Presentation of Interim Report– First nine months 2019/20

12 February 2020

momentumgroup

Presenters today

ULF LILIUS
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Interim Report – First nine months 2019/20

12 February 2020

Financial year 2019/20 –

Interim Report – Highlights Q3

Stable revenue development despite continued restraint and a cautious attitude among industrial customers in Sweden and Finland, while demand in Norwegian market was stronger.

Continued positive earnings performance with strengthened gross margins and cost efficiency, which led to an increase in EBITA of 3 percent to MSEK 92 (89) – *excluding* items affecting comparability.

A recommended public offer to the shareholders of Swedol:
A merger of TOOLS and Swedol creates favourable opportunities.

The evaluation of interesting acquisition targets continue.

Acquisition of Swedol – creates favourable opportunities

- **A COMBINATION OF TOOLS & SWEDOL –**
  – Complementary customer focus and sales channels.
  – Strengthened product ranges, procurement channels and logistics solutions, increased proportion of proprietary product brands, and development of services and digital solutions → A stronger business partner to our customers in the Nordic region.
  – Favourable opportunities for increased revenue and earnings (coordination, synergies and economies of scale) → Ambition to improve the EBITA margin of the new business area to 10 percent over time (at present: 6.5 percent).

- **THE "COMBINED GROUP" * –**
  Annual revenue*:* approx. SEK 9.6 billion
  EBITA: approx. MSEK 700
  No of employees: approx. 2,800 persons

- **THE OFFER –**
  For each Class A and B share in Swedol:
  – a **cash consideration** of SEK 46.50
  or
  – a **share consideration** of 0.40 of a new Class B share in Momentum Group.

* Calculated for the most recent 12-month period as of 30 September 2019 without any consideration for acquisition effects, synergies, etc.

Financial year 2019/20 –

Third quarter [1 Oct-31 Dec 2019]

MSEK	QUARTER (3 mon) OCT -DEC 2019	OCT-DEC 2018	Δ	REPORTING PERIOD (9 mon) APR-DEC 2019	APR-DEC 2018	Δ
Revenue	**1,588**	1,552	*+2%*	**4,596**	4,464	*+3%*
EBITA[2]	**92**	89	*+3%*	**247**	235	*+5%*
Adjusted operating profit[2]	**87**	85	*+2%*	**232**	223	*+4%*
EBITA margin, %	**5.8%**	5.7%		**5.4%**	5.1%	
Adjusted operating margin, %	**5.5%**	5.5%		**5.1%**	4.8%	

- ***Revenue*** decreased by 2 percent[1] during the quarter.
  - Stable revenue development, but continued restraint among industrial customers in Sweden and Finland.
  - Stronger demand in Norway, particularly in oil and gas.
  - Variation in sales trends between different customers segments and product areas, with negative effects on sales of winter workwear due to the relatively mild weather.
  - Acquisitions contributed to the total revenue growth by some 4 percent.
- ***EBITA***[2] increased by 3 percent to MSEK 92 (89), corresponding to an ***EBITA margin*** of 5.8 percent (5.7).
  - Strengthened gross margins and efficiency enhancements.
  - Expansion of the logistics function in Norway incurred extra costs of approximately MSEK 4 during the quarter.
- ***Adjusted operating profit***[2] rose by 2 percent to MSEK 87 (85), corresponding to an **adjusted operating margin** of 5.5 percent (5.5).

Note: 1) For comparable units in local currency, adjusted for the number of trading days this year compared to the corresponding period in the preceding year.
2) Excluding items affecting comparability of MSEK –9 related to costs from the acquisition of Swedol.

Third quarter 2019/20 –

Business area – Tools & Consumables

- ***Revenue*** for the business area decreased by 2 percent[1] during the third quarter.
  - Continued favourable demand trend in Norway, primarily in oil and gas, whereas revenue for TOOLS Sweden and Finland decreased during the quarter.
  - Negative effects on the sale of winter clothing due to the relatively mild weather.
  - Acquisitions contributed by approximately 4 percent to the revenue growth.
- ***Operating profit*** amounted to MSEK 48 (55), corresponding to an **operating margin** of 3.7 percent (4.4).
  - Efforts to improve gross margins, efficiency enhancements and increased co-ordination continue as key factors for success.
  - Expansion of the logistics function in Norway incurred extra costs of approximately MSEK 4 during the quarter.
- ***Improvement measures in TOOLS continue.***
  - A more focused and profitable product and service offering (e.g. OHS[2]).
  - Establishment of a regional logistics hub in the Oslo area continue. [NO]
  - Improved efficiency and reduction of costs in focus. [SE / NO / FI]
  - Development of a proprietary brand of gloves. [FI]

MSEK	QUARTER (3 mon) OCT-DEC 2019	OCT-DEC 2018	Δ	REPORTING PERIOD (6 mon) APR-DEC 2019	APR-DEC 2018	Δ
Revenue	**1,283**	1,257	*+2%*	**3,727**	3,657	*+2%*
Operating profit	**48**	55	*–13%*	**126**	134	*–6%*
Operating margin, %	**3.7%**	4.4%		**3.4%**	3.7%	

Note: 1) For comparable units in local currency, adjusted for the number of trading days this year compared to the corresponding period in the preceding year.
2) Occupational Health & Safety.

Third quarter 2019/20 –

Business area – Components & Services

- ***Revenue*** decreased by 3 percent[1] during the third quarter.
  - Variable demand trend for Momentum Industrial in different customer and product areas.
  - Sales to customer groups in steel and automotive industry remained generally positive while demand in pulp & paper was somewhat more restrained.
- ***Operating profit*** increased by 18 percent to MSEK 39 (33), corresponding to an **operating margin** of 12.5 percent (10.7).
  - Measures to increase efficiency and customer cultivation had a positive effect on the gross margins and operating profit.
- ***Positive development for the subsidiaries*** in service and repairs as well as pneumatics and hydraulics during the quarter.
- ***Continued focus on profitable growth*** as well as ***further acquisitions*** going forward.
  - Continuous evaluation of potential acquisition targets.

	QUARTER (3 mon)			REPORTING PERIOD (9 mon)		
MSEK	OCT-DEC 2019	OCT-DEC 2018	Δ	APR-DEC 2019	APR-DEC 2018	Δ
Revenue	**312**	208	*+1%*	**894**	845	*+6%*
Operating profit	**39**	33	*+18%*	**107**	95	*+13%*
Adjusted operating margin, %	**12.5%**	10.7%		**12.0%**	11.2%	

Note: 1) For comparable units in local currency, adjusted for the number of trading days this year compared to the corresponding period in the preceding year.

Financial year 2019/20 –

Reporting period – First nine months [1 Apr-31 Dec 2019]

- ***Revenue*** for the reporting period decreased by approximately 1 percent[1] to MSEK 4,596 (4,464) .
  - Stable revenue development in total – with continued restraint and cautious attitude among industrial customers in Sweden and Finland, whereas demand in Norway was somewhat stronger to date.
  - Acquisitions contributed approximately 4 percent to total revenue growth.
  - In total, the reporting period included the same number of trading days as the corresponding period in the preceding year.
- ***EBITA***[2] increased by 5 percent to MSEK 247 (235), corresponding to an ***EBITA margin*** of 5.4 percent (5.3).
  - Stable sales, efficiency enhancements and acquisitions has contributed to improved gross margins in, for example, TOOLS Sweden and Momentum Industrial, and increased profits for the Group.
  - Expansion of the logistics function in Norway incurred extra costs of approximately MSEK 12 during the period.
- ***Adjusted operating profit***[2] rose by 4 percent to MSEK 232 (223), corresponding to an **adjusted operating margin** of 5.0 percent (5.0).
- ***Improved cash flow from operating activities*** with continued focus on decreasing funds tied up in working capital, and the ***return on working capital (EBITA/WC)*** increased to 27 percent (26) for rolling 12 months.
- ***Focus on completing the acquisition of Swedol, and on continuing to improve efficiency and profits*** – with decentralised responsibility and increased coordination as key factors for success.

Note: 1) For comparable units in local currency, adjusted for the number of trading days this year compared to the corresponding period in the preceding year.
2) Excluding items affecting comparability of MSEK –9 related to costs from the acquisition of Swedol.

Financial year 2019/20 –

Cash-flow statement [1 Apr-31 Dec 2019]

MSEK	QUARTER OCT-DEC 2019	QUARTER OCT-DEC 2018	REPORTING PERIOD APR-DEC 2019	REPORTING PERIOD APR-DEC 2018
Operating activities				
Operating activities before changes in working capital	**121**	74	**365**	174
Changes in working capital	**77**	80	**35**	–12
Cash flow from operating activities	**198**	**154**	**400**	**162**
Investing activities				
Acquisition of subsidiaries and other business units (net)	**–**	–3	**–58**	–46
Other	**–4**	–6	**–14**	–19
Cash flow before financing	**194**	**145**	**328**	**97**
Financing activities	**–184**	–146	**–299**	–102
Cash flow for the period	**10**	**–1**	**29**	**–5**
Cash and cash equivalents at the beginning of the period	**27**	6	**8**	10
Exchange-rate differences in cash and cash equivalents	**0**	0	**0**	0
Cash and cash equivalents at the end of the period	**37**	**5**	**37**	**5**

- ***Cash flow from operating activities for the reporting period*** amounted to MSEK 400 (162).
  - Cash flow from operating activities for the third quarter amounted to MSEK 198 (154).

Financial year 2019/20 –

Performance measures[1] [1 Apr-31 Dec 2019]

MSEK	12 MONTHS ENDING 30 SEP 2019	31 MAR 2019	31 MAR 2018	31 MAR 2017
Adjusted operating profit, MSEK	**311**	**302**	252	193
Adjusted operating margin, %	**5.1%**	**5.0%**	4.5%	3.6%
EBITA, MSEK	**330**	**318**	262	195
EBITA margin, %	**5.4%**	**5.3%**	4.7%	3.6%
Profit margin, %	**4.6%**	**4.9%**	4.2%	1.0%
Return on working capital (P/WC), %	**25%**	**25%**	24%	21%
Return on working capital (EBITA/WC), %	**27%**	**27%**	25%	21%
Return on equity, %	**17%**	**19%**	17%	4%
Equity/assets ratio, %	**40%**	**45%**	42%	39%
Earnings per share, SEK	**7.95**	**8.20**	6.45	1.50
Financial net loan liability (closing balance), MSEK	**782**	**293**	322	287
Operational net loan liability (closing balance), MSEK	**198**	**266**	295	263
Number of employees at the end of the period	**1,675**	**1,684**	1,647	1,660

- **Operational net loan liability** amounted to MSEK 198 (297).
- The **equity/assets ratio** was 40 percent (45) at the end of the reporting period.
- **Return on equity** was 17 percent (18).

Note: 1) Adjusted performance measures refer to profit adjusted for items affecting comparability.

Focus in the short to medium term

Momentum Group’s focus in the short to medium term

Momentum Group´s strategic focus is concentrated on three main areas

1. Change and improvement initiatives in TOOLS

2. Continued development and establishment of niche offerings in current operations

3. Acquisition-driven growth strategy with focus on niche acquisitions

Since the spin-off and separate listing in June 2017 –

Eleven acquisitions with approx. MSEK 650 in annual revenue

1. Change and improvement initiatives in TOOLS

TOOLS Løvold AS

AB Knut Sehlins

Support the transformation of TOOLS, mainly through geographic expansion

2. Continued development and establishment of niche offerings in current operations

ETAB industriautomation

BRAMMER

ELKA

mfg components

Lindström

Broaden the product / service offering within existing businesses

3. Acquisition-driven growth strategy with focus on niche acquisitions

TriffiQ Företagsprofilering AB

Reklamproffsen

Profilmakarna

Company Line / New Wave Profile

Establish new offerings through acquisitions of niche companies

Next step – A merger of TOOLS and Swedol

COMPLEMENTARY CUSTOMER FOCUS

- TOOLS is primarily focused on large companies in the industrial sector, oil & gas and public administration.
- Swedol's focus is primarily on small and medium sized customers in construction & civil engineering, industry & workshops, transportation, etc.

COMPLEMENTARY SALES CHANNELS

- The majority of TOOLS' revenue is derived from direct sales to end customer.
- The majority of Swedol's revenue is derived from in-store sales.

→ FOCUS AREAS AFTER THE COMPLETION OF THE ACQUISITION

- Stronger business partners for all customers in the Nordic region.
- Coordination, synergies and economies of scale.
- Efficient chain operations.
- Improved profitability and increased revenue.

Q&A

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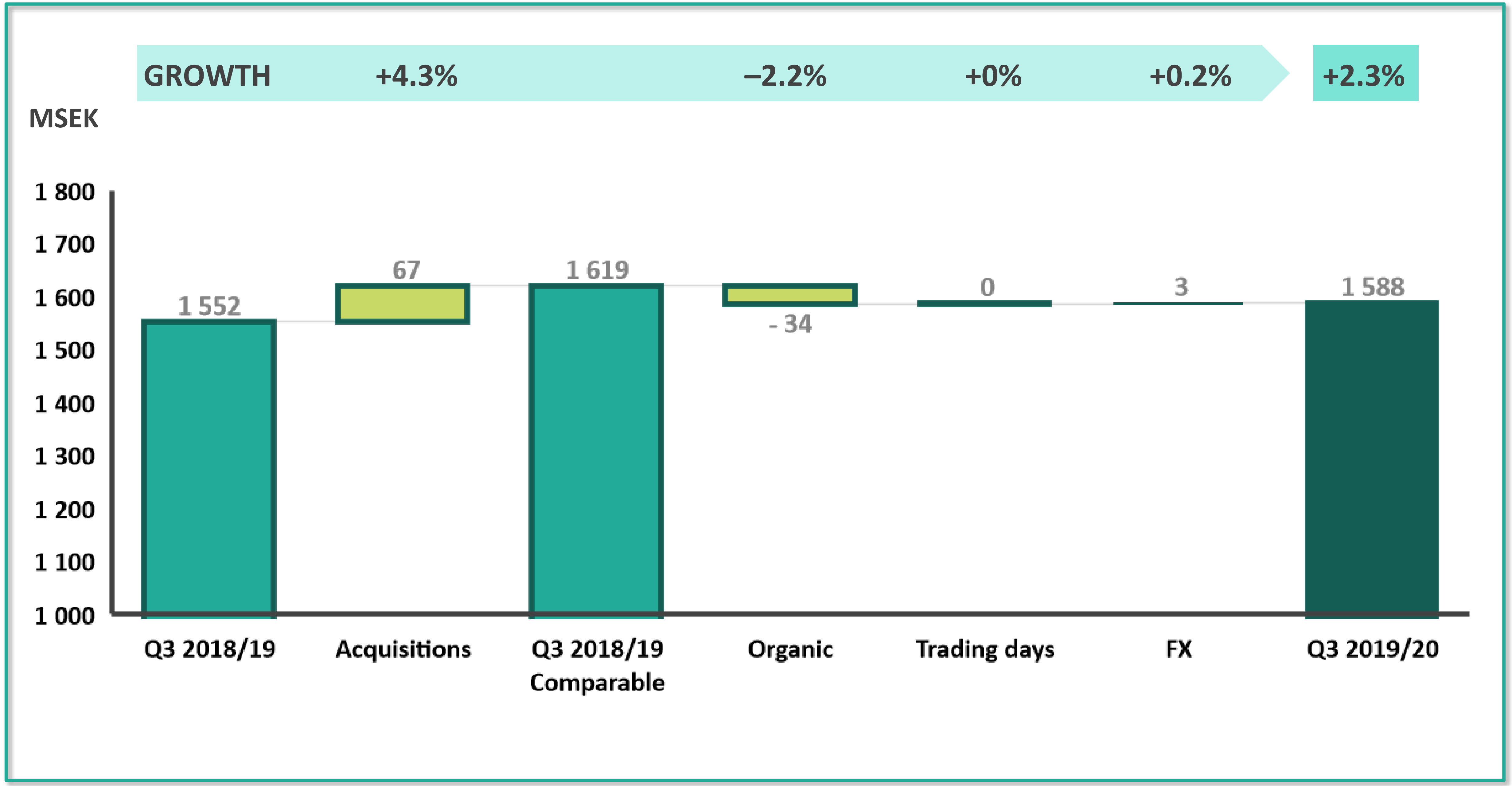
APPENDIX –
Revenue bridges
Income statements & Balance sheets

Financial year 2019/20 –

Revenue bridge – Third quarter [1 Oct-31 Dec 2019]



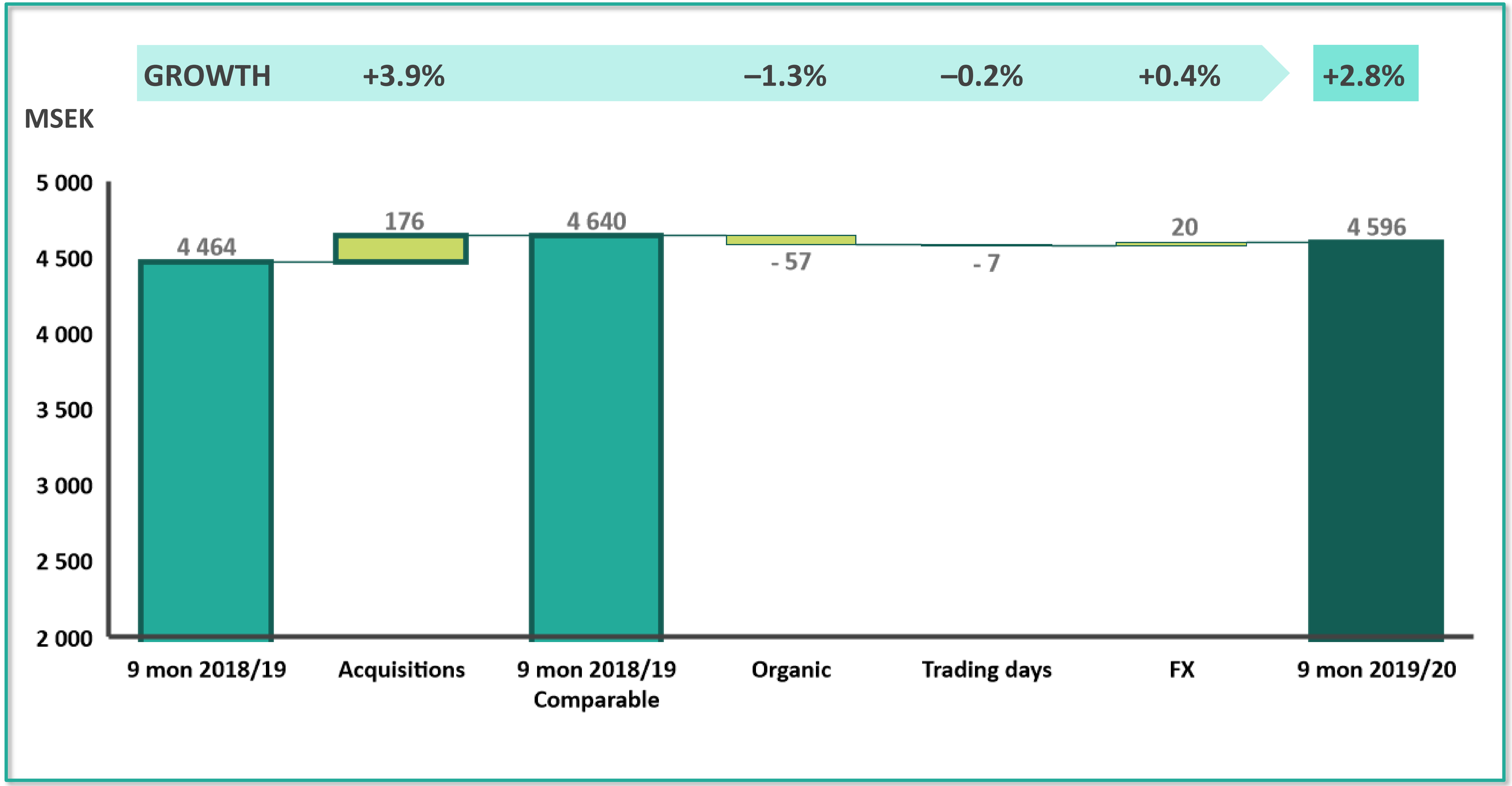
HIGHLIGHTS

- ***Organic change***[1] at –2.2 percent (+2.7) – Development by business area:
  - Tools & Consumables: –2%.
  - Components & Services: –3%.
- ***Same number of trading days*** as the preceding year.
- ***Revenue contribution from acquisitions*** amounting to +4.3 percent (+1.2).

Note: 1) For comparable units in local currency, adjusted for the number of trading days this year compared to the corresponding period in the preceding year.

Financial year 2019/20 –

Revenue bridge – Reporting period [1 Apr-31 Dec 2019]



HIGHLIGHTS

- ***Organic change***[1] amounted to –1.3 percent (+1.9) – development by business area:
  - Tools & Consumables: –2%.
  - Components & Services: +2%.
- ***Same number of trading days*** compared with the preceding year.
- ***Acquisitions adding*** 3.9 percent (+1.8) to revenue growth.

Note: 1) For comparable units in local currency, adjusted for the number of trading days this year compared to the corresponding period in the preceding year.

Financial year 2019/20 –

Income statements and Balance sheets [Quarter 3 – 2019/20]

Income statement

MSEK	QUARTER OCT-DEC 2019	QUARTER OCT-DEC 2018	REPORTING PERIOD APR-DEC 2019	REPORTING PERIOD APR-DEC 2018
Revenue	**1,588**	1,552	**4,596**	4,464
Operating expenses (*excl*. Items affecting comparability)	**–1,501**	–1,467	**–4,364**	–4,241
Adjusted operating profit	**87**	**85**	**232**	**223**
Adjusted operating margin, %	***5.5%***	*5.5%*	***5.0%***	*5.0%*
Items affecting comparability	**–9**	–	**–9**	–
Operating profit	**78**	**85**	**223**	**223**
Operating margin, %	***4.9%***	*5.5%*	***4.9%***	*5.0%*
Financial income and expenses	**–6**	–1	**–14**	–4
Profit after financial items	**72**	**84**	**209**	**219**
Taxes	**–16**	–20	**–46**	–49
Net profit	**56**	**64**	**163**	**170**

Balance Sheet

ASSETS MSEK	31 DEC 2019	31 MAR 2019
Intangible non-current assets	**663**	649
Right-of-use assets	**531**	–
Other non-current assets	**86**	85
Total non-current assets	**1,280**	**734**
Inventories	**1,036**	986
Accounts receivable	**907**	1,044
Other current receivables	**132**	142
Cash and cash equivalents	**37**	8
Total current assets	**2,112**	**2,180**
TOTAL ASSETS	**3,392**	**2,914**

EQUITY & LIABILITIES MSEK	31 DEC 2019	31 MAR 2019
EQUITY	**1,363**	**1,317**
Non-current interest-bearing liabilities	**105**	**137**
Non-current lease liabilities	**347**	**–**
Provisions for pensions	**31**	**27**
Other non-current liabilities	**66**	**76**
Total non-current liabilities	**549**	**240**
Current interest-bearing liabilities	**130**	**137**
Current lease liabilities	**206**	**–**
Accounts payable	**770**	**822**
Other current liabilities	**374**	**398**
Total current liabilities	**1,480**	**1,357**
TOTAL LIABILITIES	**2,029**	**1,597**
TOTAL EQUITY & LIABILITIES	**3,392**	**2,914**