Storskogen Q1 2023

TODAY'S PRESENTERS

Daniel Kaplan

CEO

Lena Glader

CFO

May 2023

Storskogen in brief

Storskogen is an international group of businesses with operations in 28 countries

SEK 36.5bn

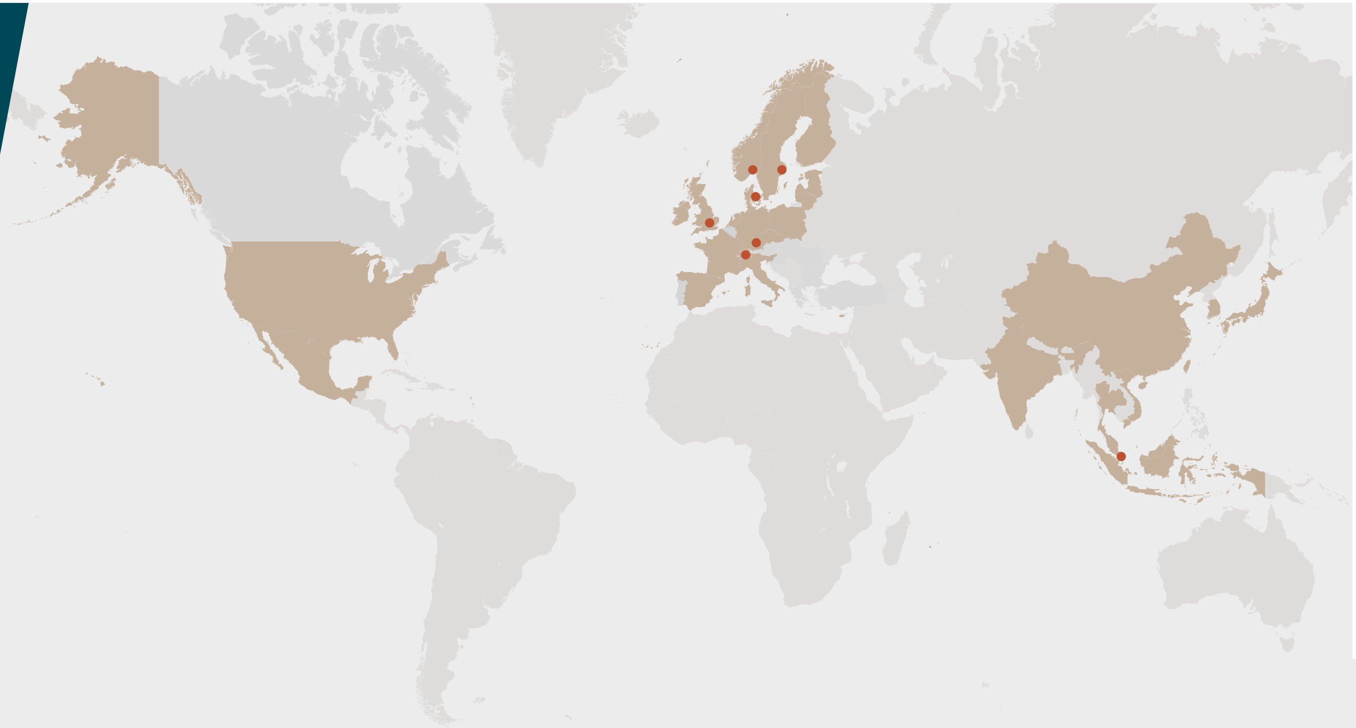
in annual
LTM net sales[1]

SEK 3.5bn

in annual
adj. LTM EBITA[1]

SEK ~280m

Avg. business unit size[2]



~12,900 employees, an operational presence in **28 countries** and **management teams** in **4 market areas**

Storskogen offices
Operational presence of business units

1) As of Q1 2023 2) Avg. annual RTM sales across 134 business units. Includes intra-group eliminations

Storskogen in brief

Storskogen is an international group of businesses with annual LTM net sales of SEK 36.5bn and EBITA of SEK 3.5bn, split across three business areas and 14 verticals

Services

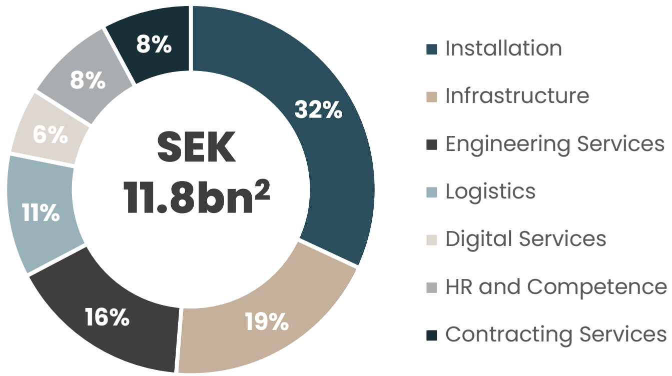
Peter Ahlgren

NO. OF BUSINESS UNITS[1]

62

NO. OF EMPLOYEES

>5,100



Trade

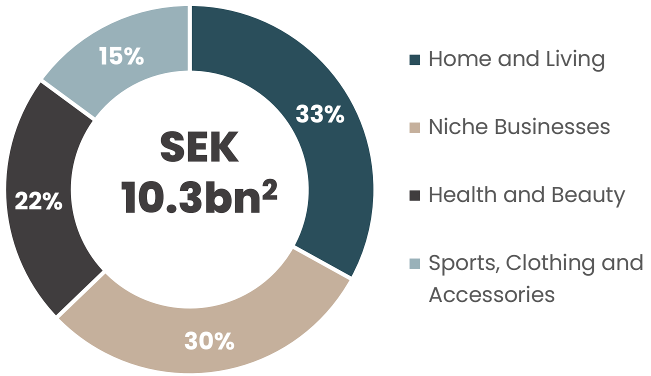
Christer Hansson

NO. OF BUSINESS UNITS[1]

33

NO. OF EMPLOYEES

>2,300



Industry

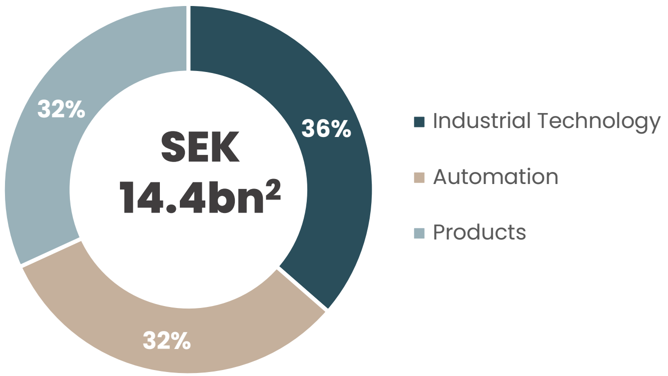
Fredrik Bergegård

NO. OF BUSINESS UNITS[1]

39

NO. OF EMPLOYEES

>5,300



[1] Number of business units as per 31 March [2] Percentage figures refer to the share of LTM net sales for Q1 2023 in the respective business area

Q1 2023 highlights

Good start to the year with strong sales, earnings and cash flow in a challenging environment

NET SALES:

SEK 9,213m

(+33%[1])

ORGANIC NET SALES GROWTH:

3%

(17%[2])

ADJUSTED EBITA:

SEK 885m

(+56%[1])

ORGANIC EBITA GROWTH:

6%

(7%[2])

ADJUSTED EBITA MARGIN:

9.6%

(8.2%[3])

KEY EVENTS

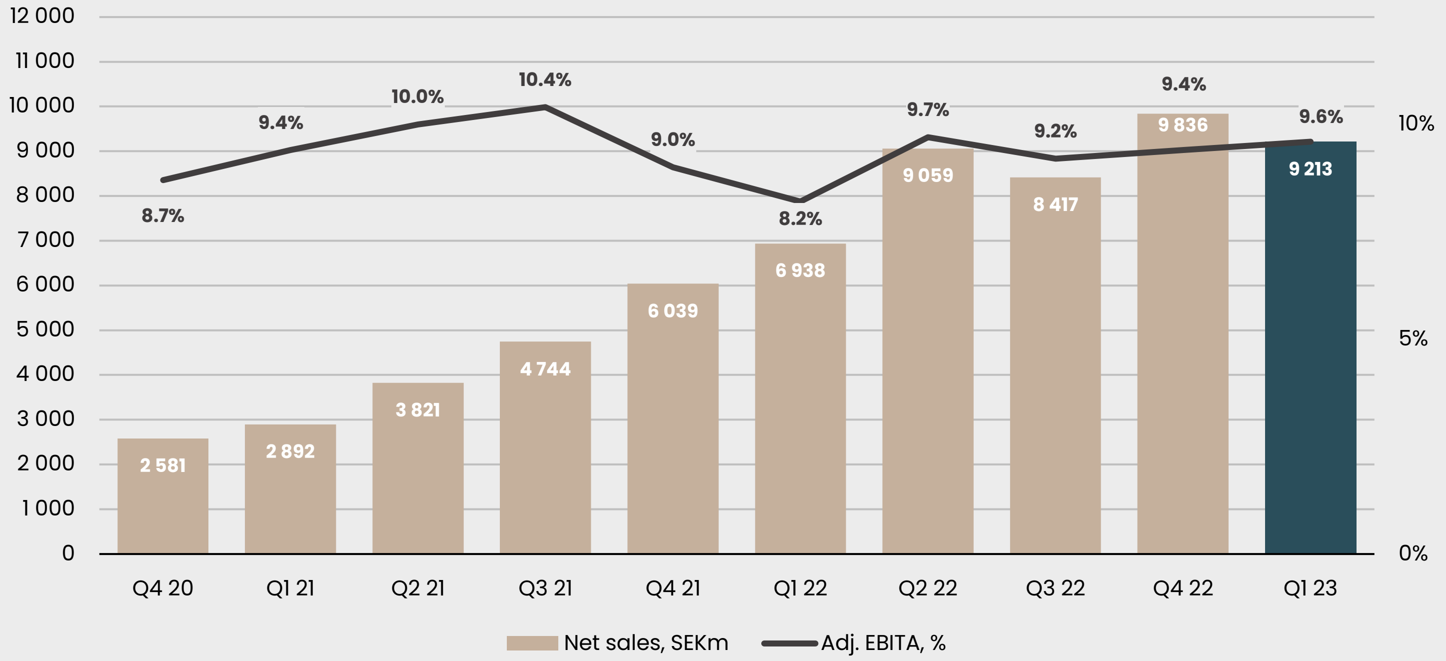
- Good start to the year with an improved adjusted EBITA margin, with Y/Y EPS growth of 118%
- Y/Y cash flow from operating activities improved by SEK 651m, and LTM adjusted cash conversion was ahead of target at 71%
- Credit facility agreements were extended to 2025
- Interest-bearing net debt/RTM adjusted EBITDA was unchanged at 2.6x despite the seasonally weak Q1
- Three acquisitions were completed with combined net sales of SEK 95m
- One divestment was completed with annual net sales of SEK 50m
- Events since the reporting period:
  - Storskogen has resolved upon a directed share issue in connection with the acquisition of AC Electrical

[1] Y/Y growth [2] Organic Net Sales/EBITA growth in Q1 2022 [3] Adj. EBITA margin in Q1 2022

Net sales and EBITA margin

Continued good demand and improved profitability despite a seasonally weak first quarter

Financial development



COMMENT

- Good sales in the historically weaker first quarter
- Underlying EBITA margin improving, driven by business area Industry
- Margins protected by price adjustments, productivity measures and continued solid demand

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Market development

Overall good demand with weakness in certain consumer-facing segments. Reasonable short-term outlook and a continued reduction in the acquisition pace in the short to medium term.

MACRO

- Good demand in Industry and Services
- Successful price increases. Easing cost inflation and supply chain disruptions
- Continued weakening demand in certain consumer-facing industries and companies early in the construction cycle
- Solid demand for Q2, macro outlook for 2023 remains uncertain

TRANSACTION MARKET AND M&A

- Continued slowdown in the market and reduced deal flow
- Signs of decreasing multiples in several segments
- Longer deal processes, and increased uncertainty due to lower visibility with regards to the general economy
- Reduced M&A pace

Overview of financial targets

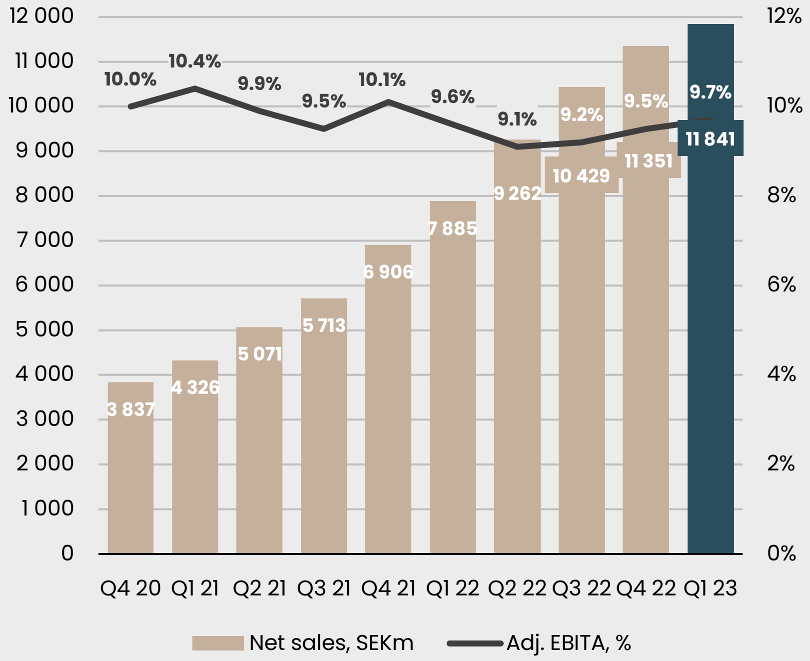
Storskogen's focus is on operational excellence, the balance sheet and cash flow in the short to medium term

	Organic EBITA growth:	Adjusted EBITA growth including acquisitions:	Adjusted EBITA margin (over time):	Adjusted cash conversion on an annual basis:	Interest-bearing net debt / RTM adjusted EBITDA:
MEDIUM-TERM TARGETS	**Real GDP growth + 1-2 percentage points**	**In line with historical levels**	**10%**	**>70%**	**2.0–3.0x**
OUTCOME	**6%** (Q1)	**56%** (Q1)	**9.5%** (LTM)	**71%** (LTM)	**2.6x** (RTM)

Services

Solid sales growth, +21% in Q1 2023, with a positive margin development

NET SALES AND ADJ. EBITA MARGIN (LTM)



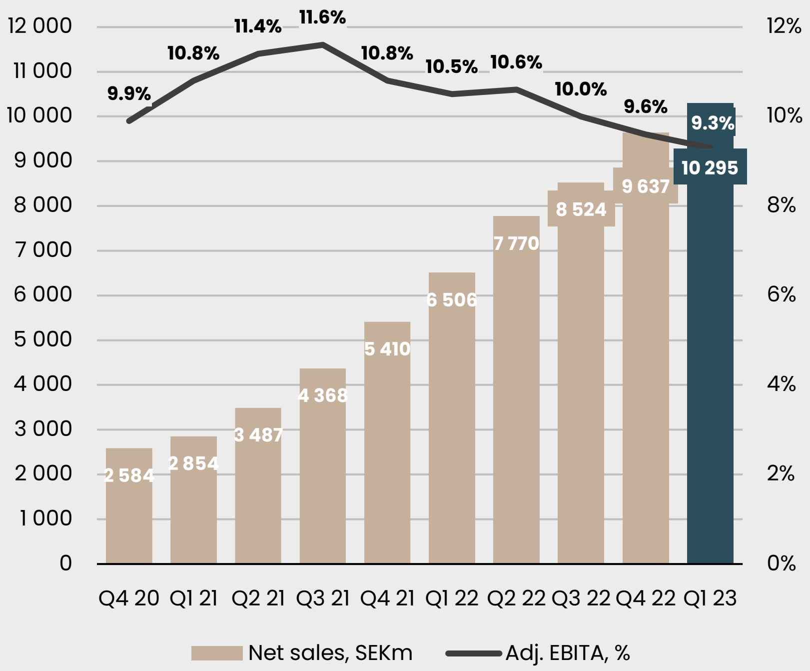
COMMENTS

- Organic sales growth of 3% (Q1), organic EBITA growth of 2% (Q1)
- Seasonally weak quarter, but sales and margins improved vs. the comparable quarter
- Installation and Logistics were the main drivers for the improved margins
- Infrastructure and companies with exposure to new construction were affected by cold weather and weaker consumer demand, respectively
- The outlook for Q2 is mixed - some companies are seeing good order books, whereas some are experiencing delays due to macro uncertainty
- One add-on acquisition was completed in Sweden (Installation)

Trade

Solid sales growth, +34% in Q1 2023, but challenging macro environment

NET SALES AND ADJ. EBITA MARGIN (LTM)



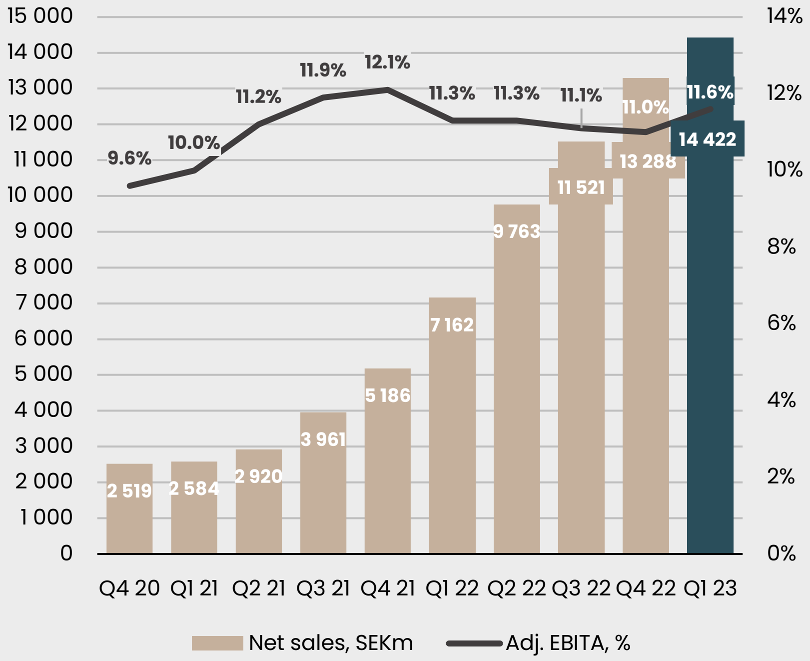
COMMENTS

- Organic sales growth of 2% (Q1), organic EBITA growth of -14% (Q1)
- Continued soft demand within consumer-related durable goods and e-commerce. Health and Beauty continued to be robust
- Partial cost inflation offset by price increases, with work to prepare for extended slowdown continuing
- Improved working capital position and further decrease in inventory levels
- Challenging environment due to elevated uncertainty, with the exception of Health and Beauty which is less sensitive to the business cycle
- One divestment was completed in Switzerland (Niche Businesses)

Industry

Strong sales growth, +42% in Q1 2023, and margin expansion

NET SALES AND ADJ. EBITA MARGIN (LTM)



COMMENTS

- Organic sales growth of 4% (Q1), organic EBITA growth of 24% (Q1)
- Similar to Q4, strong underlying market with good demand and order books, somewhat decreased order inflow
- Strong performance across all verticals, with the only areas of weakness for companies indirectly exposed to consumer weakness
- Strong margin development, with price increases and improved productivity compensating for cost inflation
- Reshoring trend and demand for automation solutions supporting positive market sentiment, albeit with low visibility during 2023
- Two add-on acquisitions were completed in Sweden (Automation)

Completed transactions

Three acquisitions were completed during the quarter, with a further three companies acquired since the end of March. Two divestments were signed.

	Acquisitions completed during Q1		Acquisitions completed after Q1		Divestments
	Business units	Add-ons	Business Units	Add-ons	
Services		**HSV Hässleholms Sot & Vent** joins SoVent within Installation	**AC Electrical** Electrical Contractors joins Installation Specialises in commercial building fit-outs, LED installation and refurbishments, and facility management.		
Trade				**Modern Design** joins Vox Hair within Hair & Beauty **Guardio Safety** joins Båstadgruppen within Niche Businesses	**Medkoh AG**[1] Subsidiary of Hilpert Electronics within Niche Businesses **Company to be disclosed**[2]
Industry		**Höga Kusten Teknikresurs** joins ARAT within Automation **Loginor** joins ARAT within Automation			

[1] Divestment completed in Q1 [2] Signed, not completed. Company name to be disclosed in the Q2 report, when the transaction has closed

Key financial performance, Q1 2023

Adj. EBITA margin improved vs. Q1 2022. Price increases and cost efficiency partly offset cost inflation and currency headwinds.

SEKm	Q1 2023	Q1 2022	Chg., %	LTM Q1 2023	RTM [1]
Net sales	9,213	6,938	33	36,525	37,704
Adj. EBITA	885	568	56	3,461	3,627
Adj. EBITA margin, %	9.6	8.2	-	9.5	9.6
EPS, SEK	0.28	0.13	118	1.01	-
ROE (LTM), %	10.0	8.9	-	10.0	-
ROCE (LTM), %	10.7	8.9	-	10.7	-
Cash flow from operating activities	467	-184	-	2,278	-
Cash conversion, %	79	15	-	71	-
Interest-bearing net debt / adj. RTM EBITDA, x	2.6	1.8	-	2.6	2.6

[1] RTM (pro forma) by the end of Q1

COMMENT

- Net sales growth of 33% with corresponding adj. EBITA growth of 56%
- Q/Q improvement in cash conversion – ahead of target
- Operating cash flow improved by SEK 651m Y/Y
- EPS growth of 118%
- ROE of 10.0% and ROCE of 10.7% diluted by growth
- Net of cash, ROCE was 11.8% (11.5%). Net of goodwill, ROCE was 24.2% (18.5%)

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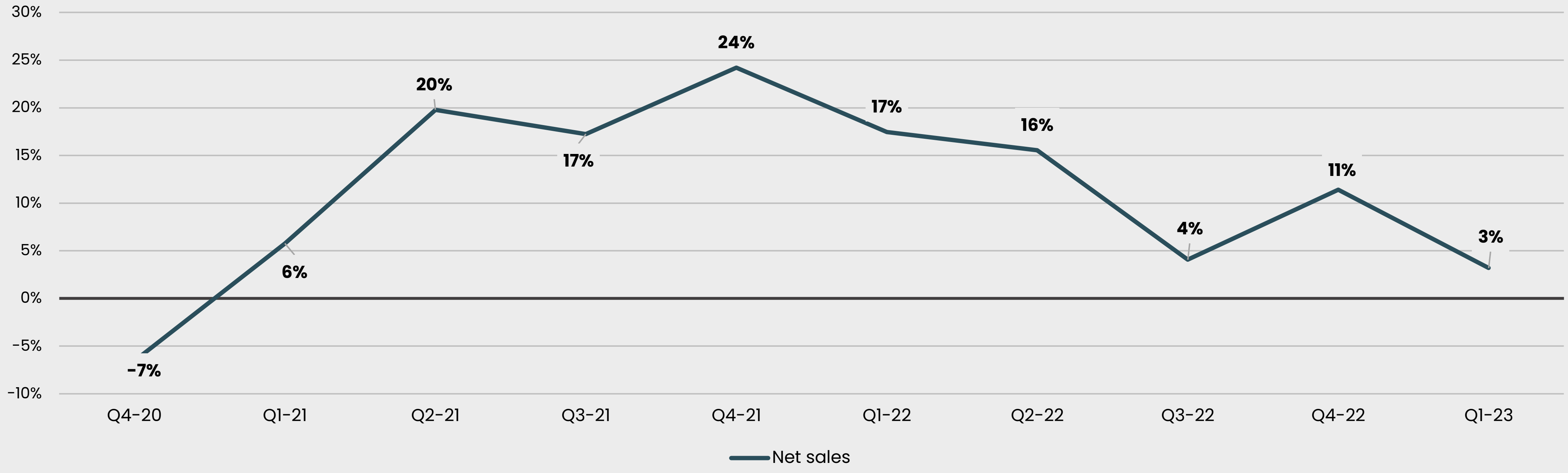
Organic growth

Positive organic growth in a challenging environment

Organic growth (QTD[1])

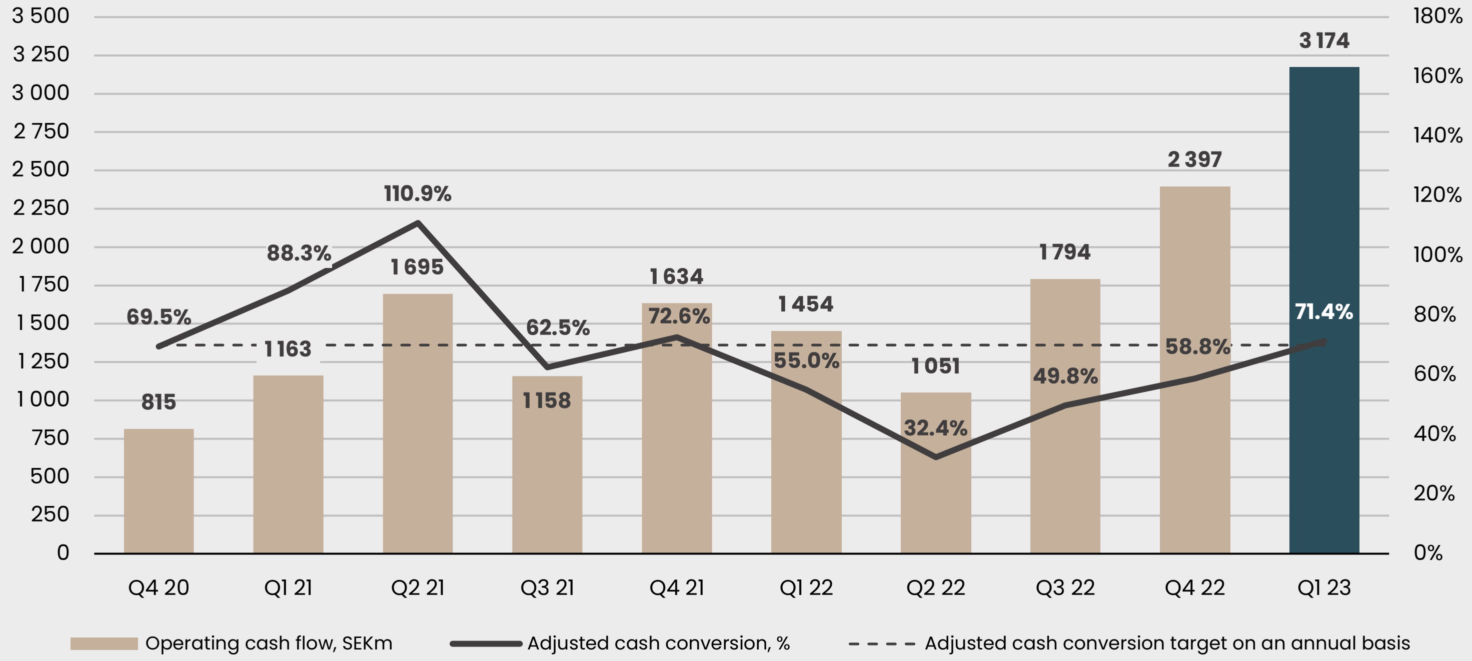


[1] Comparable sample based on owned portfolio companies as of January last year, i.e. the same sample as organic FY data

Operating cash flow and cash conversion

Improved working capital efficiency supported cash flow in Q1. LTM cash conversion ahead of the target level.

Operating cash flow[1] (LTM)



COMMENTS

- LTM operating cash flow of SEK 3.2bn
- LTM cash conversion of 71% - above the target level
- Q1 cash conversion of 79%
- Focus on reducing working capital, a structured process that will take some time
- Capex/sales of 1.4% in Q1 and 1.5% LTM

[1] Defined as adjusted EBITDA – change in NWC - capex

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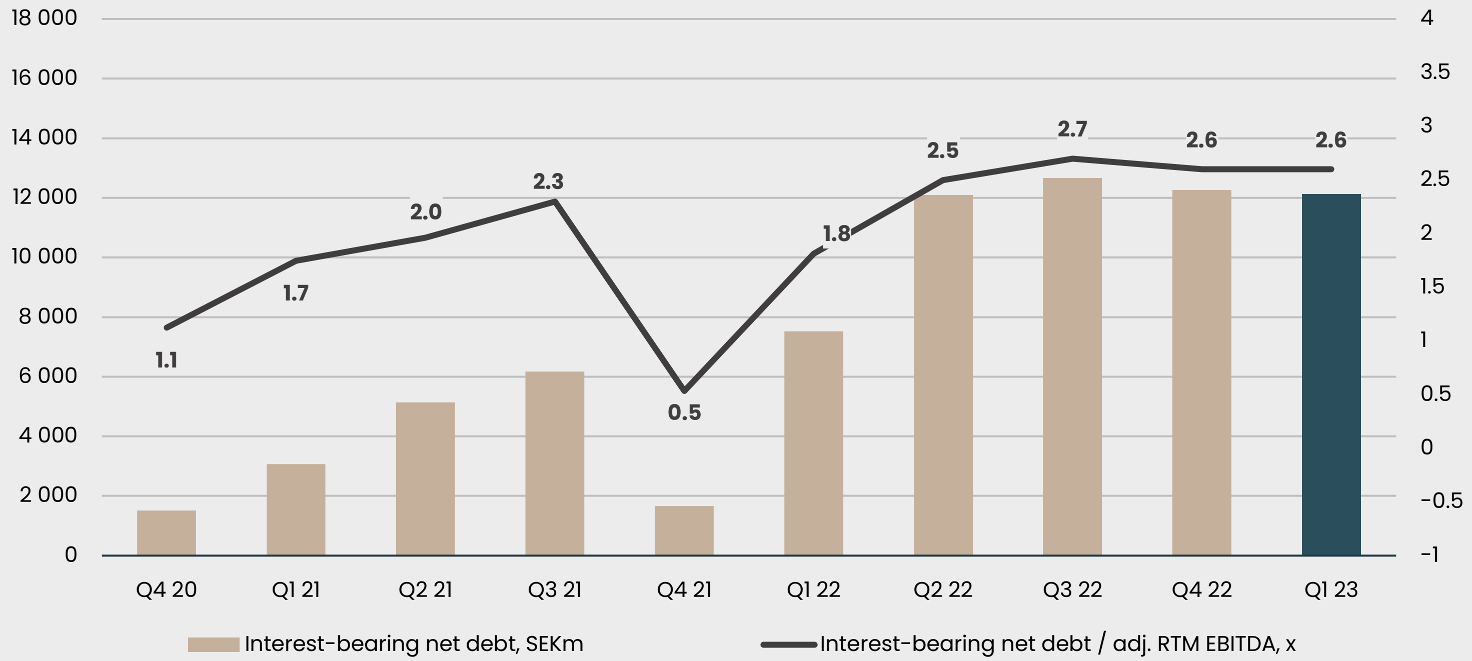
Net debt and leverage

Leverage unchanged at 2.6x, within the target range of 2–3x, and maturities extended in the seasonally weak Q1. Plan to further reduce leverage in the short to medium term.

Leverage ratio



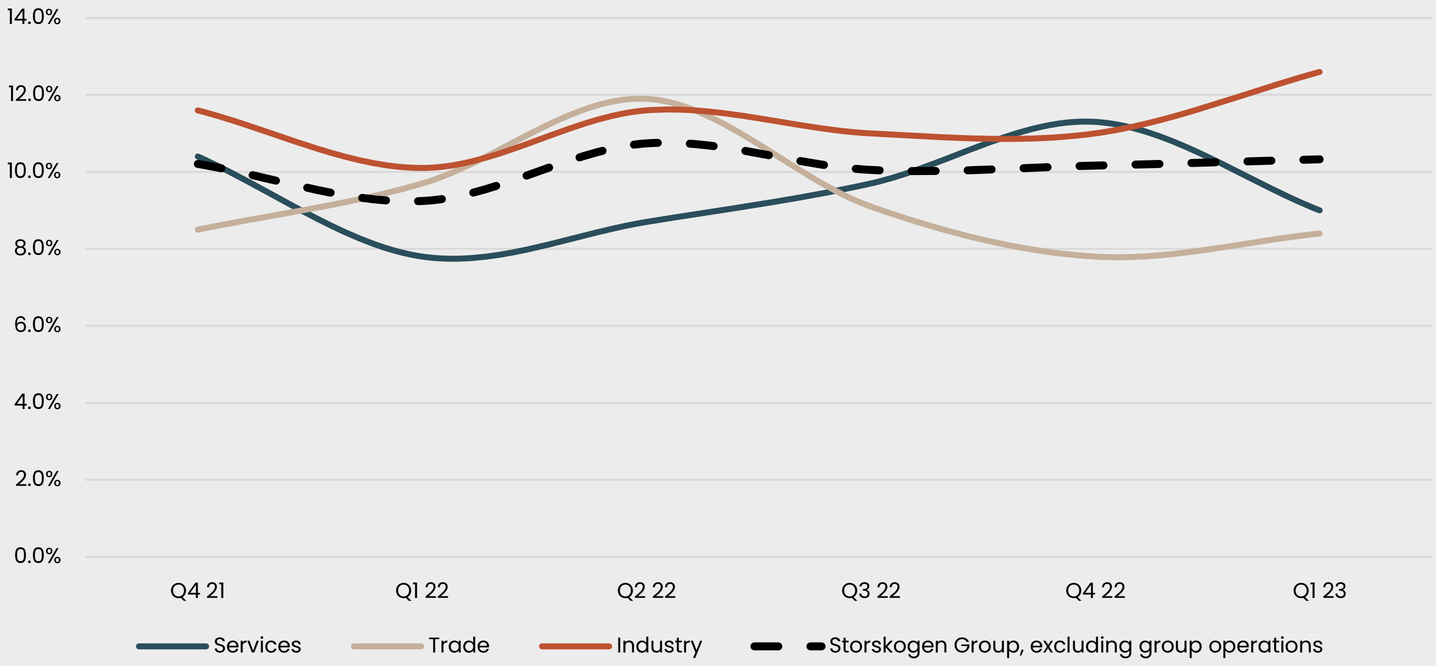
COMMENTS

- Interest-bearing net debt of SEK 12.1bn, a decrease of SEK 135m
- Unsecured credit facilities extended by a year to March and September 2025
- Interest-bearing leverage of 2.6x, within the target range of 2–3x – focus on further reductions
- Total available liquidity amounted to SEK 9bn;
  - SEK 2.6bn was cash
  - SEK 6.4bn was unutilised credit facilities

Solid margins across business areas

Our three business areas across the 14 verticals provide a resilient and diversified mix

EBITA margin, QTD



COMMENTS

- Diversified mix of portfolio companies providing a layer of profitability protection
- Challenging year, but overall improvement for the Group
- Q1 seasonally weak in Services
- Trade historically sensitive early in the business cycle, whereas the effects in Industry are somewhat delayed

Note: Group EBITA margin excluding group operations

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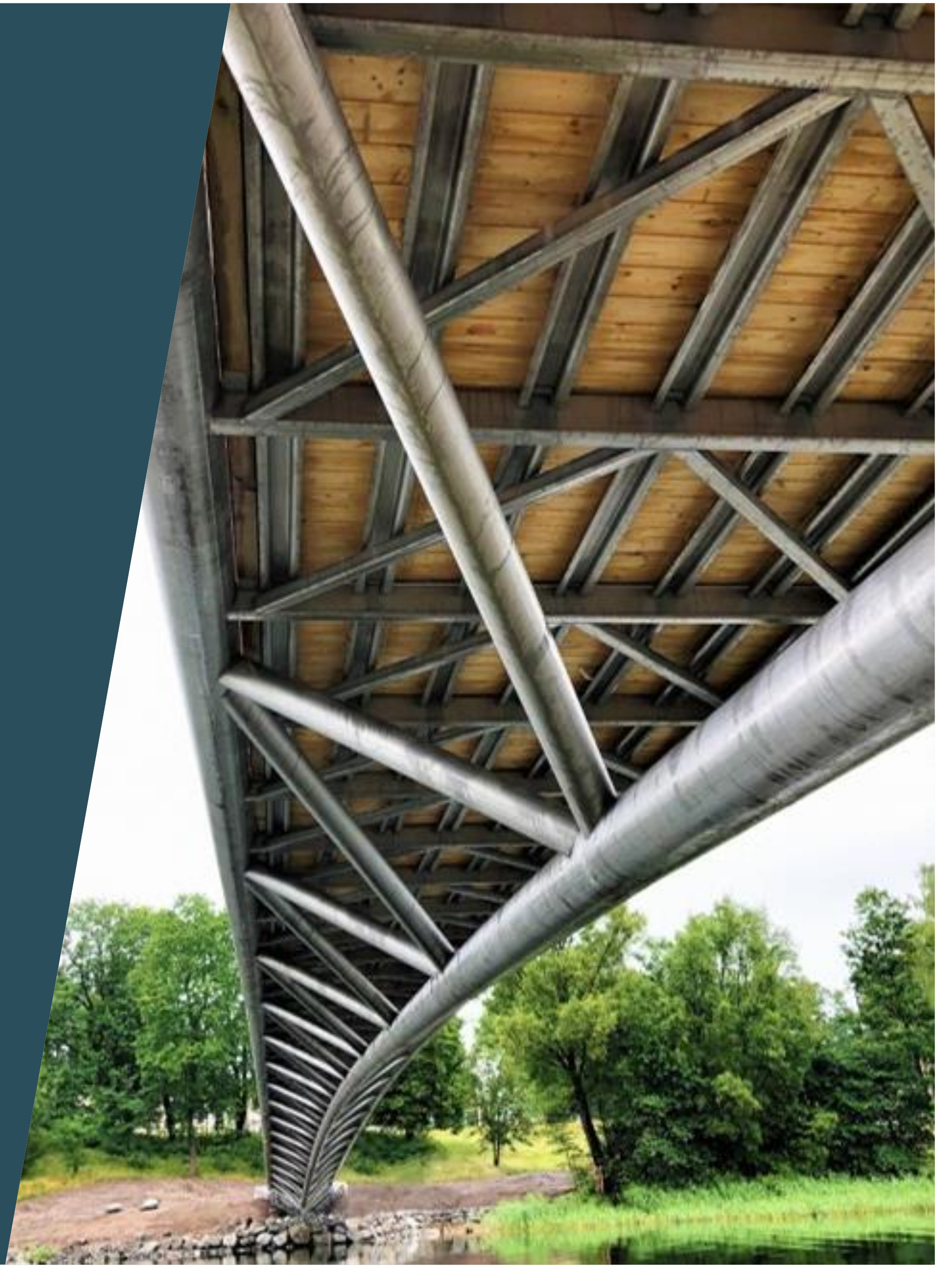
Key takeaways

Good start to the year despite the seasonally weak quarter

- Strong start to the year with improved margins and positive organic sales and EBITA growth
- Similar to Q4, strong trend in Industry, Services stable and Trade weaker
- Unchanged leverage ratio at 2.6x despite the seasonally weak quarter, and extended maturity on unsecured credit facilities
- Continued focus on operational excellence, cash flow and the balance sheet
- Once leverage is reduced, free cash flow will be deployed for M&A growth



Q&A

TODAY'S PRESENTERS

Daniel Kaplan

CEO

Lena Glader

CFO

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