

# LIFCO

**PRESENTATION YEAR-END REPORT 2015**

FEBRUARY 23, 2016

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# MANAGEMENT AND CHAIRMAN



**Fredrik Karlsson**

CEO

**Born:** 1962

**Education**

- MSc in Engineering Physics (KTH Teknisk Fysik)
- MSc in Business Administration (HHS i Stockholm)

**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 Dec 2015**

331 500 Class B shares



**Per Waldemarson**

President Dental

**Born:** 1977

**Education**

- MSc in Business Administration (HHS i Stockholm)

**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 Dec 2015**

102 700 Class B shares



**Therése Hoffman**

CFO

**Born:** 1971

**Education**

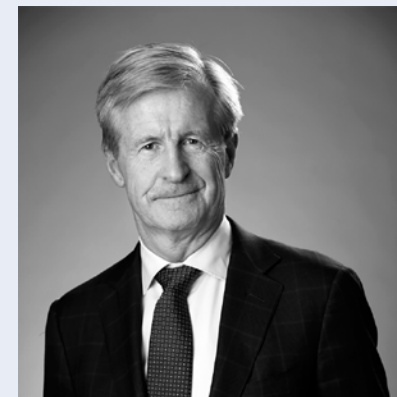
- International Marketing (Mälardalens Högskola)

**Experience**

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

**Own and related parties' holdings as of 31 Dec 2015**

300 Class B shares



**Carl Bennet**

Chairman

**Born:** 1951

**Other assignments**

- Chairman and main owner of Getinge
- Chairman and main owner of Elanders
- Member of the Board of Holmen
- Member of the Board of LE Lundbergsföretagen

**Holdings via companies as of 31 Dec 2015**

6 075 970 Class A shares  
39 437 290 Class B shares

# ORGANISED IN THREE BUSINESS AREAS

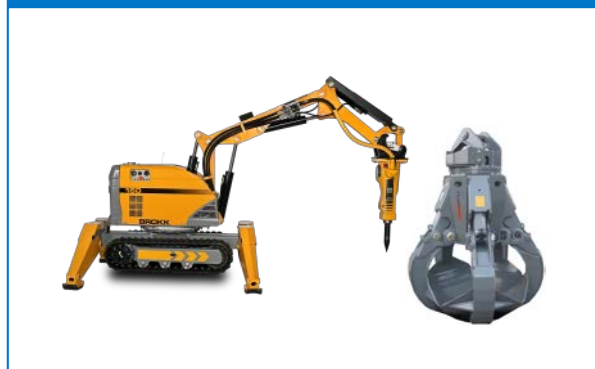
## LIFCO

Sales 2015: 7,901 MSEK  
EBITA 2015: 1,186 MSEK

### Dental



### Demolition & Tools



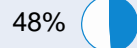
### Systems Solutions



Leading distributors of dental products in Nordics and Germany

Sales 2015: 3,435 MSEK  
EBITA 2015: 614 MSEK

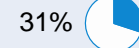
% of EBITA<sup>1</sup>



Leading producers of demolition robots and attachments for excavators and cranes

Sales 2015: 1,574 MSEK  
EBITA 2015: 396 MSEK

% of EBITA<sup>1</sup>



Wide range of leading systems solutions providers

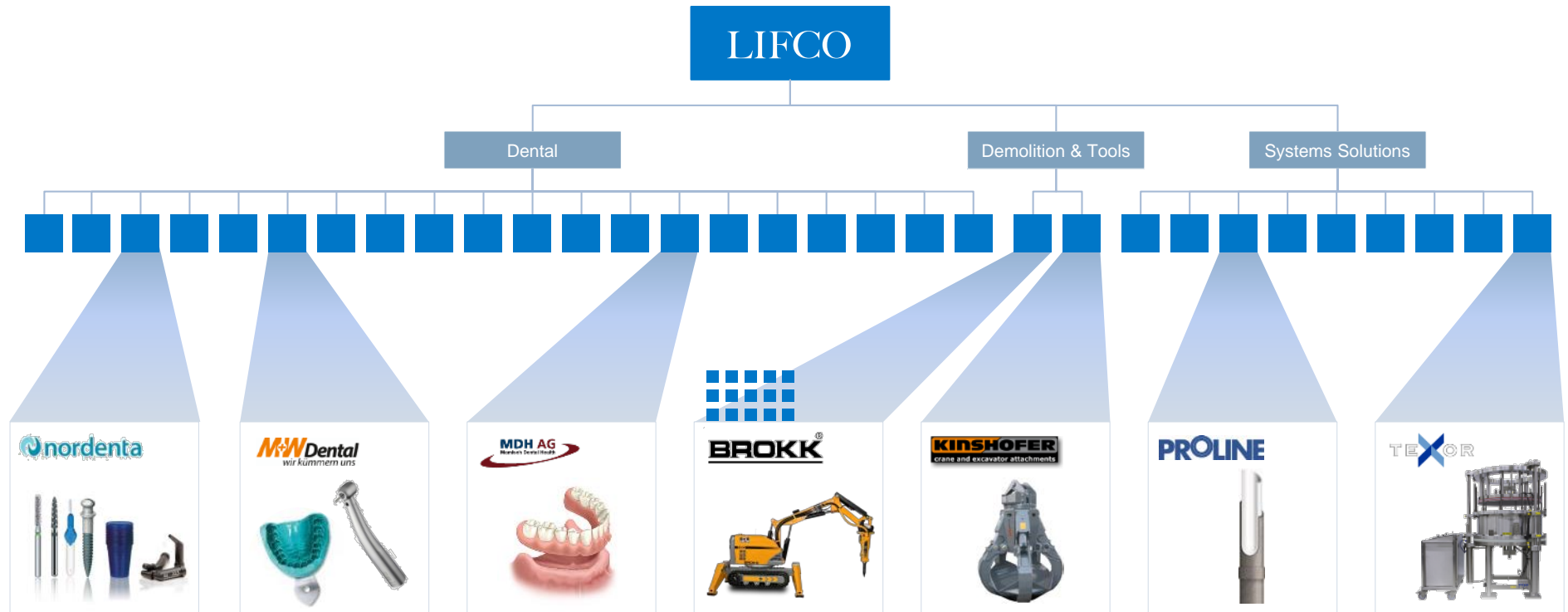
Sales 2015: 2,892 MSEK  
EBITA 2015: 263 MSEK

% of EBITA<sup>1</sup>



## LIFCO

# LIFCO DEVELOPS LEADING NICHE COMPANIES



## 3 MANAGEMENT LAYERS

All managers have incentives connected to EBITA and working capital development

COMPANIES



133

COUNTRIES



28

EMPLOYEES<sup>1)</sup>



3,386

LIFCO

# LIFCO'S PHILOSOPHY FOR VALUE CREATION

Long-term perspective

- Long-term perspective on corporate development

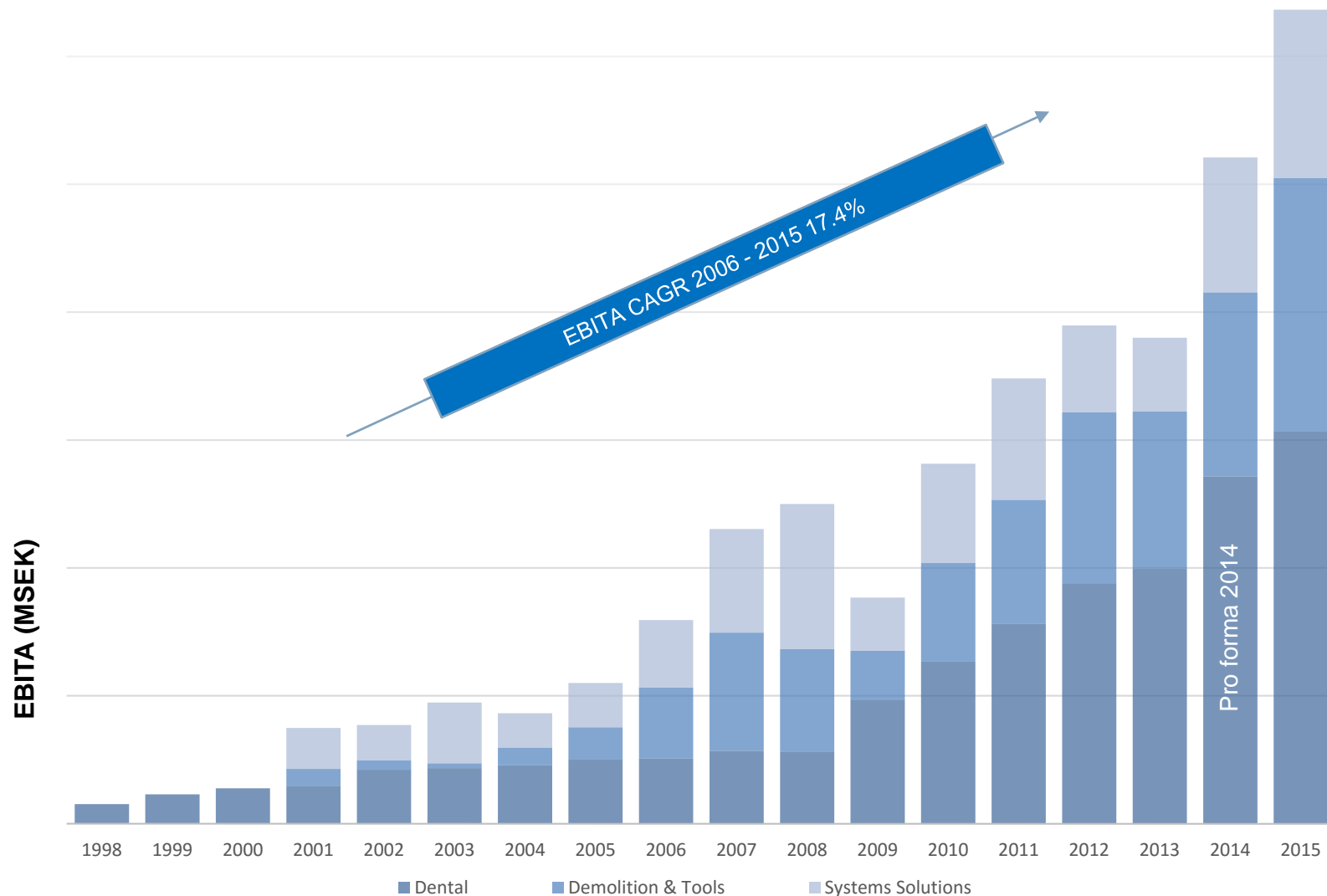
Focus on profitability

- 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



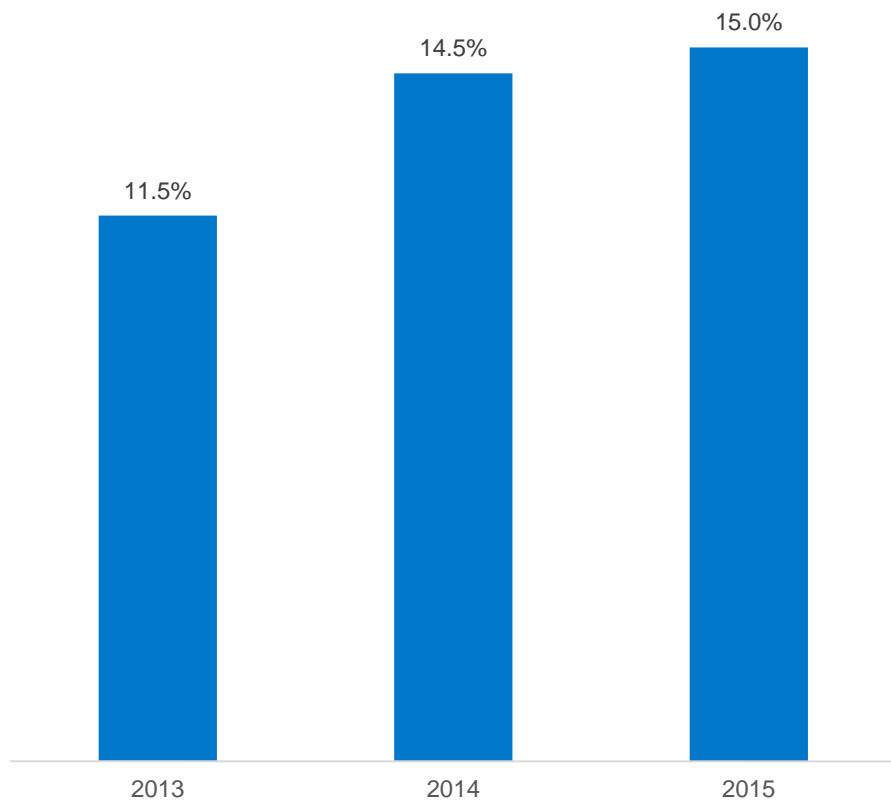
Note: IFRS accounting since 2012, prior years Swedish GAAP. Pro forma includes acquired MDH full year 2014.



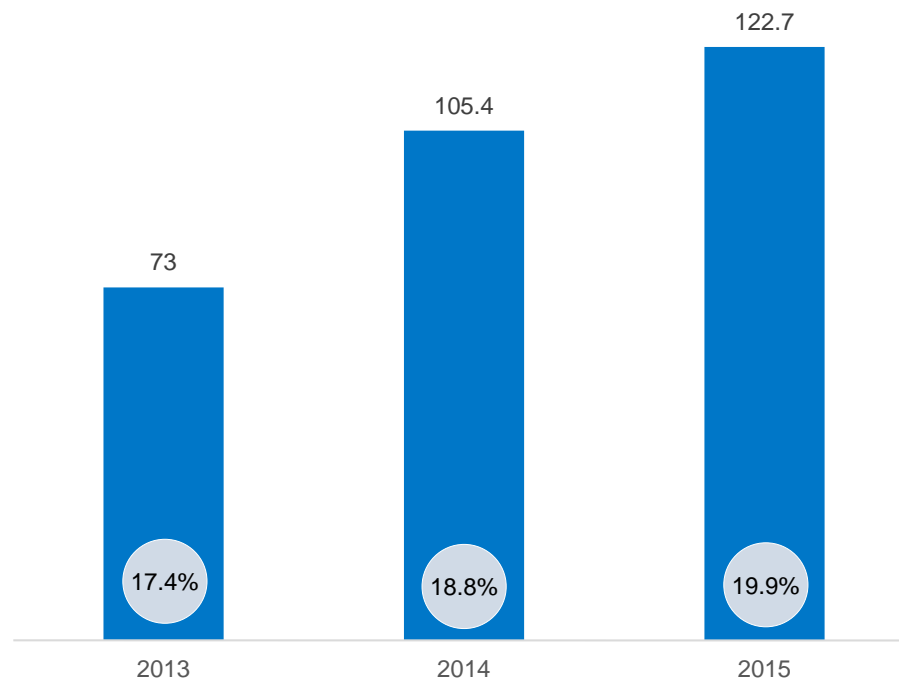


# ...WHILE MAINTAINING FOCUS ON CAPITAL EMPLOYED

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

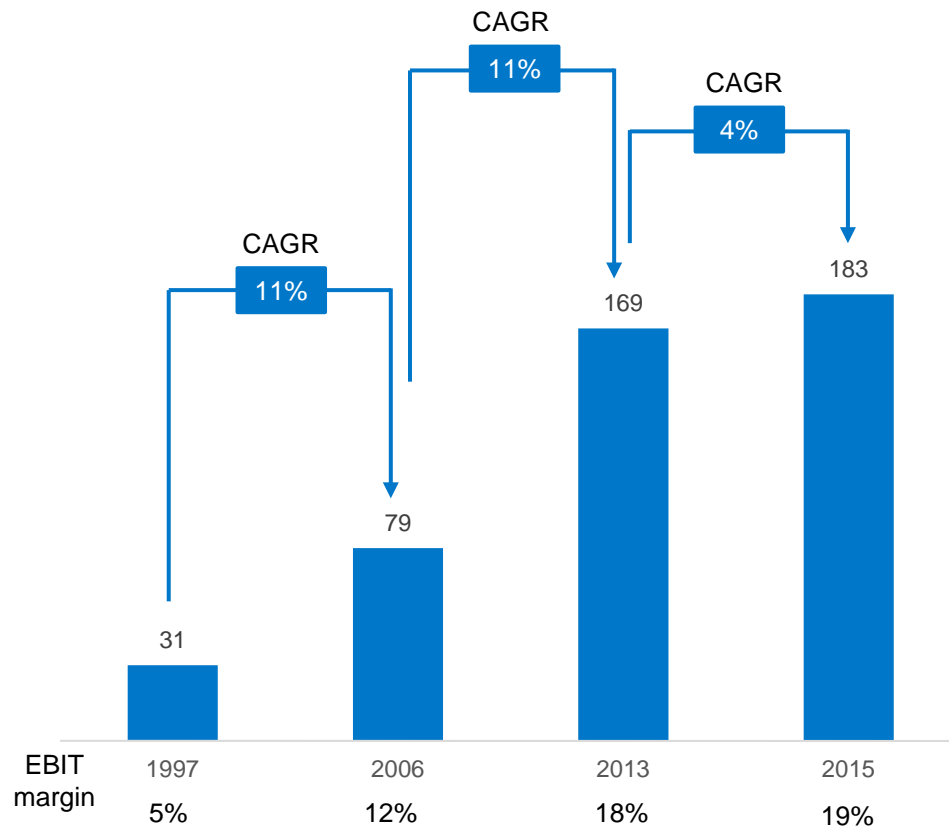
- Focus on the value creating parts of the business

Long-term perspective

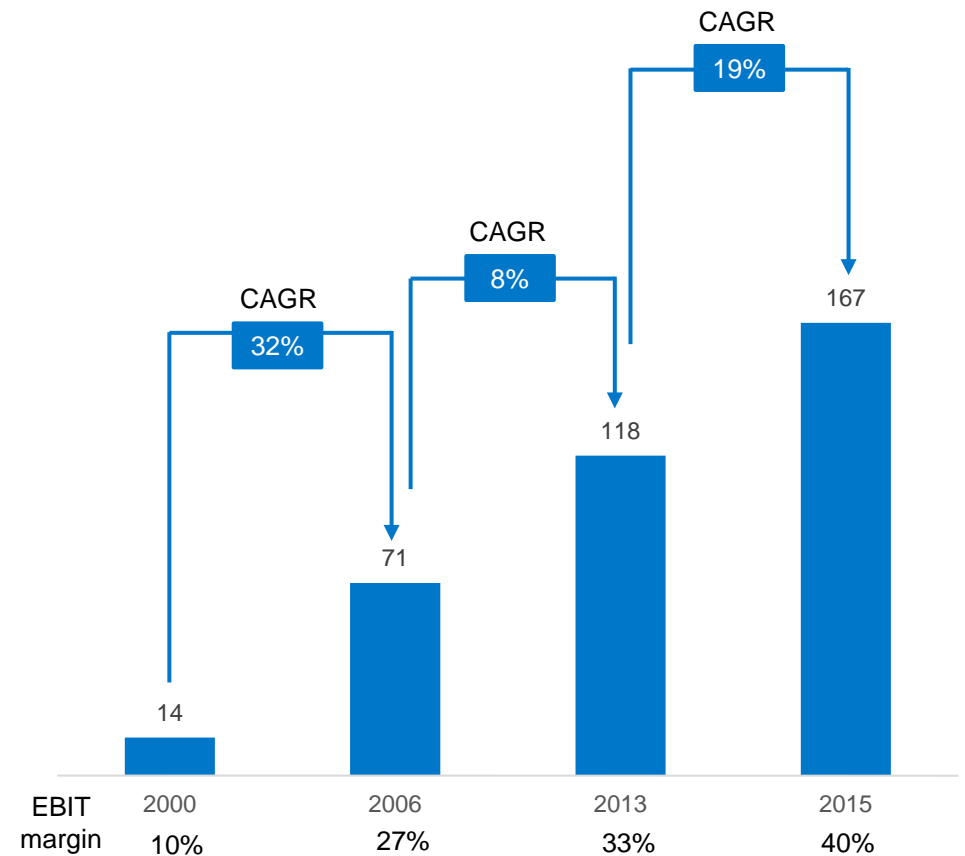
- Investments in value creating activities to secure long-term profit growth

# 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

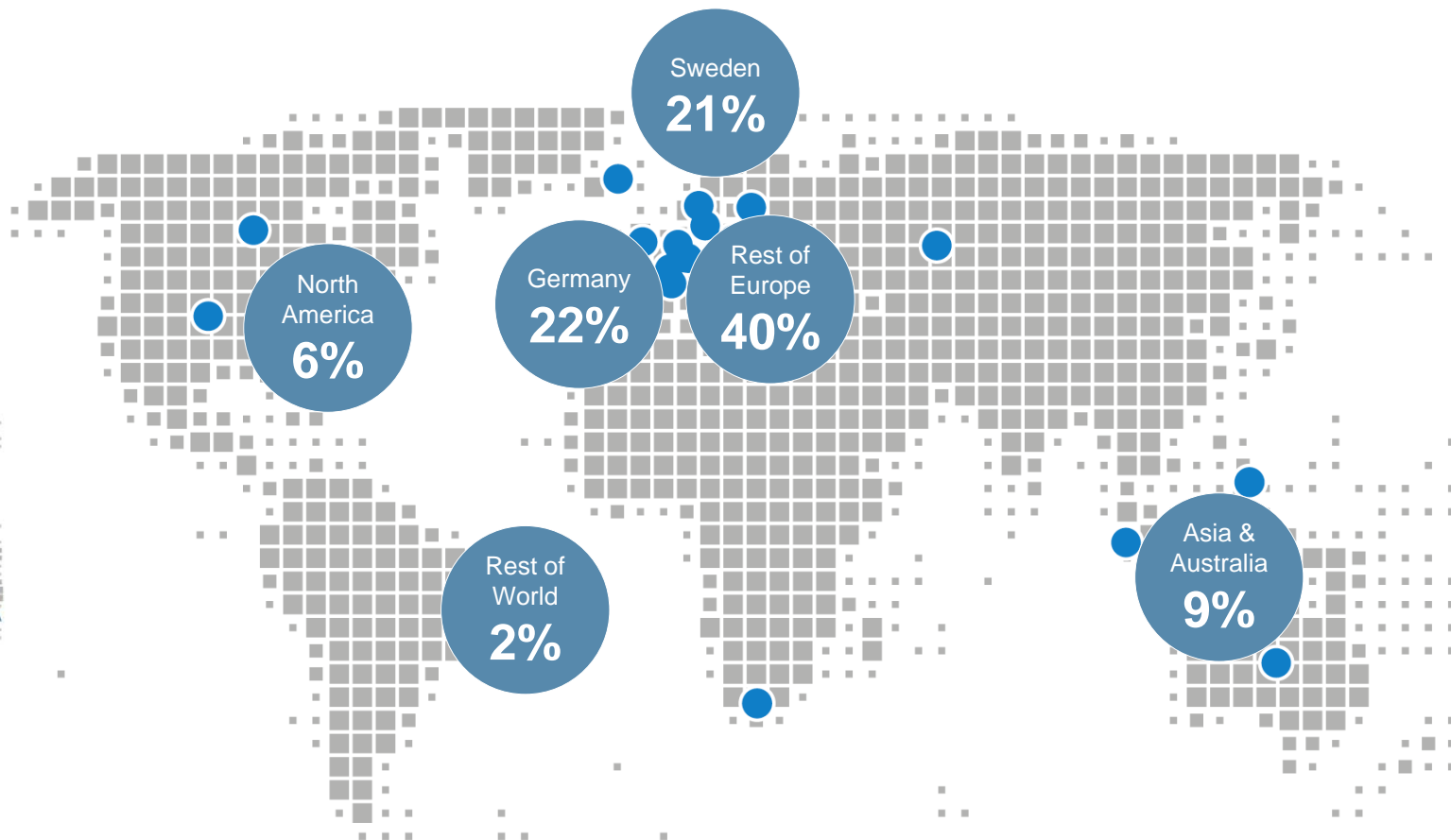
## Dental



## Demolition & Tools



## Systems Solutions



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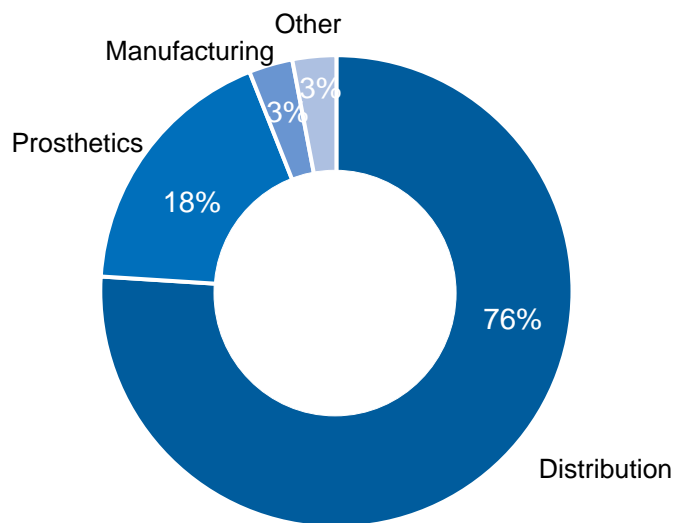


Sales split by product category 2015

Prosthetics



Other

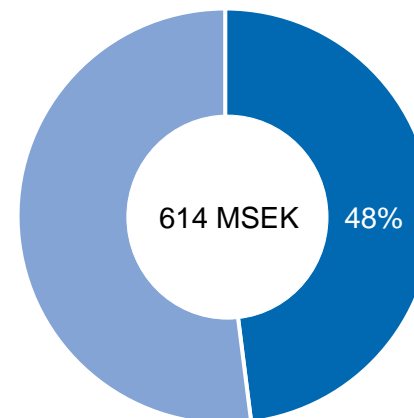


Manufacturing

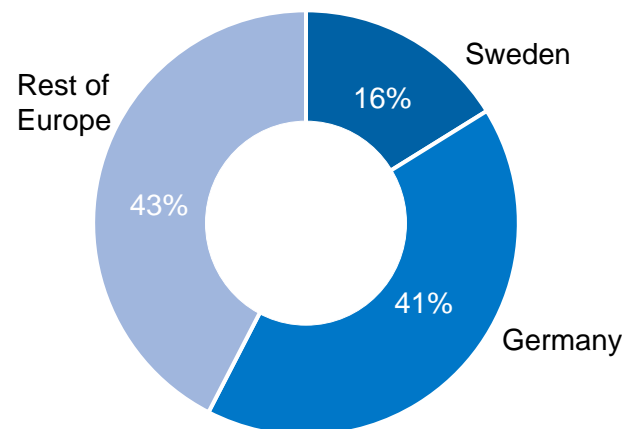


Distribution

EBITA and % of total EBITA 2015



Sales split by geography 2015














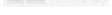








# DISTRIBUTOR OF **BROAD** RANGE OF PRODUCTS



# 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	  	  	 		 	  

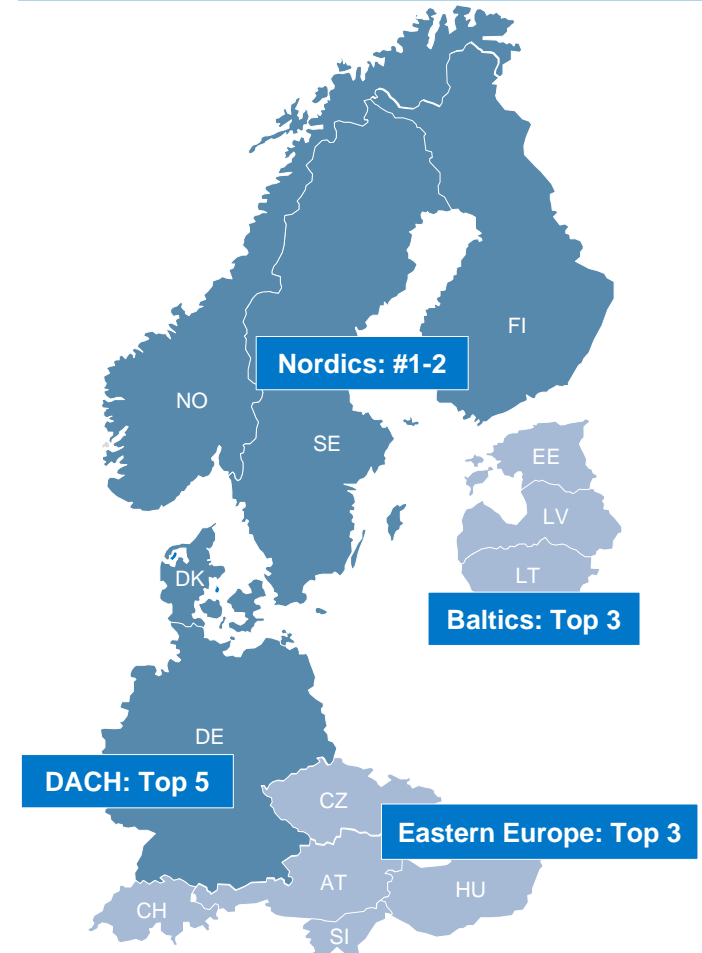
Manufacturing

**DIRECTA**  
directadentalgroup.com

**topdental**  
directadentalgroup.com

**ORSING**  
directadentalgroup.com

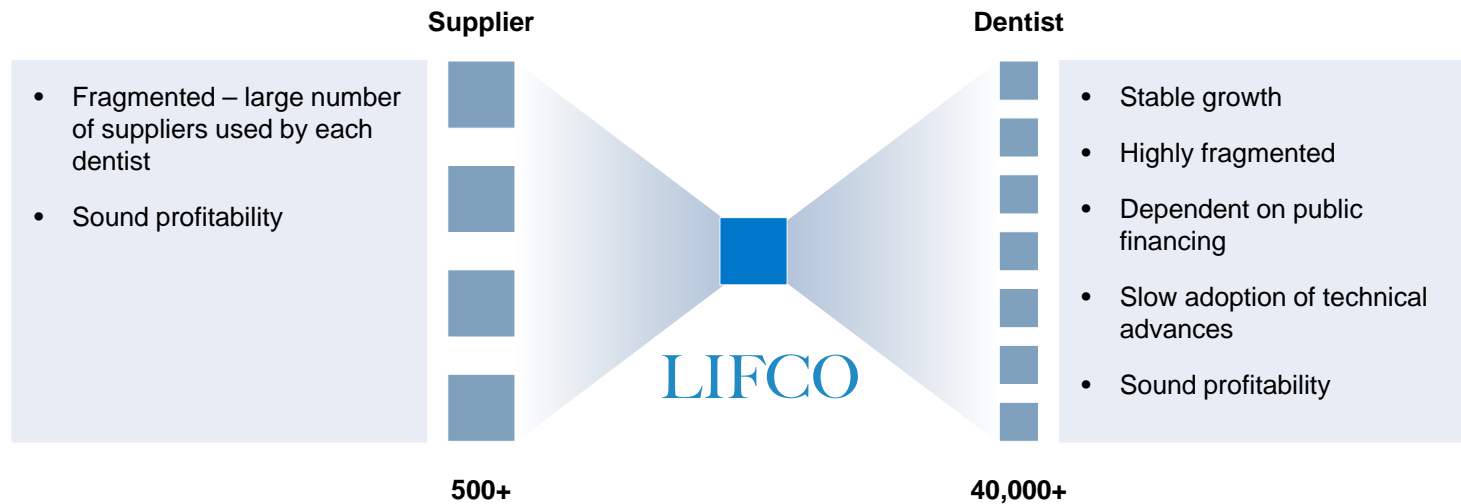
Lifco's market positions within dental consumables



**LIFCO** 16



# ATTRACTIVE POSITION IN THE VALUE CHAIN

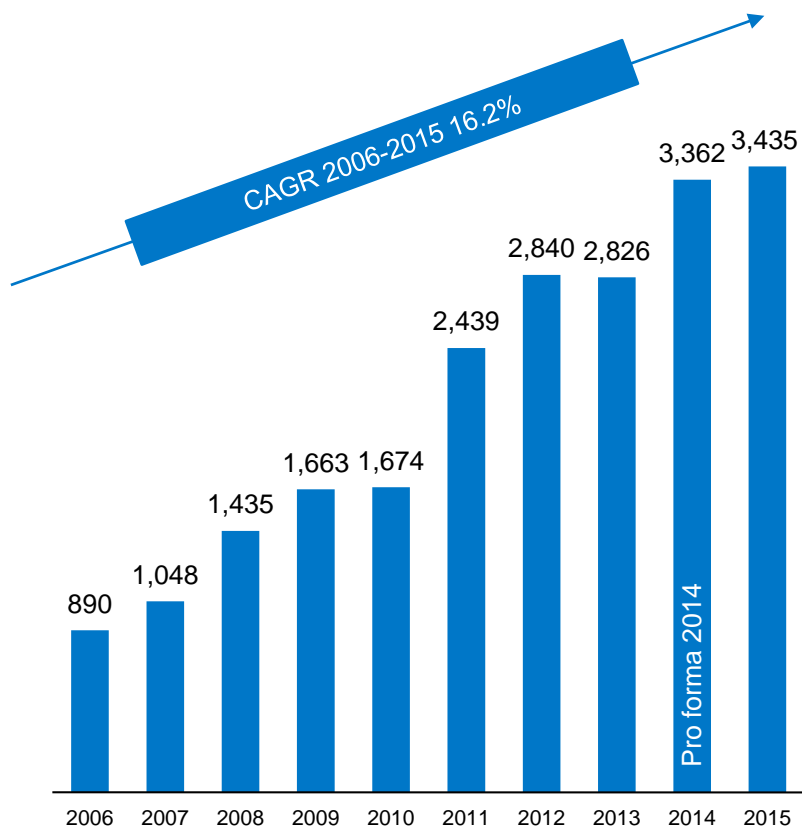


- Lifco has a strong position in the value chain
  - Sound profitability in all parts of the chain
  - Consumables account for a limited part of the dentists' cost base
  - Highly fragmented supplier and customer markets

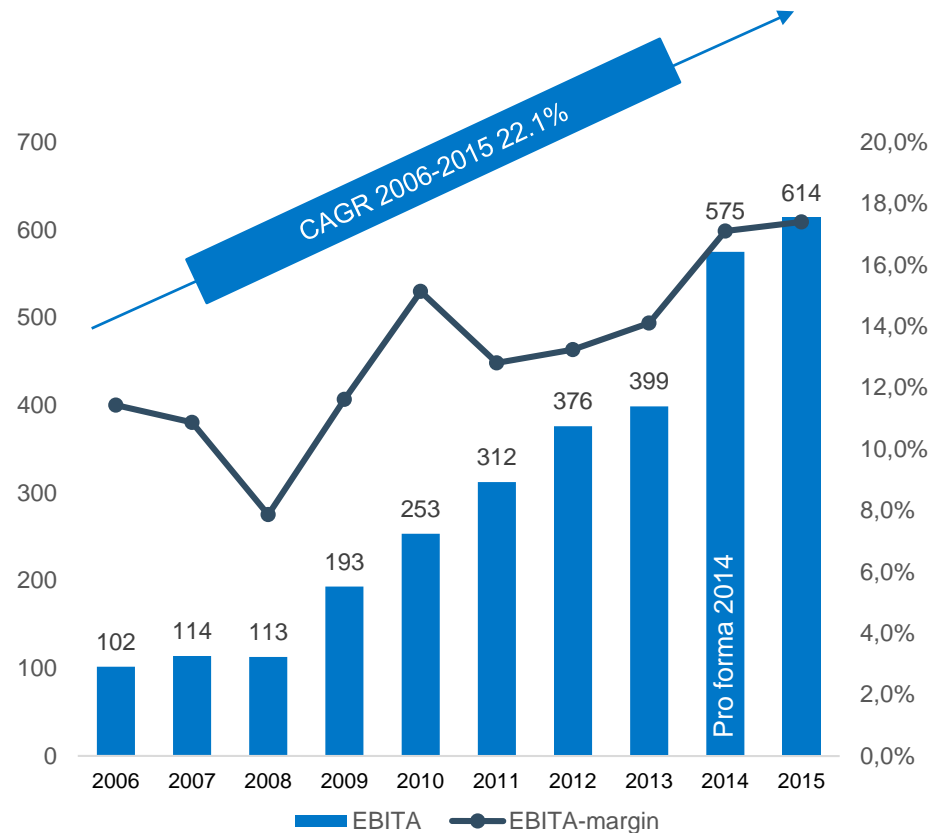
# DENTAL FINANCIAL OVERVIEW



Sales (MSEK) development



EBITA (MSEK) and EBITA margin (%) development



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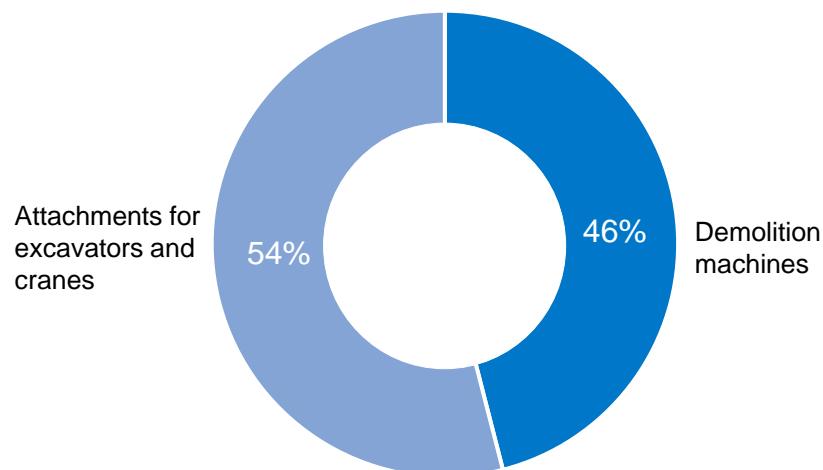
# DEMOLITION & TOOLS



Sales split by business 2015



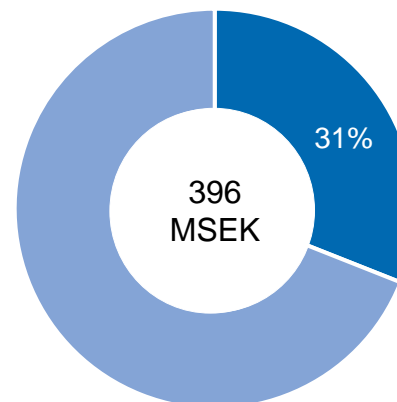
Demolition machines



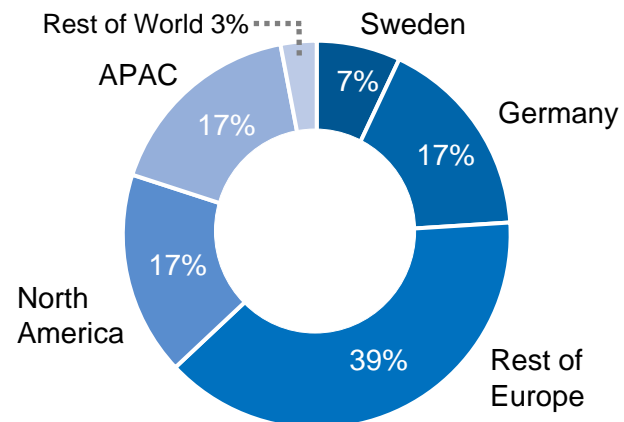
Attachments for excavators and cranes



EBITA and % of total EBITA<sup>1</sup> 2015



Sales split by geography 2015



1) Excluding HQ costs

# STRONG POSITION IN GLOBAL NICHE MARKETS



## Demolition machines



Share of sales	46%
Operations	Development, assembly and marketing of remote controlled demolition robots. Assembly in Sweden
Geographical focus	Global
Customer market	Mainly construction industry (cramped and hazardous renovation) and other application areas e.g. process industry, and decommissioning of nuclear plants
Market position	World-wide market leader

## Attachments for excavators and cranes

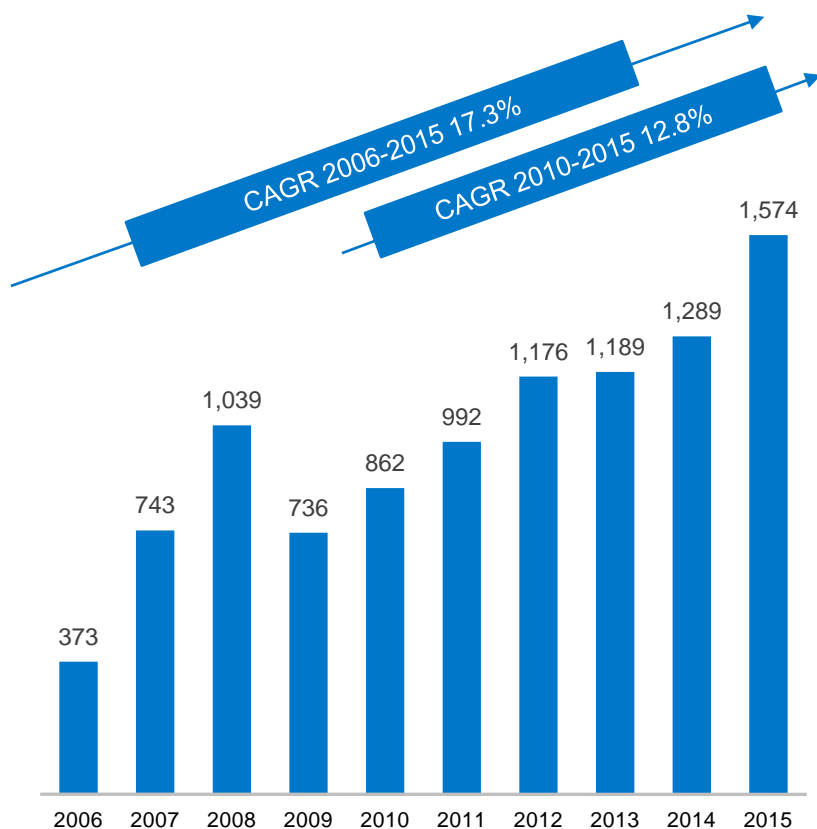


Share of sales	54%
Operations	Development, assembly and marketing of attachment for excavators and cranes. Earth drills
Geographical focus	Global
Customer market	Broad range of industries including construction, demolition, railway and scrap processing
Market position	World-wide market leader in attachments for cranes and one of the market leaders in attachments for excavators

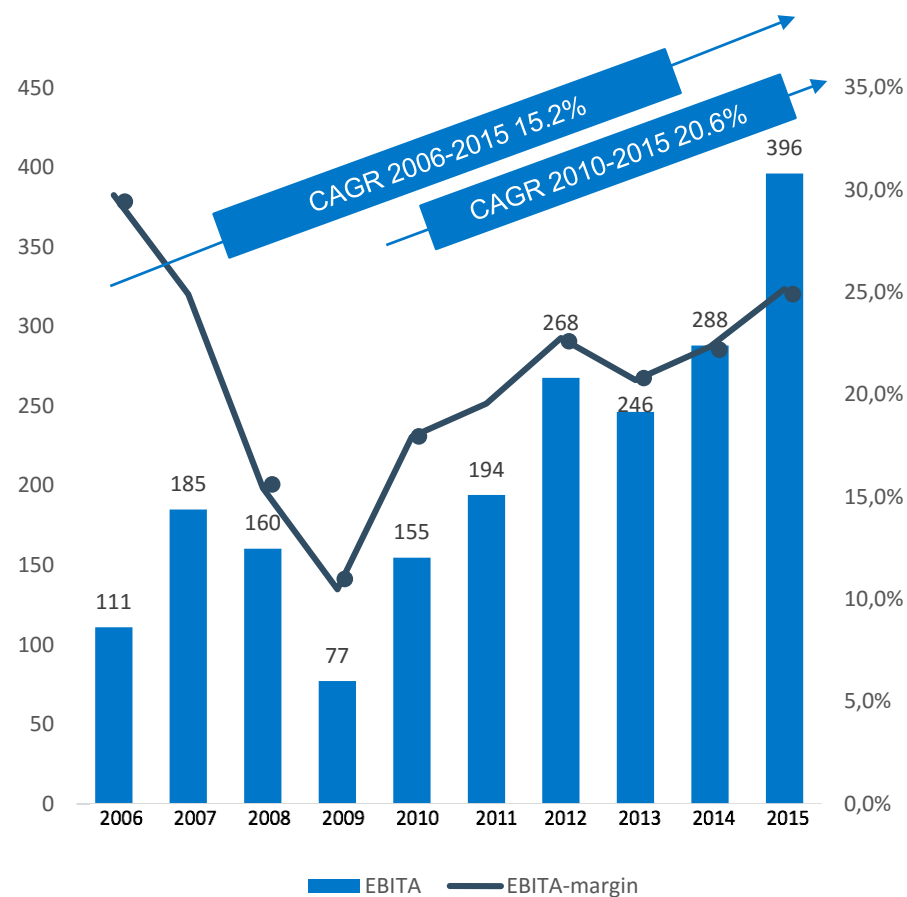
# DEMOLITION & TOOLS FINANCIAL OVERVIEW



Sales (MSEK) development



EBITA (MSEK) and EBITA margin (%) development

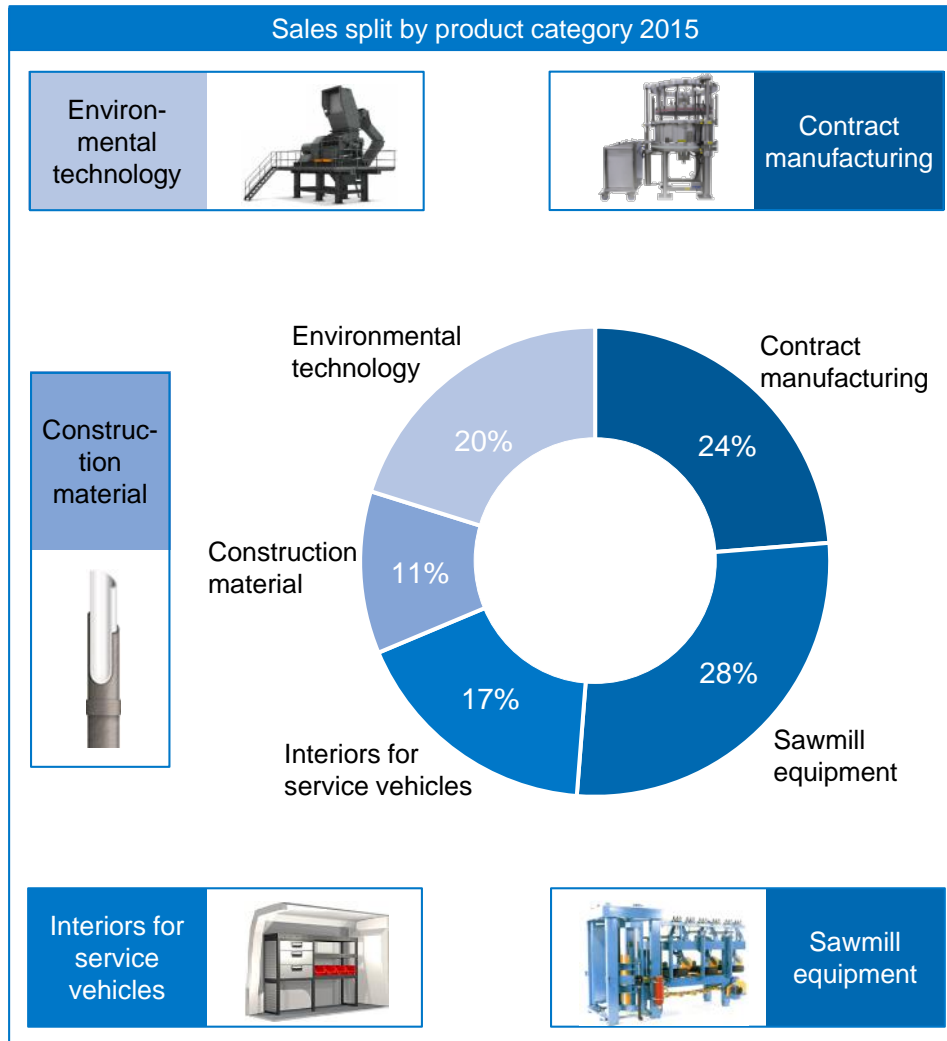


# CONTENTS

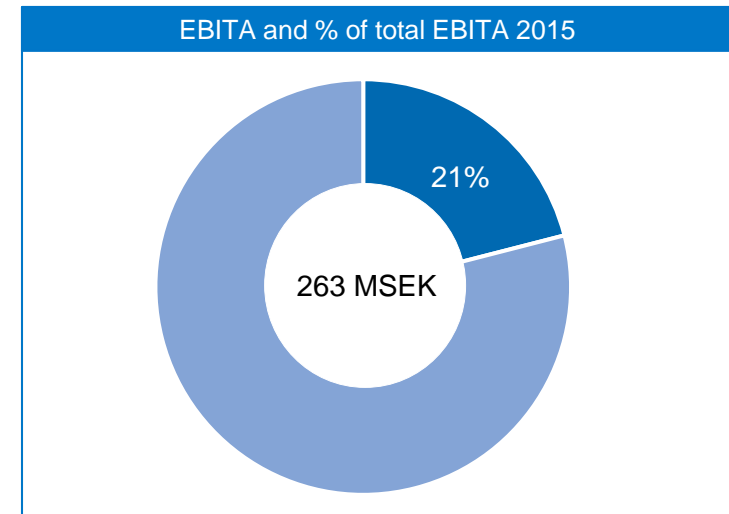
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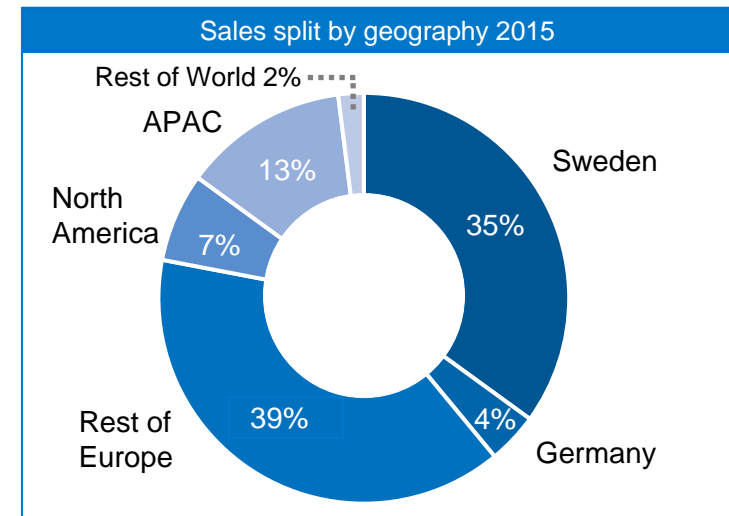
Sales split by product category 2015



EBITA and % of total EBITA 2015








Sales split by geography 2015





# LEADING COMPANIES WITHIN SPECIFIC **NICHES**

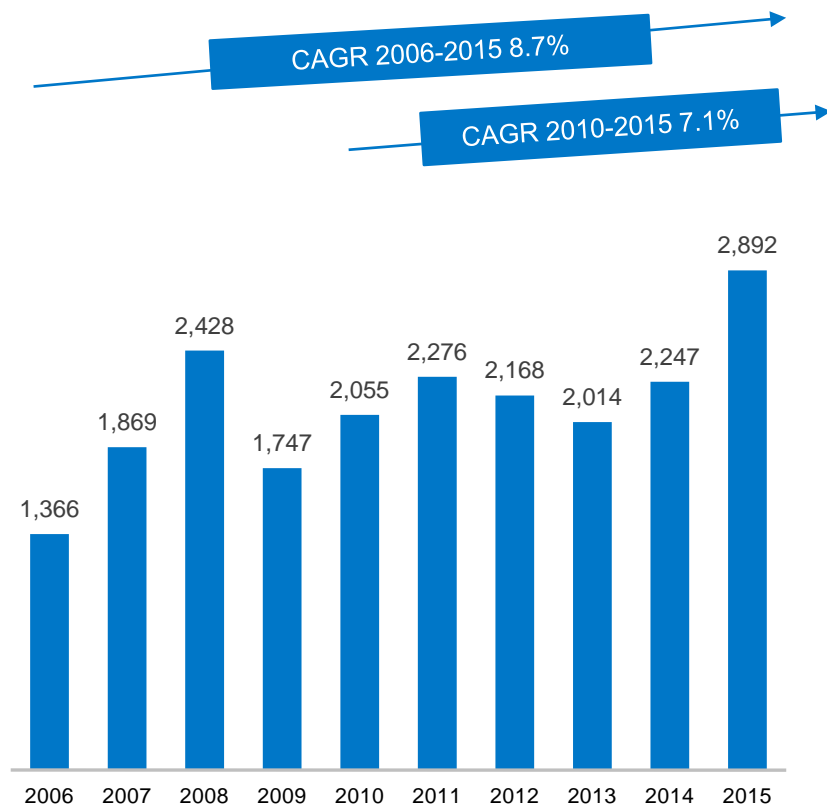


	Contract manufacturing	Construction material	Interiors for vehicles	Sawmill equipment	Environmental technology
					
Share of sales	<ul style="list-style-type: none"> <li>24%</li> </ul>	<ul style="list-style-type: none"> <li>11%</li> </ul>	<ul style="list-style-type: none"> <li>17%</li> </ul>	<ul style="list-style-type: none"> <li>28%</li> </ul>	<ul style="list-style-type: none"> <li>20%</li> </ul>
Operations	<ul style="list-style-type: none"> <li>Contract manufacturing of electrical components and products</li> </ul>	<ul style="list-style-type: none"> <li>Replacement of runoff water and drainage plumbing</li> </ul>	<ul style="list-style-type: none"> <li>Interior modules for light trucks</li> </ul>	<ul style="list-style-type: none"> <li>Equipment for sawmills</li> </ul>	<ul style="list-style-type: none"> <li>Equipment for recycling plants and cables</li> </ul>
Geographic focus	<ul style="list-style-type: none"> <li>Nordics</li> </ul>	<ul style="list-style-type: none"> <li>Europe</li> </ul>	<ul style="list-style-type: none"> <li>Europe</li> </ul>	<ul style="list-style-type: none"> <li>Nordics, Baltics and Russia</li> </ul>	<ul style="list-style-type: none"> <li>Global</li> </ul>
Customer markets	<ul style="list-style-type: none"> <li>Mainly companies within heavy industry and medical technology</li> </ul>	<ul style="list-style-type: none"> <li>Private and professional property owners</li> </ul>	<ul style="list-style-type: none"> <li>Mainly energy and construction companies</li> </ul>	<ul style="list-style-type: none"> <li>Sawmills</li> </ul>	<ul style="list-style-type: none"> <li>Recycling companies</li> </ul>
Market position	<ul style="list-style-type: none"> <li>Lifco is one of the leading companies in specific product areas</li> </ul>	<ul style="list-style-type: none"> <li>Lifco is one of the leading companies in its markets</li> </ul>	<ul style="list-style-type: none"> <li>Lifco is one of the leading companies in its markets</li> </ul>	<ul style="list-style-type: none"> <li>Lifco is one of the leading companies in its markets</li> </ul>	<ul style="list-style-type: none"> <li>Lifco is one of the leading companies in specific product areas i.e. tire and cable recycling</li> </ul>

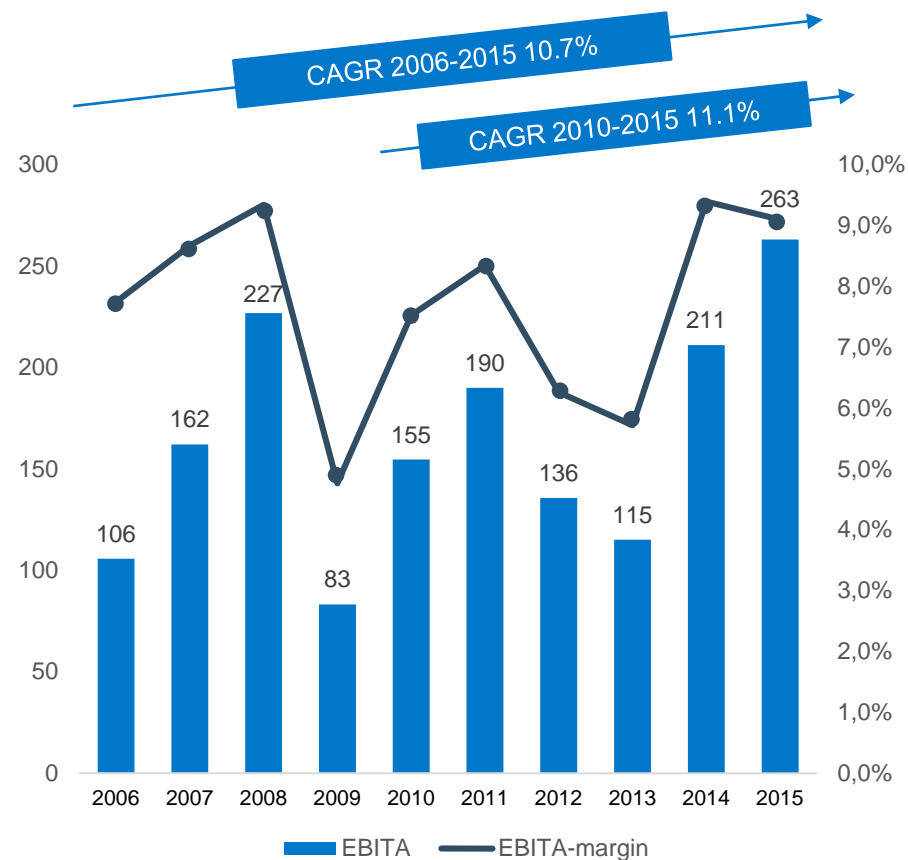
# SYSTEMS SOLUTIONS FINANCIAL OVERVIEW



Sales (MSEK) development



EBITA (MSEK) and EBITA margin (%) development

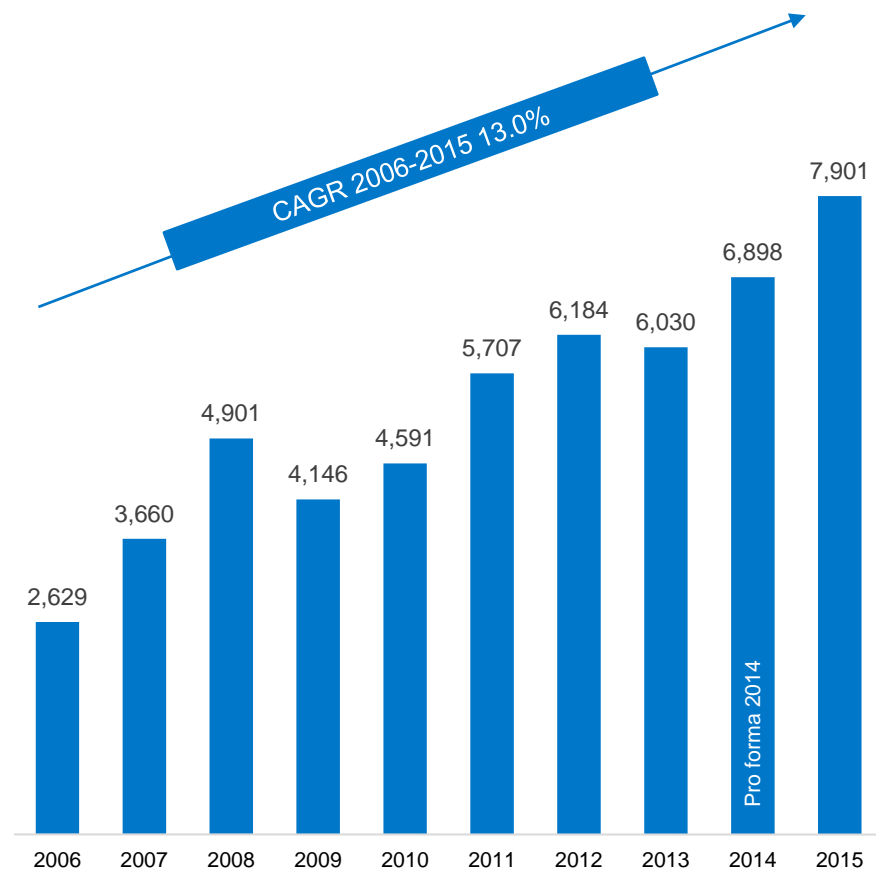


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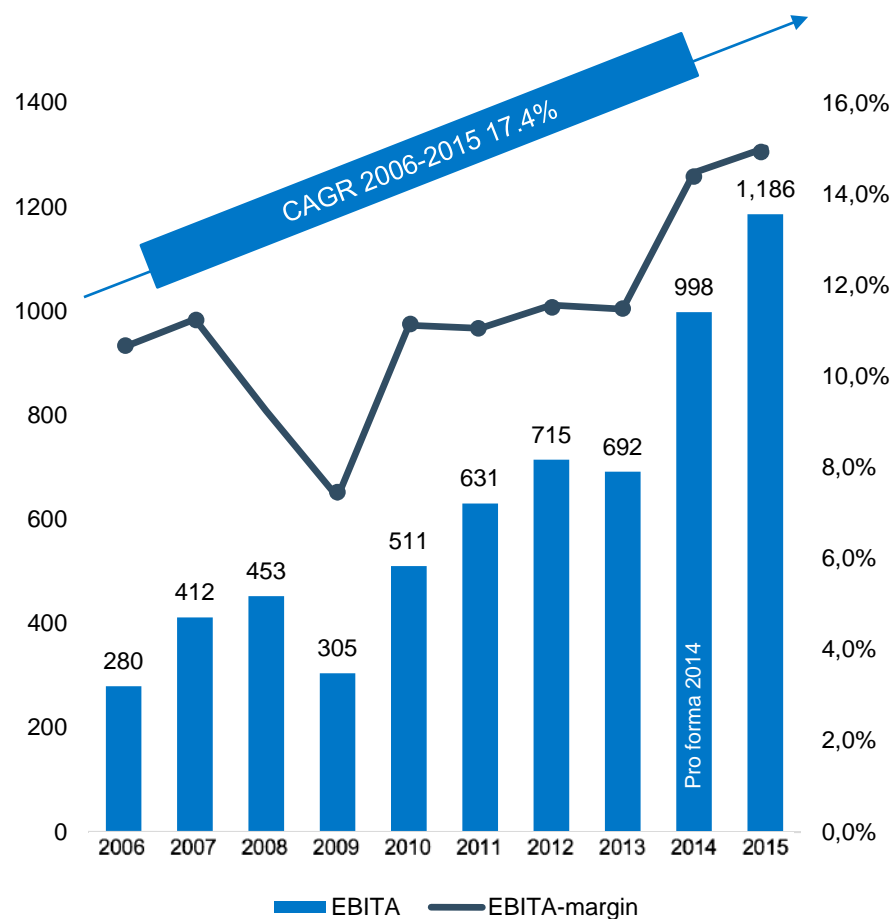
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# LIFCO GROUP FINANCIAL OVERVIEW

Sales (MSEK) development



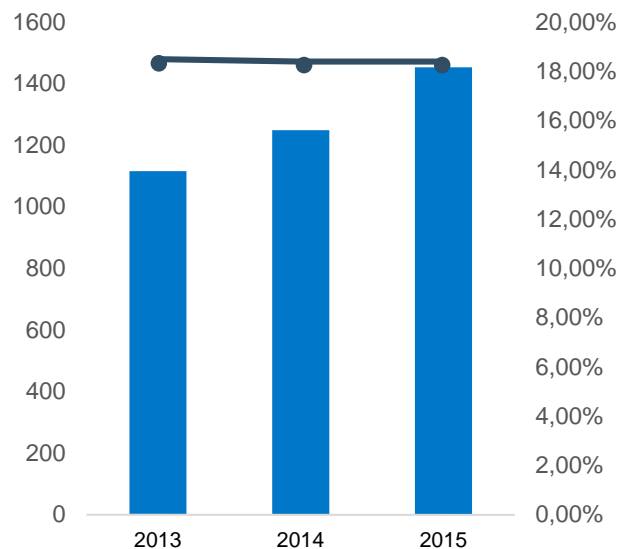
EBITA (MSEK) and EBITA margin (%) development



Note: IFRS accounting since 2012, prior years Swedish GAAP. Pro forma 2014 includes acquired MDH full year 2014..

# STRONG CASH FLOW GENERATION

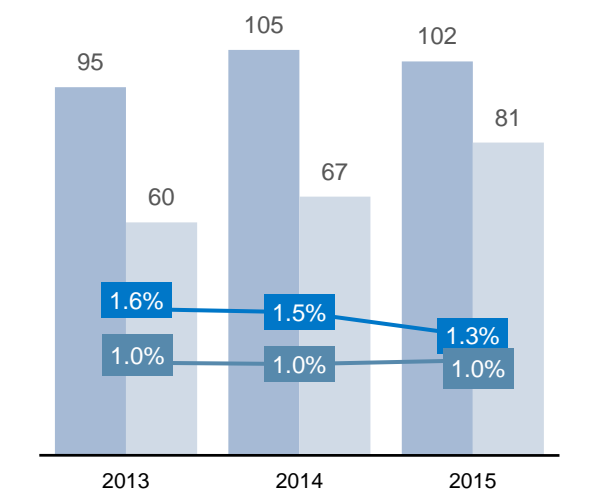
Core net working capital<sup>1</sup>



■ NWC (SEKm) — NWC as % of sales

- Focus on working capital through mathematical depreciation of inventory and receivables

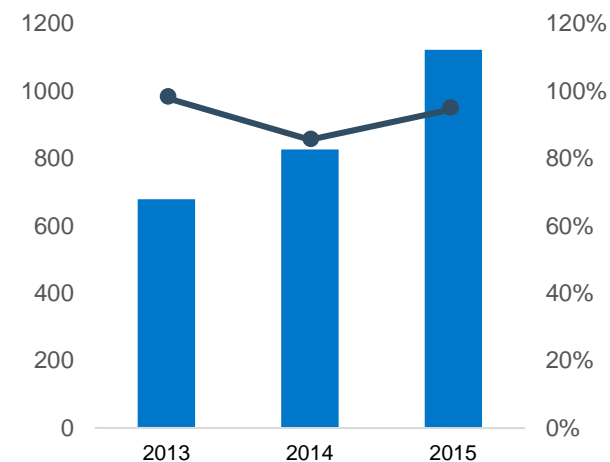
Capex and depreciation<sup>2</sup>



■ Capex (SEKm) ■ Depreciation (SEKm)  
— Capex as % of sales — Depreciation as % of sales

- 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

Operating pre-tax cash flow



■ Oper. pre-tax cash flow (SEKm)<sup>3</sup>  
— Cash flow conversion (%)<sup>4</sup>

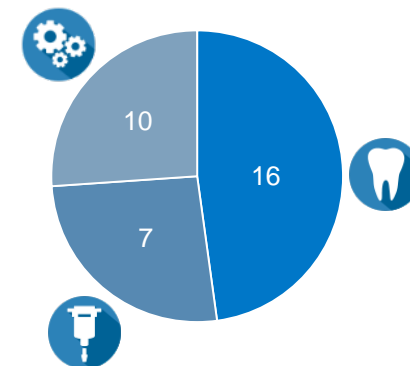
- High cash conversion as a result of focus on asset light operations combined with tight control of working capital

1) Refers to investments in and depreciation of tangible fixed assets  
 2) Operating pre-tax cash flow defined as EBITDA – change in NWC (according to cash flow statement) – investments in tangible fixed assets  
 3) Cash flow conversion defined as operating pre-tax cash flow divided by EBITA

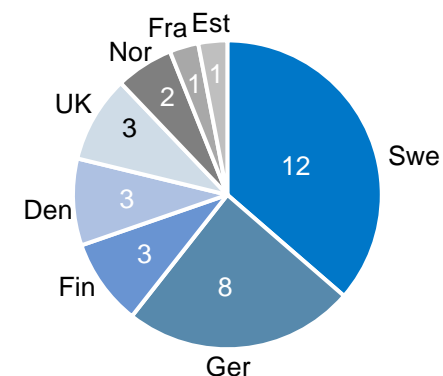
# OVERVIEW OF ACQUISITIONS 2006-2014

Year	Company	Description	Type	Country	Sales at acquisition
2006	Darda	Producer of attachments for demolition robots	Demolition & Tools	Germany	MEUR 8
	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
	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
	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	-
	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
2011	EDP	Distributor of consumables and equipment	Dental	Germany	MEUR 119
	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
2014	MDH	Producer of dental prosthetics	Dental	Germany	MEUR 44

Segment split - # of acquisitions



Country split - # of acquisitions



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

# OVERVIEW OF ACQUISITIONS 2015-

Year	Company	Description	Type	Country	Sales at acquisition
2015	Auger Torque	Producer of earth drills	Demolition & Tools	UK	MGBP 10
	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	Cenika AS	Electrical equipment for low voltage	Systems Solutions	Norway	MNOK 160
	Dens Esthetix	Prosthetics	Dental	Germany	MEUR 1.4
	Praezimed	Service of dental instruments	Dental	Germany	MEUR 2.5
	Redoma Recycling	Producer of recycling machines for cables	Systems Solutions	Sweden	MSEK 25

# 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



# KEY CONSIDERATIONS

- Wide diversification with regards to customers, geography, products and suppliers.
- Strong market positions in the Nordic markets in the Dental segment (top 2-3) and Demolition & Tools segment (global #1)
- Diversification and cash flow focus support low cyclicity, the Dental segment is essentially non-cyclical
- Solid history of generating stable EBITDA margins and underlying, organic earnings growth.
- Strong cash flow and deleveraging capabilities
- Strong, long-term majority owner
- Proven track record of acquisition driven strategy

# FINANCIALS FY AND Q4

GROUP	FY 2014	FY 2015	Change	Q4 2014	Q4 2015	Change
Net sales, MSEK	6,802	7,901	16.2%	1,901	2,121	11.6%
EBITA, MSEK	966	1,186	22.8%	273	323	18.0%
EBITA margin	14.2%	15.0%	0.8	14.4%	15.2%	0.8

DENTAL	FY 2014	FY 2015	Change	Q4 2014	Q4 2015	Change
Net sales, MSEK	3,266	3,435	5.2%	918	922	0.4%
EBITA, MSEK	543	614	13.0%	149	164	10.3%
EBITA margin	16.6%	17.9%	1.3	16.3%	17.9%	1.6

DEMOLITION & TOOLS	FY 2014	FY 2015	Change	Q4 2014	Q4 2015	Change
Net sales, MSEK	1,289	1,574	22.1%	354	436	22.8%
EBITA, MSEK	288	396	37.5%	92	123	33.6%
EBITA margin	22.3%	25.1%	2.8	25.9%	28.2%	2.3

SYSTEMS SOLUTIONS	FY 2014	FY 2013	Change	Q4 2014	Q4 2015	Change
Net sales, MSEK	2,247	2,892	28.7%	628	763	21.6%
EBITA, MSEK	211	263	25.0%	54	59	10.2%
EBITA margin	9.4%	9.1%	-0.3	8.5%	7.7%	-0.8

# LIFCO GROUP BALANCE SHEET

## Comments

- Interest bearing net debt decreased 63 MSEK to 1,950 MSEK despite acquisitions of 573 MSEK and total dividends of 252 MSEK
- At year-end, Lifco had the capacity to make further acquisitions of a total amount of 3 BSEK and keep EBITDA below 3x
- ROCE excluding goodwill and other intangible assets 123% (105% Dec 31, 2014) – target >50%
- Net debt/EBITDA 1,5x (target 2-3x)

## Balance sheet

MSEK	2013	2014	2015
Intangible fixed assets	3,047	4,677	5,010
Tangible fixed assets	342	386	417
Financial assets	46	54	87
Inventory	758	823	960
Accounts receivable	671	770	863
Other receivables	163	188	257
Cash and cash equivalents	442	536	464
<b>Total assets</b>	<b>5,468</b>	<b>7,435</b>	<b>8,058</b>
Shareholders' equity	2,382	3,473	3,964
Interest-bearing liabilities	1,939	2,627	2,444
Other liabilities and provisions	54	284	371
Accounts payable	313	344	370
Other short-term liabilities	779	707	909
<b>Total equity and liabilities</b>	<b>5,468</b>	<b>7,435</b>	<b>8,058</b>
Net debt	1,420	2,013	1,950
Net debt/EBITDA	1,9x	1,9x	1,5x
Capital employed excl. goodwill and other intang. assets	948	916	966
ROCE excl. goodwill and other intangible assets	73.0%	105%	123%
Capital employed incl. goodwill and other intang. assets	3,984	5,137	5,965
ROCE incl. goodwill and other intangible assets	17.4%	18.8%	19.9%

**GROWTH OR PROFIT?**

**PROFIT GROWTH!**

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