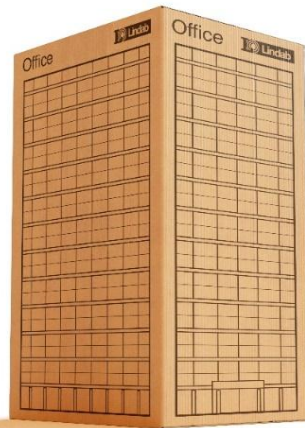




# Lindab Group Q3 2014



Q3 Financials  
New Strategy  
New Financial Targets

Anders Berg, CEO  
Per Nilsson, CFO



# Highlights



# Lindab Group – Q3 2014 Highlights

## An important quarter showing the way

- Sales increased by 9% compared to last year, or 5% when adjusted for currency and structure
  - Products & Solutions: 11% (6% adjusted)
  - Building Systems: -1% (-3% adjusted)
  
- EBIT amounted to SEK 210 m in Q3 compared to SEK 195 m last year (excluding one-off items)
  - EBIT margin amounted to 11.0% (11.1)
  - Product & Solutions: 10.7% (9.7)
  - Building Systems: 12.6% (19.6)
  
- Cash flow from operations amounted to SEK 153 m compared to SEK 136 m in Q3 2013



# Lindab Group – Q3 2014 Highlights

## An important quarter showing the way

- Platform in place and yielding results, paving the way for the next step on our journey towards an integrated company
  
- New Strategy re-positioning Lindab for future prosperity
  - Complete ventilation solutions
  - Strengthen as well as conquer new market positions
  - Generate more value to more stakeholders and reach our financial targets
  
- Uncertainty in the CIS region prevails
  - Cautious on outlook for this region this year for Building Systems



# Financials



# Lindab Group

## Profit & Loss Q3 2014

SEK m	Q3 2014	Q3 2013
Sales	1,904	1,753
EBIT*	210	195
EBIT* %	11.0	11.1
Fin net	-12	-27
Tax	-48	-37
Net profit	145	101

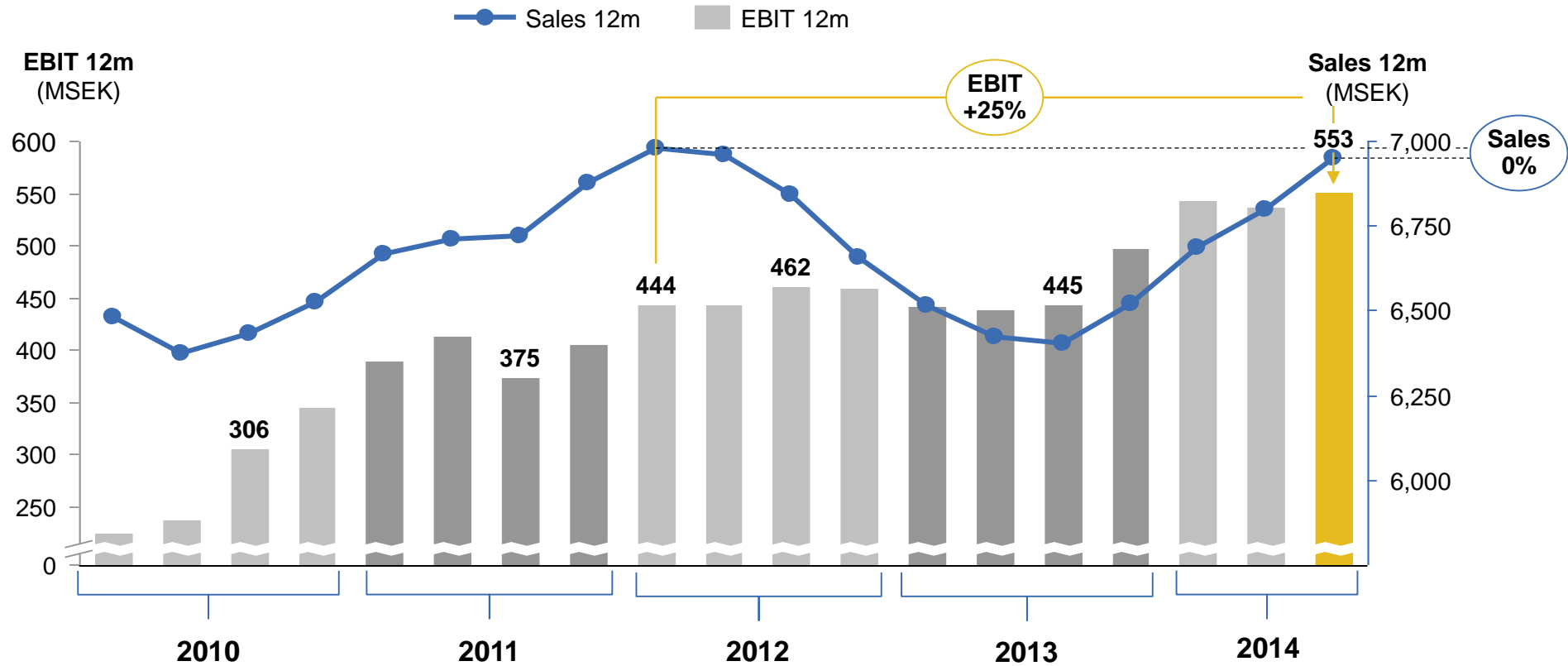
Sales growth	9%
Structure	0%
Currency effect	4%
Organic	5%

\*) EBIT excluding one-off items of SEK -5 m in Q3 2014 and SEK -30 m in Q3 2013, net profit not adjusted

- The sales increase is explained by a continued strong development within Products & Solutions. However, the sales development for Building Systems has been negative mainly due to weak sales to the important market Belarus.
- The increased EBIT is explained by higher sales volume but somewhat offset by lower gross margins due to product mix in Products & Solution and market/project mix in Building Systems.
- Strategic sales initiatives and activities have started to produce results, and costs in general under control.



## 2012 - 2014: weakened sales; increased efficiency



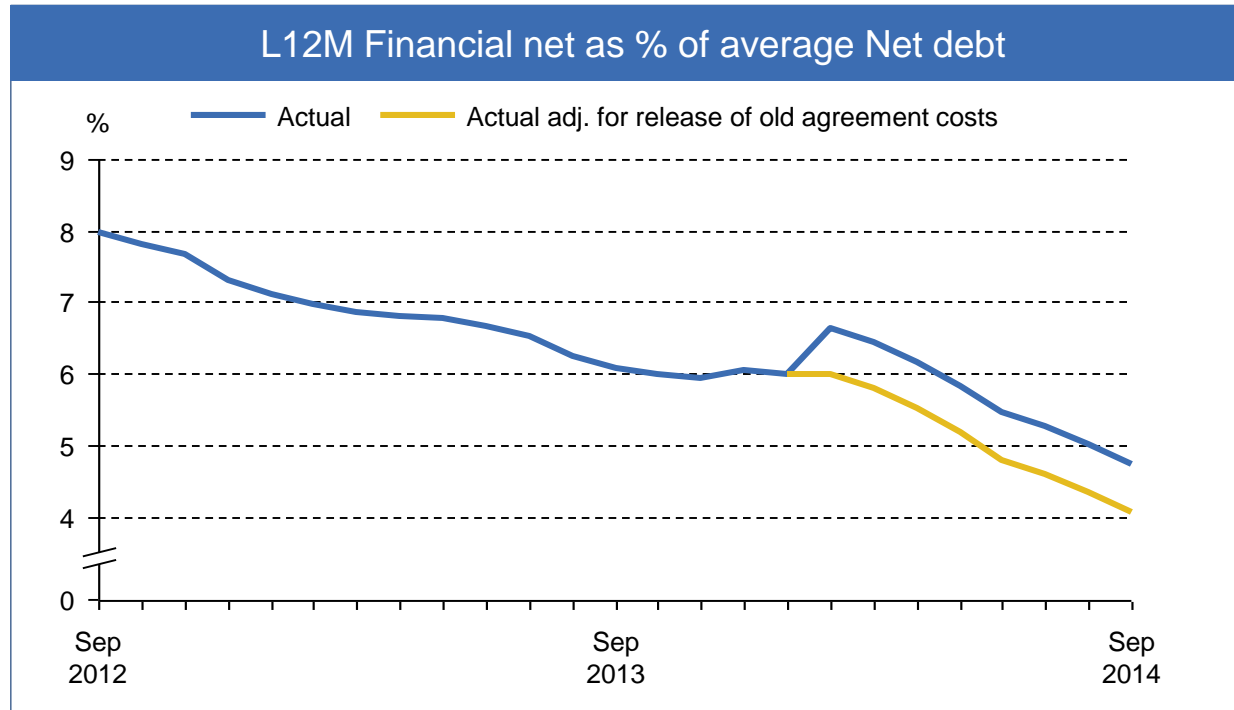
- EBIT L12M SEK 553 m, EBIT margin 8.0%

Note: EBIT excl one-off items



# Lindab Group

## Financial net



- Significantly lower financing costs as a result of the new credit agreement, as well as lower indebtedness and lower Net debt/EBITDA





# Lindab Group

## Cash flow Q3 2014

SEK m	Q3 2014	Q3 2013
Cash flow from		
- operating activities	236	234
- change in working capital	-54	-36
- investing activities	-32	-16
- financial net paid	-12	-27
- tax paid	-17	-35
<b>Free cash flow</b>	<b>121</b>	<b>120</b>
<b>Adjusted free cash flow*</b>	<b>125</b>	<b>120</b>

\*) Adjusted for acquisitions (2014)

- The cash flow in line with previous year. Operating profit for the period improved but reversed items, not affecting cash flow decreased, where the reversal of provisions for restructuring explains the change. The cash flow was also affected by reduced cash flow due to change in working capital and investing activities offset by lower financial net and less tax paid.
- Net debt end of September SEK 1,883 m (2,020).



# Lindab Group

## Cash flow Q3 – working capital development

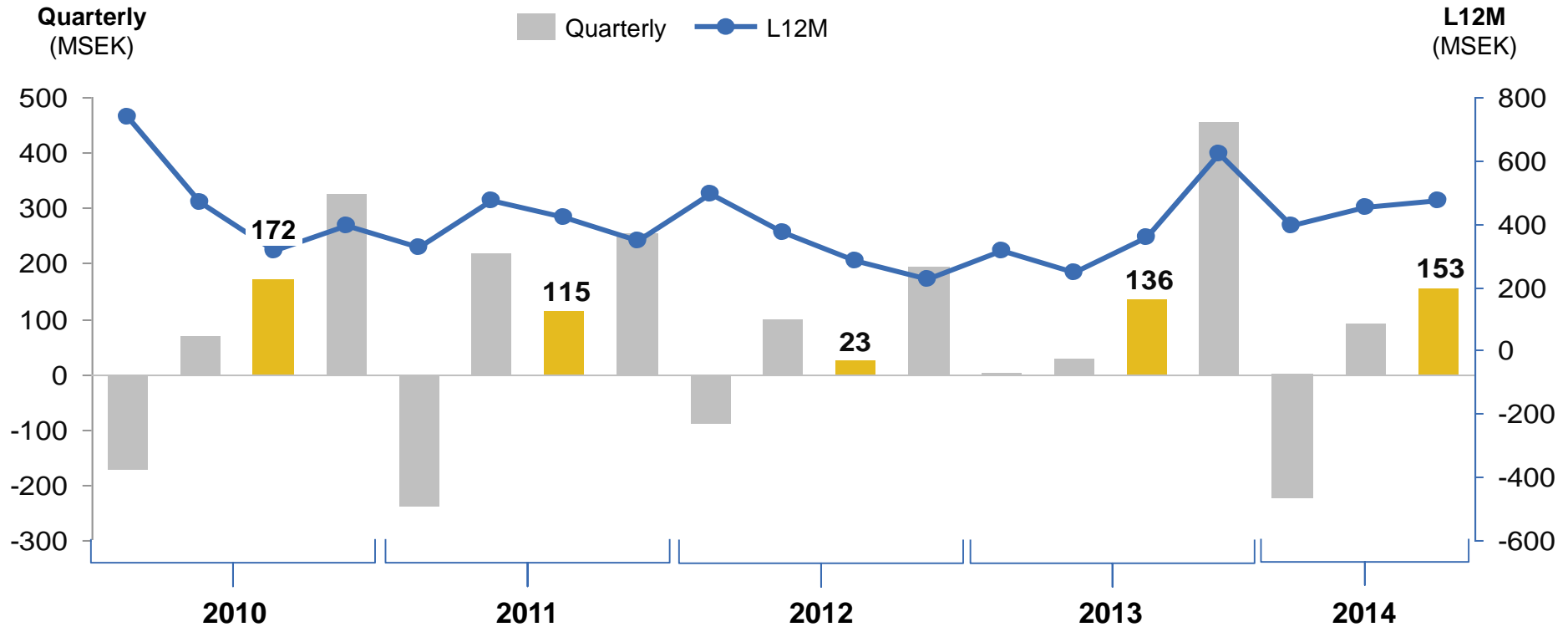
SEK m	Q3 2014	Q3 2013
Stock	-53	-3
Operating receivables	-89	-40
Operating liabilities	88	7
<b>Total change in working capital</b>	<b>-54</b>	<b>-36</b>

- The change in cash flow from change in working capital is explained by higher volumes in Products & Solutions compared to same period last year.



# Lindab Group

## Operating cash flow trend



- L12M cash flow from operating activities amounted to SEK 470 m



# Segments



# Products & Solutions

## Profit & Loss Q3 2014

SEK m	Q3 2014	Q3 2013
Sales	1,627	1,472
EBIT*	174	143
EBIT* %	10.7	9.7

Sales growth	11%
Structure	0%
Currency effect	5%
Organic	6%

\*) excluding one-off items of SEK -5 m in Q3 2014 and SEK -10 m in Q3 2013

- All regions and product areas within the segment had growth in the quarter.
- Indoor Climate Solution and Building Solution continues to have a strong development.
- Continued good growth in the quarter in large markets like Sweden, Norway, Germany, UK and France, while Denmark and the sales of Building products in Finland showed negative sales development.
- Increased EBIT and EBIT margin is explained by higher volume but partly offset by lower margins due to product mix.



# Building Systems

## Profit & Loss Q3 2014

SEK m	Q3 2014	Q3 2013
Sales	277	281
EBIT*	35	55
EBIT* %	12.6	19.6

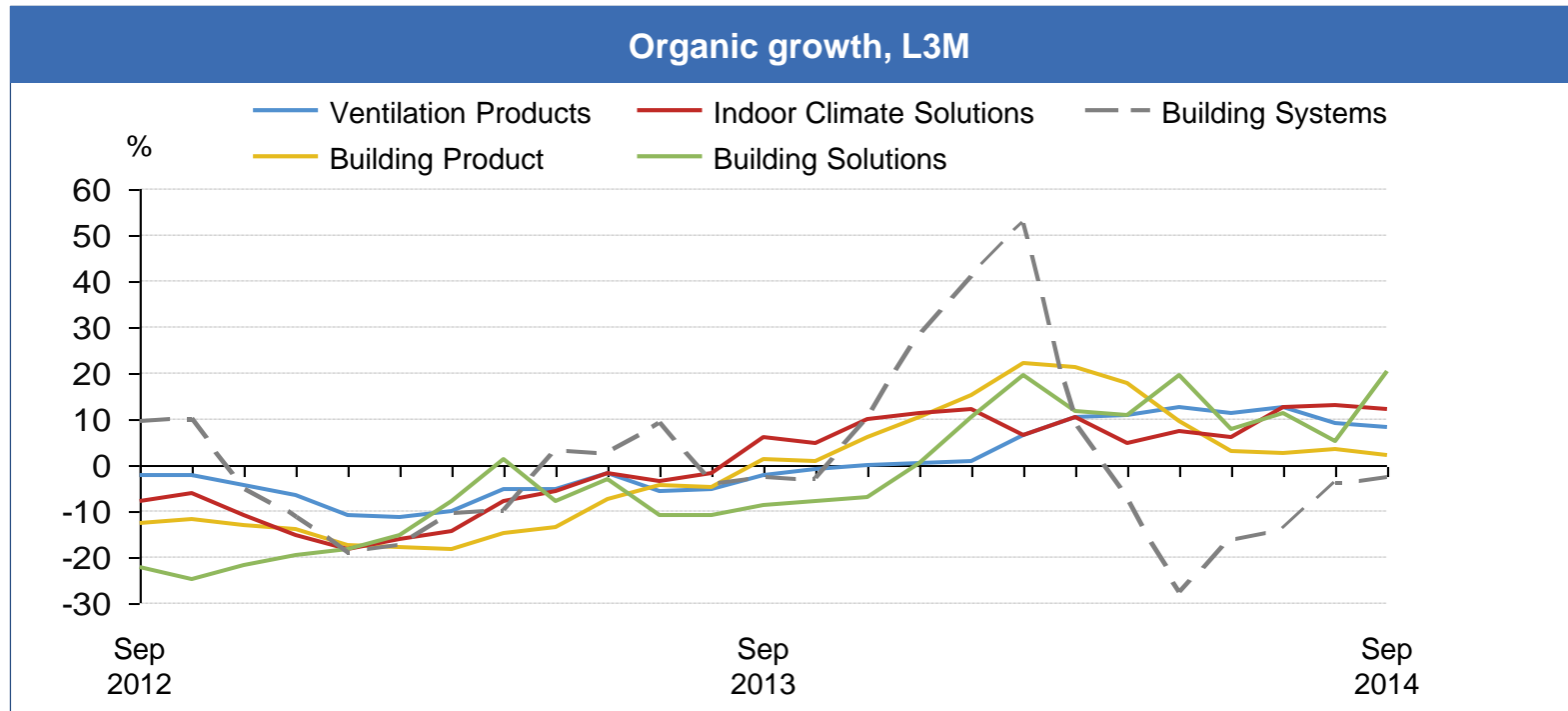
Sales growth	-1%
Structure	0%
Currency effect	2%
Organic	-3%

\*) excluding one-off items of SEK -2 m in Q3 2014 and SEK -1 m in Q3 2013

- The decline in sales is explained by very weak sales to the important market Belarus. However, sales to the segments largest market Russia, increased in the quarter.
- Other important markets for the segment such as Germany and Poland showed positive growth, as a result of implemented strategic activities.
- Order intake was lower than for the same period last year, due to weaker underlying demand as well as the unrest in the CIS region.
- EBIT was lower than previous year, explained by the reduced sales volume, but especially by a lower gross margin due to the project and market mix.



## Sales development by product areas

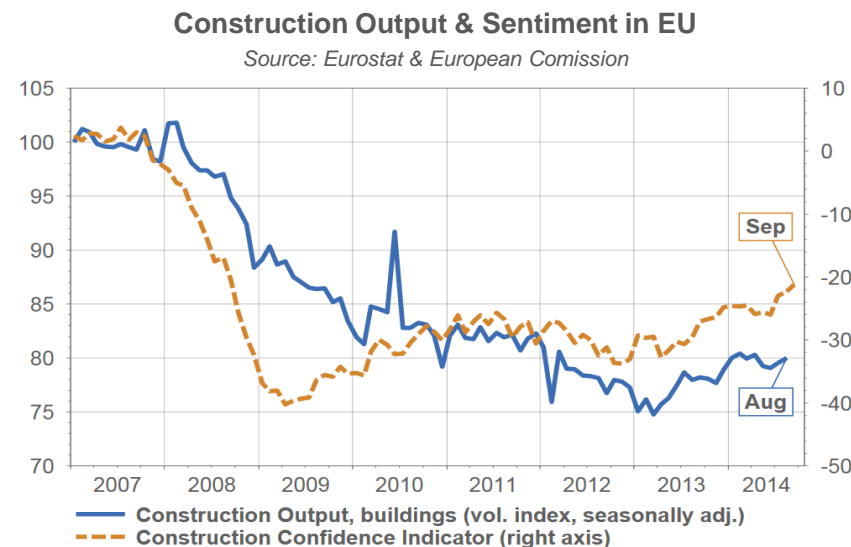
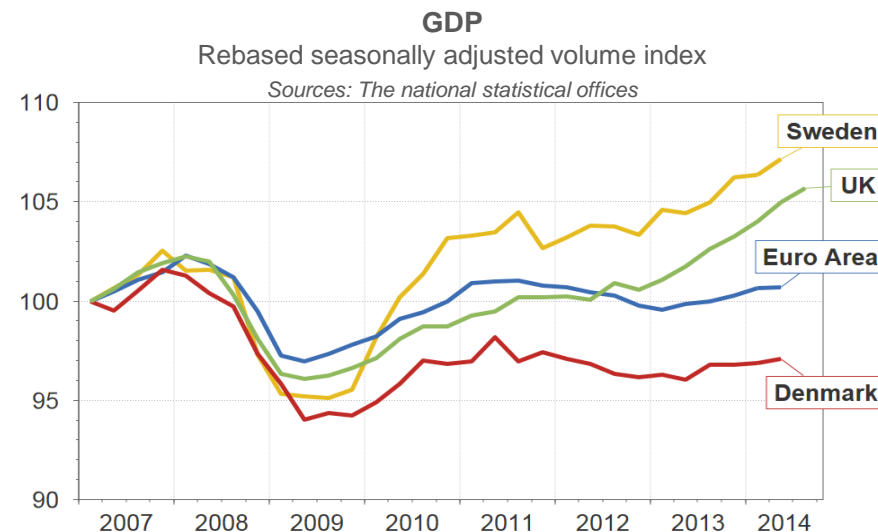


- All product areas within Products & Solutions show positive long-term trend.
- Negative growth rate for Building Systems following the unrest in the CIS region and lower demand in underlying market.



# Market Outlook

- The economic recovery in the Eurozone has slowed down since spring and Russian economy has weakened
- Though, the economic recovery remains fairly strong in Lindab's largest and 3<sup>rd</sup> largest markets; Sweden and United Kingdom
- Increased geopolitical risks in CIS lead to longer lead times for investment decisions in the region
- However, both construction output and confidence have improved in Europe during the 3<sup>rd</sup> quarter
- Lindab's business in Products & Solutions is late cyclical, particularly the ventilation business, while Building Systems is a project business with larger volatility





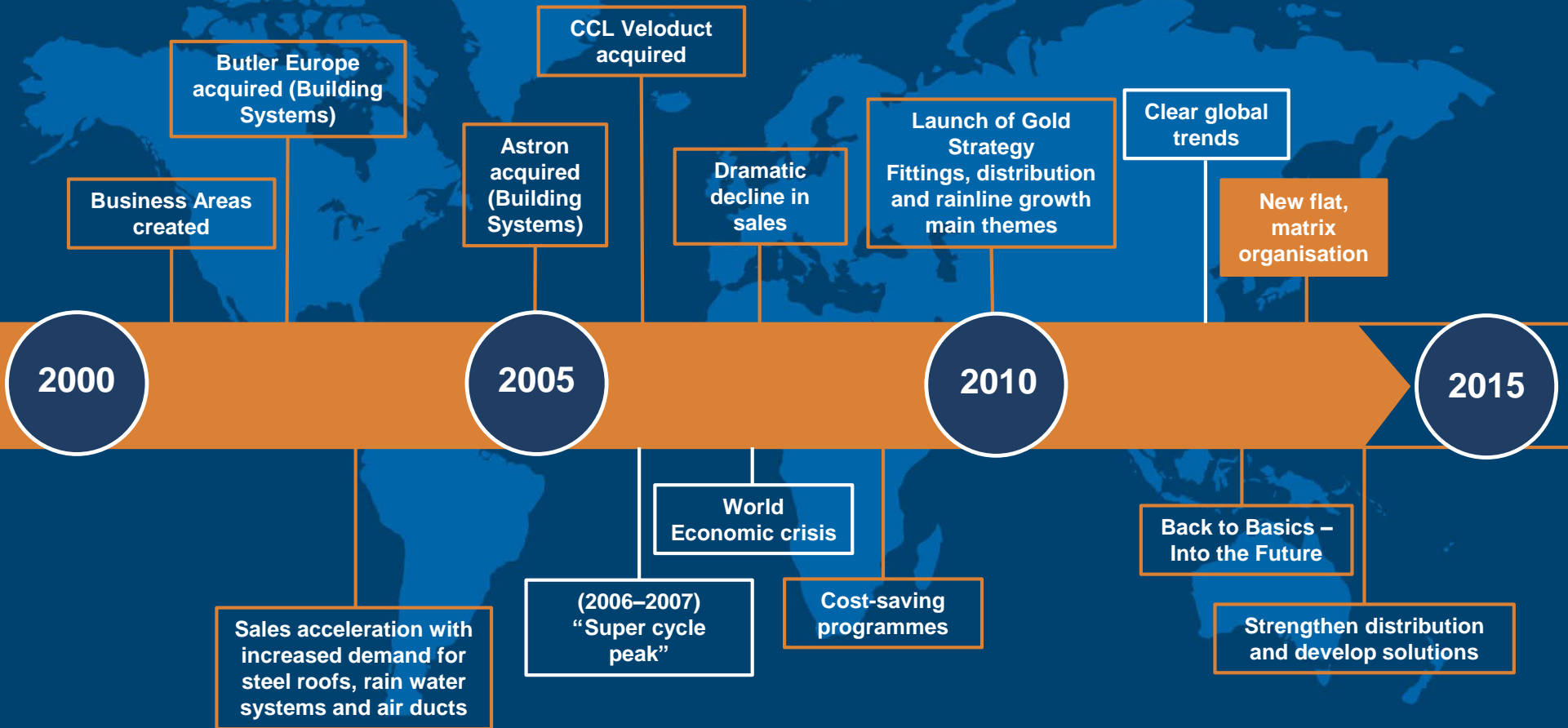
# A redefined direction for the future of Lindab

Same  
**Basics**

New  
**Focus**

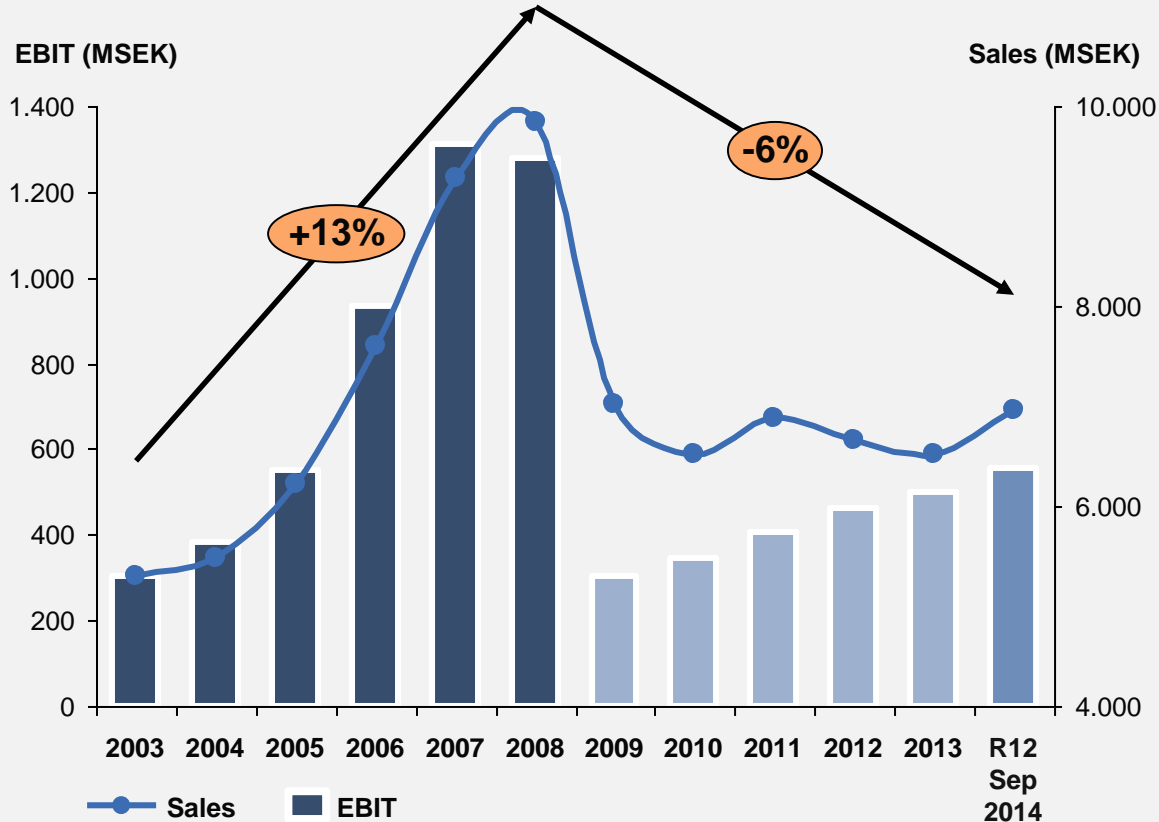
Profitable every year since 1959

# The journey towards becoming an integrated company



A clear trend the last 6 years

# Rethinking the approach and where Lindab was heading



- The last 11 years can be divided into 2 periods with different characteristics
- 2003 to 2008 saw consistent “price driven growth” in Sales and EBIT
- 2009 to 2013 saw dramatic loss of sales, however cost measures secured EBIT
- Moving forward, we prioritize a long-term profitable and sustainable growth

During 2014 we have developed our road ahead

## Our approach to strategy

1.

Building on  
our Basics

2.

Identifying  
opportunities  
and trends

3.

Creating a  
strategy for  
the future

# 1.

## Building on our basics

Presence in more than 30 countries

## Strong market positions with current core product offering

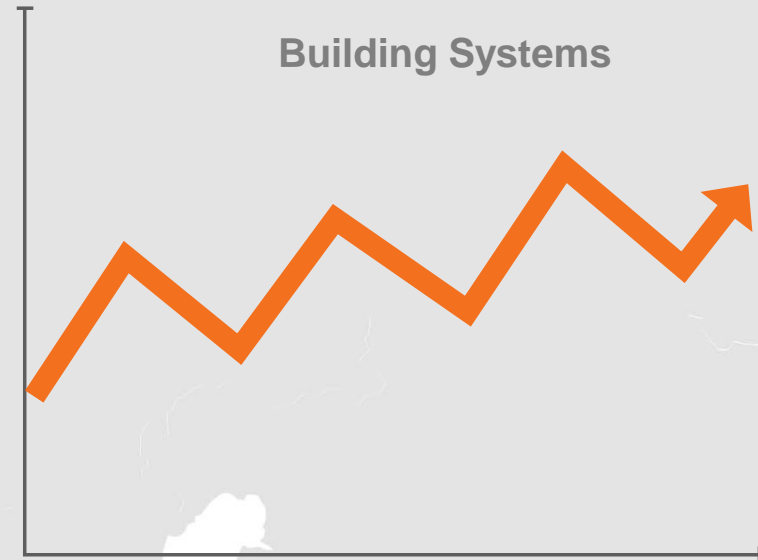


Lindab combine two different characteristics in type of business

## A combination of growth oriented and project related business



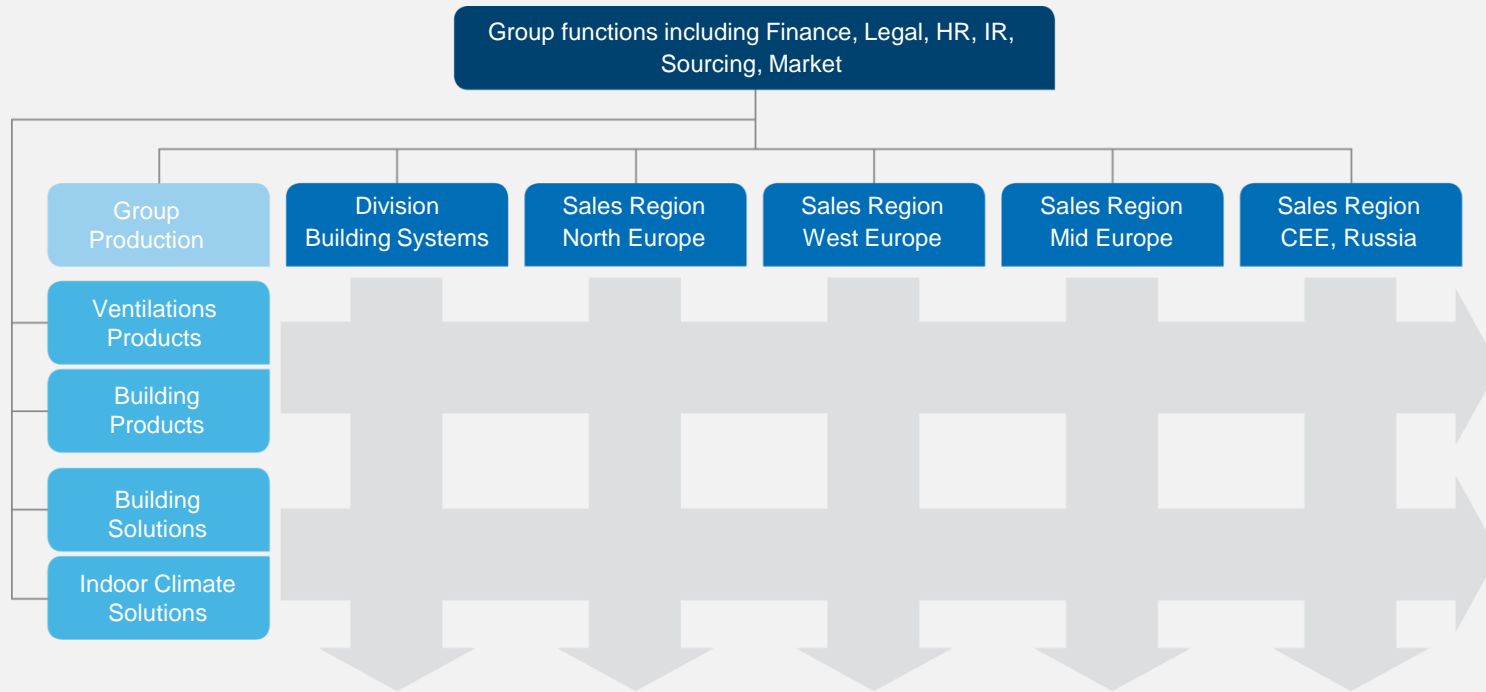
Largest customer/project:	2%
Share of sales to developed markets: (Western Europe, CEE and US)	98%
Share of renovation:	45%



Largest customer/project:	3-10%
Share of sales to developed markets: (Western Europe, CEE and US)	48%
Share of renovation:	0%

A matrix organization making it possible to use the full strengths of Lindab

# One Lindab – Preparing the ground for simplified growth



**ONE Lindab** facilitates growth options in three dimensions: market coverage, portfolio expansion and penetration



The starting point is excellent

## We have a strong foundation to build on

			
People	Products	Production and Processes	Sales and Distributions

**Our Basics**

Lindab Core Values

# Untouched since 1959 – still as valid



# 2.

## Identifying opportunities and trends

More than 20 000 customers in Lindabs Ecosystem for simplified construction and energy efficient solutions

# Many and close customer relations

## STRENGTHEN DISTRIBUTION

Core products

Added product range

Optimized logistics



Our 126 branches and sales offices



Our production facilities



R&D facilities



Our e-Business, software solutions and distribution centers

ALWAYS CLOSE,  
ALWAYS AVAILABLE



## DEVELOP SOLUTIONS

Project support

Research facilities and knowledge

Solutions and systems

## CUSTOMERS



*Lindab Experts*



*Bulk purchasers*



*Lindab Partners*



*Lindab Brand ambassadors*

## THE INFLUENCERS



*Lindab References*



*Lindab Promoters*



*Lindab Qualifiers*

## USERS

Residential

Industrial

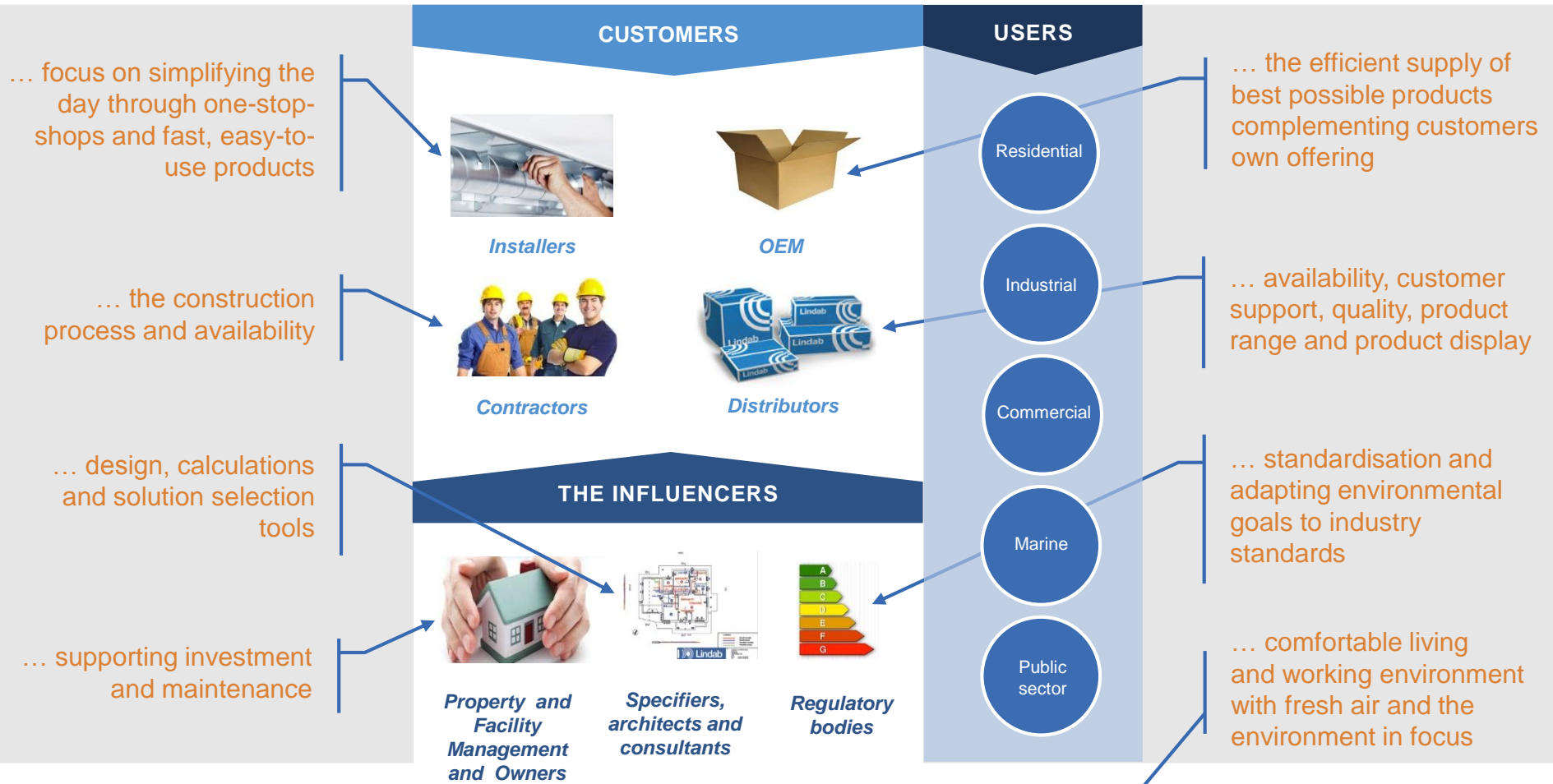
Commercial

Marine

Public sector

Bringing value to many players in the value chain by

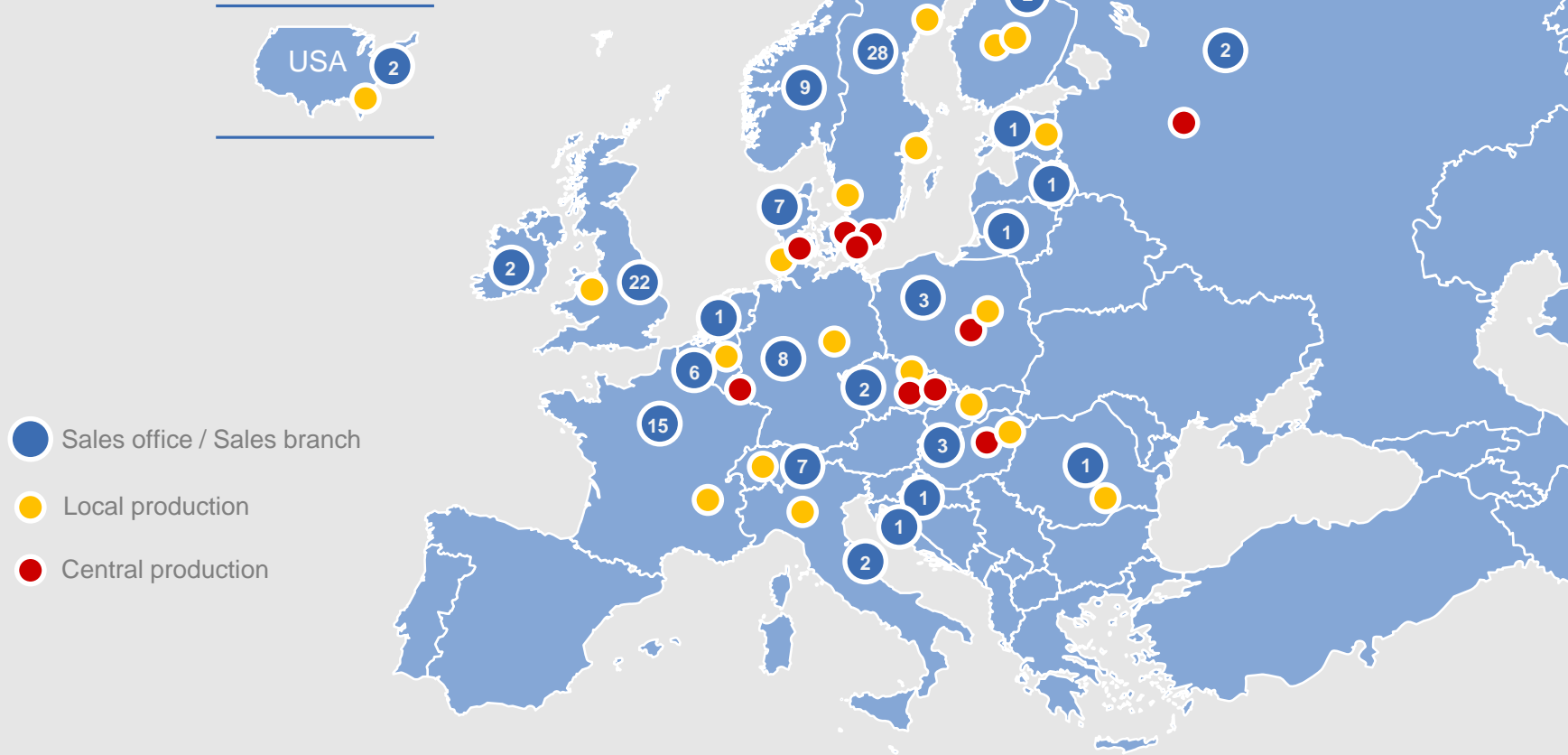
# Simplifying construction and adding energy efficient solutions by...



A footprint for customer success

# Always close and available

Where we see opportunities to expand our presence both in Europe as well as towards CIS, Middle East and Asia



Five clear trends in the world today impacting Lindabs business

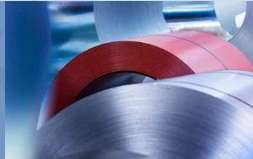
## We see global drivers for growth



Environment, legislation and energy saving



Intelligent buildings



Innovation in materials and processes



Growing population and urbanization



Global economy patterns



**Environmental  
aspects**  
are drivers in all trends

Intense pressure for  
**Innovations**





6%

The global HVAC\* market is expected  
to grow 6% annually to 2018

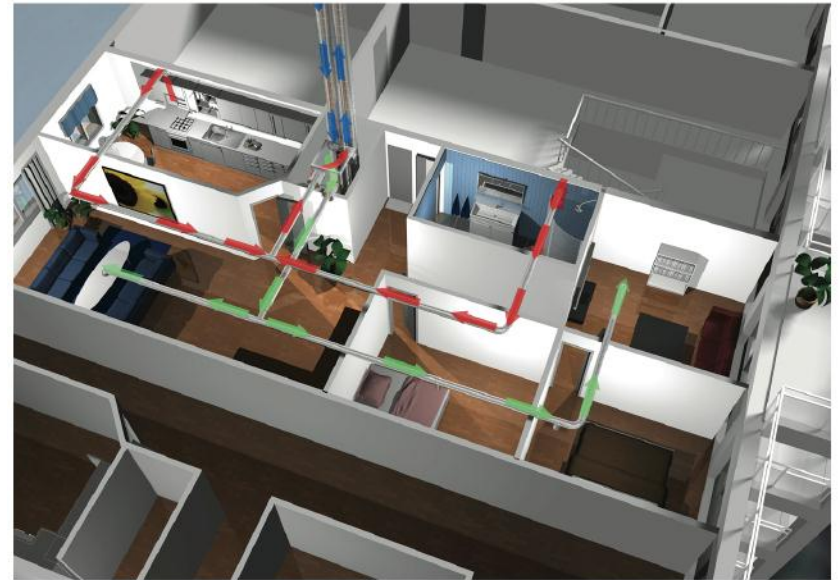
\* HVAC = Heating, Ventilation, Air-conditioning

Building on our strengths

## We need to develop our value offering



Components become commodities



Complete energy efficient solutions tailored to our customers and "us" – the users

Building on our strengths

# We will provide additional value to our customers



# 3.

## Creating a Strategy for the Future

**It's about the need to breathe clean air and ultimately conserve the earth's resources through leading technology and know-how, creating good indoor climate.**

**It's about capturing the global trends and using our joint knowledge and positions of strength to create more value to stakeholders.**

**It's about repositioning Lindab for the long-term.**

Building on our strengths

# Developing a strategy to reach our wanted position

Simplifying is our passion,  
ultimate comfort is our vision





**Market  
Excellence**

Best practice-sharing for a true “One Lindab”. Optimization of solutions, concepts, methods and sales support for local markets.

Development of the brand strategy, pricing and marketing/sales support.

The obvious choice for customers in prioritized market segments delivering high value customized offers.

Our customer’s closest partners.





### Efficient Availability

A sustainable, value-creating Supply Chain network, providing our customers with perfect order fulfilment, optimizing service and cost.

Customer-focused Supply Chain, covering the coordination of Demand, R&D and Product Management.

End-to-end visibility and coordination, with all supporting processes in place.

Innovation and continuous improvements in all links of our Supply Chain.



## Solutions

Combine products, systems, knowledge and services to bring value to every stakeholder and climbing the value ladder.

Add greater technology content and connectivity to bring simplicity to our customers.

Sales of solutions will leverage sales of our other products.

Energy efficiency, design and functionality throughout.

Stakeholders are end-users, property owners, designers, contractors and installers – **ultimately everyone breathing - we all need fresh air.**



## Innovation

Create a long-lasting culture of innovation leading to customer value.

Form an innovative mind-set, open up knowledge and inspiration exchange both internally and externally.

Develop agile processes to harness both incremental and revolutionary innovations.



## People

Empower people through the Lindab culture, rooted in our core values.

Identify, develop and ensure excellent leadership.

Strong employer brand to increase the ability to attract and retain the right people to support our sustained success.

Our formula for success

## Five clear strategic focus areas



### Market Excellence

Leveraging local stars to global standards.



### Efficient Availability

Optimising the flow from purchase to delivery.



### Solutions

Creating offers of complete ventilation solutions.



### Innovation

Finding new ways to increase customer value.



### People

Having the right team for our business.

With the strategy we also acknowledge the potential for acquisitions

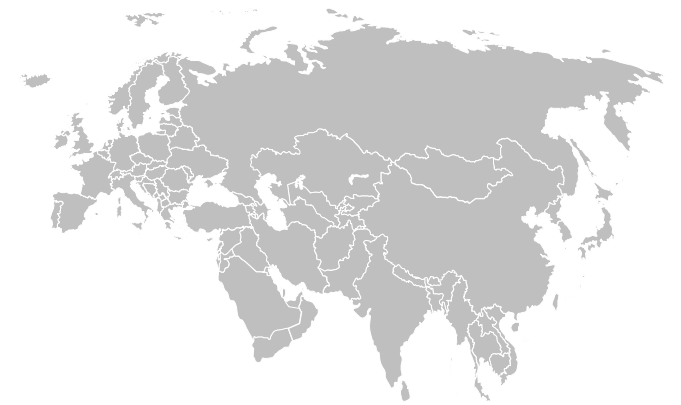
## Primarily in two areas

### Solutions

Leading European companies within categories  
“Residential and Light Commercial Ventilation”,  
“Fire and smoke” and “Indoor Climate Solutions”

### Market excellence

Companies that add distribution in new  
and existing geographies



New focus same basics

# Transformation into a fully integrated company

*From selling what we produce ...*

*... to capturing trends and fulfilling customers' needs ...*



Lindab

Lindab Solus

Lindab Fans

Lindab Residential

Lindab Pascal

Lindab Cassette

Lindab Rainline

Lindab Fire & Smoke

Lindab Airy

Lindab ADS

Installer

Lindab

Architect

Contractor

Developer

Lindab

Lindab AHU

Lindab IT Solutions

We simplify ...

**... and bring more value to more people**





With the strategy we are refining our long term financial targets

## Three financial targets supported by the new strategy

**5-8%**

Annual growth based on organic growth and growth from acquisitions over a business cycle

**10%**

Operating margin over a business cycle

**2.5**

Long term Net debt / EBITDA adjusted for seasonality

The dividend target is 30% of the company's profit after tax considering opportunities for strategic acquisitions, the financial position of the company and long term need for financing

# Strategy in summary

Based on global trends and Lindab's strengths we have defined five Focus Areas where we have "the greatest chance to win". These focus areas can be seen as "spotlights" on areas where we believe we must place additional attention. The strategy stretches over a five-year period and have a number of defined strategic initiatives, some of which have already had a head-start.



## Market Excellence

is about moving our market positions forward, using the strength of One Lindab voice with many dialects



## Solutions

is about creating offers of complete ventilation solutions



## Efficient Availability

is about optimising the flow from purchase to delivery



## Innovation

is about finding new ways to increase customer value



## People

is about having the best team for our business



# **CMD**

## **19th of March 2015**

**Mark your calendar**