



# MEKONOMEN GROUP

January – September 2019  
November 8, 2019

# **Q3 2019 – STRONG SALES GROWTH**

**Strong sales growth and improved profitability**

**Initiated EBIT improving activities according to plan**

**Attractive concepts and brands contribute to increased sales to affiliated workshops**

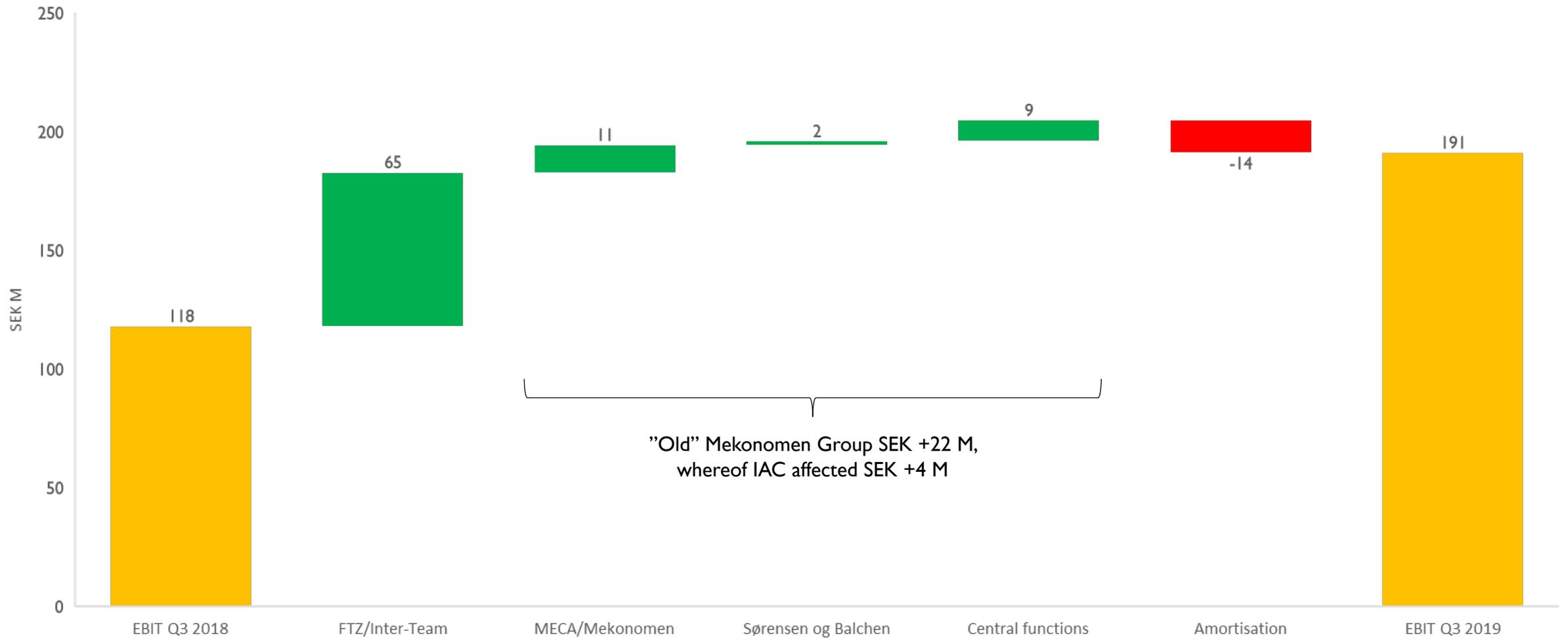
# MEKONOMEN GROUP – THIRD QUARTER 2019

SEK M	Q3 2019	Q3 2018	change	2019 9M	2018 9M	change
Group, net sales	2,879	1,850	56%	8,888	4,915	81%
Adjusted EBIT <sup>1)</sup>	231	148	56%	724	464	56%
EBIT	191	118	62%	601	351	71%
Key figures						
- Organic growth <sup>2)</sup>	2%	1%		2%	0%	
- Adjusted EBIT margin	8%	8%		8%	9%	
- EBIT margin	7%	6%		7%	7%	

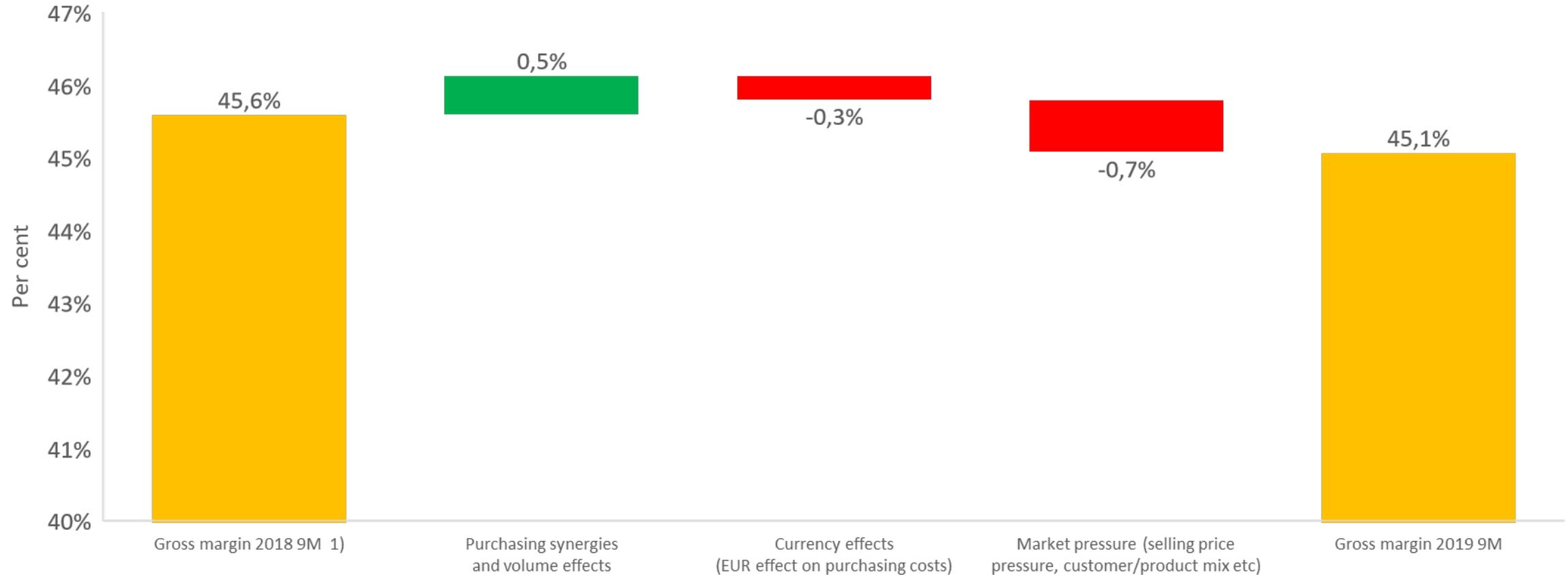
<sup>1)</sup> Adjusted EBIT is EBIT adjusted for items affecting comparability and amortisation of acquired intangible assets - FTZ, Inter-Team, MECA and Sørensen og Balchen.

<sup>2)</sup> Organic growth is change in net sales adjusted for number of workdays, acquisitions/divestments and currency effects.

# DEVELOPMENT – EBIT Q3 2019 vs Q3 2018



# DEVELOPMENT – Gross margin 2019 9M vs 2018 9M

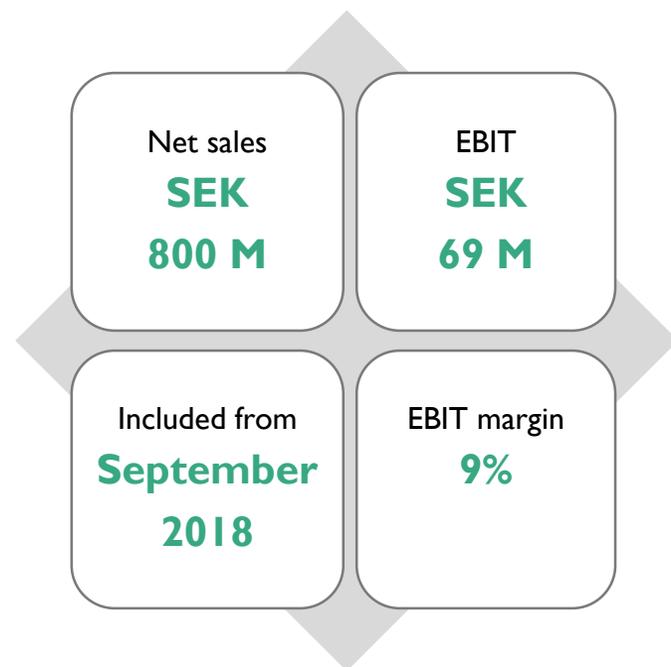


1) Gross margin 2018 9M is an approximation as if FTZ and Inter-Team had been acquired on 1 January 2018.



# SALES & RESULT – PER BUSINESS AREA

# FTZ – THIRD QUARTER 2019



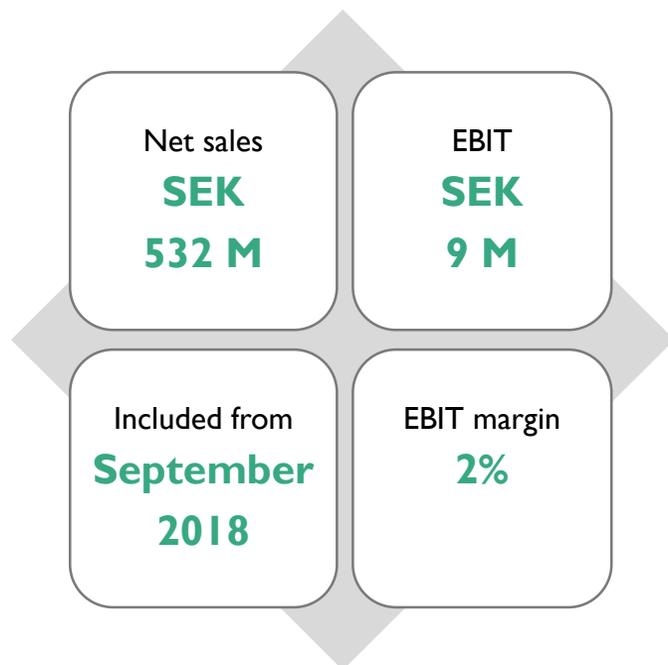
Net sales in line with last year<sup>1)</sup>

Improved EBIT, mainly driven by purchasing synergies and cost-savings

SEK M	Q3 2019	Q3 2018	change	2019 9M	2018 9M	change
Net sales	800	252	217%	2,496	252	889%
EBIT	69	13	414%	249	13	1,751%
Key figures - EBIT margin	9%	5%		10%	5%	

<sup>1)</sup> FTZ was acquired on 3 September, 2018 and no exact comparative figures have been calculated for the entire third quarter of 2018 as FTZ before the acquisition had a different financial year than Mekonomen Group. The figures in the 'Q3 2018' column are figures for September 2018.

# INTER-TEAM – THIRD QUARTER 2019



Strong sales growth<sup>1)</sup>, driven by increased sales mainly in Poland but also in export markets. Estimated gained market shares in Poland

Improved EBIT, mainly driven by higher sales and purchasing synergies, despite weak PLN against EUR

Continued high price pressure and aggressive activities from competitors

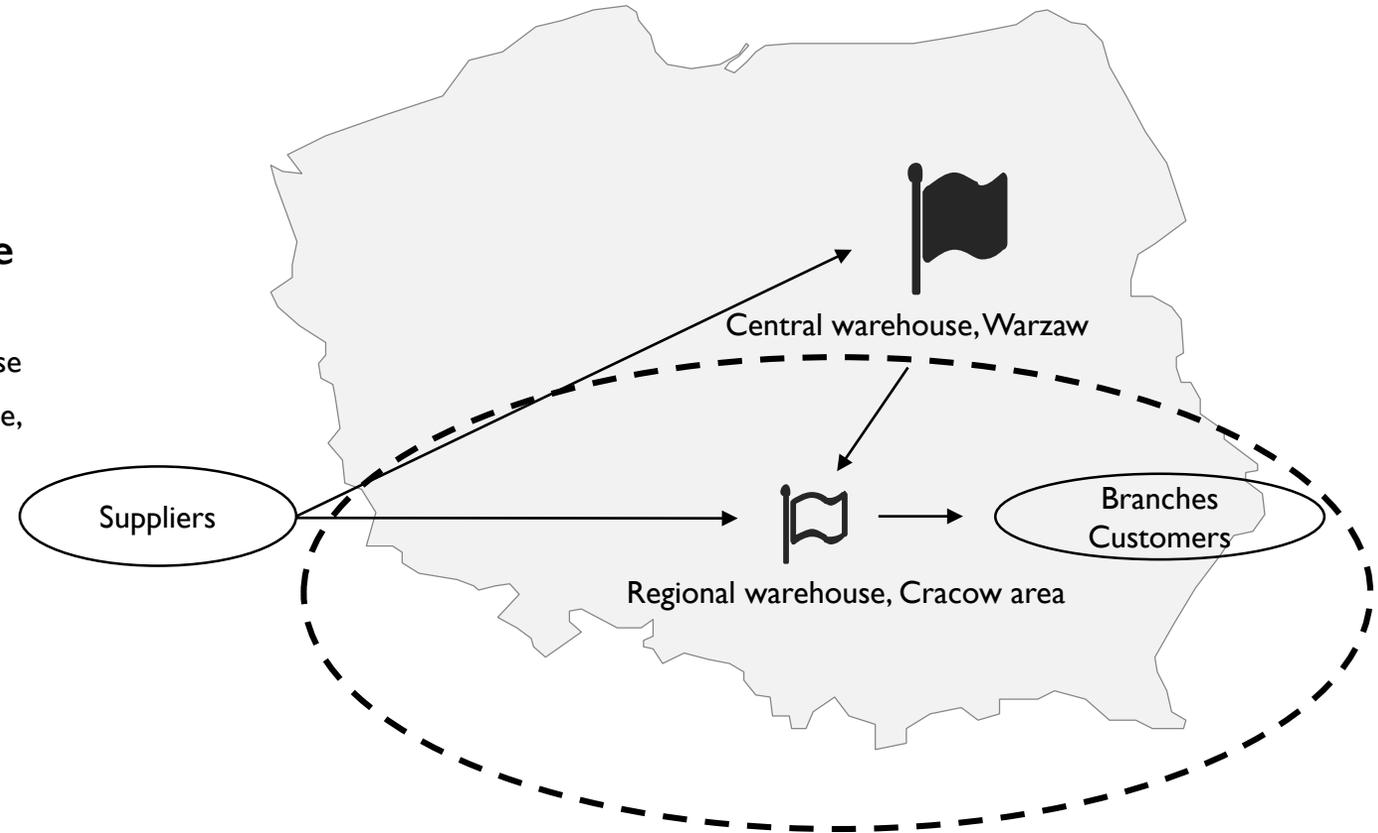
SEK M	Q3 2019	Q3 2018	change	2019 9M	2018 9M	change
Net sales	532	147	261%	1,631	147	1,007%
EBIT	9	0	2,650%	23	0	6,719%
Key figures - EBIT margin	2%	0%		1%	0%	

1) Inter-Team was acquired on 3 September, 2018 and no exact comparative figures have been calculated for the entire third quarter of 2018 as FTZ before the acquisition had a different financial year than Mekonomen Group. The figures in the 'Q3 2018' column are figures for September 2018.

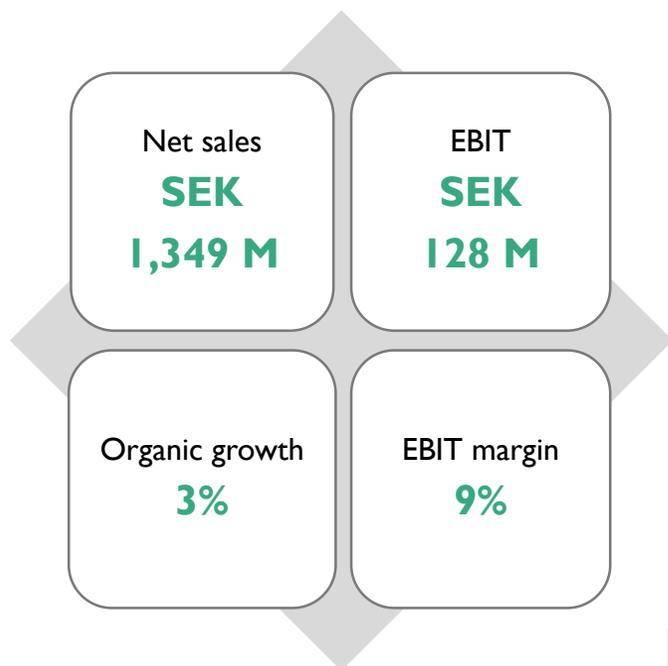
# NEW REGIONAL WAREHOUSE IN POLAND

- **Increased efficiency and availability in southern Poland through a new regional warehouse in the Cracow area**

- Direct deliveries from suppliers to both central and regional warehouse
- Customer deliveries can be made directly from the regional warehouse, rather than distributed from central warehouse – local branches – customers, as the only option
- Closer to the customers, reduces transportation costs, eases up the pressure on the central warehouse, less staffing in local branches



# MECA/MEKONOMEN – THIRD QUARTER 2019



Favorable organic sales trend, primarily driven by sales growth to affiliated workshops

Increased purchasing costs due to weak SEK and NOK against EUR and change in customer/product mix

Increased EBIT positively affected by higher sales and cost savings

SEK M	Q3 2019	Q3 2018	change	2019 9M	2018 9M	Change
Net sales	1,349	1,267	6%	4,158	3,937	6%
- Sweden	821	765	7%	2,542	2,383	7%
- Norway	513	490	5%	1,577	1,521	4%
- Finland	14	11	26%	40	34	19%
Adjusted EBIT <sup>1)</sup>	128	116	10%	379	393	-4%
EBIT	128	116	10%	376	374	0%
Key figures						
- Organic growth	3%	2%		3%	2%	
- EBIT margin	9%	9%		9%	9%	

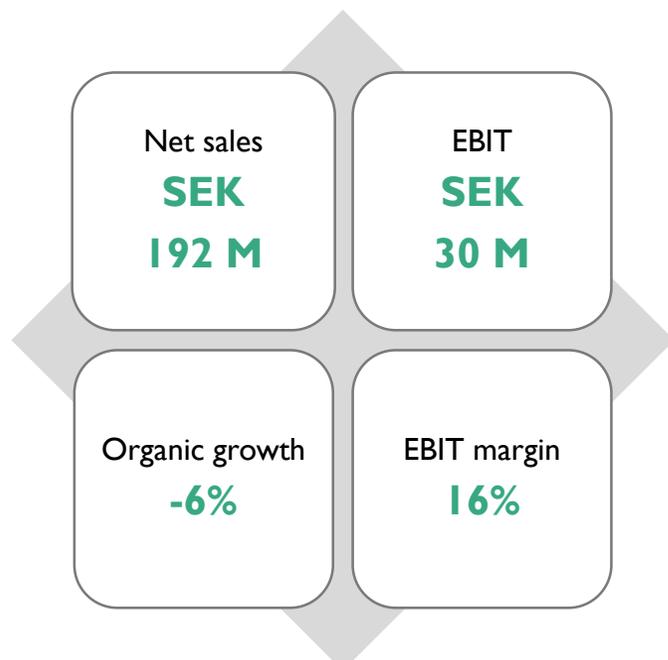
<sup>1)</sup> Adjusted EBIT excludes items affecting comparability.



## MERGING OF CENTRAL WAREHOUSES IN SWEDEN

- The project is proceeding as planned with expected cost savings of SEK 50 M from 2020
- Initiated a pilot where a handful of MECA branches receive their goods from the Strängnäs warehouse
- Evaluation of the pilot results in the end of 19Q4 before taking decision to move to the next phase. All to ensure continued high service to MECA's customers

# SØRENSEN OG BALCHEN – THIRD QUARTER 2019



Acquired sales compensated for lower B2C sales in stores

Continued high EBIT and EBIT margin, due to made acquisitions and effective cost control

Largest part of B2C sales in the Group and more exposed to the retail market. Action on increasing share of B2B sales is proceeding well

SEK M	Q3 2019	Q3 2018	change	2019 9M	2018 9M	Change
Net sales	192	180	6%	582	571	2%
Adjusted EBIT <sup>1)</sup>	30	29	6%	92	89	4%
EBIT	30	29	6%	92	82	13%
Key figures						
- Organic growth	-6%	-5%		-9%	-7%	
- EBIT margin	16%	16%		16%	14%	

<sup>1)</sup> Adjusted EBIT excludes items affecting comparability.

A high-angle photograph of a person with long brown hair, wearing a blue long-sleeved shirt and dark pants, working on a white car. The person is leaning over the open hood of the car. To their right is a large, open toolbox filled with various tools, including sockets, wrenches, and screwdrivers. A laptop computer is open on a black mat next to the toolbox, displaying a website or software interface. The scene is set in a workshop or garage environment.

# MARKET & FOOTPRINT

# GROUP MAIN MARKETS AND TRENDS

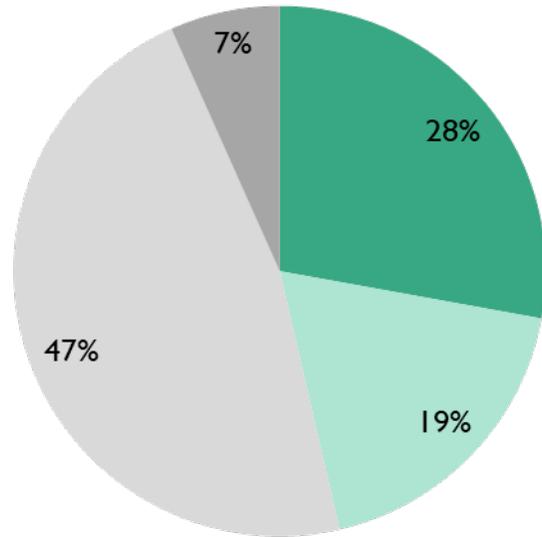
2018	Denmark	Norway	Poland	Sweden
Population	5.8 million	5.3 million	38.4 million	10.2 million
GDP growth	1.4 %	2.2 %	5.1 %	2.3 %
Number of cars	2.5 million	2.8 million	22.5 million	4.8 million
Growth in number of cars	2.6 %	1.1 %	3.9 %	0.5 %
Cars >3 years old	69 %	82 %	93 %	81 %
Pure electric cars	0.3 %	7.1 %	<0.1%	0.3 %
Market structure	High consolidation	High consolidation	Fragmented	High consolidation
Expected long-term growth (%)	1-2 %	1-2 %	4-5 %	1-2 %
Mekonomen Group's B2B share of total sales	100 %	~85 % whereof SogB ~70 %	100 %	~85 %
Mekonomen Group's market share	28 %	25 %	4 %	15 %

## Trends

- Change of customer expectations
  - Digitalisation
  - Future car fleet
- Next generation car fleet
  - Electric cars
  - Higher share of software in the cars
- Shift in competitiveness
  - Connected cars
  - New actors
  - Consolidation and integration

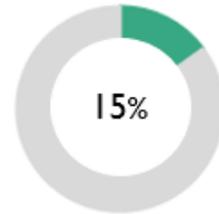
# GROUP FOOTPRINT

Net sales per business area, 2019Q3



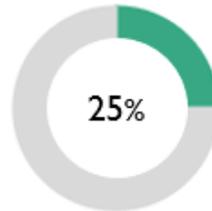
■ FTZ                      ■ Inter-Team  
■ MECA/Mekonomen   ■ Sørensen og Balchen

Market shares - main markets



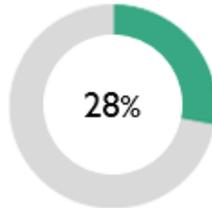
## Sweden

Number of branches: 190 (19Q2: 189)  
 Number of affiliated workshops: 1 002 (19Q2: 1 012)



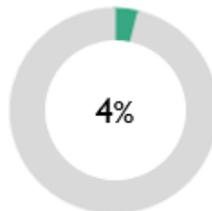
## Norway

Number of branches : 132 (19Q2: 132)  
 Number of affiliated workshops: 976 (19Q2: 989)



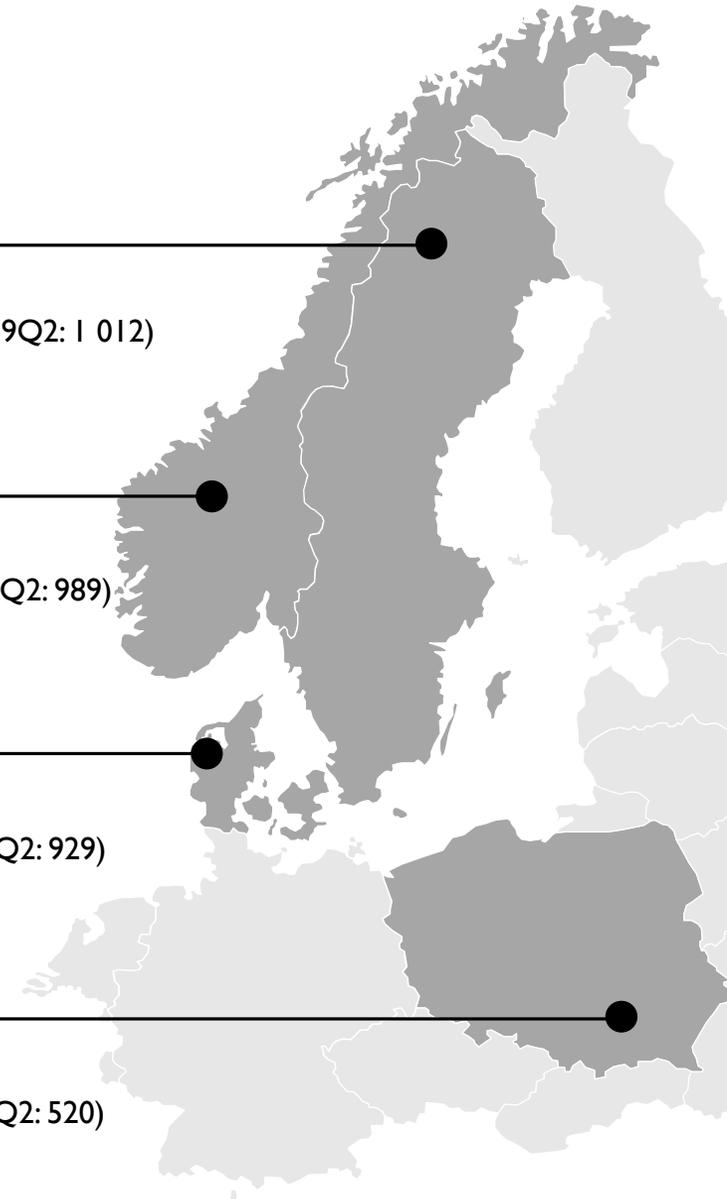
## Denmark

Number of branches : 51 (19Q2: 51)  
 Number of affiliated workshops: 936 (19Q2: 929)



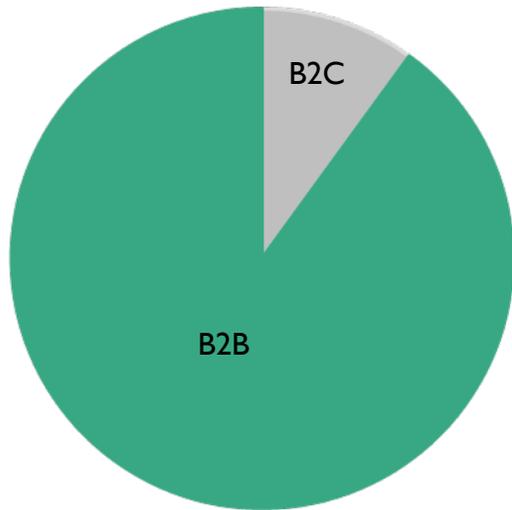
## Poland

Number of branches : 83 (19Q2: 82)  
 Number of affiliated workshops: 539 (19Q2: 520)



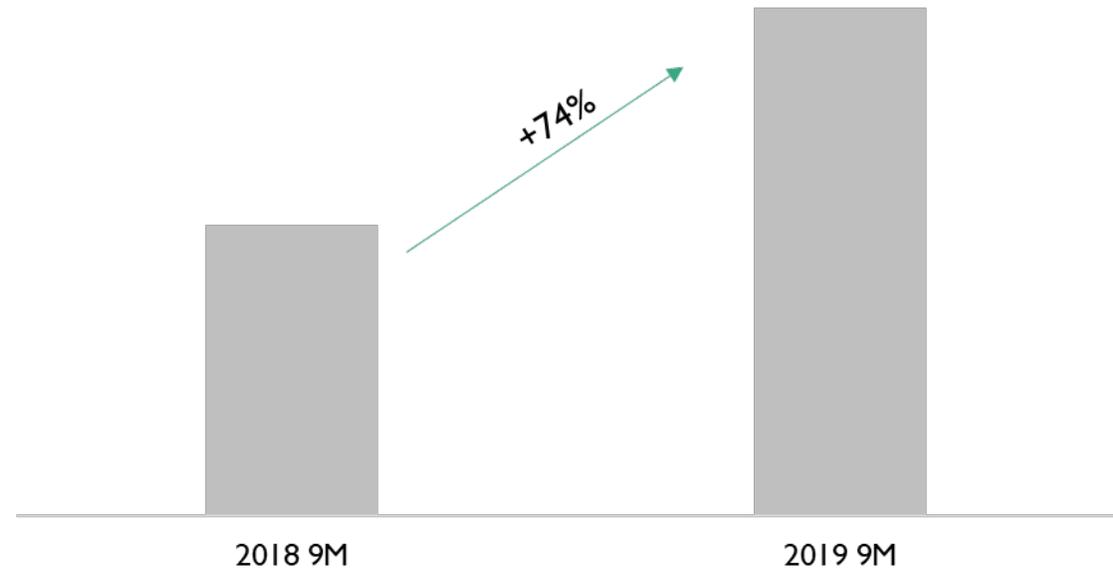
# E-COMMERCE DEVELOPMENT

B2B vs B2C sales



- B2B sales accounts for approximately 90 per cent of the Group's total sales

Total sales e-commerce B2C



- B2C sales through e-commerce increased by 74 per cent in 2019 9M compared to 2018 9M



# BUSINESS DEVELOPMENT

## - training

- PKK (vehicle inspection licens) Norway – so far 2,490 persons has been certified, of wich more than half through ProMeister Solutions training
  - Remaining 8,500 persons must be certified no later than October 2021
  - ProMeister Solutions Norway recently won a prestige assignment for the supervisory staff in “Vegvesen” (government personnel responsible for the supervision of control stations / PKK and workshops in Norway)
- ProMeister's competency portal (Learning Management System) is launched in 4 countries; England, Norway, Sweden and Ireland
  - Used by almost 6,000 workshops and over 15,000 vehicle technologies are registered.
  - In 2020, the portal will be launched in further 15 countries
- Adult education in collaboration with the Swedish Employment Service, completed. 71 per cent of our adult students have jobs or move into jobs after completing internships



# PROMEISTER AUTOMOTIVE UPPER SECONDARY SCHOOL IS LAUNCHED IN ÖREBRO

- ProMeister automotive upper secondary school will be established in Örebro, Sweden, during autumn 2020
- Örebro will be the programme's third location, it was launched in Malmö and Stockholm in 2017
- The mission is to offer a programme that gives the knowledge needed to work in a modern workshop. We are proud that 97 per cent of students state that they recommend the education to others and to offer a job guarantee to all students after graduation



# SUSTAINABILITY RANKING

- Sustainable companies 2019 - Consumer goods

- Mekonomen Group ranks at place 7 in Dagens Industri's (swedish business newspaper) sustainability ranking 2019, in the consumer goods group
- Mekonomen Group score: 55 out of 92
- The number one ranked company scored 69 out of 92



# INDUSTRY AWARDS

- Nominations Auto Awards 2019 in Sweden and Denmark:
  - Product of the year – ProMeister Solutions (competence portal)
  - Initiative of the year – ProMeister Solutions (collaboration between ProMeister Solutions and the Swedish Employment Service)
  - Workshop of the year – Mekonomen (Fjärås Bil)
  - Innovation of the year – FTZ (AutoMester E+)
  - Supplier of the year – FTZ
  - Initiative of the year – FTZ (AutoMester E+ plant a tree, Hella Service Partner ERFA Groups)
  - Marketing campaign of the year – FTZ (AutoMester “Simple and local”)
  - Workshop chain of the year – FTZ (AutoMester, Din Bilpartner)
- Nominations Motorgalan 2019 Sweden:
  - Branch of the year – MECA & Mekonomen (MECA Borås, Mekonomen Karlskoga)
  - Auto technician of the year – ProMeister/Mekonomen (Jörgen Svensson)
  - Service Advisor of the Year – Mekonomen (Marcus Holmberg, Ystad Meck & Däck)
  - Workshop of the year – Mekonomen (Nettobilar Group)

# STRONGEST BRAND

## Mekonomen

Appointed the strongest brand in the industry  
"Car Parts and Workshops" in Sweden



The award is based on a survey conducted by the research company Evimetrix and the results indicate how well-liked and recognised a brand is among consumers. This year, more than 6,200 consumers have submitted reviews of approximately 500 brands in nearly 40 industries.

# FOCUS FORWARD

## Profitability

Improved sales, efficiency and cost control

- Synergies & best practice
- Efficiency and saving programme
- Act on unprofitable businesses

## Customer value

Develop our concepts to affiliated workshops and other B2B customers

- B2B focus - with consistent consumer insight
- Availability, services & product range
- Develop core business concepts & digital solutions for our affiliated workshops

## Growth

Continue to grow and develop core & venture businesses

- Organic growth
- Leverage on initiated strategic investments (business systems, spare part catalogue automated warehouse, acquisitions)

A photograph of a warehouse interior. In the center, a man with a beard stands on a grey and black pallet jack, looking towards the left. To his left, another man in a grey polo shirt and dark pants stands with his back to the camera, looking at the man on the pallet jack. In the foreground on the right, a woman with glasses and a dark polo shirt is out of focus, holding a tablet. The background is filled with tall metal shelving units (pallet racks) stacked with cardboard boxes. The floor is concrete with yellow safety lines.

# APPENDIX

# IFRS 16 EFFECTS

- Primarily affecting leasing contracts pertaining to premises and vehicles
- Net debt is not affected by IFRS 16, due to our definition is excluding leasing liabilities

IFRS 16 effects in 2019Q3			
SEK M	Including	Excluding	Effect
EBITDA	400	268	131
Adjusted EBIT	231	226	5
EBIT	191	186	5
Profit after financial items	147	153	-6
Profit after tax	113	118	-5
Right-of-use assets	1 862	0	1 862
Leasing liabilities	1 819	0	1 819
CF from operating activities	425	299	126
CF from financing activities	-334	-208	-126
CF for the period	51	51	0
Net debt, including IFRS 16*	5 633	3 814	1 819
Equity/asset ratio, %	33	39	-6

\*Mekonomen Group's definition of Net debt is excluding short and long-term leasing liabilities, pensions, derivatives and similar obligations, less cash and cash equivalents.

# Earnings trend

SUMMARY OF THE GROUP'S EARNINGS TREND SEK M	Jul-Sep	Jul-Sep	Change, %	Jan-Sep	Jan-Sep	Change, %	12 months	Full-year
	2019	2018		2019	2018		Oct - Sep	2018
Net sales	2 879	1 850	56	8 888	4 915	81	11 751	7 779
Adjusted EBIT	231	148	56	724	464	56	859	599
EBIT	191	118	62	601	351	71	658	407
Profit after financial items	147	233	-37	478	460	4	495	477
Profit after tax	113	85	32	366	260	41	374	268
Earnings per share, SEK	1,95	2,30	-15	6,34	6,99	-9	6,66	6,56
Adjusted EBIT margin, %	8	8		8	9		7	8
EBIT margin, %	7	6		7	7		6	5

ADJUSTED EBIT SEK M	Jul-Sep	Jul-Sep	Change, %	Jan-Sep	Jan-Sep	Change, %	12 months	Full-year
	2019	2018		2019	2018		Oct - Sep	2018
<b>EBIT</b>	<b>191</b>	<b>118</b>	62	<b>601</b>	<b>351</b>	71	<b>658</b>	<b>407</b>
Costs related to the integration of FTZ and Inter-Team				-5			-30	-25
Impairment of inventory DAB products <sup>1)</sup>					-20		0	-20
Divestment Marinshopen					-6		0	-6
Acquisition costs FTZ and Inter-Team		-4			-23		0	-23
Handling of refurbished spare parts							-15	-15
<i>Items affecting comparability, total</i>		-4		-5	-49		-45	-89
<i>"Other items", material acquisition-related items <sup>2)</sup></i>	-39	-26		-118	-64		-156	-103
<b>Adjusted EBIT</b>	<b>231</b>	<b>148</b>	56	<b>724</b>	<b>464</b>	56	<b>859</b>	<b>599</b>

<sup>1)</sup> Digital Audio Broadcasting.

<sup>2)</sup> Other items include material acquisition-related items. Current acquisition-related items are depreciation of acquired intangible assets relating to the acquisitions of FTZ, Inter-Team, MECA and Sørensen og Balchen.

# Cash flow

CONDENSED CONSOLIDATED CASH-FLOW STATEMENT, SEK M	Jul-Sep 2019	Jul-Sep 2018	Jan-Sep 2019	Jan-Sep 2018	12 months Oct - Sep	Full-year 2018
<b>Operating activities</b>						
<i>Cash flow from operating activities before changes in working capital, excluding tax paid <sup>1)2)</sup></i>	358	158	1 119	511	1 260	652
Tax paid	-21	-18	-161	-145	-215	-199
<b>Cash flow from operating activities before changes in working capital <sup>1)2)</sup></b>	<b>337</b>	<b>140</b>	<b>958</b>	<b>366</b>	<b>1 045</b>	<b>453</b>
Cash flow from changes in working capital:						
Changes in inventory	16	-104	89	-65	-182	-336
Changes in receivables	-36	-57	-253	-145	-30	78
Changes in liabilities	107	65	147	128	154	135
<i>Increase (-)/Decrease (+) working capital</i>	88	-96	-18	-81	-59	-122
<b>Cash-flow from operating activities <sup>1)2)</sup></b>	<b>425</b>	<b>44</b>	<b>940</b>	<b>285</b>	<b>986</b>	<b>331</b>
<b>Cash flow from investing activities</b>	<b>-40</b>	<b>-4 134</b>	<b>-164</b>	<b>-4 325</b>	<b>-246</b>	<b>-4 407</b>
<b>Cash flow from financing activities <sup>1)2)</sup></b>	<b>-334</b>	<b>4 238</b>	<b>-787</b>	<b>4 144</b>	<b>-886</b>	<b>4 044</b>
<b>CASH FLOW FOR THE PERIOD</b>	<b>51</b>	<b>148</b>	<b>-11</b>	<b>104</b>	<b>-146</b>	<b>-32</b>
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD</b>	<b>153</b>	<b>213</b>	<b>205</b>	<b>254</b>	<b>346</b>	<b>254</b>
Exchange-rate difference in cash and cash equivalents	9	-15	19	-12	13	-18
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD</b>	<b>213</b>	<b>346</b>	<b>213</b>	<b>346</b>	<b>213</b>	<b>205</b>

<sup>1)</sup> Cash flow from operating activities increased by SEK 126 M for the quarter and SEK 379 M for the nine-month period and cash flow from financing activities decreased by SEK 126 M for the quarter and SEK 379 M for the nine-month period due to IFRS 16.

<sup>2)</sup> Cash flow for 2018 is recognised after reclassification of SEK 132 M between operating activities and financing activities, which was adjusted after the publication of the third quarter report for 2018. For further information, refer to the press release on 14 November 2018.

# Balance sheet

CONDENSED CONSOLIDATED BALANCE SHEET SEK M	30 September 2019	30 September 2018	31 December 2018
<b>ASSETS <sup>1)</sup></b>			
Intangible fixed assets	5 839	5 858	5 745
Tangible fixed assets	473	480	490
Right-of-use assets	1 862	–	–
Financial fixed assets	86	85	77
Deferred tax assets	–	–	–
Goods for resale	2 816	2 595	2 816
Current receivables	1 837	1 747	1 530
Cash and cash equivalents	213	346	205
<b>TOTAL ASSETS</b>	<b>13 127</b>	<b>11 111</b>	<b>10 863</b>
<b>SHAREHOLDERS' EQUITY AND LIABILITIES <sup>1)</sup></b>			
Shareholders' equity	4 347	2 340	3 853
Long-term liabilities, interest-bearing	3 608	3 482	3 232
Long-term lease liabilities	1 357	–	–
Deferred tax liabilities	443	449	474
Long-term liabilities, non-interest-bearing	20	13	20
Current liabilities, interest-bearing	437	2 494	1 081
Current lease liabilities	462	–	–
Current liabilities, non-interest-bearing	2 453	2 334	2 203
<b>TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES</b>	<b>13 127</b>	<b>11 111</b>	<b>10 863</b>

<sup>1)</sup> The carrying amounts of financial assets and liabilities are measured at either fair value or a reasonable approximation of fair value.

# Income statement

CONDENSED CONSOLIDATED INCOME STATEMENT, SEK M	Jul-Sep 2019	Jul-Sep 2018	Jan-Sep 2019	Jan-Sep 2018	12 months Oct - Sep	Full-year 2018
Net sales	2 879	1 850	8 888	4 915	11 751	7 779
Other operating revenue	50	37	134	113	193	172
<b>Total revenue</b>	<b>2 929</b>	<b>1 887</b>	<b>9 022</b>	<b>5 028</b>	<b>11 944</b>	<b>7 951</b>
Goods for resale	-1 576	-900	-4 882	-2 297	-6 486	-3 901
Other external costs <sup>1)</sup>	-338	-365	-1 015	-1 050	-1 546	-1 581
Personnel expenses	-616	-444	-1 907	-1 179	-2 560	-1 832
<b>Operating profit before depreciation/ amortisation and impairment of tangible and intangible fixed assets (EBITDA)</b>	<b>400</b>	<b>177</b>	<b>1 218</b>	<b>502</b>	<b>1 352</b>	<b>637</b>
Depreciation and impairment of tangible fixed assets <sup>2)</sup>	-154	-23	-457	-56	-485	-84
<b>Operating profit before amortisation and impairment of intangible fixed assets (EBITA)</b>	<b>246</b>	<b>155</b>	<b>761</b>	<b>446</b>	<b>867</b>	<b>553</b>
Amortisation and impairment of intangible fixed assets	-55	-37	-159	-96	-210	-146
<b>EBIT</b>	<b>191</b>	<b>118</b>	<b>601</b>	<b>351</b>	<b>658</b>	<b>407</b>
Interest income	3	2	9	3	11	6
Interest expenses <sup>3)</sup>	-39	-18	-117	-33	-137	-53
Other financial items	-8	131	-16	139	-38	117
<b>Profit after financial items</b>	<b>147</b>	<b>233</b>	<b>478</b>	<b>460</b>	<b>495</b>	<b>477</b>
Tax	-34	-147	-112	-200	-121	-209
<b>PROFIT FOR THE PERIOD</b>	<b>113</b>	<b>85</b>	<b>366</b>	<b>260</b>	<b>374</b>	<b>268</b>
<b>Profit for the period attributable to:</b>						
Parent Company's shareholders	110	83	357	251	367	260
Non-controlling interests	3	3	9	9	8	8
<b>PROFIT FOR THE PERIOD</b>	<b>113</b>	<b>85</b>	<b>366</b>	<b>260</b>	<b>374</b>	<b>268</b>
<b>Earnings per share before and after dilution, SEK</b>	<b>1,95</b>	<b>2,30</b>	<b>6,34</b>	<b>6,99</b>	<b>6,66</b>	<b>6,56</b>

<sup>1)</sup> Other external costs were positively impacted by SEK 131 M in the quarter and SEK 390 M for the nine-month period due to IFRS 16.

<sup>2)</sup> Depreciation and impairment of tangible fixed assets were negatively impacted by SEK 127 M in the quarter and SEK 376 M for the nine-month period as a result of IFRS 16.

<sup>3)</sup> Interest expenses were negatively impacted by SEK 11 M for the quarter and SEK 32 M in the nine-month period due to IFRS 16.

# Largest owners 2019-09-30

	Voting rights and share capitals, %
LKQ Corporation	26,6
Didner & Gerge Fonder	8,9
Fjärde AP-fonden	8,4
Swedbank Robur Fonder	4,2
Eva Fraim Pålman	3,4
Dimensional Fund Advisors	2,5
AFA Försäkring	2,5
Avanza Pension	2,2
Centerstone Investors LLC	2,1
Vanguard	2,0
Total 10 largest shareholders	63,0
Others	37,0
Total	100,0