

North Investment Group

Third quarter 2018

North Investment Group AB (publ)

July - September 2018

- Net sales SEK 195.3 (203.3) million
- EBITDA amounted to SEK 21.3 (17.5) million
- Net profit amounted to SEK 10.7 (4.9) million
- SEK 325 million senior secured bond issue

January - September 2018

- Net sales SEK 557.6 (559.6) million
- EBITDA amounted to SEK 38.4 (1.5) million
- Net profit amounted to SEK 5.6 (-28.4) million
- Cash flow from operations amounted to SEK -12,9 million
- SEK 325 million senior secured bond issue

	Jul – Sep 2018	Jul – Sep 2017	Jan - Sep 2018	Jan – Sep 2017
Net sales	195,3	203,3	557,6	559,6
EBITDA	21,3	17,5	38,4	1,5
EBITDA margin	10,9%	8,6%	6,9%	0,3%
EBIT	13,5	9,4	14,6	-22,9
Net profit	10,7	4,9	5,6	-28,4
Avg. number of employees	247	281	251	293

Financial highlights

- ✓ In Q3 2018, North Investment Group AB (publ) ("NIG", "North Investment Group" or the "Company") secured financing through the placement of a senior secured bond issue of SEK 325 million (SEK 600 million borrowing limit) with a three-year tenor.
- ✓ Strong order income with SEK 554 million year-to-date ("YTD") as of Q3 2018, compared to SEK 540 million same period last year.
- ✓ Strong performance and well ahead of budget in Norway. Weaker performance in Sweden due to currency effects, loss of a large customer and order delays from the public sector because of the election outcome.
- ✓ Strong gross profit margin improvement of 39.7% YTD, compared to 34.1% last year as outsourcing strategy takes effect.



North Investment Group at a glance

North Investment Group is a supplier of furniture and storage solutions to the majority of public and private sectors in Scandinavia. Today the group has built a strong footprint in Scandinavia and is enjoying a highly scalable business model enabling further profitable growth.

VISION

North Investment Group has a vision to be the leading Scandinavian supplier of furniture for storage, office and education.

ADVANTAGE

North Investment Group's core competence and competitive advantage is development and sourcing of products from an extensive network of several hundred qualified manufacturers in Europe and Asia.

PRICE, QUALITY, DELIVERY

North Investment Group offers total solutions adapted to the needs of our customers in terms of price, quality and delivery, and is independent of geographic market, product or technology.



Key figures

	Jul – Sep 2018	Jan - Sep 2018	Jul – Sep 2017	Jan - Sep 2017
Revenue	195,3	557,6	203,3	559,6
EBITDA	21,3	38,4	17,5	1,5
EBIT	13,5	14,6	9,4	-22,9
EBITDA margin	10,9 %	6,9 %	8,6 %	0,3 %
NIBD	136,6	136,6	102,8	102,8

Comments to key figures:

- ✓ Due to substantial write offs in 2017, after the closing of the factory in Malmö, the 2017 numbers are not representative.
- ✓ Accounts currently based on the K3 accounting principles. As North Investment Group will apply for listing of the bond on Nasdaq Stockholm Corporate Bond List, the Company will convert to IFRS accounting principles as of year-end 2018.
- ✓ The third quarter numbers are not audited by the groups auditor.



Financial results

Profit & Loss

Q3 2018 YTD revenue of SEK 557.6 million, compared to SEK 559.6 in Q3 2017. EBITDA of SEK 38.4 million YTD per Q3 2018, compared to SEK 1.5 million the same period last year.

Order intake in Q3 2018 of SEK 160 million, compared to SEK 134 million same quarter last year, corresponding to an increase of 19%. Order intake YTD of SEK 554 million vs. SEK 540 million YTD last year.

Segments

NIG is divided into two segments, Norway and Sweden. YTD, Norway has delivered SEK 217 million in revenue and SEK 25.5 million in EBITDA. Sweden has reported revenue of SEK 362.6 million and EBITDA of SEK 14.5 million.

Balance sheet

NIG has strengthened its balance sheet substantially by raising a SEK 325 million senior secured bond with framework of SEK 600 million, increasing the long-term interest-bearing debt of the company and providing financial flexibility to further expand the business, both organically and through acquisitions. The net interest-bearing debt as of Q3 2018 was SEK 136.6 million.

Cash flow

In total, the Company's cash position has grown by SEK 315.9 million since year-end 2017. This is due to the bond issue and the fact that the NOK 125 million certificate loan was repaid in October 2018. Due to the delay in repayment, the planned dividend of SEK 25 million has not yet been distributed. Net cash flow from operations was negative with SEK 12.9 million YTD.

Status from sales and operations

To continue NIG's strive for its goals and long-term strategies, the Company is focusing on digitising its business processes to meet the Company's customer demands, its own cost efficiency targets and to adapt to the future way of communication. NIG's overall digitalisation strategy is divided into several projects, whereas some are finalised, some are in process and others not yet started. The Company is confident in succeeding in this through strong cooperation with key suppliers and customers and its highly competent and experienced personnel.

In October, NIG merged two of its subsidiaries, Sweop AB and Tranås Skolmöbler Produktion AB. Through the merger, the Company is expecting to improve its cost efficiency and further improve its communications and routines internally. This will simplify use of personnel between sites and lead the way for a more lean administration going forward.

Ergoff Miljö AB was acquired in 2015 as the latest acquisition into NIG. During 2018, the Company has integrated Ergoff Miljö AB into NIG's IT-platform and its routines, centralising purchasing to further improve the competitiveness. Ergoff Miljö AB is focusing on well-being at the workplace through experienced and highly skilled personnel and attractive product range.

There are several ongoing initiatives related to NIG's key suppliers. NIG is continuously focusing on finding the best partners to supply its products, both in Europe and Asia. The Company's mission is to sell the right product at the right time at the right price. NIG is continuously trying to find and keep the suppliers that share this mission and that can facilitate for its long-term growth strategy.



Outlook

The board of directors is pleased with the Q3 2018 results and the order intake during the period. However, it is expected that the loss of a large Swedish customer, continued weak currency in Sweden and the unresolved situation after the Swedish general election resulting in a delay in public projects, will affect performance in the fourth quarter of 2018.

The underlying trend shows a strong outlook in NIG's core markets, supported by growth in non-residential investments and general strong macro-economic and demographic environment. The split in order intake continue to be approx. 50/50 between public and private, two markets partly protected with countercyclical trends as governmental spending tends to increase in periods of private sector downturn.

The Company is working on several potential acquisitions and will seek to find targets that compliments its business model, customer base, culture and geographic focus.



Financial statements

Consolidated statements of profit and loss

All amounts in SEK thousand

	2018-01-01 - 2018-09-30	2017-01-01 - 2017-09-30
Revenue	545 595	556 965
Other operating revenue	12 051	2 699
Total operating revenue	557 646	559 664
Cost of goods sold	-305 263	-326 726
Other external cost	-80 192	-87 468
Salaries and personnel expense	-125 648	-137 727
Depreciation and amortization expense	-23 782	-24 405
Other operating expense	-8 130	-6 290
Total operating expense	-543 015	-582 616
Operating profit	14 631	-22 952
Interest income and similar	525	91
Interest expense and similar	-8 711	-5 365
Profit before income tax	6 445	-28 226
Income tax expense	-888	-226
Net profit for the period	5 557	-28 452
<i>Profit/(loss) is attributable to:</i>		
Majority share of profit/(loss)	5 557	-28 452
Minority share of profit/(loss)	0	0
Total	5 557	-28 452

Balance sheet

ASSETS	2018	2017
	30.09.	30.09.
Concessions, patents, licences, trade marks etc.	5 416	3 668
Goodwill	161 621	181 420
Total intangible assets	167 037	185 088
Land, buildings and other property	625	507
Machinery and plant	4 764	2 851
Office machinery, equipment and similar	2 735	2 851
Total property, plant and equipment	8 124	6 209
Deferred tax receivables	30 860	23 573
Other long term receivables	351	318
Total non-current financial assets	31 211	23 891
TOTAL NON-CURRENT ASSETS	206 372	215 188
Inventories		
Raw materials	4 913	7 237
Work in progress	4 946	5 317
Finished products	67 398	61 854
Advance payments to suppliers	2 176	1 581
Total inventories	79 433	75 989
Accounts receivables	105 303	98 398
Other short term receivables	2 359	2 482
Tax recoverables	4 562	5 220
Prepaid expenses and accrued income	12 550	11 542
Total receivables	124 774	117 642
Cash and cash equivalents	326 971	16 443
TOTAL CURRENT ASSETS	531 178	210 074
TOTAL ASSETS	737 550	425 262

All amounts in SEK thousand

EQUITY AND LIABILITIES	2018	2017
	30.09.	30.09.
Share capital	100 909	100 909
Other equity	-44 544	8 515
This years result	5 557	-28 452
Equity attributable to majority shareholders	61 922	80 972
Minority interests	0	0
TOTAL EQUITY	61 922	80 972
Pension liabilities	19 134	22 167
Other provisions	33 289	15 151
Total provisions	52 423	37 318
Bonds	315 934	0
Liabilities to group companies	128 797	26 212
Liabilities to financial institutions	2 355	7 890
Other non-current liabilities	0	85 124
Total non-current liabilities	447 086	119 226
Liabilities to financial institutions	53 969	52 401
Prepayments from customers	262	53
Accounts payable	65 678	63 128
Other short-term liabilities	26 774	27 402
Accrued expenses and deferred income	29 436	44 762
Total current liabilities	176 119	187 746
TOTAL LIABILITIES	675 628	344 290
TOTAL EQUITY AND LIABILITIES	737 550	425 262

Statement of cash flows

All amounts in SEK thousand

	2018-01-01 - 2018-09-30	2017-01-01 - 2017-09-30
Cash flows from operations		
Profit/(loss) before income taxes	6 445	-28 226
Depreciation	23 782	24 405
Other adjustments	-14 493	5 813
Taxes paid in the period	-153	-69
Net cash flow from operations before changes in working capital	15 581	1 923
Cash flow from changes in working capital		
Change in inventory	-10 767	-6 959
Change in trade debtors	-19 511	709
Change in trade creditors	1 788	-5 220
Net cash flow from operations	-12 909	-9 547
Cash flows from investments		
Purchase of intangible assets	-1 672	-419
Purchase of fixed assets	-1 102	-3 054
Sale of fixed assets	0	5 823
Change in other short- and longterm investments	23	-25
Net cash flows from investments	-2 751	2 325
Cash flow from financing		
Net change in credit line	9 885	16 793
Proceeds from long term loans	322 693	101 730
Transactions with minority interests	0	-116 337
Net cash flow from financing	332 578	2 186
Net change in cash and cash equivalents	316 918	-5 036
Cash and cash equivalents at the beginning of the period	11 022	23 712
Exchange rate differences in cash and cash equivalents	-969	-2 233
Cash and cash equivalents at the end of the period	326 971	16 443

Notes to the consolidated financial statements

Basis for preparation

North Investment Group consists of the mother company North Investment Group AB (publ.) with daughter companies. The condensed consolidated financial statement is prepared according to Swedish accounting rules (K3).

The interim financial statement is unaudited.

When preparing the consolidated financial statement the management is required to make judgements, estimates and assumptions for certain part of the statement.

These assumptions represents the managements best judgement at the date presented in the financial statement, and may deviate from the final results.

The following companies is part of the consolidated statement as of 30-September-2018

North Investment Group AB publ.

NIG Norge AS (former Frigaard Handel AS)

Altistore AS

Altistore ApS

Sarpsborg Metall AS

Sarpsborg Metall AB

Scandinavian Storage Group AS

Scandinavian Storage Group Danmark A/S

Norop AS

NIG IPO Ltd (former Frigaard IPO Ltd.)

ACAP Invest AB

NIG Sverige AB (former WS Produktion AB)

Sweop AB

SONO Sverige AB

Ergoff Miljö AB

Sonesson Inredningar AB

Sonesson Indretning ApS

Tranås Skolmöbler AB

Form o Miljö Sweden AB

Miljö Expo Scandinavia AB

GBP Ergonomics AB

Alnäs Möbelfabrik AB

SONO Norge AS

North Investment Group has an ownership of 100% in all daughtercompanies.

Consolidated changes in equity

All amounts in SEK thousand

This year changes in equity	Share capital	Other equity	Non-controlling interest	This years result	Total
Equity as of 31-December-2017	100 909	4 041	-	-61 651	43 299
Exchange rate differences from conversion of foreign daughter companies		12 796			12 796
Liquidation of daughter company		270			270
Profit for the period YTD 2018				5 557	5 557
Equity as of 30-September-2018	100 909	17 107	-	-56 094	61 922

Additional information

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Financial Calendar:

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