

# LIFCO

## **PRESENTATION YEAR-END REPORT 2016**

15 FEBRUARY 2017

# CONTENTS

<b>1 Business overview</b>	<b>3</b>
2 Dental	13
3 Demolition & Tools	17
4 Systems Solutions	20
5 Group overview	23

# MANAGEMENT AND CHAIRMAN



**Fredrik Karlsson**

CEO

**Born:** 1962

**Education**

- MSc in Engineering Physics, KTH Royal Institute of Technology
- MSc in Business Administration, Stockholm School of Economics

**Experience**

- Management Consultant at BCG 1988-1992
- President of Mercatura GmbH 1993-1998
- CEO of Lifco since 1998

**Own and related parties' holdings as of 31 December 2016**

331,500 Class B shares



**Per Waldemarson**

President Dental

**Born:** 1977

**Education**

- MSc in Business Administration, Stockholm School of Economics

**Experience**

- Management Consultant at Bain & Co 2002-2006
- MD of Brokk 2006-2009
- President of the Dental business area since 2009

**Own and related parties' holdings as of 31 December 2016**

102,700 Class B shares



**Therése Hoffman**

CFO

**Born:** 1971

**Education**

- International Marketing, Mälardalens Högskola

**Experience**

- CFO Nordenta 2007-2011
- CFO of Lifco since 2011

**Own and related parties' holdings as of 31 December 2016**

300 Class B shares



**Ingvar Ljungqvist**

Head of Acquisitions

**Born:** 1960

**Education**

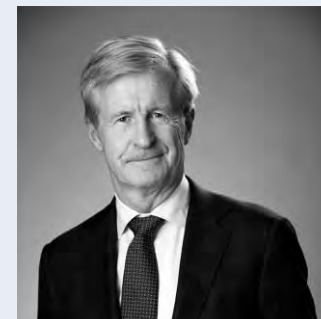
- MSc in Aeronautical Engineering, KTH Royal Institute of Technology

**Experience**

- Pareto, SEB-Enskilda New York, IBM, Boeing

**Own and related parties' holdings as of 31 December 2016**

30,300 Class B shares



**Carl Bennet**

Chairman

**Born:** 1951

**Other assignments**

- Chairman and main owner of Getinge and Elanders
- Member of the Board of Holmen and L E Lundbergföretagen

**Holdings via companies as of 31 December 2016**

6,075,970 Class A shares

39,437,290 Class B shares

# ORGANISED IN THREE BUSINESS AREAS

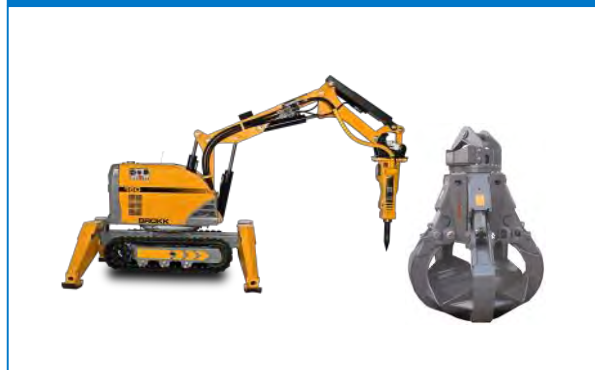
## LIFCO

Sales 2016: 8,987 MSEK  
EBITA 2016: 1,377 MSEK

### Dental



### Demolition & Tools



### Systems Solutions



Leading distributors of dental products in Nordics and Germany

Sales 2016:	3,590 MSEK	% of EBITA <sup>1</sup>	
EBITA 2016:	655 MSEK	44%	



Leading producers of demolition robots and attachments for excavators and cranes

Sales 2016:	1,726 MSEK	% of EBITA <sup>1</sup>	
EBITA 2016:	398 MSEK	27%	

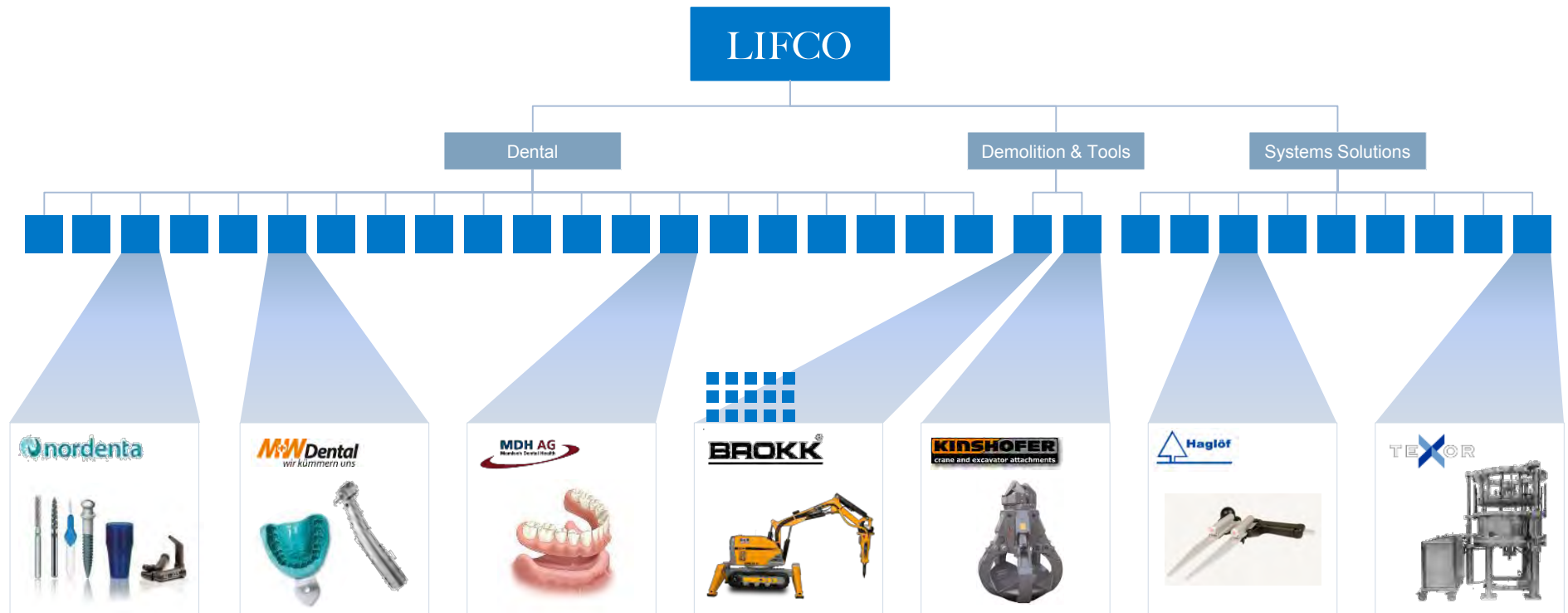


Wide range of leading systems solutions providers

Sales 2016:	3,671 MSEK	% of EBITA <sup>1</sup>	
EBITA 2016:	421 MSEK	29%	

# LIFCO

# LIFCO DEVELOPS LEADING NICHE COMPANIES



## 3 MANAGEMENT LAYERS

All managers have incentives connected to EBITA and working capital development

COMPANIES



COUNTRIES



EMPLOYEES<sup>1)</sup>



# LIFCO'S PHILOSOPHY FOR VALUE CREATION

Long-term perspective

- Long-term perspective on corporate development

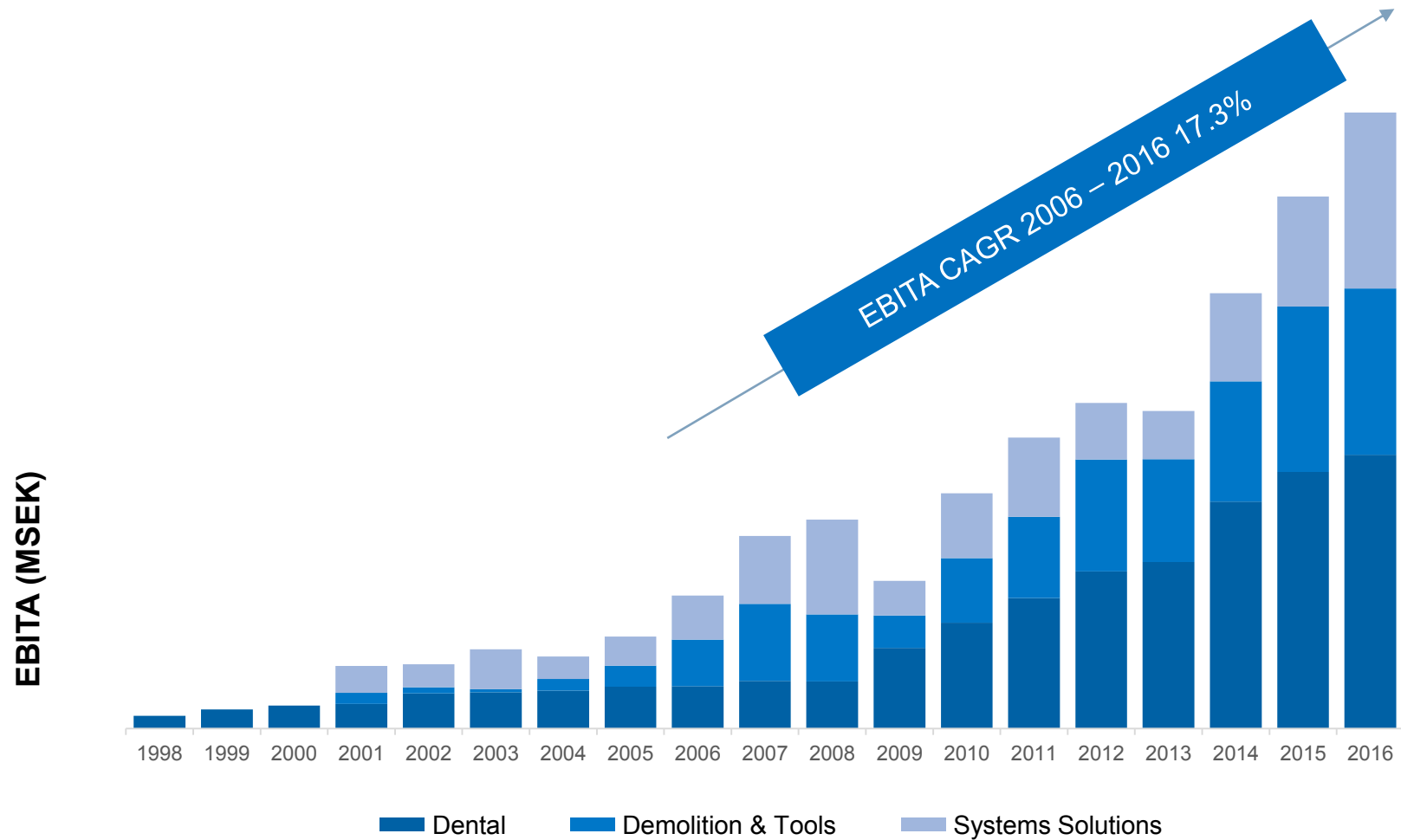
Focus on profitability

- Good profitability is a prerequisite for sustainable growth

Decentralized organization

- Our subsidiaries have a high degree of independence. That is the foundation for the creation of an entrepreneurial spirit. We never compromise with profitability and compliance with our code of conduct

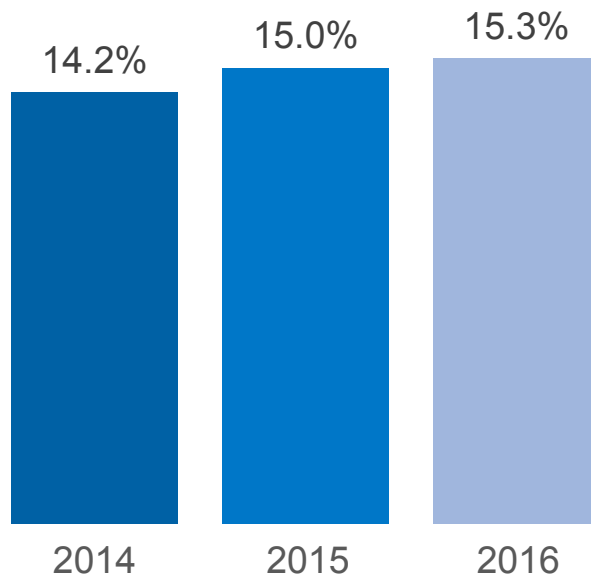
# ONE TARGET: TO INCREASE PROFITS EVERY YEAR



Note: IFRS accounting since 2012, prior years Swedish GAAP.

# ...WHILE MAINTAINING FOCUS ON CAPITAL EMPLOYED

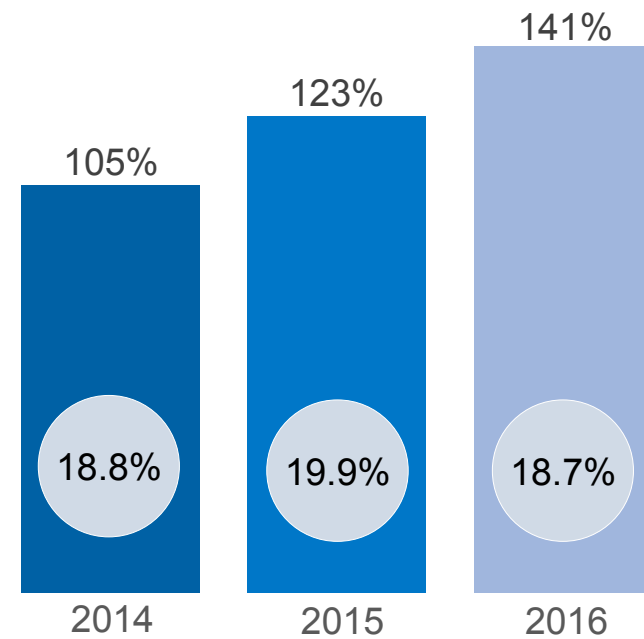
EBITA margin



ROCE excl. goodwill and other intang. assets

x.x%

ROCE incl. goodwill and other intangible assets





# ACTIONS TO CREATE SUSTAINABLE PROFIT GROWTH

Right person in the right position

- Motivated managers who deliver results

Continuous pricing optimization

- Focus on customers with potential for sustainable profit growth

Optimized management structure

- Focus on value adding personnel and minimized bureaucracy

Outsourced non-core functions

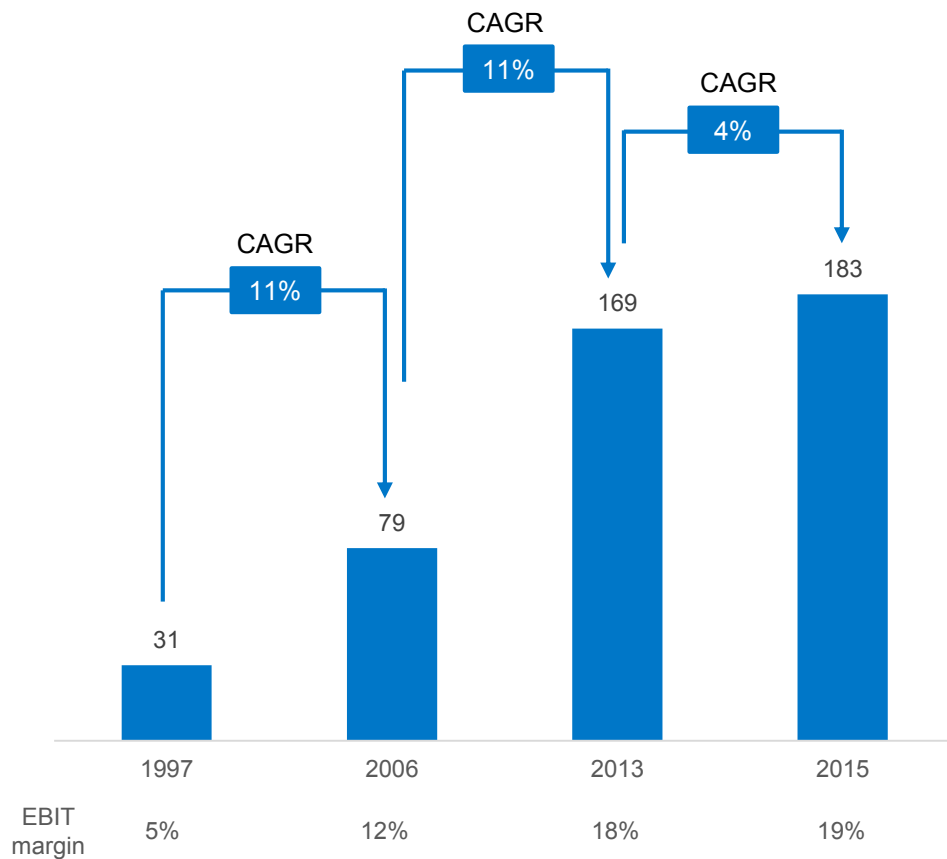
- Focus on the value creating parts of the business

Long-term perspective

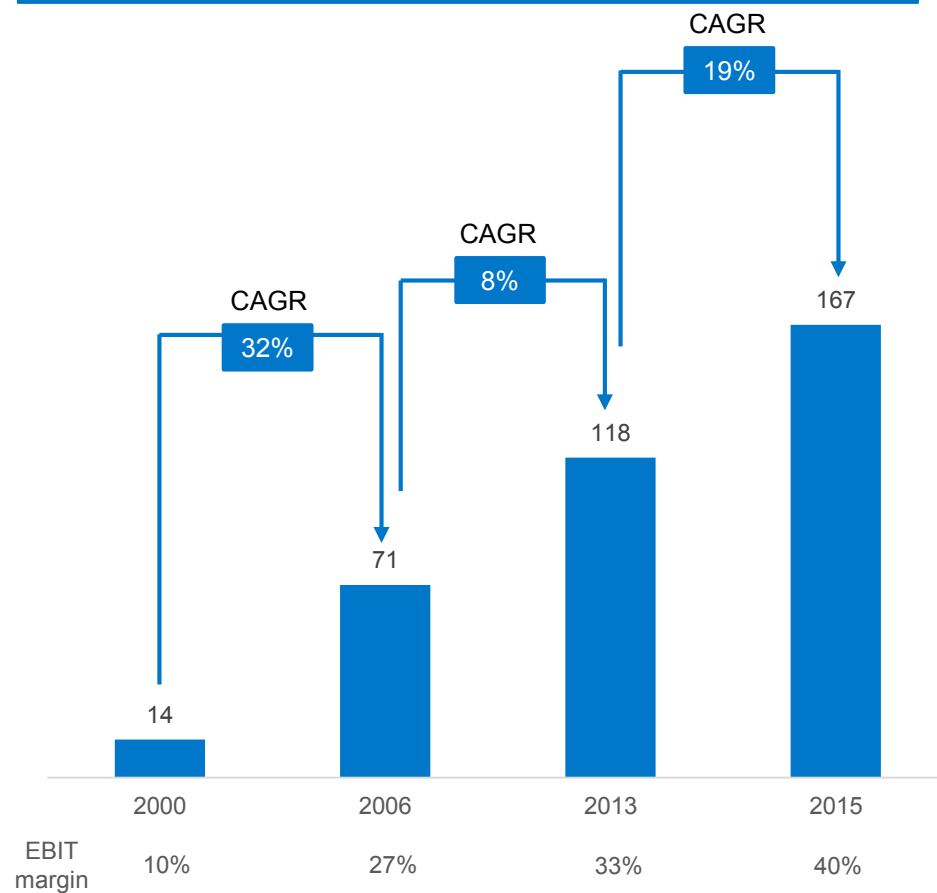
- Investments in value creating activities to secure long-term profit growth

# EXAMPLES OF VALUE CREATION

Dental<sup>1</sup> - EBIT (MSEK) and organic EBIT growth



Brokk<sup>2</sup> - EBIT (MSEK) and organic EBIT growth



1) Companies included: Nordenta, DAB Dental, Dansk Nordenta, LIC Scadenta and Directa  
 2) Refers to Brokk AB

# GEOGRAPHIC FOOTPRINT

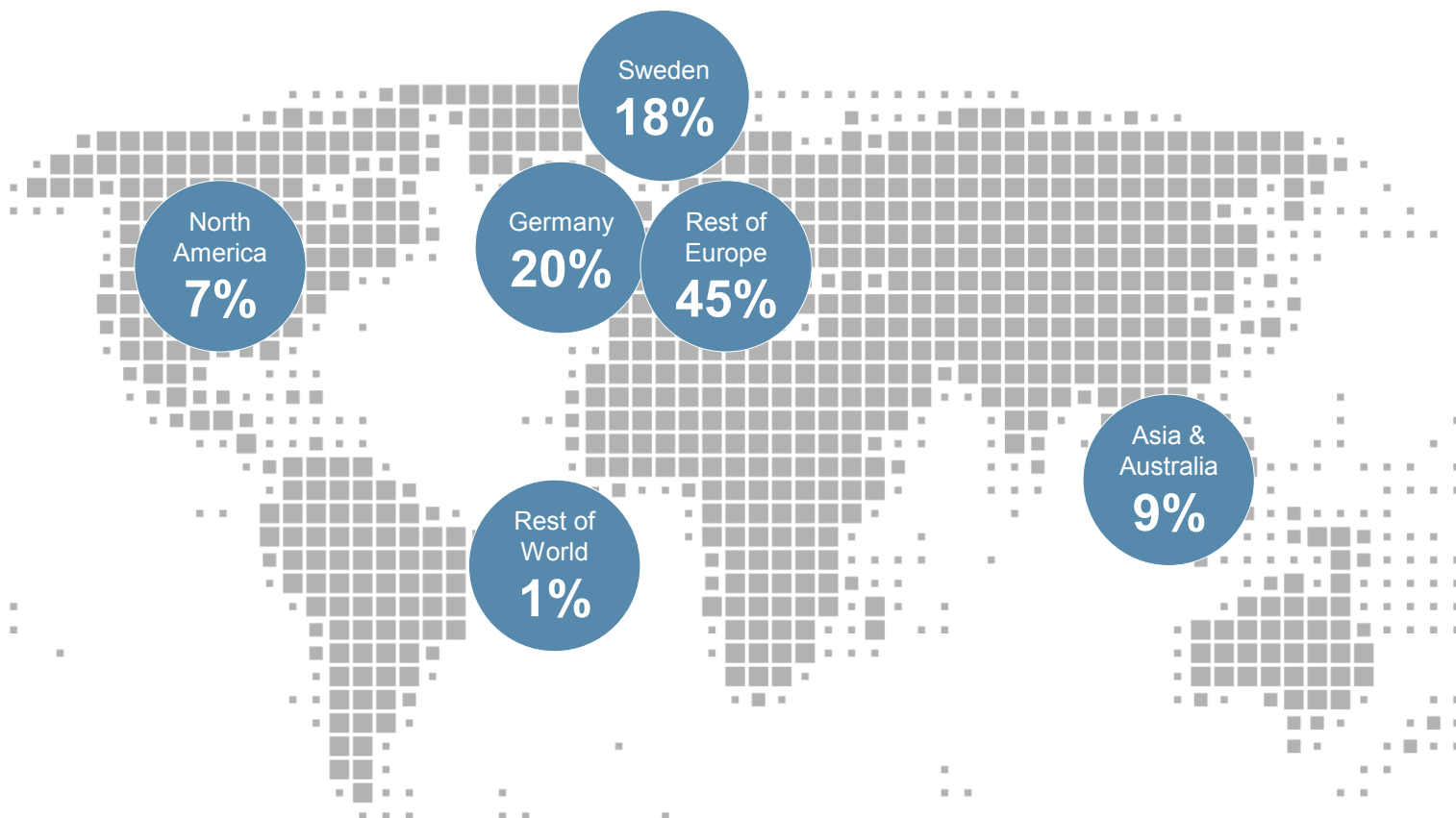
## Dental



## Demolition & Tools



## Systems Solutions



# CONTENTS

1 Business overview	3
<b>2 Dental</b>	<b>13</b>
3 Demolition & Tools	17
4 Systems Solutions	20
5 Group overview	23

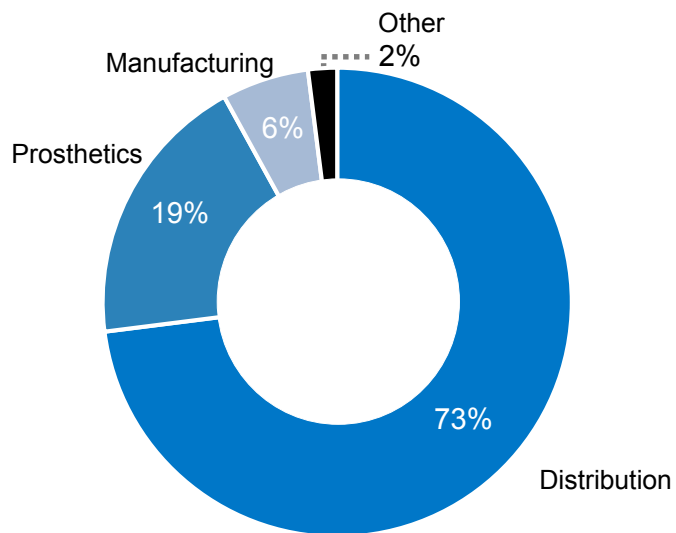


Sales split by product category 2016

Prosthetics



Other



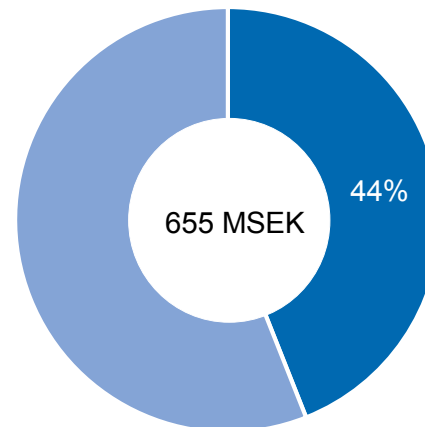
Manufacturing



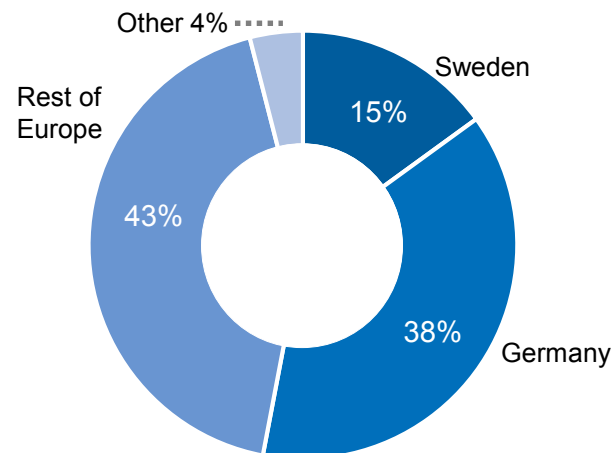
Distribution



EBITA and % of total EBITA\* 2016



Sales split by geography 2016






















\* Excluding HQ costs

# STRONG **FOOTHOLD** ON KEY MARKETS



Lifco's dental market presence and example of brands used in different markets

						
	Sweden	Norway	Denmark	Finland	Germany	Rest of Europe
Distribution of consumables	✓	✓	✓	✓	✓	✓
Distribution of equipment	✓	✓	✓	✓		✓
Prosthetics		✓			✓	
Software	✓		✓			
Example of Lifco brands	  	 	 		 	  

Manufacturing

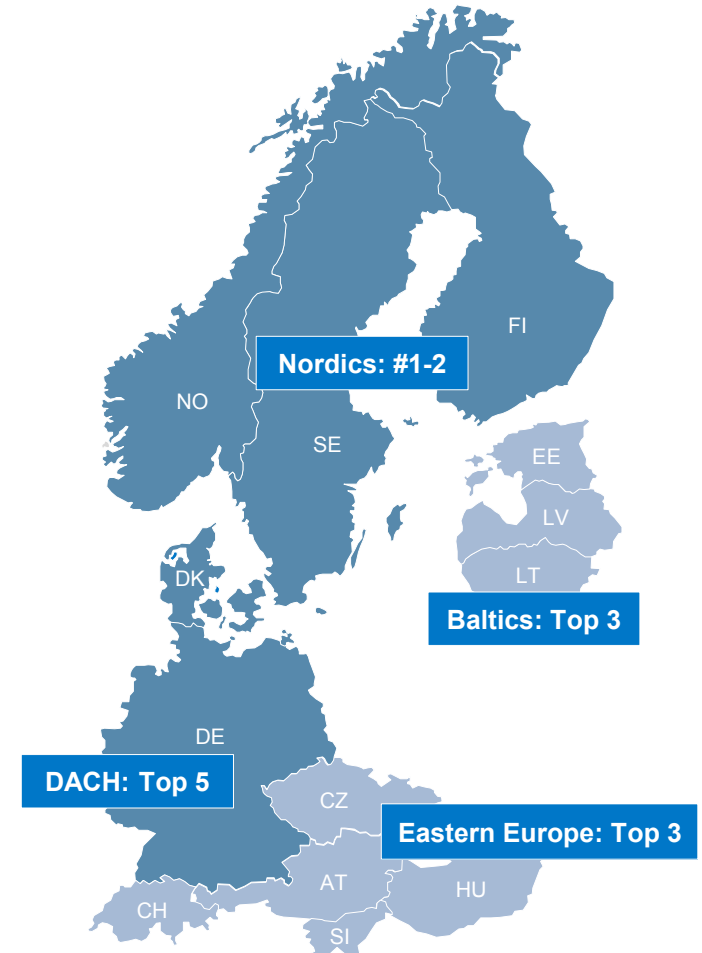
**DIRECTA**  
directadentalgroup.com

**topdental**  
directadentalgroup.com

**ORSING**  
directadentalgroup.com

**parkell**

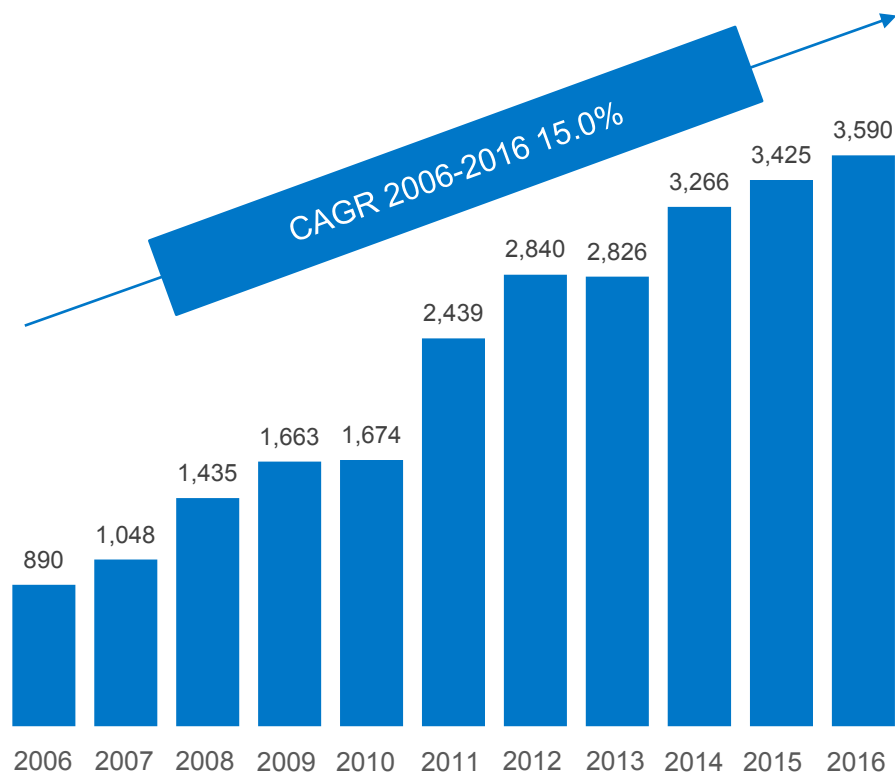
Lifco's market positions within dental consumables



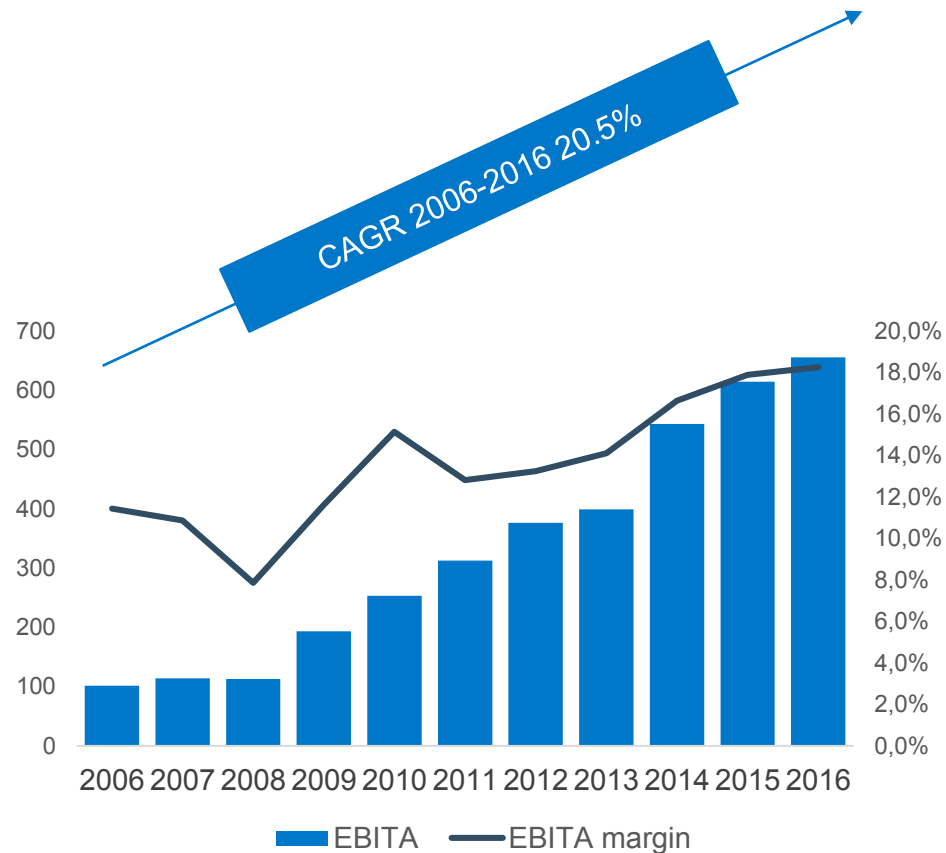
# DENTAL FINANCIAL OVERVIEW



Sales (MSEK)



EBITA (MSEK) and EBITA margin



# CONTENTS

1 Business overview	3
2 Dental	13
<b>3 Demolition &amp; Tools</b>	<b>17</b>
4 Systems Solutions	20
5 Group overview	23



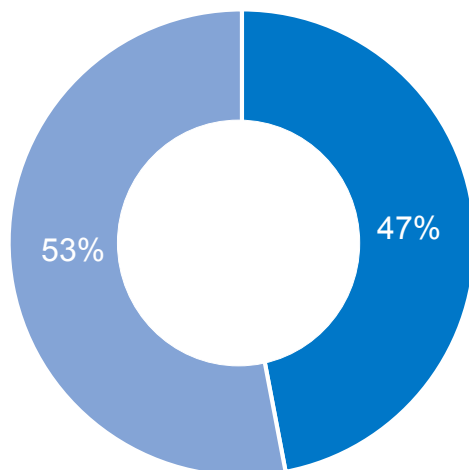
# DEMOLITION & TOOLS



Sales split by business 2016



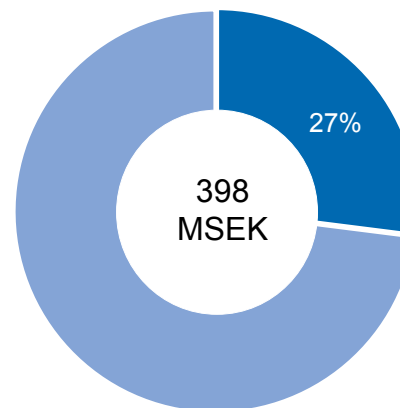
Demolition machines



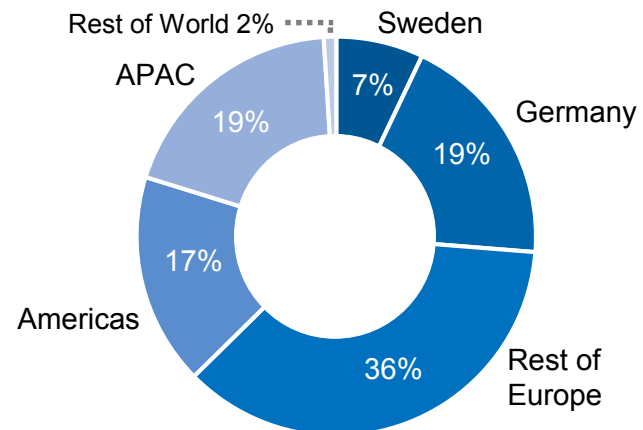
Attachments for excavators and cranes



EBITA and % of total EBITA\* 2016



Sales split by geography 2016

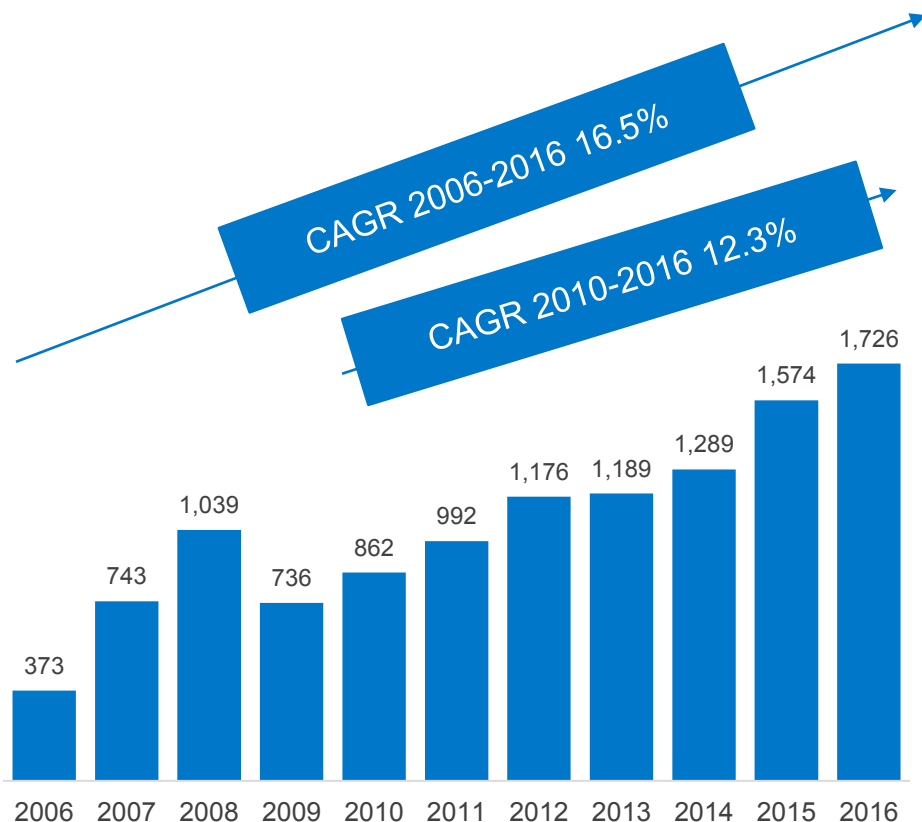


\* Excluding HQ costs

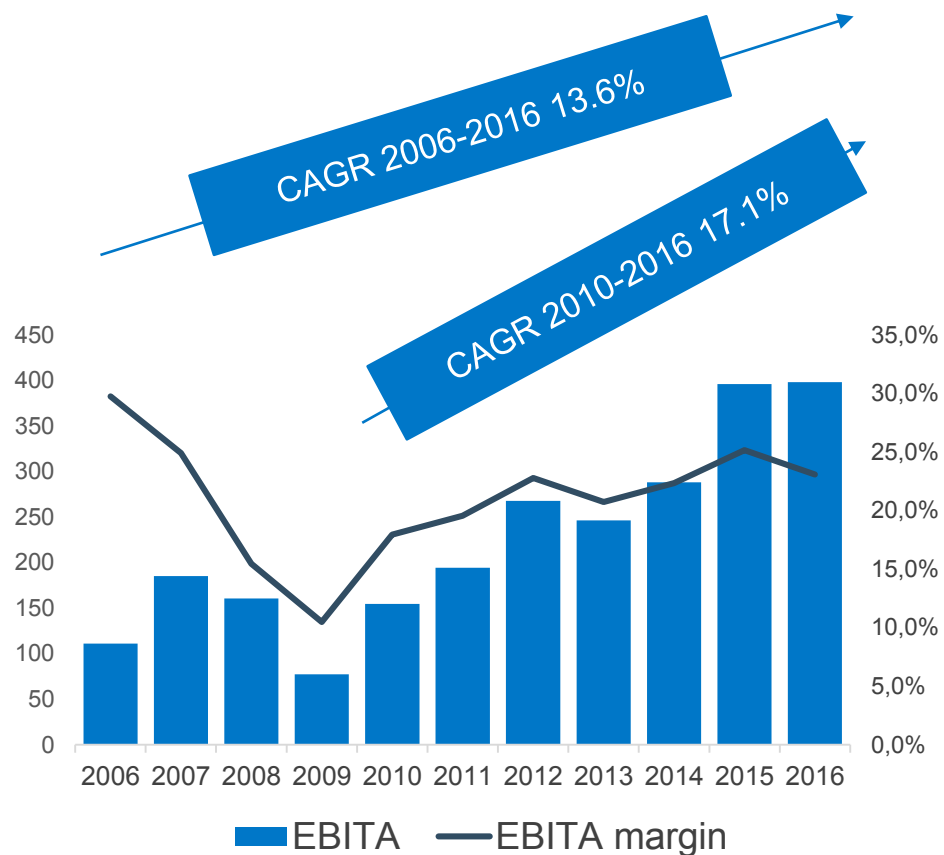
# DEMOLITION & TOOLS FINANCIAL OVERVIEW



Sales (MSEK)



EBITA (MSEK) and EBITA margin



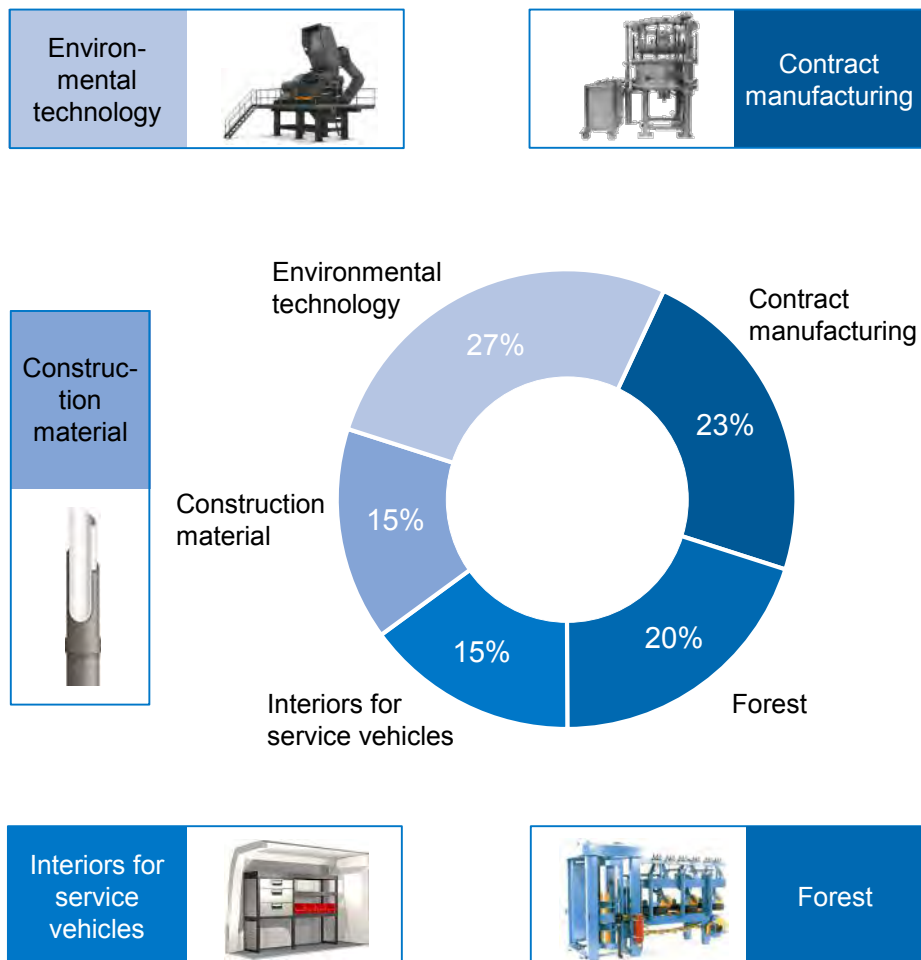
# CONTENTS

1 Business overview	3
2 Dental	13
3 Demolition & Tools	17
<b>4 Systems Solutions</b>	<b>20</b>
5 Group overview	23

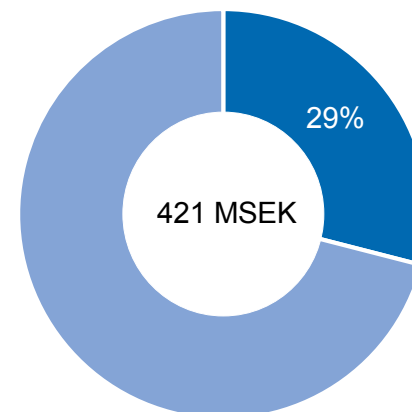
# SYSTEMS SOLUTIONS



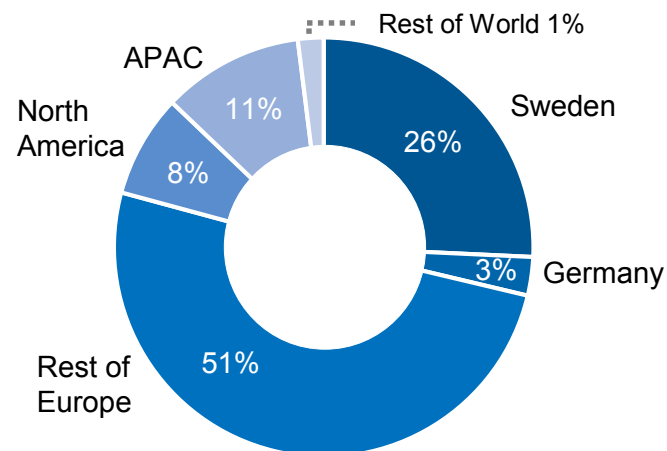
## Sales split by product category 2016



## EBITA and % of total EBITA\* 2016



## Sales split by geography 2016

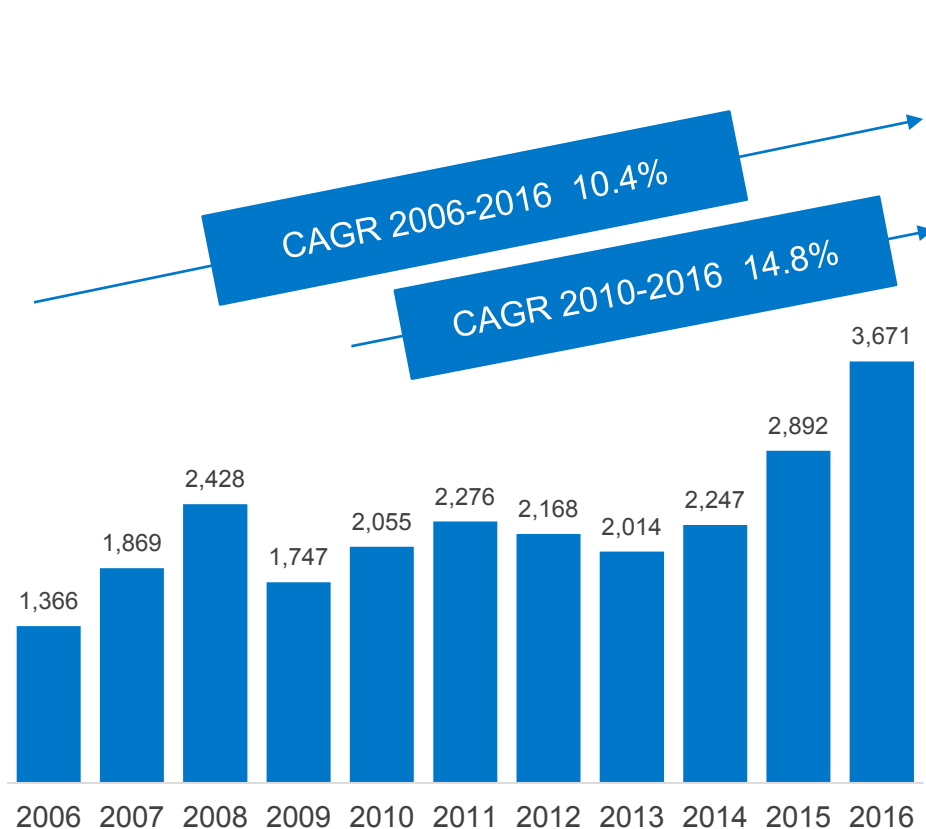


\* Excluding HQ costs

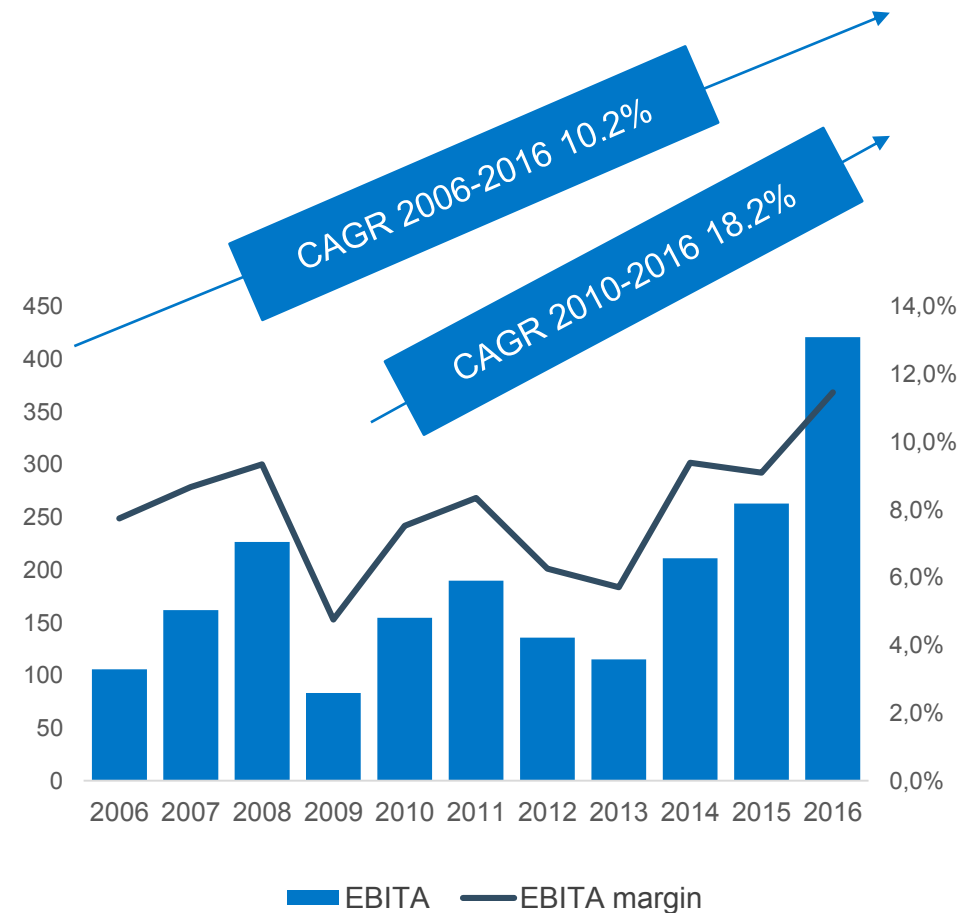
# SYSTEMS SOLUTIONS FINANCIAL OVERVIEW



Sales (MSEK)



EBITA (MSEK) and EBITA margin

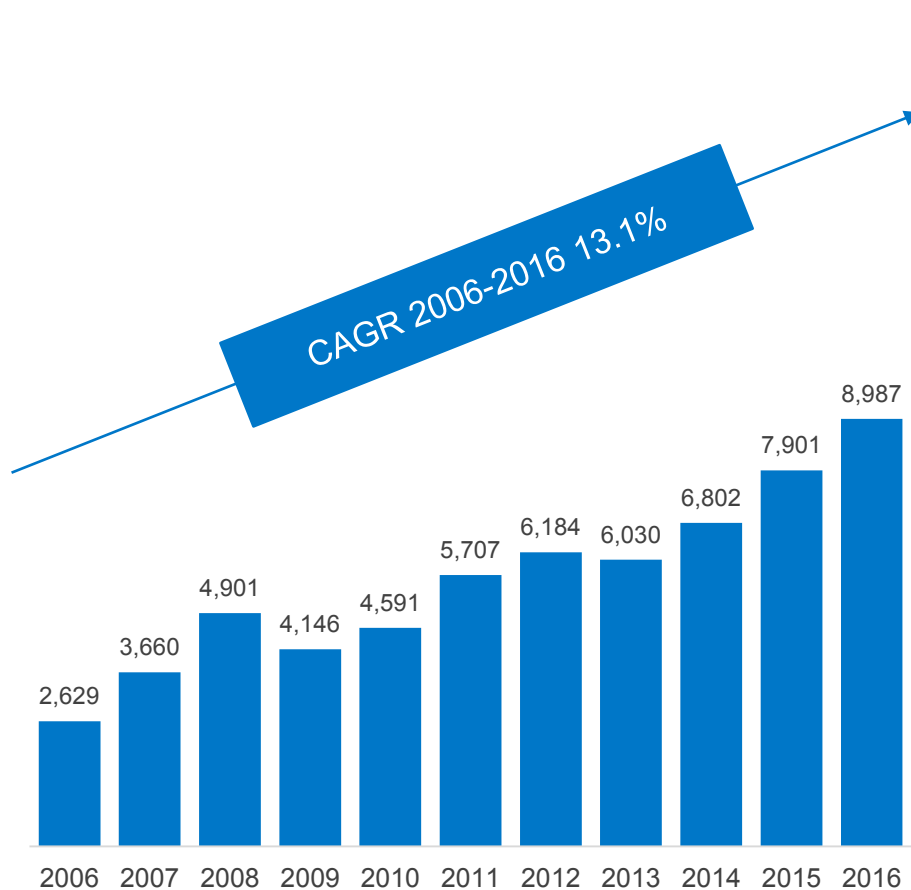


# CONTENTS

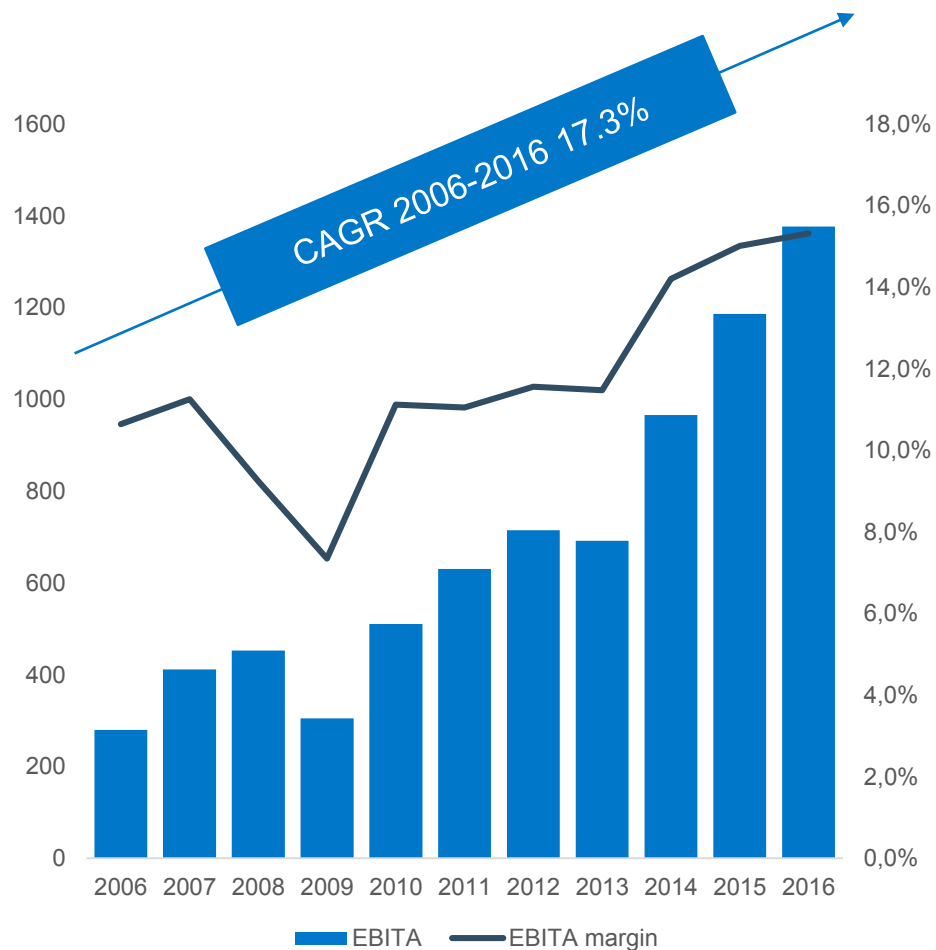
1 Business overview	3
2 Dental	13
3 Demolition & Tools	17
4 Systems Solutions	20
<b>5 Group overview</b>	<b>23</b>

# LIFCO GROUP FINANCIAL OVERVIEW

Sales (MSEK)

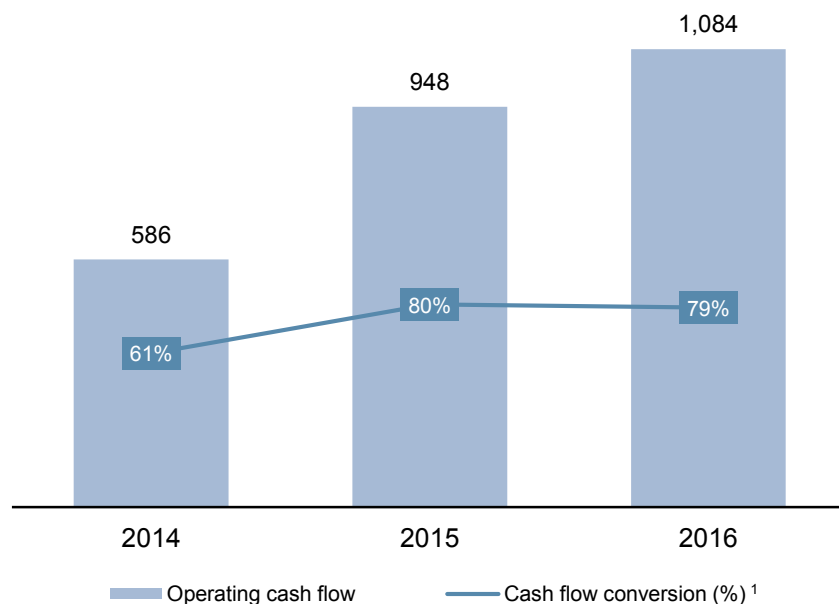


EBITA (MSEK) and EBITA margin



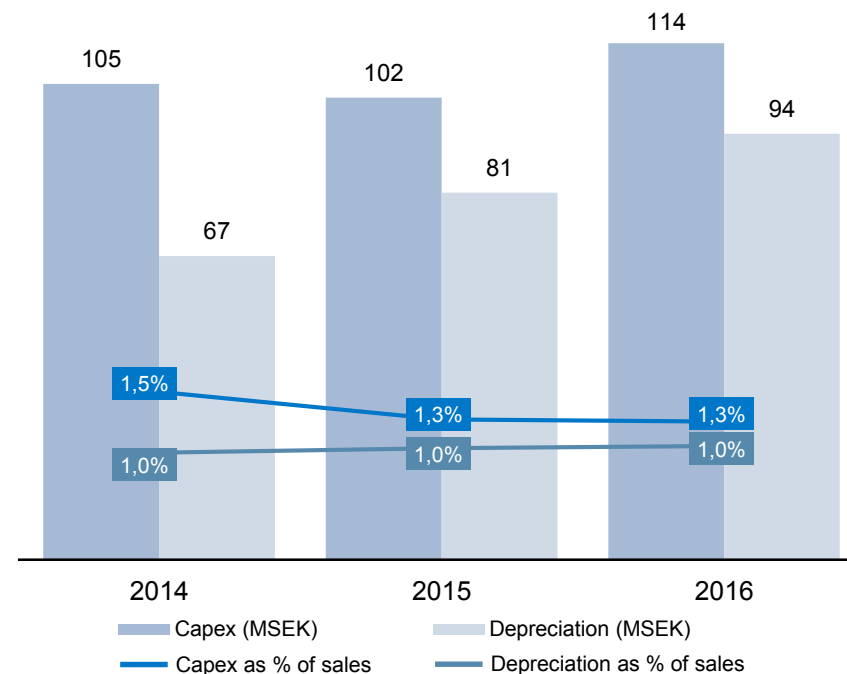
# STRONG CASH FLOW GENERATION

## Operating cash flow after tax, before investments



- High cash conversion as a result of focus on asset light operations combined with tight control of working capital

## Capex and depreciation<sup>2</sup>



- Low required maintenance capex within the group
- Due to outsourcing of a large share of basic manufacturing, investments in subsidiaries with own production can be minimised

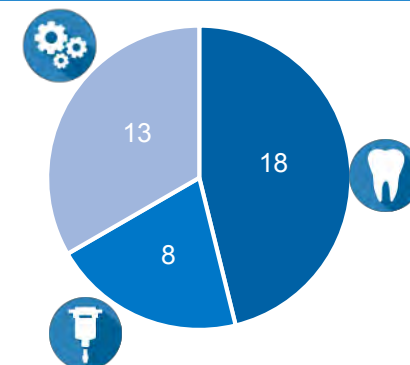
1) Cash flow conversion defined as operating after tax cash flow divided by EBITA  
 2) Refers to investments in and depreciation of tangible fixed assets



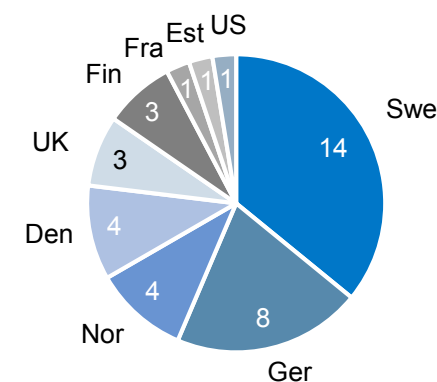
# OVERVIEW OF ACQUISITIONS 2006-2012

Year	Company	Description	Type	Country	Sales at acquisition	Total sales MSEK
2006	Darda	Producer of attachments for demolition robots	Demolition & Tools	Germany	MEUR 8	132
	Dental Prime	Distributor of dental equipment and services	Dental	Finland	MEUR 3	
	Elektronikprodukter i Järlåsa	Producer of high quality electronics	Systems Solutions	Sweden	MSEK 30	
2007	Hekotek	Producer of sawmill equipment	Systems Solutions	Estonia	MEUR 13	1,328
	Kinshofer	Producer of tools for excavators and cranes	Demolition & Tools	Germany	MEUR 66	
	Oriola Dental	Distributor of consumables and equipment	Dental	Finland	MEUR 45	
	Plass Data Dental	Producer of IT-systems for dental clinics	Dental	Denmark	MDKK 7	
	Proline	Relining of plumbing systems	Systems Solutions	Sweden	MSEK 120	
	Safe Dental	IT services to dental clinics	Dental	Sweden	MSEK 2	
	Zetterströms Rostfria	Producer of quality products in stainless steel	Systems Solutions	Sweden	MSEK 50	
2008	Endomark	Distributor of consumables and equipment	Dental	Sweden	MSEK 9	184
	Tevo	Producer of interiors for vehicles	Systems Solutions	UK	MGBP 8	
	XO Care Denmark A/S	Distributor of dental equipment and services	Dental	Denmark	MDKK 77	
2009	Aponox	Producer of tools for excavators and cranes	Demolition & Tools	Finland	-	53
	Ellman Produkter	Distributor of consumables	Dental	Sweden	MSEK 43	
	Interdental	Distributor of prosthetics	Dental	Norway	MSEK 10	
2010	ATC	Distributor of Brokk machines	Demolition & Tools	France	MEUR 5	48
2011	EDP	Distributor of consumables and equipment	Dental	Germany	MEUR 119	1,460
	NETdental	Distributor of consumables	Dental	Germany	MEUR 20	
	RF-System	Producer of tools for excavators and cranes	Demolition & Tools	Sweden	MSEK 80	
	Wintech	Producer of high quality electronics	Systems Solutions	Sweden	MSEK 125	
2012	Ahlberg Cameras	Producer of camera systems for the nuclear industry	Demolition & Tools	Sweden	MSEK 73	73

Segment split - # of acquisitions 2006-2017



Country split - # of acquisitions 2006-2017



# OVERVIEW OF ACQUISITIONS 2014-

Year	Company	Description	Type	Country	Sales at acquisition	Total sales MSEK
2014	MDH	Producer of dental prosthetics	Dental	Germany	MEUR 44	400
2015	Auger Torque	Producer of earth drills	Demolition & Tools	UK	MGBP 10	625
	Auto-Maskin	Diesel control units for marine use	Systems Solutions	Norway	MNOK 130	
	Endodonti products	Dental products	Dental	Sweden	MSEK 10	
	J.H. Orsing	Dental products	Dental	Sweden	MSEK 20	
	Preventum Partner	Accounting services & quality systems	Dental	Sweden	MSEK 10	
	Rapid Granulator	Manufacturer of granulators	Systems Solutions	Sweden	MSEK 300	
	Sanistål interior for vehicles	Producer of interiors for vehicles	Systems Solutions	Denmark	MDKK 25	
	Smilodent	Dental products	Dental	Germany	MEUR 4.8	
	Top Dental	Manufacturer of disinfectants	Dental	UK	MGBP 3.4	
2016	Aqua Systems	Manufactures hydro-demolition robots	Demolition & Tools	Sweden	MSEK 60	1,070
	Cenika AS	Electrical equipment for low voltage	Systems Solutions	Norway	MNOK 160	
	Dens Esthetix	Prosthetics	Dental	Germany	MEUR 1.4	
	Design Dental	Imports and manufactures prosthetics	Dental	Denmark	MDKK 13	
	Nordesign	Supplier of LED-lighting	Systems Solutions	Norway	MNOK 64	
	Parkell	Manufactures and sells dental consumables	Dental	USA	MUSD 29	
	Præzimed	Service of dental instruments	Dental	Germany	MEUR 2.5	
	Redoma Recycling	Producer of recycling machines for cables	Systems Solutions	Sweden	MSEK 25	
	TMC/Nessco	Supplier of marine compressors and spare parts	Systems Solutions	Norway	MNOK 525	
2017	Haglöf Sweden	Professional forest inventory instruments	Systems Solution	Sweden	MSEK 60	212
	Hultdins	Manufactures tools for forest machines	Demolition & Tools	Sweden	MSEK 152	

Majority of acquisitions have been add-ons to existing companies – but most continue to be operated autonomously

# FINANCIAL TARGETS

## Growth in EBITA

- Organic growth in EBITA in excess of GDP growth in relevant geographies
- Acquisitions to add additional growth

## EBITA/Capital employed<sup>1</sup>

- More than 50%

## Net debt/EBITDA

- Normally in the range 2-3x

## Dividend policy as % of net profit

- Distribute 30-50% of net profit

1) Excluding goodwill and other intangible assets

# THE GROUP'S FINANCIAL PERFORMANCE

MSEK	2016	2015	Change	Q416	Q415	Change
Net sales	8,987	7,901	13.7%*	2,435	2,121	14.8%*
EBITA**	1,377	1,186	16.1%	380	323	17.8%
EBITA-margin**	15.3%	15.0%	0.3	15.6%	15.2%	0.4
Profit before tax	1,219	1,082	12.7%	330	288	14.6%
Net profit for the period	927	825	12.4%	260	238	9.5%
Earnings per share	9.99	8.91	12.1%	2.80	2.58	8.5%
Return on capital employed	18.7%	19.9%	-1.2	18.7%	19.9%	-1.2
Return on capital employed, excl. goodwill	141%	123%	18	141%	123%	18

\* Organic impact of +2.5% in 2016 and -1.6% in Q416.

\*\* Before restructuring, integration and acquisition costs.

# THE BUSINESS AREA'S FINANCIAL PERFORMANCE

DENTAL						
MSEK	2016	2015	Change	Q416	Q415	Change
Net sales	3,590	3,435	4.5%	1,014	922	9.9%
EBITA*	655	614	6.6%	183	164	11.0%
EBITA-margin*	18.2%	17.9%	0.3	18.0%	17.9%	0.1

DEMOLITION & TOOLS						
MSEK	2016	2015	Change	Q416	Q415	Change
Net sales	1,726	1,574	9.7%	441	436	1.4%
EBITA*	398	396	0.5%	101	123	-18.1%
EBITA-margin*	23.0%	25.1%	-2.1	22.8%	28.2%	-5.4

SYSTEMS SOLUTIONS						
MSEK	2016	2015	Change	Q416	Q415	Change
Net sales	3,671	2,892	26.9%	980	763	28.3%
EBITA*	421	263	59.9%	125	59	112%
EBITA-margin*	11.5%	9.1%	2.4	12.8%	7.7%	5.1

\* Before restructuring, integration and acquisition costs.

# LIFCO GROUP BALANCE SHEET

## Comments

- Interest bearing net debt increased 1,068 MSEK in 2016 to 3,018 MSEK due to acquisitions of 1.6 BSEK
- At the end of the year, Lifco had significant financial scope for new acquisitions and still keep Net debt/EBITDA below 3x
- ROCE excluding goodwill and other intangible assets 141% (123% Dec 31, 2015) – target >50%
- Net debt/EBITDA 2.0x (target 2-3x)

## Balance sheet

	31 Dec 2016	30 Sep 2016	31 Dec 2015
Intangible fixed assets	6,824	6,756	5,010
Tangible fixed assets	464	459	417
Financial assets	109	105	87
Inventory	1,155	1,163	960
Accounts receivable	1,046	1,119	863
Other receivables	236	354	257
Cash and cash equivalents	293	410	464
Assets hold for divestment	-	26	-
<b>Total assets</b>	<b>10,127</b>	<b>10,392</b>	<b>8,058</b>
Shareholders' equity	4,758	4,516	3,964
Interest-bearing liabilities	3,311	3,721	2,444
Other liabilities and provisions	597	518	371
Accounts payable	507	528	370
Other short-term liabilities	954	1,109	909
<b>Total equity and liabilities</b>	<b>10,127</b>	<b>10,392</b>	<b>8,058</b>
Net debt	3,018	3,295	1,950
Net debt/EBITDA	2.0x	2.3x	1.5x
Capital employed excl. goodwill and other intang. assets	974	969	966
ROCE excl. goodwill and other intangible assets	141%	136%	123%
Capital employed incl. goodwill and other intang. assets	7,381	6,922	5,965
ROCE incl. goodwill and other intangible assets	18.7%	19.1%	19.9%

**GROWTH OR PROFIT?**

**PROFIT GROWTH!**

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LIFCO