

# BE Q4

## BE GROUP YEAR-END REPORT 2016

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# Q4 – Volume growth on main markets and improved operating result

## Financial highlights

- Net sales decreased by 3 percent
- Tonnage growth of 4 percent when excluding operations under restructuring
- Gross profit improved to SEK 133 M (112)
- Underlying operating result (uEBIT) of SEK -7 M (-12)
- Operating result (EBIT) improved to SEK 4 M (-17)
- Full year cash-flow from operations improved to SEK 78 M (-93)
- Net debt reduced to SEK 562 M (609)



## Market situation

- Market growth in main distribution markets during the year
- Increasing steel prices during the year. Continued also in fourth quarter
- Trade barriers make the steel market more regional and have given a more healthy balance between supply and demand.

## Operational highlights

- Tonnage growth in fourth quarter when excluding operations under restructuring
- Positive development in Distribution business
- Restructuring of the businesses in Czech Republic and Slovakia follows plan but has a negative effect on topline growth.
- Negative development in Lecor and BE Group Produktion Eskilstuna

# FINANCIALS IN DETAIL

# Operations under restructuring

## Scope

- Operations in Slovakia closed
- Sales of carbon steel and aluminum och Czech market discontinued
- Small production facility in Estonia closed

## Status

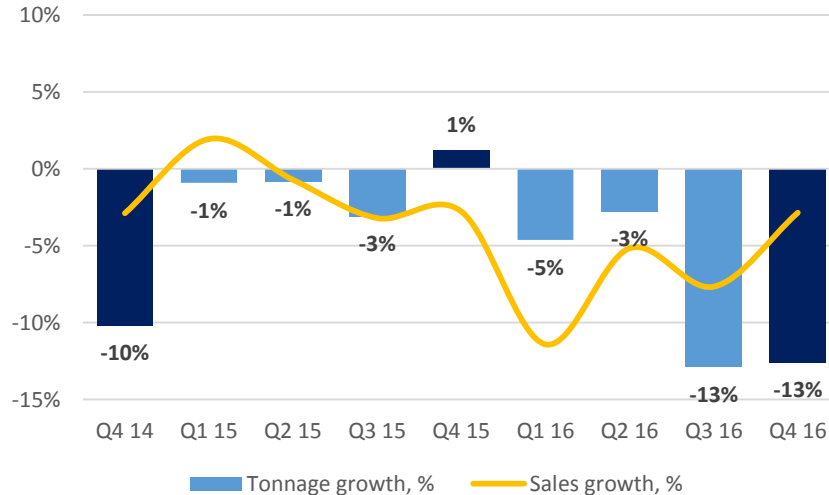
- Progress according to plan
- Sale of building in Czech Republic and liquidation in Slovakia remains

## Financial impact

- Q4 sales of SEK 14 M (84), YTD sales of 155 MSEK (386)
- Q4 EBIT of SEK -2 M (-4), YTD EBIT of SEK -52 M (-32)
- Non-recurring cost of SEK -39 M taken in Q1 2016 - no further costs expected

# Q4 tonnage – Increased tonnage on main markets

## Growth in tonnage and sales (%)



- Sales affected by restructuring

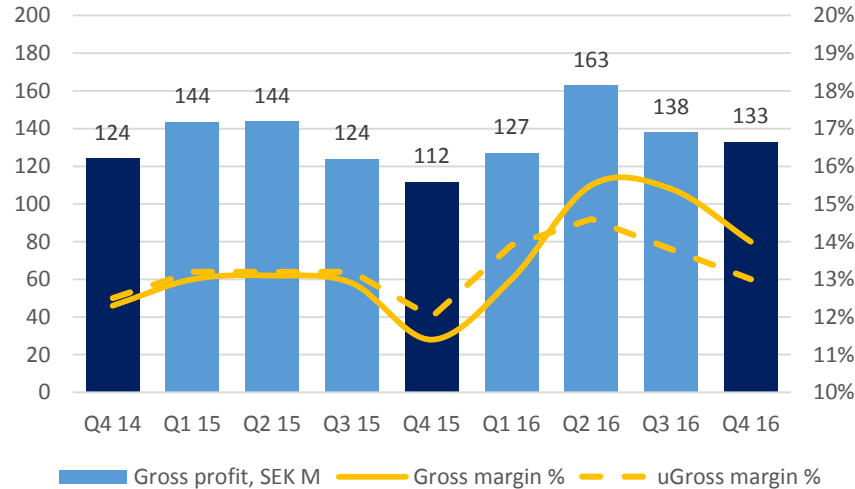
	<u>Q4</u>	<u>YTD</u>
<b>Change in Net Sales</b>	<b>-3%</b>	<b>-7%</b>
■ <i>Tonnage</i>	-13%	-8%
■ <i>Price/Mix</i>	+8%	0%
■ <i>Currency</i>	+2%	+1%

- Lower tonnage due to restructuring

	<u>Q4</u>	<u>YTD</u>
<b>Change in tonnage</b>	<b>-13%</b>	<b>-8%</b>
■ <i>Sweden &amp; Poland</i>	+1%	0%
■ <i>Finland &amp; Baltic</i>	+5%	+4%
■ <i>Op. under restructuring</i>	-97%	-60%

# Gross margin – continued improvement compared to 2015

## Gross profit (SEK M) and gross margin (%)



- Gross profit improved to SEK 133 M (112) despite lower sales
- Gross margin improved to 14.0% (11.4) with help from inventory gains
- Underlying gross margin improved to 13.0% (12.0)
  - Mix of sales between business areas had positive effect on margins
  - Underlying margin improvement in BA Finland and Baltics
- 0.4 percentage point negative impact compared to Q3 from Lecor and BE Group Produktion performance

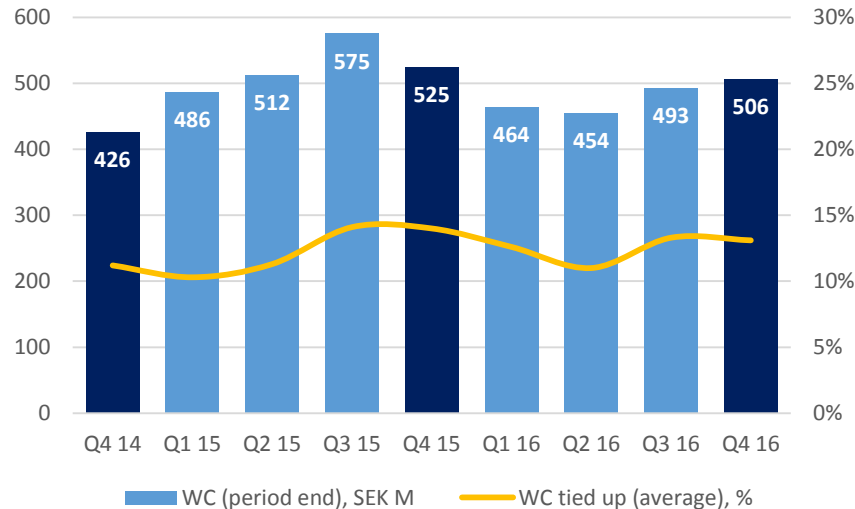
# Quarterly comparison to last year

SEK M	Q1	Q2	Q3	Q4	FY 2016
<b>Net sales 2015</b>	<b>1 104</b>	<b>1 104</b>	<b>966</b>	<b>981</b>	<b>4 155</b>
Change BA Sweden & Poland	-49	-22	-26	-4	-101
Change BA Finland & Baltics	-31	+17	+15	+48	+49
Change Other	-46	-52	-63	-72	-233
<b>Net sales 2016</b>	<b>978</b>	<b>1 047</b>	<b>892</b>	<b>953</b>	<b>3 870</b>
<i>Change</i>	<i>-11%</i>	<i>-5%</i>	<i>-8%</i>	<i>-3%</i>	<i>-7%</i>
<b>Operating result 2015</b>	<b>10</b>	<b>10</b>	<b>-117</b>	<b>-17</b>	<b>-114</b>
Inventory gains (-)/ losses (+)	2	2	3	5	12
Non-recurring items	-	-	124	-	124
<b>Underlying operating result 2015</b>	<b>12</b>	<b>12</b>	<b>10</b>	<b>-12</b>	<b>22</b>
Change in sales	-17	-8	-10	-3	-38
Change in underlying gross margin	7	16	5	10	38
Change in overhead costs	7	1	5	-2	11
<b>Underlying operating result 2016</b>	<b>9</b>	<b>21</b>	<b>10</b>	<b>-7</b>	<b>33</b>
Inventory gains (+)/losses (-)	-9	10	16	11	28
Non-recurring items	-45	-	-	-	-45
<b>Operating result 2016</b>	<b>-45</b>	<b>31</b>	<b>26</b>	<b>4</b>	<b>16</b>



# Working capital – remains on a good level

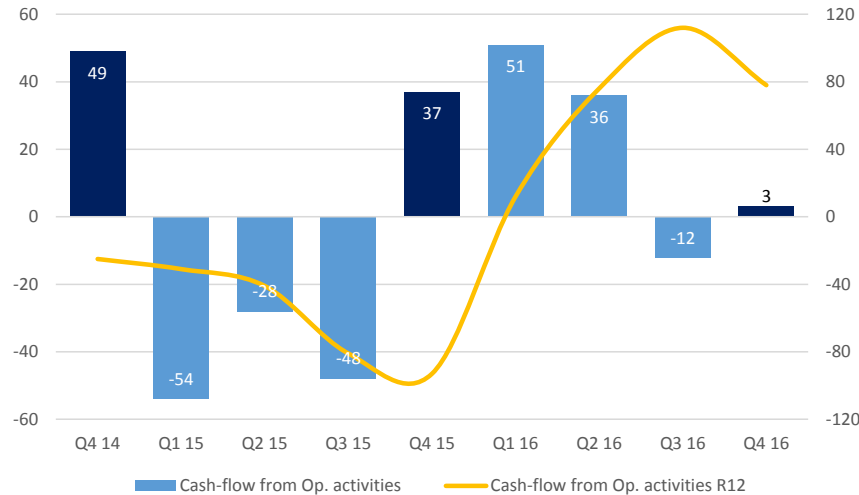
## Working capital (SEK M)



- Year-end working capital decreased by SEK 19 M compared to last year
  - Increase driven by tonnage growth
  - Structural reduction from restructuring Czech and Slovakia
- Q4 average working capital tied-up 13.1% (14.0)

# Cash-flow – FY operating cash-flow of SEK 78 M and net debt reduction

## Cash-flow from operating activities (SEK M)



- Q4 operating cash-flow of SEK 3 M (37)
- Investment cash-flow of SEK -3 M (-6) in Q4
- Rolling twelve months operating cash flow of SEK 78 M (-93)
- Net debt of SEK 562 M (609) and gearing of 73% (78)
- Debt amortization of SEK 66 M during the year
- Available cash SEK 127 M (133)

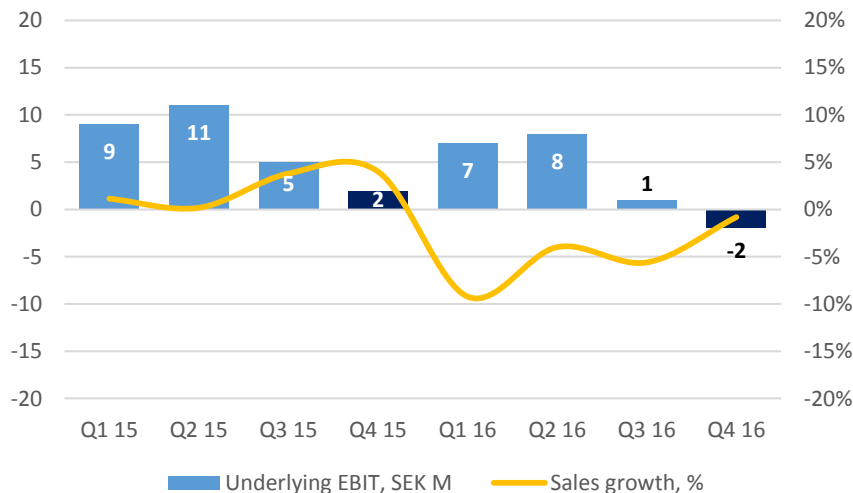
# Financial Summary

<i>SEK M</i>	Q4 2016	Q4 2015	Change
Net sales	953	981	-28
Underlying EBIT	-7	-12	+5
<i>% of Sales</i>	-0.7%	-1.2%	+0.5%
Inventory gains/losses	11	-5	+16
Non-recurring items	-	-	-
EBIT	4	-17	+21
<i>% of Sales</i>	0.4%	-1.7%	+2.1%
Financial net	-6	-9	+3
Earnings before tax	-2	-26	+24
Net earnings	-2	-23	+21
Operating Cash-Flow R12	78	-93	+171
Net Debt	562	609	-47
Gearing	73%	78%	-5%

# BUSINESS AREAS STATUS Q4 2016

# BA Sweden & Poland – result affected by problems in two units

## uEBIT (SEK M) and sales growth (%)

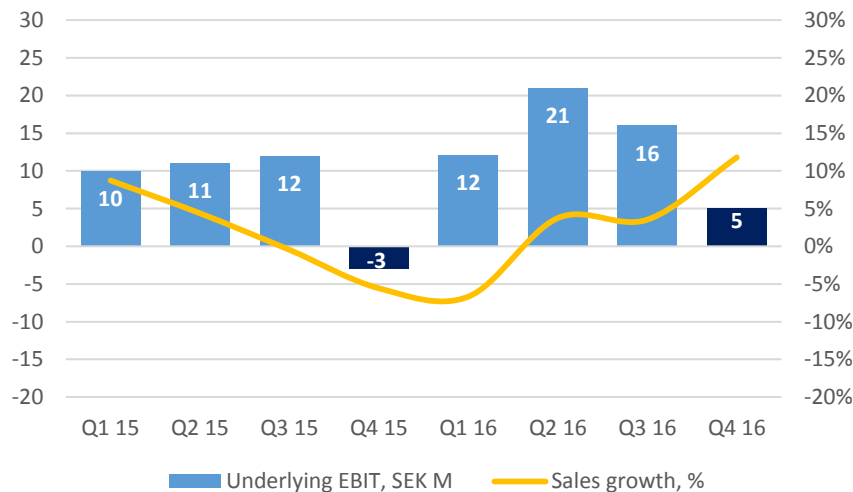


## Comments Q4 2016

- Market demand above last year
- Tonnage up 1% vs Q4 2015
- Net sales down 1%, and amounted to SEK 490 M (494)
- uEBIT of SEK -2 M (2)
- Lower underlying result explained by development in Lecor and BE Group Produktion. Combined loss SEK -12 M (-4)
- EBIT of SEK 2 M (1)

# BA Finland & Baltic – Significantly improved result

## uEBIT (SEK M) and sales growth (%)



## Comments Q4 2016

- Market demand above last year
- Tonnage up 5% vs Q4 2015
- Net sales up 12%, on the back of rising average prices and a strengthened euro, and amounted to SEK 455 M (407)
- uEBIT of SEK 5 M (-3)
- Underlying result improved due to higher sales and margins
- EBIT of SEK 12 M (-7)

# OUTLOOK

# Business outlook

- Continued growth in market demand expected.
- Restructuring will continue to have negative impact on Group tonnage during first half of 2017
- Prices expected to continue upwards in the beginning of the year
- Distribution business expected to see continuous improvement
- Focus to improve result in Lecor and BE Produktion Eskilstuna





# Summary and conclusions

- Market demand and price level have upwards trend
- Work with units under restructuring coming to a end, savings will be fully realized early 2017
- Improvement actions in Lecor and BE Production Eskilstuna
- Positive Q4 EBIT of SEK 4 M (-17)
- Positive cash-flow and net debt reduction
- New Group structure and initiatives will continue to improve performance



# Q&A



# APPENDIX FINANCIAL INFORMATION

# Description of new segments

- Revised Segment reporting due to restructuring and new organisation
- New segments applied from Q2 2016
- Historical data for 2015 and Q1 2016 restated
  
- **BA Sweden & Poland**; BE Group Sweden, BE Group Produktion Eskilstuna, Lecor Stålteknik and BE Group Poland
  
- **BA Finland & Baltics**; BE Group Finland, BE Group Estonia, BE Group Latvia and BE Group Lithuania
  
- **Parent Company and consolidated items**; BE Group AB, Group eliminations and Operations under restructuring (BE Group Czech Republic, BE Group Slovakia and RTS Eesti)

# P&L Summary January to December

<i>SEK M</i>	FY	FY	Change
	2016	2015	
Net sales	<b>3 870</b>	4 155	-285
Underlying EBIT	<b>33</b>	22	+11
<i>% of Sales</i>	<b>0.9%</b>	0.5%	+1.4%
Inventory gains/losses	<b>28</b>	-12	+40
Non-recurring items	<b>-45</b>	-124	+79
EBIT	<b>16</b>	-114	+130
<i>% of Sales</i>	<b>0.4%</b>	-2.8%	+3.2%
Financial net	<b>-27</b>	-48	+21
Earnings before tax	<b>-11</b>	-162	+151
Net earnings	<b>-20</b>	-169	+149
Number of shares period end (M)	<b>12.98</b>	12.98	0
EPS (SEK)	<b>-1.56</b>	-13.02	+11.46
Operating Cash-Flow R12	<b>78</b>	-93	+171

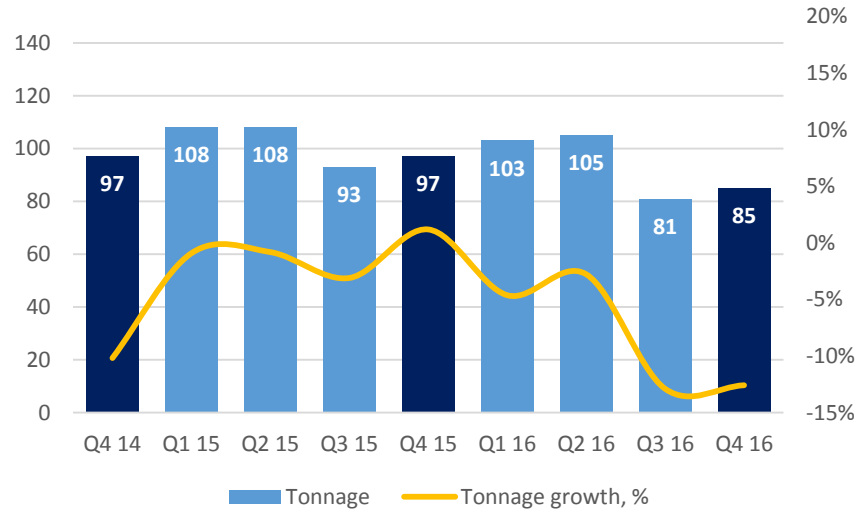
# Balance sheet

<i>SEK M</i>
Non-current assets
Inventories
Accounts Receivable
Other Receivables
Cash
<b>Total Assets</b>
Equity
Interest bearing liabilities
Accounts payable
Other liabilities
<b>Total Equity and liabilities</b>
Working Capital
Net Debt
Gearing

Dec	Dec	Change
2016	2015	
874	907	-33
527	546	-19
442	409	+33
49	66	-17
27	33	-6
<b>1 919</b>	<b>1 961</b>	<b>-42</b>
771	785	-14
590	642	-52
375	353	+22
183	181	+2
<b>1 919</b>	<b>1 961</b>	<b>-42</b>
506	525	-19
562	609	-47
73%	78%	

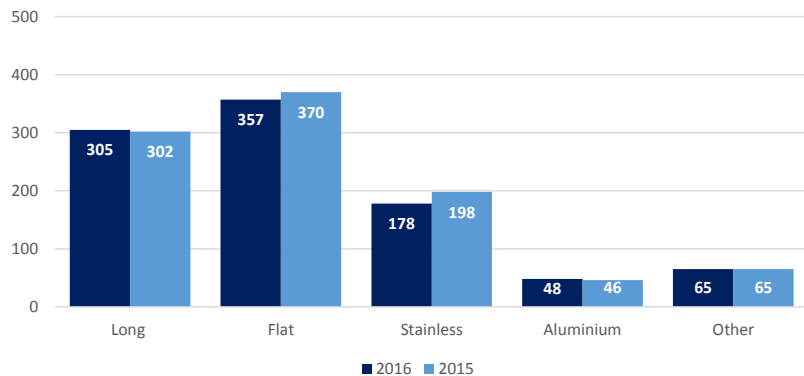
# Appendix: Tonnage development

## Tonnage ('000 tons)

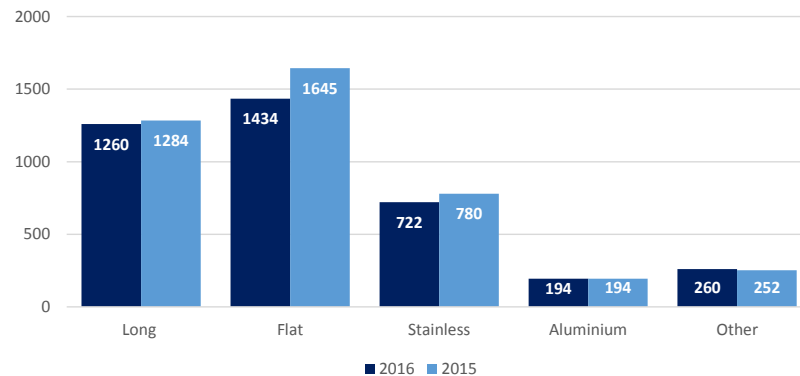


# Appendix: Sales per product area

## Q4 Sales (SEK M)



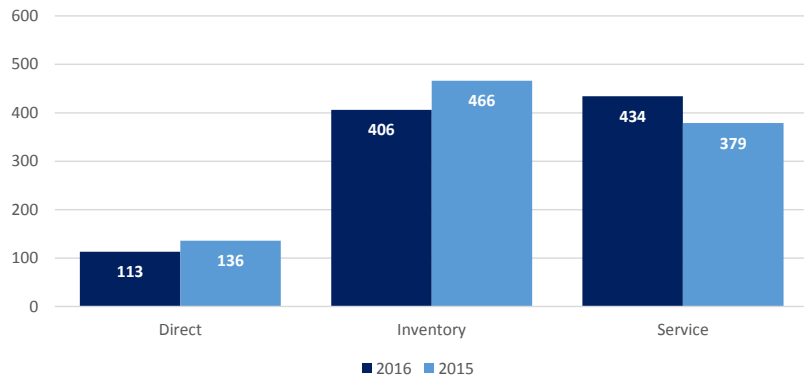
## YTD Sales (SEK M)





# Appendix: Sales per business solution

## Q4 Sales (SEK M)



## YTD Sales (SEK M)

