

# Storskogen Q3 2023

## TODAY'S PRESENTERS



**Daniel Kaplan**

CEO



**Lena Glader**

CFO

November 2023

# Q3 2023 highlights

Focus on cash flow from operating activities yielding good results

NET SALES:

**SEK 8,333m**  
(-1%<sup>1</sup>)

ORGANIC NET SALES GROWTH, YTD:

**-2%**  
(12%<sup>2</sup>)

ADJUSTED EBITA:

**SEK 725m**  
(-6%<sup>1</sup>)

ORGANIC EBITA GROWTH, YTD:

**-9%**  
(-6%<sup>2</sup>)

ADJUSTED EBITA MARGIN:

**8.7%**  
(9.2%<sup>2</sup>)

ADJUSTED EBITA MARGIN, YTD:

**9.4%**  
(9.1%<sup>2</sup>)

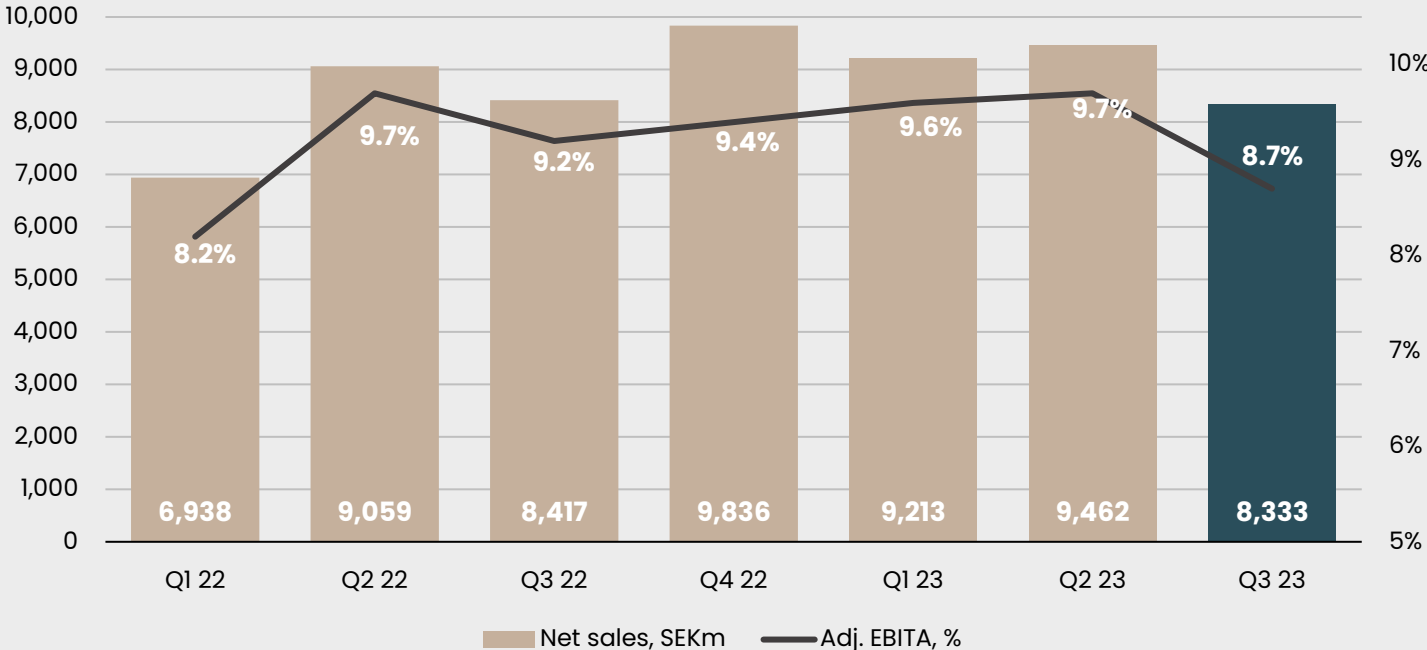
## KEY EVENTS

- Cash flow from operating activities continued to improve:
  - Q3 at SEK 584m (204)
  - YTD at SEK 1,903m (356)
- LTM adj. cash conversion ahead of target at 95% (50)
- Interest-bearing debt reduced by SEK 896m in Q3 (SEK 1,944m YTD):
  - Of which interest-bearing net debt of SEK 190m (SEK 554m YTD)
- Five divestments concluded with annual sales of SEK 578m
- Two add-on acquisitions completed with annual net sales of SEK 112m

# Net sales and EBITA margin

Sales on par with comparable quarter, and where the margin contraction was driven by Trade

## Financial development

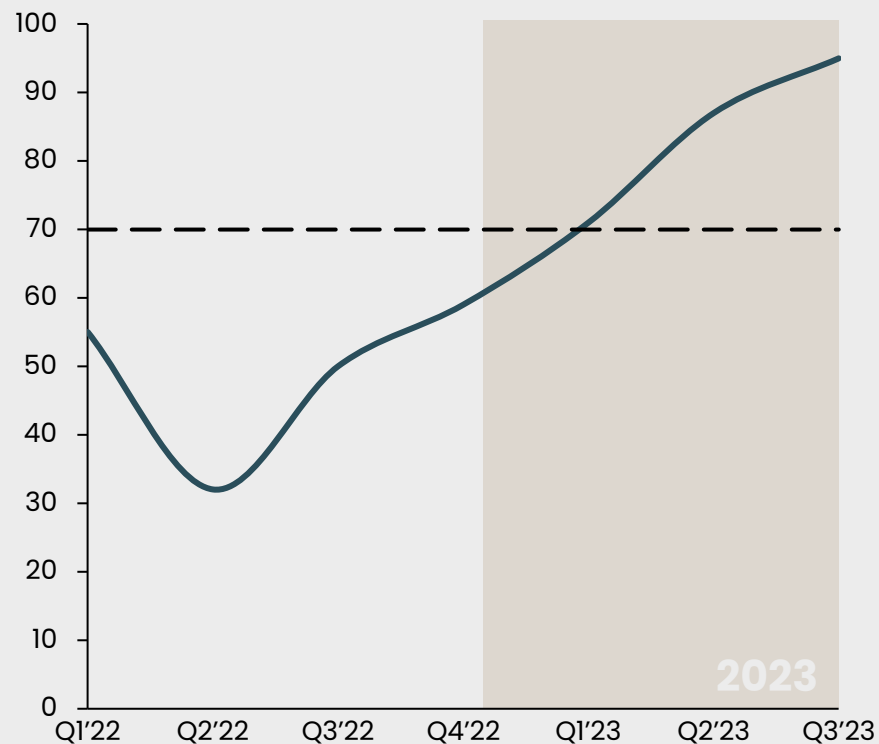


## COMMENT

- Margin contraction affected by the seasonally slow July
- Divestments in H1'23 had sales of SEK 258m in the comparable quarter
- Q4 has been a seasonally strong quarter historically


# Cash conversion

Positive cash conversion trend reflects the fact that the ongoing initiatives in this area are bearing fruit




— Adjusted cash conversion (LTM), Storskogen  
 - - Cash conversion target (LTM), Storskogen

## Focus areas




**Inventory reduction**

- Inventory categorisation, targets and follow-up
- Automated tools for inventory management



**Accounts payable improvements**

- Analysis of payment precision and renegotiations
- Strengthened supplier relationships



**Proactive accounts receivable**

- Implementation of accounts receivable collection module
- BI dashboards and new routines

## Business unit references



Business area: Industry  
Vertical: Automation



Business area: Trade  
Vertical: Niche businesses

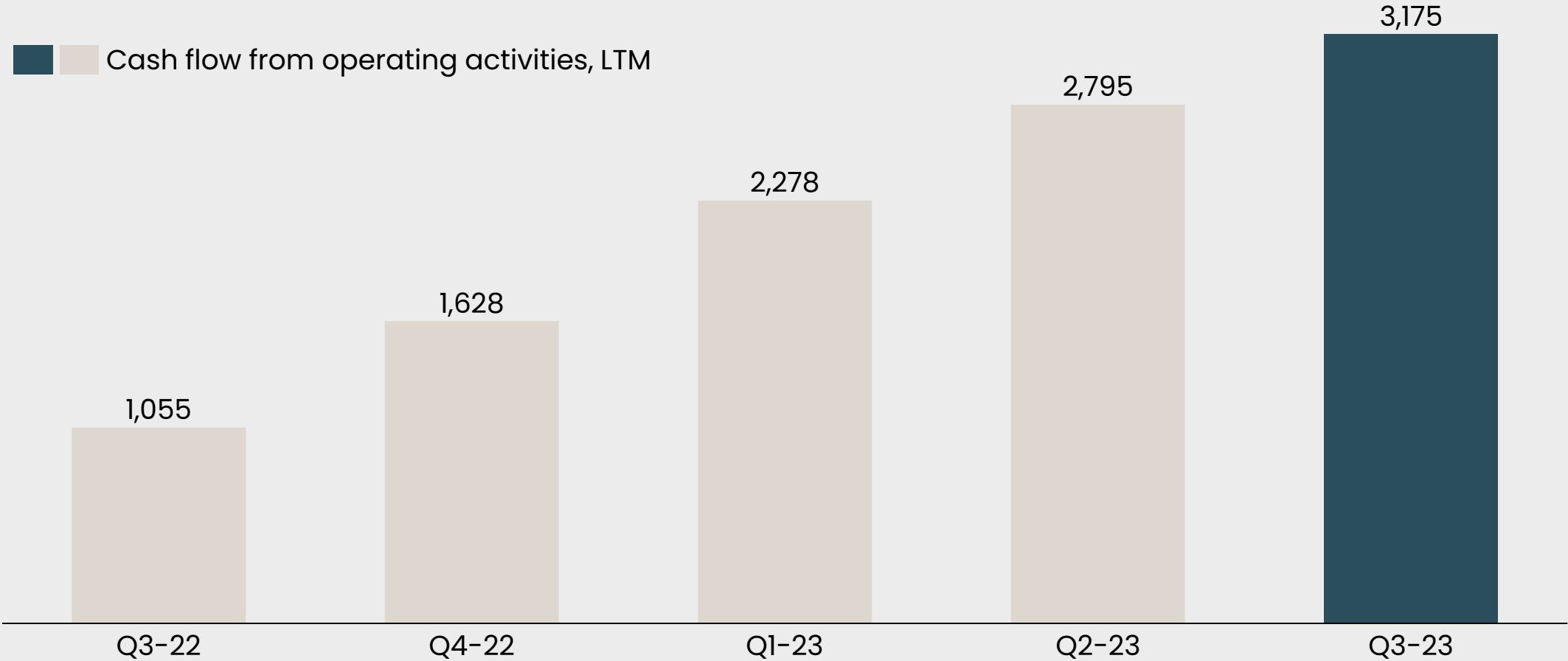
	Δ 2209 to 2309
<b>Cash conversion</b>	+88pp
<b>Net working capital</b>	SEK -138m
<b>Working capital/net sales</b>	-9pp

	Δ 2209 to 2309
<b>Cash conversion</b>	+136pp
<b>Net working capital</b>	SEK -48m
<b>Working capital/net sales</b>	-13pp

# Cash flow from operations

Prioritising cash flow from operating activities yielding tangible results

■ Cash flow from operating activities, LTM



# Services

YTD margin recovering from challenging 2022

NET SALES:

**SEK 2,576m**  
(-8%<sup>1</sup>)

ORGANIC NET SALES GROWTH, YTD:

**-2%**  
(16%<sup>2</sup>)

ADJUSTED EBITA:

**SEK 242m**  
(-11%<sup>1</sup>)

ORGANIC EBITA GROWTH, YTD:

**-6%**  
(-9%<sup>2</sup>)

ADJUSTED EBITA MARGIN:

**9.4%**  
(9.7%<sup>2</sup>)

ADJUSTED EBITA MARGIN, YTD:

**9.5%**  
(8.8%<sup>2</sup>)

## COMMENTS

- Q3 is a seasonally weaker quarter
- Companies divested in Q2 had sales of SEK 194m in comparable quarter
- Solid performance in Infrastructure, Digital Services and Installation
- Y/Y Margin contraction primarily driven by HR and Competence
- Continued weak demand for companies exposed to new construction
- Q4 is a seasonally stronger quarter, with overall solid demand

# Trade

Key focus on cash flows and protecting profitability

NET SALES:

**SEK 2,341m**  
(+4%<sup>1</sup>)

ORGANIC NET SALES GROWTH, YTD:

**-3%**  
(5%<sup>2</sup>)

ADJUSTED EBITA:

**SEK 188m**  
(-8%<sup>1</sup>)

ORGANIC EBITA GROWTH, YTD:

**-21%**  
(-15%<sup>2</sup>)

ADJUSTED EBITA MARGIN:

**8.0%**  
(9.1%<sup>2</sup>)

ADJUSTED EBITA MARGIN, YTD:

**8.7%**  
(10.3%<sup>2</sup>)

## COMMENTS

- Q3 is a seasonally weaker quarter
- Companies divested in H1 had sales of SEK 64m in comparable quarter
- Health and Beauty showed resilience with strong performance
- Continued soft demand within consumer-related durable goods and e-commerce
- Focus on further improving cash flow from operating activities
- Profitability continues to be negatively affected by the weak SEK
- Q4 is a seasonally stronger quarter

# Industry

Demand normalising from very high levels in late 2022 and early 2023

NET SALES:

**SEK 3,429m**  
(+2%<sup>1</sup>)

ORGANIC NET SALES GROWTH, YTD:

**0%**  
(15%<sup>2</sup>)

ADJUSTED EBITA:

**SEK 353**  
(-5%<sup>1</sup>)

ORGANIC EBITA GROWTH, YTD:

**-1%**  
(11%<sup>2</sup>)

ADJUSTED EBITA MARGIN:

**10.3%**  
(11.0%<sup>2</sup>)

ADJUSTED EBITA MARGIN, YTD:

**11.5%**  
(11.0%<sup>2</sup>)

## COMMENTS

- Overall performance in line with expectations as markets are normalising
- Solid underlying market with good demand and orderbooks
- Strong performance in Products where margins expanded Y/Y
- Solid performance for Automation vertical but down from the very strong 2022 and H1 2023
- Long-term reshoring trend, green transition and demand for automation solutions continues to be supportive



# Transactions

Strategic divestments continue, while primarily only adding small value-accretive add-ons. Focus on reducing leverage and building long term shareholder value

**Q3<sup>1</sup>**

## Strategic divestments

Annual sales **SEK 578m**

EBITA margin **~6%**

## Highly selective value-accretive acquisitions

Annual sales **SEK 185m**

EBITA margin **~16%**

**YTD<sup>1</sup>**

## Strategic divestments

Annual sales **SEK 1,850m**

EBITA margin **~4%**

## Highly selective value-accretive acquisitions

Annual sales **SEK 583m**

EBITA margin **~20%**

<sup>1</sup> Includes transactions completed after Q3 close

# Financial summary, Q3

## Gross profit holds up, but EPS affected by interest rates

SEKm	Q3'23	Q3'22	Chg., %	LTM
Net sales	8,333	8,417	-1	36,845
C.O.G.S	-6,726	-6,783	-1	-29,446
<b>Gross profit</b>	<b>1,607</b>	<b>1,634</b>	<b>-2</b>	<b>7,399</b>
Selling & admin. expenses	-1,213	-1,235	-2	-5,268
Other operating income	281	387	-27	1,324
Other operating expenses	-186	-115	62	-738
<b>Operating profit</b>	<b>489</b>	<b>671</b>	<b>-27</b>	<b>2,718</b>
Net financial items	-298	-96	>100	-1,087
<b>Profit before tax</b>	<b>192</b>	<b>575</b>	<b>-67</b>	<b>1,631</b>
Financial KPIs	Q3'23	Q3'22	Chg., %	LTM
Adjusted EBITA	725	772	-6	3,459
Adjusted EBITA margin, %	8.7	9.2	-0.5pp	9.4
RoE, % (12 months)	6.1	9.0	-2.9pp	6.1
RoCE, % (12 months)	8.6	10.1	-1.5pp	8.6
EPS, before dilution	0.09	0.26	-67	0.62
EPS, after dilution	0.08	0.26	-68	0.62

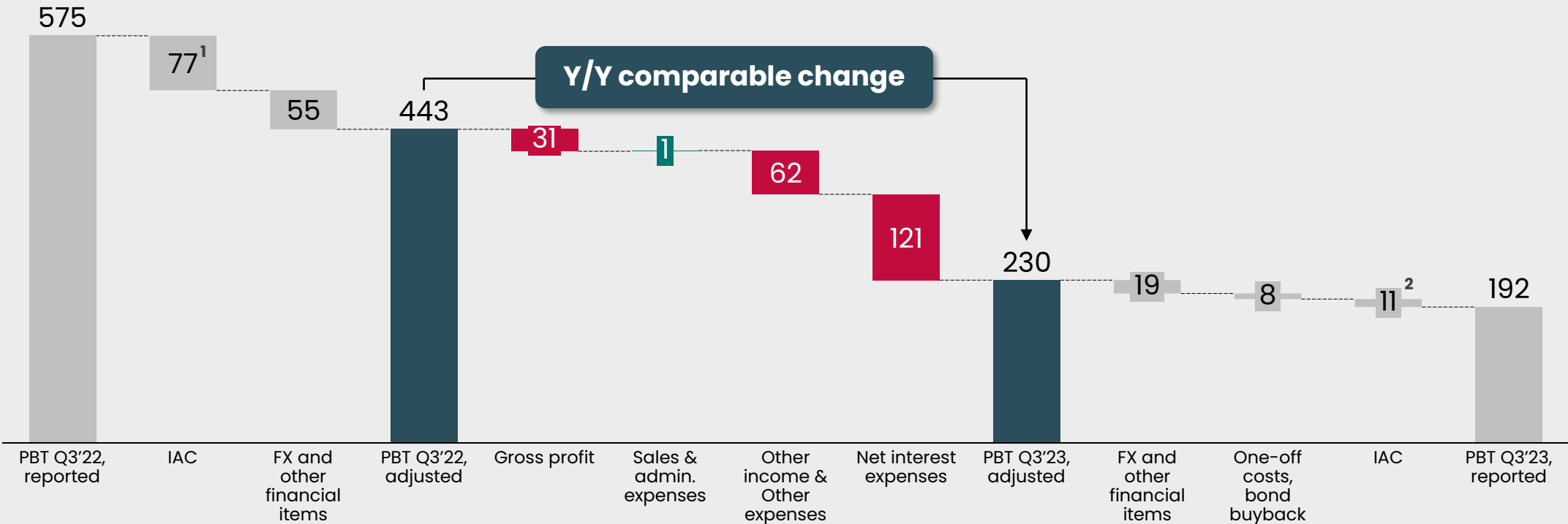
## COMMENTS

- **Q3 net sales** affected by -1% organic growth and net divestments while FX contributes positively
- **Gross margin** stable at 19.3% (19.4%)
- **Net financial items**<sup>1</sup> increase explained by higher market rates, margin on most recent bond and FX
  - Net interest cost: SEK -271m (-150)
  - FX and other: SEK -19m (55)
  - Bond: SEK -8m (0)
- **ROCE** was 8.6%
  - Net of cash: 9.3% (11.9%)
  - Net of goodwill: 19.3% (22.2%)
- **EPS**
  - Before dilution: SEK 0.09 (0.26)
  - After dilution: SEK 0.08 (0.26)
- **Items affecting comparability (IAC)** of SEK -11m (77)<sup>3</sup>

# Earnings bridge, Q3

Earnings primarily affected by increased interest expenses and lower revenue

## Q3'23 vs Q3'22



<sup>1</sup> Q3'23 IAC: Revaluation of contingent considerations of SEK -14m, and capital gain/loss from divestment of business of SEK 2m <sup>2</sup> Q3'22 IAC: Revaluation of additional purchase price of SEK 100m, Fair value adjustments of acquired assets of SEK -4m, Stamp tax on foreign business combinations of SEK -1m, and Central restructuring costs of SEK -18m.

# Financial summary, YTD

## Adj. EBITA margin improving but significant impact from fin. items

SEKm	Jan-Sep 2023	Jan-Sep 2022	Chg., %	LTM
Net sales	27,009	24,414	11	36,845
C.O.G.S	-21,544	-19,573	10	-29,446
<b>Gross profit</b>	<b>5,464</b>	<b>4,841</b>	<b>13</b>	<b>7,399</b>
Selling & admin. Expenses	-3,903	-3,557	10	-5,268
Other operating income	827	896	-8	1,324
Other operating expenses	-461	-357	29	-738
<b>Operating profit</b>	<b>1,926</b>	<b>1,821</b>	<b>6</b>	<b>2,718</b>
Net financial items	-848	-263	>100	-1,087
<b>Profit before tax</b>	<b>1,077</b>	<b>1,558</b>	<b>-31</b>	<b>1,631</b>
Financial KPIs	Jan-Sep 2023	Jan-Sep 2022	Chg., %	LTM
Adjusted EBITA	2,532	2,216	14	3,459
Adjusted EBITA margin, %	9.4	9.1	0.3pp	9.4
RoE, % (12 months)	6.1	9.0	-2.9pp	6.1
RoCE, % (12 months)	8.6	10.1	-1.5pp	8.6
EPS before dilution	0.40	0.64	-37	0.62
EPS, after dilution	0.40	0.64	-38	0.62

## COMMENT

- **9M net sales** growth of 11% is positively affected by acquisitions and FX ( $\Sigma$  +13%), but negatively by divestments and org. growth ( $\Sigma$  -3%)
- **Net financial items**<sup>1</sup> mainly driven by increased market rates and FX
  - Net interest cost: SEK -718m (-338)
  - FX and other: SEK -71m (75)
  - Bond: SEK -59m (0)
- **EPS** before and after dilution amounted to SEK 0.40 (0.64)
- **Items affecting comparability** (IAC) decreases Adj. EBITA by SEK 40m (75)<sup>2</sup>

# Condensed cash flow, Q3

## Focus on cash flow yielding significant results

SEKm	Q3'23	Q3'22	Chg., %	LTM Q3'23
Profit before tax	192	575	-67	1,631
Adjustment for non-cash items	552	259	>100	1,971
Income tax paid	-153	-242	-37	-840
Change in WC	-6	-387	n/a	412
<b>Cash flow from operating activities</b>	<b>584</b>	<b>204</b>	<b>&gt;100</b>	<b>3,175</b>
Net investments in non-current assets	-131	-169	-23	-614
Acquisitions & divestments	65	-489	>100	-703
<b>Cash flow from investing activities</b>	<b>-66</b>	<b>-658</b>	<b>-90</b>	<b>-1,317</b>
<b>Cash flow from financing activities</b>	<b>-1,091</b>	<b>-210</b>	<b>&gt;100</b>	<b>-3,625</b>
<b>Cash flow for the period</b>	<b>-573</b>	<b>-664</b>	<b>-14</b>	<b>-1,767</b>
Cash at the beginning of the period	1,990	3,758	-47	3,159
<b>Cash at the end of the period</b>	<b>1,421</b>	<b>3,159</b>	<b>-55</b>	<b>1,421</b>
<b>Financial KPIs</b>	<b>Q3'23</b>	<b>Q3'22</b>	<b>Chg., %</b>	
Adjusted cash conversion, % (12 months)	95	50	45pp	
Total available liquidity, SEKm	8,209	9,417	-13	

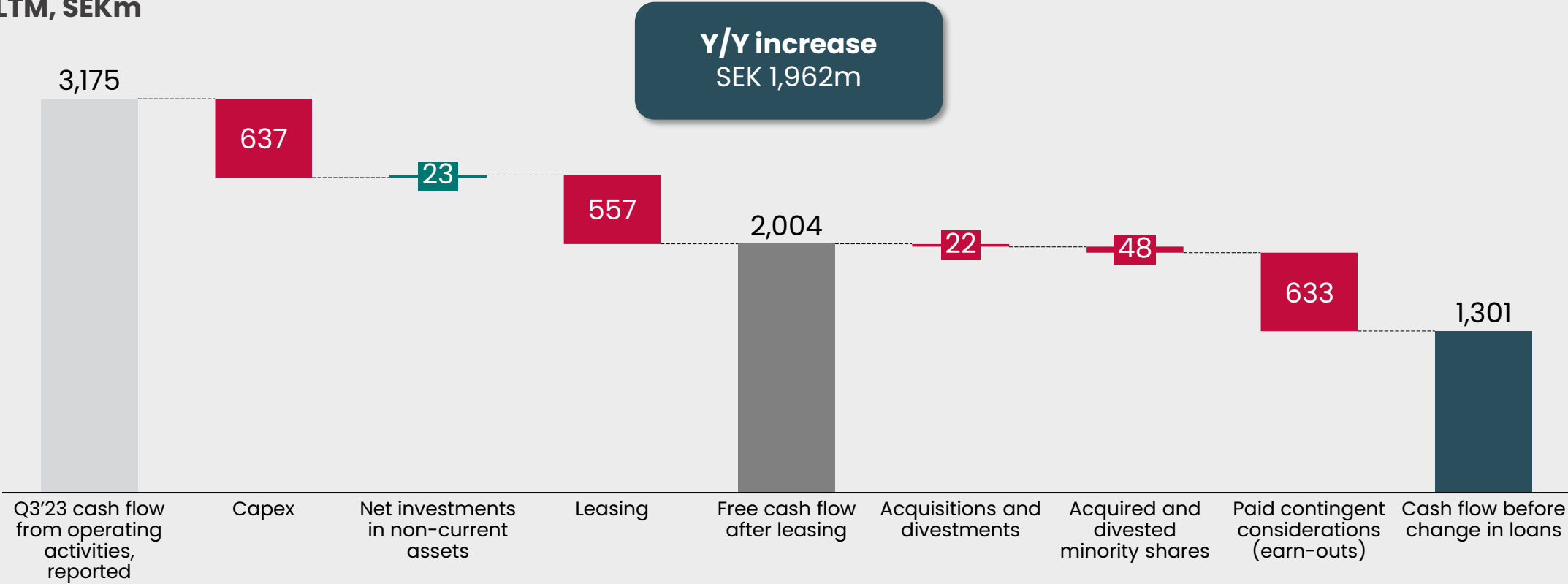
## COMMENT

- **Cash flow from operating activities** of SEK 584m (after interest and tax)
  - Change in WC SEK -6m (-387m)
- **Capex/sales** in Q3 of 1.7% (1.6%)
- **M&A net** SEK +65m (-489m)
  - Acquisitions paid: SEK -1m
  - Bought and sold minorities: SEK -33m
  - Earn-outs paid: SEK -356m
  - Divestment proceeds: SEK +454m
- **Cash flow from financing** SEK -1,091m
  - Change in loans: SEK -950m
  - Leasing and other: SEK -141m
- **Total available liquidity** of SEK 8,209m
  - Cash: SEK 1,421m
  - Unutilized credit facilities: SEK 6,788m
- **LTM cash conversion** of 95% - well above the target of 70%. Cash conversion in Q3 was 85%

# Cash flow bridge, last twelve months

Improvement in free cash flow after leasing of almost SEK 2 bn compared to LTM Q3 2022

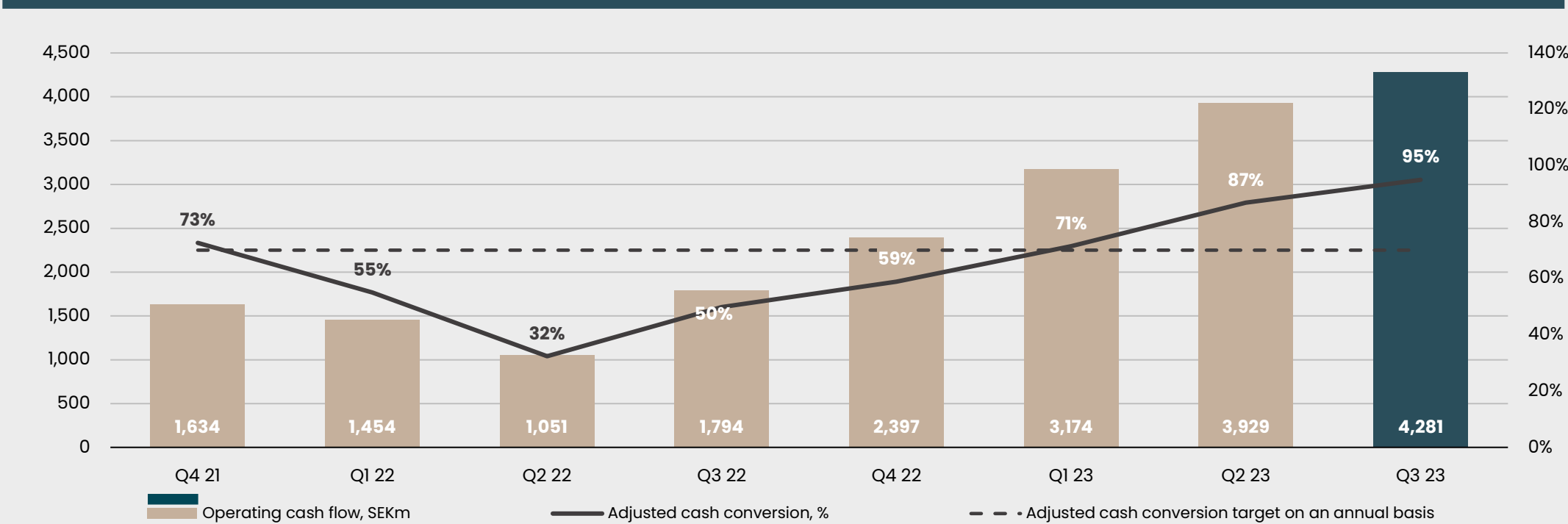
LTM, SEKm



# Operating cash flow and cash conversion

Cash flow improvement supported by working capital efficiency and LTM cash conversion well ahead of target

## Operating cash flow<sup>1</sup> (LTM)



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

# Condensed balance sheet

## Debt significantly reduced in the past year

SEKm	Q3'23	Q3'22	Q4'22	Chg., %
Total non-current assets	30,878	30,369	31,093	-1
Total current assets	15,017	16,824	16,389	-8
<b>Total assets</b>	<b>45,895</b>	<b>47,193</b>	<b>47,482</b>	<b>-3</b>
<b>Total equity</b>	<b>20,652</b>	<b>18,975</b>	<b>19,628</b>	<b>5</b>
Interest-bearing non-current liabilities	12,593	14,948	14,453	-13
Non-interest-bearing non-current liabilities	1,666	2,461	2,343	-29
<b>Total non-current liabilities</b>	<b>16,376</b>	<b>19,470</b>	<b>18,954</b>	<b>-14</b>
Interest-bearing current liabilities	570	579	625	-9
Non-interest-bearing current liabilities	5,759	5,423	5,713	1
<b>Total current liabilities</b>	<b>8,867</b>	<b>8,748</b>	<b>8,901</b>	<b>Unch.</b>
<b>Total equity and liabilities</b>	<b>45,895</b>	<b>47,193</b>	<b>47,482</b>	<b>-3</b>

Financial KPIs	Q3'23	Q3'22	Q4'22	Chg., %
Leverage ratio <sup>1</sup> , x	2.6	2.7	2.6	Unch.
Equity/assets ratio, %	45	40	41	4pp

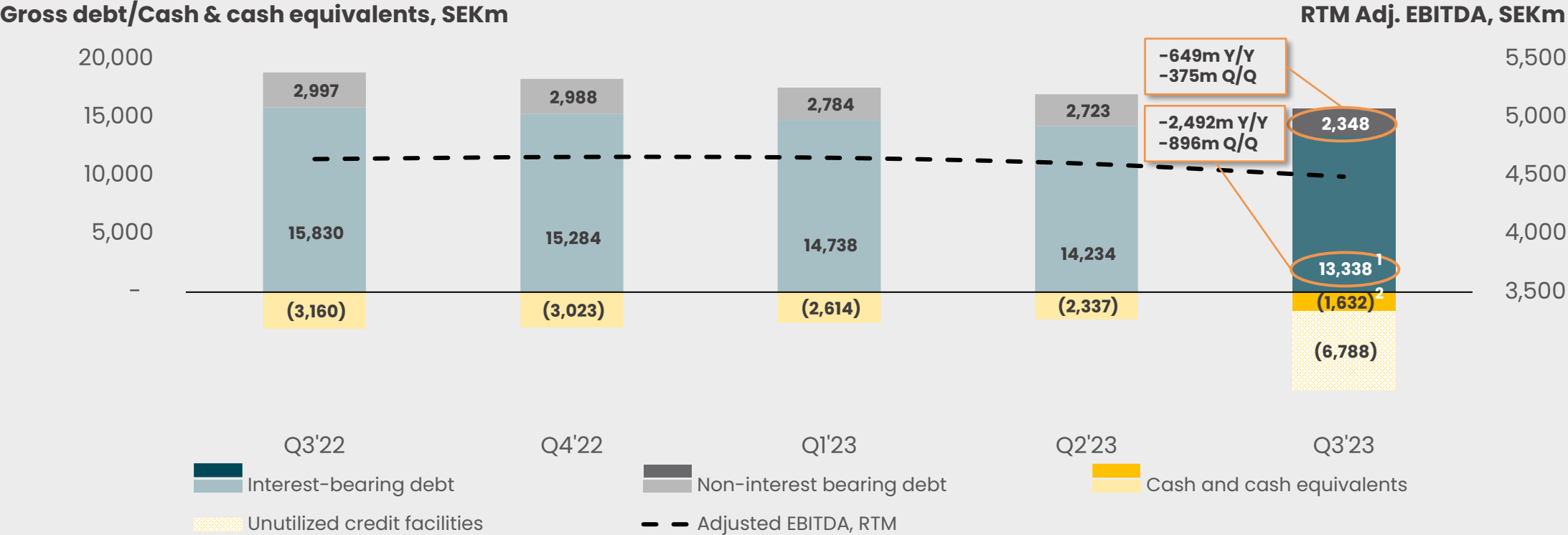
## COMMENT

- **Interest-bearing gross debt** reduced
  - Q3: SEK -896m
  - YTD: SEK -1,944m
  - Y/Y: SEK -2,492m
- **Interest-bearing net debt** reduced
  - Q3: SEK -190m
  - YTD: SEK -554m
  - Y/Y: SEK -964m
- **Leverage ratio** unchanged at 2.6x
  - Adj EBITDA RTM<sup>2</sup> SEK 4,502m (4,640)
- **Equity/asset ratio** increased to 45% (40%)



# Total debt and leverage

Strong cash flows enabling significant reduction of interest-bearing and non-interest-bearing debt items while liquidity remains ample



RTM Adj. EBITDA, SEKm	4,640	4,658	4,651	4,600	4,502
Leverage ratio	2.7x	2.6x	2.6x	2.6x	2.6x

1 Includes lease liabilities  
2 Includes financial assets amounting to SEK -210m

# Key takeaways

## Delivery on strategic priorities

- ✔ Efforts to improve cash flow yielding significant results
- ✔ Strategic review with further divestments in the quarter
- ✔ Focusing on margins and gaining market share in a challenging macro environment
- ✔ Well positioned to reduce debt further in seasonally strong fourth quarter



# Q&A

## TODAY'S PRESENTERS



**Daniel Kaplan**

CEO



**Lena Glader**

CFO

# Appendix

# Storskogen in brief

Storskogen is an international group of businesses with annual LTM net sales of SEK 36.8bn and Adj. EBITA of SEK 3.5bn, split across three business areas and 14 verticals



## Services

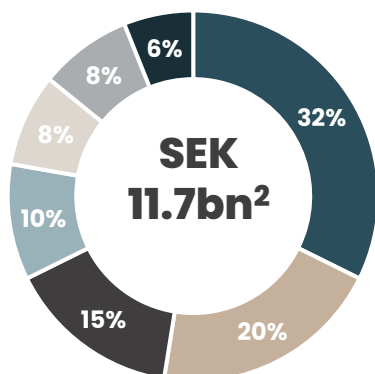
Peter Ahlgren

NO. OF BUSINESS UNITS<sup>1</sup>

**57**

NO. OF EMPLOYEES

**>4,300**



- Installation
- Infrastructure
- Engineering Services
- Logistics
- Contracting Services
- HR and Competence
- Digital Services



## Trade

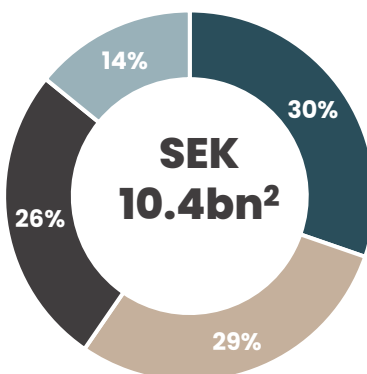
Christer Hansson

NO. OF BUSINESS UNITS<sup>1</sup>

**32**

NO. OF EMPLOYEES

**>2,400**



- Home and Living
- Niche Businesses
- Health and Beauty
- Sports, Clothing and Accessories



## Industry

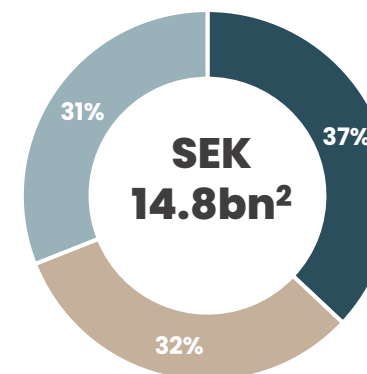
Fredrik Bergegård

NO. OF BUSINESS UNITS<sup>1</sup>

**39**

NO. OF EMPLOYEES

**>5,200**

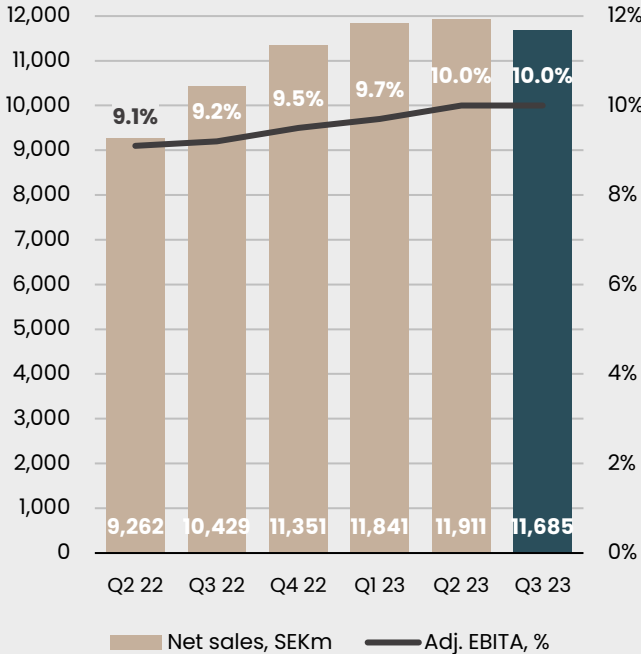


- Industrial Technology
- Automation
- Products

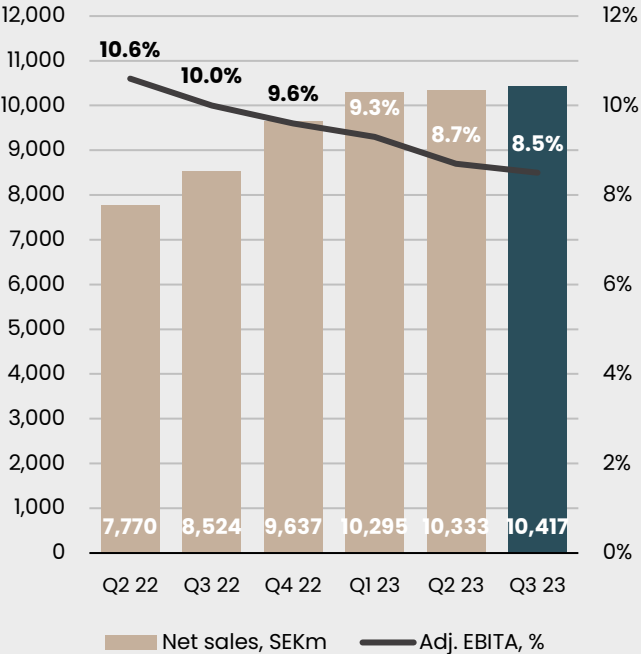
# Financial development per segment

Services solid around 10 percent margins as Industry normalising from high levels

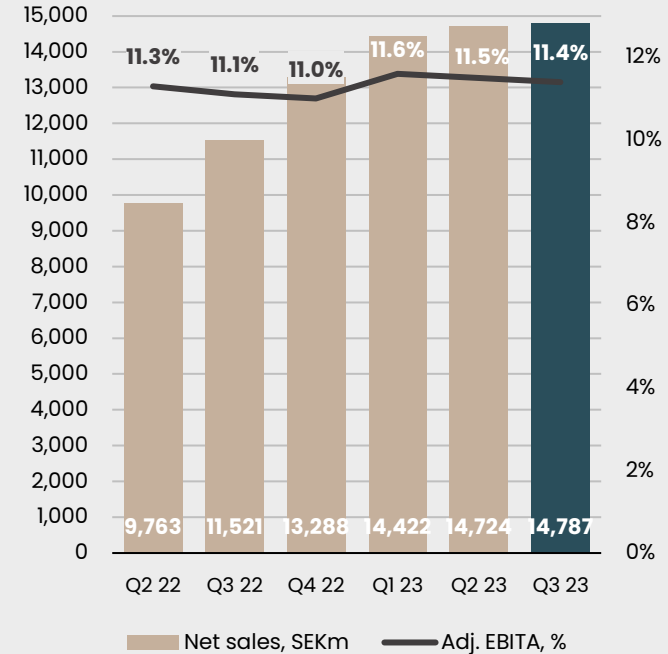
## Services



## Trade



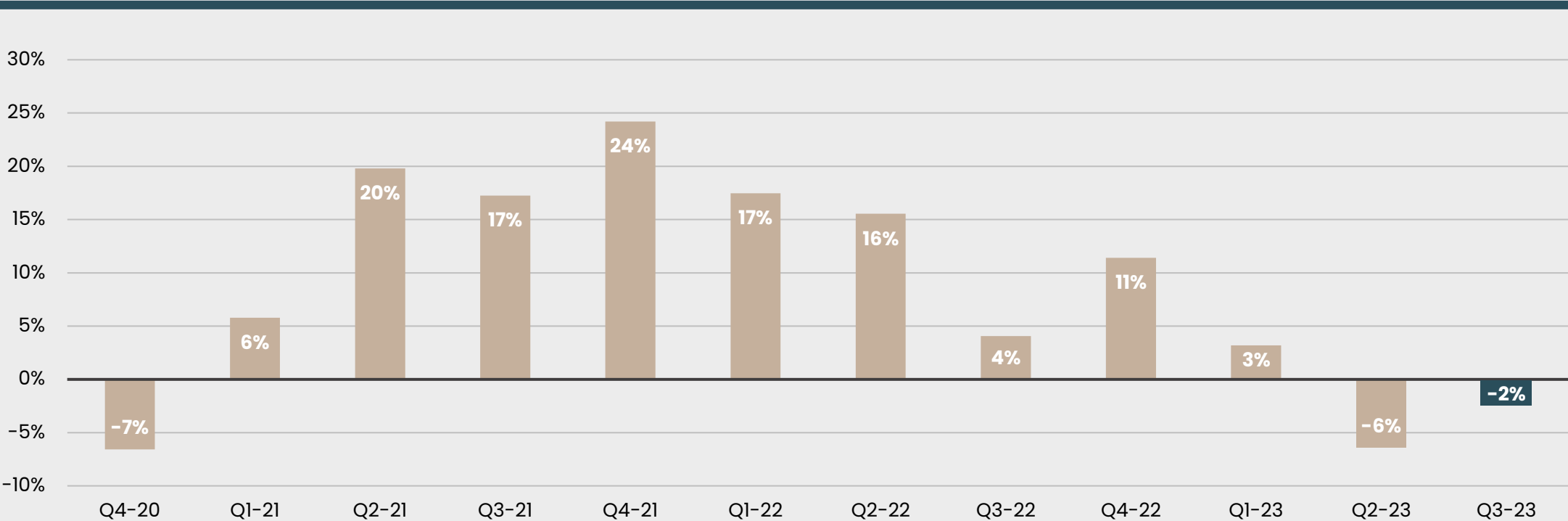
## Industry



# Organic sales growth

Organic sales growth in negative territory, primarily driven by the Services business area

## Organic growth (QTD<sup>1</sup>)

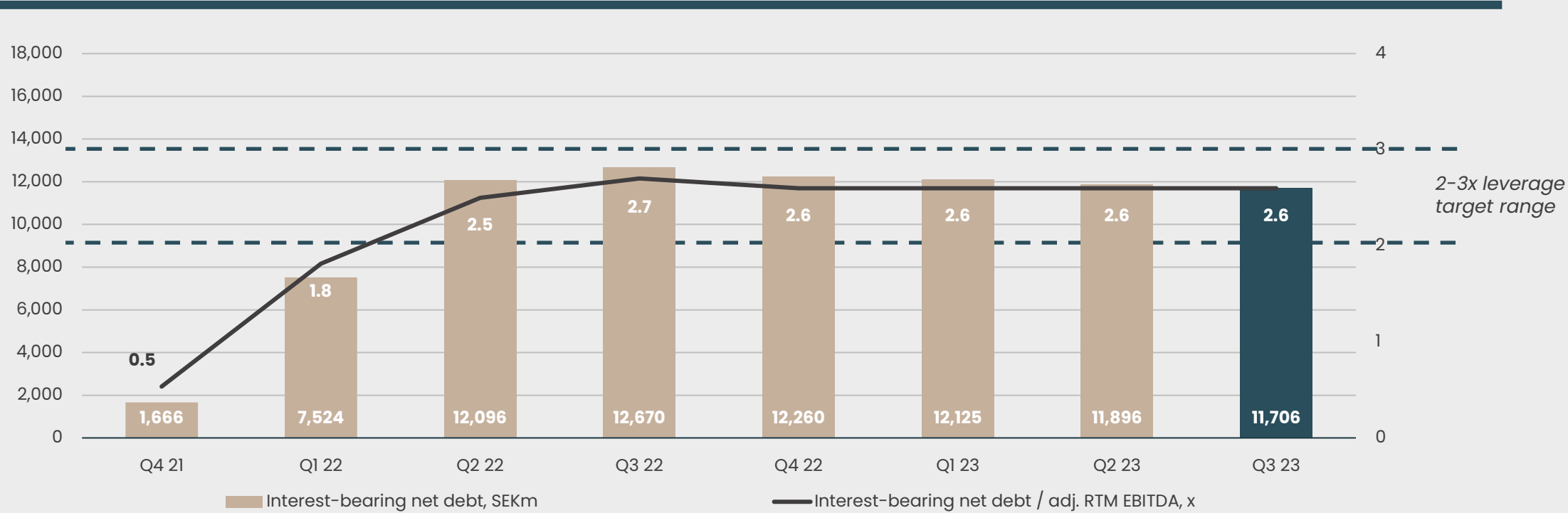


<sup>1</sup> Comparable sample based on portfolio companies owned as of January last year, i.e. the same sample as organic FY data

# Net debt and leverage

Debt maturities significantly extended. Leverage unchanged at 2.6x with further reduction in short to medium term being a key priority

## Leverage ratio





# Overview of financial targets

Focus is on operational excellence, balance sheet and cash flow in the short to medium term

## MEDIUM-TERM TARGETS

Organic EBITA growth: <b>Real GDP growth + 1–2 percentage points</b>	Adjusted 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 / RTM adjusted EBITDA: <b>2.0–3.0x</b>
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## OUTCOME

<b>-9%</b> (YTD)	<b>14%</b> (YTD)	<b>9.4%</b> (LTM)	<b>95%</b> (LTM)	<b>2.6x</b> (RTM)
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