

Storskogen Q4 2023

TODAY'S PRESENTERS



Daniel Kaplan

CEO



Lena Glader

CFO

February 2024

Highlights

Soft quarter but solid full year with improved cash flows and reduced debt

NET SALES, Q4:

SEK 8,997m
(-9%¹)

NET SALES, 2023:

SEK 36,006m
(5%¹)

ADJ. EBITA, Q4:

SEK 706m
(-24%¹)

ADJ. EBITA, 2023:

SEK 3,238m
(3%¹)

ADJ. EBITA MARGIN, Q4:

7.8%
(9.4%²)

ADJ. EBITA MARGIN, 2023:

9.0%
(9.2%²)

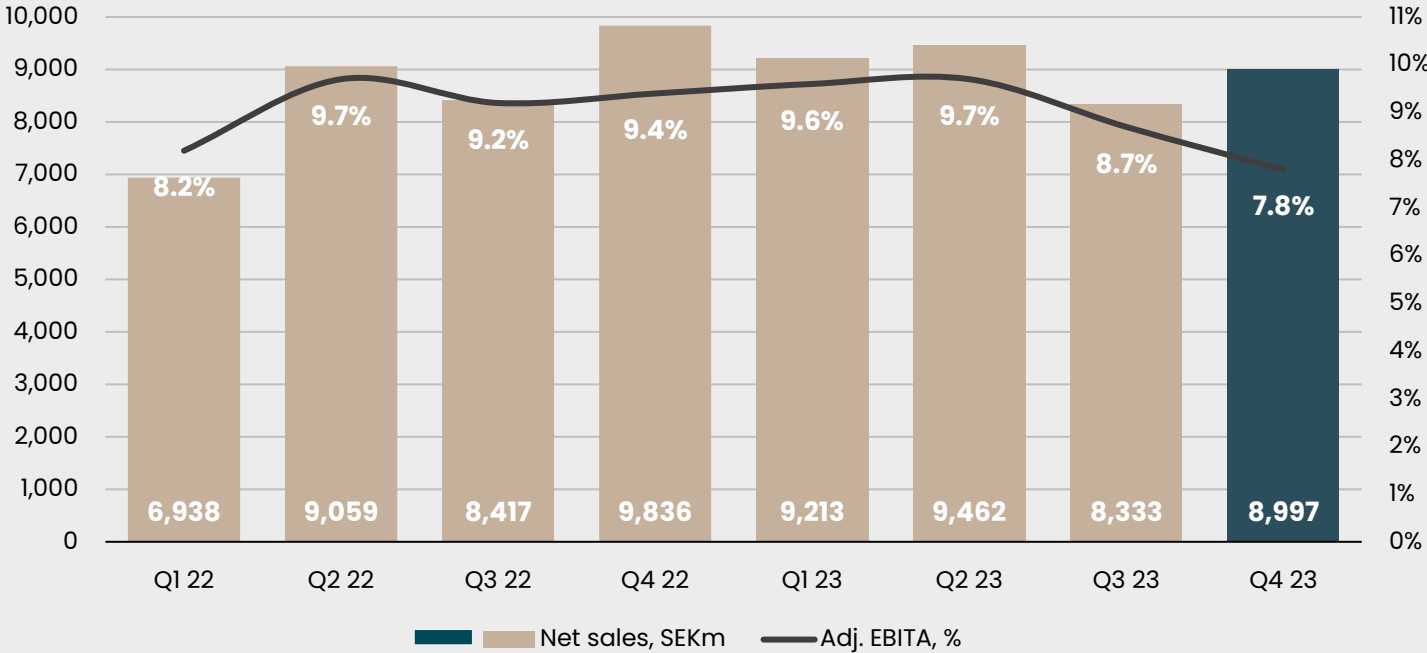
KEY EVENTS

- Divestments affecting net sales by -6 percent YoY
- Cash flow from operating activities continued to improve:
 - Q4: SEK 1,459m (1,272)
 - 2023: SEK 3,361m (1,628)
- LTM adj. cash conversion ahead of target at 104% (59)
- Total interest-bearing debt reduced by SEK 814m in the quarter, and by SEK 2,759m in 2023
- 2023 organic growth:
 - Sales: -3% (12)
 - EBITA: -13% (-6)
- No material M&A activity in the quarter
- The Board has proposed a dividend of SEK 0.09/share (0.08)

Net sales and EBITA margin

Sales on a par with the comparable quarter, with margin contraction driven by Services and Trade

Financial development









COMMENT

- Sales increased 8 percent vs. Q3, but margin pressure in Trade and Services
- The 2023 margin was 9.0 percent (9.2)
- Divested companies had sales of SEK 559m in the comparable quarter
- Seasonality was less distinct in 2023 - expect historical patterns to resume in 2024

Update on strategic priorities

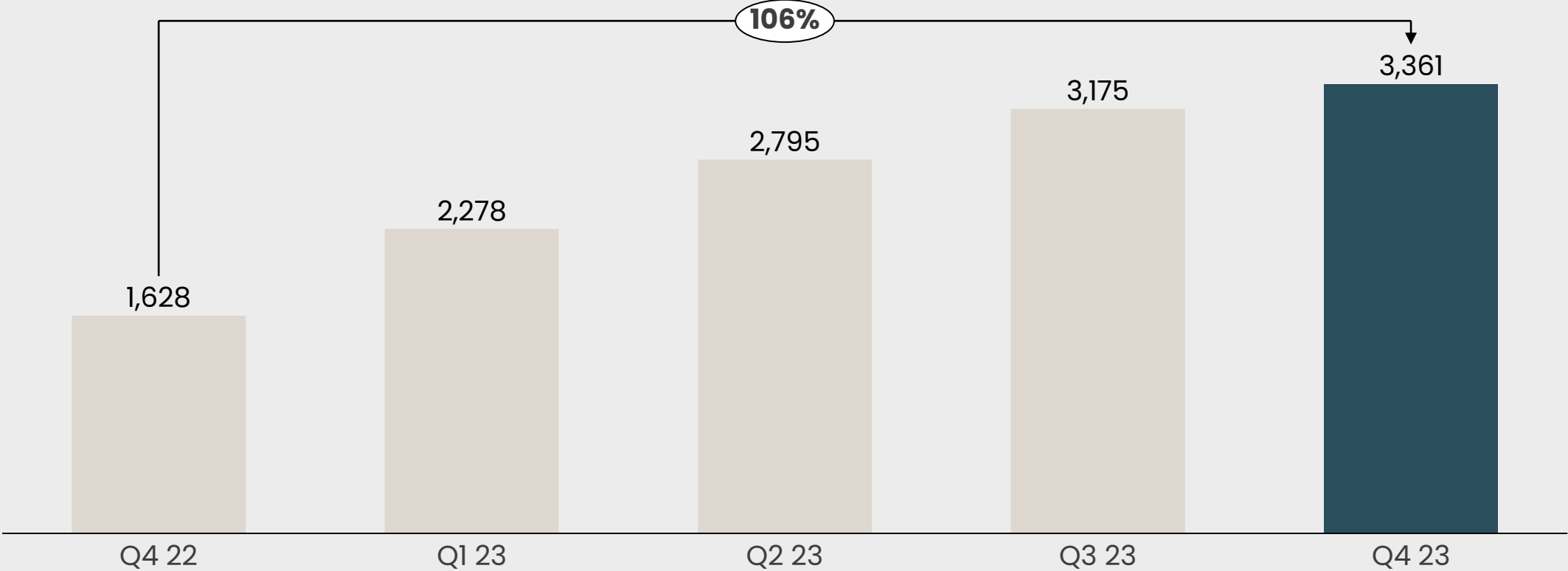
Solid delivery on the strategic priorities set out at the Capital Markets Day in September 2022

Priorities	Status	Comment
Improve cash flow		Operating cash flow ¹ has improved by SEK 2.1bn in 2022 to SEK 4.5bn in 2023
Protect profitability		FY adj. EBITA margin of 9.0 percent (9.2)
Reduce leverage		Total interest-bearing debt reduced by SEK 2.8bn in 2023
Reduce M&A pace		2023: 12 acquisitions (2 platforms) 2022: 54 acquisitions (31 platforms)
Strategic divestments		11 strategic divestments completed in 2023
Reduce negative EBITA effect from Group operations		Group operations' adj. EBITA reduced to -0.7% of sales (LTM)

Cash flow from operations

Prioritising cash flow from operating activities yielded tangible results in 2023

■ Cash flow from operating activities, LTM



Update on working capital project

By means of education, target-setting and provision of analysis tools, several WC-reducing activities have been implemented across the organisation, ensuring long-term structural change



Education and support

- Cross-organisation educational events and sessions on KX platform
- Analysis tools have been distributed



Targets and follow-up

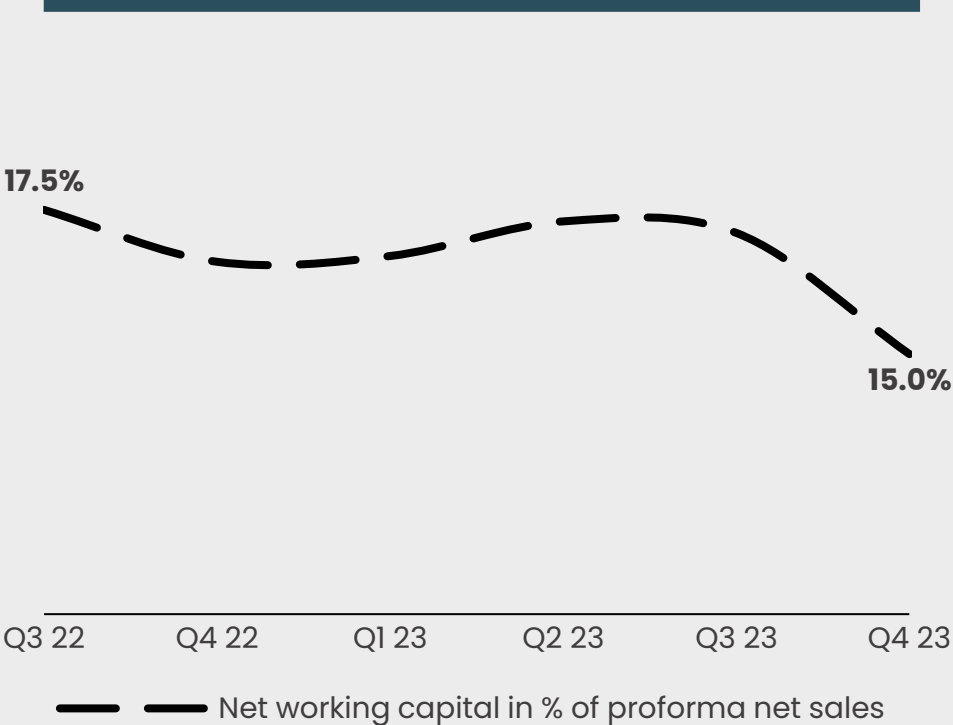
- Targets have been set, on both a Group level and a company level
- Monthly follow-up meetings



Activities

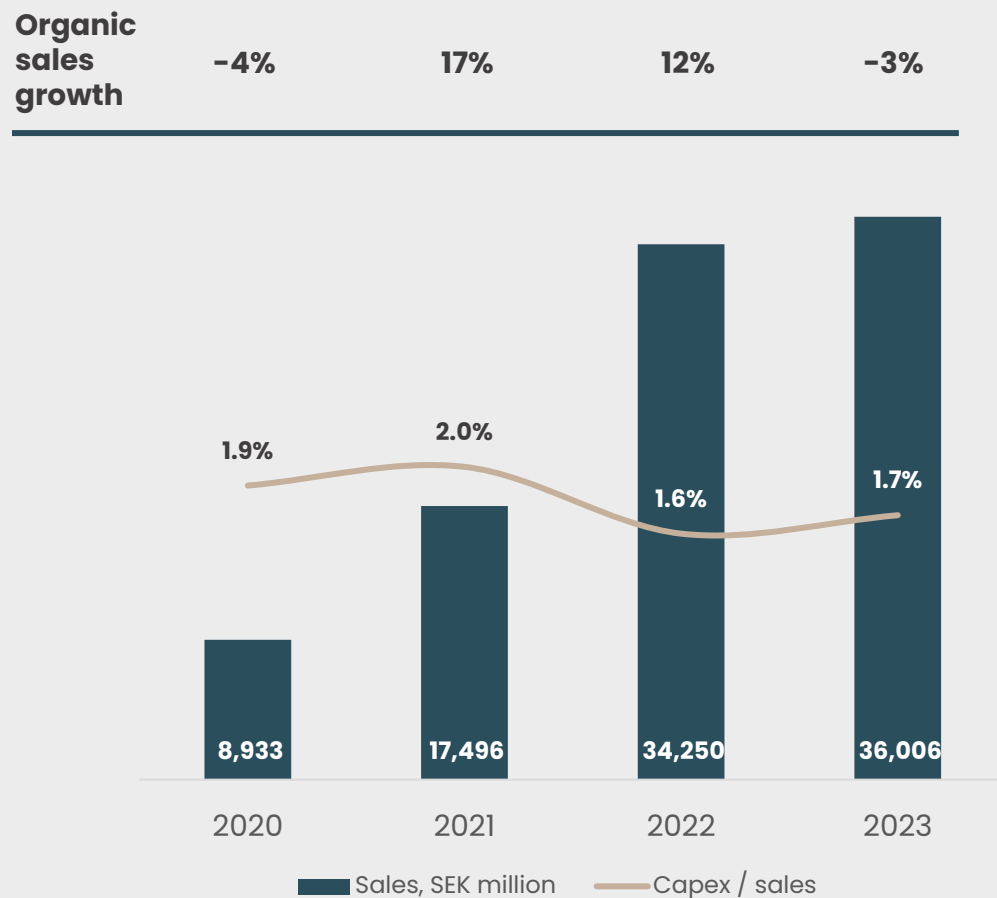
- A wide range of activities have been introduced and initiated on a company level, e.g.:
 - Renegotiation of terms
 - Increase in billing frequency
 - Review of safety stock levels
- Focus on ensuring long-term structural change

Working capital ratio

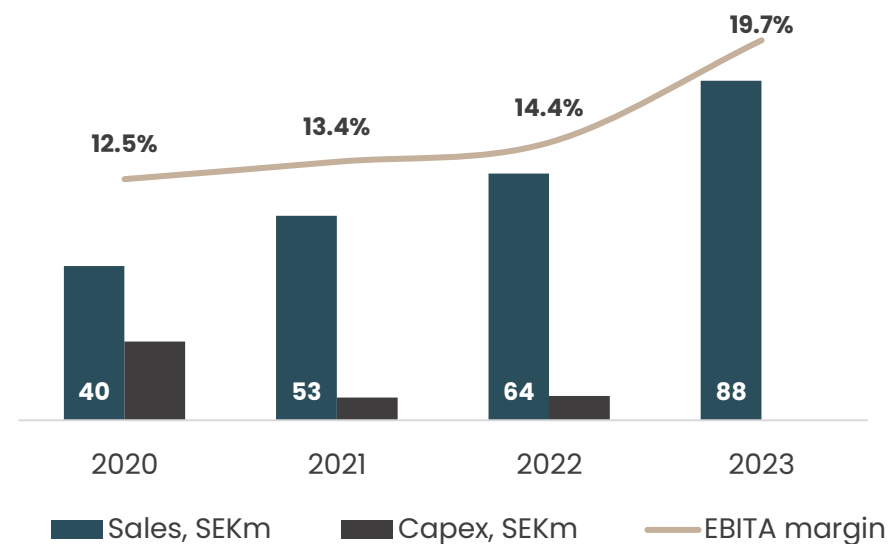


Capital expenditures

Continued capex investments driving organic growth



- Founded in 1976, based in Enköping (Sweden), and acquired by Storskogen in 2013
- Primarily performs contract manufacturing of prototypes for industry, as well as small series in the area of cutting processing, sheet metal, assembly and welding
- Strategic investments in multitasking machinery with increased capacity and a factory expansion
- Investments have enabled deeper customer relationship and ability to meet increased demand



Services

Weak quarter but FY largely in line with 2022

NET SALES, Q4:

SEK 2,918m
(-10%¹)

NET SALES, 2023:

SEK 11,346m
(0%¹)

ADJ. EBITA, Q4:

SEK 257m
(-30%¹)

ADJ. EBITA, 2023:

SEK 1,057m
(-2%¹)

ADJ. EBITA MARGIN, Q4:

8.8%
(11.3%²)

ADJ. EBITA MARGIN, 2023:

9.3%
(9.5%²)

COMMENTS

- Sales increased 13% compared to Q3, in line with last year adjusted for divestments
- Companies divested in 2023 had sales of SEK 377m in the comparable quarter
- 2023 organic growth:
 - Sales: -3% (14)
 - EBITA: -18% (-5)
- Weak quarter in Engineering Services, Infrastructure and HR & Competence
- Solid performances in Digital Services and Logistics
- Q1 is a seasonally weaker quarter

Trade

Margin pressure but significantly improved cash flows

NET SALES, Q4:

SEK 2,538m
(-13%¹)

NET SALES, 2023:

SEK 10,048m
(4%¹)

ADJ. EBITA, Q4:

SEK 152m
(-34%¹)

ADJ. EBITA, 2023:

SEK 804m
(-13%¹)

ADJ. EBITA MARGIN, Q4:

6.0%
(7.8%²)

ADJ. EBITA MARGIN, 2023:

8.0%
(9.6%²)

COMMENTS

- Sales increased 8% compared to Q3, but with increased margin pressure
- Companies divested in 2023 had sales of SEK 181m in the comparable quarter
- 2023 organic growth:
 - Sales: -5% (10)
 - EBITA: -25% (-14)
- A weak quarter in Sports, Clothing and Accessories and Home and Living
- Strong cash flow was driven by improved working capital management
- Q1 is a seasonally weaker quarter

Industry

Demand has normalised from high levels and cash flow has improved significantly

NET SALES, Q4:

SEK 3,555m
(-3%¹)

NET SALES, 2023:

SEK 14,662m
(10%¹)

ADJ. EBITA, Q4:

SEK 374m
(-8%¹)

ADJ. EBITA, 2023:

SEK 1,646m
(13%¹)

ADJ. EBITA MARGIN, Q4:

10.5%
(11.0%²)

ADJ. EBITA MARGIN, 2023:

11.2%
(11.0%²)

COMMENTS

- Sales increased 4% compared to Q3 as demand normalised after a strong H1
- 2023 organic growth:
 - Sales: -1% (11)
 - EBITA: -1% (1)
- A solid quarter for Automation and Industrial Technology
- Subdued demand for companies exposed to new construction and consumer demand, largely in Products
- Strong cash flow was driven by improved working capital management
- The long-term reshoring trend, the green transition and demand for automation solutions continue to be supportive

Financial summary, Q4

Divestments and negative organic growth affected quarter

SEKm	Q4'23	Q4'22	Chg., %
Net sales	8,997	9,836	-9
C.O.G.S	-7,145	-7,901	-10
Gross profit	1,852	1,935	-4
Selling & admin. expenses	-1,436	-1,364	5
Other operating income & expenses	104	221	-53
Operating profit	520	792	-34
Net financial items	-277	-239	16
Profit before tax	243	553	-56

Financial KPIs	Q4'23	Q4'22	Chg., %
Adjusted EBITA	706	927	-24
Adjusted EBITA margin, %	7.8	9.4	-1.6pp
RoE, % (12 months)	4.6	8.8	-4.2pp
RoCE, % (12 months)	7.7	10.1	-2.4pp
EPS, before and after dilution	0.06	0.22	-72

COMMENTS

- **Q4 net sales** decrease of 9%, impacted by divestments and organic growth
- **Gross margin** improved to 20.6% (19.7)
- **EBIT** of SEK 520m affected by cost inflation and softer demand
- **Net financial items**¹ increase explained by higher market rates
 - Net interest cost (-225) decreased from Q3 at (-257²) as debt has been amortised
- **EPS**
 - Before/after dilution: SEK 0.06 (0.22)
- **Items affecting comparability** (IAC) of SEK 29m (87)³

Financial summary, FY

EPS negatively affected by higher interest costs

SEKm	Jan-Dec 2023	Jan-Dec 2022	Chg., %
Net sales	36,006	34,250	5
C.O.G.S	-28,690	-27,475	4
Gross profit	7,316	6,775	8
Selling & admin. Expenses	-5,340	-4,922	8
Other operating income & expenses	470	759	-38
Operating profit	2,446	2,613	-6
Net financial items	-1,125	-502	>100
Profit before tax	1,321	2,111	-37

Financial KPIs	Jan-Dec 2023	Jan-Dec 2022	Chg., %
Adjusted EBITA	3,238	3,143	3
Adjusted EBITA margin, %	9.0	9.2	-0.2pp
RoE, % (12 months)	4.6	8.8	-4.2pp
RoCE, % (12 months)	7.7	10.1	-2.4pp
EPS before dilution	0.47	0.86	-46
EPS, after dilution	0.46	0.86	-46

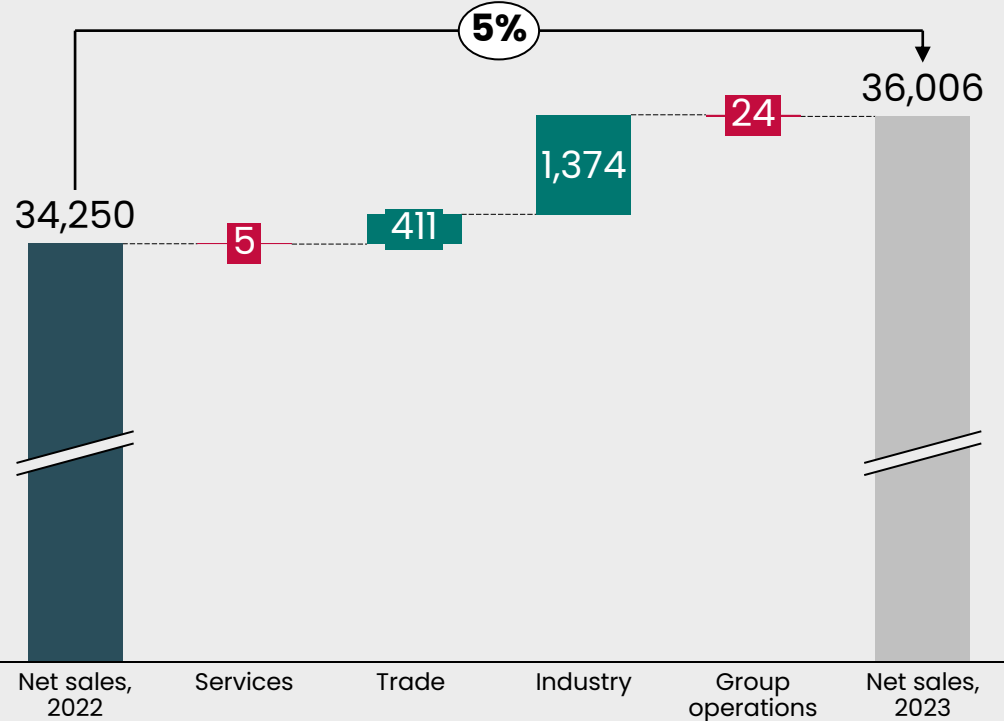
COMMENTS

- **FY net sales** growth of 5%
- **Gross profit** growth of 8%
- **EBIT** declined 6%, due to lower other operating income
- **Net financial items** mainly driven by increased market rates and FX
 - Net interest cost: SEK -927m (-485)
 - Whereof Bond refi: SEK -59m (0)
 - FX and other: SEK -198m (-17)
- **Items affecting comparability** SEK 69m (162)¹
- **ROCE** was 7.7%, **ROE** 4.6%
 - ROCE net of goodwill: 17.4% (22.4%)
- **EPS**
 - Before dilution: SEK 0.47 (0.86)
 - After dilution: SEK 0.46 (0.86)
- **Dividend** proposed by the Board of SEK 0.09/share (0.08)

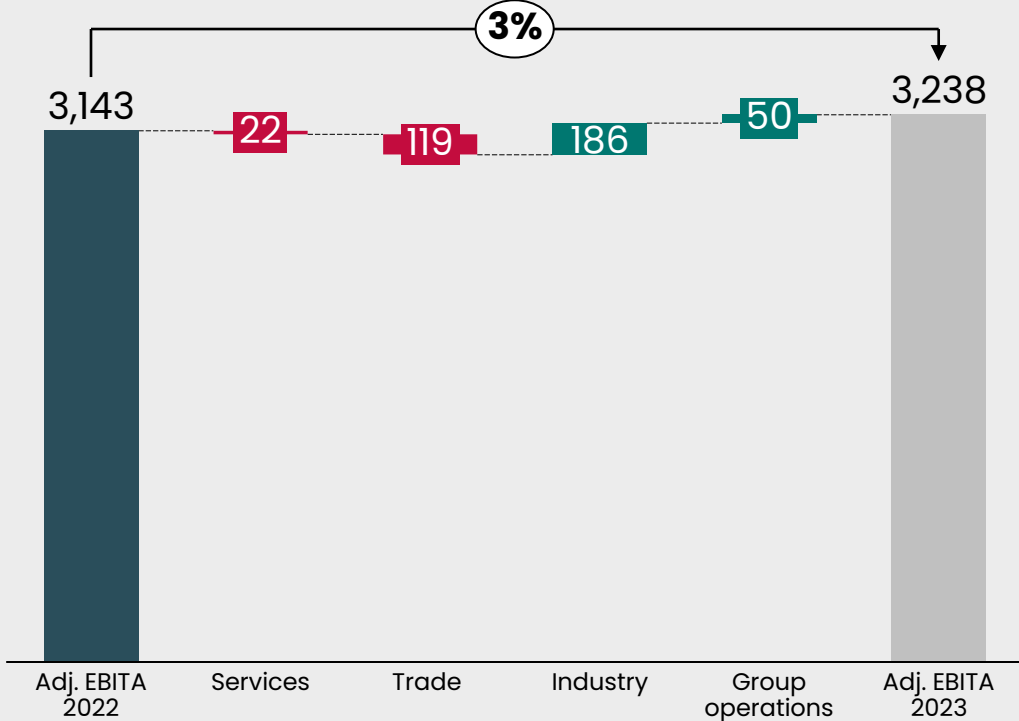
Full-year bridge

Sales and EBITA growth driven by Industry, but margin dilution attributable to Trade

Net sales, SEKm



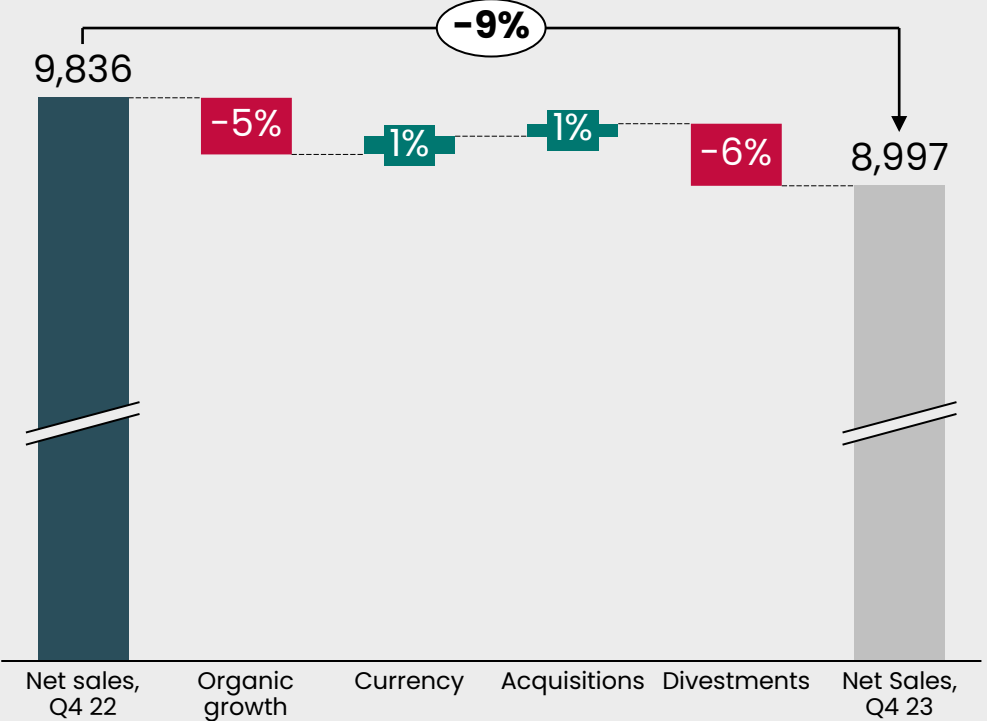
Adj. EBITA, SEKm



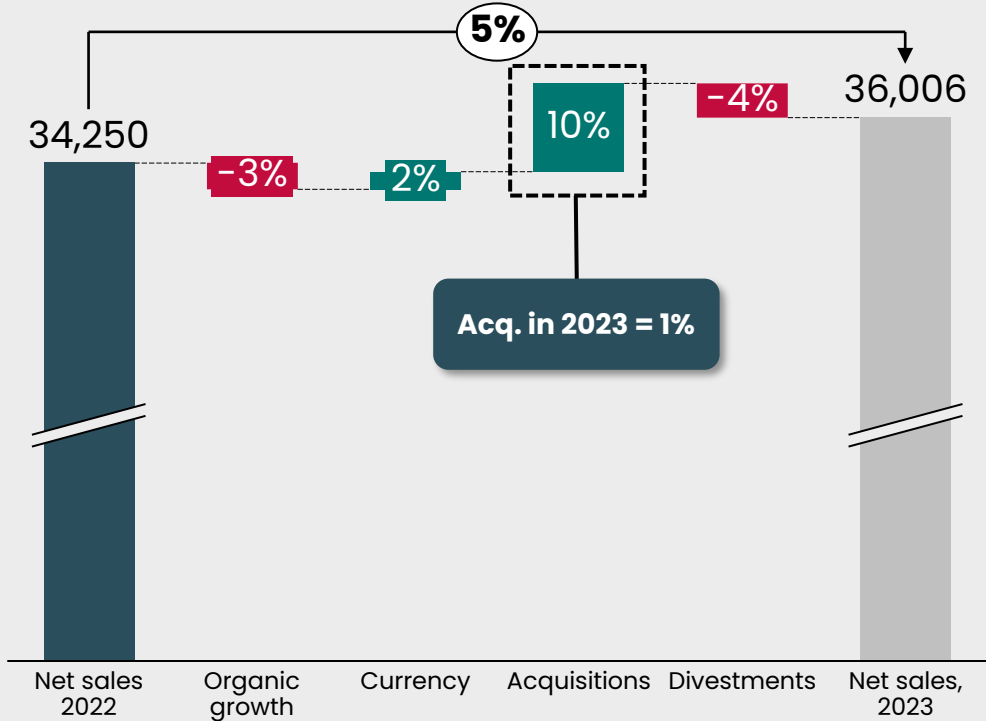
Sales development

Soft quarter primarily caused by divestments and negative organic growth in Trade and Services, while acquisitions support FY sales growth

Q4, SEKm



2023, SEKm



Note: Organic base includes acquisitions completed prior to start of actual rolling 12M period..

Condensed cash flow, Q4

Focus on cash flow yielding significant results

SEKm	Q4'23	Q4'22	Chg., %	2023
Profit before tax	243	553	-56	1,321
Adjustment for non-cash items	504	419	20	2,057
Income tax paid	20	-6	>100	-814
Change in WC	692	306	>100	798
Cash flow from operating activities	1,459	1,272	15	3,361
Net investments in non-current assets	-169	-210	-19	-574
Acquisitions & divestments	-60	-371	-84	-392
Cash flow from investing activities	-229	-581	-61	-965
Cash flow from financing activities	-1,065	-811	31	-3,879
Cash flow for the period	165	-119	n/a	-1,483
Cash at the beginning of the period	1,421	3,159	-55	3,022
Cash at the end of the period	1,560	3,022	-48	1,560
Financial KPIs	Q4'23	Q4'22	Chg., %	
Adjusted cash conversion, % (LTM)	104	59	45pp	
Total available liquidity, SEKm	8,132	10,022	-19	

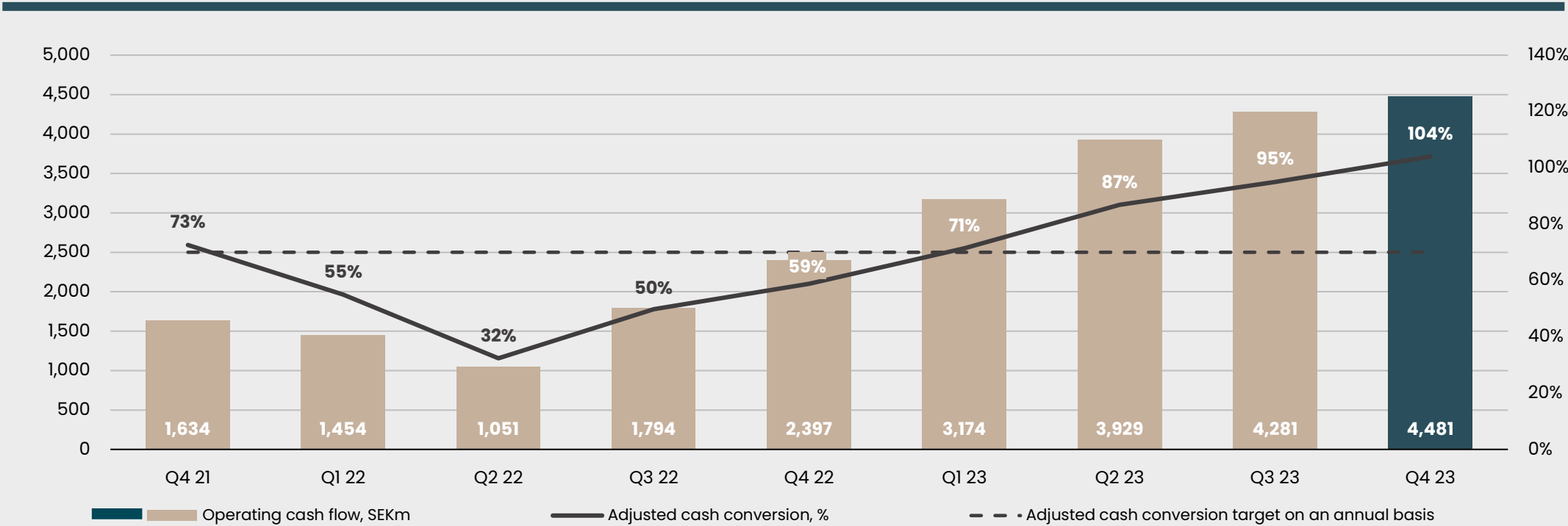
COMMENTS

- **Change in WC:** SEK 692m (306) in Q4, thanks to significant reduction in inventories and receivables
- **Cash flow from operating activities** of SEK 1,459m (after interest and tax)
- **Capex/sales** in Q4 of 1.9% (2.0)
- **M&A net:** SEK -60m (-371)
 - Acquisitions paid: SEK -71m
 - Bought and sold minorities: SEK -104m
 - Earn-outs paid: SEK -3m
 - Divestment proceeds: SEK +118m
- **Cash flow from financing:** SEK -1,065m
 - Change in loans: SEK -911m
 - Leasing and other: SEK -148m
- **Cash conversion:**
 - LTM: 104% (59), well above target of >70%
 - Q4: 154% (109)
- **Total available liquidity** of SEK 8,132m
 - Cash: SEK 1,560m
 - Unutilised credit facilities: SEK 6,572m

Operating cash flow and cash conversion

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

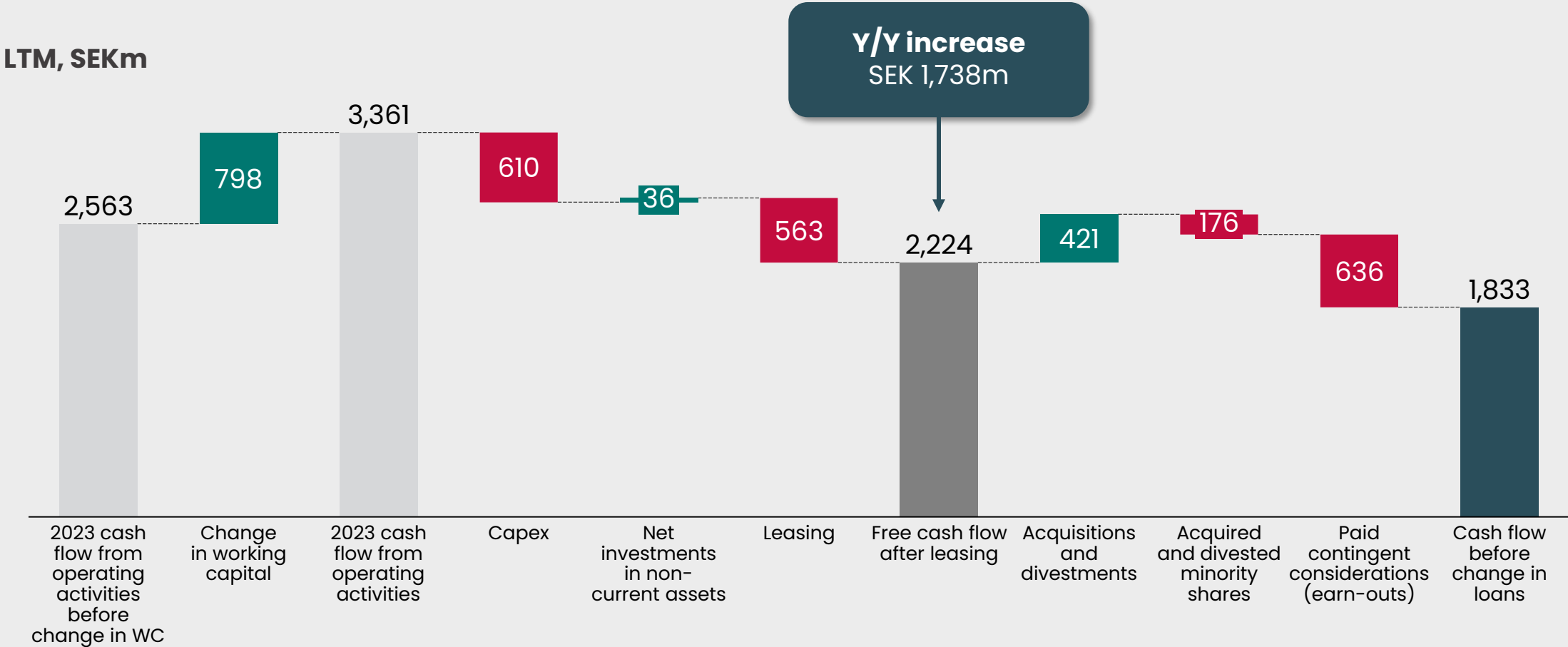
Operating cash flow¹ (LTM)



¹ Defined as adjusted EBITDA – change in NWC – capex

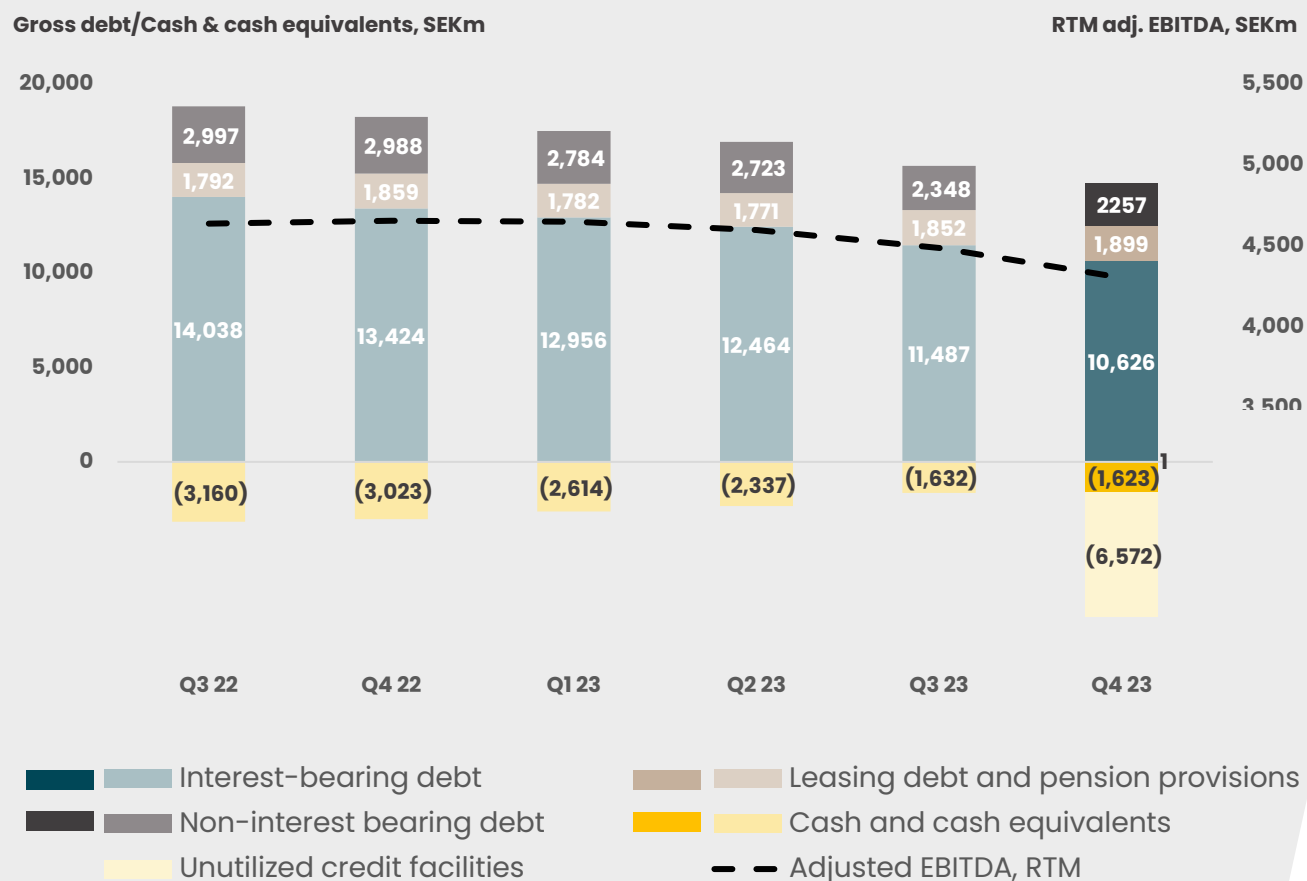
Cash flow bridge, FY 2023

Significant full-year improvement in free cash flow after capex and leasing



Total debt and leverage

Strong cash flows have enabled significant debt reduction, gross and net, during the year



COMMENTS

- **Total debt**
 - Q4: SEK -906m
 - 2023: SEK -3,489m
- **Total interest-bearing debt** (incl. leasing)
 - Q4: SEK -814m
 - 2023: SEK -2,759m
- **Non-interest-bearing debt**
 - Q4: SEK -91m
 - 2023: SEK -731m
- **Interest-bearing net debt**
 - Q4: SEK -804m
 - 2023: SEK -1,358m
- **Leverage ratio²** of 2.5x, which is within the target range (2-3x)

¹ Includes financial assets amounting to SEK -63m

² defined as interest-bearing net debt / adjusted RTM EBITDA

Condensed balance sheet

Debt significantly reduced in 2023

SEKm	Dec'23	Dec'22	Chg., %
Total non-current assets	30,597	30,369	-2
Total current assets	13,572	16,389	-17
Total assets	44,169	47,482	-7
Total equity	20,437	19,628	4
Interest-bearing non-current liabilities	10,080	13,224	-24
Non-current lease liabilities	1,222	1,229	-1
Non-interest-bearing non-current liabilities	1,814	2,343	-23
Total non-current liabilities	15,248	18,954	-20
Interest-bearing current liabilities	546	200	>100
Current lease liabilities	430	425	1
Non-interest-bearing current liabilities	5,238	5,713	-8
Total current liabilities	8,484	8,901	-5
Total equity and liabilities	44,169	47,482	-7

Financial KPIs	Dec'23	Dec'22	Chg., %
Leverage ratio ¹ , x	2.5	2.6	-4
Equity/assets ratio, %	46	41	5pp

COMMENTS

- **Balance sheet** 7% lighter at SEK 44bn
 - Divestments
 - Working capital reduction
 - Debt reduction
- **Equity/asset ratio** increased to 46% (41%)
- **Leverage ratio** lowered to 2.5x
- **RTM Adj. EBITDA**² of SEK 4,305m (4,658)

Key takeaways

Weak quarter but solid FY with delivery on strategic priorities

- ✔ Efforts to improve cash flow have yielded strong results across all business areas
- ✔ Significantly reduced debt
- ✔ Continued focus on cost control due to margin pressure in Q4
- ✔ Priorities unchanged given short-term uncertainty with a gradual shift towards initiatives driving organic growth



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 36.0bn and Adj. EBITA of SEK 3.2bn, split across three business areas and 14 verticals

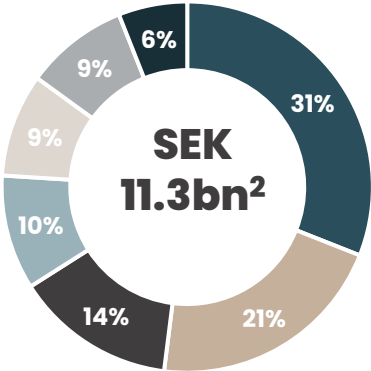


Services


Peter Ahlgren

NO. OF BUSINESS UNITS¹
58

NO. OF EMPLOYEES
>4,300



Vertical	Share (%)
Installation	31%
Infrastructure	21%
Engineering Services	14%
Logistics	10%
Contracting Services	9%
HR and Competence	9%
Digital Services	6%

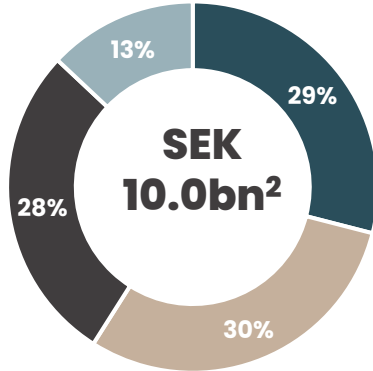


Trade


Christer Hansson

NO. OF BUSINESS UNITS¹
32

NO. OF EMPLOYEES
>2,400



Vertical	Share (%)
Home and Living	29%
Niche Businesses	30%
Health and Beauty	28%
Sports, Clothing and Accessories	13%

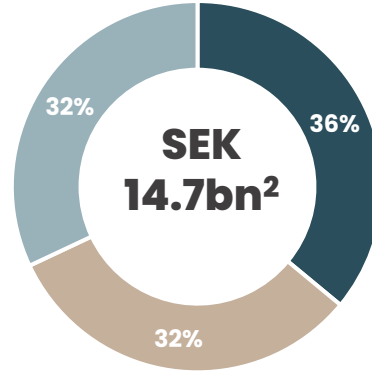


Industry

Fredrik Bergegård

NO. OF BUSINESS UNITS¹
39

NO. OF EMPLOYEES
>5,100

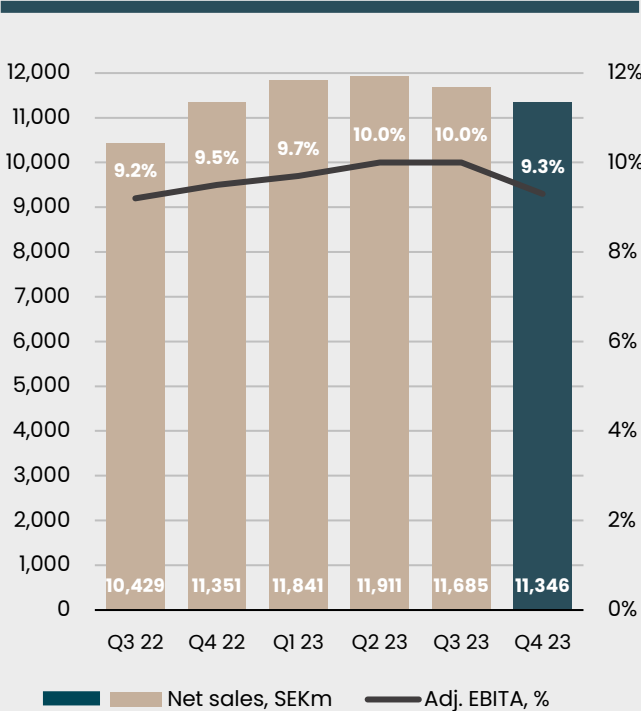


Vertical	Share (%)
Industrial Technology	36%
Automation	32%
Products	32%

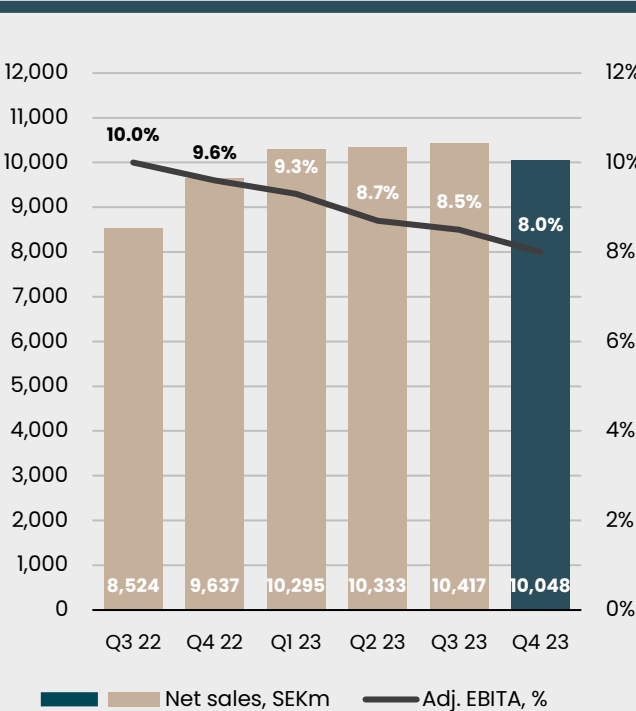
Financial development per segment

Industry stabilising as demand has normalised. Continued margin pressure in Trade, and soft Q4 in Services

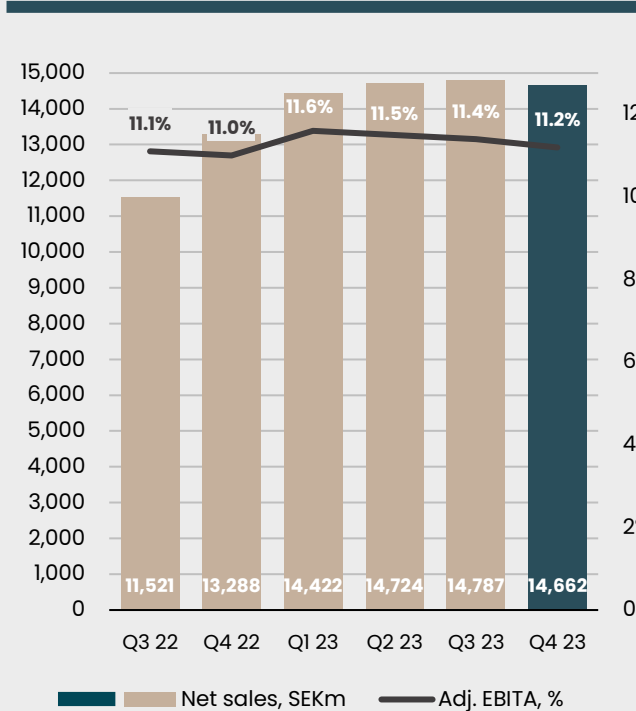
Services



Trade



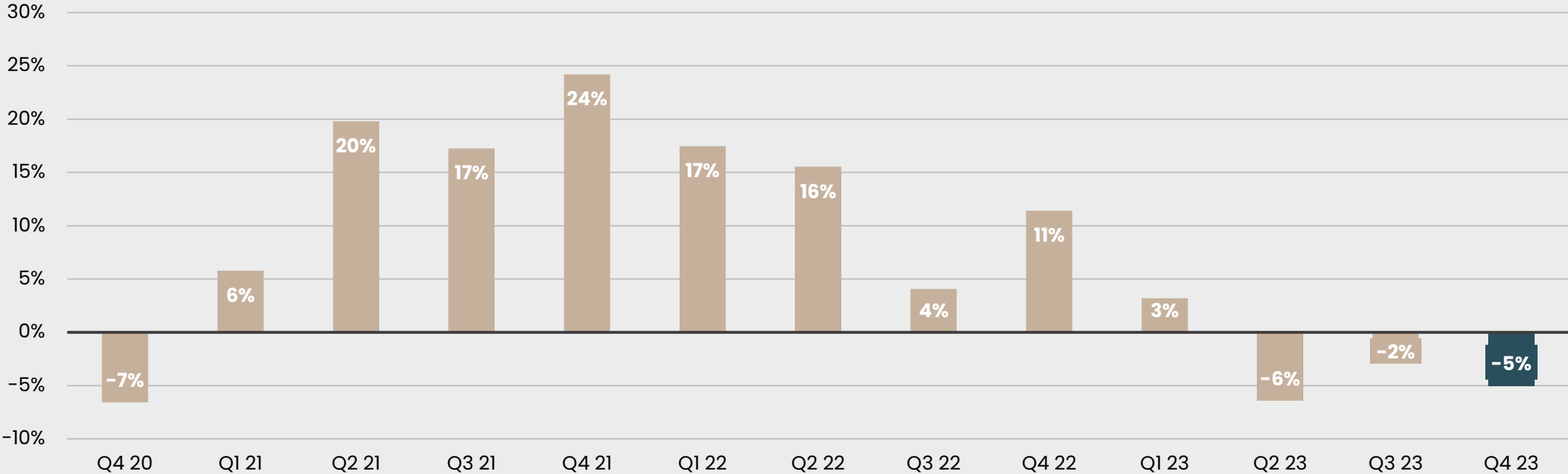
Industry



Organic sales growth

Organic sales growth in negative territory, primarily driven by Trade

Organic growth (QTD¹)

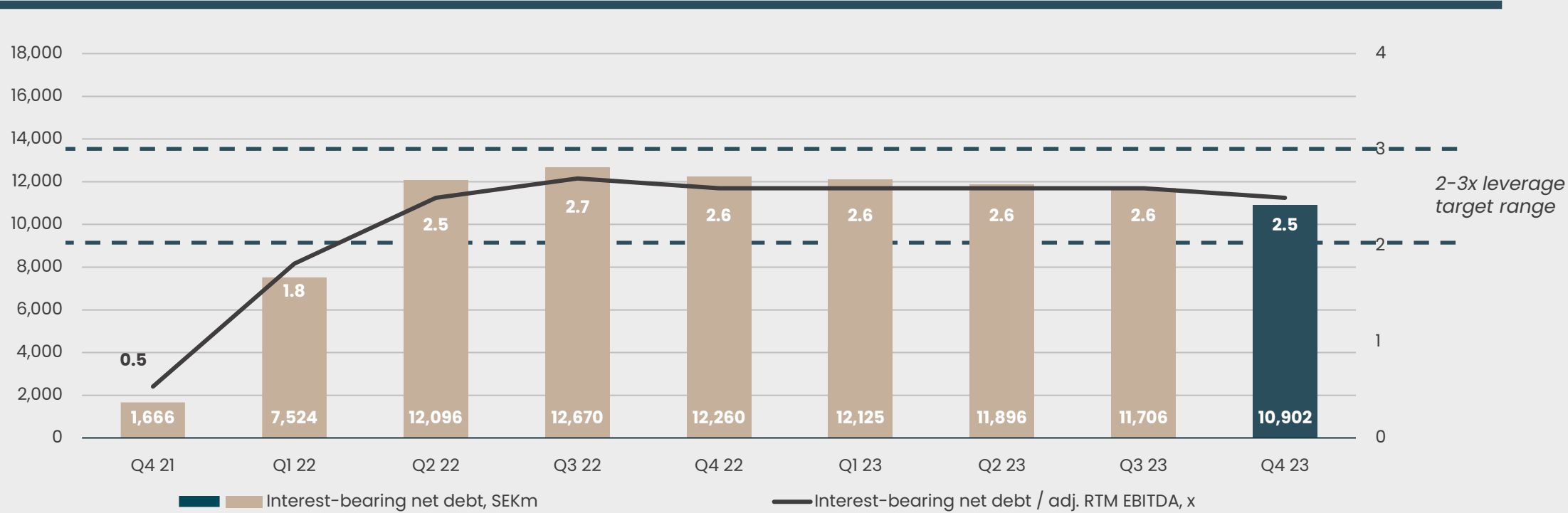


¹ Comparable sample based on portfolio companies owned as of January last year, i.e. the same sample as organic FY data

Net debt and leverage

Significant debt reduction in 2023, and leverage ratio lowered to 2.5x in Q4. 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: Real GDP growth + 1–2 percentage points	Adjusted EBITA growth including acquisitions: In line with historical levels	Adjusted EBITA margin (over time): 10%	Adjusted cash conversion on an annual basis: >70%	Interest-bearing net debt / RTM adjusted EBITDA: 2.0–3.0x
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OUTCOME

-13% (YTD)	3% (YTD)	9.0% (LTM)	104% (LTM)	2.5x (RTM)
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