

Storskogen Q1 2022

TODAY'S PRESENTERS



Daniel Kaplan

CEO and
co-founder



Lena Glader

CFO

May 2022

Agenda

- 1. Storskogen in brief**
2. Q1 highlights
3. Financial performance
4. Focus – Trade business area
5. Key takeaways
6. 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 32.7bn

in annual
RTM net sales¹

SEK 3.6bn

in annual
adj. RTM EBITA¹

Storskogen in brief

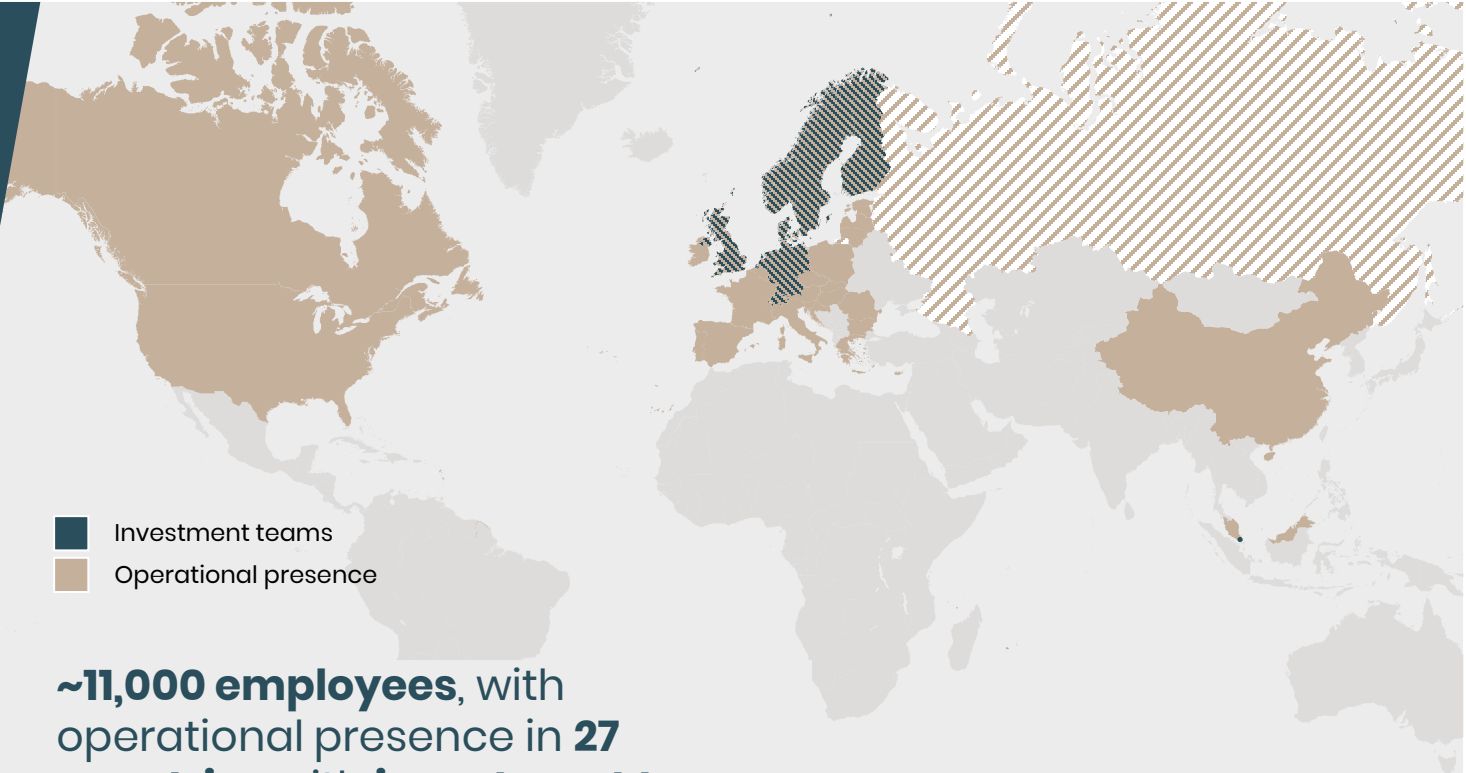
An international compounder with an infinite ownership agenda and a vision to be the best owner of small and-medium sized companies

SEK 32.7bn

in annual RTM net sales¹

SEK 3.6bn

in annual adj. RTM EBITA¹



■ Investment teams
■ Operational presence

~11,000 employees, with operational presence in **27 countries** with **investment teams** in **8 countries**




of investment professionals²

¹ As of 17th of May 2022. Including completed and signed yet to be completed acquisitions ² Headcount excluding support functions

Storskogen in brief

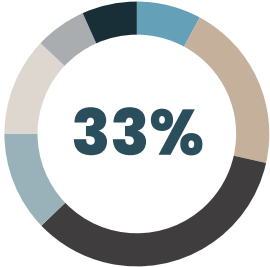
Highly diversified business split across three business areas, 14 verticals and 122 business units



Services
Peter Ahlgren

NO. OF BUSINESS UNITS
58

NO. OF EMPLOYEES
>4,900



33%

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



Trade
Christer Hansson


NO. OF BUSINESS UNITS
29

NO. OF EMPLOYEES
>1,600



28%

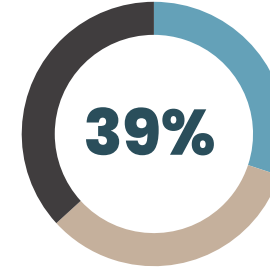
- Home and Living
- Niche Businesses
- Health and Beauty
- Sport, Clothing & Accessories



Industry
Fredrik Bergegård

NO. OF BUSINESS UNITS
35

NO. OF EMPLOYEES
>4,300



39%

- Automation
- Industrial Technology
- Products

Overview of financial targets

TARGETS IN THE MEDIUM TERM

Organic EBITA growth: Real GDP growth + 1-2 percentage points	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 / adjusted RTM EBITDA: 2.0-3.0x
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OUTCOME

7% (Q1)	109% (Q1)	9.2% (LTM)	55% (LTM)	1.8x (RTM)
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Q1 2022 highlights

Significant growth further reduces risk and strengthens the strategic platform

NET SALES:

SEK 6,938m
(+140%¹)

ORGANIC NET SALES GROWTH:

17%

ADJUSTED EBITA:

SEK 568m
(+109%¹)

ORGANIC EBITA GROWTH:

7%

ADJUSTED EBITA MARGIN:

8.2%
(9.4%²)

Key events

- A total of 25 acquisitions were completed, of which 8 add-ons, with combined net sales of SEK 4,444m and EBITA of SEK 661m
- Bond tap issue of SEK 1bn
- Short-term credit facility of EUR 500m
- Credit rating from Moody's (Ba1) and S&P (BB+)

Market development

A complex macro environment is creating significant business opportunities in the transaction market

MACRO

- ↑ Fundamentally solid demand in all business areas in Q1
- ↓ Significant supply chain disruptions and material price increases
- ↓ Overall turbulence increased amidst the war in Ukraine

TRANSACTION MARKET

- ↑ High deal flow as a result from internationalisation and organisational expansion
- ↑ Selective approach and improved capital allocation
- ↑ Declining acquisition multiples going forward

Services

Continued acquisitions in a turbulent market

- As of 1 January 2022, Construction and Infrastructure have been divided into two separate verticals
- Sick leave and material price hikes impacted results at the beginning of Q1
- Primarily Installation, Construction and Contracting Services impacted
- Logistics and Digital Services experienced solid demand and low price sensitivity
- Eight new business units of which five are international
- Seven add-on acquisitions completed in Q1
- We anticipate a recovery during the remainder of the year

ACQUISITION: NITRO CONSULT

A market-leading supplier and developer of consulting services for blasting technology, environmental monitoring, and support software in the Nordics. Part of Contracting Services.

NET SALES 2020/2021:

SEK 140m

EBITA MARGIN 2020/2021:

15%

KEY ATTRactions FOR STORSKOGEN

- ✓ Leader within its niche
- ✓ Long heritage
- ✓ Consistently solid margins

Trade

Solid demand and successful establishment of product focused platforms for synergies and acquisitions

- New vertical structure
 - Sports, Clothing and Accessories
 - Health and Beauty
 - Home and Living
 - Niche Businesses
- Fundamentally strong demand limited by delays for products, primarily in Sports, Clothing and Accessories
- Continued high material prices and consequent price increases
- Four new business units acquired

ACQUISITION: 2M2 GROUP

A fast-growing distributor of products for the outdoor living environment, including pots, planters, accessories and seasonal items. Part of Home and Living.

NET SALES 2020:

SEK 147m

EBIT MARGIN 2020:

9%

KEY ATTRactions FOR STORSKOGEN

- ✓ High growth and stable profitability
- ✓ Strong customer relationships
- ✓ Further collaboration within the Home and Living vertical

Industry

Strong performance across all verticals despite pricing challenges

- Strong underlying market during the quarter
- Material price hikes were compensated for through increased prices, but with some delay
- Strong quarter for Automation, Products and Industrial Technology
- Five new business units acquired
- One add-on acquisition
- The beginning of Q2 indicates continued solid demand

ACQUISITION: LNS GROUP

A global market leader within automation peripherals and services based in Orvin, Switzerland. Part of Automation.

NET SALES SEP 2021 (LTM):

SEK 1,694m

EBITA MARGIN SEP 2021 (LTM):

11%

KEY ATTRactions FOR STORSKOGEN

- ✓ Global player in an attractive market segment
- ✓ Track record of solid cash flow and strong margins
- ✓ Significant platform for further international and industry expansion

Portfolio composition

Diverse portfolio composition provides a strategic platform for further growth

VERTICAL'S SHARE OF GROUP NET SALES IN Q1 2022



Services

- Installation Services, 11%
- Infrastructure, 7%
- Engineering Services, 4%
- Logistic Services, 4%
- Contracting Services, 3%
- HR & Competence, 2%
- Digital Services, 2%

Trade

- Home and Living, 12%
- Niche Businesses, 10%
- Health and Beauty, 3%
- Sports, Clothing and Accessories, 3%

Industry

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

COMMENT

- Diversified across many sectors
- Storskogen's 20 largest business units are on average 49 years old
- Limited exposure to highly cyclical sectors such as construction and automotive
- No vertical is larger than 14%

Significant events after the reporting period

18 additional acquisitions and significant pipeline support continued growth with strategic use of equity instruments

12

acquisitions
completed

6

acquisitions
signed

LOIs and preferred
buyer letters with
an annual EBITA of
SEK 577m

Use of equity and
convertibles for
three acquisitions



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Key financial performance Q1 2022

Q1 characterised by growth and seasonality

SEKm	Q1 2022	Q1 2021	Chg., %	LTM Q1 2022	RTM ¹⁾
Net sales	6,938	2,892	140	21,542	29,425
Adj. EBITA	568	271	109	1,984	3,150
Adj. EBITA margin, %	8.2	9.4		9.2	10.7
EPS, SEK	0.13	0.13		0.59	
ROE, %		14.1		8.9	
ROCE, %		10.0		8.9	
Cash flow from operating activities	-184	197		995	
Cash conversion, %	14.7	78.3		55.0	
Interest-bearing net debt / adj. RTM EBITDA, x		1.7		1.8	
Net debt / adj. RTM EBITDA, x		2.2		2.6	

COMMENT

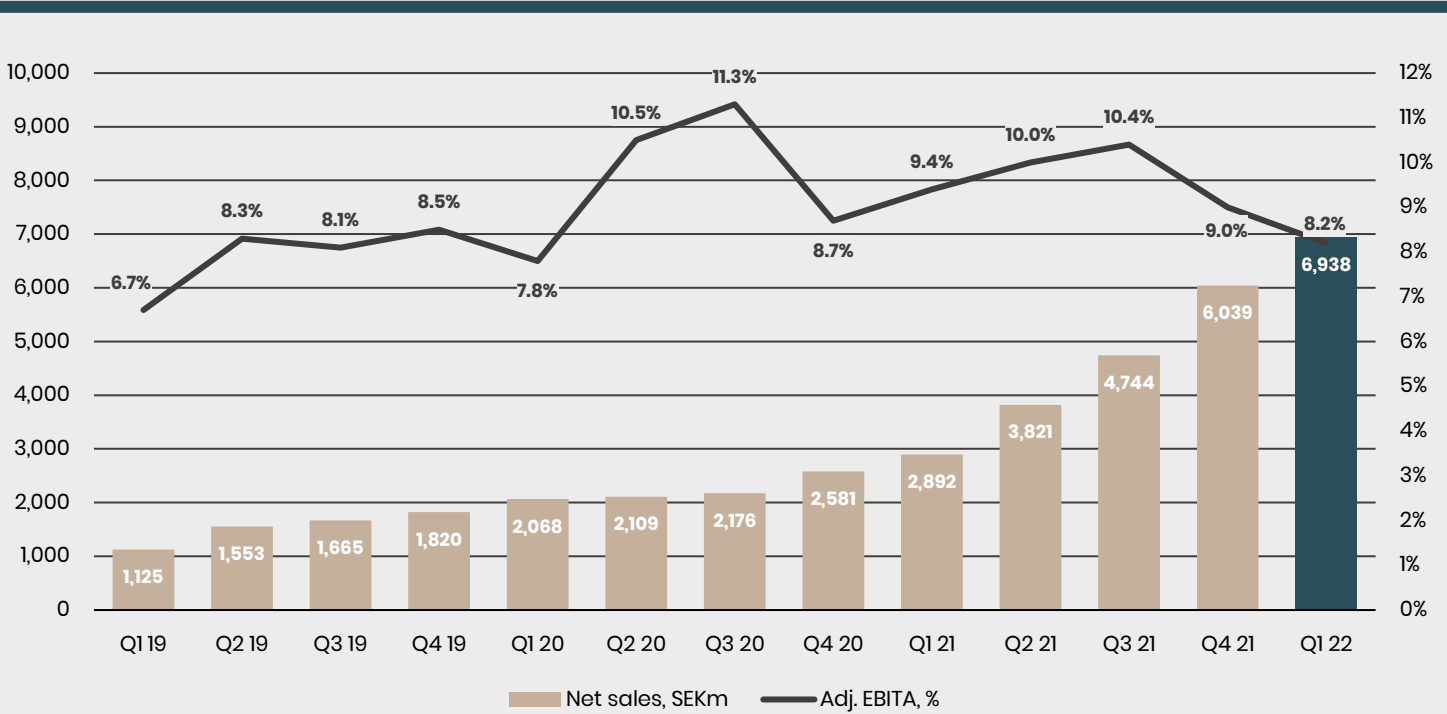
- Organic sales growth of 17% driven by volume and price increases
- Organic EBITA growth of 7%, strongest in Industry
- Higher COGS mainly due to partial lag in pricing. HQ costs unchanged from Q4, transaction costs significantly lower
- EPS unchanged, diluted by share issues and affected by FX in financial net (SEK 0.15 excluding FX)
- ROE and ROCE of 9% diluted by growth and share issues

Net sales and EBITA margin

Profitability-accretive acquisitions and operational improvements expected to recover margins in the coming quarters

COMMENT

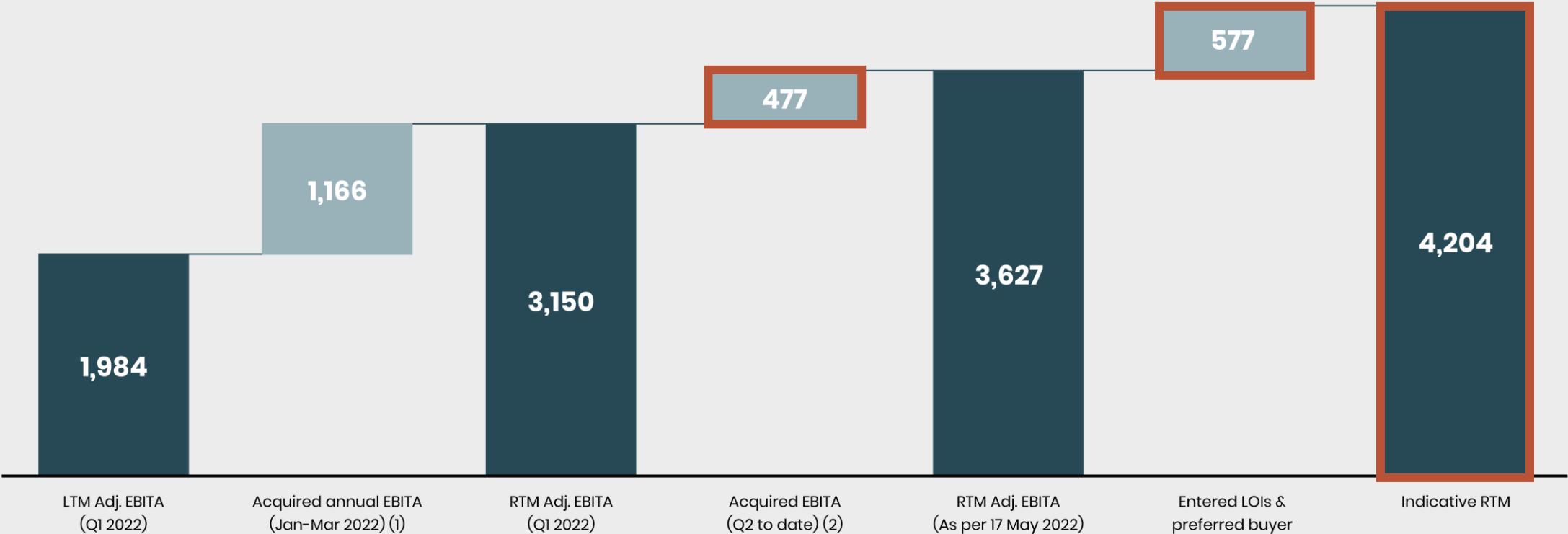
- Strong sales growth driven by acquisitions and organic growth
- Recent acquisitions and pipeline with higher margins expected to improve profitability in the near term



Illustrative EBITA growth bridge – pro forma

RTM EBITA of SEK 3.6bn today and additional pipeline of SEK 0.6bn

 Illustrative; numbers based on latest annual financials

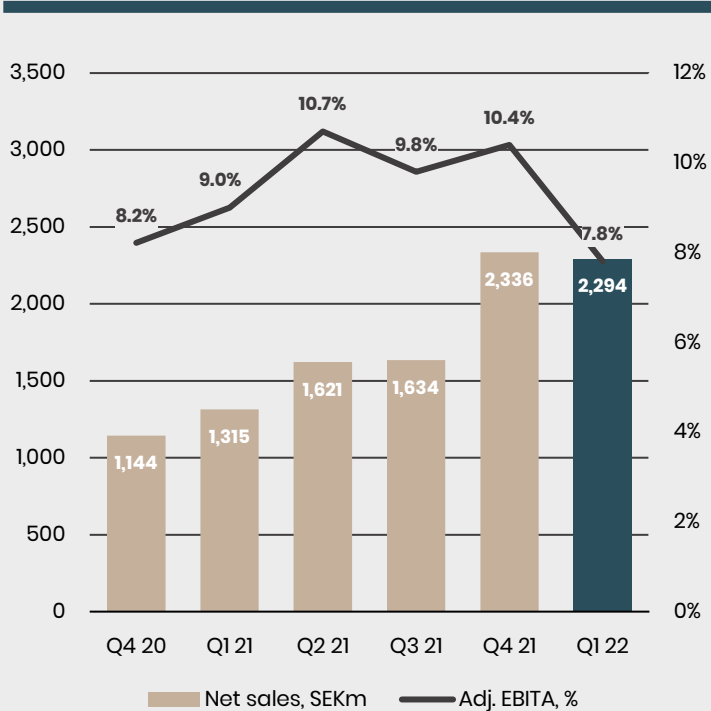


¹ Includes acquisitions completed as per 31 March 2022 ² Includes acquisitions after the end of the reporting period and acquisitions signed but not yet closed

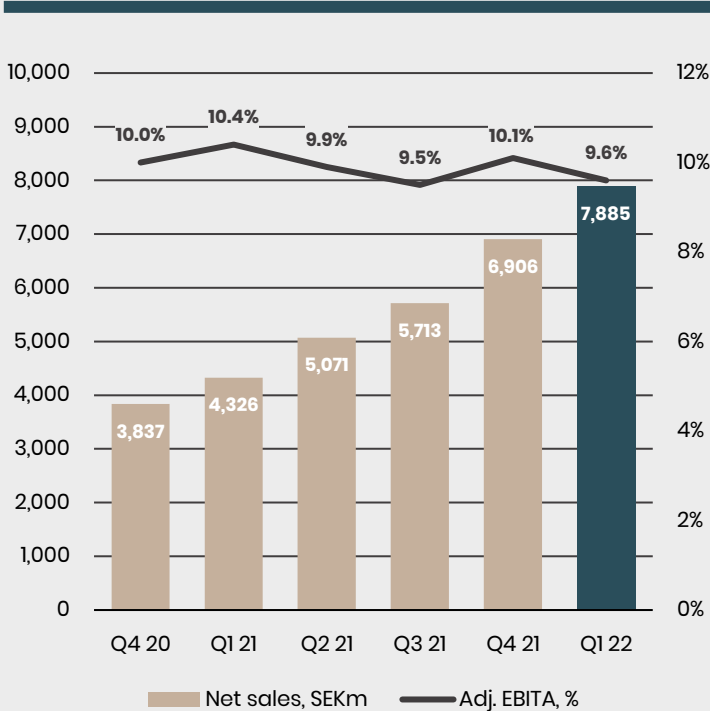
Financial development – Services

Weaker Q1 2022 but stable margins around 10% over time

NET SALES AND ADJ. EBITA MARGIN (Q)



NET SALES AND ADJ. EBITA MARGIN (LTM)



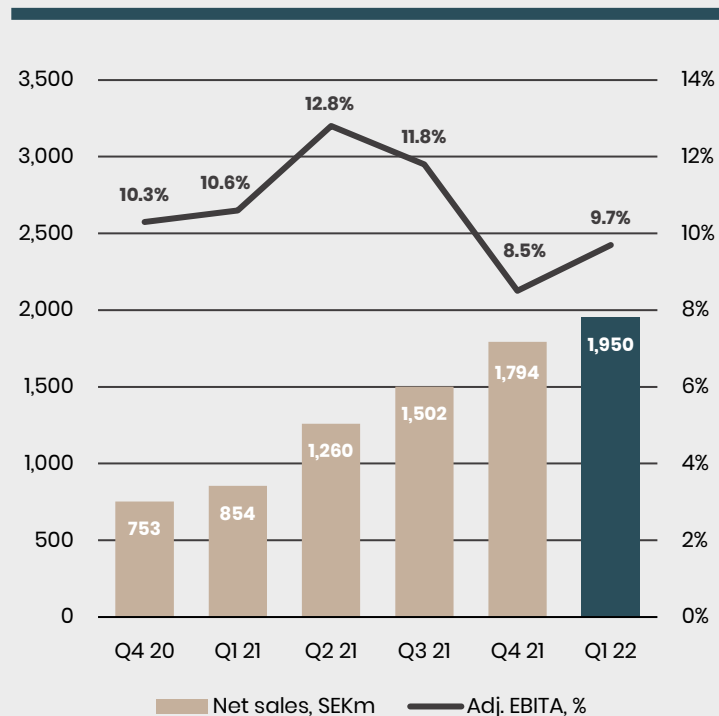
COMMENTS

- Organic sales growth of 14%, organic EBITA growth of -2%
- Sales and EBITA impacted by Covid-19 in Jan-Feb but recovery in March
- LTM margins stable around 10%
- Combination of cyclical and counter-cyclical verticals means less volatility over time

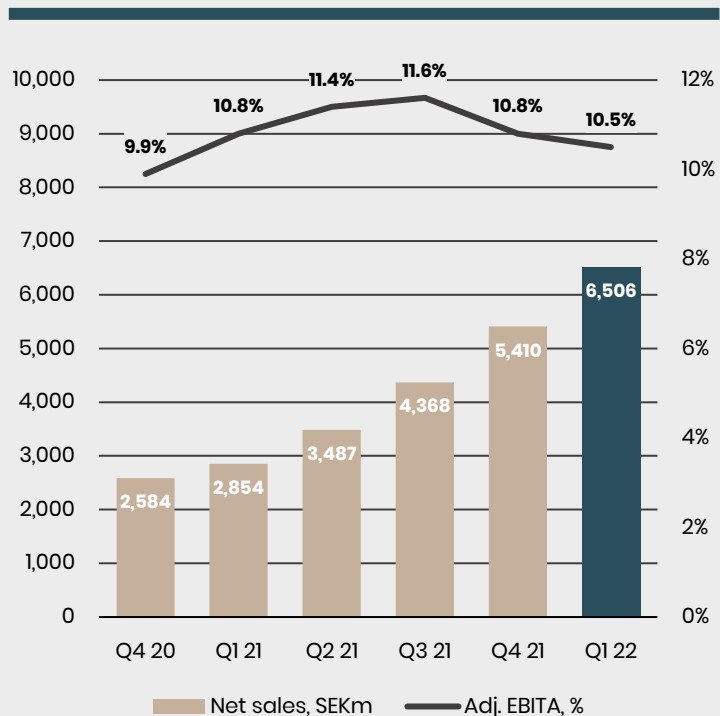
Financial development – Trade

Sequentially improved margins and LTM above 10%

NET SALES AND ADJ. EBITA MARGIN (Q)



NET SALES AND ADJ. EBITA MARGIN (LTM)



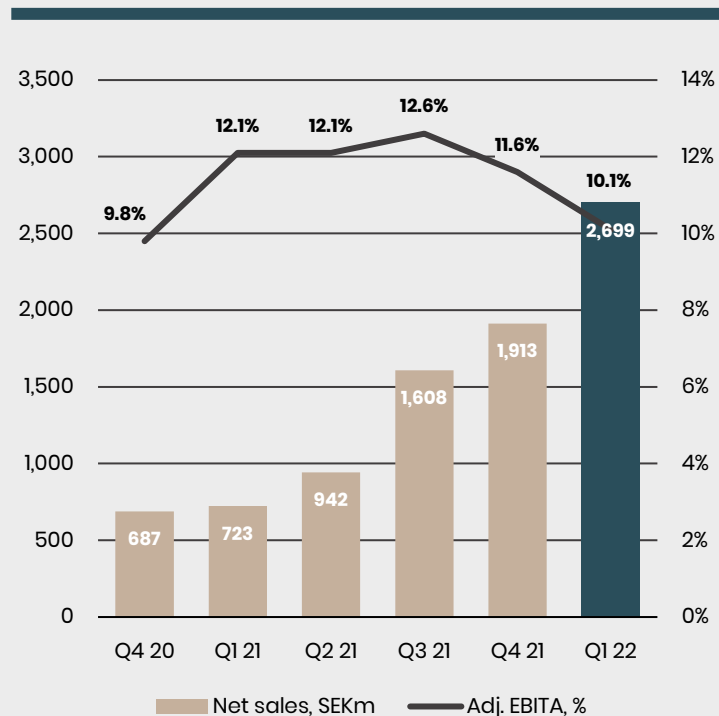
COMMENTS

- Organic sales growth of 20%, organic EBITA growth of 0%
- Strong demand and successful price increases, with some delay
- Supply chains remain challenging

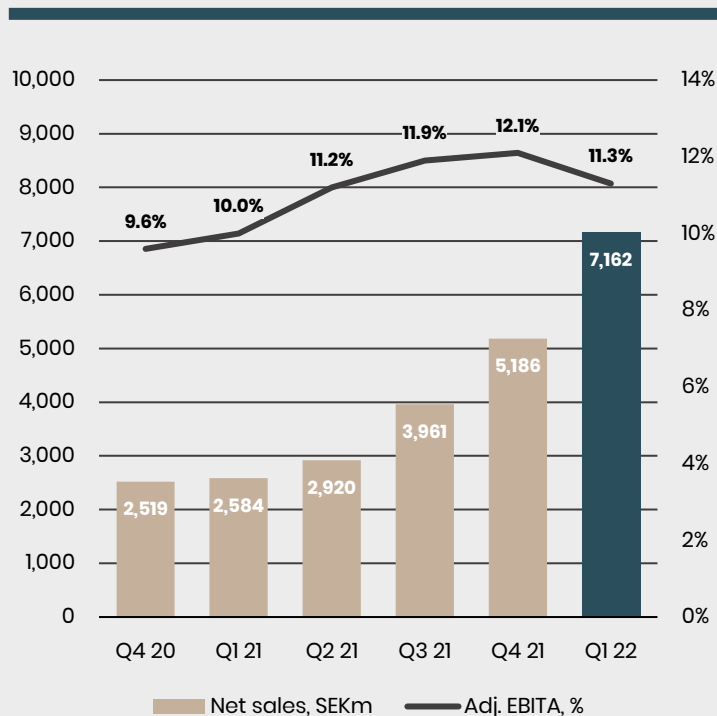
Financial development – Industry

Lower margin quarter-on-quarter, but LTM above 11%

NET SALES AND ADJ. EBITA MARGIN (Q)



NET SALES AND ADJ. EBITA MARGIN (LTM)

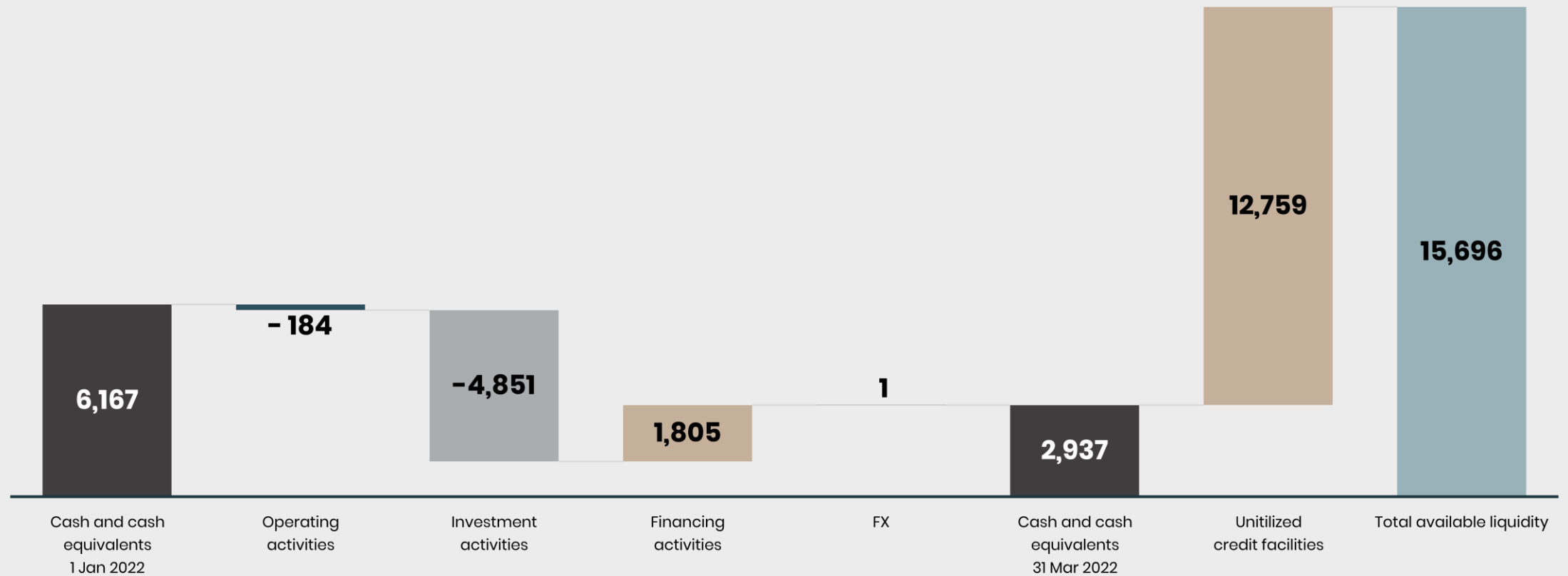


COMMENTS

- Organic sales growth of 20%, organic EBITA growth of 26%
- Significantly higher COGS but largely offset by price increases, with some delay
- Strong demand and order books going into Q2
- Updated vertical classification for three companies

Liquidity bridge

Solid cash position and cash availability for further growth

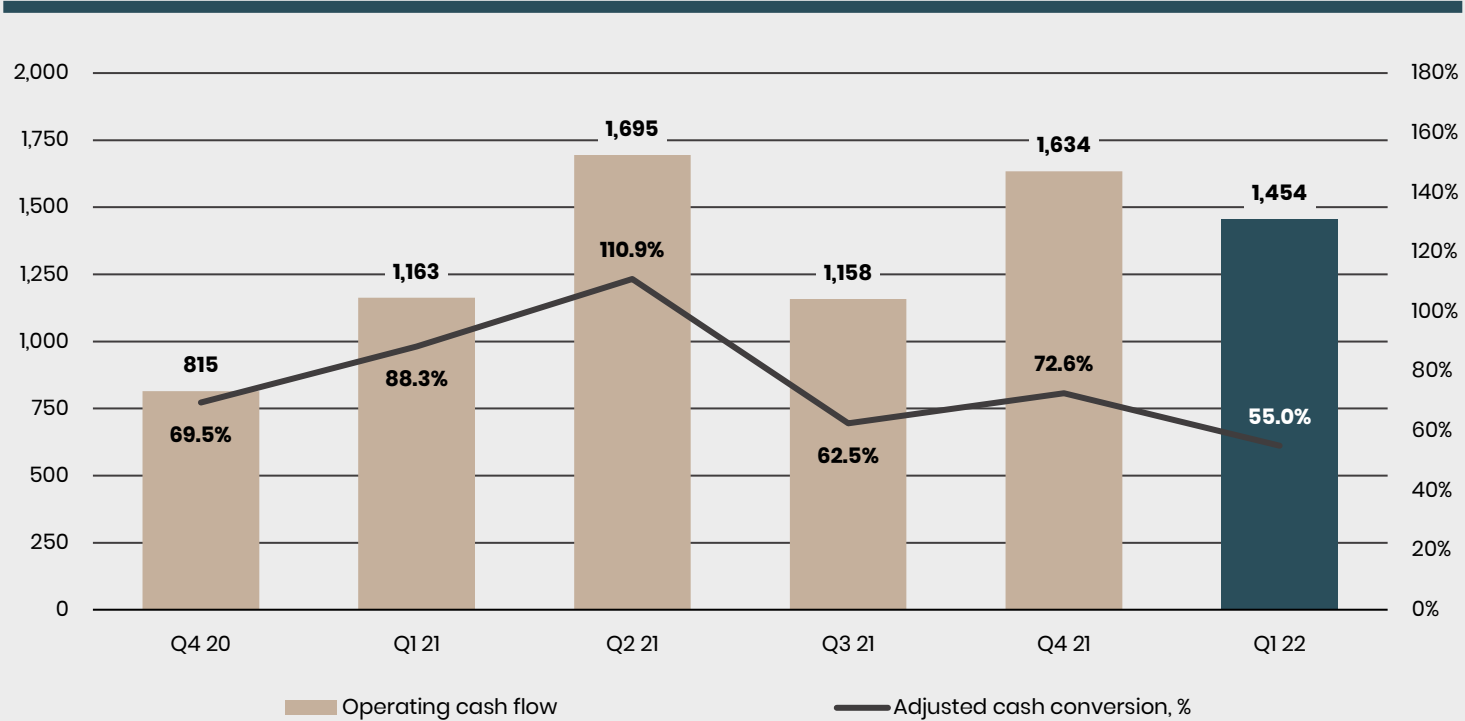


Operating cash flow and cash conversion

Higher prices, strong sales and strategically high inventory impacted cash flow in Q1

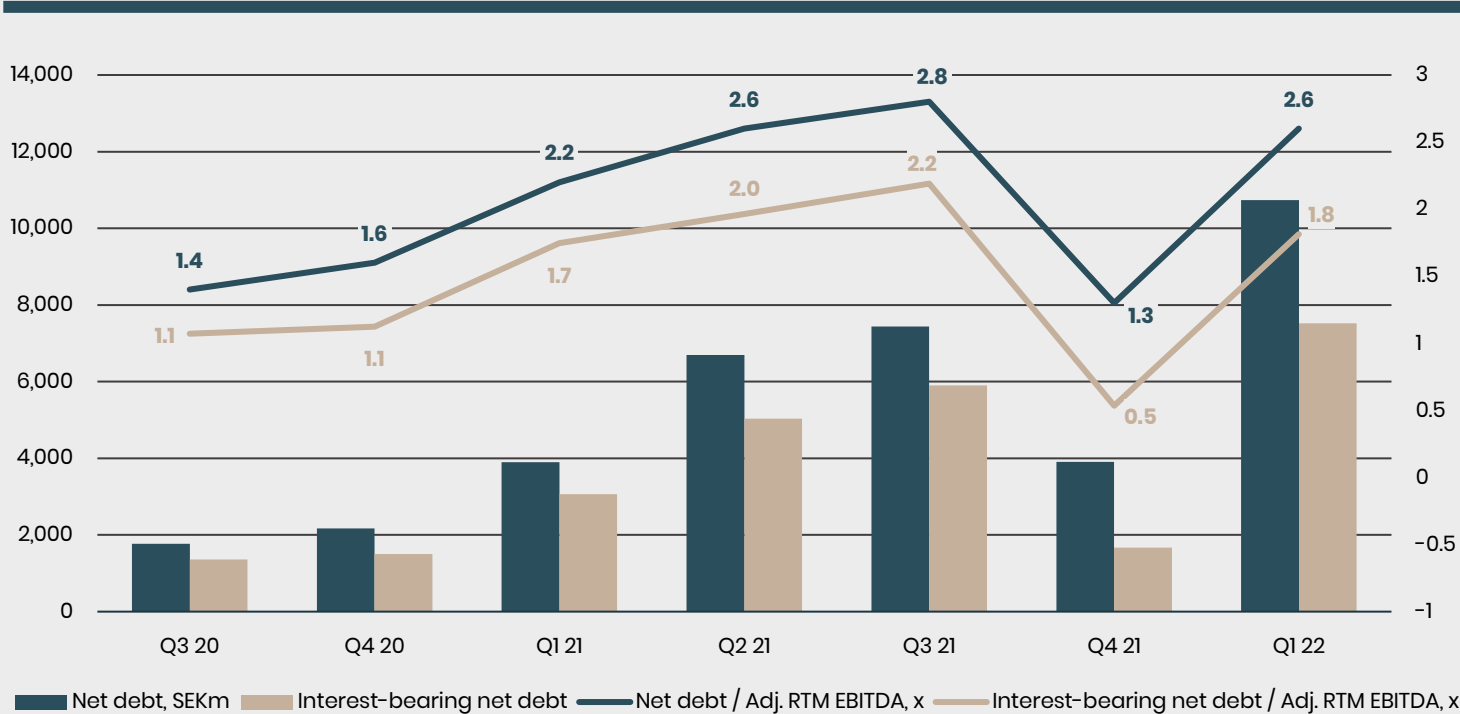
COMMENTS

- Inventory levels continued to be above normal, also inflated by price increases
- Receivables significantly higher due to strong sales in March at higher prices
- Paid taxes higher due to acquisitions and previous years' Covid-related deferred payments
- Capex/sales of 1.6% in Q1



Net debt and leverage

Leverage of 1.8x means comfortable financial headroom



COMMENTS

- Interest-bearing net debt of SEK 7.5bn, excluding earn-outs and minority options
- Interest-bearing leverage of 1.8x (reflects definition in loan terms), below target of 2-3x
- Credit ratings, SEK bond and back-up facility secure available funds



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Christer Hansson, EVP and Head of Trade



New Trade verticals

Business area Trade have changed the verticals from a business model division to focusing on product types or product areas





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Key takeaways

Adjusted EBITA growth of 109% with an organic EBITA growth of 7%

- ✓ The first quarter was characterised by growth and seasonality
- ✓ Significant growth further reduces risk and strengthens the strategic platform
- ✓ A complex macro environment is creating significant business opportunities in the transaction market
- ✓ Comfortable financial headroom



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Q&A

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