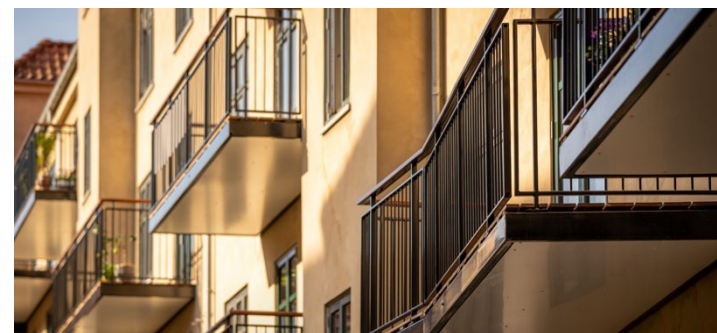


# BALCO | GROUP

**Q2 report 2023**

January - June

**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

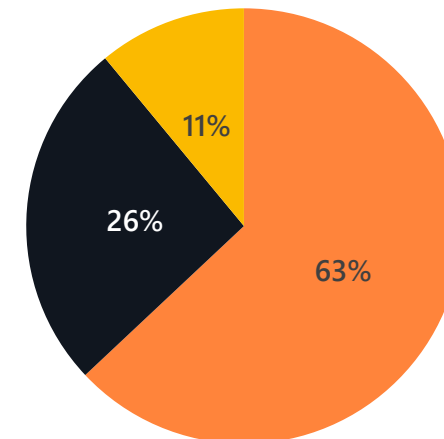
- Balco operates in two main segments: renovations and new build.
- The core expertise is supplying glazed balconies and balcony solutions, primarily on the renovation market and to tenant-owner associations and replacing existing balconies with new glazed balconies according to the Balco method.
- However,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

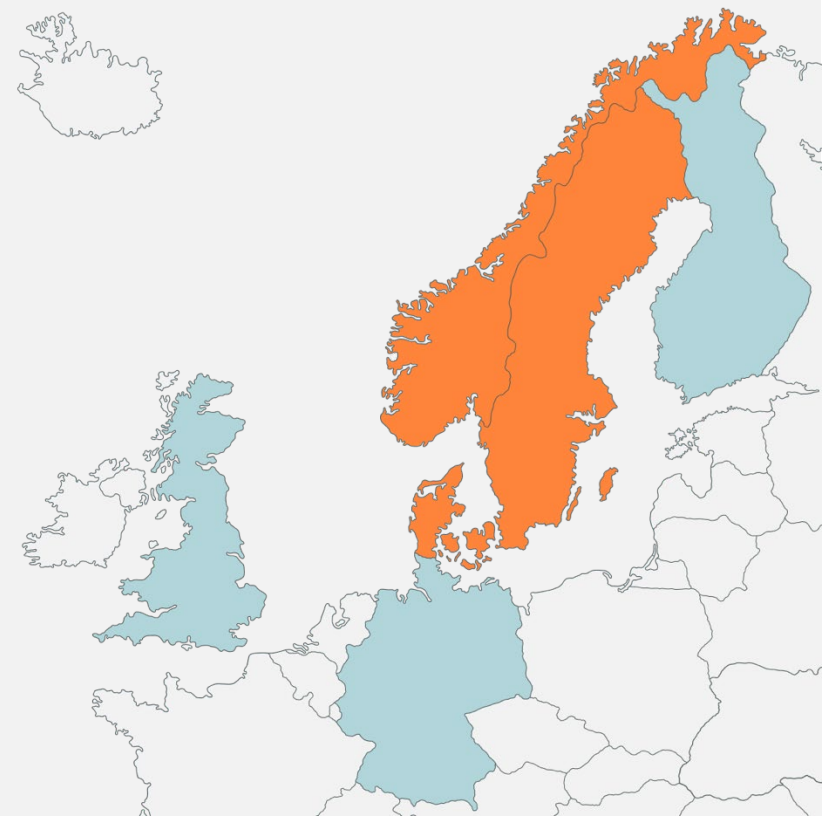
## Energy-savings

- 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)





# Good net sales and profitability in a challenging market

## Good net sales and profitability

Net sales amounted to 346 MSEK, adjusted EBITA-margin improved to 8.9 % (8.2).

## Balco contributes to the green transition

We have now developed a patent-pending solution with a smartly placed air-to-air heat pump that becomes common to several apartments and where piping is integrated into the balcony.

During the month of June, we have reached an agreement with a housing association in Norway regarding an installation.

During the quarter, Balco also took its first order in Sweden as a total supplier, where we will supply solar panels together with our glazed balconies

## Product development

Further development of the product, Levitate, has taken place continuously and now we can launch a version in aluminum, which makes the product lighter in terms of weight and thus easier to both ship and install.

In order to optimize the material flow and reduce shipping costs, we have established final assembly of the product locally in England.

## Challenging market conditions

Continued interest rate increases has affected order intake during the first half-year.

## Q2 2023

Adj. EBITA-margin

8.9 %  
Apr – Jun 2023

8.2 %  
Apr – Jun 2022



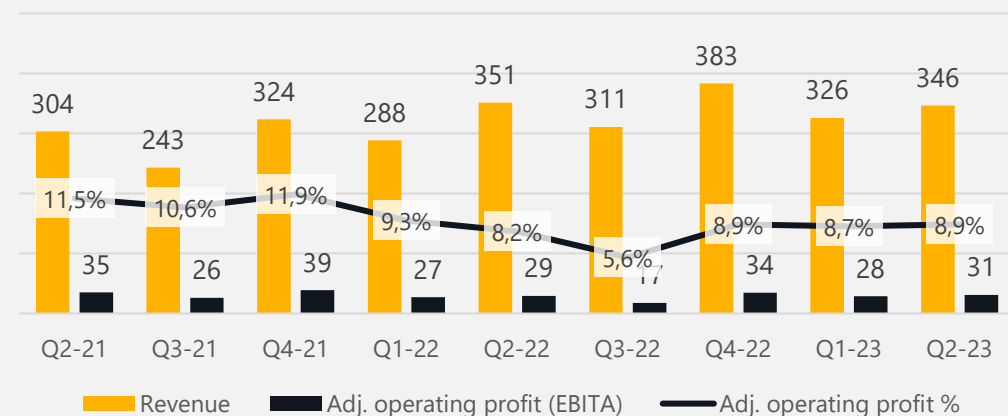
**BALCO** | GROUP

# Quarterly results

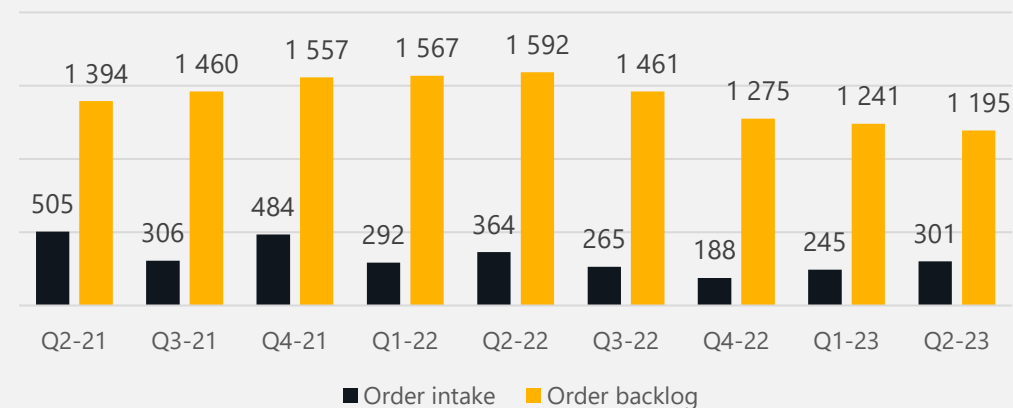
## Good net sales and profitability in a challenging market

- Net sales amounted to 346 MSEK (351). Acquired growth was 9 percent, currency effect was 1 percent and organic growth was -11 percent.  
*Net sales YTD increased by 5 percent to 672 MSEK (640).*
- Adjusted operating profit (EBITA) improved to 31 MSEK (29), corresponding to an adjusted operating margin (EBITA-margin) of 8.9 percent (8.2).  
*Adjusted operating profit (EBITA) YTD improved to 59 MSEK (56), corresponding to an adjusted operating margin (EBITA-margin) of 8.8 percent (8.7).*
- Order intake amounted to 301 MSEK (364).  
*Order intake YTD amounted to 547 MSEK (656).*
- Order backlog amounted to 1,195 MSEK (1,592).
- Earnings per share improved to 1.25 SEK (1.03).  
*Earnings per share YTD improved to 1.93 SEK (1.91).*
- Operating cash flow amounted to -7 MSEK (32).  
*Operating cash flow YTD -18 MSEK (18).*

### REVENUE AND ADJUSTED OPERATING PROFIT, MSEK



### ORDER INTAKE AND BACKLOG, MSEK



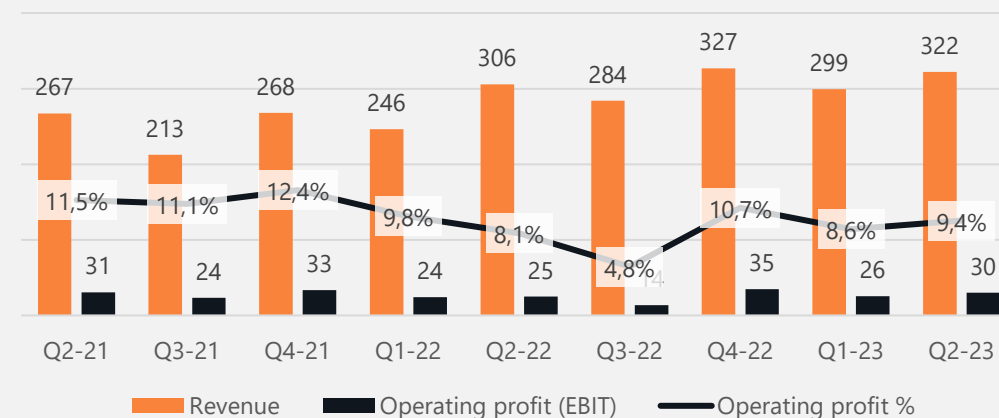
# Renovation

## Growth in Net sales and improved profitability

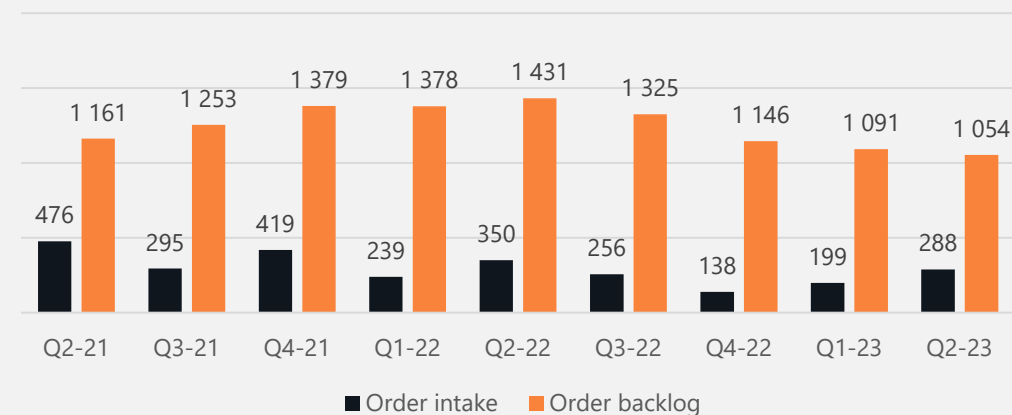
- Net sales in the quarter increased by 5 percent to 322 MSEK (306), which corresponds to 93 percent of the total net sales.
- Order intake in the quarter amounted to 288 MSEK (350), which corresponds to 96 percent of the total order intake.
- Adjusted operating profit in the quarter amounted to 30 MSEK (25), corresponding to an adjusted operating margin of 9.4 percent (8.3).
- The order backlog amounted to 1,054 MSEK (1,431) which corresponds to 88 percent of the total order backlog

Renovation, MSEK	2023	2022	2023	2022	2022/23	2022
Net sales	322,1	305,8	621,3	552,2	1 232,5	1 163,5
Adjusted Operating profit (EBITA)	30,3	25,5	56,0	49,7	106,4	100,1
Adjusted Operating margin (EBITA)	9,4	8,3	9,0	9,0	8,6	8,6
Order intake	288,4	350,3	487,5	589,7	881,7	983,9
Order backlog	1 054,0	1 431,0	1 054,0	1 431,0	1 054,0	1 145,6

## REVENUE AND EBIT, MSEK



## ORDER INTAKE AND BACKLOG, MSEK



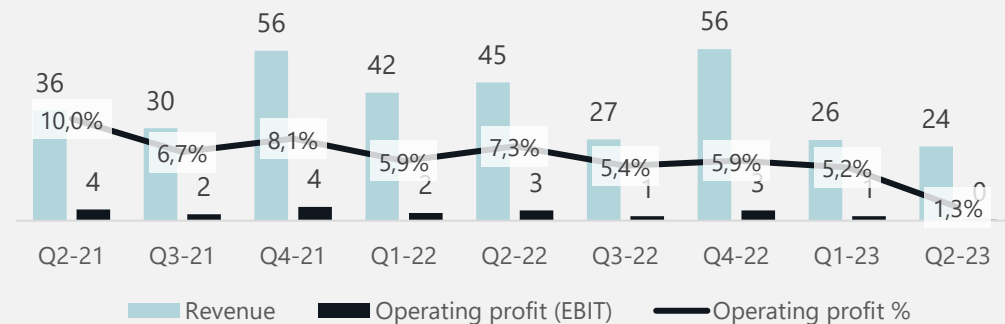
# New Build

## Challenging market conditions

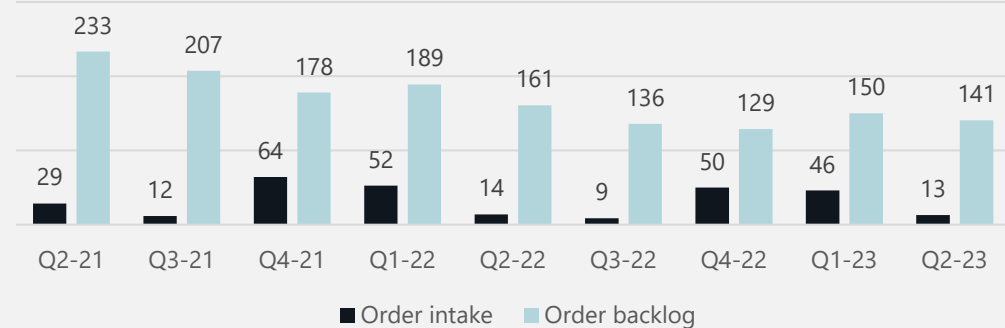
- Net sales in the quarter amounted to 24 MSEK (45), which corresponds to 7 percent of the total net sales.
- Order intake in the quarter amounted to 13 MSEK (14), which corresponds to 4 percent of the total order intake.
- Adjusted operating profit in the quarter amounted to 0.3 MSEK (3.4), corresponding to an adjusted operating margin of 1.3 percent (7.5).
- The order backlog amounted to 141 MSEK (189) which corresponds to 12 percent of the total order backlog

	Apr-Jun 2023	Apr-Jun 2022	Jan-Jun 2023	Jan-Jun 2022	Jul-Jun 2022/23	Jan-Dec 2022
<b>New Build, MSEK</b>						
Net sales	24,3	45,3	50,8	87,3	133,6	170,1
Adjusted Operating profit (EBITA)	0,3	3,4	1,7	5,9	6,6	10,8
Adjusted Operating margin (EBITA)	1,3	7,5	3,3	6,7	4,9	6,3
Order intake	13,1	13,8	59,1	66,2	117,6	124,7
Order backlog	140,7	160,9	140,7	160,9	140,7	129,1

## REVENUE AND EBIT, MSEK



## ORDER INTAKE AND BACKLOG, MSEK

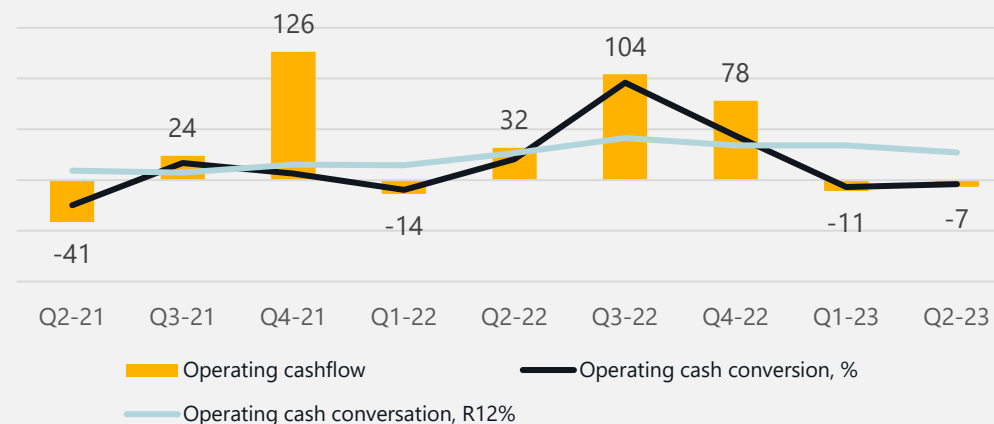


# Financial position

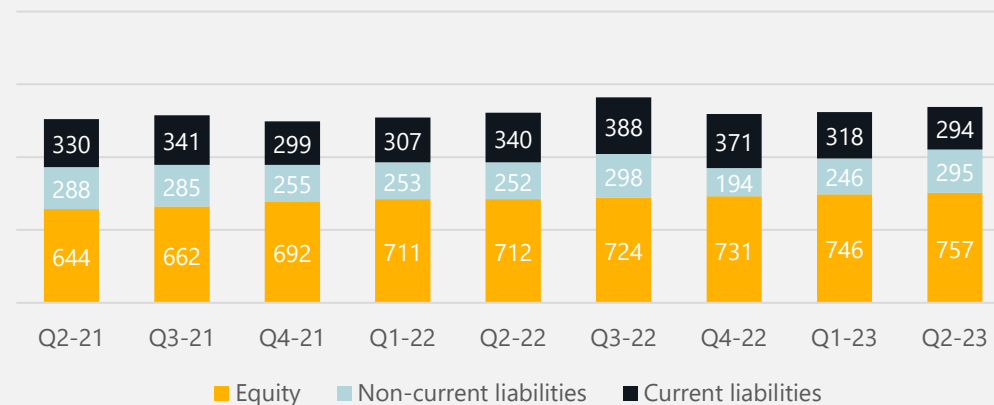
*Equity ratio and balance sheet strong, prepared for selective acquisitions*

- At the end of the quarter, the Group's equity amounted to 757 MSEK (731). Equity ratio at 56% (55).
- Net debt (incl. leasing) / EBITDA at 1.5x (1.3)  
Net debt (excl. leasing) / EBITDA at 1.2x (0.7)
- 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 R12  
JUN-23

Growth	"Balco shall achieve growth of <b>10%</b> per year"	REVENUE GROWTH <b>13%</b>
Profitability	"Earnings per share shall grow by <b>20%</b> per year"	EPS GROWTH <b>-8%</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"	NET DEBT/ adj. EBITDA <b>1.5x / 1.2x</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>40%<sup>1)</sup></b>
Sustainability	"More than <b>30%</b> of the group's sales shall be compatible within the EU taxonomy"	<b>61%</b>

1) 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.
- The part of all waste during the year that was recyclable increased in 2022 to 77 percent (67).
- The share of female managers were 21 percent in 2022 compared to the total share of female employees that were 11 percent.

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

- The number of inquiries and discussions about projects has increased during Q2 compared to Q1. Our customers have started to get used to a higher interest rate level, but since inflation is not coming down as quickly as one would like, there is still some hesitancy to make major investment decisions. This means that some customers continue to postpone their decisions.
- We assess that the uncertainty will remain until the central banks clearly communicate that their interest rate increases are over and that you can expect more stable interest rates going forward.
- The need for renovation of balconies remains, the balconies will not improve by postponing the measures and around 90 percent of Balco Group's turnover comes from the renovation segment, which makes us confident that the order intake will start again in the future.
- Some of our companies 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 we 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



# Concluding remarks

## Summary

- Good net sales 346 MSEK and improved profitability – adj. EBITA-margin 8.9 percent (8.2).
- New products developed and launched:
  - a smartly placed air-to-air heat pump where piping is integrated into the balcony
  - Levitate in aluminum with final assembly of the product locally in England
- Continued interest rate increases affect order intake.

## Outlook

- The need for renovation of balconies remains and around 90 percent of Balco Group's turnover comes from the renovation segment.
- The number of inquiries and discussions about projects has increased during Q2 compared to Q1. Our customers have started to get used to a higher interest rate level. We assess that the uncertainty will remain until the central banks clearly communicate that their interest rate increases are over and that you can expect more stable interest rates going forward.
- The lower order intake the last year will probably affect sales and earnings in the next quarter.
- Balco has a strong financial position and plans to 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

**BALCO**  

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GROUP