

# Storskogen Q2 2022

## TODAY'S PRESENTERS



**Daniel Kaplan**

CEO



**Lena Glader**

CFO

August 2022

# Agenda

- 1. Storskogen in brief**
2. Q2 highlights
3. Financial performance
4. Focus – Business Area Industry
5. CAT and KX
6. Key takeaways
7. Q&A



## Storskogen in brief

An international compounder with an infinite ownership agenda and a vision to be the best owner of small and medium-sized companies

**SEK 36.0bn**

in annual  
RTM net sales<sup>1</sup>

**SEK 3.7bn**

in annual  
adj. RTM EBITA<sup>1</sup>

# Storskogen in brief

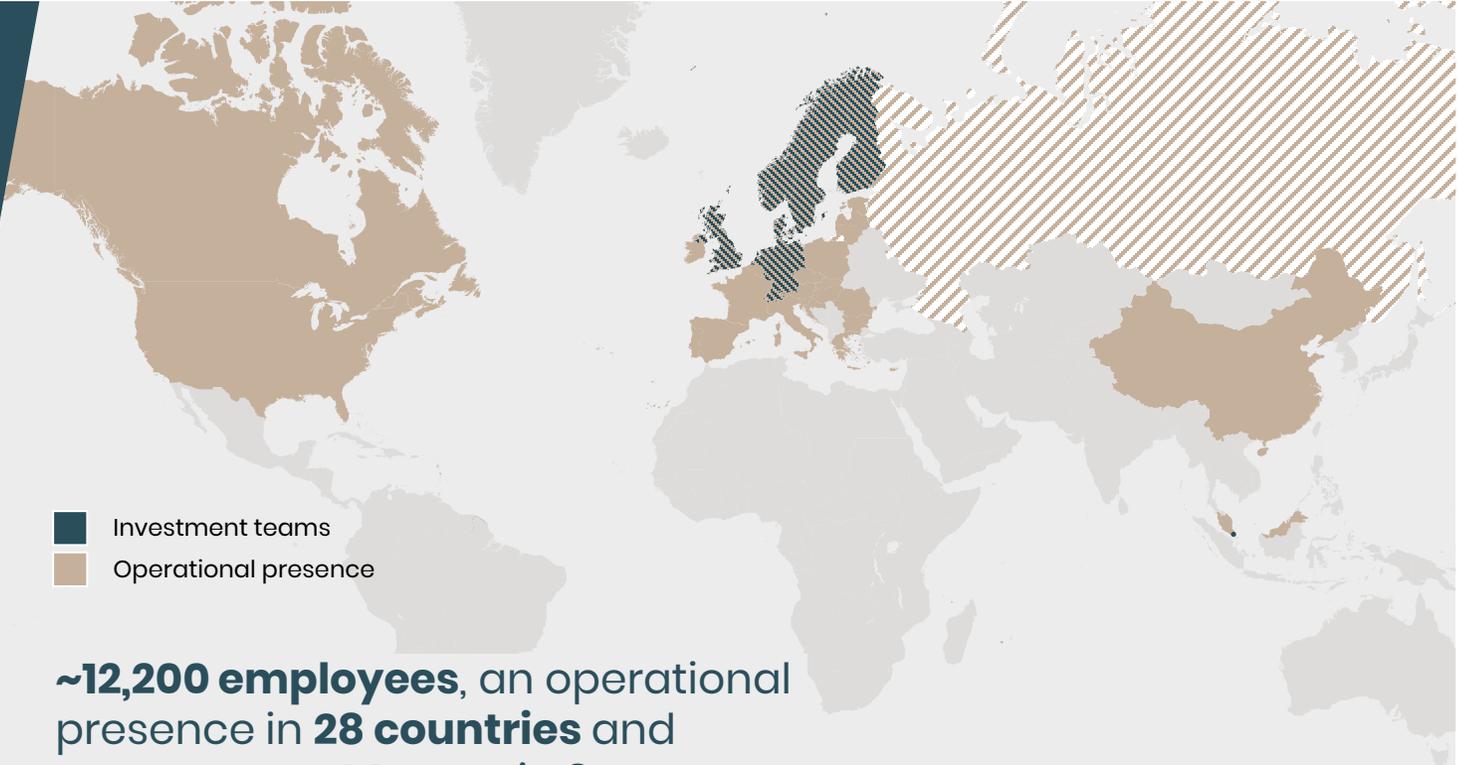
An international compounder with an infinite ownership agenda and a vision to be the best owner of small and medium-sized companies

## SEK 36.0bn

in annual RTM net sales<sup>1</sup>

## SEK 3.7bn

in annual adj. RTM EBITA<sup>1</sup>



**~12,200 employees**, an operational presence in **28 countries** and **management teams in 9 countries**



# of management professionals<sup>2</sup>

Region	# of management professionals <sup>2</sup>
Nordics	41
DACH	14
UK	5
Asia	3

# Storskogen in brief

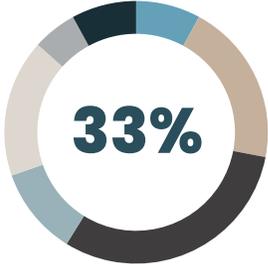
Highly diversified business split across three business areas and 14 verticals



**Services**  
Peter Ahlgren

NO. OF BUSINESS UNITS  
**61**

NO. OF EMPLOYEES  
**>5,000**



**33%**

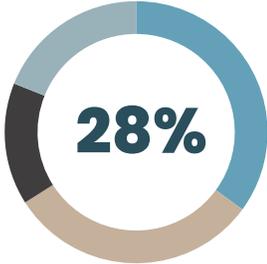
- Contracting Services
- Infrastructure
- Installation
- Logistic Services
- Engineering Services
- Digital Services
- HR & Competence



**Trade**  
Christer Hansson

NO. OF BUSINESS UNITS  
**34**

NO. OF EMPLOYEES  
**>2,000**



**28%**

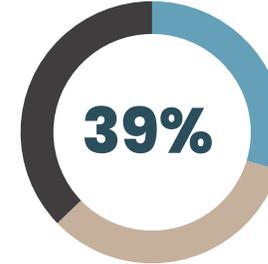
- Home and Living
- Niche Businesses
- Health and Beauty
- Sport, Clothing & Accessories



**Industry**  
Fredrik Bergegård

NO. OF BUSINESS UNITS  
**37**

NO. OF EMPLOYEES  
**>4,900**



**39%**

- Automation
- Industrial Technology
- Products

# Overview of financial targets

## MEDIUM - TERM TARGETS

Organic EBITA growth: <b>Real GDP growth + 1-2 percentage points</b>	EBITA growth including acquisitions: <b>In line with historical levels</b>	Adjusted EBITA margin (over time): <b>10%</b>	Adjusted cash conversion on an annual basis: <b>&gt;70%</b>	Interest-bearing net debt / adjusted RTM EBITDA: <b>2.0-3.0x</b>
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## OUTCOME

<b>-3%</b> (YTD)	<b>121%</b> (YTD)	<b>9.3%</b> (LTM)	<b>32.4%</b> (LTM)	<b>2.5x</b> (RTM)
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# Q2 2022 highlights

Strong sales growth with a satisfactory EBITA margin

NET SALES:

**SEK 9,059m**  
(+137%<sup>1</sup>)

ORGANIC NET SALES GROWTH YTD:

**16%**

ADJUSTED EBITA:

**SEK 877m**  
(+129%<sup>1</sup>)

ORGANIC EBITA GROWTH YTD:

**-3%**

ADJUSTED EBITA MARGIN:

**9.7%**  
(10.0%<sup>2</sup>)

## Key events

- A total of 20 acquisitions were completed, of which 10 add-ons, with combined net sales of SEK 4,343m and EBITA of SEK 631m
- Rollout of Case Assessment Tool and Prioritisation (CAT) and Knowledge Exchange (KX) to drive operational excellence across the group

# Market development

A quarter with stable development and a reasonable outlook, despite a challenging market environment

### MACRO

- ↑ Fundamentally solid demand in all business areas in Q2
- ↑ Increased price stabilisation and diminishing supply chain disruptions
- Reasonable outlook despite turbulent market conditions
- ✓ Recession in 2023 forecast

### TRANSACTION MARKET

- ✓ High transaction activity in Q2 – projected decline of dealflow in recession environment
- ↑ Selective approach and improved capital allocation
- ↑ Declining acquisition multiples going forward

# Services

## Capitalised on the seasonally strong Q2

- Solid organic revenue growth of 16 percent YTD
- Good profitability for Digital Services and Logistics
- Cost inflation and supply chain issues negatively impacted several verticals
- Six acquisitions completed in Q2, of which three add-ons
- High inflation and macroeconomic uncertainty may lower demand and profitability in the longer-term

### ACQUISITION: SWEDWISE

A reseller of multiple information management systems and provider of general consulting in information process automation for larger corporations and the public sector. Part of Digital Services.

NET SALES 2021:

**SEK 76m**

EBITA MARGIN 2021:

**38%**

#### KEY ATTRactions FOR STORSKOGEN

- ✓ Strong team
- ✓ High margin
- ✓ Business model with business cycle resilience

# Trade

Maintained strong sales growth despite a negative impact from component shortage

- Strategic inventory step-up ahead of coming peak season
- In many cases, customer price increases have compensated for cost increases
- Underlying strong demand and order intake – 15% organic revenue growth YTD
- Ten acquisitions in the second quarter, of which five add-ons
- Material and freight costs are expected to decrease but remain at a high level

## ACQUISITION: SCG

Scandinavian Cosmetics Group (“SCG”) is a leading Scandinavian brand management company within high-end skincare and cosmetics, representing more than 80 brands. Part of Health and Beauty.

NET SALES 2021:

**SEK 1,145m**

EBITA MARGIN 2021:

**12%**

### KEY ATTRactions FOR STORSKOGEN

- ✓ Complementing professional haircare portfolio with skincare and cosmetics
- ✓ Leading market position
- ✓ Strong and stable margins

# Industry

**Solid demand throughout Q2 resulting in double-digit organic growth in revenue YTD**

- Good development in volumes, continued efficiency improvements and price increases led to stable margins despite commodity price hikes
- Automation benefited from high activity within industrial segments and the wood industry
- The segments within the Industrial Technology vertical performed well, with solid order intake
- Two new business units and two add-ons in Q2
- Even though prices are going down, and demand is solid, there is low visibility into coming quarters

## ACQUISITION: J&D PIERCE

Market leading structural steelwork contractor. Headquarters in Scotland. Part of Industrial Technology.

NET SALES JUNE 2022 (LTM):

**SEK 1,692m**

EBITA MARGIN JUNE 2022 (LTM):

**10%**

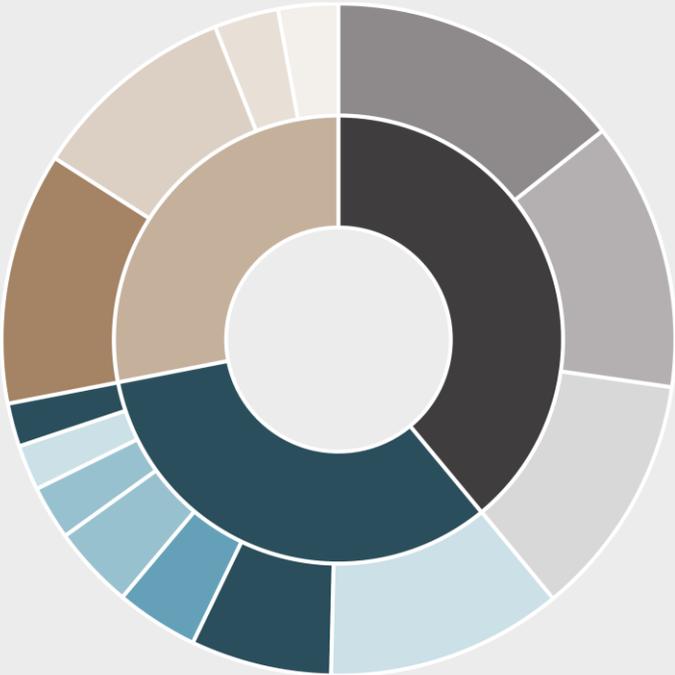
### KEY ATTRactions FOR STORSKOGEN

- ✓ Industry leading automated, fast-flow manufacturing facility
- ✓ Track record of strong top-line growth and high margins
- ✓ Large orderbook for 2022/2023 and additional pipeline of “hot potential” projects

# Portfolio composition

Diverse portfolio composition provides a strategic platform for further growth and resilience in challenging times

## VERTICALS' SHARE OF GROUP NET SALES IN Q2 2022



- Services**
  - Installation Services, 10%
  - Infrastructure, 7%
  - Engineering Services, 5%
  - Logistic Services, 3%
  - Contracting Services, 3%
  - HR and Competence, 3%
  - Digital Services, 2%

- Trade**
  - Home and Living, 10%
  - Niche Businesses, 9%
  - Health and Beauty, 4%
  - Sports, Clothing and Accessories, 5%

- Industry**
  - Products, 14%
  - Industrial Technology, 13%
  - Automation, 12%

## COMMENT

- Diversified across many sectors
- Storskogen's 20 largest business units have an average age of 47 years
- Limited exposure to highly cyclical sectors such as construction and automotive
- No vertical is larger than 14%

# Significant events after the reporting period

Four additional acquisitions and a pipeline supporting continued growth, somewhat smaller due to Q3 seasonality

Acquisitions  
completed with a  
combined annual  
EBITA of  
**SEK 38m**

LOIs and preferred  
buyer letters with  
an annual EBITA of  
**SEK 201m**



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# Key financial performance Q2 2022

EBITA margin close to last year, reflecting successful price increases and underlying strong demand, but also a challenging environment

SEKm	Q2 2022	Q2 2021	Chg., %	LTM Q2 2022	RTM <sup>1)</sup>
Net sales	9,059	3,821	137	26,780	35,728
Adj. EBITA	877	383	129	2,479	3,644
Adj. EBITA margin, %	9.7	10.0	-	9.3	10.2
EPS, SEK	0.25	0.14	79	0.71	-
ROE (LTM), %	9.2	12.6	-	9.2	-
ROCE (LTM), %	9.6	8.4	-	9.6	-
Cash flow from operating activities	335	891	-	440	-
Cash conversion, %	43.7	175.1	-	32.4	-
Interest-bearing net debt / adj. RTM EBITDA, x	2.5	2.0	-	2.5	2.5

## COMMENT

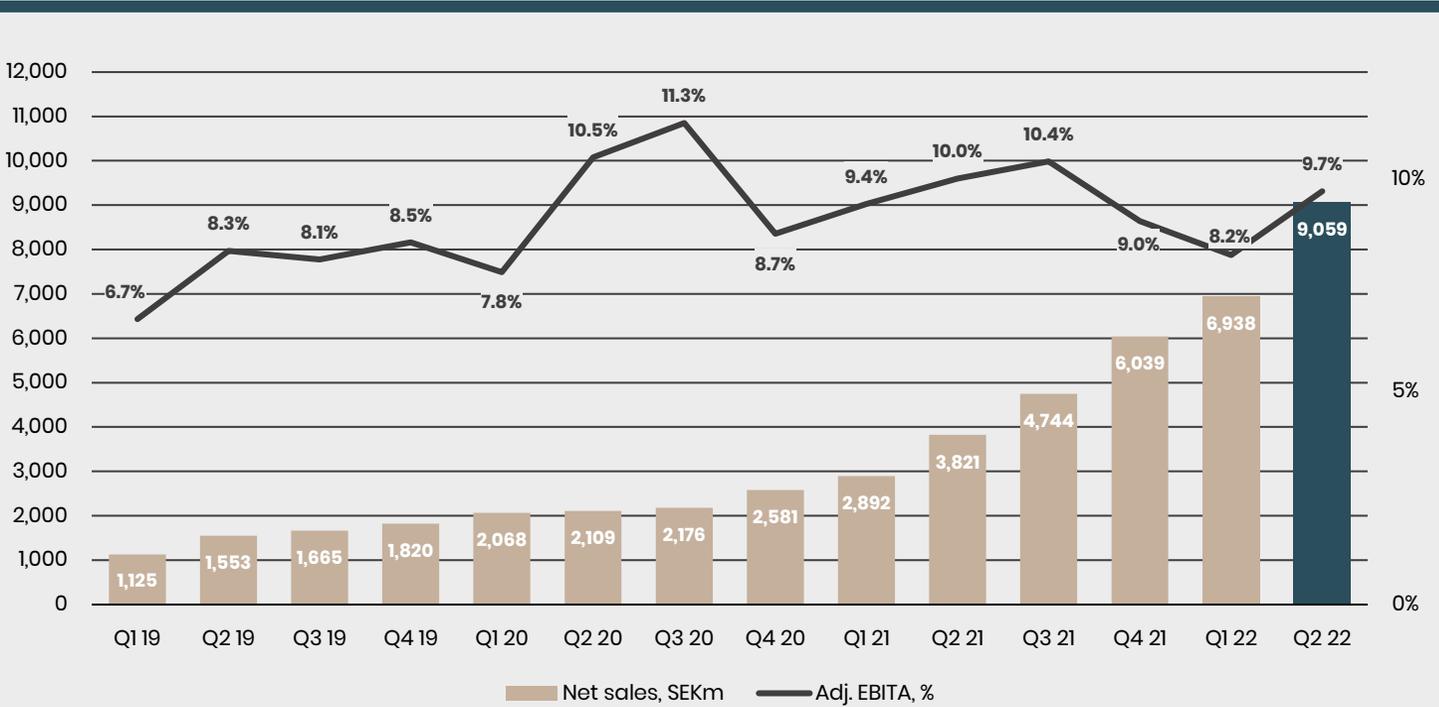
- Less negative effect than in Q1 from lag between COGS and pricing
- 79% YoY EPS growth in Q2 (+36% in H1)
- ROE of 9.2% and ROCE of 9.6% diluted by growth and undeployed capital raises. Net of cash ROCE is 11.9%

# Net sales and EBITA margin

Volume and successful price increases from last quarter are visible in revenue growth and margins

## COMMENT

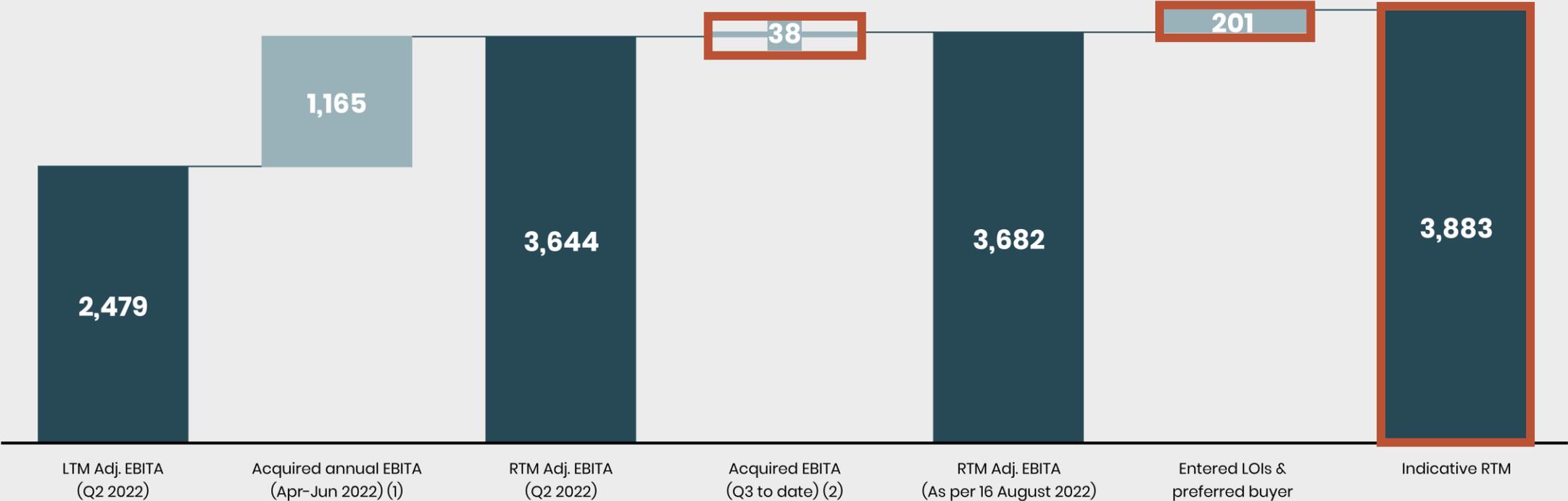
- Strong sales growth driven by acquisitions, volume and pricing
- EBITA margin uplift as price increases materialised and demand remained good



# Illustrative EBITA growth bridge – pro forma

RTM EBITA of SEK 3.7bn today and additional pipeline of SEK 0.2bn

 Illustrative; numbers based on latest annual financials

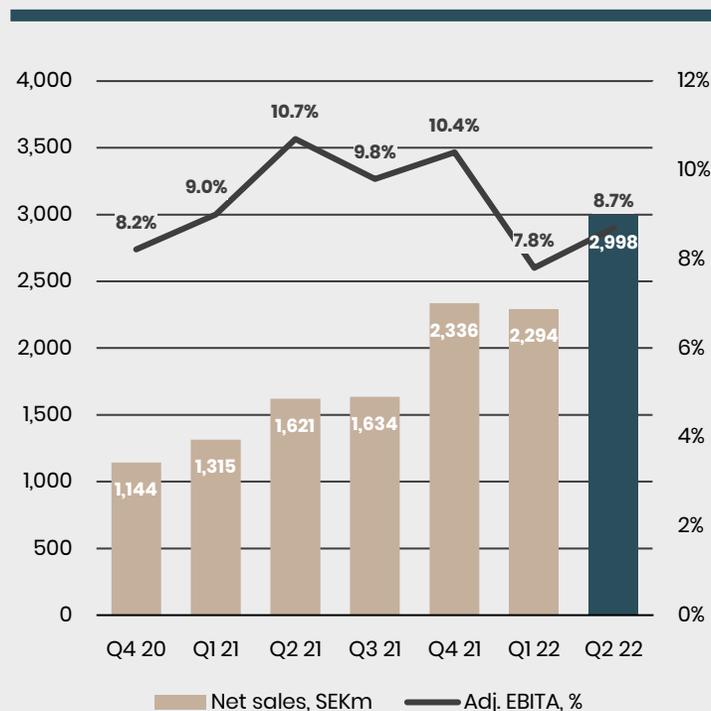


<sup>1</sup> Includes acquisitions completed as per 30 June 2022 <sup>2</sup> Includes acquisitions after the end of the reporting period and acquisitions signed but not yet closed

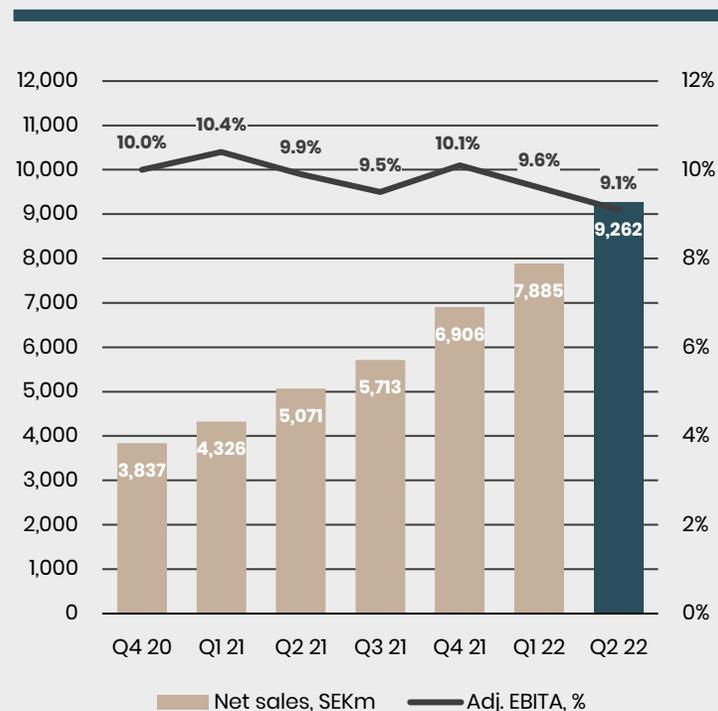
# Financial development – Services

Sequential margin improvements, with variations between verticals

**NET SALES AND ADJ. EBITA MARGIN (Q)**



**NET SALES AND ADJ. EBITA MARGIN (LTM)**



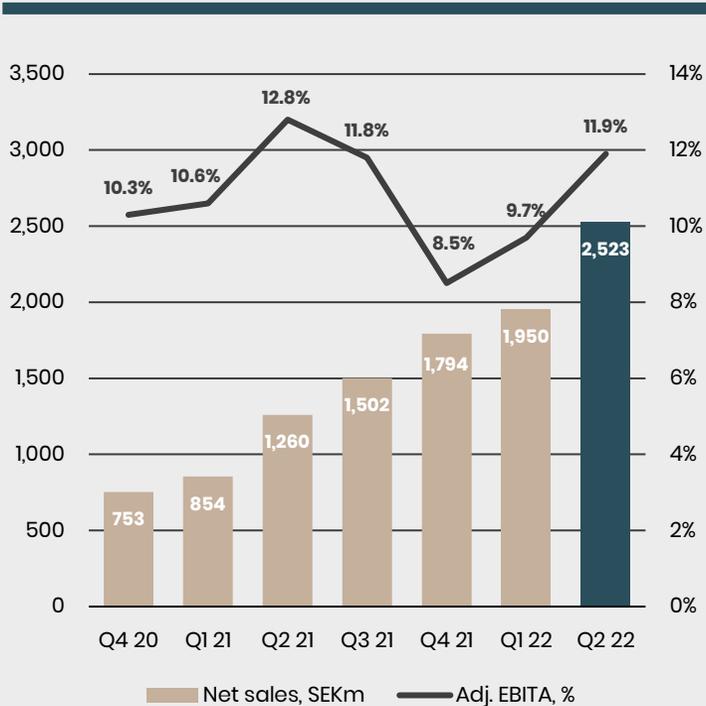
## COMMENTS

- Organic sales growth of 16% (YTD), organic EBITA growth of -13% (YTD)
- Good sequential EBITA margin improvement
- Strong margins in Digital Services and Logistics while Installation, Contracting Services, Construction and Infrastructure have suffered from supply chain problems and high input costs
- LTM margin has declined around 1 percentage point from previous levels

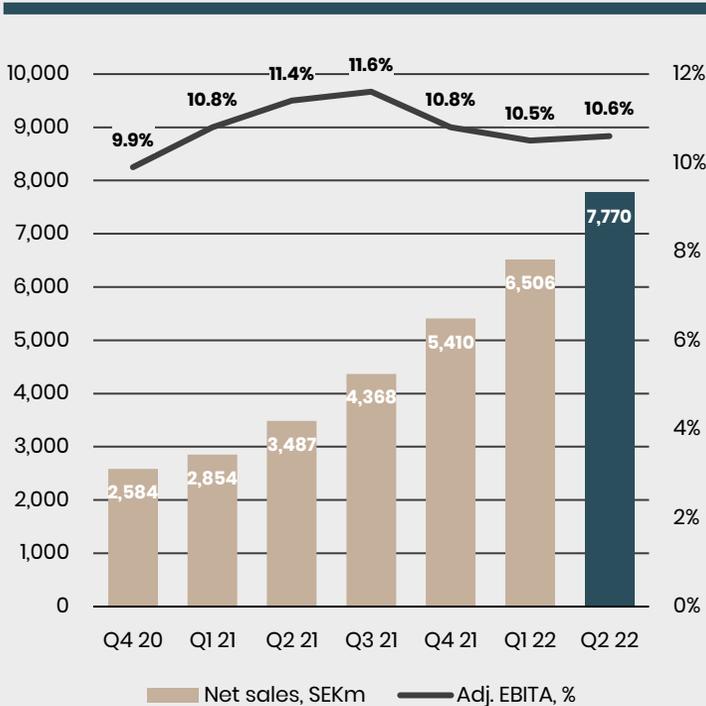
# Financial development – Trade

Significant margin uplift in Q2

NET SALES AND ADJ. EBITA MARGIN (Q)



NET SALES AND ADJ. EBITA MARGIN (LTM)



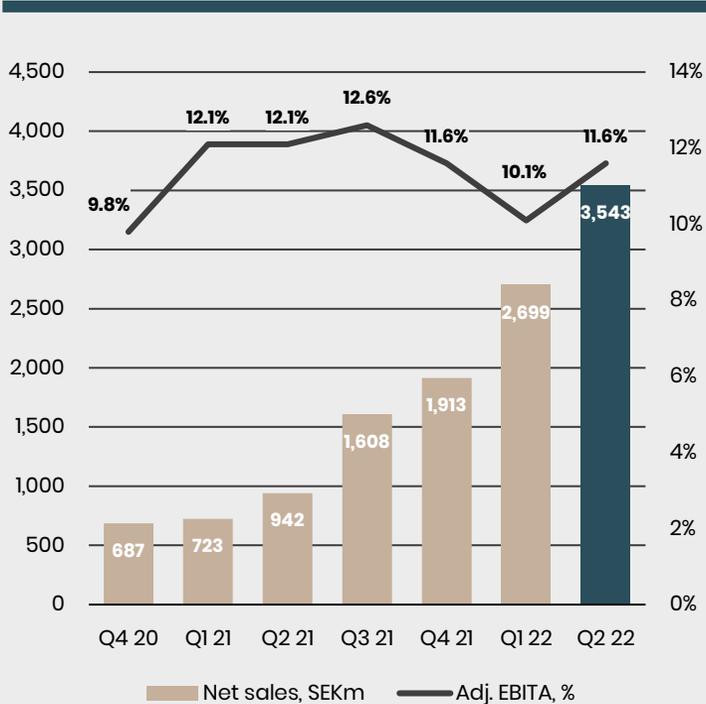
## COMMENTS

- Organic sales growth of 15% (YTD), organic EBITA growth of -9% (YTD)
- Strong sequential improvement in EBITA margin amid successfully implemented price increases
- Input prices are starting to stabilise
- LTM margin more or less in line with previous levels close to 11%

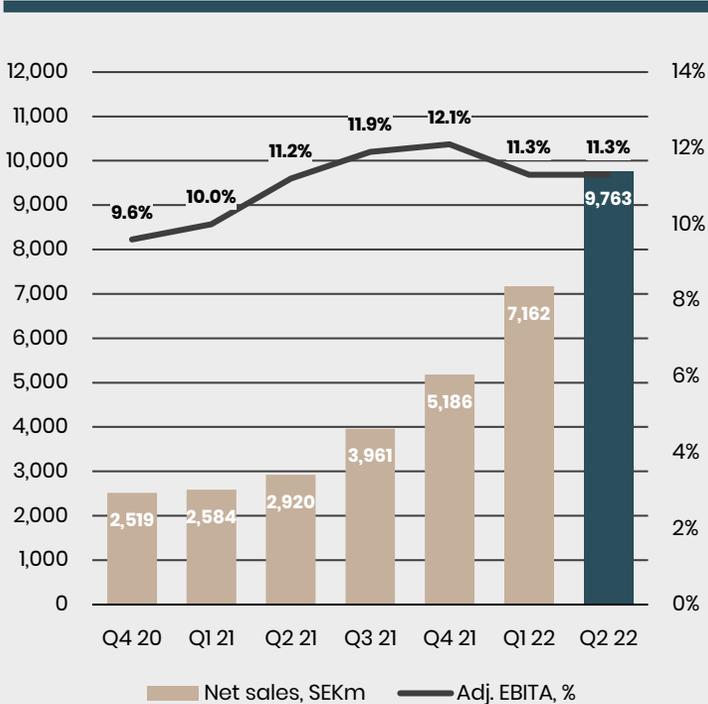
# Financial development – Industry

Solid demand across verticals drove organic growth and supported margins

**NET SALES AND ADJ. EBITA MARGIN (Q)**



**NET SALES AND ADJ. EBITA MARGIN (LTM)**



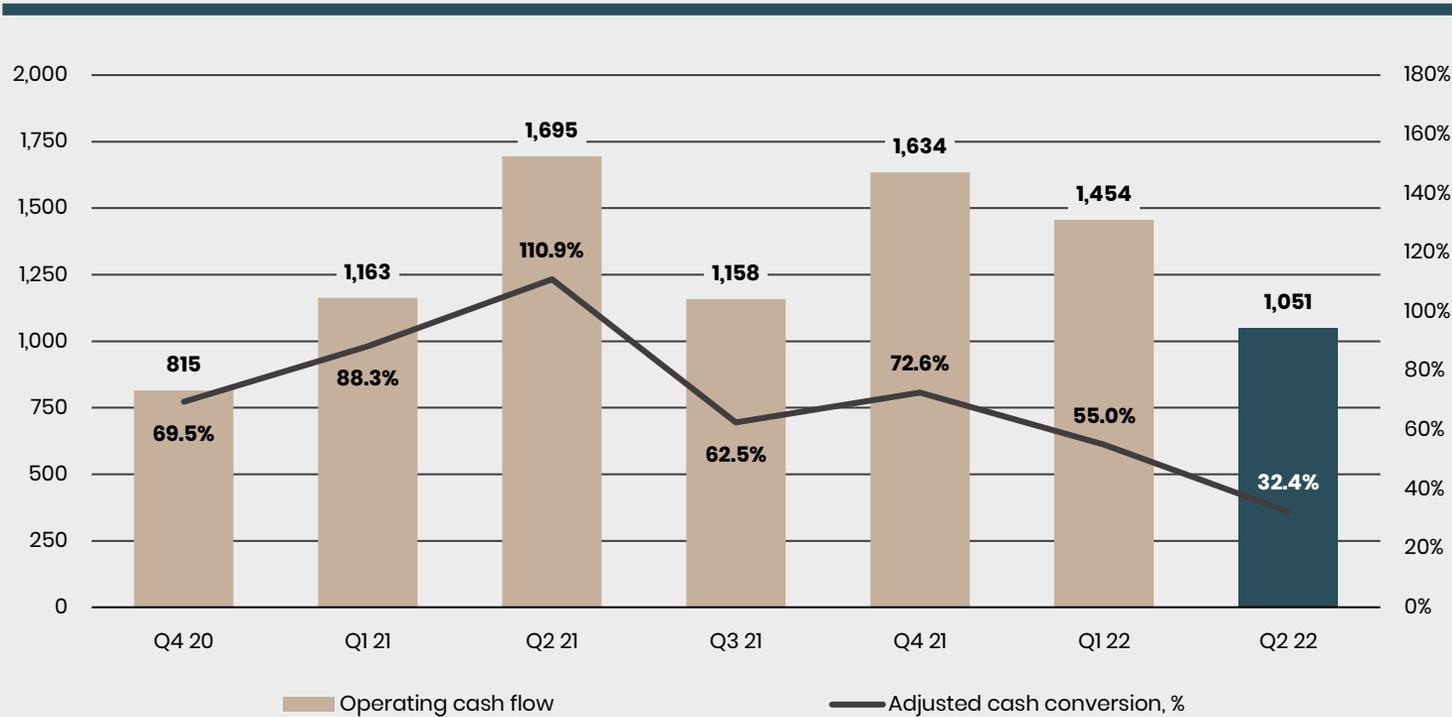
## COMMENTS

- Organic sales growth of 20% (YTD), organic EBITA growth of 19% (YTD)
- Strong sequential improvement in EBITA margin thanks to successful price increases, productivity improvements and a strong market
- Raw material prices have come down and demand remains solid, although significant uncertainties remain
- LTM margin maintained above 11%

# Operating cash flow and cash conversion

Higher prices, strong sales and strategically high inventory impacted cash flow in Q2

## Operating Cash Flow<sup>1</sup> (LTM)



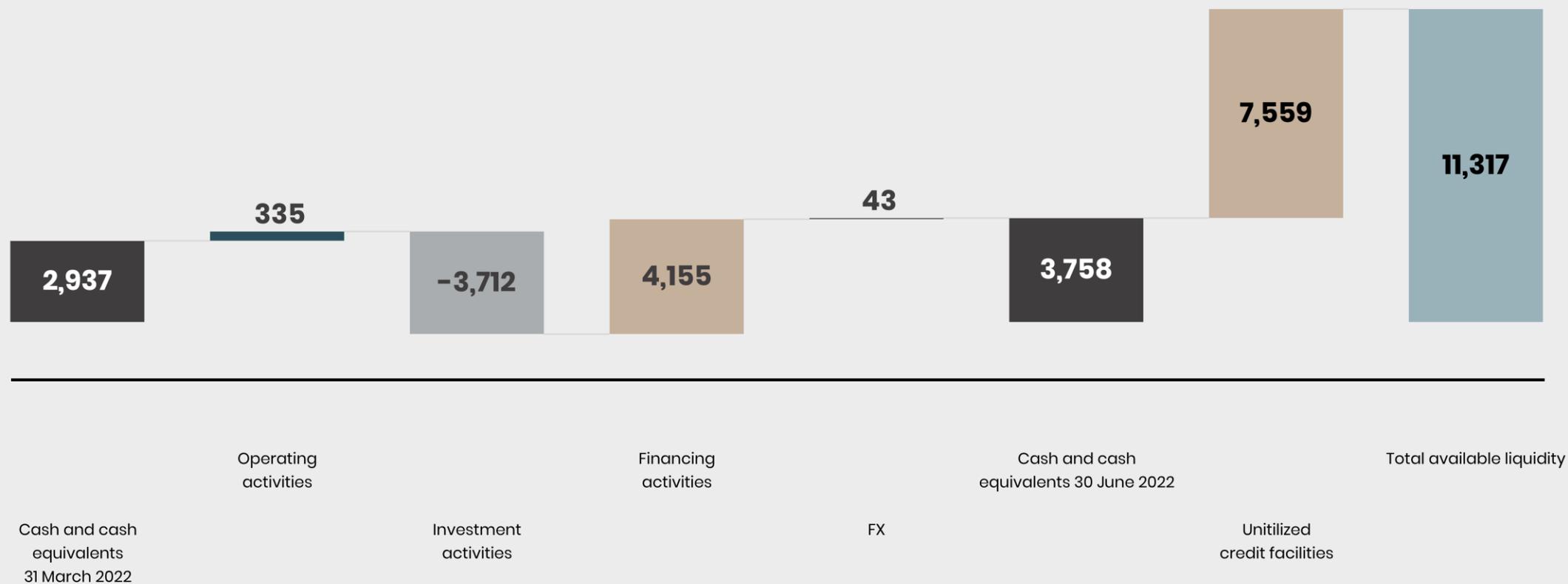
## COMMENTS

- Inventory levels remained above normal, also inflated by price increases
- Lower neg effect from receivables and taxes than in Q1
- Capex/sales of 1.1% in Q2

<sup>1</sup> Defined as adjusted EBITDA – change in NWC – CAPEX

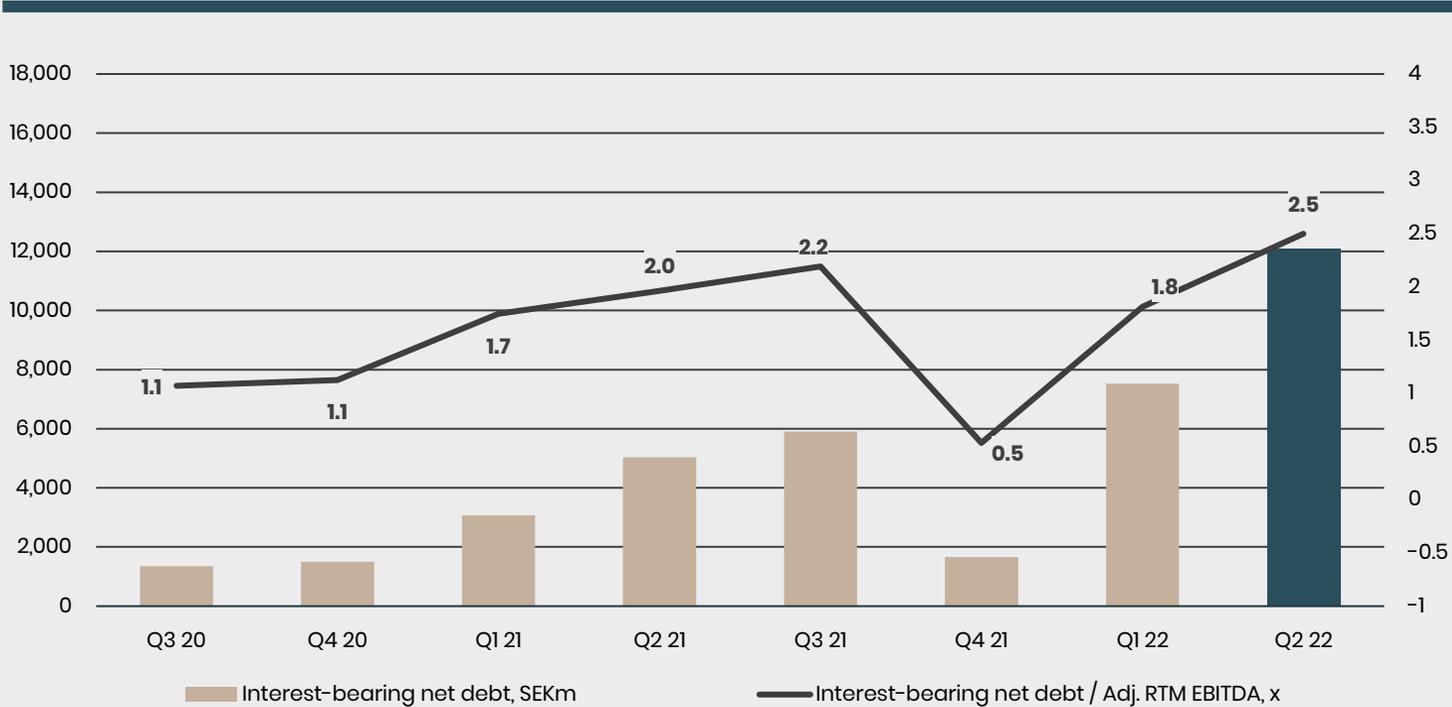
# Liquidity bridge

Liquidity headroom of SEK 3.8bn in cash and SEK 11.3bn in total available funds



# Net debt and leverage

Leverage increased to 2.5x following 20 closed acquisitions in Q2, within target of 2-3x



## COMMENTS

- Interest-bearing net debt of SEK 12.1bn, excluding earnouts and minority options
- Interest-bearing leverage of 2.5x, within target of 2-3x



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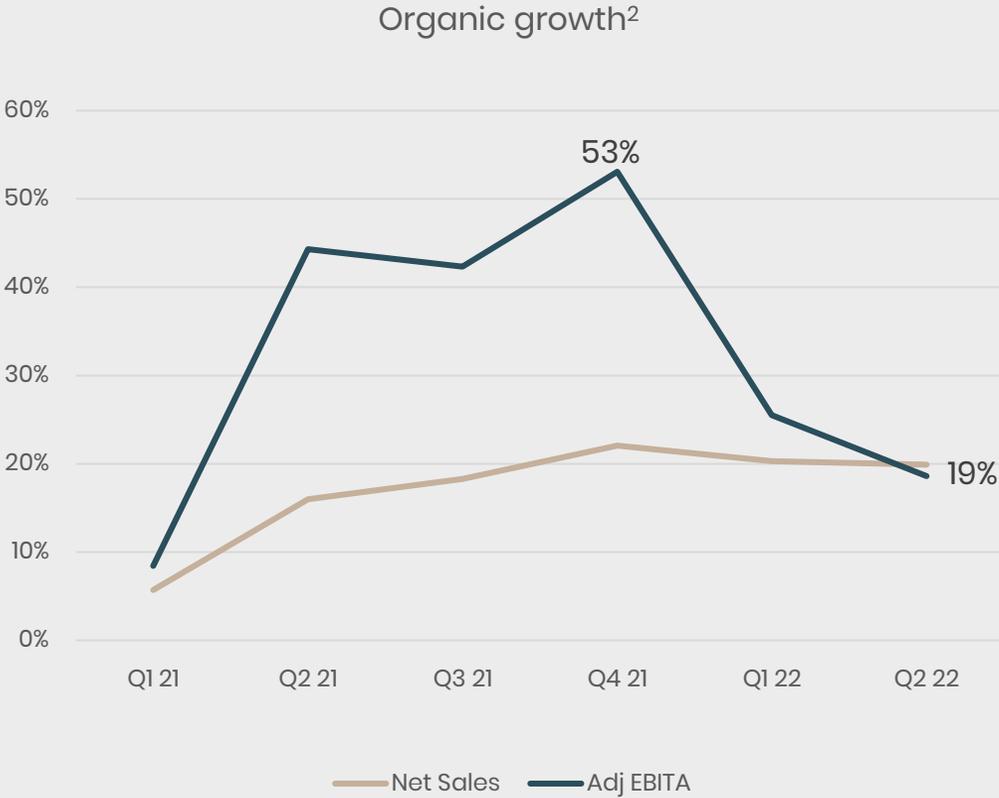
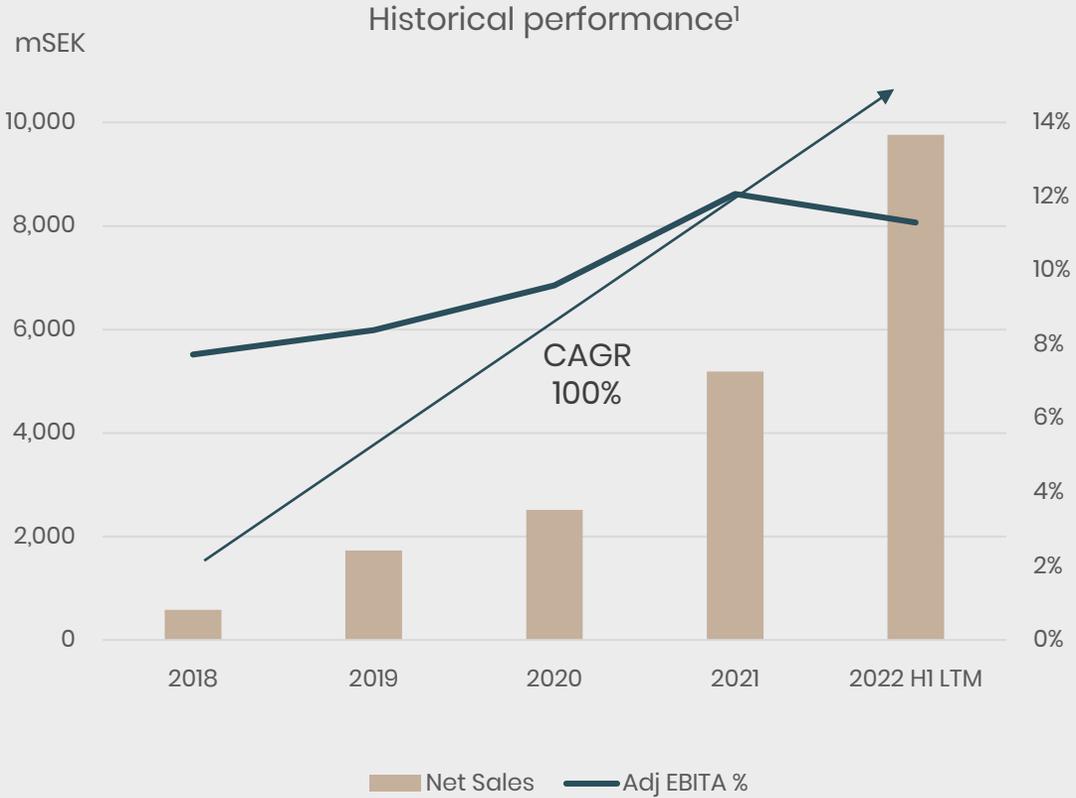
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# Fredrik Bergegård, EVP and Head of Industry



# Business Area Industry's growth

Business Area Industry continues its strong growth, both organically and through acquisitions



<sup>1</sup> Reported figures; 2022 HI LTM shows last 12 months as per June 2022 <sup>2</sup> Organic growth, year-to-date



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# Case Assessment Tool and Prioritisation

The Case Assessment Tool provides a toolbox capturing key lessons from more than a decade of acquisitions, enabling scalability and consistency in evaluating, pricing and prioritising acquisitions.

**Vision:**  
Be the best owner of small and medium-sized enterprises, with a long-term perspective.



## Targeted achievements

- Risk-adjusted EPS growth
- Sustainability
- Diversification
- Strategy realisation
- Operational predictability
- Delegated business model

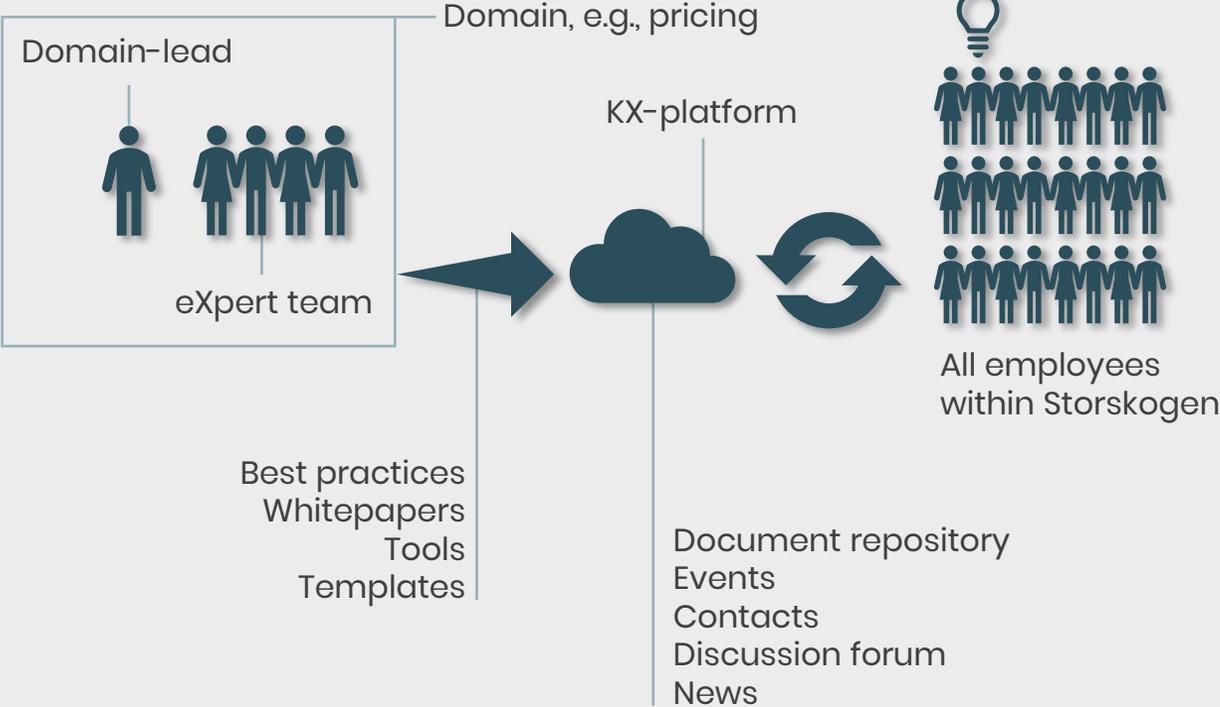


## Case Assessment Tool

- **Areas of due diligence**
  - Macro & market
  - Commercial & operational
  - Financial profile
  - ESG & sustainability
  - Price & process
- Rating is set from 1-5. The overall attractiveness score is a solid basis to support the investment case argument

# Storskogen Knowledge Exchange

An initiative to foster and promote knowledge sharing within the group. KX currently consists of six domains headed by a domain lead from HQ. The collective knowledge is stored on the KX platform.



### KX domains

- Pricing
- HR
- Procurement
- Digital Channels
- Finance
- ESG



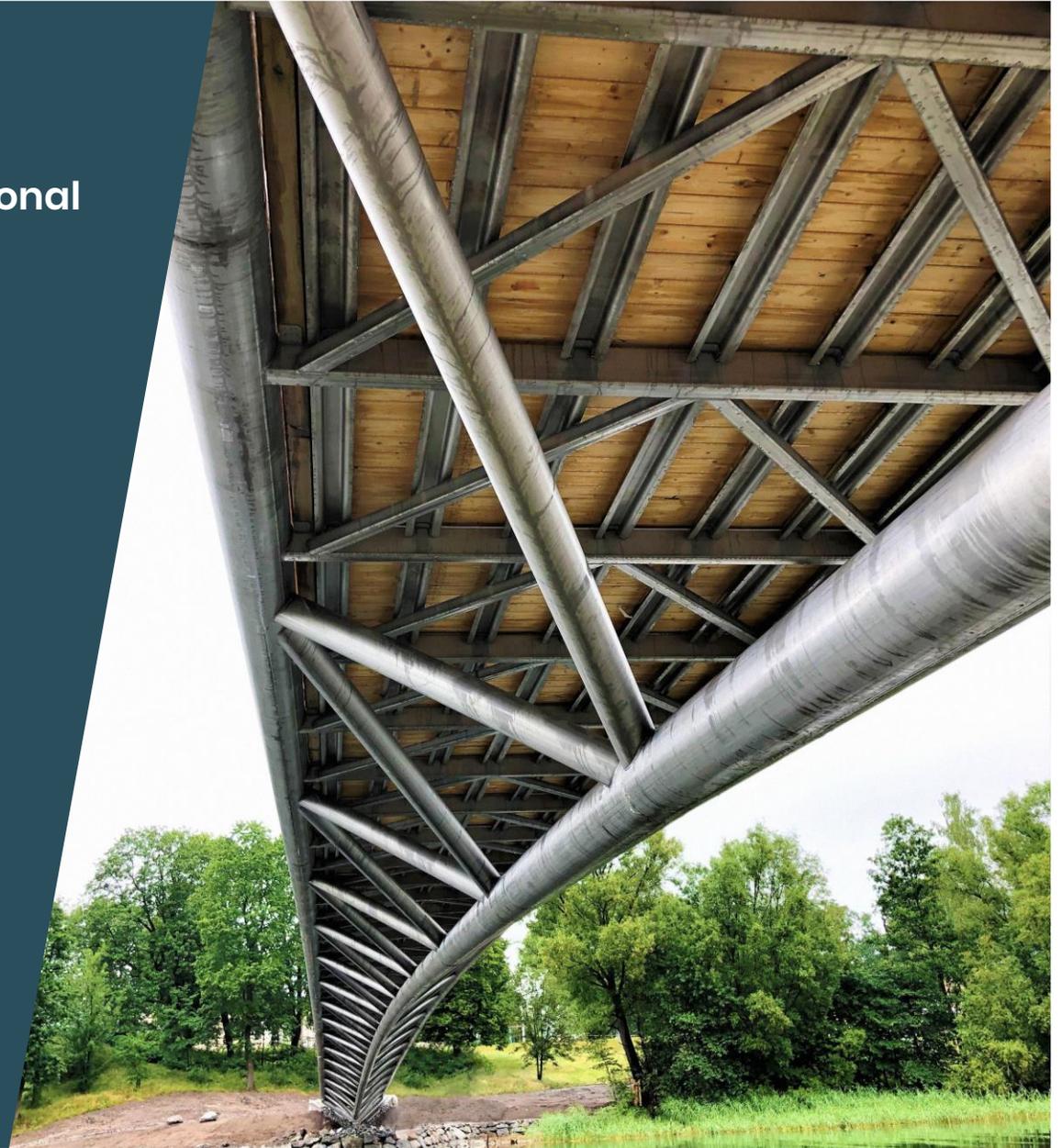
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# Key takeaways

A solid quarter driven by strong demand and operational performance, but with a complex macro outlook

- ✔ Strong demand
- ✔ Complex macro environment
- ✔ Strategically exciting acquisitions completed
- ✔ Strong operational performance by BU management
- ✔ Resulting in solid quarter



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# Q&A

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CEO and  
co-founder



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