

# Second Quarter 2024 Presentation

23. August 2024



**BORGESTAD ASA**



# Agenda

Highlights and key figures

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In brief

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Segment review

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Financials

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Summary and outlook

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# Highlights and key figures

## Highlights

- 1 Borgestad Groups profit before tax at MNOK 32.7 for second quarter 2024 compared to MNOK 2.2 in second quarter 2023.
- 2 EBIT margin at 6.0 percent for Höganäs Borgestad Group YTD<sup>1</sup>'24 compared to 0.4 percent YTD<sup>2</sup>'23.
- 3 Borgestad ASA has entered into a binding agreement for sale of Gunnar Knudsens veg 144 in second quarter. Completion of the sale is estimated to be finalized in October 2024.
- 4 Borgestad increased its shareholdings with 5.5 percent in Höganäs Borgestad Group in the quarter, currently owning 69.7 percent.

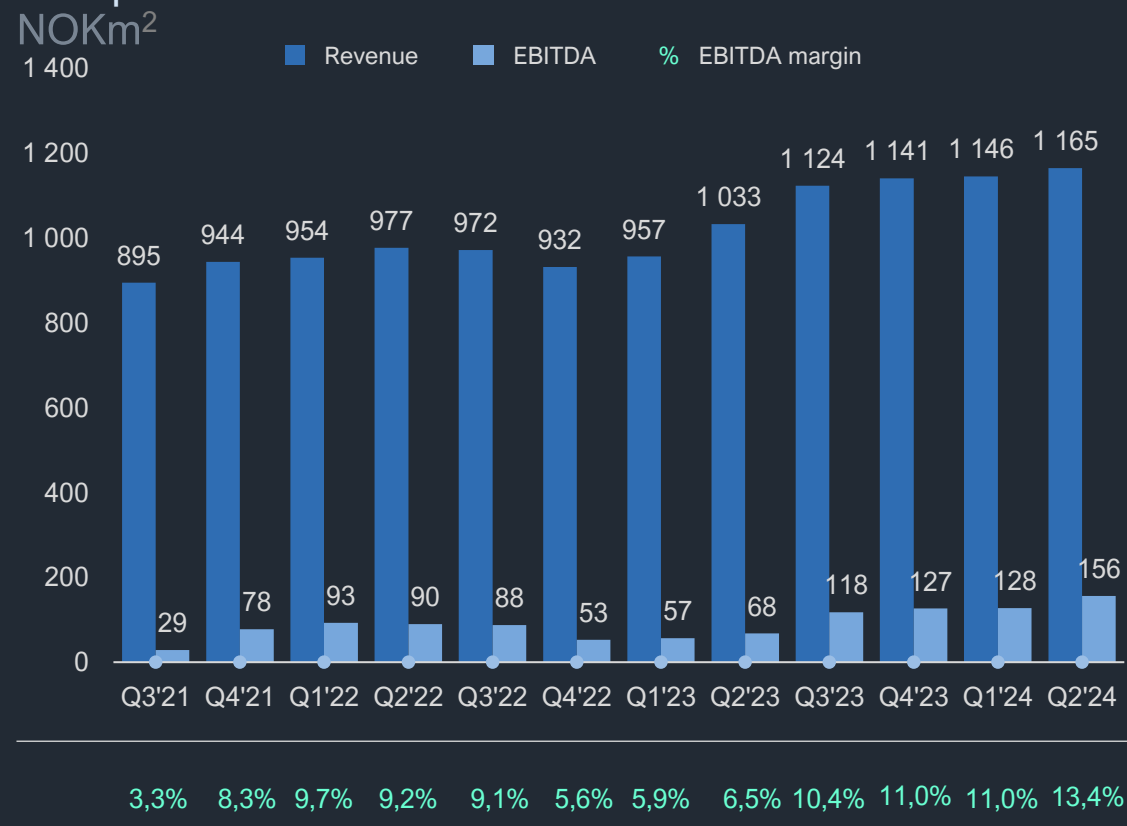
## Key figures

	Q2		LTM	
	2024	2023	2024	2023
MNOK				
Operating income	337	317	1,165	1,033
EBITDA	45	18	156	67
Operating profit (EBIT)	37	13	25	-52
Profit before tax	33	2	-3	-102

Note: 1) YTD = Year to date

Note: 2) LTM = Last Twelve Months

## Rolling quarterly revenue and EBITDA development for the Group



# Borgestad is an investment company focused on real estate and refractory



## Real Estate



Agora Bytom shopping center in Poland is the largest investment of the Group, accounting for over half of the balance sheet

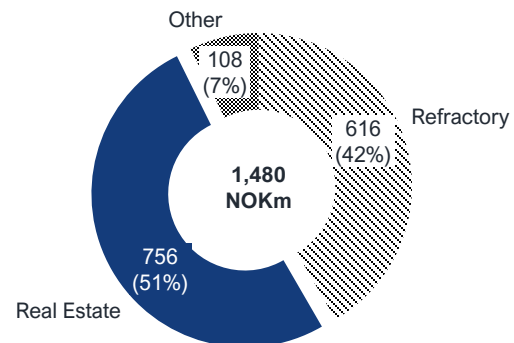
Agora Bytom is centrally located in the Silesian region of Poland and holds a strong market position in its primary catchment area

Parking spaces  
820

Gross area  
52,000 m<sup>2</sup>

Rental area  
30,000 m<sup>2</sup>

Share of capital employed (NOKm)



## Refractory

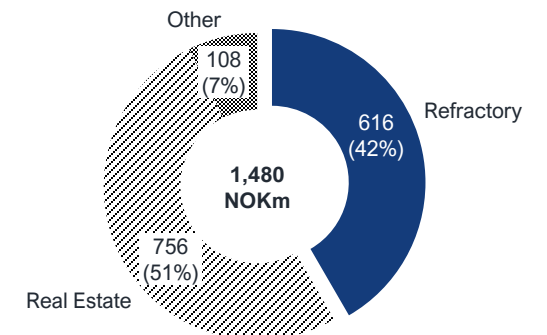


Höganäs Borgestad is a manufacturer and supplier of refractory quality products, installations, systems, and solutions that are essential for industrial high-temperature processes exceeding 1,200°C in various industries such as steel, cement, and aluminum

Founded  
1797

Refractory production since  
1825

Share of capital employed (NOKm)



# Borgestad to be an industrial investment company with significant operational improvement potential

## Strategy

- Borgestad ASA is an investment company, where **Real Estate** and **Refractory** constitute the two most significant areas of operation
- Continually improve operations in current investments
- Mid- to long term investment opportunities:
  - Niche segments with consolidation opportunities
  - Leverage on the company's network, know how and experience

## Key tools



The right team



Effective use of capital



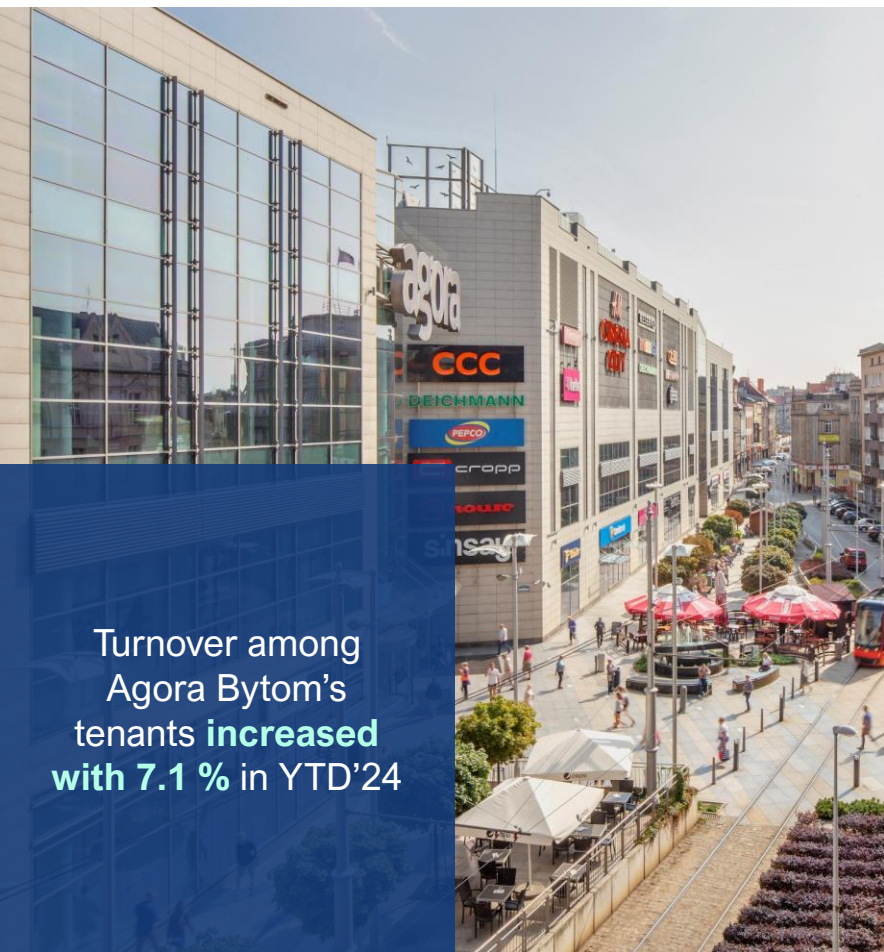
Measure everything and develop KPI's



M&A

# Segment property/ Agora Bytom

# Agora Bytom deliver stability

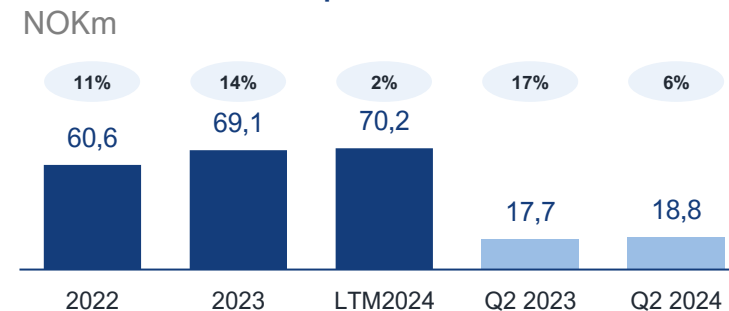


Turnover among Agora Bytom's tenants **increased with 7.1 %** in YTD'24

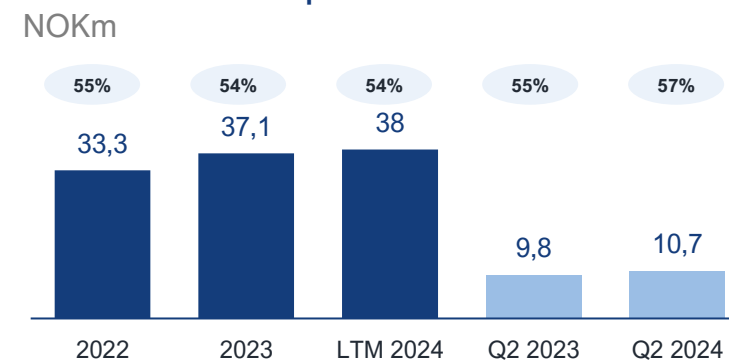
## Latest trends and developments

- Stabilized operations after a year with many upgrades by tenants.
- Focus on increasing margins, by turnover increase and cost cutting.
- Still an active leasing market in Poland. Agora Bytom in several negotiations.
- Debt per 30.06.24 at MEUR 29.4, and an LTV at ~47 % are at sustainable level
- Borgestad estimates that revenue and EBITDA going forward will be relatively stable

## Revenue development

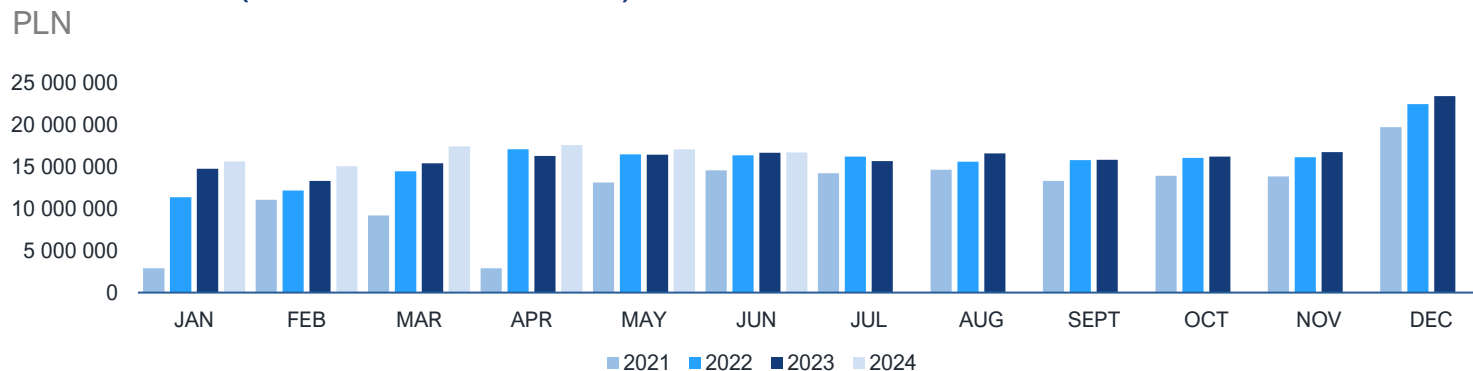


## EBITDA development

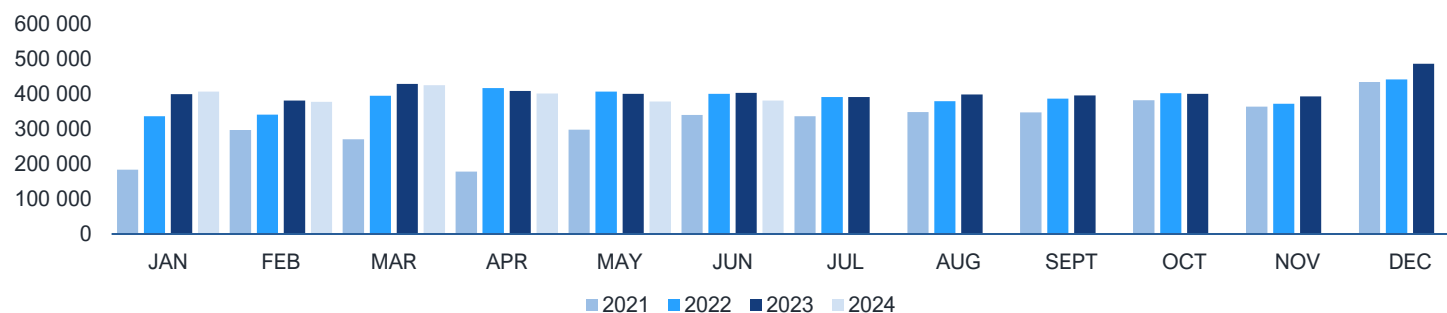


# Continued improvement in retail sales and basket, and the Polish economy has a positive trend

## Retail sales (turnover 2021-2024)



## Footfall (Agora monthly footfall 2021-2024)



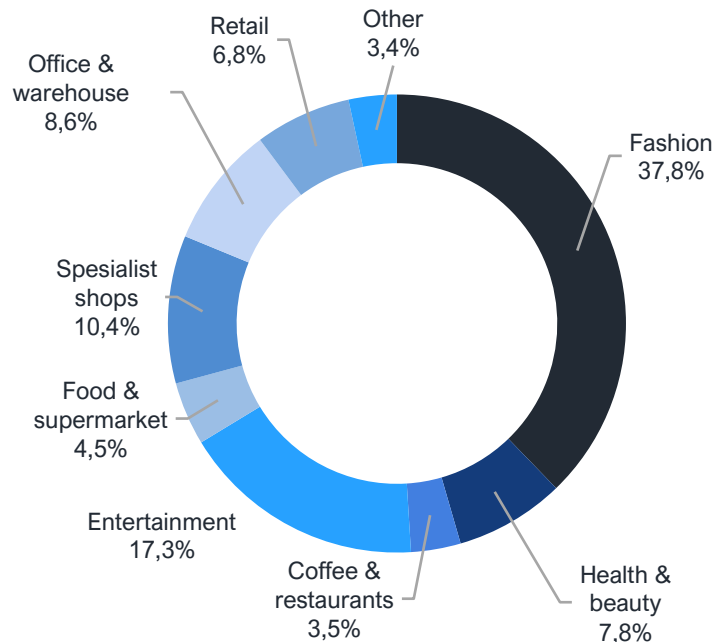
## Comments

- Turnover among the tenants increased with 4.0 % in Q2'24 compared to Q2'23.
- With 4.8 million visitors the LTM, the number of visitors decreased with 0.1 million LTM compared to 2023.
- Polish reference interest rate is at 5.75 % in end of June 2024, the same level as end of 2023.
- GDP increased with 1.9 % in March 2024 (YoY)
- Registered unemployment at 4.9 % as of June 2024
- Inflation at 2.6 % in June 2024 (YoY), compared to 11.5 % in June 2023 (YoY).
- Consumer confidence increased to -12.0 points in June 2024, compared to -28.2 points in June 2023.



# Diversified tenant base

Highly diversified tenant base  
Lettable area per tenant



## Comments



WAULT by area: 3.41 years



WAULT by income: 3.22 years



Due date for top ten tenants are spread, first due date in 2025, then next in 2027

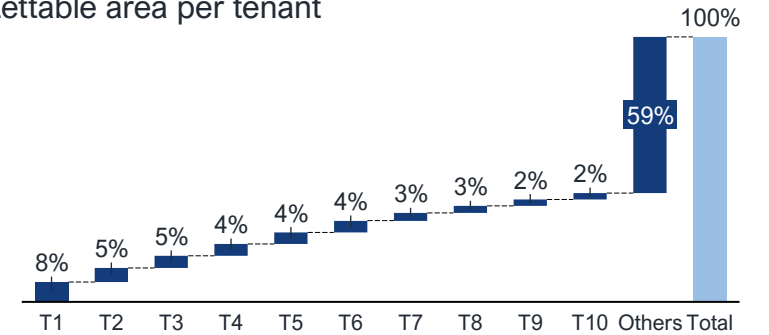


Several ongoing negotiations with potential new tenants

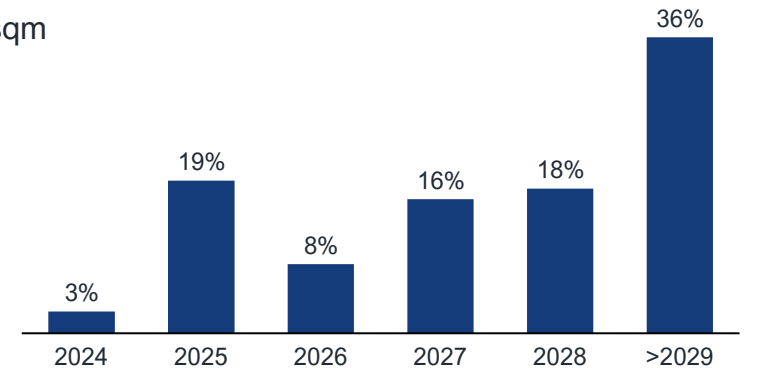


Contract duration risk spread out over several years

Highly diversified tenant base  
Lettable area per tenant



Contract duration  
sqm



# Höganäs Borgestad

# Continued turnover and EBIT increase



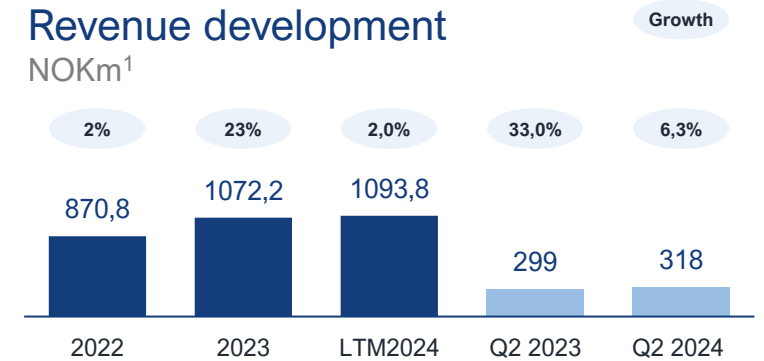
The refractory segment has **increased EBIT margin with 2.9 %** last 12 months

## Latest trends and developments

- In Q2 2024, the refractory segment had a turnover of MNOK 318.0, with an increased EBIT margin compared to Q2 2023.
- Adjusted<sup>1</sup> last twelve months EBIT margin from 2.8 percentage to 5.9 percentage last twelve months June 2024.
- The increase in EBIT last in second quarter and last twelve months is due to the better operational performance within installation projects in Sweden and Finland, including the announced exit from green field projects within cremation.
- Normal order backlog both within installation business and service assignment, a total order backlog at MNOK 256.
- Sale leaseback transaction, approved by BoD of Bjuv Municipality in December 2023, a complaint was received. Transaction expect to be completed in 2024.

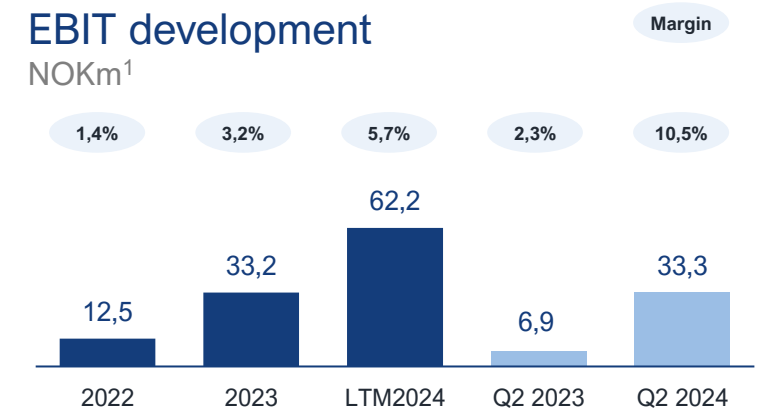
## Revenue development

NOKm<sup>1</sup>



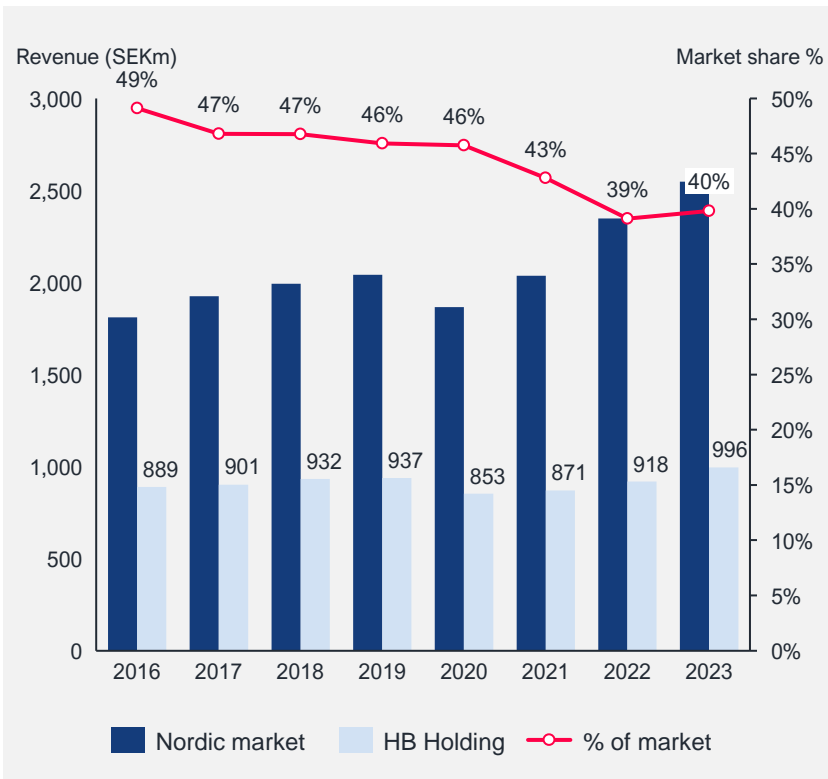
## EBIT development

NOKm<sup>1</sup>

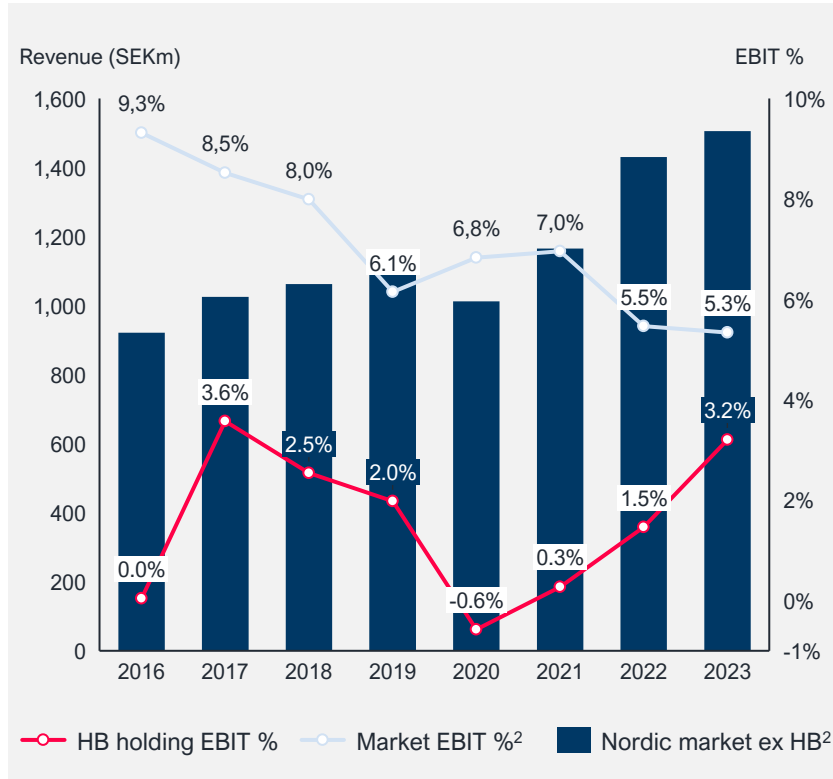


# Höganäs Borgestad's position in the Nordics – significant market share and EBIT LTM above market performance 2023:

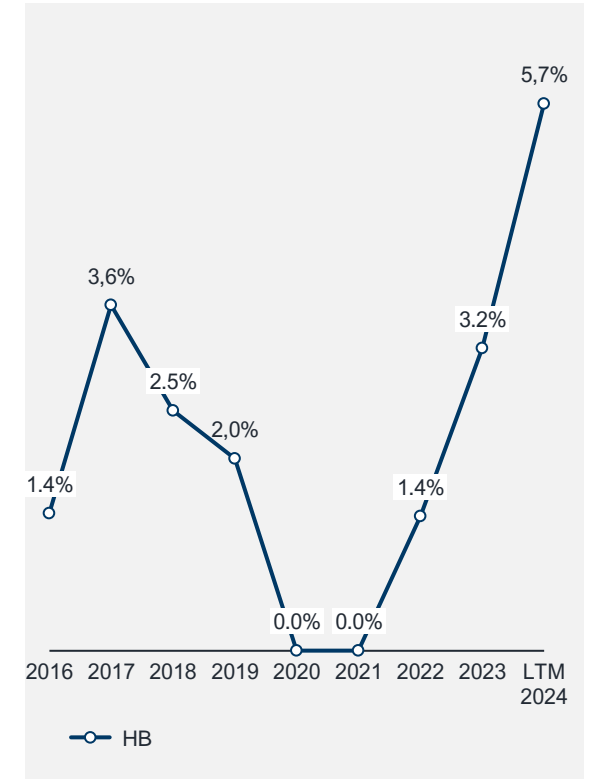
## Position in the Nordics



## Historical performance below Nordic peers



## Höganäs Borgestad EBIT margin trend is good:¹



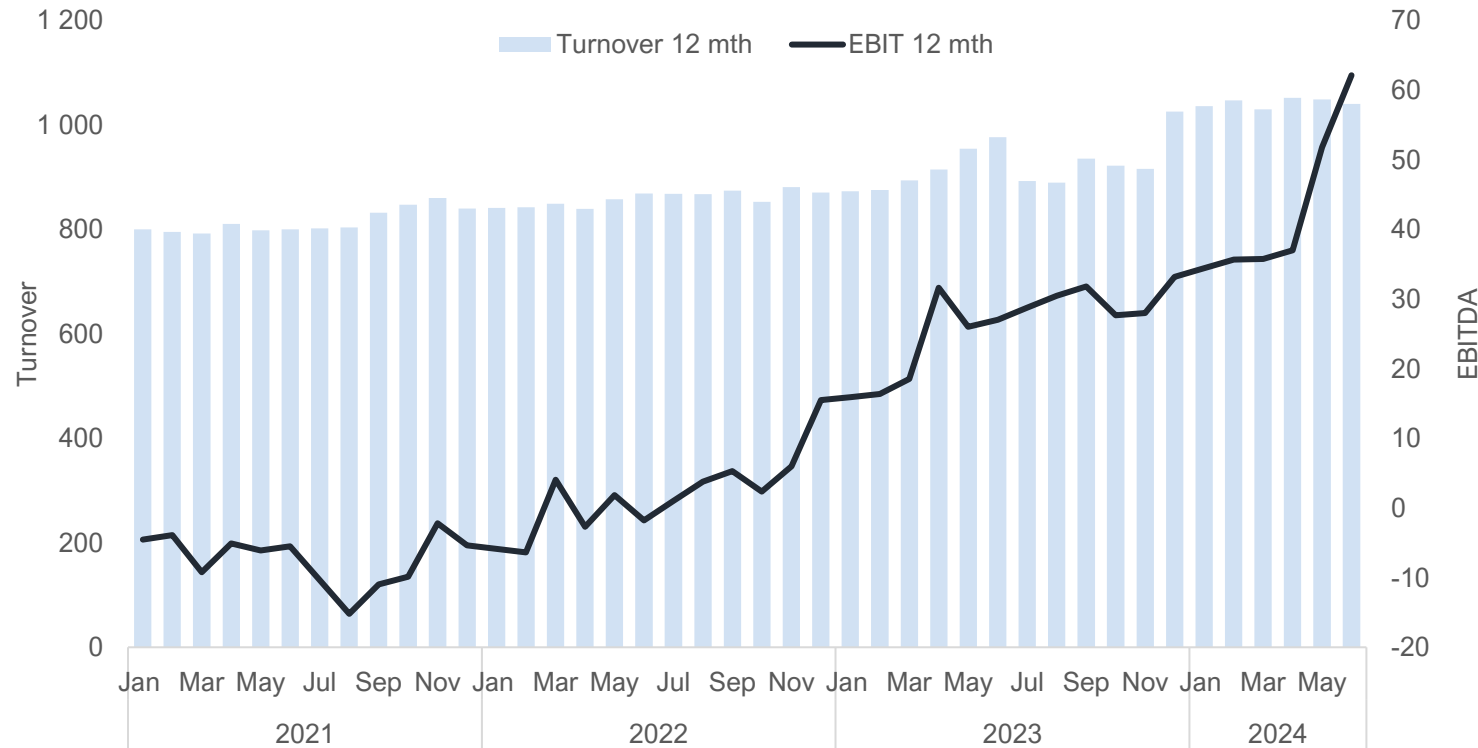
Sources: Proff, Factset, Company information.

Note: 1) Excluding Arbitration Court Case. 2) Market data for 2023 includes 2022 figures for Caldeyrs since the 2023 figures are not yet public.

# Development turnover and EBIT last three years, excluding positive Arbitration effect on EBIT, show a positive trend

Rolling 12-month turnover and EBIT <sup>1</sup>

NOKm



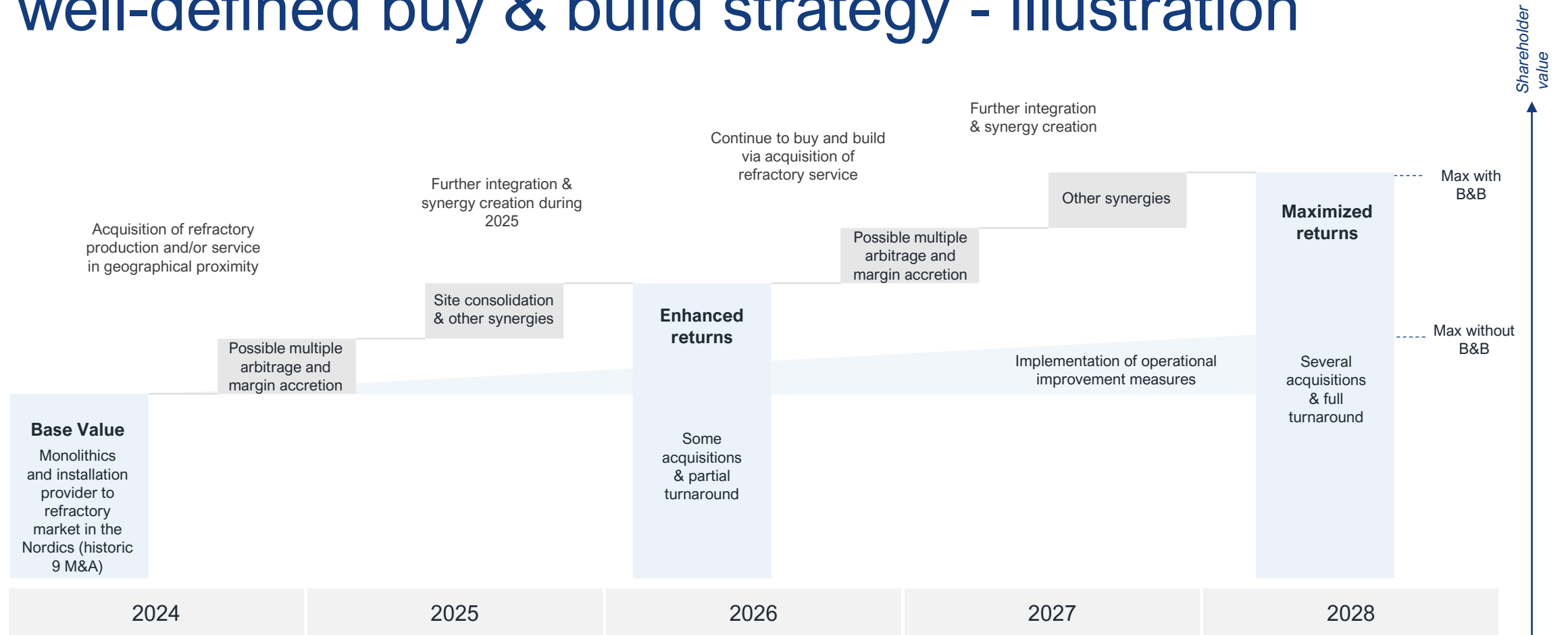
### Focus forward:

- Focus on increasing profitability and cash flow
- Strengthen team
- Streamline and improve operations

### Increase in EBIT and EBITDA and decrease in debt level:

- As of June 30, 2024, the ratio of net interest-bearing debt to adjusted last twelve months EBITDA stands at 1.5, a substantial improvement from the ratio of 5.3 reported on June 30, 2023.

# Targeting to maximize shareholder returns by realizing a well-defined buy & build strategy - illustration



# Borgestad – Group P&L, balance sheet and cash flow

# Income statement

NOK 1,000	01.04- 30.06.2024	01.04- 30.06.2023	LTM 2024	2023
<b>Revenue</b>	<b>336 727</b>	<b>316 745</b>	<b>1 165 565</b>	<b>1 141 366</b>
COGS	-152 089	-180 637	-542 135	-285 570
Personnel	-109 960	-92 915	-378 698	-347 108
Other OPEX	-29 483	-25 560	-88 543	-84 262
<b>EBITDA</b>	<b>45 195</b>	<b>17 633</b>	<b>156 189</b>	<b>127 478</b>
Depreciation	-8 575	-4 150	-37 091	-31 750
Impairment of non-current assets	-	-	-94 298	-94 298
<b>EBIT</b>	<b>36 620</b>	<b>13 483</b>	<b>24 800</b>	<b>1 430</b>
Foreign currency gain/(-) loss	243	1 025	9 472	10 534
Interest expenses	-5 439	-12 144	-41 575	-51 910
Other financial income/(-) expenses	1 235	-121	4 533	2 664
<b>Pre-tax income</b>	<b>32 658</b>	<b>2 244</b>	<b>-2 750</b>	<b>-37 283</b>
Tax	-2 309	-3 964	- 31 594	-26 309
<b>Net income</b>	<b>30 350</b>	<b>6 208</b>	<b>-34 344</b>	<b>-63 592</b>
Other comprehensive income	-20 326	3 277	-38 135	14 832
<b>Comprehensive net income</b>	<b>10 023</b>	<b>6 792</b>	<b>-72 478</b>	<b>-48 760</b>



# Balance sheet

NOK 1,000	30.06.2024	31.12.2023
Intangible assets	115 738	124 010
Buildings, fixtures, machinery and vehicles	54 657	54 956
Investment properties	707 417	701 407
Other financial assets	36 866	35 353
Deferred tax asset	15 787	13 734
<b>Non-current assets</b>	<b>930 464</b>	<b>926 461</b>
Inventory	144 224	118 733
Receivables	249 501	184 567
Other short-term receivables	9 780	7 763
Cash & cash equivalents	130 263	152 688
<b>Current assets</b>	<b>533 768</b>	<b>463 752</b>
Non-current assets classified as held for sale	15 947	13 165
<b>Total assets</b>	<b>1 480 178</b>	<b>1 406 378</b>

NOK 1,000	30.06.2024	31.12.2023
<b>Equity</b>	<b>762 507</b>	<b>755 842</b>
Provisions / reserve for liabilities	6 584	6 369
Secured debt	333 519	335 742
Lease commitments	30 439	27 453
Other long-term debt	11 045	7 988
<b>Non-current debt</b>	<b>381 587</b>	<b>377 552</b>
Revolving credit facilities	48 926	24 098
Secured debt	55 475	60 043
Payables	81 237	64 017
Lease commitments	12 811	12 641
Other short-term debt	123 861	100 039
<b>Current debt</b>	<b>336 085</b>	<b>272 984</b>
<b>Total equity and liabilities</b>	<b>1 480 178</b>	<b>1 406 378</b>

# Cash flow statement

NOK 1,000	01.01-30.06.2024	01.01-30.06.2023
Cash flow from operating activities before balance changes	38 822	3 340
+/- Balance changes	- 61 687	-7 084
<b>Cash flow from operating activities</b>	<b>-22 865</b>	<b>-3 704</b>
Payments to other investments	- 506	-9 826
Inflows from other investments	- 13 169	927
<b>Cash flow from investing activities</b>	<b>- 13 675</b>	<b>-8 899</b>
Net change in financial liabilities	- 10 713	-19 389
Net change in bank overdraft	24 828	-8 524
<b>Cash flow from financial activities</b>	<b>14 115</b>	<b>-27 913</b>
<b>Cash flow for the period</b>	<b>- 22 425</b>	<b>-40 515</b>
Bank and cash balances per start of period	152 688	91 059
<b>Bank and cash balances per end of period</b>	<b>130 263</b>	<b>50 544</b>
<b>Available liquidity per end of period</b>	<b>142 759</b>	<b>59 544</b>

# Summary



## Strong operations in Q2 2024

- Höganäs Borgestad Group has an EBIT margin of 10.5 percent in Q2 and 6.0 percent YTD'24, compared to respectively 3.0 percent and 1.8 percent in 2023.
- Profit before tax for at MNOK 32.7 in Q2'24 for Borgestad Group, compared to MNOK 2.2 in Q2'23.



## Strengthened balance and liquidity situation

- Strong cash position per end of period MNOK 130.3.
- Net interest-bearing debt at MNOK 355.4 pr. 30.06.24 compared to MNOK 737.7 at 30.06.23.
- Borgestad expect the sale leaseback transaction to be completed in 2024, transaction value of MSEK 145.



## Cash flow and liquidity as per 30 June 2024

- Operational cash flow negative with MNOK 22.9 YTD'24, due to increased working capital.
- Cash flow from investment activities of MNOK -13.7, mainly due to purchase of shares in Höganäs Borgestad Holding AB.
- Cash flow from financial activities of MNOK 14.1
- Available liquidity end of period was MNOK 142.8 compared to MNOK 59.4 per 30.06.23



# Outlook and priorities



Operational improvements are key focus and Borgestad expects gradual further improvement of profitability, capital efficiency and cash flow within its refractory business



Borgestad estimates revenue and EBITDA stable going forward for Agora Bytom



Review and investigate the possibilities for transformational M&A and other liquidity events for Agora Bytom



# Alternative performance measures

In order to enhance investors' understanding of the Group's performance the Company presents in this Presentation certain alternative performance measures ("APMs") as defined by the European Securities and Markets Authority its Guidelines on Alternative Performance Measures 2015/1057. The APMs used by the Group, and relevant reconciliations, are set out in the Company's Q2 2024 financial statements on page 21-22.



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