

# Interim report January-December 2015

5 February 2016





# Introduction

- Best year ever
- Q4 organic growth affected by:
  - Tougher comparables
  - Seasonal sales mix
  - Major customer store closures
  - Lower project sales in the Nordics
- Q4 EBIT margin affected by:
  - One-off redundancy costs
  - Operational disturbances
  - Increased marketing spend
- Outlook for 2016
  - Disruptions addressed
  - Initiatives for Growth and Efficiency
  - Will make the 10 per cent



# Highlights and performance

## Fourth quarter 2015


- Net sales SEK 3,306 m (3,014)
- Organic growth 3% (5)
- EBIT margin 8.7% (9.0)
- Operating cash flow SEK 292 m (301)

## Full year 2015

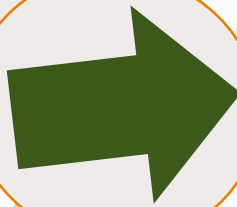
- Net sales SEK 13,3 bn (11,4)
- Organic growth 6% (2)
- EBIT margin 9.3% (8.5)
- Operating cash flow SEK 770 m (779)
- Proposed share dividend SEK 2.50 (1.75)

Net sales and EBIT margin excluding items affecting comparability

# Kitchen market trend



**UK market** continued to grow. The private development segment develops favourably on the back of increased new build activity.

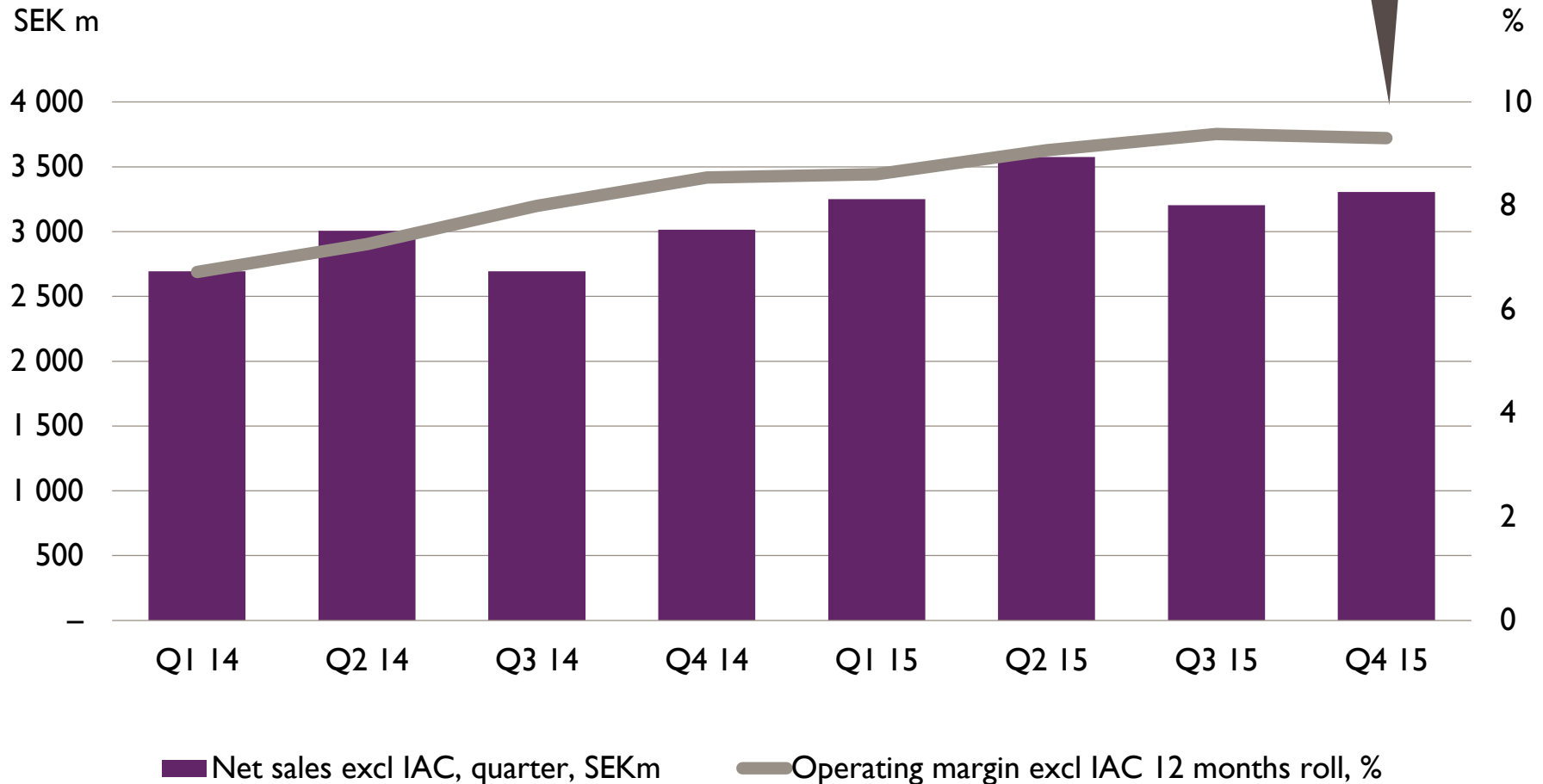


**Nordic market** estimated to have been up. Sweden remains to be the main engine with growth in the consumer segment as well as in the professional segment.

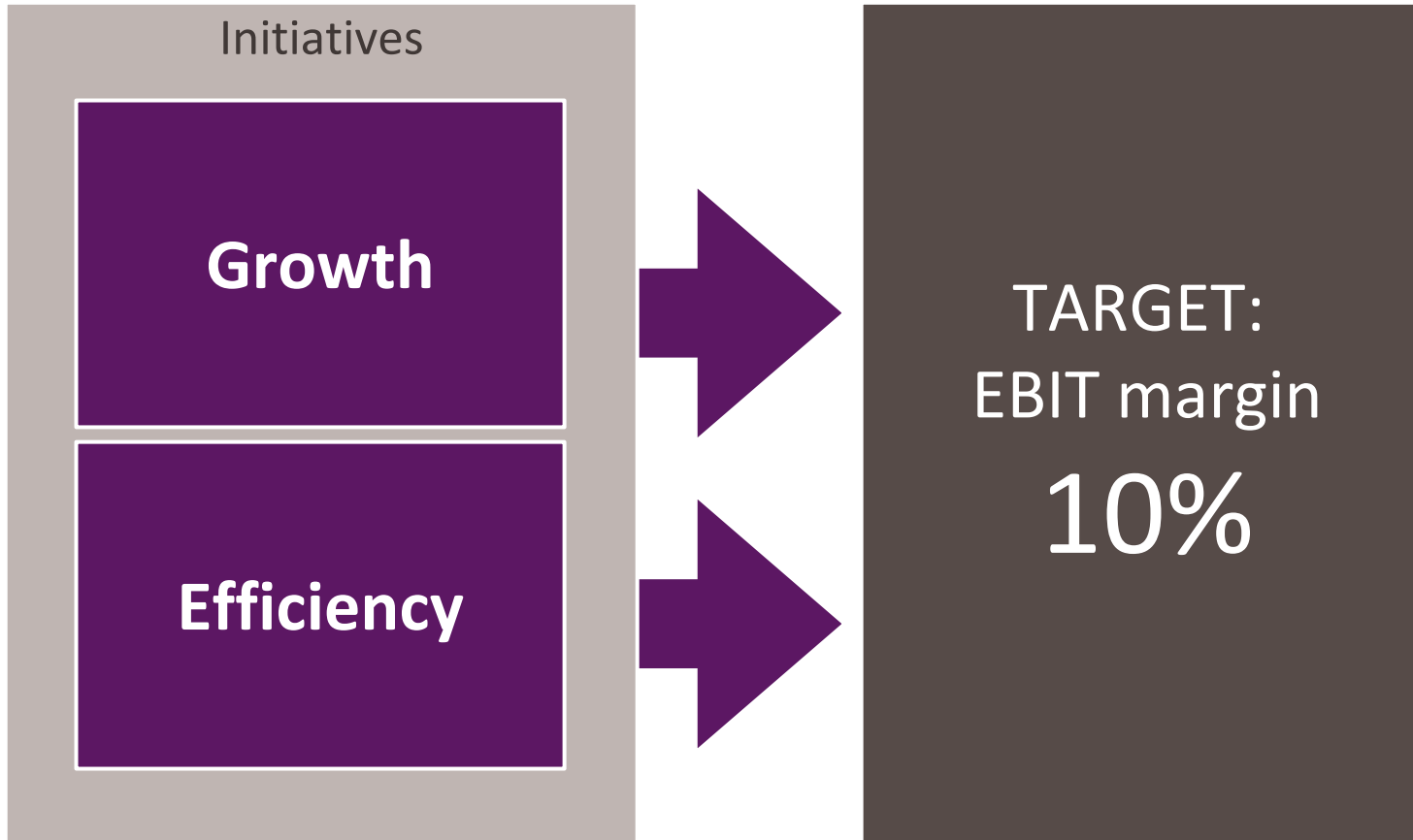


**Central Europe market** is estimated to have been on par with last year.

# Net sales and operating margin



# Strategy based on Growth and Efficiency



# Why was Q4 lower than expected by analysts?

## 1. Organic growth of 3.1% vs consensus of 5.2%

- much tougher comparables in Q4 2014 (the growth started that quarter)
- Q4 is trade season in the UK and Simply Magnet, the growth engine in Magnet, did not yet address that segment
- UK B2B customer Homebase is closing stores
- the Norwegian and Finnish project businesses softened

## 2. EBIT-margin of 8.7% vs consensus of 9.8%

- one-off costs of c SEK 35m, whereof c 25m redundancy and transactions costs
- operational disturbances in Finland and Austria amounting to c SEK 15 - 20m
- increased marketing activities of c SEK 10m

# Nordic region

43% of net sales in Q4

- Organic growth primarily in the consumer segment
- Gross margin declined due to currency and increased costs, partly driven from temporary supply chain issues in Finland
- EBIT declined primarily due to lower gross margin and increased marketing activities

	2014 Oct-Dec	2015 Oct-Dec
Net sales (SEK m)	1,382	1,421
Organic growth	6%	5%
Gross margin	40.0%	39.0%
EBIT (SEK m)	193	172
EBIT margin	14.0%	12.1%

Excluding items affecting comparability



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## UK region

- Organic growth was attributable to Magnet, where both retail and the contract business increased
- Rixonway's sales declined
- Commodore and CIE reported net sales of SEK 68 m
- Gross margin declined on the back of the impact of the acquired companies' business models
- EBIT improved due to higher volumes, currency and lower costs

44% of net sales in Q4

	2014 Oct-Dec	2015 Oct-Dec
Net sales (SEK m)	1,227	1,471
Organic growth	1%	3%
Gross margin	40.8%	40.2%
EBIT (SEK m)	91	154
EBIT margin	7.4%	10.5%

Excluding items affecting comparability

**Magnet**

**Gower**



**rixonway  
kitchens**

**ck** commodore  
kitchens

# Central Europe region

- Organic decline in both Poggenpohl and Austria
- Gross margin fell due to negative productivity development, sales mix and one-off cost for staff reduction in Poggenpohl
- EBIT declined as a consequence of decreased volumes and the lower gross margin
- Impairments in Poggenpohl of SEK 96 million, due to incorrect accounting in Poggenpohl US for several years

13% of net sales in Q4

	2014 Oct-Dec	2015 Oct-Dec
Net sales (SEK m)	407	415
Organic growth	9%	-4%
Gross margin	42.0%	40.5%
EBIT (SEK m)	34	8
EBIT margin	8.4%	1.9%

Excluding items affecting comparability



# Financial position, Q4

## Operating cash flow decreased slightly

- Negative change in working capital
- Increased investments

## Strong balance sheet

- Lower net debt
- Net debt/equity ratio lower despite acquisition of Commodore and CIE, and increased investments

SEK m	2014 Oct-Dec	<b>2015 Oct-Dec</b>
Operating profit incl. items affecting comparability	173	191
Change in working capital	160	119
Investments in fixed assets	-109	-140
Operating cash flow	301	292

SEK m	2014 31 Dec	<b>2015 31 Dec</b>
Net debt	1,206	774
– of which pensions	869	732
– of which net borrowings	337	42
Net debt/equity	38%	20%



## Outlook for 2016

- Disruptions addressed
- Initiatives for Growth and Efficiency
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# Q&A

