



Q3 2019

Interim financial report

North Investment Group AB (publ)

Highlights

- ✓ Group revenue of SEK 229m during the quarter comprising growth of 17.2% (+0.1% proforma 2018 incl Sørлие), despite a more challenging Swedish macroeconomic environment.
- ✓ EBITDA of SEK 26.5m (SEK 32.2m).
- ✓ Unrealized foreign exchange loss YTD in 2019 of SEK 9.9m (SEK 1.4m gain in 2018).
- ✓ New strategy to gain synergies in the market.
- ✓ Cost reduction program for 2020 initiated.
- ✓ Order backlog of SEK 97.1m per Q3 2019 (SEK 97.6m Q3 2018).

Key consolidated figures

	Q3 2019	Q3 2018	Jan-Sept 2019	Jan-Sept 2018
(SEKm, unless stated)	Unaudited	Unaudited	Unaudited	Unaudited
Revenue	229,0	195,3	693,2	557,6
Gross profit	83,9	75,2	260,8	216,8
EBITDA	26,5	32,2	64,3	71,3
EBIT	14,7	21,5	33,0	38,9
Net Profit	2,6	18,9	-1,3	21,6
Cash flow from operations	14,5	21,0	-4,8	18,7
No of outstanding shares	759 201	725 344	759 201	725 344
Net earnings per share (SEK)	3,39	26,02	-1,70	29,76
Gross profit margin (%)	37,0	38,8	38,1	39,7
EBITDA margin (%)	11,7	16,6	9,4	13,1

Proforma Revenue incl Sørлие Prosjektinnredninger AS was SEK 228.8m in Q3 2018 and SEK 662.9m Jan-Sep 2018. Proforma EBIT incl Sørлие Prosjektinnredninger AS was SEK 23.5m in Q3 2018 and SEK 41.6m Jan-Sep 2018.

CEO statement

NIG performed well during the third quarter of 2019, despite a more challenging market in Sweden. With a negative difference in currency-effect YTD of SEK 11.1m compared to 2018 in mind, the underlying EBITDA of the Group is strong.

Both operating segments (Norway and Sweden) have performed well. The sales related to the school market in Sweden have not been at the expected level so far into 2019. The remaining business areas of the Group delivers according to, or better than, plan.

The Group have initiated a project to change the company name. The Group's new name will be more explanatory for the markets it operates. Through a new name the Group will build a stronger culture across countries and business areas.

The cost reduction program "Trim 2020" was launched in September. The target for the Group is to reduce cost in 2020 with SEK 15 to 20 mill on a yearly basis. Reductions will be executed in both segments, but with strongest effect in the Swedish part of the Group.

The Groups new strategy for 2020 to 2022 will be finalized before year end 2019. The aim is to simplify our go to market approach by combining several of our companies. This will enable us to put more resources into sales to succeed in organic growth. The success for the Group going forward will be to strengthen our strongest brands further and through that withhold our strong footprint in our key business areas.

A project for digitalization of our business processes has started. This project will go hand in hand with our strategy for simplifying and clarifying the Group. This project also includes a common future E-commerce strategy in Scandinavia to best serve our customers.



Ole Vinje, CEO, Tranås, 29th November 2019

Financial review

Q3 2019

Income statement

The Group reported revenue of SEK 229m (SEK 195.3m) and EBITDA of SEK 26.5m (SEK 32.2m) in Q3 2019. Order intake was SEK 164.1m (SEK 145.4m), corresponding to an increase of 12.9 % compared to Q3 2018. EBIT for the Group was SEK 14.7m (SEK 21.5m) and net profit SEK 2.6m (SEK 18.9m).

Gross margin for the Group in Q3 2019 was 37% (38.8%). The main reason for the decrease in gross margin is the acquisition of Sørлие Projektinnredninger that has somewhat lower gross margin compared to Group average. We have initiated several initiatives to improve Sørлие Projektinnredninger's margin going forward.

Segments

NIG is divided into two segments, NIG Norway (Norway) and NIG Sweden (Sweden).

Norway delivered SEK 99.5m in revenue (SEK 68m) and SEK 11.1m in EBITDA (SEK 10.7m) during the quarter. Sweden reported revenue of SEK 134.9m (SEK 133.3m) and EBITDA of SEK 15.6m (SEK 21.7m).

Jan – Sep 2019

Income statement

The Group reported revenue of SEK 693m (SEK 558m) and EBITDA of SEK 64m (SEK 71m) YTD 2019. Order intake was SEK 665m (SEK 542m), corresponding to an increase of 22.6 % compared to 2018. EBIT for the Group was SEK 33m (SEK 38.9m) and net profit SEK -1.3m (SEK 21.6m).

Gross margin for the Group YTD 2019 was 38.1% (39.7%). The main reason for the decrease in gross margin is the acquisition of Sørлие Projektinnredninger that has somewhat lower gross margin compared to Group average. The negative difference between the FX-loss in 2019 compared to the FX-gain in 2018 is SEK 11.2m.

Segments

NIG is divided into two segments, NIG Norway (Norway) and NIG Sweden (Sweden).

Norway delivered SEK 352.4m in revenue (SEK 208.7m) and SEK 37.6m in EBITDA (SEK 39.8m) during the three first quarter of the year. Sweden reported revenue of SEK 359.6m (SEK 358.8m) and EBITDA of SEK 27.3m (SEK 32.7m).

Cash flow

The Group's net cash flow from operations was negative with SEK 4.8m (positive SEK 18.7m). The Cash and cash equivalents as of 30th September 2019 amounts to SEK 79m (SEK 327m). The liquidity situation of the Group is according to plan.

Balance sheet

As of 30th September 2019, the Group had assets of SEK 821m, mainly related to goodwill, right of use assets, inventory, accounts receivable and cash and cash equivalents.

Net interest bearing debt (excl. Lease liabilities) was SEK 235.9m (SEK 136.6m).

Risk and uncertainties

The Group's main risks and uncertainties are related to its high exposure to certain markets. In addition, the Group has financial risk related primarily to currency risk, interest rate risk related to financing and credit risk related to sales.

Outlook

The outlook for our main markets remains strong. The sale to the school market in Sweden has been below the expected level for 2019. However; the underlying demographic situation combined with our broad product portfolio and geographical footprint indicate attractive growth potential for our products in the years to come

The integration of Sørliie Prosjektinnredninger is progressing according to plan. The YTD financial performance is ahead of the previous year, even without the full effect of the expected synergies.

The Board of Directors is pleased with the cost reduction programs and digitalization projects initiated by Ole Vinje. In light of a more uncertain macroeconomic outlook, especially in Sweden, we are confident that these initiatives will improve our financial performance for 2020 and onwards.

The Group is continuously looking for new strategic acquisition targets mainly in the Nordic region combined with a strong focus on succeeding through profitable organic growth.



Group financial statements

Consolidated income statement

All amounts in SEK thousand

	Jul-Sept 2019	Jul-Sept 2018	jan-Sept 2019	Jan-Sept 2018
Revenue	226 752	194 041	685 094	545 595
Other operating revenue	2 284	1 258	8 096	12 051
Total operating revenue	229 036	195 299	693 190	557 646
Cost of goods sold	(136 156)	(111 162)	(403 579)	(305 263)
Other external cost	(17 403)	(14 961)	(59 860)	(47 331)
Salaries and personnel expense	(43 376)	(36 719)	(151 741)	(125 648)
Other operating expense	(5 558)	(268)	(13 720)	(8 130)
EBITDA	26 543	32 189	64 290	71 274
Depreciation and amortization expense	(11 775)	(10 646)	(31 272)	(32 371)
Operating profit	14 768	21 543	33 018	38 903
Interest income and similar	167	(25)	914	525
Interest expense and similar	(11 648)	(4 606)	(35 583)	(16 955)
Net financial income (expenses)	(11 481)	(4 631)	(34 669)	(16 430)
Profit before income tax	3 287	16 912	(1 651)	22 473
Income taxes	(717)	1 959	363	(888)
Net profit for the period	2 570	18 871	(1 288)	21 585

Consolidated statement of comprehensive income

Items that may be reclassified subsequently to income statement

Translation differences on net investment in foreign operations	(2 161)	(1 247)	7 924	12 795
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Items that will not be reclassified to income statement

Remeasurement of defined benefit pension plans	-	-	-	-
Income taxes	-	-	-	-
Other comprehensive income (loss), net of taxes	(2 161)	(1 247)	7 924	12 795
Total comprehensive income	409	17 624	6 636	34 380

Consolidated balance sheet statement

All amounts in SEK thousand

ASSETS	2019	2018	2018
	30.09.	30.09.	31.12.
Software, licences, etc.	4 406	5 416	5 029
Goodwill	249 496	206 754	200 675
Total intangible assets	253 902	212 170	205 703
Right of use assets	223 112	232 802	214 343
Land, buildings and other property	1 360	625	894
Machinery and plant	4 150	4 764	4 601
Office machinery, equipment and similar	3 490	2 735	2 693
Total property, plant and equipment	232 112	240 926	222 531
Other long term receivables	211	351	187
Total non-current financial assets	211	351	187
Deferred tax receivables	38 908	36 173	37 875
TOTAL NON-CURRENT ASSETS	525 133	489 620	466 296
Inventories			
Raw materials	13 880	4 913	10 662
Work in progress	8 906	4 946	6 832
Finished products	75 146	67 398	54 689
Advance payments to suppliers	1 169	2 176	1 263
Total inventories	99 101	79 433	73 446
Accounts receivables	90 741	105 303	91 682
Other short term receivables	15 591	2 359	11 346
Tax recoverables	3 125	4 562	1 401
Prepaid expenses and accrued income	8 640	12 550	12 348
Cash and cash equivalents	78 650	326 971	139 082
Total receivables	196 747	451 745	255 859
TOTAL CURRENT ASSETS	295 848	531 178	329 305
TOTAL ASSETS	820 981	1 020 798	795 601

All amounts in SEK thousand

EQUITY AND LIABILITIES	2019 30.09.	2018 30.09.	2018 31.12.
Share capital	105 619	100 909	100 909
Other equity	-19 353	-11 972	-11 871
This years result	-1 287	-4 988	-39 929
Equity attributable to majority shareholders	84 979	83 949	49 109
Liabilities to shareholders	-	128 795	-
Bonds	314 527	315 934	310 599
Pension liabilities	30 159	33 812	31 944
Other provisions	801	1 954	1 487
Non-current Lease liabilities	215 058	239 713	224 075
Total non-current liabilities	560 545	720 208	568 105
Liabilities to financial institutions	550	53 969	37
Current lease liabilities	48 760	40 521	37 633
Prepayments from customers	1 327	262	1 196
Accounts payable	61 239	65 678	75 794
Tax payable	536	-	484
Other short-term liabilities	26 598	26 774	28 052
Accrued expenses and deferred income	36 447	29 437	35 191
Total current liabilities	175 457	216 641	178 387
TOTAL EQUITY AND LIABILITIES	820 981	1 020 798	795 601

Consolidated statement of changes in equity

All amounts in SEK thousand	Attributable to equity holders of the parent company			Total equity
	Share capital	Other Equity	Retained earnings	
		Other Equity		
Equity as at 01.01.2018	100 909	-11 972	-39 638	49 299
Comprehensive income				
Profit for the period			21 585	21 585
Other comprehensive income				
Items that will not be reclassified in profit or loss				
Translation difference, net assets in foreign currency		-	12 795	12 795
Total comprehensive income	-	-	34 380	34 380
Liquidation of daughter company			270	270
Total shareholders transactions	-	-	270	270
Equity as at 30.09 2018	100 909	-11 972	-4 988	83 949
Profit for the period			-4 156	-4 156
Other comprehensive income				
Items that will not be reclassified in profit or loss				
Actuarial loss on pension obligations			-944	-944
Items that may be reclassified in profit or loss				
Translation difference, net assets in foreign currency		101	-8 871	-8 770
Deferred tax			195	195
Total comprehensive income	-	101	-13 776	-13 675
Group Contribution			-11 421	-11 421
Dividends			-9 744	-9 744
Total shareholders transactions	-	-	-21 165	-21 165
Equity as at 31.12 2018	100 909	-11 871	-39 929	49 109
Equity as at 01.01 2019	100 909	-11 871	-39 929	49 109
Profit for the period			-1 288	-1 288
Items that will not be reclassified in profit or loss				
Issue of share capital	4 710		24 524	29 234
Items that may be reclassified in profit or loss				
Other income booked towards equity				
Translation difference, net assets in foreign currency		-	7 924	7 924
Total comprehensive income	4 710	-	31 160	35 870
Total shareholders transactions	-	-	-	-
Equity as at 30.09 2019	105 619	-11 871	-8 769	84 979

Consolidated statement of cash flows

All amounts in SEK thousand

	2019-07-01 - 2019-09-30	2018-07-01 - 2018-09-30	2019-01-01 - 2019-09-30	2018-01-01 - 2018-09-30	2018-01-01 - 2018-12-31
Cash flows from operations					
Profit/(loss) before income taxes	3 287	16 912	-1 651	22 473	19 919
Taxes paid in the period	548	-	-1 198	-	-
Depreciation	11 775	10 646	31 272	32 371	42 002
Other adjustments	-343	-891	-1 785	-2 586	-4 454
Currency (gains) losses not related to operating activities	95	-3 869	-1 265	2 162	-1 288
Change in inventory	8 742	1 219	-21 151	-10 767	-5 405
Change in trade debtors	25 830	-898	27 123	-19 511	-5 654
Change in trade creditors	-27 506	3 223	-23 609	3 472	12 487
Change in other provisions	-7 971	-5 357	-12 583	-8 904	-5 651
Net cash flow from operations	14 457	20 985	-4 847	18 710	51 956
Cash flows from investments					
Purchase of intangible assets	-350	-772	-671	-2 025	-2 436
Purchase of fixed assets	-703	-685	-2 066	-1 593	-1 834
Purchase of subsidiaries (net of cash)	-	-	-19 550	-	-
Change in other short- and longterm investments	-84	1 038	-39	-	-853
Net cash flows from investments	-1 137	-419	-22 326	-3 618	-5 123
Cash flow from financing					
Net change in credit line	-660	7 039	1 080	9 885	-44 046
Proceeds from long term loans	-	298 078	-	315 927	310 624
Repayment of borrowings	-228	4 409	-686	4 409	-124 386
Repayment of leasing liabilities	-11 585	-9 838	-34 918	-29 985	-36 909
Dividends paid to equity holders of NIG AB	-	-	-	-	-24 577
Other transactions	-	-	-	270	270
Net cash flow from financing	-12 473	299 688	-34 524	300 506	80 976
Net change in cash and cash equivalents	847	320 254	-61 697	315 598	127 809
Cash and cash equivalents at the beginning of the period	77 898	6 750	139 082	11 022	11 022
Exchange rate differences in cash and cash equivalents	-95	-33	1 265	351	251
Cash and cash equivalents at the end of the period	78 650	326 971	78 650	326 971	139 082

Parent Company financial statements - North Investment Group AB (publ.)

Income statement

All amounts in SEK thousand

	jul-sep 2019	jul-sep 2018	jan-sep 2019	jan-sep 2018
Other external cost	(94)	(232)	(596)	(1 266)
Total operating expense	(94)	(232)	(596)	(1 266)
Operating profit	(94)	(232)	(596)	(1 266)
Interest income and similar	1 541	-	4 089	5
Interest expense and similar	(7 123)	(1 573)	(21 473)	(4 529)
Net financial income (expenses)	(5 582)	(1 573)	(17 384)	(4 524)
Profit before income tax	(5 676)	(1 805)	(17 980)	(5 790)
Income taxes	-	-	-	-
Net profit for the period	(5 676)	(1 805)	(17 980)	(5 790)
Other comprehensive income (loss), net of taxes	-	-	-	-
Total comprehensive income	(5 676)	(1 805)	(17 980)	(5 790)

Total comprehensive income attributable to:

Equity holders of NIG AB

Balance sheet statement

All amounts in SEK thousand

ASSETS	2019	2018	2018
	30.09	30.09	31.12
Other investments	303 390	303 390	303 390
Receivables to group companies	122 524	-	56 089
Deferred tax receivables	321	-	321
Total non-current financial assets	426 235	303 390	359 800
TOTAL NON-CURRENT ASSETS	426 235	303 390	359 800
Other short term receivables	4 096	-	12 490
Prepaid expenses and accrued income	31	28	84
Cash and cash equivalents	26 210	316 981	73 925
Total receivables	30 337	317 009	86 499
TOTAL CURRENT ASSETS	30 337	317 009	86 499
TOTAL ASSETS	456 572	620 399	446 299

Amounts in SEK thousand

EQUITY AND LIABILITIES	2019	2018	2018
	30.09	30.09	31.12
Share capital	105 619	100 909	100 909
Other equity	54 401	40 799	31 054
This years result	-17 980	-5 790	-1 178
Equity attributable to majority shareholders	142 040	135 918	130 785
Liabilities to group companies	-	168 429	-
Bonds	314 527	315 934	310 599
Total non-current liabilities	314 527	484 363	310 599
Accounts payable	5	-	-
	-	-	76
Other short-term liabilities	-	118	4 839
Total current liabilities	5	118	4 915
TOTAL EQUITY AND LIABILITIES	456 572	620 399	446 299

Accounting policies

The interim report has been prepared in accordance with IAS 34 *Interim Financial Reporting* and the Swedish Annual Accounts Act. The consolidated financial statements were prepared in accordance with the cost method. All amounts are in thousands of Swedish kroner, unless otherwise stated.

The Parent Company applies Recommendation RFR 2 *Accounting for Legal Entities*, issued by the Swedish Financial Reporting Board, and the Annual Accounts Act. The application of RFR 2 means that the Parent Company, in the interim report for a legal entity, applies all IFRS and statements approved by the EU as far as possible within the framework of the Swedish Annual Accounts Act and the Pension Obligations Vesting Act, with consideration taken to the relationship between accounting and taxation.

The accounting policies applied correspond to the accounting policies and measurement principles presented in the 2018 Annual Report. The 2018 Annual Report is available at www.northinvestmentgroup.se.

The Group applied IFRS 16 Leases as of January 1, 2017. For more information see Annual report. The Group has not implemented new or changed standards in 2019 with material effects on the Group's financial position and results.

Critical accounting estimates and judgements

The preparation of financial statements requires the use of accounting estimates which, by definition, will seldom equal the actual results. Management also needs to exercise judgement in applying the Group's accounting policies.

Estimates and judgements are continually evaluated, and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances.

Management makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results.

Risks and risk management

Exposure to risk is a natural part of business activity and this is reflected in NIG's approach to risk management. Responsibility for the management of the group's financial transactions and risks is centralised to the parent company. The main risk exposure is related to financial risks. See note 3 in the Annual Report.

Seasonal variations

The Group has seasonal variations related to one of its main categories; school furniture. A high share of these deliveries is related to 3rd quarter.

Related party transactions

The Group had no significant transactions with related parties in 2019, except for acquisition of Sørlie Prosjektinnredninger AS (see below). All transactions with related parties are priced on arm's length basis.

Additional information

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