



lindab | we simplify construction

# Lindab Group

## Q4 2016

*Anders Berg, President and CEO*  
*Kristian Aceby, CFO*

*We simplify construction*





# Agenda

- **Summary and overview**
- **Financials**
- **Highlights**
- **Outlook**
- **Summary and Q&A**



# Summary and overview



# Higher profit but split picture between segments

## Key financial highlights Q4 2016

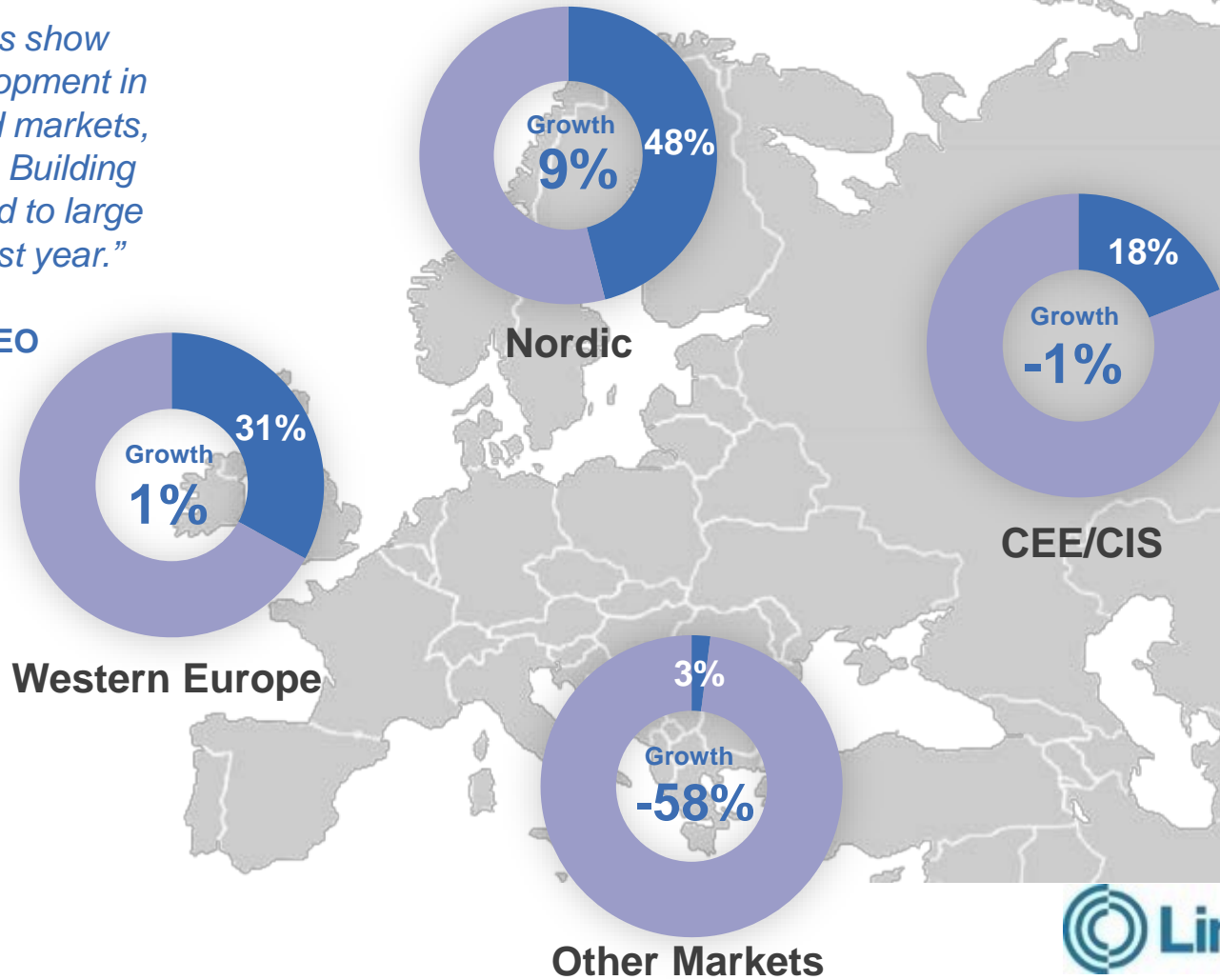
- Net sales increased to SEK 2,039 m (1,980), organic growth of 1%.
- Operating profit amounted to SEK 112 m (124), excluding one-off items of SEK 0 m (-24).
- Operating margin amounted to 5.5% (6.3), excluding one-off items.
- Continued good development in Products & Solutions while Building Systems had a weak quarter.
- Profit for the period increased to SEK 79 m (63).
- Earnings per share increased 27% to SEK 1.04 (0.82).
- Cash flow from operating activities amounted to SEK 265 m (266).
- Net debt SEK 1,396 m (1,657).
- Proposed dividend increase 12% to 1.40 (1.25).



# Good growth in all Nordic markets

*"Products & Solutions show continued strong development in most product areas and markets, while sales declined in Building Systems, mainly related to large shipments to Africa last year."*

**Anders Berg,**  
President and CEO





# Good growth in Products & Solutions

Segment/Product areas	Growth	Comments
<b>Products &amp; Solutions</b>		
Ventilation Products	↗	Good growth in both Nordic and Western Europe with particularly strong sales trend in Sweden.
Indoor Climate Solutions	↗	Stable positive trend with growth in most larger markets.
Air Movement	↗	Sales increased in both Nordic and Western Europe but declined in CEE/CIS.
Fire and Smoke	↗	Integration of acquisition and strategic focus continue to drive strong organic growth.
Rainwater & Building Products	↘	Sales negatively affected by worsened tax deduction rules for home improvements in Sweden combined with weak development in CEE.
Building Solutions	↗	Good development in most markets with particularly large project shipments to Sweden and Norway.
<b>Building Systems</b>	↘	Tough comparison with large shipments to Africa previous year. No corresponding key account projects this year combined with low sales to CEE/CIS.

# Financials



# Growth despite challenges

## Lindab Group financial highlights Q4 2016

- Net sales increased to SEK 2,039 m (1,980) with organic growth of 1%.
- Continued good development in Products & Solutions while Building Systems had a weak quarter.
- Net profit increased to SEK 79 m (63).

SEK m	Q4 '16	Q4 '15	Chg %
Net Sales	2,039	1,980	3
Organic, %			1
Structure <sup>1</sup> , %			0
Currency, %			2
EBIT <sup>2</sup>	112	124	-10
EBIT <sup>2</sup> , %	5.5	6.3	-0.8 pp
Fin net	-10	-9	11
Tax	-23	-28	-18
Net profit	79	63	25

<sup>1)</sup> Net of acquisitions and divestments.

<sup>2)</sup> Excluding one-off items of SEK 0m (-24)





# 13<sup>th</sup> consecutive quarter with organic growth

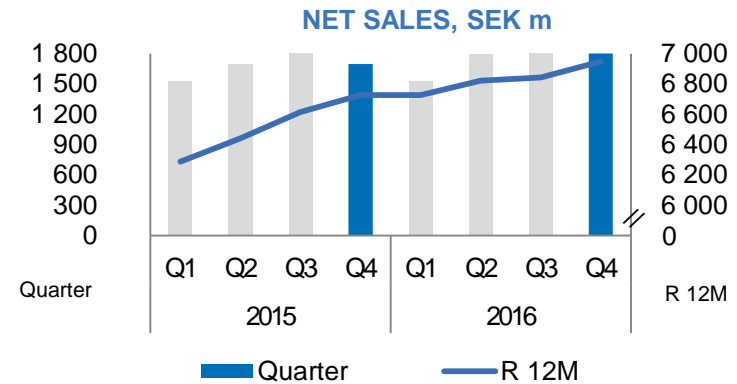
## Products & Solutions financial highlights Q4 2016

- Strong sales development in the Nordic region and Western Europe.
- EBIT increased 19% mainly as a result of higher sales and improved gross margin.
- Highest adjusted EBIT and EBIT% for a 4<sup>th</sup> quarter since 2007.

SEK m	Q4 '16	Q4 '15	Chg %
Net Sales	1,804	1,698	6
Organic, %			4
Structure <sup>1</sup> , %			0
Currency, %			2
EBIT <sup>2</sup>	135	113	19
EBIT <sup>2</sup> , %	7.5	6.7	0.8 pp

<sup>1)</sup> Net of acquisitions and divestments.

<sup>2)</sup> Excluding one-off items of SEK 0 m (-8)





# Sales decline and margin deteriorate

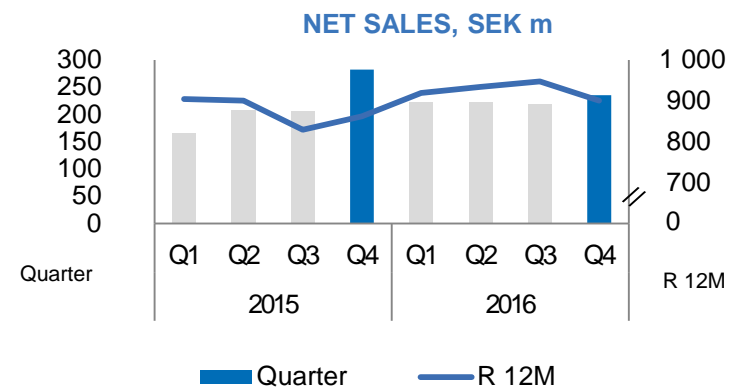
## Building Systems financial highlights Q4 2016

- Sales declined 21% organically in Q4 due to larger key account shipments to Africa and Italy last year.
- Margin negatively affected by lower volumes, project mix and significantly increased prices on raw material.
- Backlog slightly higher than last year but with longer delivery schedules.

SEK m	Q4 '16	Q4 '15	Chg %
Net Sales	235	282	-17
Organic, %			-21
Structure <sup>1</sup> , %			0
Currency, %			4
EBIT <sup>2</sup>	-15	28	n/a
EBIT <sup>2</sup> , %	-6.4	9.9	-16.3 pp

<sup>1)</sup> Net of acquisitions and divestments.

<sup>2)</sup> Excluding one-off items of SEK 0 m (-9)



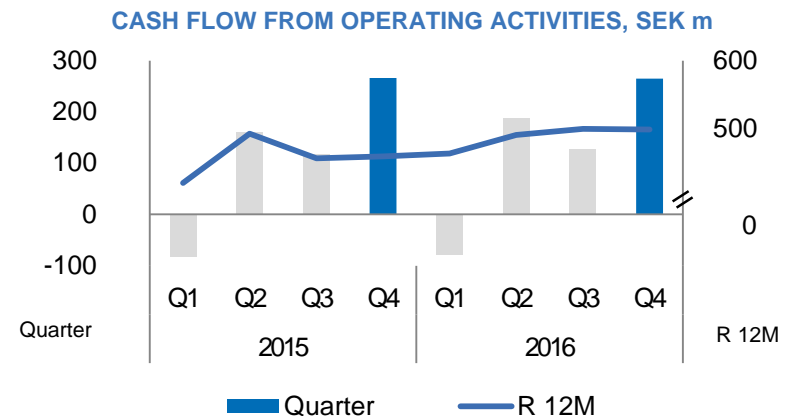


# Stable cash flow and lower net debt

Lindab Group cash flow Q4 2016

- Higher cash flow generated from operating activities.
- Improvements in working capital mainly due to pre-payments from customers.
- Net debt amounted to SEK 1,396 m (1,657).

SEK m	Q4 '16	Q4 '15
Cash flow from		
- operating activities <sup>1</sup>	153	146
- change in working capital	156	145
- investing activities	-25	-31
- financial net paid	-8	-7
- tax paid	-36	-18
Free cash flow	240	235
Adjusted free cash flow <sup>2</sup>	240	230



1) Excluding what is specifically stated below in table  
 2) Adjusted for acquisitions and divestments (2015)



# Sales growth with operating leverage

Lindab Group financial highlights full year 2016

- Net sales increased to SEK 7,849 m (7,589) with organic growth of 4%.
- EBIT adjusted for one-off items increased 10% with sales growth as key driver.
- The effective tax rate increased to 31% (29).

SEK m	2016	2015	Chg %
Net Sales	7,849	7,589	3
Organic, %			4
Structure <sup>1</sup> , %			0
Currency, %			-1
EBIT <sup>2</sup>	511	463	10
EBIT <sup>2</sup> , %	6.5	6.1	0.4 pp
Fin net	-38	-38	0
Tax	-139	-126	10
Net profit	306	305	0

<sup>1)</sup> Net of acquisitions and divestments.

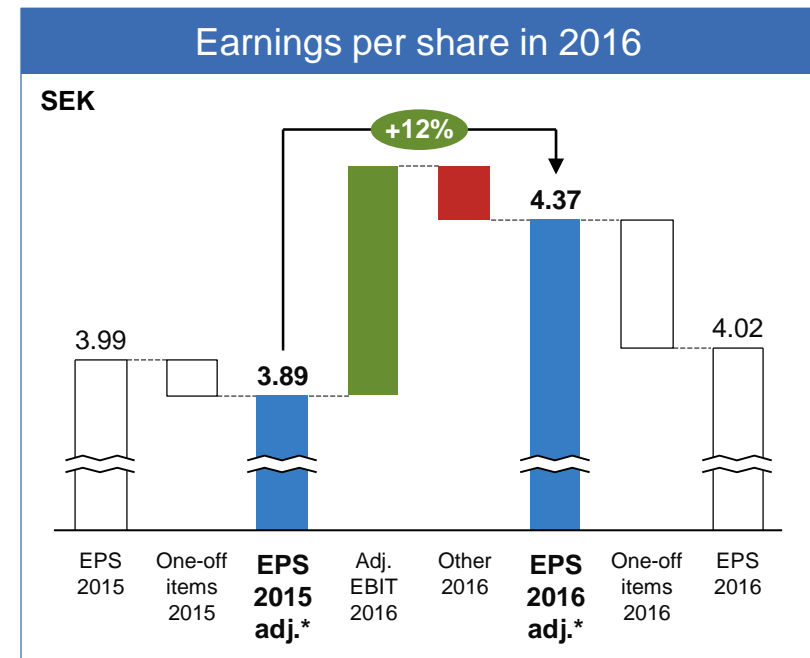
<sup>2)</sup> Excluding one-off items of SEK -28 m (6)



# Increased earning per share in 2016

Lindab Group financial highlights full year 2016

- Earnings per share increased SEK 0.03 or 1% in 2016. However, one-off items had a positive effect on EPS in 2015 and a negative effect in 2016.
- Underlying earnings per share increased SEK 0.48 or 12%.
- One-off items this year mainly relate to cost reduction initiatives, including plant closures, while prior year's largest impact from one-off items was negative goodwill.



\*) EPS adjusted for one-off items net of tax .

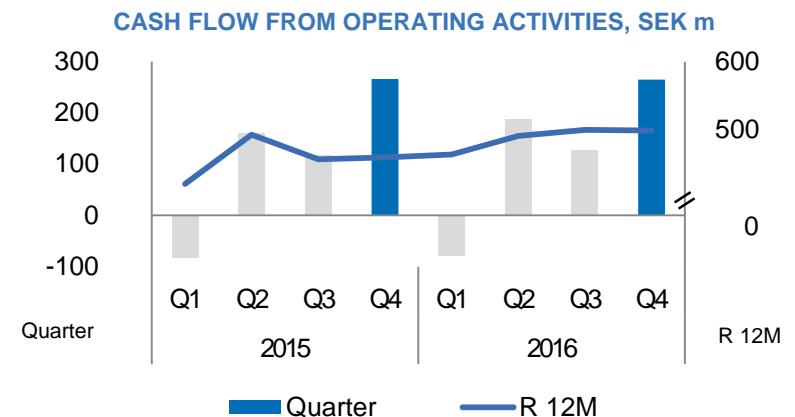


# Improved cash flow and reduced net debt

Lindab Group cash flow full year 2016

- Higher cash flow generated from operating activities.
- Investments in fixed assets lower than prior year.
- Net debt amounted to SEK 1,396 m (1,657).

SEK m	2016	2015
Cash flow from		
- operating activities <sup>1</sup>	614	582
- change in working capital	25	5
- investing activities	-92	-288
- financial net paid	-30	-31
- tax paid	-110	-96
Free cash flow	407	172
Adjusted free cash flow <sup>2</sup>	407	340



1) Excluding what is specifically stated below in table

2) Adjusted for acquisitions and divestments (2015)

# The Board of Directors proposed dividend

- Dividend policy: Lindab will distribute 30% of the company's profit after tax, taking into account the company's capital structure, acquisition needs and long term financing requirements.
- Proposed dividend per share: SEK 1.40 (1.25).
- Strong operational cash flow, reduced net debt and positive outlook supports dividend proposal.
- Total proposed dividend amounts to SEK 107 m.
- Annual General Meeting:
  - 9 May, 15:00 CET, at Grevieparken, Båstad, Sweden.

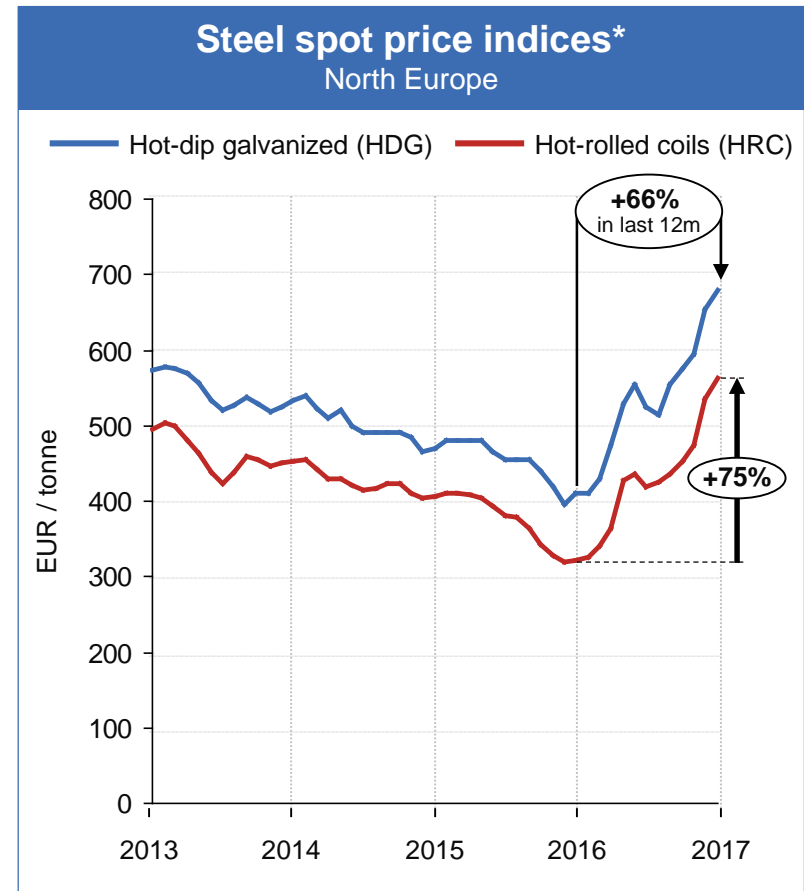
# Highlights





## Continued rapid steel price increases

- Steel prices have increased rapidly for one year and this development is expected to continue into 2017.
- Large focus in both segments on price management to handle the significant cost increases.
- Different business models in our segments result in different challenges and opportunities.
- Clearly negative impact on Building Systems' gross margin in Q4.



\*) Steel price indices from SBB based on cheaper specifications than what Lindab uses.



# Product and Solutions

## UltraLink

- UltraLink received its first order and delivery to Norway during Q4.
- UltraLink has been selected as a finalist for the H&V News Awards for the Air Movement Product of the Year 2017.
- The H&V News Awards are the longest running and most celebrated in the UK building services industry.

*“The introduction of UltraLink for air flow measurement without any pressure drop was very convenient and suited directly into this concept for a low energy projects...”*

*” UltraLink makes airflow measurement possible in all ducts and meets the builders requirements. As a result we can do this without any pressure drop in the duct system or higher energy consumption for fans.”*

### **Norwegian HVAC customer about UltraLink**





# Product and Solutions

Indoor Climate Solutions, examples of prestigious projects

- In UK we received a break-through order to supply Indoor Climate Solutions for a new state-of-the-art hospital to a value of approximately SEK 2 m.
- In Switzerland we received a SEK 4,5 m order to supply ventilation and Indoor Climate Solutions for a new 11 floor building in Zürich (cooling, silencers, diffusers and ducts).
- In Denmark we received a prestigious order to supply Indoor Climate Solutions for the renovated science center Experimentarium in Copenhagen.
- In Sweden we received an order for Hälsostaden in Ängelholm for ICS and Pascal to a value of SEK 3.5 m.



# Building Systems

## Challenges in the quarter

- The weak result in Q4 2016 explained by low sales volume combined with low gross margin.
- Building Systems has not been able to successfully compensate for the significant increases in raw materials, impacting 'steel intense' deliveries of frames made of steel grades with larger price increases.
- Management changes implemented to further drive turn-around plan. Russian market still soft.
- Backlog slightly higher than last year but with longer delivery schedules.
- We expect challenges to continue in Q1 2017 but start to phase out during Q2 2017.





# Some highlights from the quarter

Tightness matters – energy efficiency



**Buildings Solutions** order of 7 MSEK won in Norway to a power plant project.



Lindab's rainwater system has been selected for the inspirational **Silverlake project** in the UK.



**Lindab Digitalisation** focus areas – IT Solutions.



Lindab now being **Eurovent certified for Air Handling Units.**



**Lindab's division Building Systems** receives 4 orders that individually are worth more than 1 MEUR to Germany, Belarus and Russia.



Find out more on YouTube by clicking on the icons above

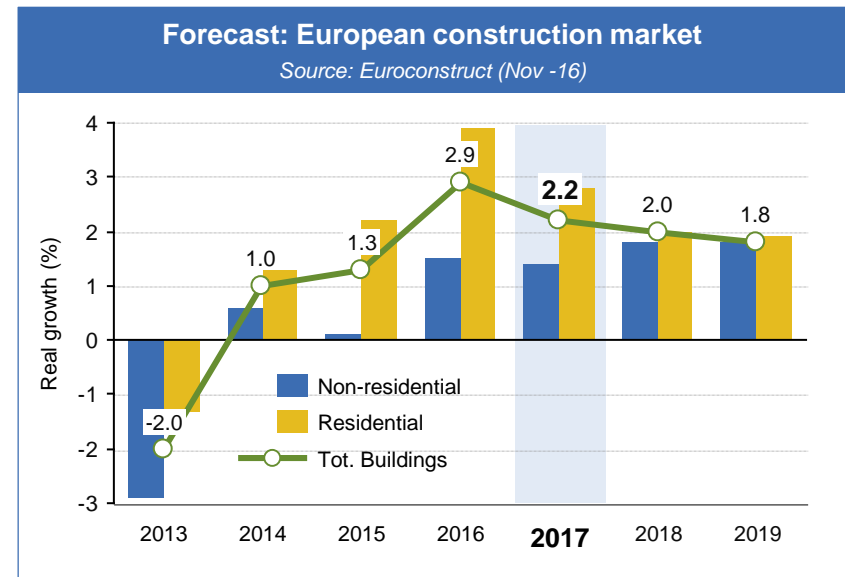
# Outlook



# Market development

Some slowdown forecasted by Euroconstruct in 2017

- The European construction market is estimated to have grown 2.9% in 2016. Growth is mainly driven by residential construction while Lindab's main segment, non-residential buildings, only grew 1.3% in Europe.
- Markets such as Ireland and Sweden stood out positively in 2016.
- Euroconstruct forecasts growth to slow down in 2017. Growth in strong Nordic region expected to be more modest in 2017 and UK forecasted to have a minor decline.
- We continue to improve our customer offering and increase targeted market share.



# Summary and Q&A





# Higher profit but split picture between segments

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# Thank you Q&A

*“Lindab’s innovative solutions create ultimate comfort in the buildings of the future.”*