


# SOLID GROWTH AND FINANCIAL PERFORMANCE

1 January – 31 December 2019

 Date 2020.02.06

## Earnings conference call

Martin Ellis (CEO) & Jonas Olin (CFO & IR)

The statements about the future in this document contain an element of risk and uncertainty, both in general and specific terms, and this means that actual developments may diverge considerably from the statements about the future.

NORDIC   
WATERPROOFING



## Solid growth and financial performance in the fourth quarter...

- Net sales of SEK 763 m (692), up 10%
  - 5% organic growth in local currency
  - 3% from acquisitions
  - 2% from currency effects
- EBITDA increased to SEK 91 m (61), up 49%
- Operating profit (EBIT) increased to SEK 62 m (47) , up 31%
- Operating cash flow was SEK 137 m (84)
- Earnings per share SEK 2.56 (1.03)



## ...and the best year ever

- Net sales of SEK 3,122 m (2,680), up 16%
  - 7% organic growth in local currency
  - 7% from acquisitions
  - 2% from currency effects
- EBITDA increased to SEK 371 m (274), up 35%
- Operating profit (EBIT) increased to SEK 260 m (212), up 23%
- Operating cash flow was SEK 306 m (180)
- Earnings per share SEK 8.19 (6.30)
- The Board of directors proposes an increased cash dividend of SEK 4.50 (4.00) per share





## Highlights and comments

- In general, strong markets in all segments with demand overall at healthy levels but with local variations
- Positive contribution from profit improvement measures in Installation Services Finland
- Sales growth in prefabricated elements business, however challenging profitability. Comprehensive profit improvement program implemented
- Favorable bitumen prices following the hedging agreements
- Builders merchant's Best supplier nominations both in Sweden and Norway
- One larger acquisition in 2019, Distri Pond in Belgium. Performance in line with expectations and contributing to the growth of sales and results
- Nynas, NWG's main supplier of bitumen, has filed for company reorganisation. Our initial assessment is that Nynas decision does not affect our operations





## Market status and perspective is unchanged

- Continued consolidation within builders merchants in all Nordic countries, primarily affecting Nordic Waterproofing in Sweden and Norway
- The decreased private housing building starts in Sweden have not affected our sales
- Active competition in flat roofing, but Nordic Waterproofing has successfully increased its market shares in Norway and Sweden
- Flat roofing market in the Nordics is still fairly strong with demand overall at healthy levels but with local variations. Somewhat more cautious markets and market expectations are slightly negative in Finland
- Continued strong market for prefabricated façade elements in Norway
- Oil prices are currently volatile connected to Corona virus uncertainty, however other raw material prices are fairly stable





## Strategic update – continued focus on organic growth and profitability

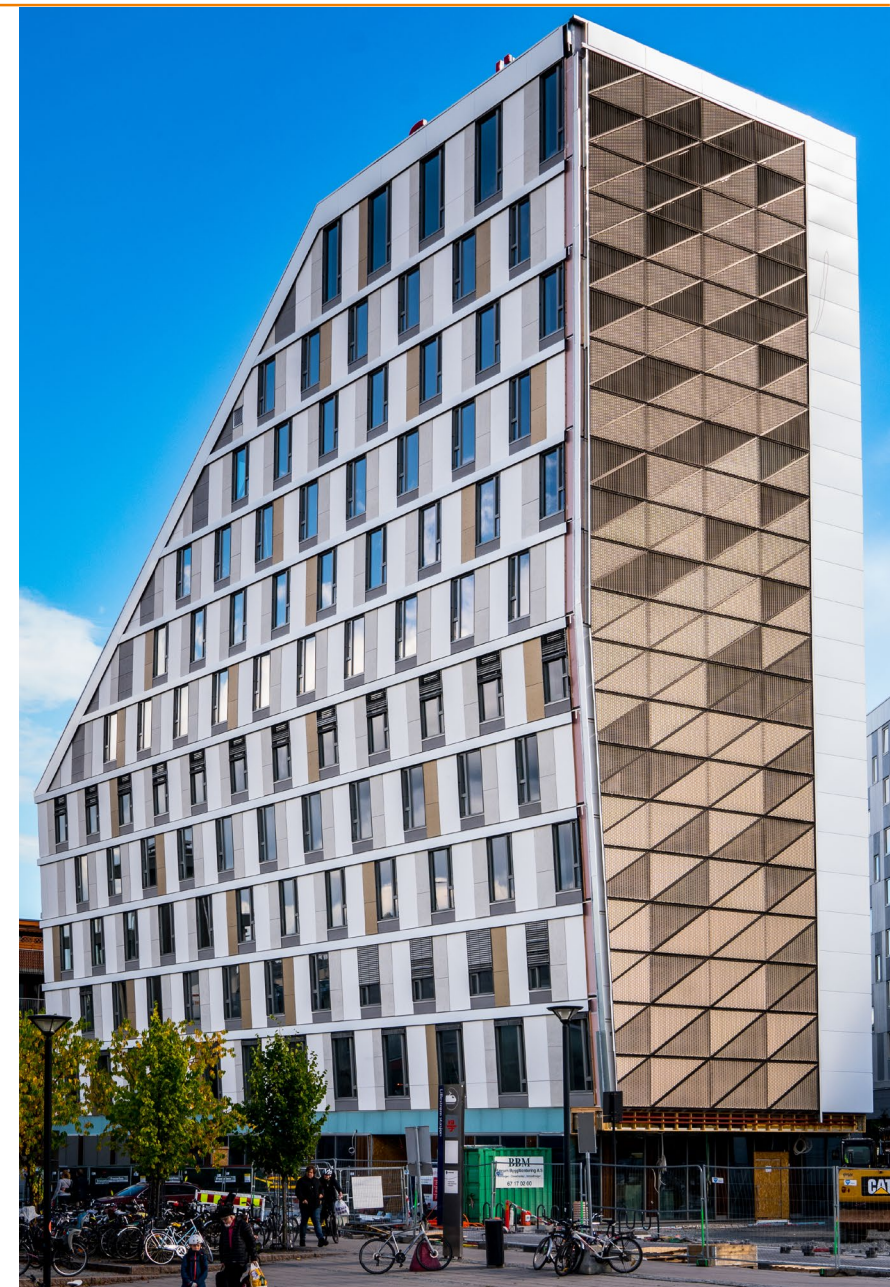
Organic growth from the development of our recent acquisitions, building on our new platforms in prefabricated elements and green infrastructure

Regarding acquisitions, we maintain our focus and selective approach on small to medium sized companies presenting good synergistic potential with our existing businesses, in order to

- enhance our product and service offering
- benefit from mega trends in the construction industry
- forward integrate to increase exposure to end customers

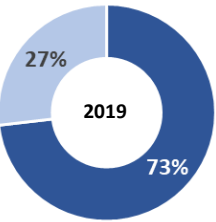
Promoting sustainability remains a key focus, exemplified by Taasinge strengthening its position in eco-friendly construction by acquiring a small installation business in Denmark in July

Taasinge now offers customers a complete solution, from drawing to assembly at the building site, ensuring high quality logistics and execution



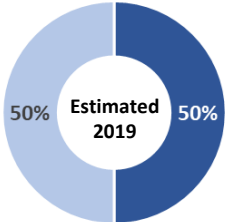
# Recap of our footprint

Sales by segment



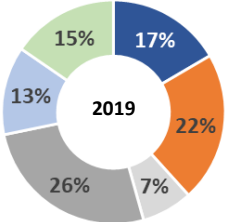
■ Products & Solutions  
■ Installation Services

Sales by category



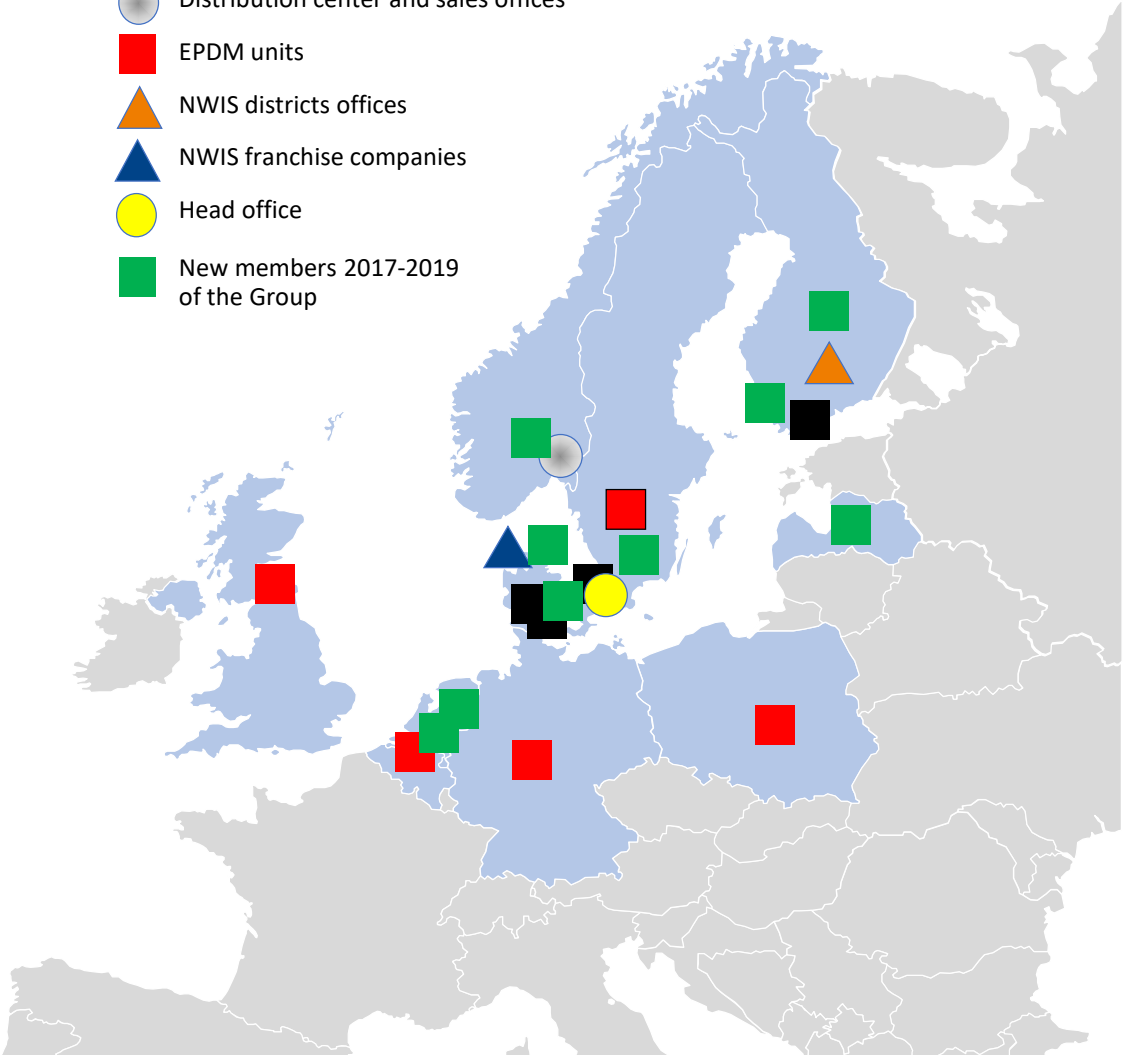
■ Renovation  
■ New build

Sales by country



■ Sweden  
■ Denmark  
■ Finland NWPS  
■ Finland NWIS  
■ Norway  
■ SealEco & Export

- Bitumen manufacturing units and sales offices
- Distribution center and sales offices
- EPDM units
- ▲ NWIS districts offices
- ▲ NWIS franchise companies
- Head office
- New members 2017-2019 of the Group



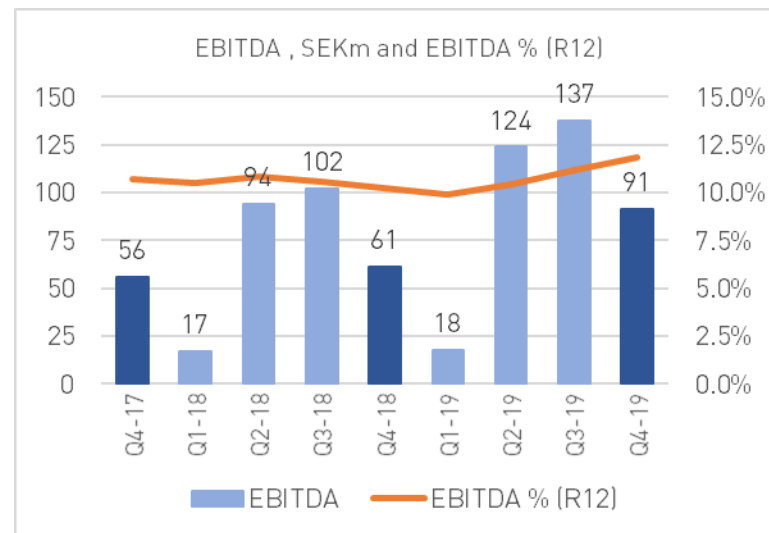
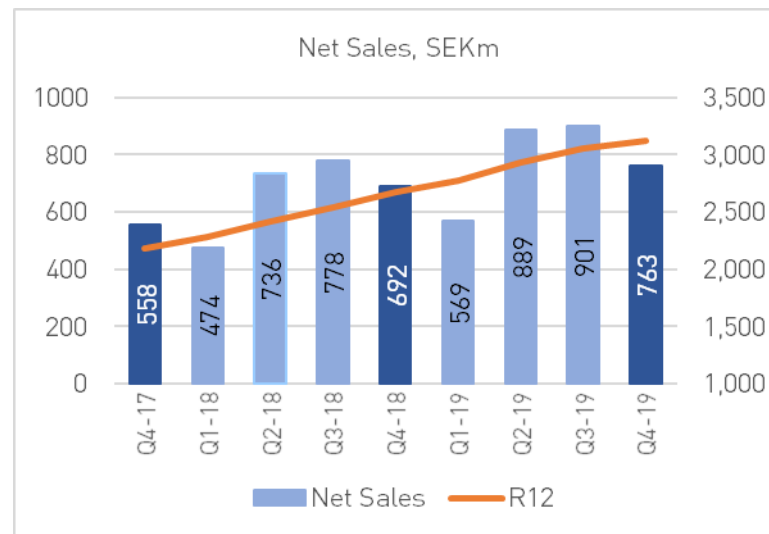
## Fourth quarter report

### Net sales of SEK 763 m (692) up 10%

- Best fourth quarter sales ever
- Organic growth of 5% driven by high activity in roofing in Finland, prefabricated elements in Norway and SealEco and DistriPond

### EBITDA increased to SEK 91 m (61) while Operating profit (EBIT) increased to SEK 62 m (47)

- Best fourth quarter earnings ever, driven by sales and margin in Finland Installation Services as well as favorable bitumen hedge agreements
- Prefab elements business in RVT in Norway performed below expectations due to negative project estimate revisions and organizational changes





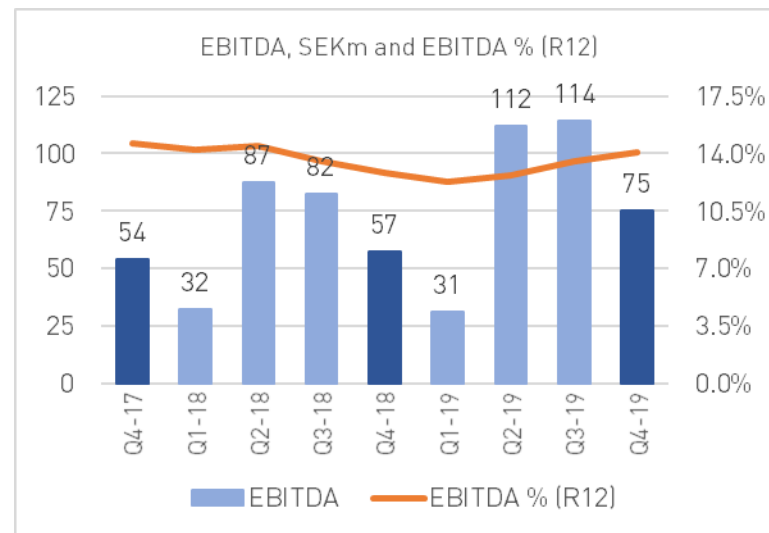
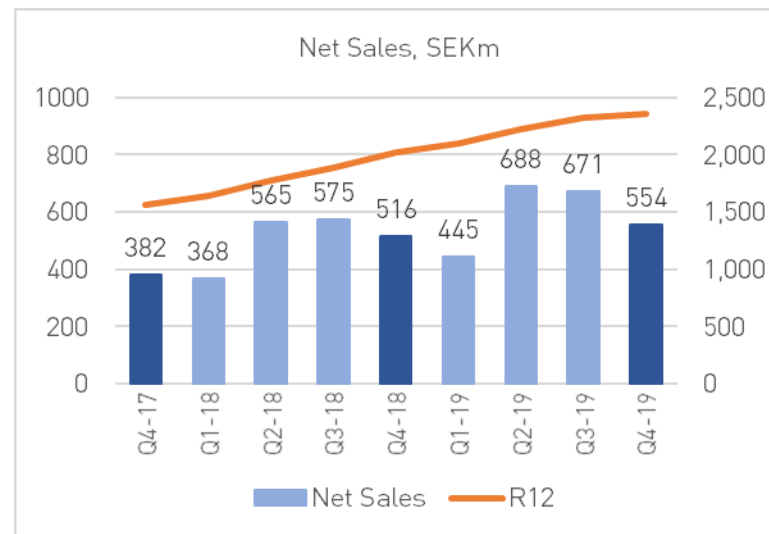
## Products & Solutions

### Net sales of SEK 554 m (516) up 7%

- Organic growth was 2% and contribution from acquisitions 4% in the fourth quarter
  - Norway +13%: mainly prefabricated elements
  - Denmark +4%: flat roofing
  - Sweden +3%: both flat roofing and green infrastructure
  - Finland -1%: flat roofing
  - Other Europe +21%: of which DistriPond 16%-units

### EBITDA increased to SEK 75 m (57) while Operating profit (EBIT) increased to SEK 51 m (46)

- Favorable raw material prices in 2019 due to bitumen hedge agreements



# Installation Services

## Net sales of SEK 232 m (198) up 17%

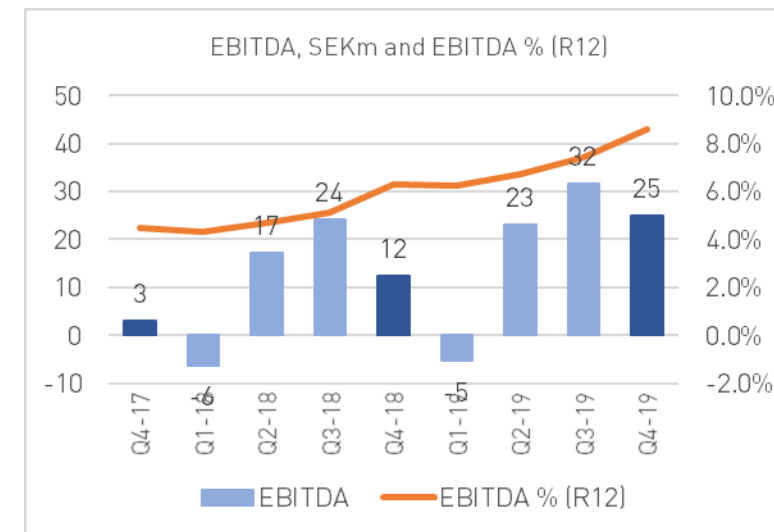
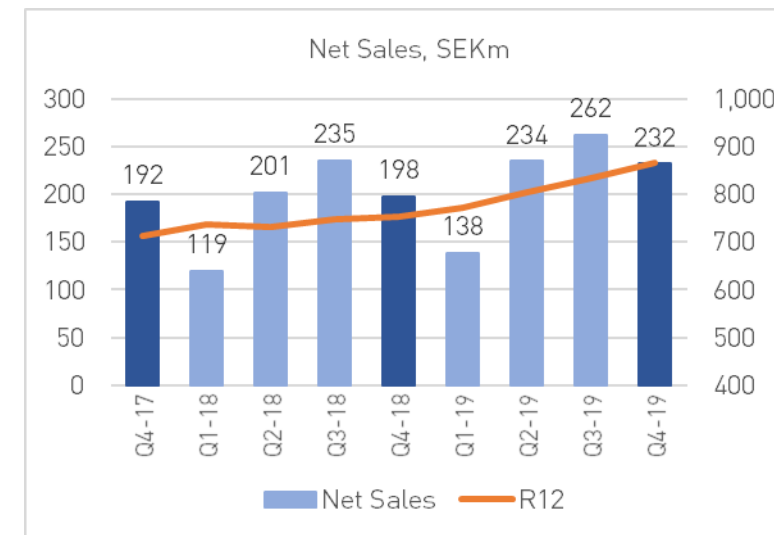
- Organic growth 13% mainly coming from demand in flat roofing as well as a cruise ship floor coating project finalized in the fourth quarter. Currency effects were 4%

## Lower order book

- Order intake decreased 36% in the quarter, as intake was lower in both roofing and floor coating. Order book end of December was 26% below previous year's high comparative number. 16% of the lower order book refers to no cruise ship flooring order at the end of 2019

## EBITDA increased to SEK 25 m (12) while Operating profit (EBIT) increased to SEK 21 m (11)

- The Finnish roof installation as well as the Danish franchise units continued to perform well in the fourth quarter. Continued significant effect from last year's profit improvement program in Finland



Note: both EBITDA and EBITDA % include the share of profit in associated companies in Denmark



## Income statement

SEKm	Q4-19	Q4-18	Change, %	Full-year 2019	Full-year 2018
Net sales	763	692	+10%	3,122	2,680
Gross profit	200	174	+14%	813	680
EBITDA	91	61	+49%	371	274
Operating profit (EBIT)	62	47	+31%	260	212
Net finance items	1	-8	n/a	-28	-22
Profit/loss before tax	63	39	+62%	233	190
Tax	-2	-14	-86%	-37	-38
Profit/loss for the period	62	25	+146%	196	152

- IFRS 16 has affected fourth quarter EBITDA by SEK +12 m, while insignificant EBIT and Net profit effect
- Net finance items was positive in Q4, due to positive exchange rate differences as well as a positive net fair value adjustment of acquisition-related option liabilities for remaining shares
- Effective tax rate 15,8% (20,2%), mainly explained by significant profit improvement in Finland where no tax cost is recorded due to tax-loss carry-forwards and increased profit in Danish franchise companies

## Balance sheet

SEKm	2019-12-31	2018-12-31
Non-current assets	1,598	1,324
Current assets	938	803
<b>Total assets</b>	<b>2,536</b>	<b>2,127</b>
Equity	1,209	1,106
Non-current liabilities	903	535
Current liabilities	424	486
<b>Total equity and liabilities</b>	<b>2,536</b>	<b>2,127</b>
Capital employed	2,016	1,653
ROCE (R12)	14.2%	14.0%
Net debt (interest bearing)	610	442
Equity/assets ratio	48%	52%
Net debt/equity ratio	0.5x	0.4x
Net debt/EBITDA	1.6x	1.6x

- Distri Pond is consolidated as from February 2019
- IFRS 16 has increased capital employed end-Q4 by SEK 110 m
- ROCE is above the long term financial target of 13% due to the strong operating profit in 2019
- Net debt/EBITDA-ratio was 1.6x and decreased due to strong cashflow and increased profit
- The Board propose a cash dividend of 4.50 SEK/share, in total SEK 107 m (55% of net profit)

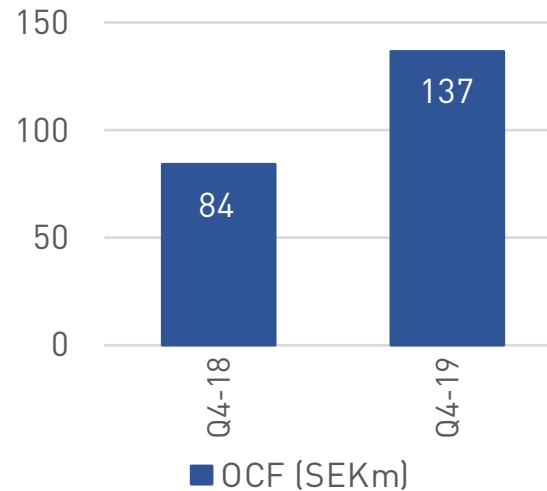
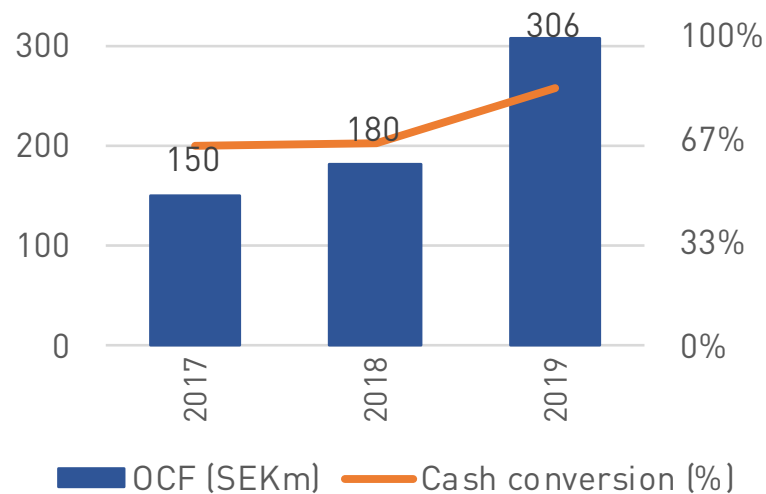


## IFRS 16 impact

SEK m	2019 incl IFRS16	2019 excl IFRS16	Difference
Net sales	3,122	3,122	0
EBITDA	371	323	48
EBITDA margin (%)	11.9%	10.3%	1.6pp
Operating profit (EBIT)	260	258	2
EBIT margin (%)	8.3%	8.3%	0.0pp
Net debt (interest bearing)	610	500	110
Net debt/EBITDA (R12)	1.6x	1.5x	0.1x
Capital employed, end of period	2,016	1,906	110
ROCE (R12)	14.2%	14.5%	-0.3pp

- IFRS 16 has year-to-date affected EBITDA by SEK +48 m, while only marginal effect on EBIT and Net profit
- Capital Employed and Net Debt have increased by SEK +110 m
- ROCE decreased -0.3%-units

## Operating cashflow



- Operating cash flow in Q4-19 of SEK 137 m (84) following normal seasonal variation
- Higher EBITDA and net trade receivables decreasing more than previous year
- Operating cash conversion (R12) was 83%, compared with 65% for the full year 2018
- IFRS 16 has year-to-date affected OCF by SEK +48 m and +3%-units effect on cash conversion



## Financial targets

### Sales growth

NWG's goal is to exceed the growth in the Group's current markets through organic growth.

In addition, the Group expects to grow through selective acquisitions.



### Profitability

NWG's goal is to generate a return on capital employed (ROCE) exceeding 13 percent for the financial year



### Capital structure

Net interest-bearing debt in relation to EBITDA shall not exceed 3 times at year-end



### Dividend policy

NWG' aims to distribute an annual dividend of more that 50 percent of its net profit.  
The pay out decision will be based on the Group's financial position, investment needs, liquidity position as well as general economic and business conditions.



## Outlook 2020

For the financial year 2020, general demand is expected to be similar to that in 2019 in most markets. Nordic Waterproofing expects to meet its financial targets, and the Group's organic net sales growth is expected to exceed the general growth rate in the markets in which the Group operates. In addition to organic growth, the Group also expects to continue growing through selective acquisitions. Operating profit (EBIT) is expected to be in line with 2019, assuming comparable winter conditions during the fourth quarter.



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## Questions

Further information:

- Martin Ellis, CEO
- Jonas Olin, CFO & IR

Q1 report, January-March 2020: 4 May 2020

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## APPENDIX

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NORDIC   
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## Shareholders as per 31 December 2019

Owner	No. of shares	Capital, %	Votes, %
Svolder AB	3,100,479	12.9	13.0
Swedbank Robur Funds	2,187,095	9.1	9.2
Mawer Investment Management	2,170,897	9.0	9.1
Carnegie Funds	1,705,755	7.1	7.1
Länsförsäkringar Funds	1,579,471	6.6	6.6
Handelsbanken Funds	1,328,044	5.5	5.6
Catella Funds	1,037,205	4.3	4.3
Prior & Nilsson Funds	931,156	3.9	3.9
Third AP-fund	865,707	3.6	3.6
Canaccord Genuity Wealth Management	563,723	2.3	2.4
<b>Ten largest shareholders</b>	<b>15,469,532</b>	<b>64.3</b>	<b>64.8</b>
Other shareholders*	8,414,403	34.9	35.2
<b>Total number of votes</b>	<b>23,883,935</b>	<b>99.2</b>	<b>100.0</b>
Treasury shares	200,000	0.8	n/a
<b>Total number of shares</b>	<b>24,083,935</b>	<b>100.0</b>	<b>n/a</b>

Source: Monitor by Modular Finance AB. Compiled and processed data from various sources, including Euroclear, Morningstar and the Swedish Financial Supervisory Authority. \* Holdings with depositories are reported as "other shareholders".

## Share details

- Ticker symbol NWG
- ISIN code DK0060738409
- Sector Construction & Materials
- Number of shares of DKK 1.00 24,083,935
- Treasury shares 200,000
- Voting & ownership restrictions None
- Current market cap SEK 2,204 million (5 February 2020)
- Contact Jonas Olin, CFO & investor relations  
+46 708 29 14 54  
jonas.olin@nordicwaterproofing.com



## Experienced board of directors



**Ulf Gundemark**  
Chairman

Relevant experience:  
Board member of AQ Group, Opti Group, Ripasso Energy and Lantmännen.  
Previously chairman of Lindab and Ripasso Energy, and board member of Scandi Standard, Solar, Lönne International and Constructor Group.  
(34,000 shares\*)



**Steffen Baungaard**  
Board member

Relevant experience:  
Board member of Arkil Holding, Carl Ras and M.B. Packaging.  
Previously CEO and President of Hus-Compagniet.  
(0 shares)



**Allan Jørgensen**  
Board member

Relevant experience:  
President and CEO of Dovista. Board member of OH Industri and Pankas.  
Previously board member of Hus-Compagniet, CEO of Kemp & Lauritzen.  
(0 shares)



**Riitta Palomäki**  
Board member

Relevant experience:  
Member of the supervisory committee and deputy chair of the audit committee at OP Cooperative.  
Previously member of the board of directors, chair of the audit committee and member of the remuneration committee at HKScan Oyj, and CFO of Uponor.  
(5,000 shares)



**Mats O. Paulsson**  
Board member

Relevant experience:  
Chairman of the board of Caverion, Nordisk Bergteknik, KEWAB, AKEAB, and Mark & Energibyggarna.  
Previously board member of Acandao, Paroc, Ramirent, BTH Bygg and WinGroup.  
CEO of Bravida, Strabag, PEAB Industri.  
(15,000 shares)



**Kristina Willgård**  
Board member

Relevant experience:  
CEO of AddLife, Chairman of the board of AddLife Development, board member of Mediplast, Biolín Scientific, and Biomedica Medizinprodukte.  
Previously board member of Serneke Group and assignments as board member and partner in Willgård AB.  
(0 shares)

\* Including related parties

## Seasoned management team



### **Martin Ellis, CEO**

Joined NWG in 2011

Previous experience: CEO of NWG 2011-2012 and Chairman 2011-2015. 30 years experience as CEO and other leading positions including Icopal and Saint Gobain (366,270 shares)



### **Petter Holth, Head of NW Norway**

Joined NWG in 2012

Previous experience: 30 years of experience of sales and marketing in the building industry, incl. CEO of Nortett Bygg AS (83,920 shares\*)



### **Martin Tholstrup, Head of Taasinge Elementer**

Joined NWG in 2017

Previous experience: 20 years of experience from development, sales and prefabrication within the construction industry (19,000 shares\*)



### **Jonas Olin, CFO & Investor Relations**

Joined NWG in 2007

Previous experience: 20 years of experience as CFO and controller including Trelleborg Waterproofing, Abdon Finax and IKEA Industry (50,010 shares)



### **Esa Mäki, Head of NW Finland**

Joined NWG in 2017

Previous experience: CEO of Nesco Group and various managerial positions of Icopal Finland and other companies in the building material industry. (12,055 shares)



### **Thomas Zipfel, Head of SealEco**

Joined NWG in 2009

Previous experience: 20 years of experience of managing positions including Trelleborg Waterproofing Polymeric Membranes (20,000 shares)



### **Mats Lindborg, Head of NW Sweden**

Joined NWG in 1986

Previous experience: 30 years of experience of sales and marketing including Trelleborg Waterproofing (14,414 shares)



### **Paul Erik Rask, Head of NW Denmark**

Joined NWG in 1992

Previous experience: 30 years of experience of leading positions and sales and marketing including Trelleborg Phønix A/S (53,029 shares)



### **Bengt-Erik Karlberg, Head of Veg Tech**

Joined NWG in 2018

Previous experience: 20 years of experience of managing positions and sales including Veg Tech and Mekra Lang (15,000 shares)



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