
- 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?

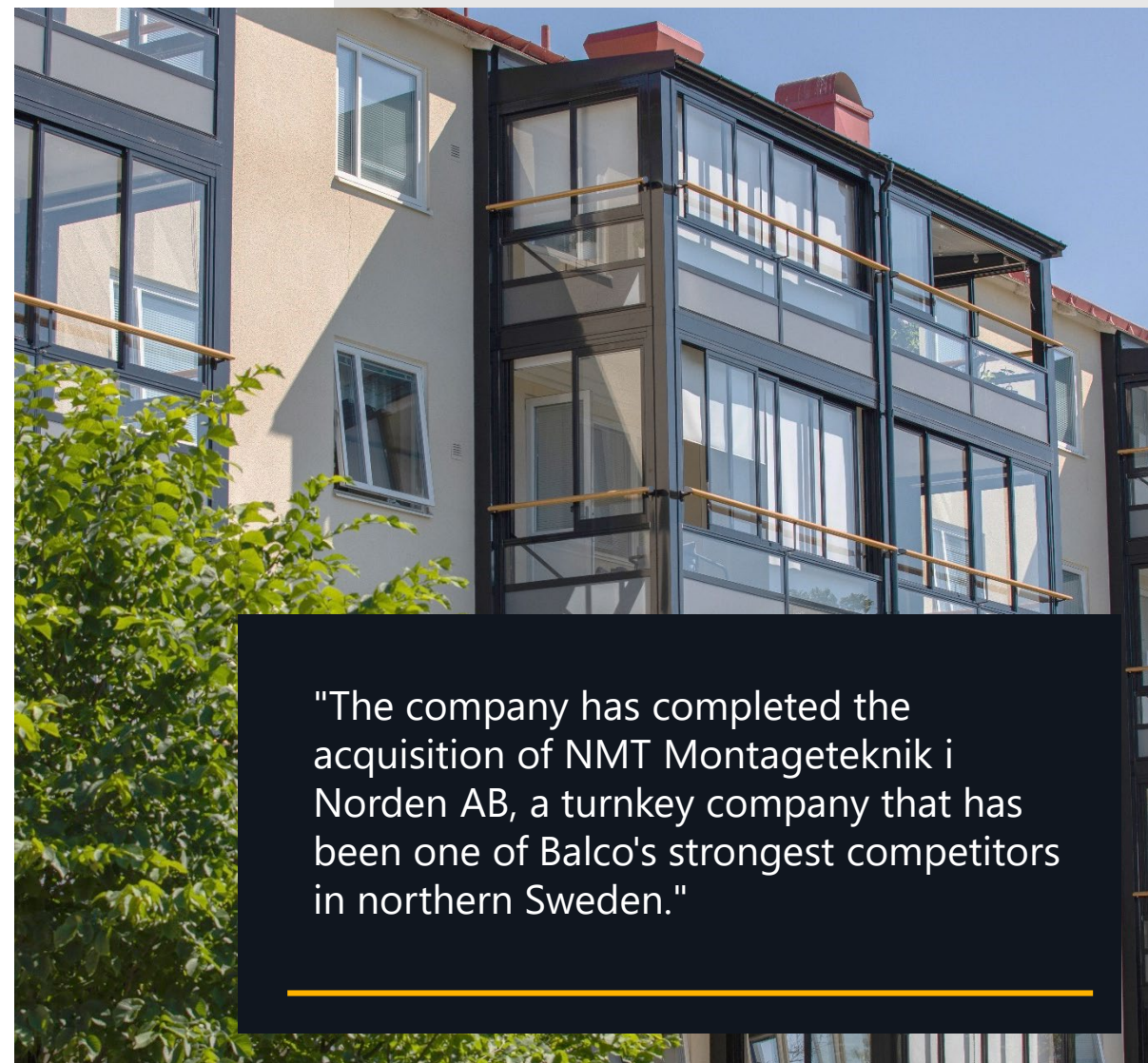
- Financial stability
- Cooperation and knowledge sharing within the Balco Group
- Decentralized business model where the company retains its own brand, identity and culture
- Expertise and resources in sustainability, digitalization and business development



Acquisition of NMT Montageteknik i Norden AB

The acquisition strengthens and complements Balco Group's market position in northern Sweden

- Founded in 2016, NMT Montageteknik i Norden AB offers turnkey contracts in balcony renovation in northern Sweden. The customers consist mainly of tenant-owned housing associations.
- NMT is located in Sundsvall and has 11 full-time employees and a turnover of 49 MSEK during the most recent operating year.
- NMT has been one of Balco's strongest competitors in northern Sweden.
- NMT has its own assembly and project organization and will be integrated with Balco.
- NMT, together with Balco's resources in northern Sweden, will create a unit in northern Sweden as we see that proximity to customers is important.



"The company has completed the acquisition of NMT Montageteknik i Norden AB, a turnkey company that has been one of Balco's strongest competitors in northern Sweden."

Concluding remarks

Summary

- The turnover is the best ever for a first quarter and increased by 13 percent to 326 MSEK and the adjusted profit margin was 8.7 percent.
- In order to improve profitability and adapt to the new market conditions, we have implemented further cost-savings. The cost-savings are estimated to 15 MSEK annually and has resulted in costs affecting comparability of 5 MSEK in the quarter.
- Uncertainty about when Riksbanken will be ready with its interest rate increases continues to keep customers waiting in our main market, Sweden. This has affected our order intake during the first quarter

Outlook

- The need for renovation of balconies remains and around 90 percent of Balco Group's turnover comes from the renovation segment.
- We have many customer meetings and the interest in our products and offers is still great and the customers are getting used to a higher interest rate.
- When there is a stabilization of inflation and the interest rate increases are over, we are confident that order intake will pick up again. However, we estimate that this may take another couple of quarters.
- Balco's strong financial position means that we can continue to grow through selective acquisitions that strengthen our market position in existing markets.



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



Q&A

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