

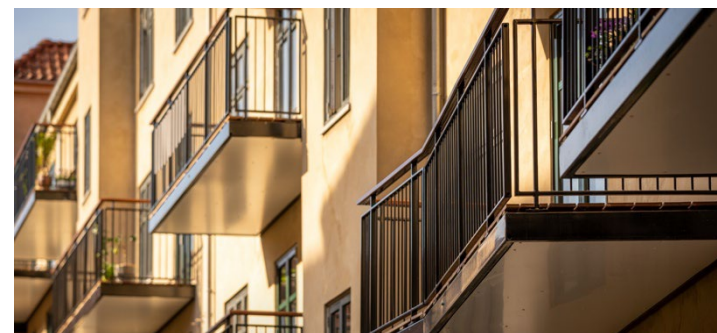
BALCO | GROUP

Q3 report 2023

January - September

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 Montageteknik, Stora Fasad and Söderåsens Mur & Kakel.
- The head office is in Växjö, and the group has over 500 employees.

The Offering

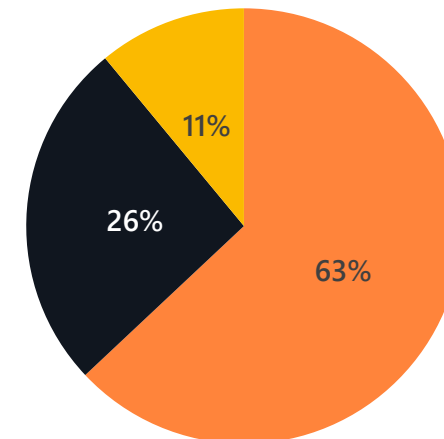
- Balco operates in two main segments: renovations and new build.
- The core expertise is supplying glazed balconies and balcony solutions, primarily on the renovation market and to tenant-owner associations and replacing existing balconies with new glazed balconies according to the Balco method.
- However, 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.

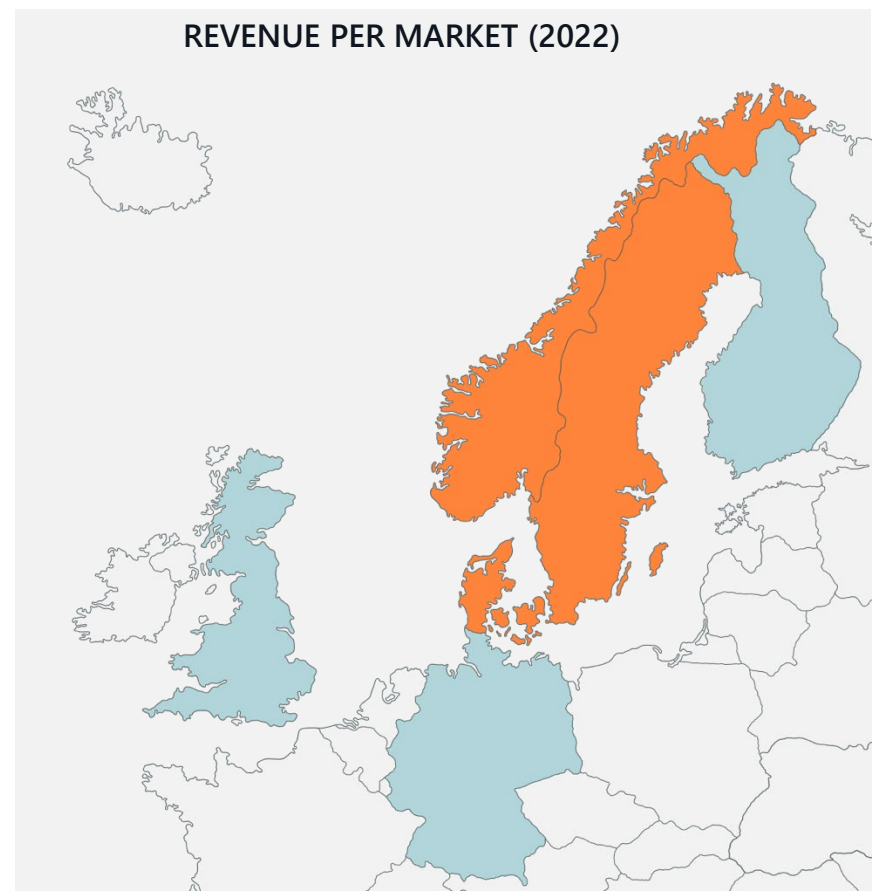
Energy-savings

- 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)



Stable profitability despite lower sales

Stable profitability despite lower sales

Net sales amounted to 253 MSEK, adjusted EBITA-margin improved to 6.0 % (5.6).

New market – Ireland

In the quarter, Balco took its first order in Ireland worth just over 3 MEUR. We will continue to evaluate and process the Irish market as we judge it to have good potential.

Green transformation and sustainability

Balco Group has committed to develop short-term and long-term targets for emission reduction including net zero targets in line with the Science Based Targets initiative (SBTi).

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 in the future. The balcony is often the trigger for the discussion about green transformation of the complete building since a glazed balcony can give 15-30 percent energy savings.

We have therefore signed a cooperation agreement with a Norwegian company, which works with green transformation projects in Norway, and we see a big potential in this cooperation ahead.

Challenging market conditions with cost focus

Our assessment is that we will have a continued delay in order intake until the central banks clearly communicate that their interest rate increases are over.

We continue to focus on costs to defend our profit margin and make adjustments to the organization based on changes in occupancy and order intake but retain important competence so that the company is not damaged in the long-term.

Q3 2023

Adj. EBITA-margin

6.0 %
Jul – Sep 2023

5.6 %
Jul – Dec 2022



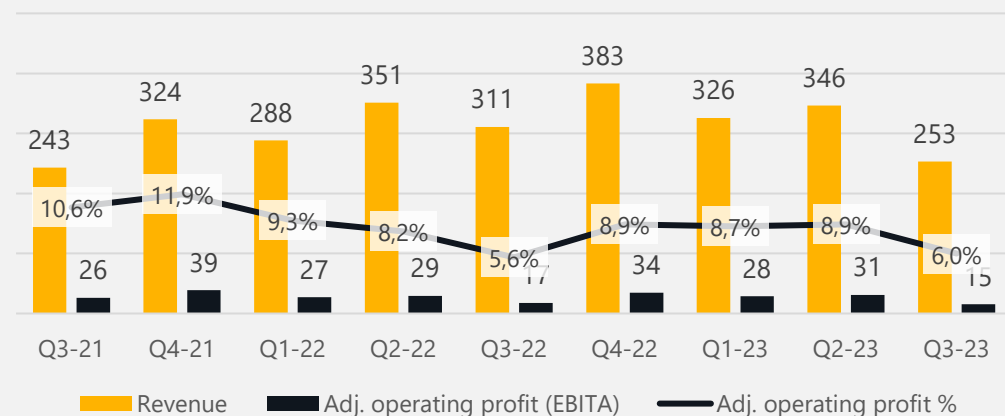
BALCO | GROUP

Quarterly results

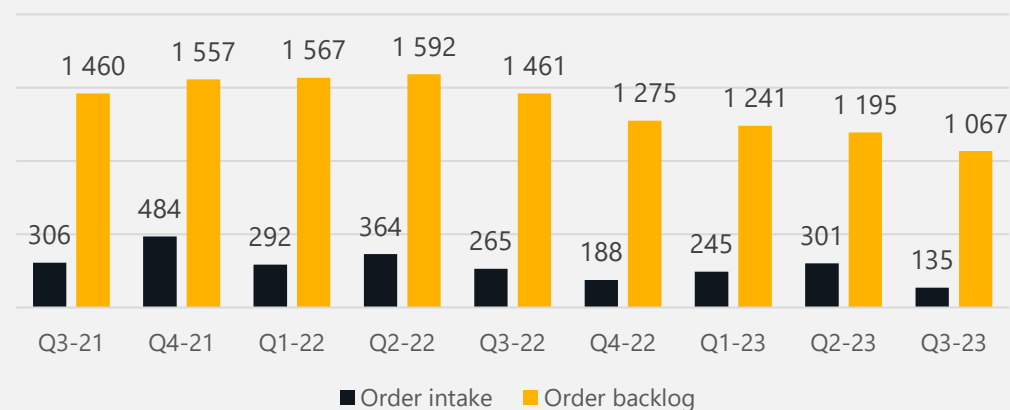
Stable profitability despite lower sales

- Net sales amounted to 253 MSEK (311).
Net sales YTD amounted to 925 MSEK (950).
- Adjusted operating profit (EBITA) amounted to 15 MSEK (17), corresponding to an adjusted operating margin (EBITA-margin) of 6.0 percent (5.6).
Adjusted operating profit (EBITA) YTD amounted to 74 MSEK (73), corresponding to an adjusted operating margin (EBITA-margin) of 8.0 percent (7.7).
- Order intake amounted to 135 MSEK (265).
Order intake YTD amounted to 682 MSEK (921).
- Order backlog amounted to 1,067 MSEK (1,461).
- Earnings per share amounted to 0.26 SEK (0.48).
Earnings per share YTD amounted to 1.82 SEK (2.39).
- Operating cash flow amounted to 20 MSEK (104).
Operating cash flow YTD amounted to 2 MSEK (122).

REVENUE AND ADJUSTED OPERATING PROFIT, MSEK



ORDER INTAKE AND BACKLOG, MSEK



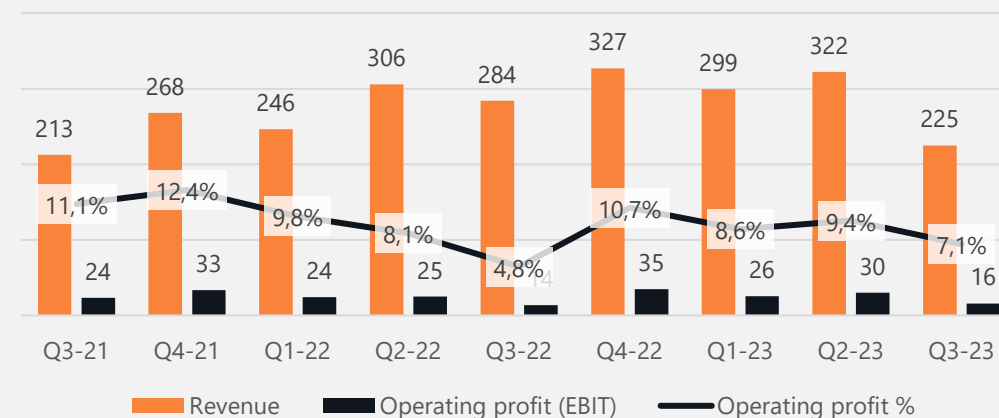
Renovation

Improved profitability

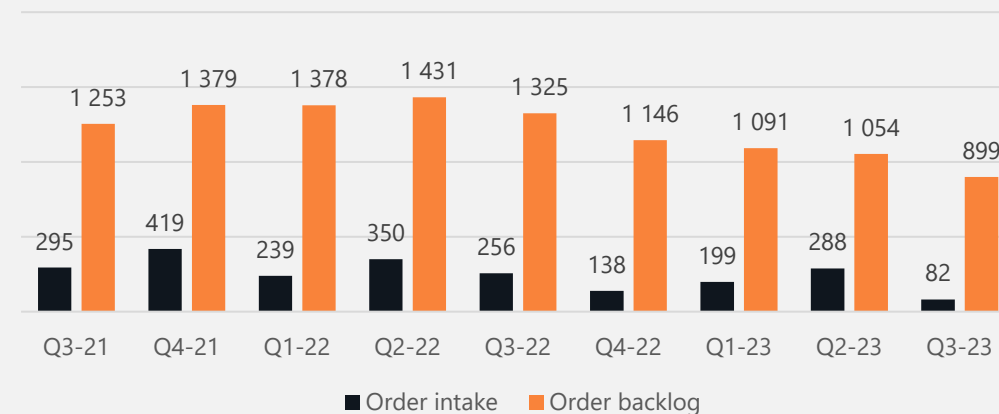
- Net sales in the quarter amounted to 225 MSEK (284), which corresponds to 89 percent of the total net sales.
- Order intake in the quarter amounted to 82 MSEK (256), which corresponds to 61 percent of the total order intake.
- Adjusted operating profit in the quarter amounted to 16 MSEK (15), corresponding to an improved adjusted operating margin of 7.1 percent (5.3).
- The order backlog amounted to 899 MSEK (1,325) which corresponds to 84 percent of the total order backlog

| Renovation, MSEK | Jul-Sep 2023 | Jul-Sep 2022 | Jan-Sep 2023 | Jan-Sep 2022 | Oct-Sep 2022/23 | Jan-Dec 2022 |
|-----------------------------------|--------------|--------------|--------------|--------------|-----------------|--------------|
| Net sales | 225,0 | 284,2 | 846,3 | 836,5 | 1 173,3 | 1 163,5 |
| Adjusted Operating profit (EBITA) | 15,9 | 15,0 | 71,9 | 64,7 | 107,4 | 100,1 |
| Adjusted Operating margin (EBITA) | 7,1 | 5,3 | 8,5 | 7,7 | 9,1 | 8,6 |
| Order intake | 82,0 | 256,2 | 569,6 | 845,9 | 707,5 | 983,9 |
| Order backlog | 898,7 | 1 325,1 | 898,7 | 1 325,1 | 898,7 | 1 145,6 |

REVENUE AND EBIT, MSEK



ORDER INTAKE AND BACKLOG, MSEK



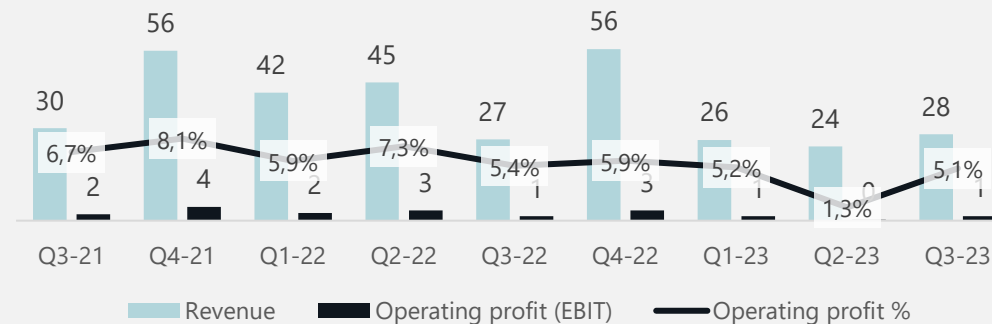
New Build

Challenging market conditions

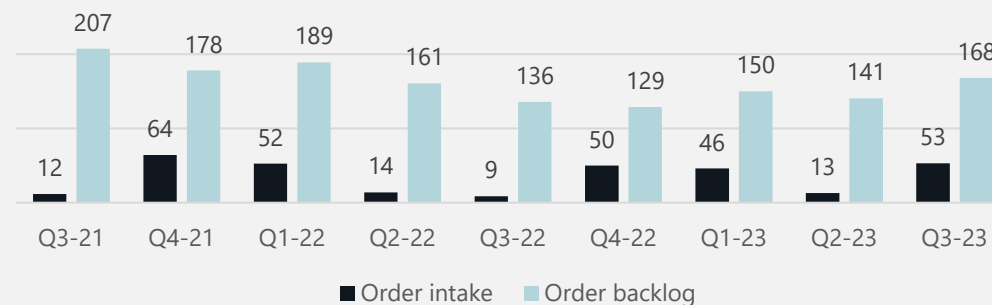
- Net sales in the quarter amounted to 28 MSEK (27), which corresponds to 11 percent of the total net sales.
- Order intake in the quarter amounted to 53 MSEK (9), which corresponds to 39 percent of the total order intake.
- Adjusted operating profit in the quarter amounted to 1.5 MSEK (1.5), corresponding to an adjusted operating margin of 5.1 percent (5.7).
- The order backlog amounted to 168 MSEK (136) which corresponds to 16 percent of the total order backlog

| New Build, MSEK | Jul-Sep 2023 | Jul-Sep 2022 | Jan-Sep 2023 | Jan-Sep 2022 | Oct-Sep 2022/23 | Jan-Dec 2022 |
|-----------------------------------|-----------------|-----------------|-----------------|-----------------|--------------------|-----------------|
| Net sales | 28,3 | 26,6 | 79,1 | 113,9 | 135,3 | 170,1 |
| Adjusted Operating profit (EBITA) | 1,5 | 1,5 | 3,1 | 7,4 | 6,5 | 10,8 |
| Adjusted Operating margin (EBITA) | 5,1 | 5,7 | 4,0 | 6,5 | 4,8 | 6,3 |
| Order intake | 53,0 | 8,6 | 112,1 | 74,8 | 162,1 | 124,7 |
| Order backlog | 168,2 | 135,6 | 168,2 | 135,6 | 168,2 | 129,1 |

REVENUE AND EBIT, MSEK



ORDER INTAKE AND BACKLOG, MSEK

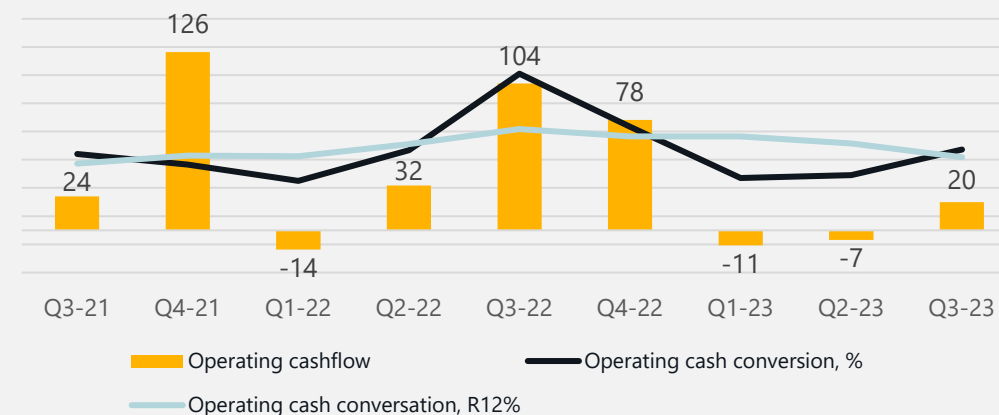


Financial position

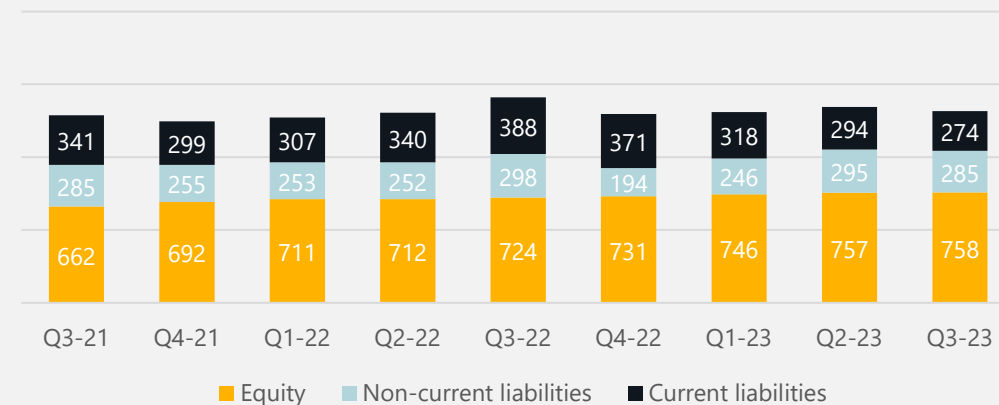
Equity ratio and balance sheet strong, prepared for selective acquisitions

- At the end of the quarter, the Group's equity amounted to 758 MSEK (724). Equity ratio at 57% (51).
- Net debt (incl. leasing) / EBITDA at 1.5x (0.7)
Net debt (excl. leasing) / EBITDA at 1.1x (0.2)
- Acquisition head-room: Bank agreement with Danske Bank which has been prolonged two years and is valid until 12 October 2026 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 R12
SEP-23

| | | |
|-------------------|--|---|
| Growth | "Balco shall achieve growth of 10% per year during a business cycle" | REVENUE GROWTH 3% |
| Profitability | "Earnings per share shall grow by 20% per year during a business cycle" | EPS GROWTH -10% |
| 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 1.5x / 1.1x |
| 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⁾ |

1) Dividend 2022, 1.50 SEK per share

Sustainability update

A prerequisite for **long-term** profitability

- As an important step in our sustainability work and aim to be a leader in climate change in its industry, 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). Through the undertaking, Balco Group will develop and report its targets, including a long-term net zero target, to SBTi for approval.
- A new car policy have been introduced allowing only electric car (and some specific hybrid car models until end of 2025), to reduce the CO2 emission.

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

- Activity in inquiries and discussions around projects has continued to increase in the third quarter. Our customers have started to get used to a higher interest rate, but the process leading up to a decision takes longer time than before, due to discussions with banks and potential advisors.
- When it comes to housing associations in Scandinavia, Balco has a unique sales model where we support and help the associations also in these discussions with financial expertise, but currently these processes take longer due to the uncertainty that still prevails around when the central banks will be ready with their interest rate increases.
- 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 in the future, as approximately 40% of our entire energy needs are used to heat the homes. As we previously informed, Balco will be part of this necessary change by being able to run turnkey projects.
- Balco has had a very good development in the UK market in the new build segment with our product Levitate. There is still a great need for housing in the UK, but also in Ireland. We will continue to evaluate and process the Irish market as we judge it to have good potential. Currently, there are approximately 350 balcony projects under planning in Dublin.
- The need for renovation of balconies remains. Postponing the measures will not improve the 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 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



Concluding remarks

Summary

- Net sales of 253 MSEK and adj. EBITA-margin 6.0 percent (5.6).
- New market Ireland – first order worth just over 3 MEUR
- Cooperation agreement signed with a Norwegian company, which works with green transformation projects in Norway.

Outlook

- The need for renovation of balconies remains. About 90 percent of Balco Group's turnover comes from the renovation segment, which means that we are convinced that order intake will start again in the future.
- The lower order intake in the past year will affect turnover and earnings in the coming year. We continue to focus on costs to defend our profit margin and adjust to the organization based on changes in occupancy and order intake but retain important competence so that the company is not damaged in the long-term.
- We have several ongoing acquisition discussions and receive various prospects on an ongoing basis which we evaluate. However, we are selective and focus on profitable companies that strategically strengthen our market position in existing markets as well as companies that strengthen our green transformation offer.



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



Q&A

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