



BE GROUP, INTERIM REPORT JULY – SEPTEMBER 2018

October 23rd, 2018

Anders Martinsson, President and CEO

Daniel Fäldt, CFO

Agenda



Q3 Overview



Financials in Detail



Business Areas - Status



Outlook



Q&A



Financial highlights – Q3 2018

- Net sales increased by 15% to SEK 1,111 M (968)
- The underlying operating result increased to SEK 26 M (22)
- Operating result increased to SEK 33 M (19)
- Result after tax increased to SEK 23 M (9)
- Cash flow from operating activities amounted to SEK -10 M (97)
- Earnings per share increased to SEK 1.73 (0.72)



Market situation – Q3 2018

- Demand remained on a good level in both Construction and Manufacturing segments
- Prices continued slightly upwards
- Tough competition in the thin sheets business continued to give margin pressure in Sweden and Finland
- In business area Sweden & Poland tonnage grew by 8 percent and sales increased by 20 percent
- In business area Finland & Baltics tonnage were in line with last year but sales increased 14 percent



Operational highlights – Q3 2018

- Business unit Production Sweden & Poland continuing to have good development
- Exit from remaining business in Prerov, Czech Republic, is ongoing
- Focus on cost control and implemented structural changes continue to have effect
- After reporting period an agreement was finalized for the warehouse in Malmö
Agreement includes a settlement at a lower cost than expected and reduced rental cost.
Approximately SEK 4 M of the provision booked at the end of 2017 expected to be released
in the fourth quarter of 2018



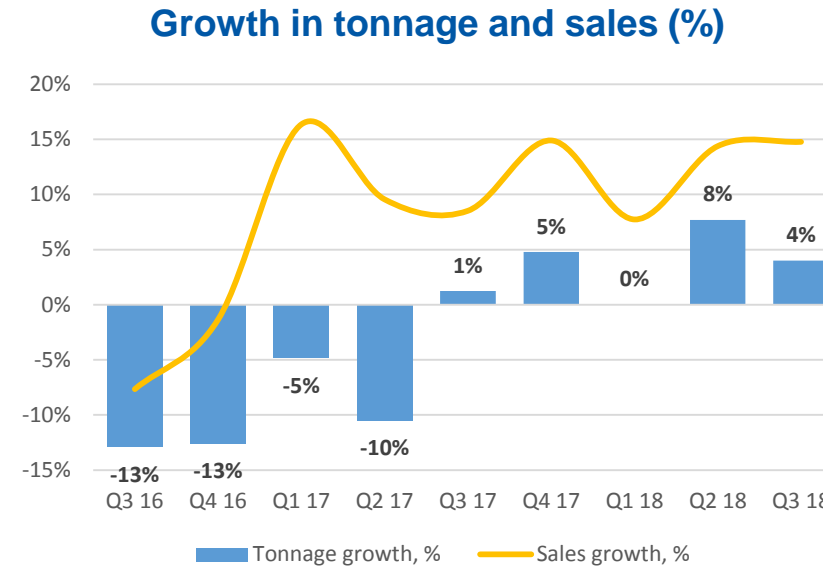


FINANCIALS IN DETAIL

Sales – Positive development again in Q3

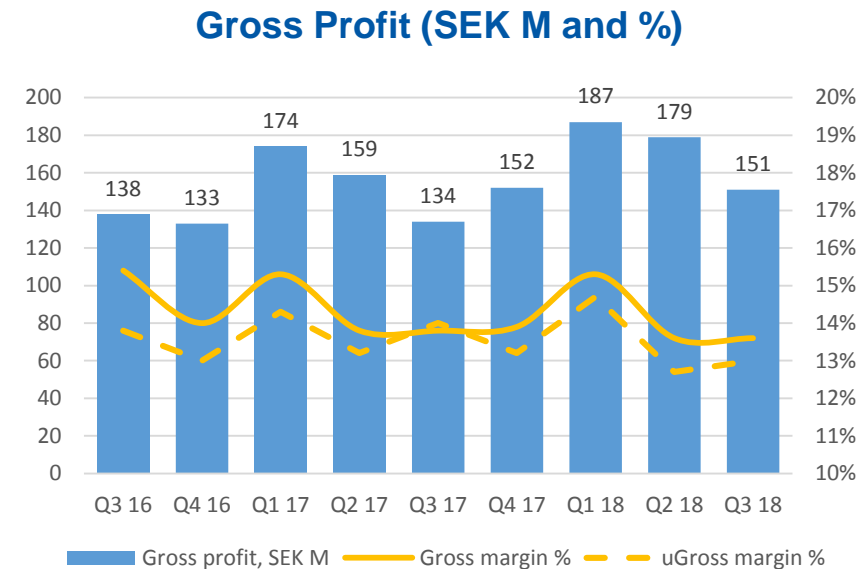
	<u>Q3</u>
Change in Net Sales	+15%
▪ <i>Tonnage</i>	+4%
▪ <i>Price/Mix</i>	+6%
▪ <i>Currency</i>	+5%

	<u>Q3</u>
Change in tonnage	+4%
▪ <i>Sweden & Poland</i>	+8%
▪ <i>Finland & Baltics</i>	0%



Gross Profit – Stronger due to improved sales and inventory gains

- Gross profit above last year SEK 151 M (134)
- Main impact from sales growth in both Business Areas
- Tough competition continues to give pressure on margins
- Gross margin 13.6% (13.8) and underlying margin 13.0% (14.0)
- Improved margins in BU Production Sweden & Poland
- Positive impact from close down of production facility in Eskilstuna
- Inventory gains of SEK 7 M (-3 M)



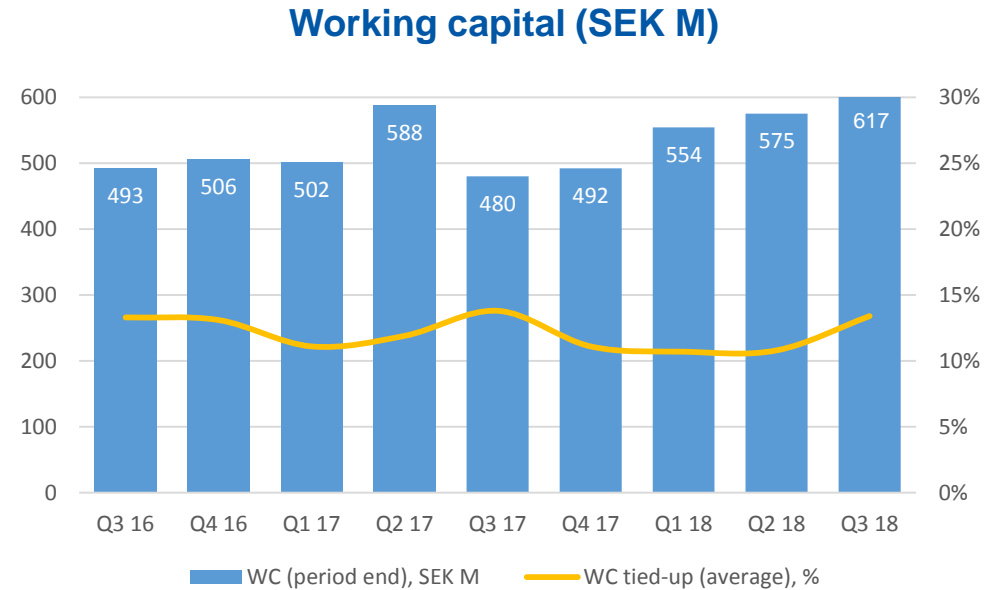
Quarterly comparison to last year

SEK M	Q1	Q2	Q3	Q4	FY
Net sales 2017	1 138	1 147	968	1 095	4 348
Change BA Sweden & Poland	108	146	89		
Change BA Finland & Baltics	26	53	70		
Change Other	-46	-34	-16		
Net sales 2018	1 226	1 312	1 111		
<i>Change</i>	<i>+8%</i>	<i>+14%</i>	<i>+15%</i>		
Operating result 2017	46	-13	19	5	57
Inventory gains (-)/ losses (+)	-16	-8	3	-6	-27
Items affecting comparability	-	42	-	10	52
Underlying operating result 2017	30	21	22	9	82
Change in sales	13	22	20		
Change in underlying gross margin	4	-7	-11		
Change in overhead costs	1	-10	-5		
Underlying operating result 2018	48	26	26		
Inventory gains (+)/losses (-)	7	12	7		
Items affecting comparability	-	-16	-		
Operating result 2018	55	22	33		



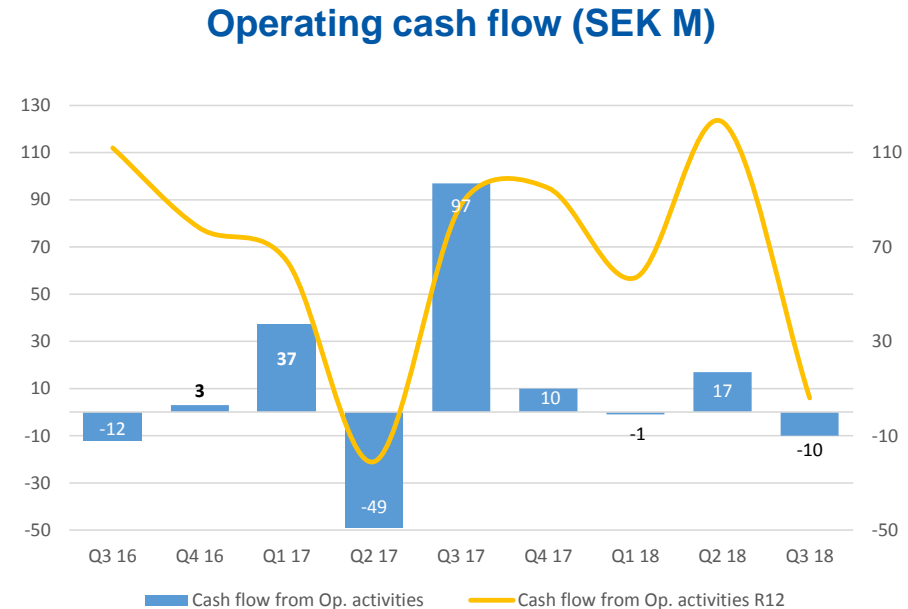
Improved working capital tied-up %

- Working capital increased by SEK 137 M compared to last year
- Average working capital tied-up improved to 13.4% (13.8)
- Expected improvement in Q4 through lower WC



Operating cash flow – Improved profitability offset by higher WC

- Operating cash flow of SEK -10 M (97)
- Investment cash flow of SEK -11 M (19)
- Rolling twelve months operating cash flow of SEK 16 M (88)
- Net debt of SEK 513 M (465) and gearing of 58 percent (58)
- Available cash SEK 137 M (234) incl. overdraft facility
- Expected improvement in Q4 through lower WC and continued profitability development



Financial Summary

<i>SEK M</i>	Q3	Q3	Change
	2018	2017	
Net sales	1 111	968	+143
Underlying EBIT	26	22	+4
<i>% of Sales</i>	2.4%	2.2%	+0.2%
Inventory gains/losses	7	-3	+10
Items affecting comparability	-	-	-
EBIT	33	19	+14
<i>% of Sales</i>	3.0%	2.0%	+1.0%
Financial net	-2	-6	+4
Earnings before tax	31	13	+18
Net earnings	23	9	+14
Operating Cash-Flow R12	16	88	-72
Net Debt	513	465	+48
Gearing	58%	58%	0%





BUSINESS AREAS

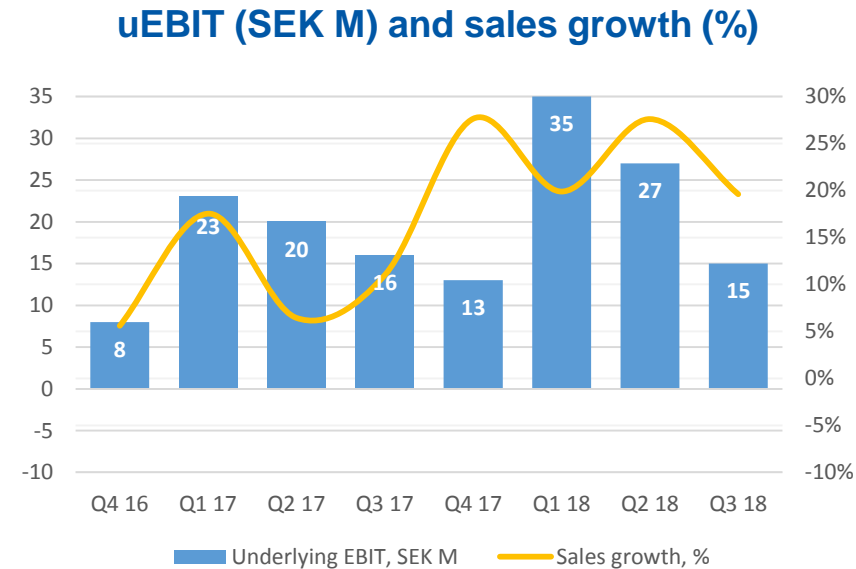
- STATUS Q3 2018



BE GROUP

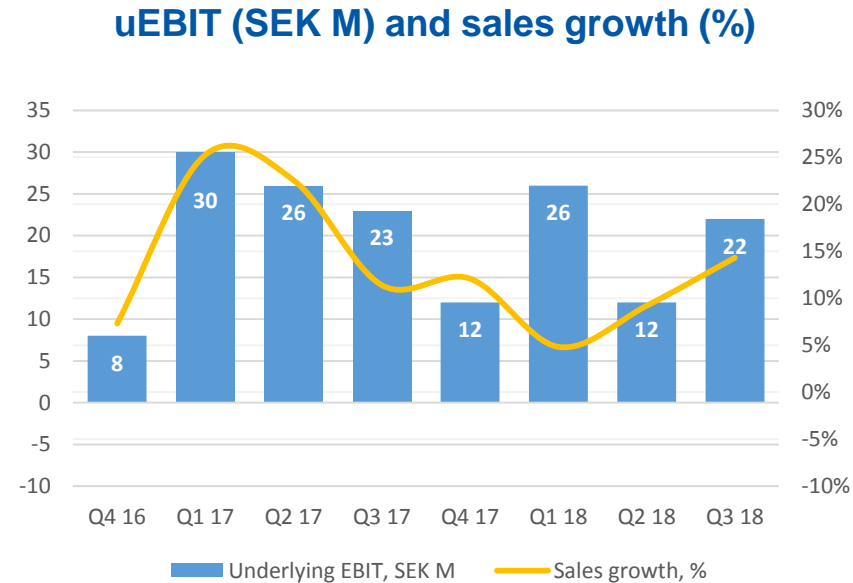
BA Sweden & Poland – Strong volume & sales growth

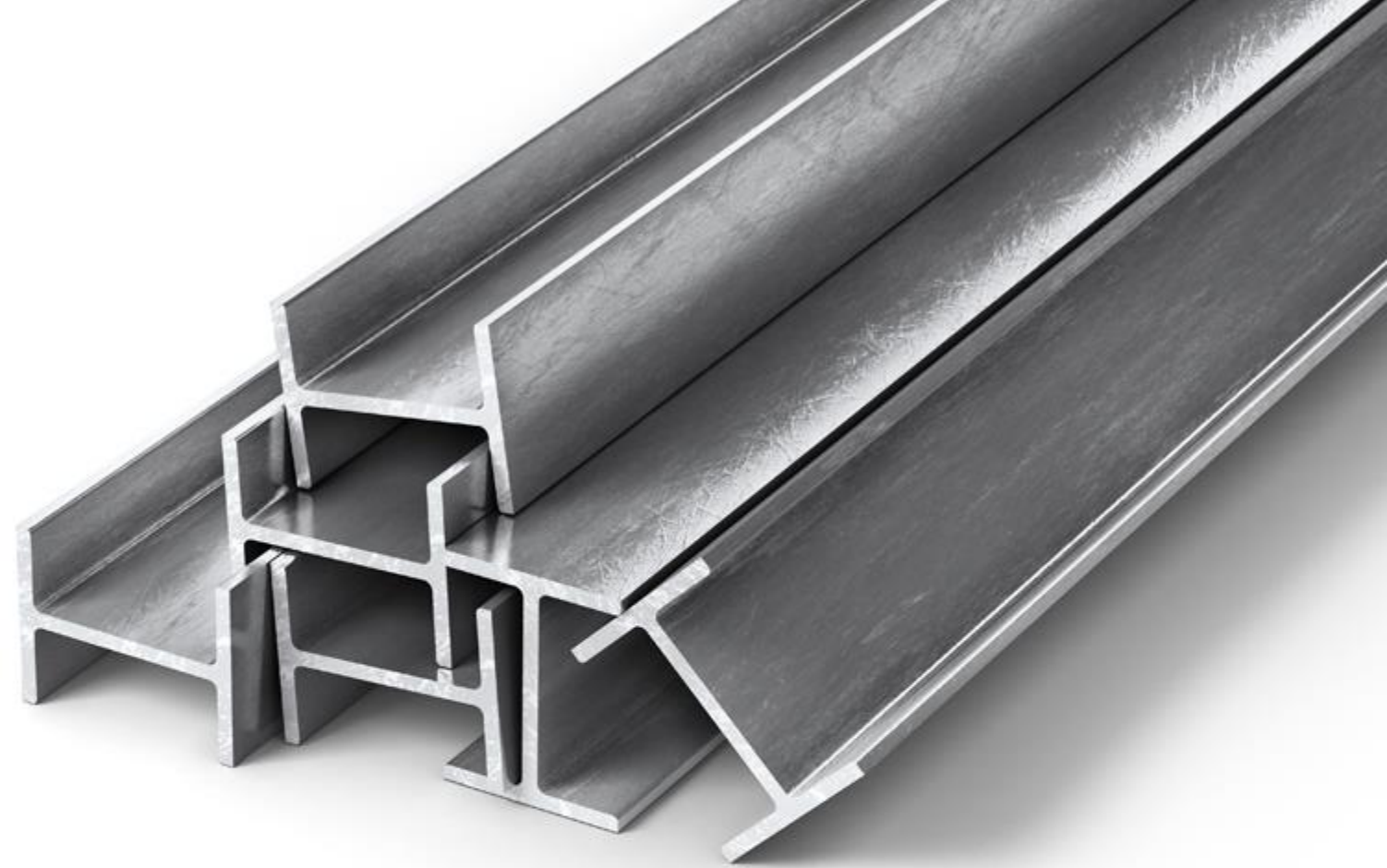
- Tonnage up 8% vs Q3 2017
- Net sales up 20%, and amounted to SEK 543 M (454)
- uEBIT of SEK 15 M (16) due to declined underlying Gross Margin driven by price pressure on reinforcement steel and long products
- Weaker result in AMBE due to tough competition in thin sheets segment
- Business unit Production Sweden & Poland delivers a strongly improved underlying operating result due to higher capacity utilization
- EBIT of SEK 19 M (15)



BA Finland & Baltic – Sales growth in Finland

- Tonnage in line with previous year
- Net sales up 14% and amounted to SEK 559 M (489) due to higher steel prices and mix effects
- uEBIT of SEK 22 M (23)
- Business unit Distribution & Production Finland in line with previous year
- Initiatives launched to increase performance in Baltic
- EBIT of SEK 26 M (23), mainly due to inventory gains of SEK 4 M (-1).





OUTLOOK



BE GROUP

Business Outlook

- Demand in the upcoming quarter is expected to remain strong in the company's main markets
- Market is very regionalized and no signs of any country releasing trade protections
- Steel prices expected to remain on par with third quarter
- Ongoing improvement measures will continue to strengthen the Group



Summary and conclusions

- Tonnage growth at 4% in Q3 2018 vs last year
- Strong sales growth at 15% in Q3 2018 vs last year
- Improved underlying operating result SEK 26 M (22)
- Operating result significantly higher than last year SEK 33 M (19)
- Market demand and prices expected to continue at same level in Q4



THANK YOU!
For your time and interest

www.begroup.com





APPENDIX – FINANCIAL INFORMATION



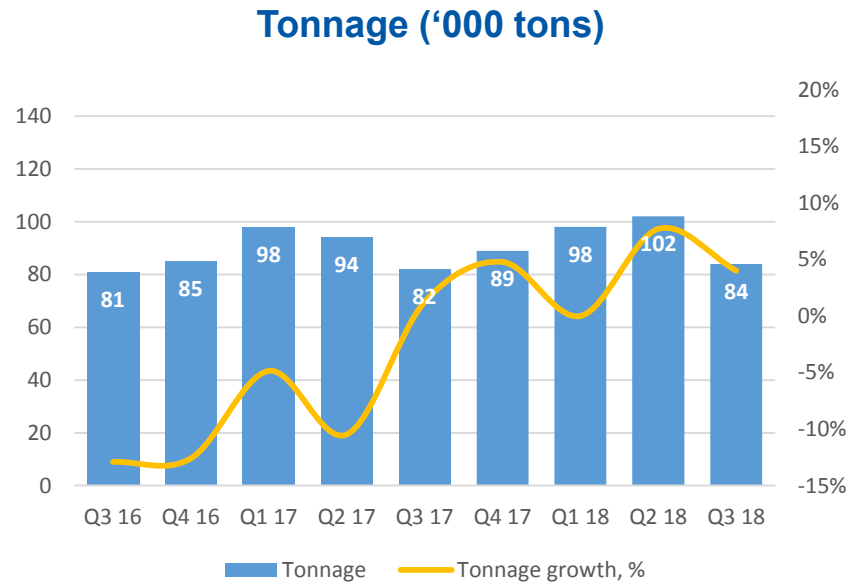
BE GROUP

Description of segments

- **BA Sweden & Poland;** BE Group Sweden, 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 Estonia), BE Group Produktion Eskilstuna (since Q4 2017)



Appendix: Tonnage development



Balance sheet

<i>SEK M</i>	Sep 2018	Sep 2017	Change
Non-current assets	853	847	+6
Inventories	719	604	+115
Accounts receivable	664	602	+62
Other receivables	46	43	+3
Cash	57	134	-77
Total assets	2 339	2 230	+109
Equity	882	801	+81
Interest bearing liabilities	569	599	-30
Accounts payable	641	593	+48
Other liabilities	247	237	+10
Total equity and liabilities	2 339	2 230	+109
Working capital	617	480	+137
Net debt	513	465	+48
Gearing	58%	58%	0%

