

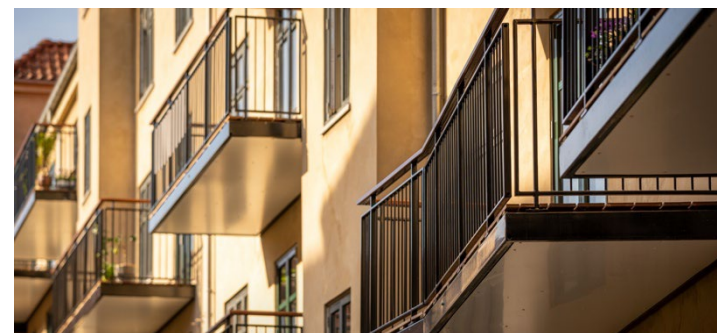
# BALCO | GROUP

**Q4 Report 2023**

January - December

**CAMILLA EKDAHL, CEO**

**MICHAEL GRINDBORN, CFO**



BALCO / RIIKKU / BALCO ALTANER / RK TEKNIK / TBO-HAGLINDS / 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. Since January 22, 2024, Riikku Group Oy is also a company in our group.
- The head office is in Växjö and the group has, after the acquisition of Riikku, 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.

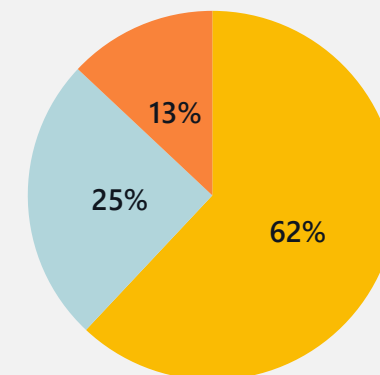
## The market

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

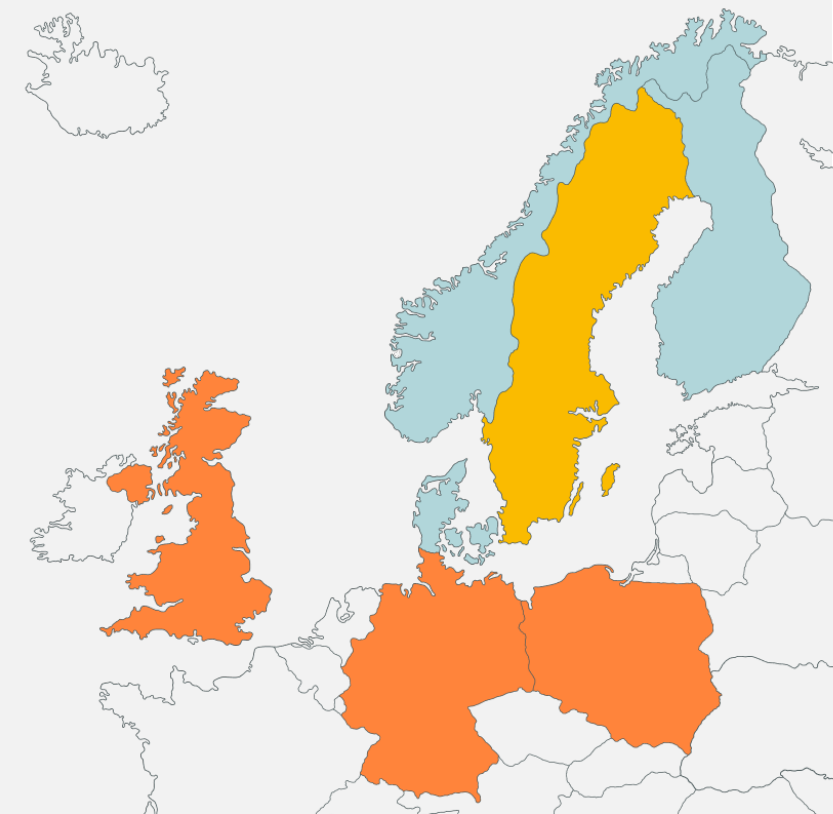
## Energy-savings

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

REVENUE PER MARKET (2023)



■ Sweden ■ Other Scandinavia ■ Other Europe



# Increased order intake and new acquisition

## Order intake increased during the quarter

Order intake during the fourth quarter increased by 57% to 295 MSEK (188). As expected, sales were lower in the quarter, at 290 MSEK (383), due to the lower order intake for the year, at 977 MSEK (1,109).

## New acquisition – Riikku Group

In January 2024, Balco Group acquired the Finnish company Riikku Group. The acquisition strengthens our position in the Nordics and supports our overall strategy.

## Turnkey supplier and energy savings

During the past year, with all the challenges we have had, we have noticed that it is becoming more and more important for our customer category to have a turnkey supplier who can help them with all their renovation needs and with energy savings. Here we see that our concept of becoming a complete turnkey supplier, adding expertise in energy savings and financing, is delivering results.

## Continuing to work with safety

We are pleased to see that our lost time injury frequency rate (LTIF) continues to fall from an already low level. Safety is always a priority for us, and especially in our type of business we can never relax, we must continue to work with it.

## Better market conditions, but still a challenging market

We are seeing an improvement in market conditions as inflation continues to fall and long-term interest rates have come down. Our customers are starting to talk about investing again. However, they have already received significant cost increases and we must continue to work with them on the financing of their projects. So, we are still seeing processes taking longer than before the inflation and interest rate increases. We continue to work with our customers to create the right project for them.

## Cost focus

We continue to focus on costs to defend our profit margin and constantly adapt our organization to changes in occupancy, while retaining key competencies so as not to damage the business in the long term.

# Q4 2023

## Order intake

295 MSEK  
Oct – Dec 2023

188 MSEK  
Oct – Dec 2022



# Riikku Group acquisition

- The largest acquisition in the history of Balco Group.
- Riikku Group was established in 2005 and is one of the two main balcony glazing suppliers in Finland.
- Sales were approximately 40 MEUR and they have approximately 200 employees.
- The Finnish market has the highest level of balcony glazing in the world.
- Riikku Group Oy has a strong position in the new building segment in Finland, but the renovation segment is growing, and we will continue to develop it. We see great potential in the renovation segment of the Finnish market, which also includes turnkey renovation projects. There is also potential for Riikku products in other Balco Group markets.
- The head office is in Alavus, Finland, and they have sales offices in several Finnish cities. The company has subsidiaries in Finland, Sweden and Norway.
- The 7,500 square meter production facility in Alavus is well invested.
- The existing management team with CEO Joakim Petersen-Dyggve will continue to lead the company.

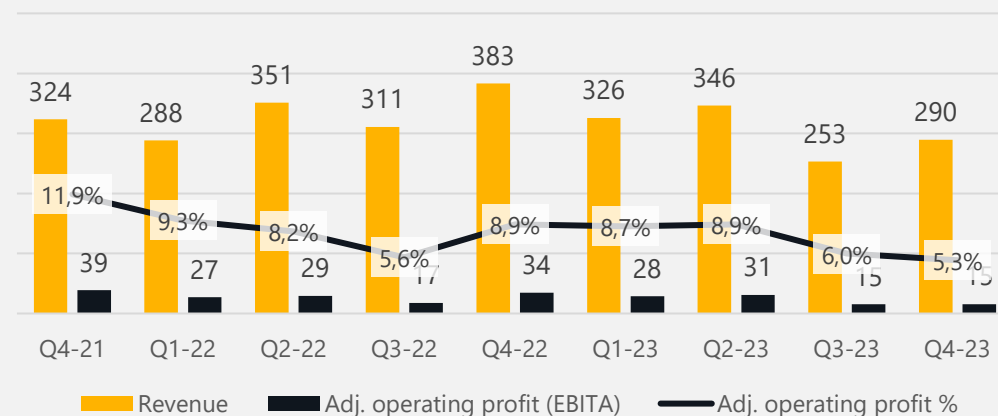


# Quarterly results

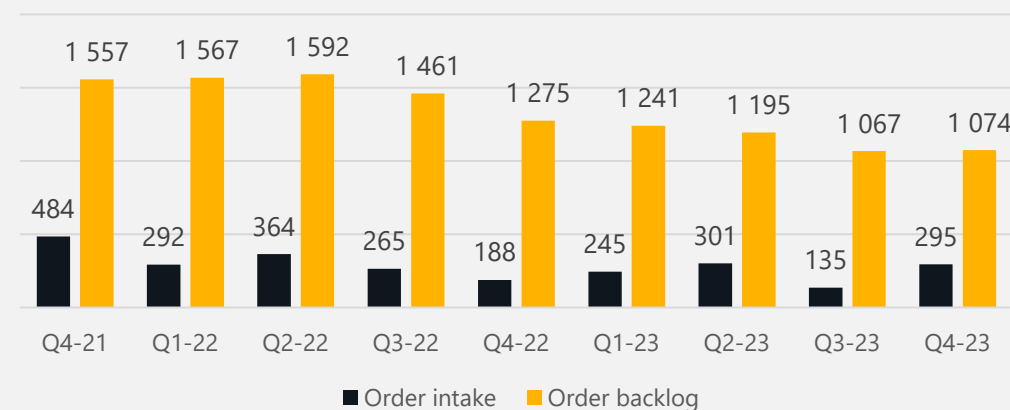
## Increased order intake

- **Net sales** amounted to 290 MSEK (383).  
*Net sales YTD amounted to 1,215 MSEK (1,334).*
- **Adjusted operating profit (EBITA)** amounted to 15 MSEK (34), corresponding to an adjusted operating margin (EBITA-margin) of 5.3 percent (8.9).  
*Adjusted operating profit (EBITA) YTD amounted to 90 MSEK (107), corresponding to an adjusted operating margin (EBITA-margin) of 7.4 percent (8.0).*
- **Order intake** increased by 57 percent to 295 MSEK (188).  
*Order intake YTD amounted to 977 MSEK (1,109).*
- **Order backlog** amounted to 1,074 MSEK (1,274).
- **Earnings per share** amounted to 0.30 SEK (1.19).  
*Earnings per share YTD amounted to 2.12 SEK (3.48).*
- **Operating cash flow** amounted to 6 MSEK (78).  
*Operating cash flow YTD amounted to 4 MSEK (200).*

## REVENUE AND ADJUSTED OPERATING PROFIT, MSEK



## ORDER INTAKE AND BACKLOG, MSEK



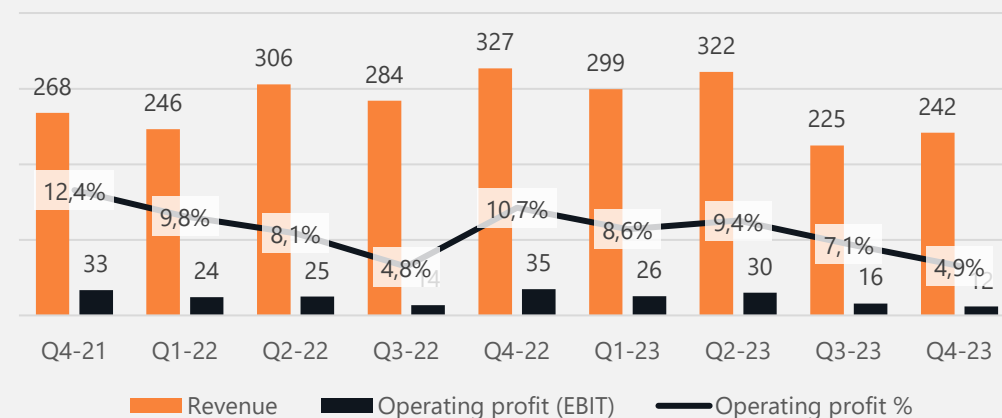
# Renovation

## Increased order intake

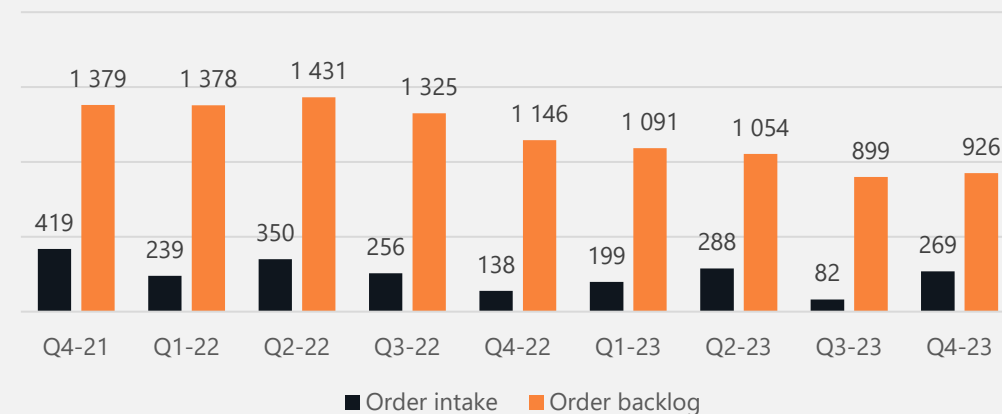
- **Net sales** in the quarter amounted to 242 MSEK (327), which corresponds to 83 percent of the total net sales.
- **Order intake** in the quarter increased by 95 percent to 269 MSEK (138), which corresponds to 91 percent of the total order intake.
- **Adjusted operating profit (EBITA)** in the quarter amounted to 12 MSEK (35), corresponding to an improved adjusted operating margin of 4.9 percent (10.8).
- **Order backlog** amounted to 926 MSEK (1,146) which corresponds to 86 percent of the total order backlog

Renovation, MSEK	Oct-Dec 2023	Oct-Dec 2022	Jan-Dec 2023	Jan-Dec 2022
Net sales	241,7	327,0	1 088,0	1 163,5
Adjusted Operating profit (EBITA)	11,8	35,4	83,8	100,1
Adjusted Operating margin (EBITA), %	4,9	10,8	7,7	8,6
Order intake	269,1	137,9	838,7	983,9
Order backlog	925,5	1 145,6	925,5	1 145,6

## REVENUE AND EBIT, MSEK



## ORDER INTAKE AND BACKLOG, MSEK



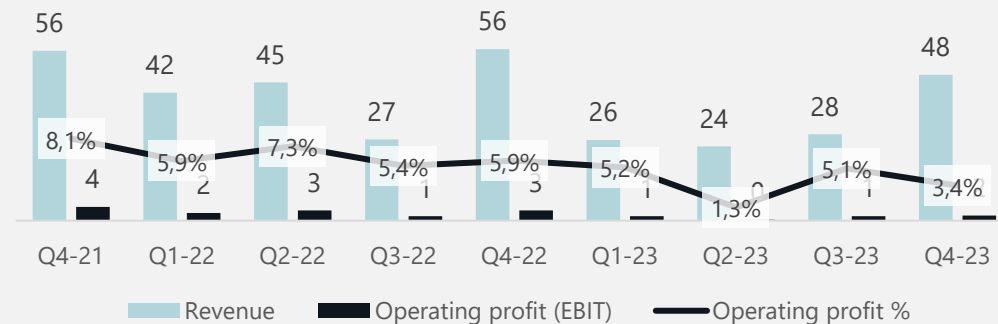
# New build

## Challenging market conditions

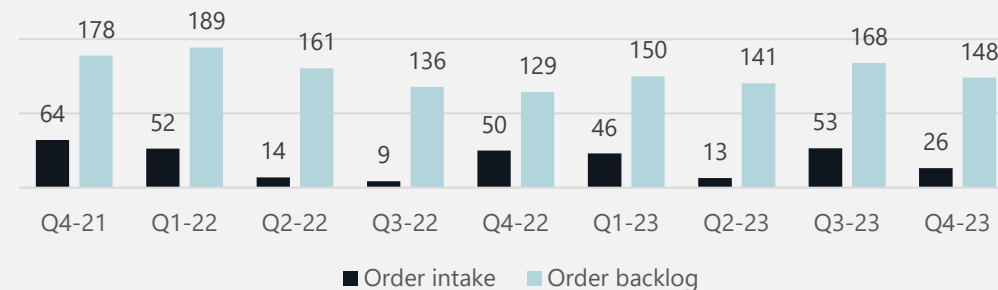
- **Net sales** in the quarter amounted to 48 MSEK (56), which corresponds to 17 percent of the total net sales.
- **Order intake** in the quarter amounted to 26 MSEK (50), which corresponds to 9 percent of the total order intake.
- **Adjusted operating profit (EBITA)** in the quarter amounted to 2 MSEK (3), corresponding to an adjusted operating margin of 3.4 percent (6.0).
- **Order backlog** amounted to 148 MSEK (129) which corresponds to 14 percent of the total order backlog

New Build, MSEK	Oct-Dec 2023	Oct-Dec 2022	Jan-Dec 2023	Jan-Dec 2022
Net sales	47,9	56,2	126,9	170,1
Adjusted Operating profit (EBITA)	1,6	3,4	4,8	10,8
Adjusted Operating margin (EBITA), %	3,4	6,0	3,8	6,3
Order intake	26,2	49,9	138,3	124,7
Order backlog	148,1	129,1	148,1	129,1

## REVENUE AND EBIT, MSEK



## ORDER INTAKE AND BACKLOG, MSEK

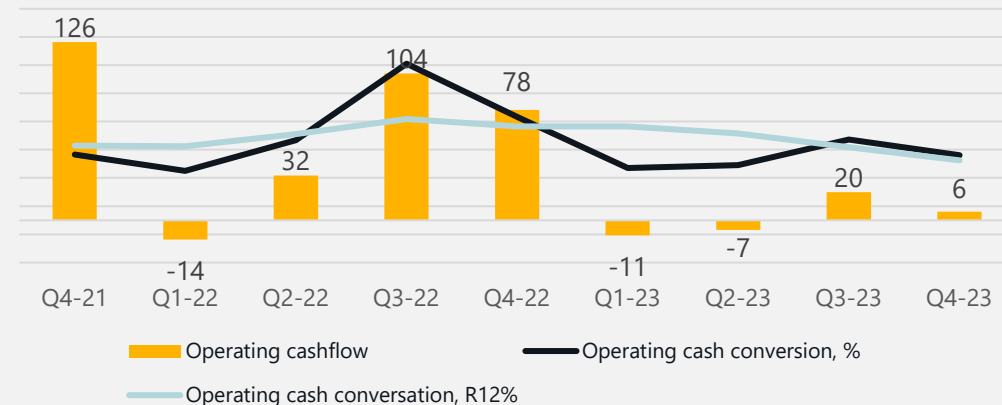


# Financial position

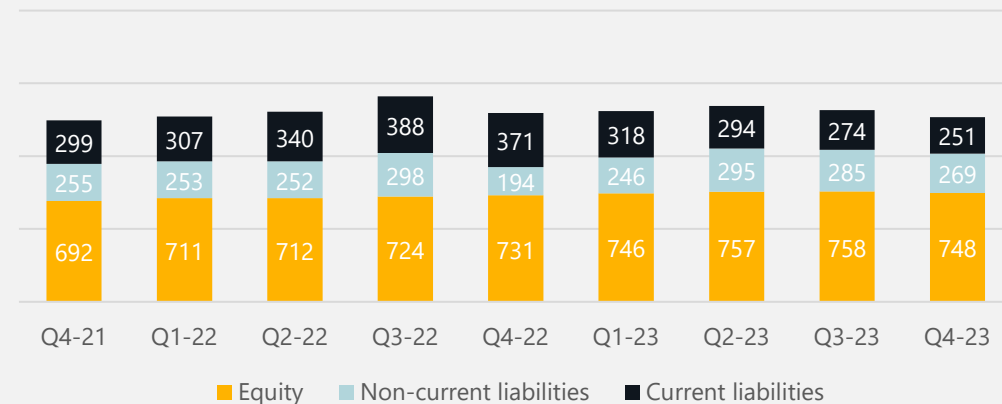
*Healthy equity ratio and balance sheet, prepared for selective acquisitions*

- At the end of the quarter, the Group's **equity** amounted to 748 MSEK (731). Equity ratio at 59% (56).
- Net debt** (incl. leasing) / EBITDA at 1.9x (0.7)  
Net debt (excl. leasing) / EBITDA at 1.6x (0.2)
- Acquisition head-room:** Bank agreement with Danske Bank which 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 GROUP  
2023

Growth	"Balco shall achieve growth of <b>10%</b> per year during a business cycle"	REVENUE GROWTH <b>-9%</b>
Profitability	"Earnings per share shall grow by <b>20%</b> per year during a business cycle"	EPS GROWTH <b>-39%</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 <b>1.6x</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 in order to finance the recently completed strategic acquisition.

# Sustainability update

A prerequisite for **long-term** growth

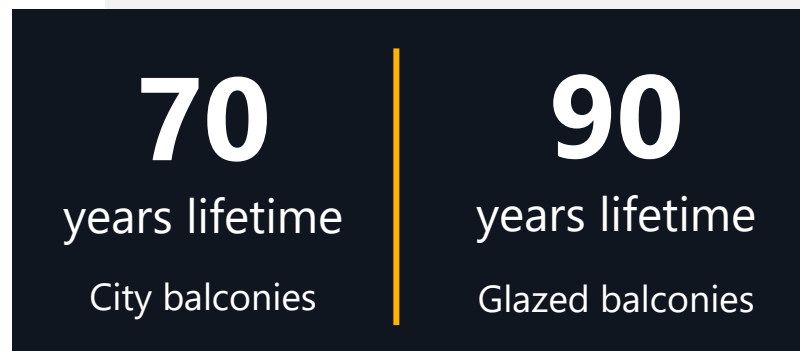
- We continued to make good progress in reducing work-related accidents. The lost time injury frequency rate (LTIF) fell to 5.1 (8.2).
- The sickness rate improved in 2023, falling to 3.7 (4.2).
- Balco Group has committed to developing short-term and long-term targets for emission reduction targets 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

- As we said in our Q3 report, activity is starting to pick up and this was even more evident in Q4 with interest rates stabilizing and inflation falling. However, the processes still takes longer time than before due to discussions with banks and potential advisors.
- When it comes to housing associations in the Nordics , Balco has a unique sales model where we also support and help the associations with financial expertise in these discussions.
- 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.
- With the acquisition of Riikku Group, Balco will also become a major player in the Finnish market, and we will further develop its part of the renovation segment.
- The need to renovate balconies remains. Postponing work will not improve 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 Q4 of 290 MSEK and adj. EBITA-margin 5.3 percent. For the full year 1,215 MSEK and adj. EBITA-margin 7.4%.
- Good development regarding working accidents from an already low level.
- The largest acquisition in Balco's history, Riikku Group, was made at the beginning of Q1.

## Outlook

- Demand and need for balcony renovations remains.
- 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 to adapt the organization to changes in occupancy, but we retain key competencies so that we are well prepared for new orders.
- We have several ongoing acquisition discussions and receive various prospects on an ongoing basis which we evaluate. The acquisition of Riikku Group shows that we follow our acquisition strategy to acquire companies which strengthen our market position in existing markets. It is also in our interest to strengthen our green transformation offering or to look at balcony companies in new potential markets.



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



Q&A

**BALCO**  

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GROUP