

BALCONIES  
FOR  
GREATER  
LIVING



# Q4 report 1 October – 31 December 2020

18 February 2021

Kenneth Lundahl CEO  
Michael Grindborn, CFO



# Snapshot of Balco

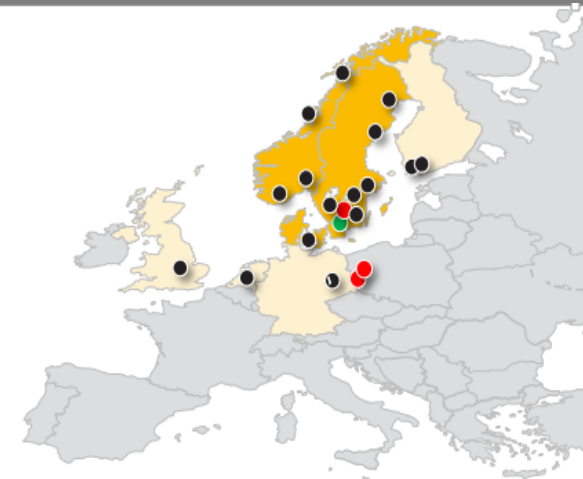
The leading provider of complete glazed balcony systems in the Nordics



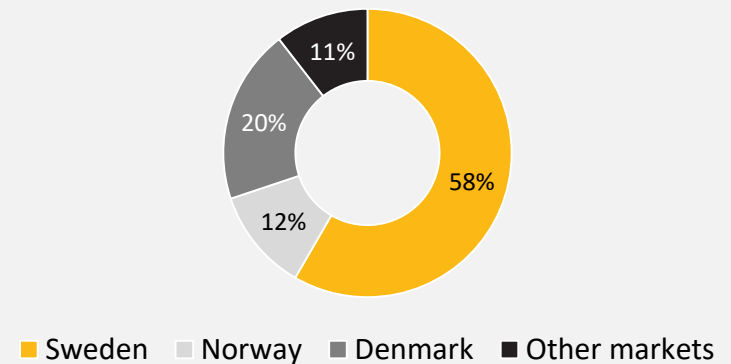
- **+30 years in the market for balcony systems**
- **Provider of the leading glazed balcony systems in the market:**
  - one-stop shop, inhouse expertise, own development and production
  - own sales force
  - own brands and 62 patent solutions
- **Focusing on the less cyclical market for balcony renovations**
- **Unique sales process:**
  - helps the customer through the whole process
- **Well-established logistics and delivery function:**
  - enabling just-in-time deliveries
  - offer turnkey contract for balconies and façade (in Sweden)

Geographic overview

- Sales office
- Production unit & distribution centre
- Headquarter
- Key markets
- Other markets



Revenue split per region



## Q4 – Strong cash flow and financial position, despite Covid-19

1

### **Sales and profit, negatively affected by Covid-19**

- Net sales 269 MSEK (333)
- Operating profit 3 MSEK (38), adjusted EBIT 22 MSEK (38)
- Operating margin 1.1% (11.3), adjusted EBIT-margin 8.3% (11.3)

2

### **Covid-19**

- Costs affecting comparability of 19 MSEK<sup>1</sup> were taken in the quarter in connection with increased risk exposure with Covid-19
- No grants or other support linked to Covid-19 were received in 2020

3

### **Strong financial position**

- Operating cash flow of 71 MSEK and operating cash conversion of 225% in the quarter
- Equity/assets ratio 49%

4

### **Acquisition of Stora Fasad**

- On February 10, Balco acquired Stora Fasad AB, with net sales in 2020 of 30 MSEK and an operating profit of 5 MSEK
- The acquisition adds expertise in the facade area and will strengthen Balco Group's offer for turnkey contracts for both balcony and facade renovation



## Q4: financial highlights

Strong cash flow, but sales, order intake and profit affected by Covid-19

### Net sales



- **Net sales** amounted to 269 MSEK (333)
- Renovation accounted for 92% of sales and New Build for 8%

### Order intake and order backlog



- **Order intake** amounted to 230 MSEK (352)  
The Renovation segment accounted for 89% of the order intake in the quarter
- **Order backlog** amounted to 1,087 MSEK (1,522)  
Orders to an amount of 150 MSEK was removed from the order backlog

### Operating profit



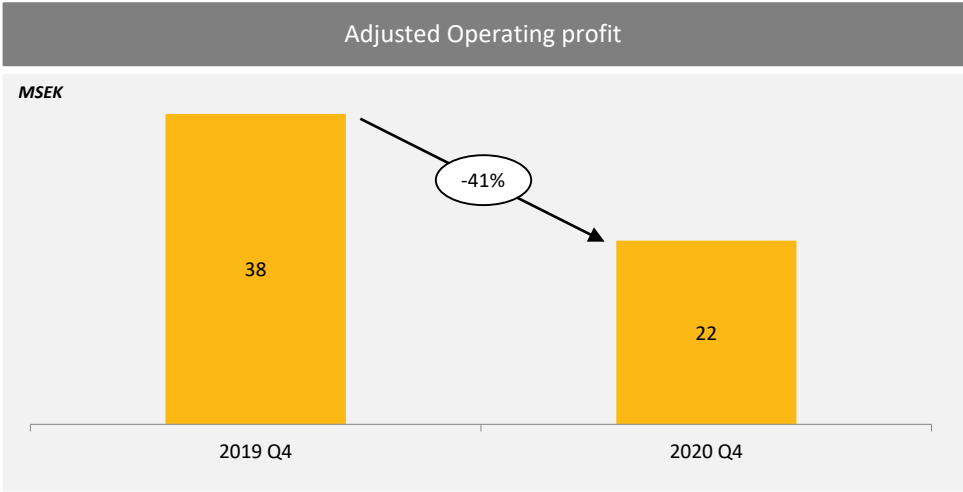
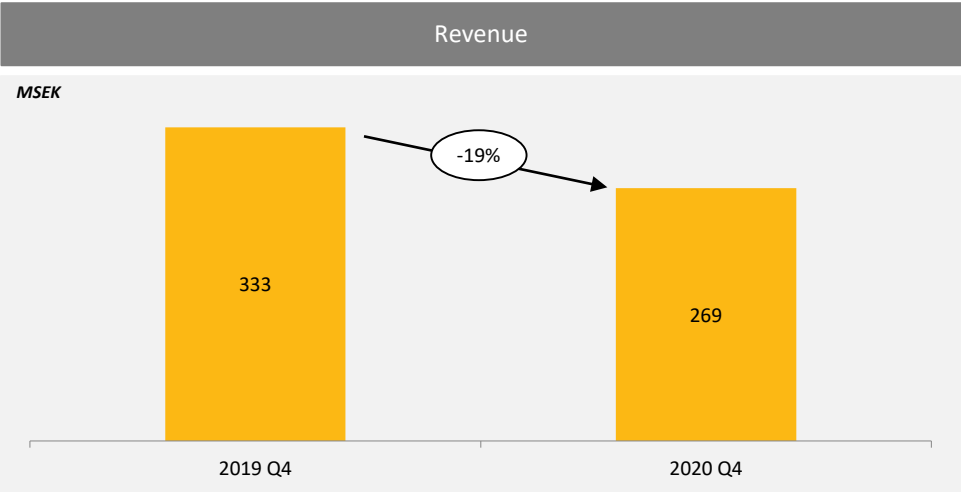
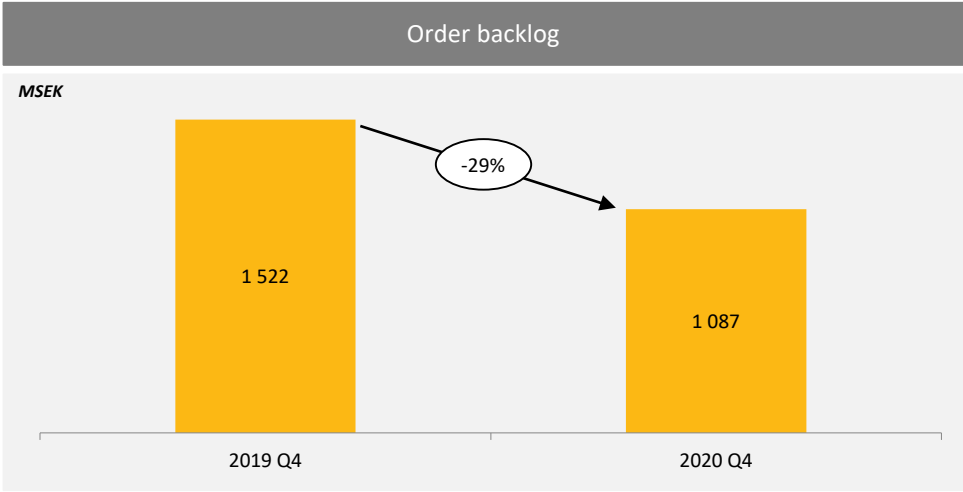
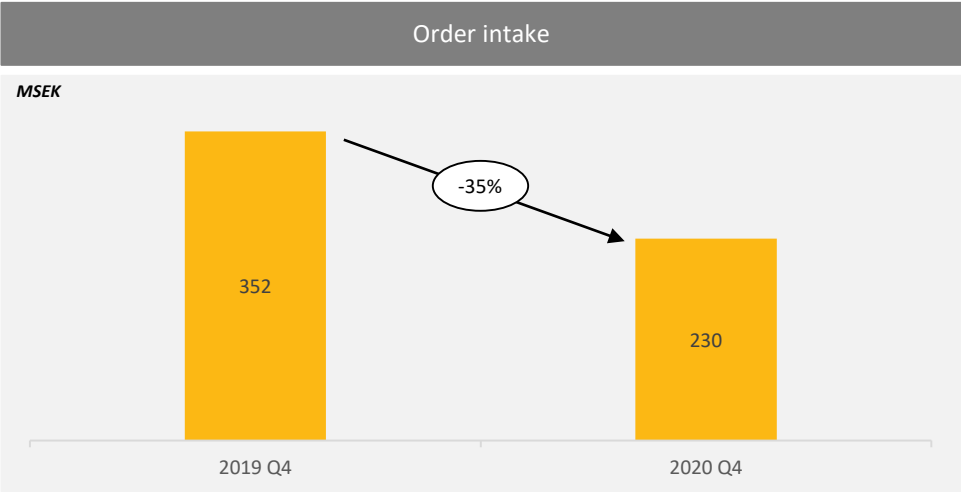
- **Operating profit** (EBIT) amounted to 3 MSEK (38) and adjusted EBIT amounted to 22 MSEK (38). Costs affecting comparability of 19 MSEK in the quarter.
- **Operating profit margin** amounted to 1.1% (11.3) and adjusted EBIT-margin 8.3% (11.3)

### Cash flow



- **Operating cash flow** amounted to 71 MSEK (100)
- **Operating cash conversion** amounted to 225% (206)
- **Cash and cash equivalents** at year end of 214 MSEK (119)

# Q4: Strong cash flow and financial position, despite Covid-19

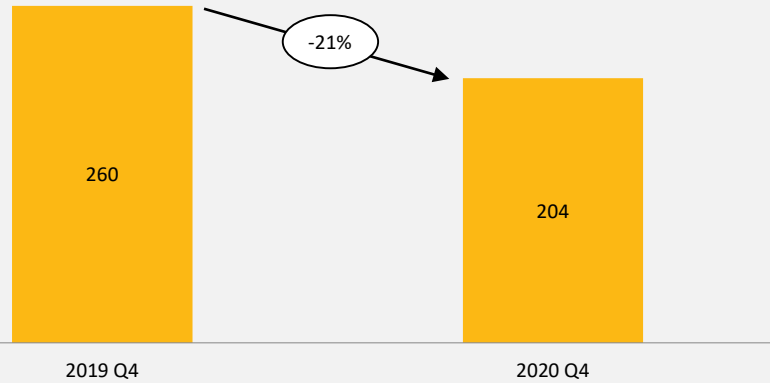


## Q4: Development per business segment

### Renovation segment – quarter affected by Covid-19

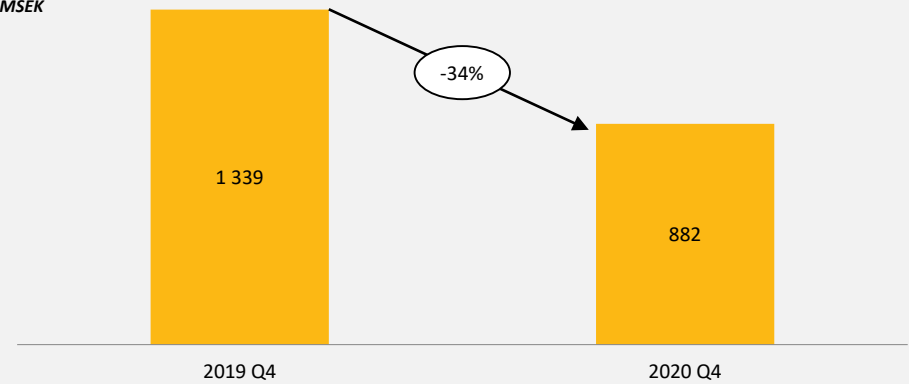
Order intake

MSEK



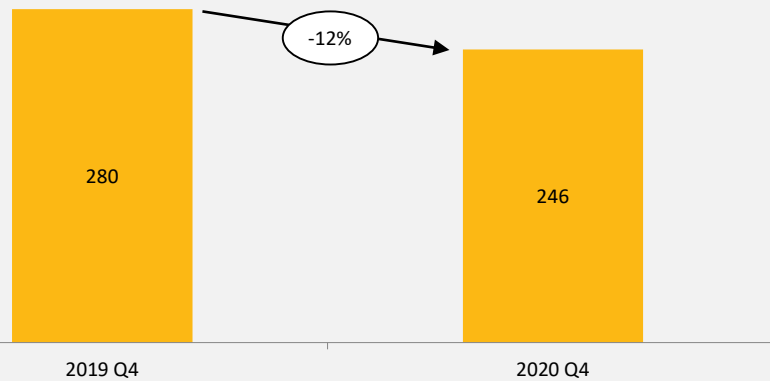
Order backlog

MSEK



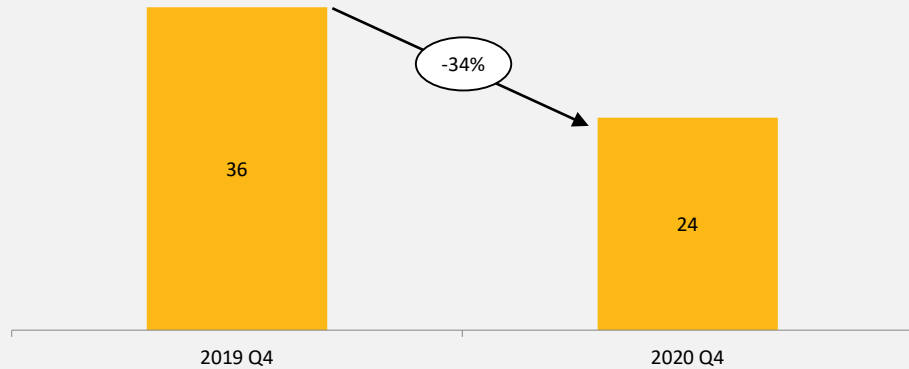
Revenue

MSEK



Adjusted Operating profit

MSEK

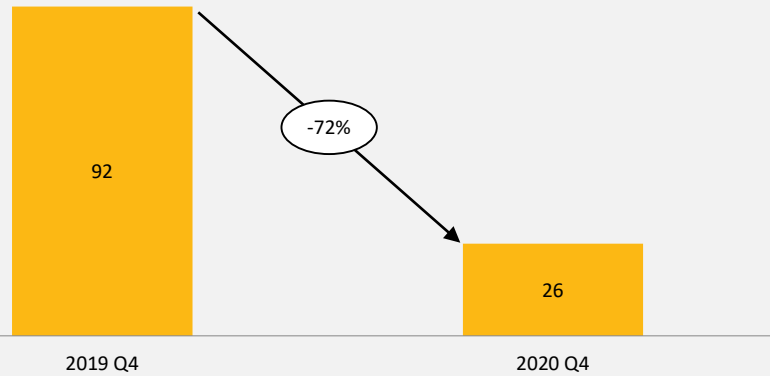


## Q4: Development per business segment

### New Build – quarter affected by Covid-19

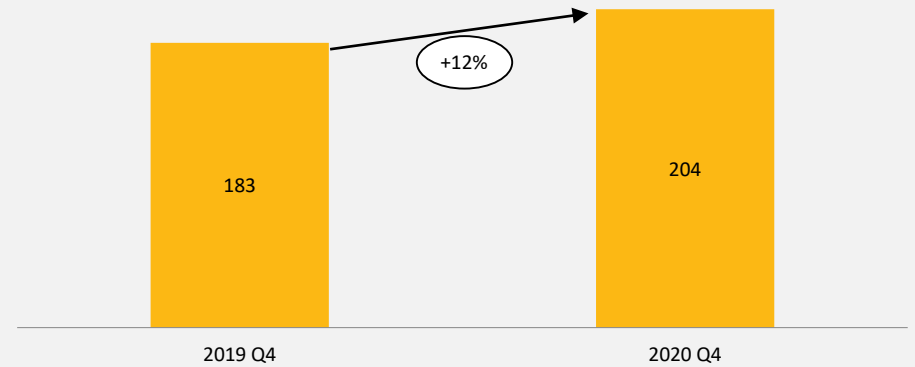
Order intake

MSEK



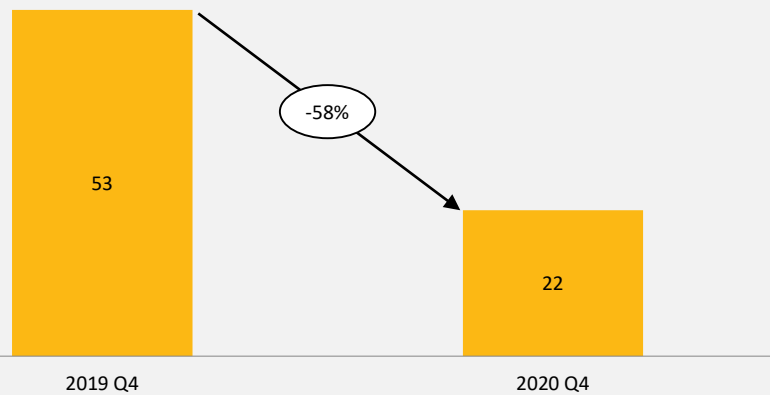
Order backlog

MSEK



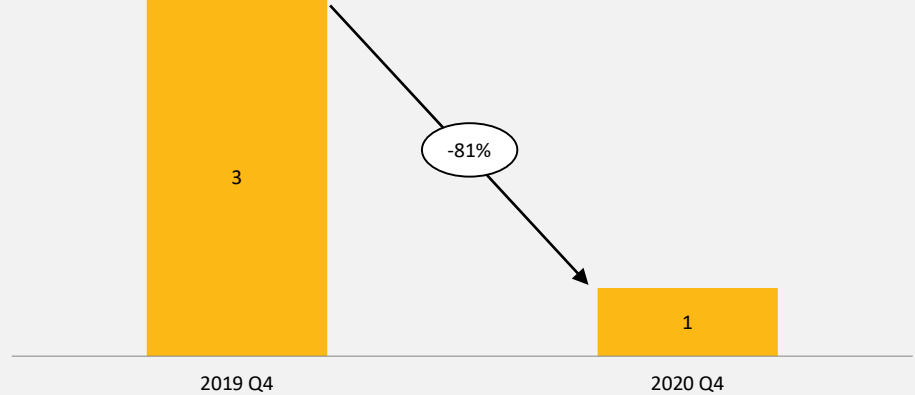
Revenue

MSEK



Operating profit

MSEK



# 2020 full year: financial highlights

Strong cash flow and financial position, despite Covid-19

## Net sales



- **Net sales** amounted to 1,200 (1,221)
- Renovation accounted for 91% of sales and New Build for 9%

## Order intake



- **Order intake** amounted to 933 MSEK (1,349)
- The Renovation segment accounted for 87% of the order intake

## Operating profit



- **Operating profit** (EBIT) amounted to 115 MSEK (140) and adjusted EBIT amounted to 135 MSEK (140)
- **Operating profit margin** amounted to 9.6% (11.5) and adjusted EBIT-margin 11.2% (11.5)

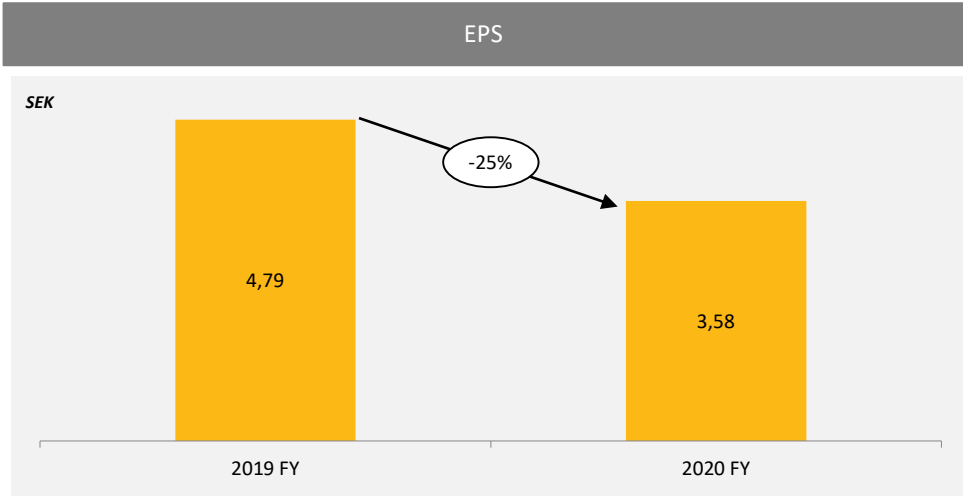
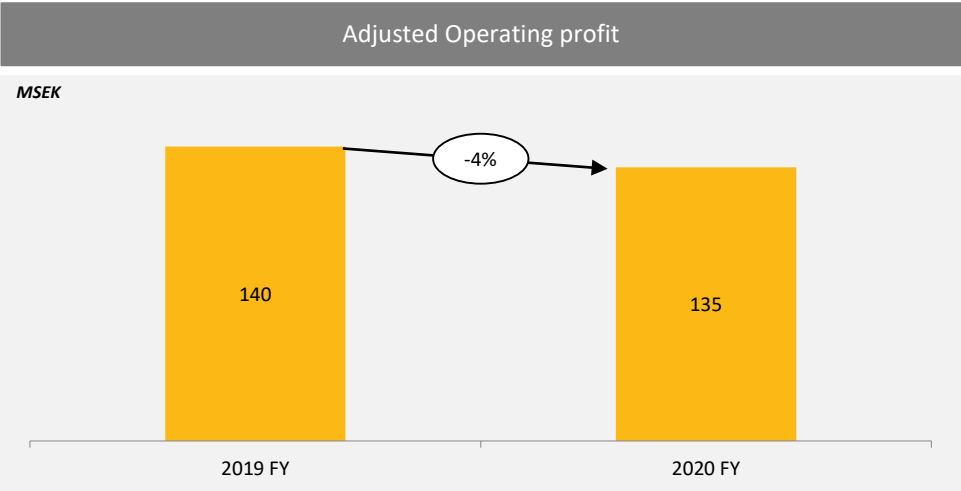
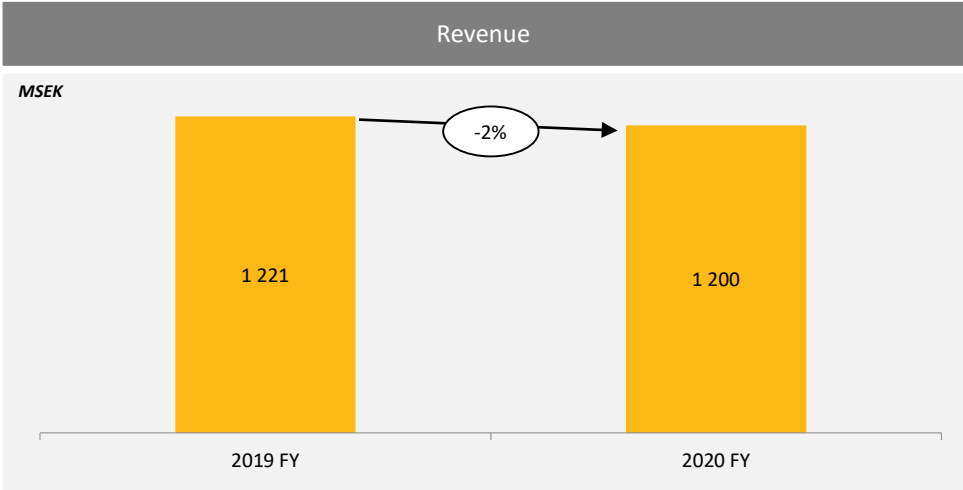
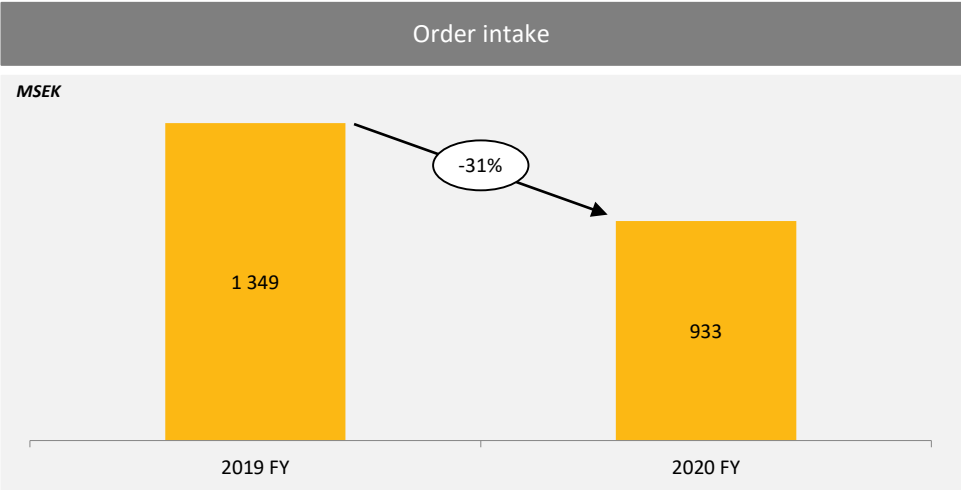
## Cash flow



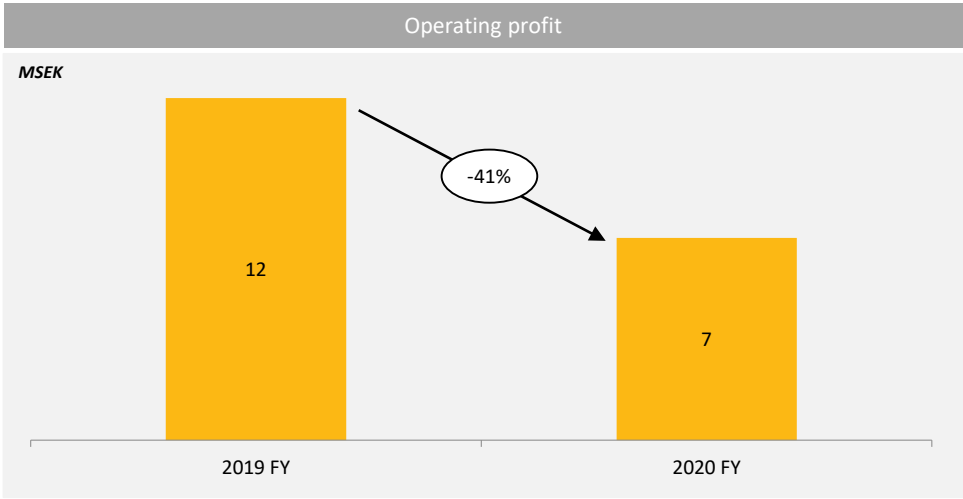
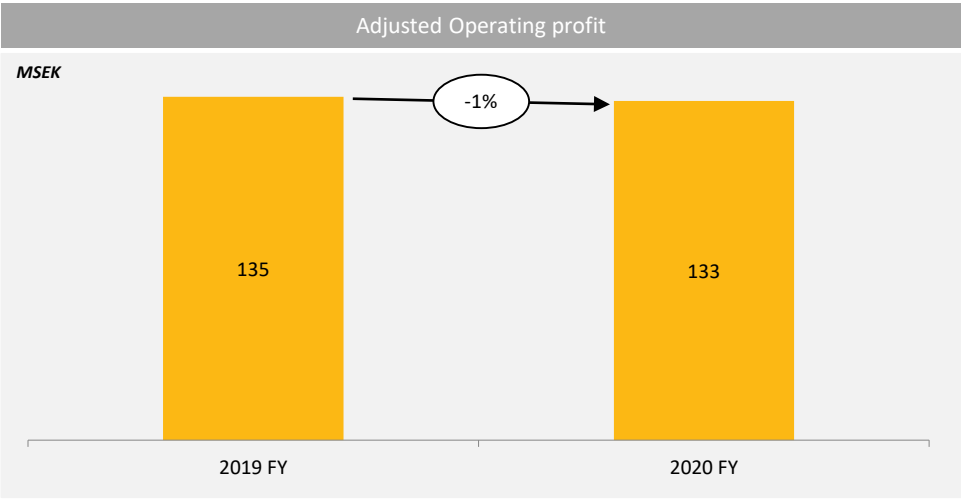
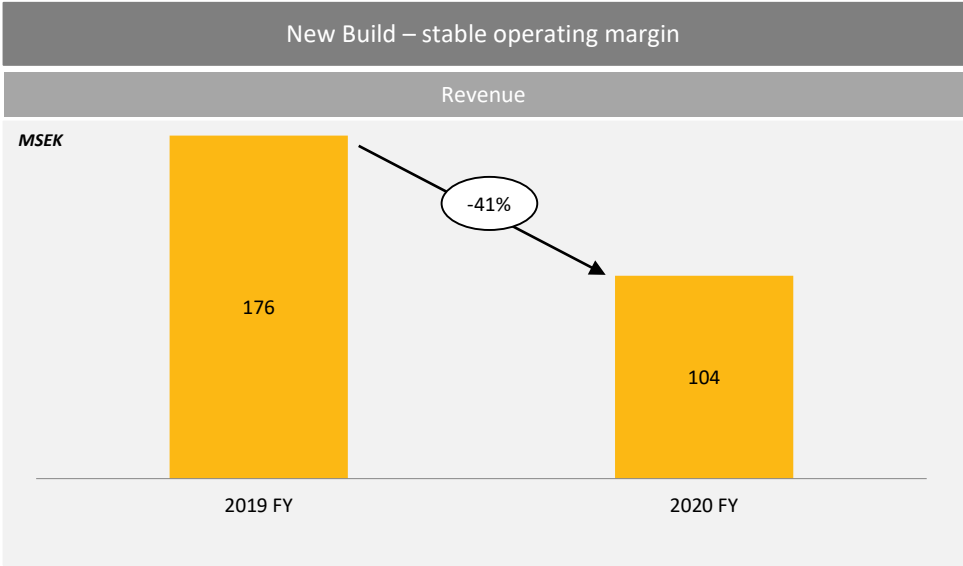
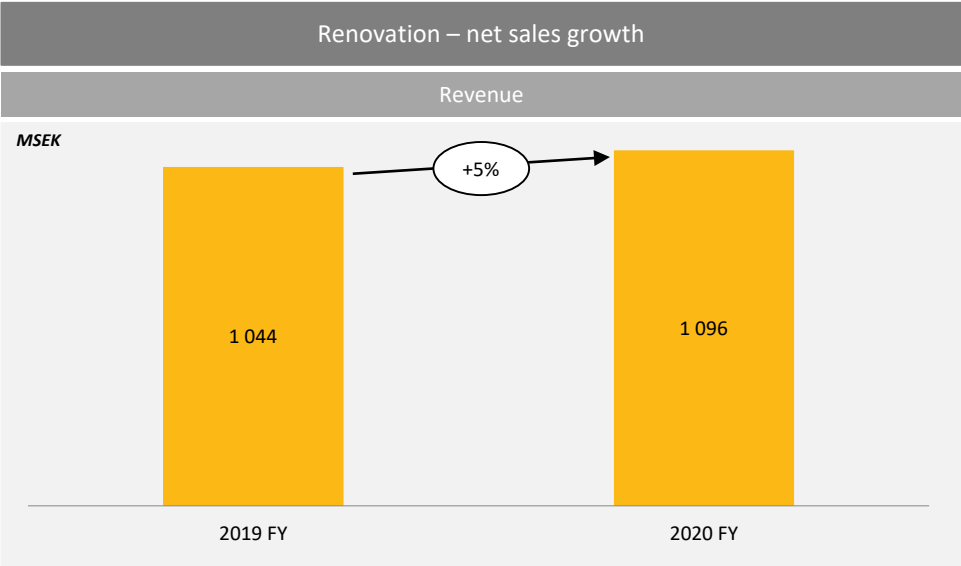
- **Operating cash flow** improved to 196 MSEK (134) due to better development of working capital
- **Operating cash conversion** improved to 114% (76%)



# 2020 full year: Strong cash flow and financial position, despite Covid-19



# 2020 full year: revenue and earnings per business segment



# Strong financial position

Equity ratio and balance sheet strong, prepared for more acquisitions

Equity/asset ratio



- **Equity/asset ratio** at 49% (47).

Net debt/EBITDA



- **Net debt/EBITDA** at 0.3x (0.9), the reduction in debt is due to a strong cash flow
- **Net debt (excl. leasing)/EBITDA** at -0.0x (0.6)

Net profit for the period



- **Profit after tax** amounted to 78 MSEK (103), corresponding to earnings per share of 3.58 SEK (4.79)

Prepared for more acquisitions



- **Acquisition head-room:** banking agreement to September 2022 and acquisition credit of 100 MSEK. Cash and cash equivalents at year end of 214 MSEK (119)
- Authorization to issue shares to finance acquisitions
- Stora Fasad was acquired February 10, with net sales in 2020 of 30 MSEK

# Financial targets

		BALCO FIGURES FY 2020
GROWTH	<i>"Balco shall achieve growth of 10% per year"</i>	REVENUE GROWTH  <b>-2%</b>
PROFITABILITY	<i>"Balco shall achieve an operating profit margin (EBIT) of at least 13 percent."</i>	Adj. EBIT MARGIN  <b>11.2%</b>
CAPITAL STRUCTURE	<i>"Interest-bearing net debt shall not exceed 2.5 times operating profit before depreciation and amortization (EBITDA), other than temporarily"</i>	NET DEBT/ Adj. EBITDA  <b>0.3x</b>
DIVIDEND POLICY	<i>"Balco shall distribute least half of profit after tax, taking into consideration needs for Balco's long-term growth and prevailing market conditions."</i>	  <b>0%<sup>1)</sup></b>

1) The Board does not propose a dividend to the Annual General Meeting as the company has reduced occupancy during the first half of the year and laid off staff starting in January. At the same time, the Board is open for an Extraordinary General Meeting later in 2021 for a new dividend decision

# Sustainability initiatives

Lifetime 90 years



- Materials and construction last for at least 90 years and are fully recyclable thereafter only need two minor services
- Balco city balconies last for over 70 years

Energy savings



- Energy savings of 15-30% depending on product and conditions
- Reduced maintenance of facade and windows

Climate positive



- Climate positive after 30-50 years with Balco glazed balcony in Sweden
- New goal set to reduce this to by 5-10 year until end of H1 2021

Increased sustainability focus



- All purchases should be made from suppliers in Europe
- A stand-alone Sustainability report together with the Annual report from this year



# Acquisition of Stora Fasad AB strengthens Balco Group's customer offering

## *Background*

- 1
  - Stora Fasad is a company that offers facade work, as well as window replacement, balcony and roof, for renovations and for new production; and also related services such as scaffolding work
  - The acquisition strengthens and complements Balco's product and customer offering
  - With complete facade renovation, Balco can take responsibility for the turnkey contract in larger projects with both balcony and facade renovation
  - Initially, the focus is on the Swedish market, but soon we will look at an expansion to other countries where Balco is active

## *Financials*

- 2
  - Revenue 2020 of approximately 30 MSEK
  - EBIT 2020 of approximately 5 MSEK
  - Order backlog of approximately 30 MSEK
  - Purchase price of 20 MSEK in cash upfront and a possible additional purchase price depending on development between 2021-2023, estimated to approximately 10 MSEK
  - Financed through existing cash and cash equivalents

## *Future outlook*

- 3
  - The acquisition will be consolidated from 1 January 2021
  - The acquisition is expected to make a positive contribution to earnings per share as early as 2021





# Q&A



A photograph of a modern, multi-story building with a glass and metal facade. The building features numerous balconies with glass railings. The image is overlaid with a semi-transparent yellow horizontal band. The text "Financial appendix" is centered within this band.

# Financial appendix

# Consolidated income statement

MSEK	Note	Oct-Dec		Jan-Dec	
		2020	2019	2020	2019
<b>Net sales</b>		268,6	333,3	1 200,0	1 220,6
Production and project costs		-219,5	-252,8	-910,6	-920,6
<b>Gross profit</b>		<b>49,1</b>	<b>80,6</b>	<b>289,4</b>	<b>300,0</b>
Sales costs		-28,8	-26,0	-111,0	-94,2
Administration costs		-17,5	-17,2	-63,0	-66,1
Other operating income		-	0,6	-	1,6
Other operating expenses		-	-0,2	-	-0,9
<b>Operating costs</b>		<b>-46,3</b>	<b>-42,8</b>	<b>-174,0</b>	<b>-159,6</b>
<b>Operating profit</b>		<b>2,8</b>	<b>37,7</b>	<b>115,4</b>	<b>140,4</b>
Finance income		0,0	0,1	0,2	0,8
Finance costs		-3,1	-3,6	-9,8	-9,5
<b>Profit before tax</b>		<b>-0,3</b>	<b>34,2</b>	<b>105,7</b>	<b>131,7</b>
Income tax		-4,7	-8,1	-28,1	-28,8
<b>Net profit for the period</b>		<b>-5,0</b>	<b>26,1</b>	<b>77,6</b>	<b>102,8</b>
<b>Other comprehensive income</b>					
Items that have been/can be reclassified to profit/loss					
Exchange rate differences on translation of foreign operation		-3,0	-2,3	-5,0	0,2
<b>Comprehensive income for the period</b>		<b>-8,0</b>	<b>23,8</b>	<b>72,7</b>	<b>103,0</b>
Of which attributable to:					
Owners of the parent company		-8,0	23,8	72,7	103,0
Earnings per share, SEK, before dilution	4	-0,23	1,21	3,58	4,79
Earnings per share, SEK, after dilution	4	-0,22	1,19	3,51	4,69
Average number of shares, thousands		21 909,3	21 623,3	21 694,8	21 477,4

# Consolidated balance sheet

MSEK	31-dec 2020	31-dec 2019
<b>ASSETS</b>		
<b>Non-current assets</b>		
Goodwill	400,9	401,2
Other intangible assets	48,5	52,9
Concessions	42,5	54,1
Property, plant and equipment	129,8	134,1
Financial assets	1,4	3,1
Deferred tax assets	0,6	1,8
<b>Total non-current assets</b>	<b>623,8</b>	<b>647,1</b>
<b>Current assets</b>		
Inventory	25,6	26,0
Trade receivables	175,3	135,5
Contract assets	130,3	149,2
Current tax receivables	19,0	3,8
Other current receivables	35,2	24,7
Cash and cash equivalents	214,1	119,4
<b>Total current assets</b>	<b>599,6</b>	<b>458,8</b>
<b>TOTAL ASSETS</b>	<b>1 223,3</b>	<b>1 105,9</b>
<b>EQUITY AND LIABILITIES</b>		
<b>Equity</b>		
Share capital	131,5	129,7
Additional paid-in capital	403,2	393,5
Retained earnings, incl. profit for year	64,0	-8,7
<b>Equity attributable to owners of the parent company</b>	<b>598,6</b>	<b>514,5</b>
<b>Non-current liabilities</b>		
Deferred tax liabilities	18,9	33,6
Interest-bearing liabilities to banks	203,0	215,2
Leasing non-current liabilities	26,6	35,1
Other non-current liabilities	-	19,4
<b>Total non-current liabilities</b>	<b>248,5</b>	<b>303,3</b>
<b>Current liabilities</b>		
Interest-bearing liabilities to banks	10,4	10,4
Leasing current liabilities	19,4	20,7
Contract liabilities	82,2	41,4
Trade payables	112,2	122,6
Current tax liabilities	35,2	15,5
Other liabilities	34,8	23,1
Other accrued expenses and prepaid income	82,1	54,3
<b>Total current liabilities</b>	<b>376,2</b>	<b>288,0</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>1 223,3</b>	<b>1 105,9</b>



# Consolidated cash flow statement

MSEK	Oct-Dec		Jan-Dec	
	2020	2019	2020	2019
<b>Operating activities</b>				
Operating profit (EBIT)	2,8	37,7	115,4	140,4
Adjustment for non-cash items	28,9	9,8	38,6	36,9
Interest received	-0,2	0,1	0,2	0,8
Interest paid	-3,8	-2,9	-9,8	-8,6
Income tax paid	-1,8	-4,4	-35,7	-34,5
<b>Cash flow from operating activities before changes in working capital</b>	<b>26,1</b>	<b>40,3</b>	<b>108,6</b>	<b>135,1</b>
<b>Changes in working capital</b>				
Increase (-)/Decrease (+) in inventories	5,1	1,5	0,4	0,4
Increase (-)/Decrease (+) in operating receivables	1,4	44,5	-43,2	-9,0
Increase (+)/Decrease (-) in operating liabilities	2,2	5,4	46,0	-29,4
<b>Cash flow from operating activities</b>	<b>34,7</b>	<b>91,7</b>	<b>111,7</b>	<b>97,1</b>
<b>Investing activities</b>				
Purchase/sale of intangible assets	-0,3	-1,5	-1,1	-2,1
Purchase/sale of property, plant and equipment	-4,3	-0,7	-13,7	-8,2
Purchase/sale of subsidiaries	0,5	-	0,5	-
Change in other financial assets	-	-0,6	-	-0,6
<b>Cash flow from investing activities</b>	<b>-4,1</b>	<b>-2,8</b>	<b>-14,3</b>	<b>-10,9</b>
<b>Financing activities</b>				
Changes in bank loans	-2,4	-1,4	-12,8	-0,9
Changes in leasing	-10,1	-3,2	-	-23,1
Changes in other non-current liabilities	4,7	-2,0	-	0,6
Warrants	9,7	7,3	9,7	11,4
Rights issue	1,7	1,2	1,7	1,2
Distributed dividend	-	-	-	-42,9
<b>Cash flow from financing activities</b>	<b>3,6</b>	<b>1,8</b>	<b>-1,4</b>	<b>-53,7</b>
<b>Cash flow for the period</b>	<b>34,2</b>	<b>90,7</b>	<b>96,1</b>	<b>32,5</b>
Cash and cash equivalents at beginning of the period	180,5	28,6	119,4	87,0
Exchange rate differential cash and cash equivalents	-0,6	0,1	-1,4	-0,2
<b>Cash and cash equivalents at end of the period</b>	<b>214,1</b>	<b>119,4</b>	<b>214,1</b>	<b>119,4</b>

# Key ratios

MSEK	Oct-Dec		Jan-Dec	
	2020	2019	2020	2019
Net sales	268,6	333,3	1 200,0	1 220,6
Order intake	229,7	351,7	932,7	1 349,1
Order backlog	1 086,6	1 522,4	1 086,6	1 522,4
Gross profit	49,1	80,6	289,4	300,0
EBITDA	12,3	48,5	153,0	176,9
Adjusted EBITDA	31,7	48,5	172,4	176,9
Operating profit (EBIT)	2,8	37,7	115,4	140,4
Adjusted operating profit	22,3	37,7	134,8	140,4
Gross profit margin, %	18,3	24,2	24,1	24,6
EBITDA margin, %	4,6	14,6	12,7	14,5
Adjusted EBITDA margin, %	11,8	14,6	14,4	14,5
Operating profit margin (EBIT), %	1,1	11,3	9,6	11,5
Adjusted operating profit margin (EBIT), %	8,3	11,3	11,2	11,5
Operating cash flow	71,2	100,2	196,5	133,9
Operating cash conversion, %	224,8	206,4	114,0	75,7
Capital employed, average	659,7	706,6	660,2	655,8
Capital employed, excl. goodwill, average	258,7	305,3	259,1	254,7
Equity, average	596,9	498,2	556,6	477,5
External interest-bearing net debt	45,2	161,9	45,2	161,9
External interest-bearing net debt/Adjusted EBITDA 12 months, times	0,3	0,9	0,3	0,9
Return on capital employed, %, (12 months)	20,4	19,9	20,4	21,4
Return on capital employed, excl. goodwill, %, (12 months)	52,1	46,0	52,0	55,1
Return on invested capital, %, (12 months)	13,0	20,6	13,9	21,5
Equity/assets ratio, %	48,9	46,5	47,8	44,0
Number of full-time employees on the closing date	428	419	428	419
Average number of common shares for the period, 000s	21 909,3	21 623,3	21 694,8	21 477,4
Equity per common share, SEK	27,24	23,04	25,66	22,23

1) For information on adjusted operating profit, please see note 5

# Segments financials

	Oct-Dec		Jan-Dec	
	2020	2019	2020	2019
<b>Net sales, MSEK</b>				
Renovation	246,1	280,0	1 095,7	1 044,4
New Build	22,5	53,3	104,3	176,2
Group other	5,2	4,2	21,3	16,1
Elimination	-5,2	-4,2	-21,3	-16,1
<b>Total Net Sales</b>	<b>268,6</b>	<b>333,3</b>	<b>1 200,0</b>	<b>1 220,6</b>

	Oct-Dec		Jan-Dec	
	2020	2019	2020	2019
<b>Operating profit, MSEK</b>				
Renovation	4,8	36,2	113,5	134,6
New Build	0,6	3,0	6,8	11,5
Group other	-2,6	-1,5	-4,9	-5,7
Elimination	-	-	-	-
<b>Total EBIT</b>	<b>2,8</b>	<b>37,7</b>	<b>115,4</b>	<b>140,4</b>

	Oct-Dec		Jan-Dec	
	2020	2019	2020	2019
<b>EBIT margin, %</b>				
Renovation	2,0	12,9	10,4	12,9
New Build	2,5	5,7	6,5	6,5
Group other	n/a	n/a	n/a	n/a
Elimination	n/a	n/a	n/a	n/a
<b>Total EBIT margin</b>	<b>1,1</b>	<b>11,3</b>	<b>9,6</b>	<b>11,5</b>