# Viking Assistance Group AS

Quarterly Report

2Q17 April – June 2017

## SECOND QUARTER 2017 SUMMARY

- → Group revenues of MNOK 186.2 : 12 percent YoY growth
- → Group EBITDA of MNOK 21.4 : 14 percent YoY growth
- → Solid assistance margins during the quarter
- → Refinancing of debt and issue of two callable bonds in NOK and SEK
- → Soft entrance in Finland and positive contract developement

| *Accounts in NOK '000* | *Apr – Jun 2017* | *Apr - Jun 2016* |
|---|---|---|
| Group revenue | 186.2 | 166.1 |
| COGS | 121.5 | 106.6 |
| Gross margin | 34.8 % | 35.8 % |
| EBITDA * | 21.4 | 18.7 |
| Total Assets | 950 | 980 |

* Viking defines EBITDA as operating profit after adjustment of operating expenses for depreciation, amortization and impairment losses, foreign exchange differences recognized in income pertaining to revaluation of items in the balance sheet and non-recurring items.

### Operational comments

The main highlights of the quarter were the solid revenue growth of 12 percent over 2016 to MNOK 186.2 for the group. All geographic areas are contributing to the growth. Higher activity and new clients are the main reason for the revenue growth. Contributing to the higher activity is a continuing net growth in registered vehicles and higher road side assistance (RSA) frequency in line with technological development and user behavior. In Denmark and Sweden, Viking additionally benefits from a strengthening of the Viking brand which yields both new clients and direct end user RSA requisitions.

1H17 revenue is in line with 1H16, however, the revenue is stronger than it appears when taking into account the effects of adverse winter conditions during 1Q17. Number of assistances during 1Q17 exemplifies the effects of a mild winter vs normal conditions. Total number of assistances during 1Q17 ended 16 500 assistances fewer than same period 2016 or ~17 percent, and accounts for approx. MNOK 8,5 gross margin shortfall. Operations must still account for full readiness to handle winter conditions should they appear, offering little relief for the cost base.

The group assistance gross margin is improving and Norway in particular is showing strong margins during the quarter compared to same period last year. Denmark is also showing satisfactory margins as new clients are added with positive contribution, while strong focus is ongoing to improve margins in Sweden.

Another major event for Viking was the refinancing completed in April. The new financing solution strengthens the company's financial position and reduces our annual financial costs. The new MNOK 60 secured bank facility underwritten by DNB Bank ASA and MNOK 500 senior secured bond and MSEK 207 junior secured bond were announced in March and subsequently signed and allocated on 4 April. The proceeds of the refinancing has since been used to part-finance the full redemption of our MNOK 263 senior facilities agreement with DNB as well as our mezzanine facility and subordinated loan note to ICG totaling MNOK 447. We have reduced the interest costs across the underwritten secured bank facilities and the new bond issues at the point of the refinancing. This will yield lower interest cost, improved cash flow and increased flexibility for us going forward.

The end of June marked the final steps in the process of going from out-sourcing to offshoring of the Viking call center in Alicante, Spain. The premises in Alicante was ready for operations to start 1 July and selected employees were transferred from previous outsourcing partner.

In June, Viking took the first steps of a soft entrance into Finland with the establishing of Viking Assistance Oy, a local office and the strategic agreement with Inter-Hinaus as our first franchise station located in the Helsinki area. Inter-Hinaus performs approx. 12.000 assistances a year and will shortly re-brand their vehicles to represent Viking.

We were pleased to receive a prolongation of the Scandinavian roadside assistance contract with the leading Nordic insurance company Tryg in June. The prolongation is a sign of the quality and competitiveness delivered by Viking as a pan-Nordic supplier. Work is ongoing to further strengthening the relationship through product development and integrated services.

During the quarter Viking was further awarded the pan-Nordic contract for PostNord. The contract strategically strengthens the groups pan-Nordic delivery capacities and presence. Although Viking already deliver services to PostNord in Sweden and Norway, the contract is important for all geographic areas and will add revenues in Denmark at satisfactory margins.

## Personnel and organization

At the end of the period, the number of employees amounted to 197. Including external resources, such as dedicated people with contract suppliers and subcontractors, the Group employed ~260 people.

## Investments

The Group's acquisition of intangible assets during the second quarter amounted to MNOK 1.4. Investments in tangible assets during the quarter amounted to MNOK 0.6. The investments are mainly related to development of the ERP system VIS and net investments in rescue vehicles in subsidiaries. Net financial investments for the second quarter amounted to MNOK 2 and 1H17 MNOK 3,2.

## EBITDA

Non-recurring and other non-operational items identified during the second quarter amounted to MNOK 2.6. Non-recurring items are mainly related to extraordinary costs related to the refinancing of the company, insourcing and establishment of Viking call center in Spain and Viking Finland.

## Risks and factors of uncertainty

Viking Assistance Group's operations are exposed to certain risks that could have a varying impact on earnings or its financial position. These can be divided into industry, operational and financial risks; including regulatory and competitive risks.

A material part of the Group's revenues and profits is derived from operations outside Norway. Currency fluctuations may influence the reported figures in Norwegian Kroner to an increasing extent.

Please refer to the annual report of 2016 for a more detailed description of the risks identified.

## Related party transactions

There were no related party transactions of material effect during the relevant period.

## Legal disclaimer

Certain statements in this report are forward-looking and the actual outcomes may be materially different. In addition to the factors discussed, other factors could have an impact on actual outcomes. Such factors include developments for customers, competitors, the impact of economic and market conditions, national and international legislation and regulations, fiscal regulations, fluctuations in exchange rates and interest rates and political risks.

31 August 2017

The Board of Directors of Viking Assistance Group AS

# CONDENSED FINANCIAL REPORTS

## CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (CONDENSED)

| *Amounts in mNOK* | Q2 | | YTD | |
|---|---|---|---|---|
| | 2017 | 2016 | 2017 | 2016 |
| **Total operating revenues** | **186,2** | **166,1** | **375,0** | **375,8** |
| COGS | 121,5 | 106,6 | 240,5 | 236,8 |
| Gross profit | 64,7 | 59,5 | 134,5 | 139,0 |
| Gross margin (%) | 34,7 % | 35,8 % | 35,9 % | 37,0 % |
| Other group costs and overheads* | 43,3 | 40,7 | 89,1 | 90,5 |
| **EBITDA** | **21,4** | **18,7** | **45,3** | **48,5** |
| EBITDA - margin (%) | 11,5 % | 11,3 % | 12,1 % | 12,9 % |
| Depreciation | 2,0 | 5,3 | 6,7 | 10,8 |
| **EBITA** | **19,4** | **13,4** | **38,6** | **37,7** |
| EBITA - margin (%) | 10,4 % | 8,1 % | 10,3 % | 10,0 % |
| Amortization | 12,5 | 12,5 | 24,9 | 24,9 |
| **EBIT** | **6,9** | **1,0** | **13,7** | **12,7** |
| Interest expenses / (income) | 32,3 | 19,6 | 49,7 | 37,3 |
| Tax | -4,8 | -1,9 | -5,9 | -2,1 |
| **Net income before dividend** | **-20,6** | **-16,8** | **-30,1** | **-22,5** |
| | | | | |
| **Non recurring items*** | **2,6** | **1,2** | **4,8** | **4,9** |

## CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (CONDENSED)

| *Amounts in mNOK* | END OF JUNE 2017 | END OF JUNE 2016 | END OF DECEMBER 2016 |
|---|---|---|---|
| Tangible fixed assets | 68 | 73 | 71 |
| Financial fixed assets | 0 | 0 | 0 |
| Intangible fixed assets | 692 | 740 | 716 |
| **Total fixed assets** | **760** | **813** | **788** |
| Stock/WIP (Inventory) | 2 | 1 | 1 |
| Trade debtors (Accounts receivables) | 146 | 107 | 127 |
| Other current assets | 25 | 15 | 17 |
| **Total current assets (excl cash)** | **174** | **123** | **145** |
| Cash | 16 | 44 | 34 |
| **Total assets** | **950** | **980** | **966** |
| | | | |
| Trade creditors (Accounts payables) | 41 | 37 | 44 |
| Other creditors | 43 | 38 | 50 |
| Other current liabilities | 54 | 66 | 60 |
| **Total current liabilities** | **138** | **141** | **154** |
| Deferred taxes | 53 | 58 | 58 |
| Long term borrowings other | 3 | 6 | 3 |
| Financial lease (FL) | 34 | 36 | 35 |
| Borrowings | 724 | 739 | |
| **Total equity and liabilities** | **950** | **980** | **966** |

## CONSOLIDATED STATEMENTS OF CASH FLOWS (CONDENSED)

| *Amounts in mNOK* | Q2 2017 | | YEAR TO DATE | |
|---|---|---|---|---|
| | 2017 | 2016 | 2017 | 2016 |
| **EBITDA recurring** | **21,4** | **18,7** | **45,3** | **48,5** |
| One off's | -2,6 | -1,2 | -4,8 | -4,9 |
| **EBITDA actual** | **18,8** | **17,5** | **40,5** | **43,6** |
| Changes working capital | -46,2 | -8,7 | -45,9 | -10,8 |
| Tax | 0,0 | 0,0 | 0,0 | 0,0 |
| **Operational cashflow** | **-27,3** | **8,8** | **-5,4** | **32,8** |
| CAPEX | -2,0 | -1,4 | -3,2 | -7,9 |
| Interest | -6,0 | -4,2 | -11,6 | -13,9 |
| Acquisition/Investments* | -0,3 | -0,5 | -0,3 | -0,5 |
| **CF before debt changes** | **-35,6** | **2,6** | **-20,4** | **10,5** |
| Debt changes | 19,3 | 8,3 | 2,2 | -6,5 |
| **CF after debt changes** | **-16,3** | **10,9** | **-18,2** | **4,0** |

## CONSOLIDATED KEY RATIOS

| *Accounts in mNOK* | ***Apr – Jun 2017*** | ***Apr - Jun 2016*** |
|---|---|---|
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## NOTES TO THE FINANCIAL REPORTS

The consolidated financial statements of Viking Assistance Group AS comprise of the company and its subsidiaries, collectively referred to as the Group. The Group operates within markets that involve certain operational risk factors. The Group is further exposed to risk that arise from its use of financial instruments. The various companies within the Group are systematically working to mitigate and manage risk on all levels.

### Basis of preparation

This interim report has been prepared in accordance GAAP. The accounting principles are the same as those applied in the latest annual report unless otherwise stated below. The report has not been subject to review by the auditors of Viking Assistance Group AS.

### New and changed accounting standards in 2017

None of the standards and statements that have been published by the IASB and are effective for annual periods beginning on or after 1 January, 2017, have had any material impact on the financial statements of the Group.

**Segment information by geographical area**

*Amounts in mNOK*

| | Q2 2017 | | YEAR TO DATE | |
|---|---|---|---|---|
| | 2017 | 2016 | 2017 | 2016 |
| **Sales** | **186,2** | **166,1** | **375,0** | **375,8** |
| Norway | 113,2 | 110,7 | 241,1 | 257,9 |
| Sweden | 43,9 | 28,8 | 76,8 | 61,0 |
| Denmark | 29,2 | 26,6 | 57,1 | 56,9 |
| | | | | |
| **EBITDA** | **21,4** | **18,7** | **45,3** | **48,5** |
| Norway | 22,1 | 21,6 | 45,2 | 50,6 |
| Sweden | -1,5 | -1,1 | -1,3 | -1,3 |
| Denmark | 0,8 | -1,7 | 1,4 | -0,9 |

**Alternative Performance Measures – EBITDA**

EBITDA is a financial parameter that Viking Assistance group AS considers to be relevant to an investor who wants to understand the generation of earnings before investment in fixed assets. VIKING defines EBITDA as operating profit after adjustment of expenses for depreciation, amortization and impairment losses, foreign exchange differences recognized in income pertaining to revaluation of items in the balance sheet and non-recurring items. Any effects from business combinations are not included.

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