



Balco Group AB

Q4 report 2022

6 February 2023
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Michael Grindborn, CFO

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Q4 – All-time high net sales and strong cash flow

1

Net sales increase and strong cash flow

Net sales for the quarter increased by 18 percent to 383 MSEK and for the full year the increase was 19 percent to 1,334.

Operating cash flow was 78 MSEK in the quarter and 200 MSEK for the full year.

2

Acquisitions

During the quarter we have acquired Söderåsen Mur & Kakel AB, which is consolidated from November 1, 2022 and Arutex AB, which will be consolidated from January 1, 2023.

Söderåsen is a façade company in southern Sweden, while Arutex will be a subsidiary to TBO Haglinds and are carrying out the installation of balconies and glazing.

3

Cost-saving program

Due to lower results and order intake during the last three quarters and tougher market conditions with expected lower order intake the coming half-year, we have effected the earlier communicated cost-saving program which provide savings of 20 MSEK annually. In total 30 people have left Balco Group.

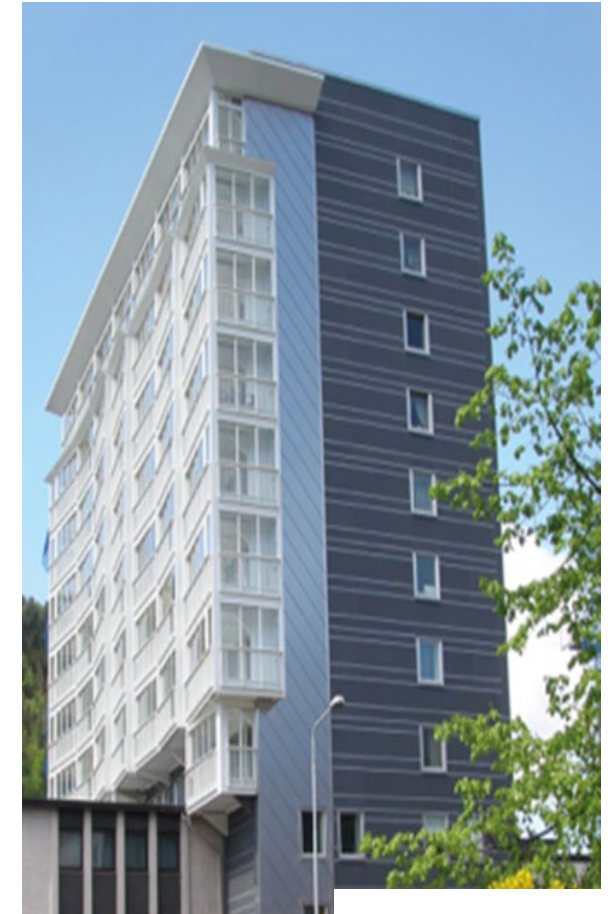
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Renovation market

There is a continued great interest and need for balcony renovation and the energy efficiency improvements that Balco offers through the Green Transformation concept.

As almost ninety percent of Balco's turnover comes from the renovation segment and the need to renovate balconies is not going away, we are confident that order intake will pick up again when there is a stabilization of interest rates and inflation.

However, we estimate that this may take until the end of the second quarter.



Q4 financial highlights

All-time high net sales and strong cash flow

Net sales



- **Net sales** increased by 18 percent to 383 MSEK (324). Acquired growth was 3 percent, currency effect 2 percent and organic growth was 13 percent. All of the organic growth comes from price increases.
- Renovation accounted for 85% of sales and New Build for 15%

Order intake and order backlog



- **Order intake** amounted to 188 MSEK (484). The Renovation segment accounted for 73% and New Build for 27%.
- **Order backlog** amounted to 1,275 MSEK (1,557).

Operating profit



- **Adj. Operating profit** (EBIT) amounted to 33 MSEK (38)
- **Adj. Operating profit margin** amounted to 8.7% (11.8)

Cash flow and dividend

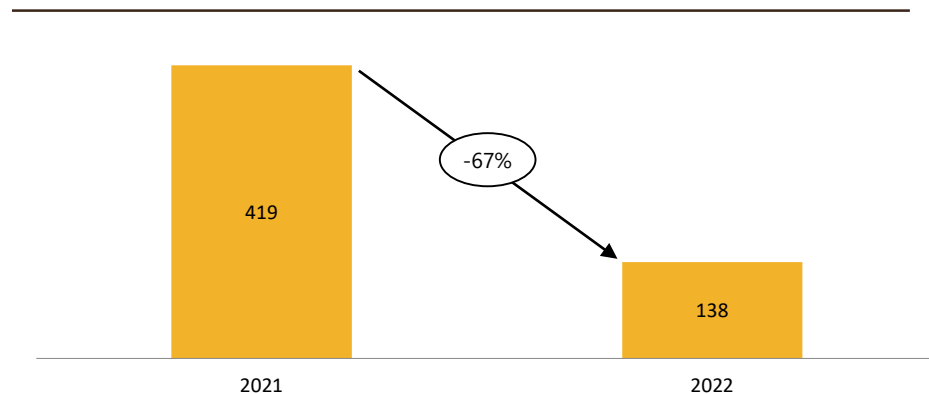


- **Operating cash flow** amounted to 78 MSEK (126)
- The Board of Directors proposes a dividend of 1.50 SEK per share (2.00) divided into two payments, 0.75 SEK per share in May 2023 and 0.75 SEK per share in November 2023

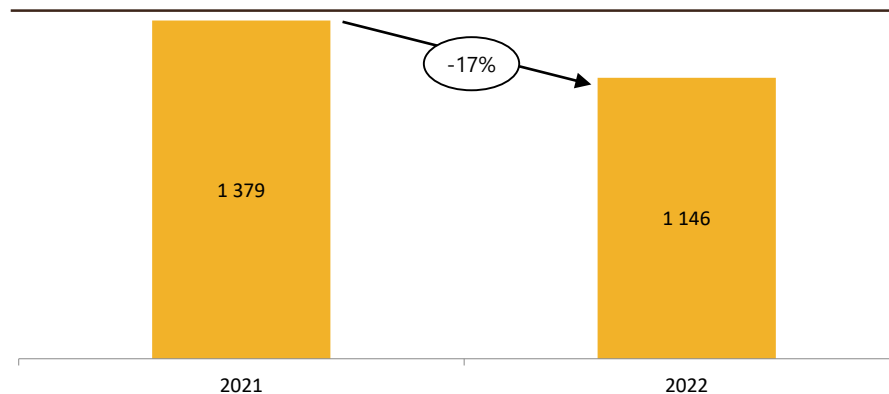
Q4 – development per business segment

Renovation segment

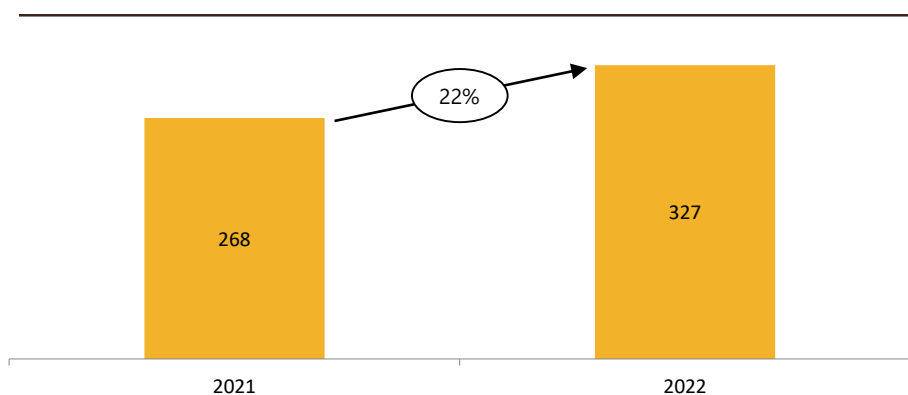
Order intake, MSEK



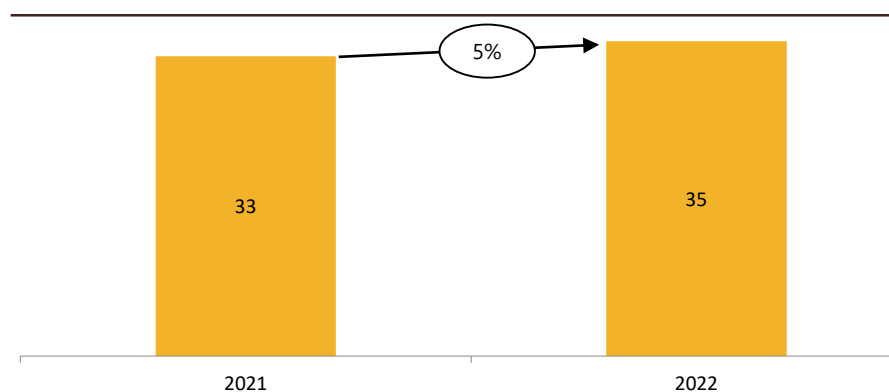
Order backlog, MSEK



Revenue, MSEK



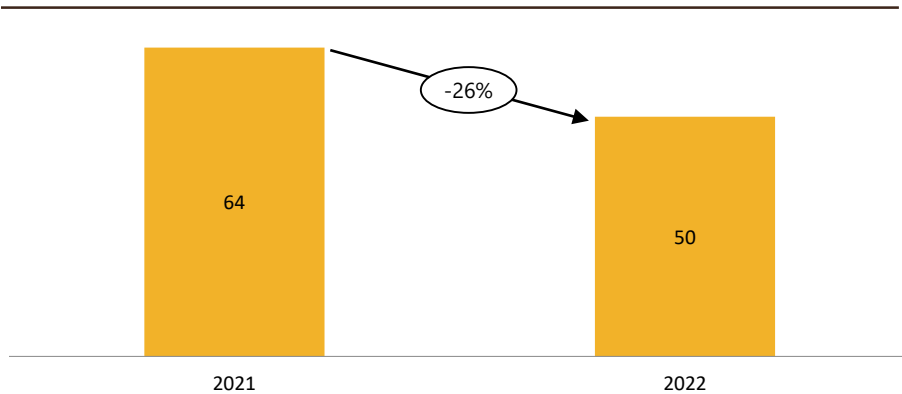
Adj. Operating profit, MSEK



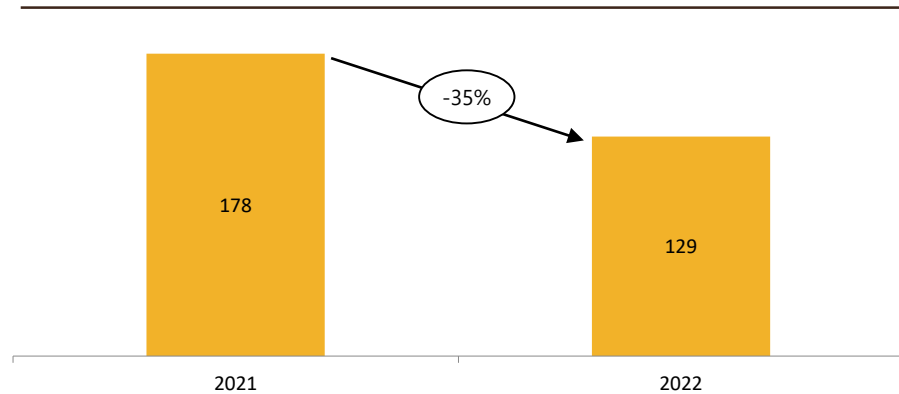
Q4 – development per business segment

New Build

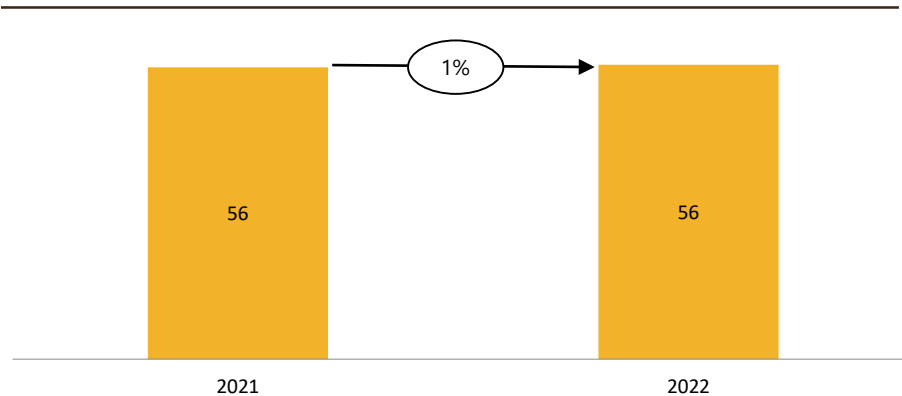
Order intake, MSEK



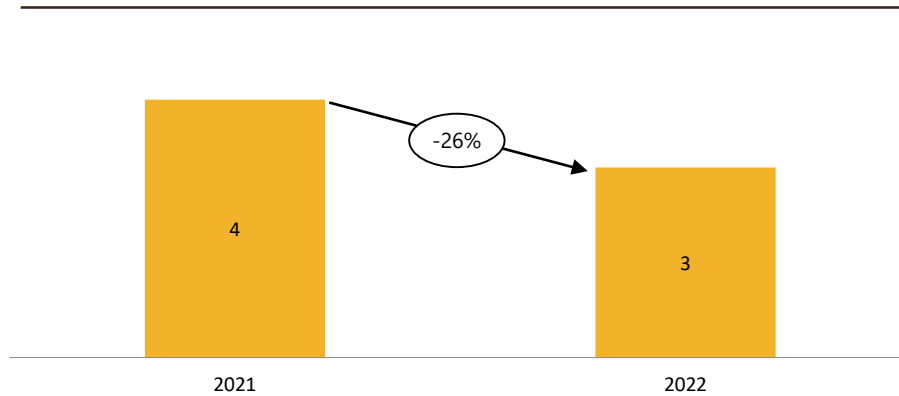
Order backlog, MSEK



Revenue, MSEK



Operating profit, MSEK



2022 full year – financial highlights

All-time high net sales and strong cash flow

Net sales



- **Net sales** increased by 19 percent to 1,334 MSEK (1,120)
Acquired growth was 4 percent, currency effect 2 percent and organic growth was 13 percent.
All of the organic growth comes from price increases.
- Renovation accounted for 87% of sales and New Build for 13%

Order intake



- **Order intake** amounted to 1,109 MSEK (1,558)
The Renovation segment accounted for 89% and New Build for 11%.

Operating profit



- **Adj. Operating profit** (EBIT) amounted to 105 MSEK (120)
- **Adj. Operating profit margin** amounted to 7.8% (10.7)

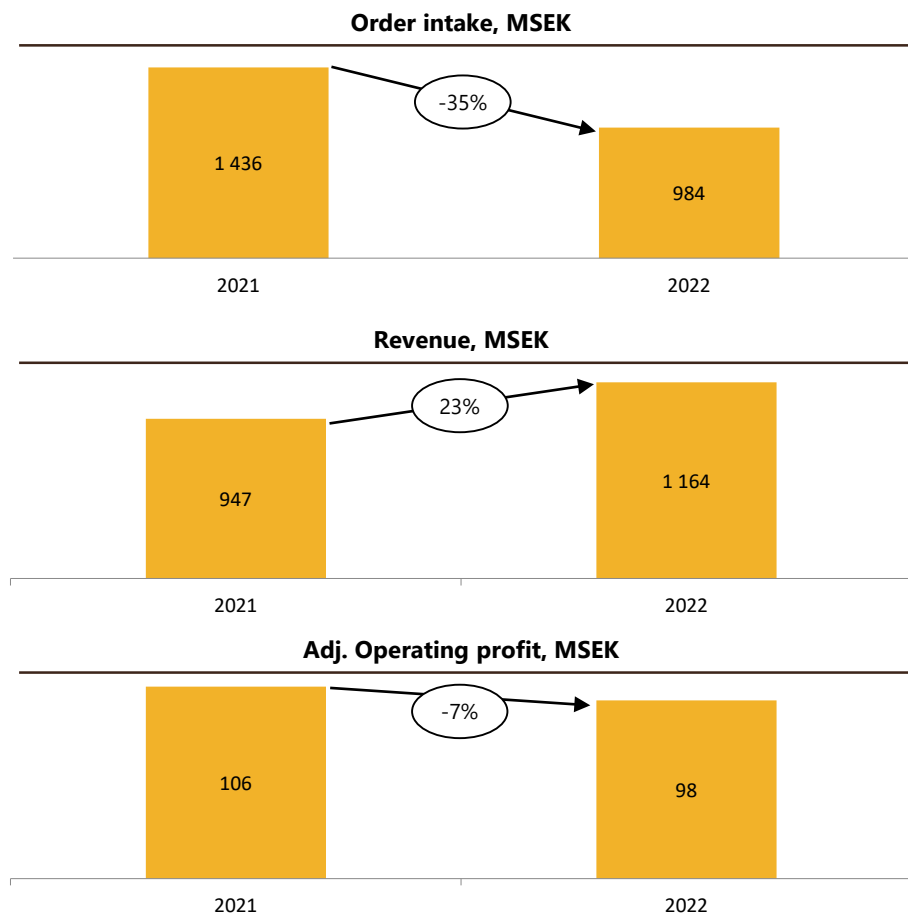
Cash flow



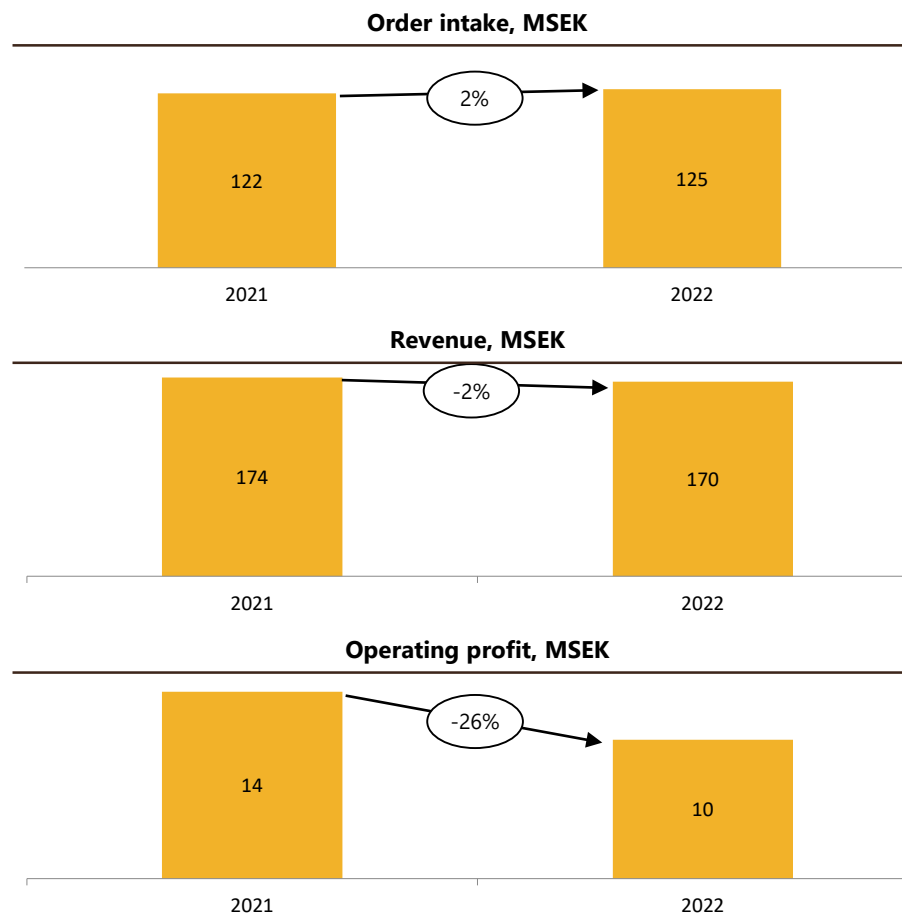
- **Operating cash flow** improved to 200 MSEK (96)

2022 full year – development per business segment

Renovation segment



New build



Strong financial position

Equity ratio and balance sheet strong, prepared for more acquisitions

Equity/asset ratio



- **Equity/asset ratio** at 56% (56)

Net debt/EBITDA



- **Net debt (incl. leasing)/EBITDA** at 0.7x (0.6)
- **Net debt (excl. leasing)/EBITDA** at 0.2x (0.4)

Net profit for the period



- **Profit after tax** 76 MSEK (90) for the full year, corresponding to earnings per share of 3.78 SEK (4.12).

Prepared for more acquisitions



- **Acquisition head-room:** Bank agreement with Danske Bank which is valid until October 12, 2024 with an sustainability-linked RCF of 510 MSEK and an overdraft facility of 75 MSEK.
- Low indebtedness.

Financial targets

Balco figures 2022		
Growth	"Balco shall achieve growth of 10% per year"	Revenue growth 19%
Profitability	"Earnings per share shall grow by 20% per year"	Eps growth -8%
Capital structure	"Interest-bearing net debt shall not exceed 2.5 times adjusted operating profit before depreciation and amortization (adj. EBITDA), other than temporarily"	NET DEBT/ adj. Ebitda 0.7x / 0.2x
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"	11%

1) Proposed dividend 2022, 1.50 SEK per share

Sustainability update

- 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.
- Of the order intake in the last twelve months, 41 percent will give 15 to 30 percent in energy savings and 11 percent will give more than 30 percent in energy savings.
- Our goal is for more than 30% of our glazing projects to provide 30% energy savings to our customers.

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.

Concluding remarks

- Revenue growth even in a strained economy, even though increasing costs negatively impacted profitability.
- Postponed renovations are waiting ahead.
- The balcony renovation market is less prone to macroeconomic risk than other industries as renovations need to incur with constant intervals.
- Strong financial profile enables Balco to take advantage of value-creating opportunities as they appear

Q&A



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