



**Fourth Quarter 2018**  
**15 February 2019**



## STRONGEST QUARTER EVER – AGAIN!

- Highest revenue and earnings ever in a single quarter
- Continuously increasing aftermarket sales
- Growing contracting services business
- Geographic expansion started
- Extraordinary dividend proposed

**68%**  
REVENUE  
GROWTH Y/Y

**10.3%**  
EBITDA  
MARGIN

**8.3%**  
OPERATING  
MARGIN

**127%**  
NET INCOME  
GROWTH

## STRONG FINANCIAL PERFORMANCE



- Revenue over SEK 1bn for the first time in a single quarter
  - 25% higher than second-best quarter
  - Equipment sales up over 90%
  - Strong growth in contracting services
- Increase in operating profit by 124% and net income by 127%
  - Optimized network and organization further
  - S, G & A expenses to revenue of 8.8% vs. 11.4% in Q4 2017

**1,019 MSEK**  
REVENUE

**84 MSEK**  
OPERATING PROFIT

**8.3%**  
OPERATING  
MARGIN

# GROWING AFTERMARKET AND CONTRACTING SERVICES



- Strong growth in profitable aftermarket business
  - Particularly during second half of the year
  - Largely driven by digitalization program
- Continued growth in contracting services
  - Largest contract to-date signed in October
  - Project started in Q4 and will last for three years
  - We strongly believe in contracting services and see increased demand for this type of services

**15%**  
INCREASE IN  
AFTERMARKET  
REVENUE

NEW PROJECT:  
**≈25 MACHINES**  
**≈100 EMPLOYEES**

**82%**  
GROWTH IN OTHER  
REVENUE  
(mainly contracting  
services)

## GEOGRAPHIC EXPANSION STARTED



- Agreement to become Volvo CE dealer in Kazakhstan signed 18 December 2018
  - Agreement effective 14 January 2019
  - No remuneration paid for the appointment
  - Initial investments expected to be approx. SEK 55m - working capital, service vans and tools
  - Limited contribution in 2019
  - 15% of revenue and earnings in 3-4 years (expected)
  - Dealer for Mecalac in Kazakhstan since 18 January

DEALER FOR  
VCE AND  
MECALAC IN  
KAZAKHSTAN

## AGM 2019 AND DIVIDEND PROPOSAL



- For the AGM 2019, the Board will propose:
  - Ordinary dividend:  
SEK 3.75 per share
  - Extraordinary dividend:  
SEK 3.75 per share
  
- 2018 annual report to be published around 14 April 2019
  
- AGM to be held in Stockholm at 10:00 CET on Tuesday, 14 May 2019

TOTAL DIVIDEND OF  
SEK 7.50 PROPOSED

AGM 2019 TO TAKE  
PLACE ON 14 MAY

## THE RUSSIAN ECONOMY



- Russia's economy expected to have grown 2.3% in 2018
- No new significant sanctions introduced during the quarter
  - But political climate continues to be tense
  - Threat of additional sanctions in the future
- Signs that the government will try to support economic growth by increased infrastructure spending remain
  - Details of projects originating from the President's "May Decrees" expected to be presented next couple of months

**2.3%**  
GDP GROWTH IN  
2018

**4.3%**  
INFLATION IN  
DECEMBER

**7.75%**  
CENTRAL BANK  
KEY RATE

## MANAGEMENT CHANGES



- Anders Blomqvist, CFO and Investor Relations Director, will leave company in mid-February
- Replacement identified and will start in May 2019
  - Swedish citizen with broad financial and operational experience from investment banking and industry, including as CFO for company listed on Nasdaq Stockholm
  - Jonathan Tubb, CFO Russia, will be interim Group CFO
  - Investor relations will be managed by Lars Corneliusson, CEO, and Henrik Carlborg, General Counsel and Business Development Director
- Andrey Korneev, Director Contracting Services and Key Accounts, became member of the executive management team



## IMPORTATION OF VOLVO CE PRODUCTS



- On 11 January 2019 it was announced that Ferronordic should take over responsibility for importation of Volvo CE products to Russia
  - Currently handled by AO Volvo Vostok, Volvo Group's operating entity in Russia
- Current agreements between Ferronordic and Volvo Vostok to be replaced by new agreements between Ferronordic and Volvo Construction Equipment AB
- Change will be implemented gradually during H1 2019 and is not expected to have material impact on profitability or working capital

## Q4 PROFIT AND LOSS

SEK MM	Q4 2018	Q4 2017	% Change SEK	% Change RUB
New Units Sold	324	168	93%	93%
<b>Revenue</b>	<b>1,019</b>	<b>606</b>	<b>68%</b>	<b>76%</b>
<b>Gross Profit</b>	<b>180</b>	<b>112</b>	<b>61%</b>	<b>68%</b>
<i>% Margin</i>	17.6%	18.4%		
<b>EBITDA</b>	<b>105</b>	<b>46</b>	<b>130%</b>	<b>141%</b>
<i>% Margin</i>	10.3%	7.5%		
<b>EBIT</b>	<b>84</b>	<b>38</b>	<b>124%</b>	<b>134%</b>
<i>% Margin</i>	8.3%	6.2%		
<b>Result</b>	<b>64</b>	<b>28</b>	<b>127%</b>	<b>137%</b>
EPS	4.40	0.52	NM	NM
Net Debt/(Cash)	(303)	(312)		

- Number of new units sold up 93%
  - Used units sold increased 3%
- Revenue up 68% (76% in rubles)
  - Equipment sales up 91% (100%)
  - Aftermarket sales up 15% (20%)
  - Other revenue up 82% (90%)
- Lower gross margin
  - Higher new machines revenue impacted negatively
  - Contracting services impacted positively
- S, G & A expenses lower as % of revenue
  - 8.8% vs. 11.4% in Q4 2017
- 124% EBIT growth
- 127% net income growth
- Strong net cash position

## 2018 PROFIT AND LOSS

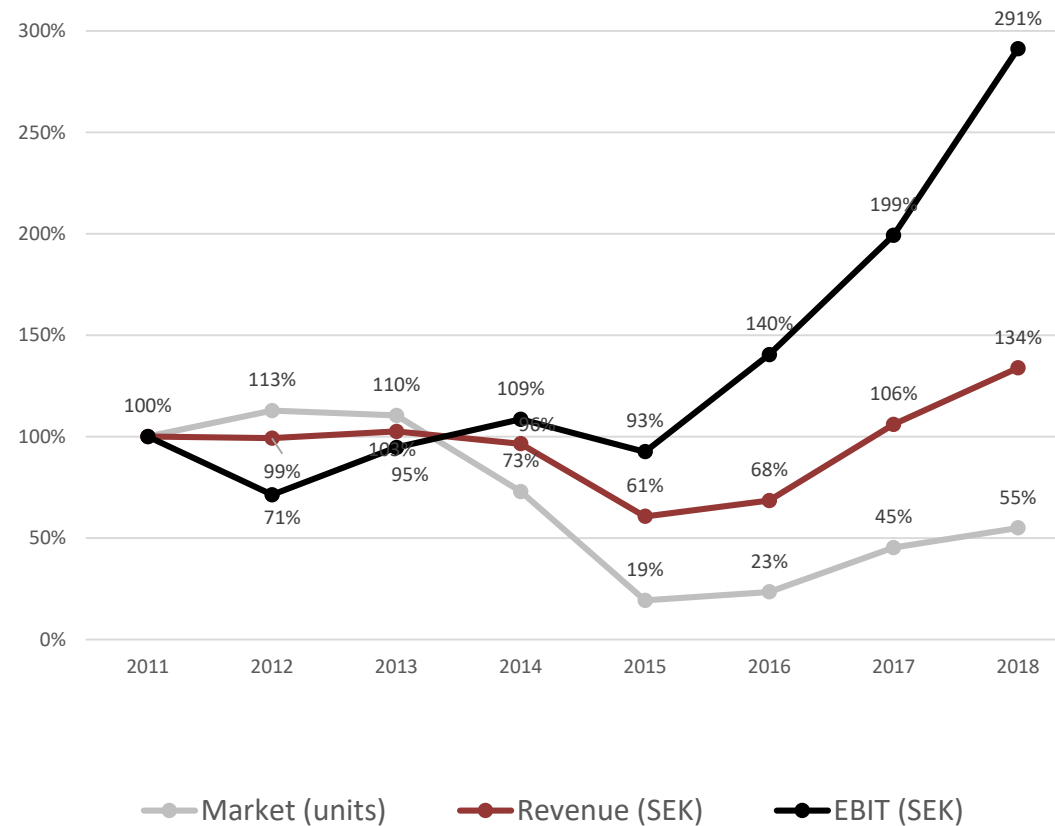
SEK MM	2018	2017	% Change SEK	% Change RUB
New Units Sold	948	738	28%	28%
<b>Revenue</b>	<b>3,241</b>	<b>2,567</b>	<b>26%</b>	<b>34%</b>
<b>Gross Profit</b>	<b>614</b>	<b>488</b>	<b>26%</b>	<b>33%</b>
<i>% Margin</i>	19.0%	19.0%		
<b>EBITDA</b>	<b>322</b>	<b>214</b>	<b>50%</b>	<b>59%</b>
<i>% Margin</i>	9.9%	8.3%		
<b>EBIT</b>	<b>274</b>	<b>187</b>	<b>46%</b>	<b>55%</b>
<i>% Margin</i>	8.4%	7.3%		
<b>Result</b>	<b>209</b>	<b>151</b>	<b>38%</b>	<b>47%</b>
EPS	13.22	8.06	64%	73%
Net Debt/(Cash)	(303)	(312)		

- Number of new units sold up 28%
  - Used units sold decreased 11%
- Revenue up 26% (34% in rubles)
  - Equipment sales up 30% (38%)
  - Aftermarket sales up 13% (19%)
  - Other revenue up 55% (63%)
- Stable gross margin
  - Positively impacted by growing contracting services and aftermarket
  - Negatively impacted by changed revenue mix
- S, G & A expenses 13% higher
  - 10.1% of revenue vs. 11.3% in 2017
- 46% EBIT growth
- 38% net income growth

## MARKET STILL AT LOW LEVELS

- Number of imported machines to Russia still only 55% of 2011 level and 49% of 2012 level
- Revenue 34% higher than 2011
- EBIT 191% higher than 2011\*

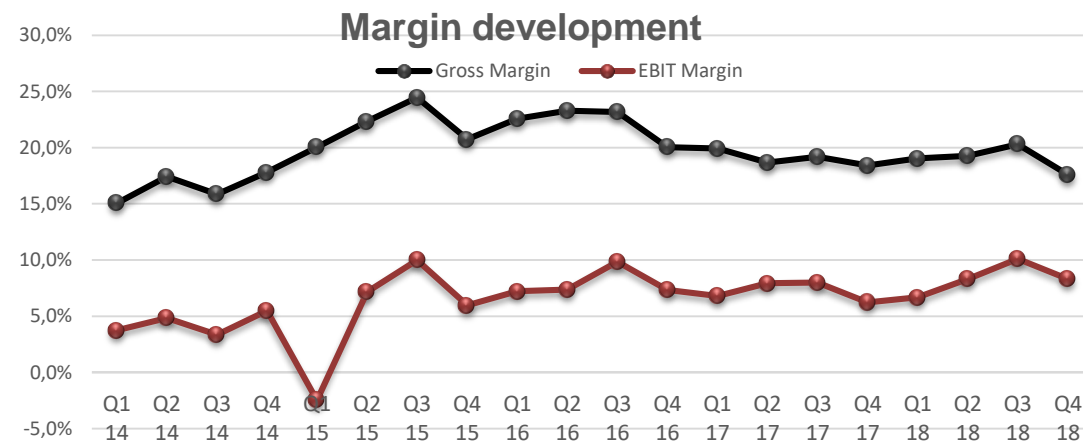
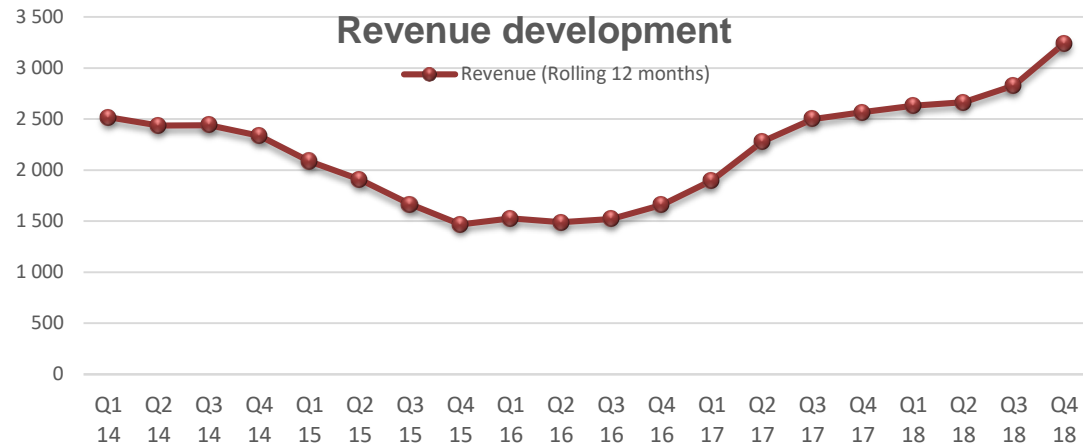
**17%**  
EBIT CAGR 2011  
to 2018\*



\* Compared to Adjusted EBIT in 2011 of SEK 94m (reported EBIT was SEK 53m).

# REVENUE AND MARGIN DEVELOPEMNT

- 10<sup>th</sup> consecutive quarter with Y/Y growth
  - All time high revenue
  - 30% revenue CAGR since 2015
  
- Changed revenue mix towards more machine sales affecting gross margin negatively
  
- EBIT margin well within financial objectives of 7-9%



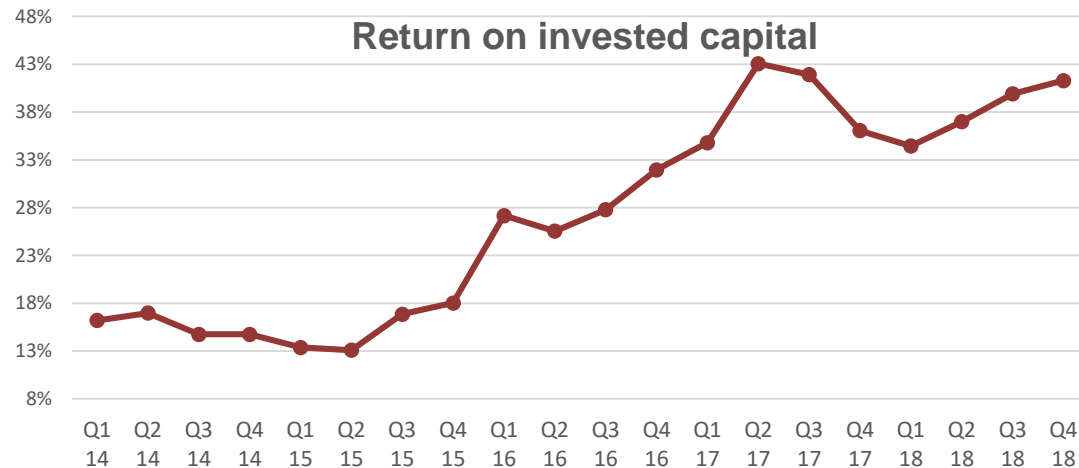
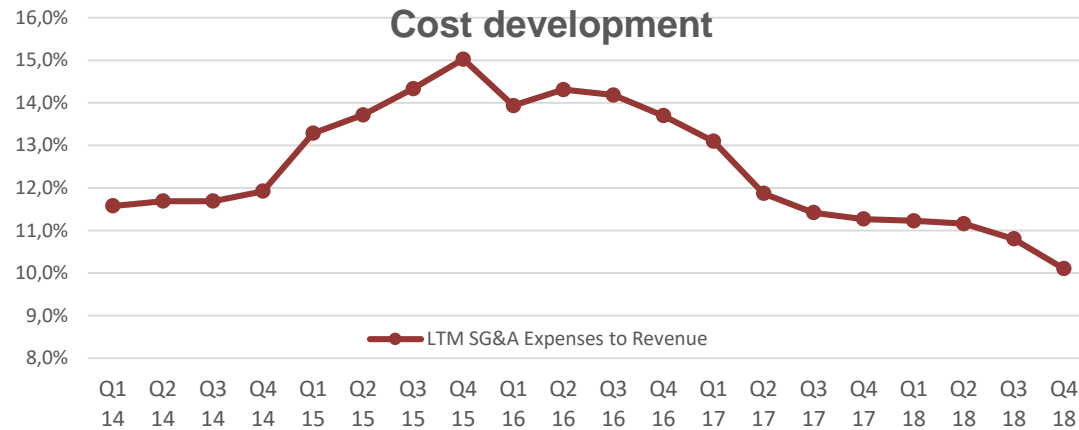
# COST AND ROIC DEVELOPMENT

- Efficient use of the organization
  - S, G & A expenses to revenue continuing down
  - Below 9% during Q4 2018

- Strong ROIC increase since 2015
  - 28%-points higher than Q2 2015
  - Steady increase throughout 2018

**10.1%**  
S,G&A TO  
REVENUE

**41%**  
ROIC



## BALANCE SHEET

SEK MM	30/12/18	31/12/17
Cash & Cash Equivalent	357	352
Debt	-	-
Financial leases	54	40
<b>Net debt / (cash)</b>	<b>(303)</b>	<b>(312)</b>
Working capital	47	117
<i>% of Revenue</i>	<i>1%</i>	<i>5%</i>
Shareholders Equity	656	611
Total Assets	<b>1,727</b>	<b>1,414</b>
<i>Equity/Assets</i>	<i>38%</i>	<i>43%</i>

- Net cash balance still above SEK 300m
- Working capital just above 1% of revenue

## CASH FLOW

SEK MM	Q4 2018	Q4 2017	2018	2017
<b>Cash flow from:</b>				
Operating Activities	12	(134)	150	148
<i>of which change in working capital</i>	(74)	(168)	(117)	(20)
Investing Activities	(12)	(9)	(35)	(4)
<b>Cash Flow before Financing Activities</b>	<b>0</b>	<b>(142)</b>	<b>115</b>	<b>144</b>
Financing Activities	15	56	(108)	21
<b>Cash Flow (before FX fluctuations)</b>	<b>15</b>	<b>(86)</b>	<b>7</b>	<b>165</b>

- Positive operating cash flow in Q4 and full year 2018
- Higher investments, primarily in service vans and contracting services



## FINANCIAL OBJECTIVES

AREA	TARGET	2018
Revenue	Triple 2016 revenue by 2021	<b>95% growth in two years</b>
EBIT margin	7-9%	<b>8.4%</b>
Net Debt / EBITDA	0-2x	<b>Net cash position</b>



## OUTLOOK CEO COMMENT

*“In consideration of the continued recovery of the Russian economy, we are optimistic about the development of the Russian construction equipment market. Although the market is still at a rather low level, we do not believe that it will grow as strongly in 2019 as it did during 2017 and 2018. As regards the future of our business in a longer perspective, we remain optimistic, as the long-term fundamentals in the construction equipment markets in Russia and Kazakhstan remain strong. Our optimism is supported by the signs that Russia’s government will now try to support economic growth by increasing infrastructure spending, as indicated in the May Decrees.”*

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# Q & A