

# Storskogen Q4 2022

## TODAY'S PRESENTERS



**Daniel Kaplan**

CEO




**Lena Glader**

CFO

February 2022

# Storskogen in brief

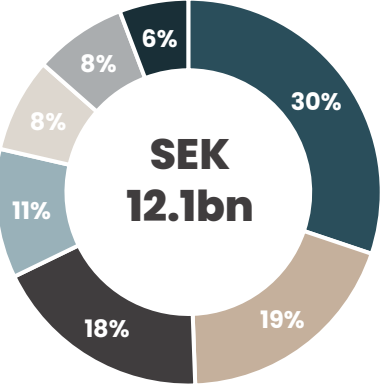
Storskogen is an international group of businesses with annual RTM net sales of SEK 37.4bn and EBITA of SEK 3.5bn, split across three business areas and 14 verticals




**Services**  
Peter Ahlgren

NO. OF BUSINESS UNITS  
**62**

NO. OF EMPLOYEES  
**>5,100**



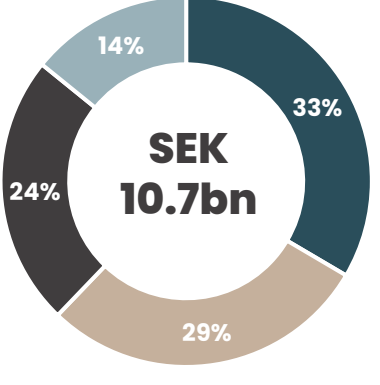
- Installation
- Infrastructure
- Engineering Services
- Logistics
- HR and Competence
- Contracting Services
- Digital Services




**Trade**  
Christer Hansson

NO. OF BUSINESS UNITS  
**35**

NO. OF EMPLOYEES  
**>2,400**



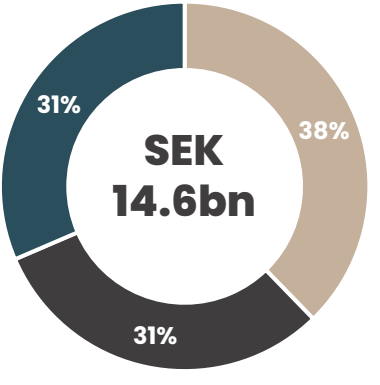
- Home and Living
- Niche Businesses
- Health and Beauty
- Sports, Clothing and Accessories



**Industry**  
Fredrik Bergegård

NO. OF BUSINESS UNITS  
**39**

NO. OF EMPLOYEES  
**>5,300**



- Industrial Technology
- Automation
- Products

# Q4 2022 highlights

Good performance with strong sales and cash flow in a challenging environment

NET SALES:

**SEK 9,836m**  
(+63%<sup>1</sup>)

ORGANIC NET SALES GROWTH FY 22:

**12%**  
(17%<sup>2</sup>)

ADJUSTED EBITA:

**SEK 927m**  
(+71%<sup>1</sup>)

ORGANIC EBITA GROWTH FY 22:

**-6%**  
(36%<sup>2</sup>)

ADJUSTED EBITA MARGIN:

**9.4%**  
(9.0%<sup>3</sup>)

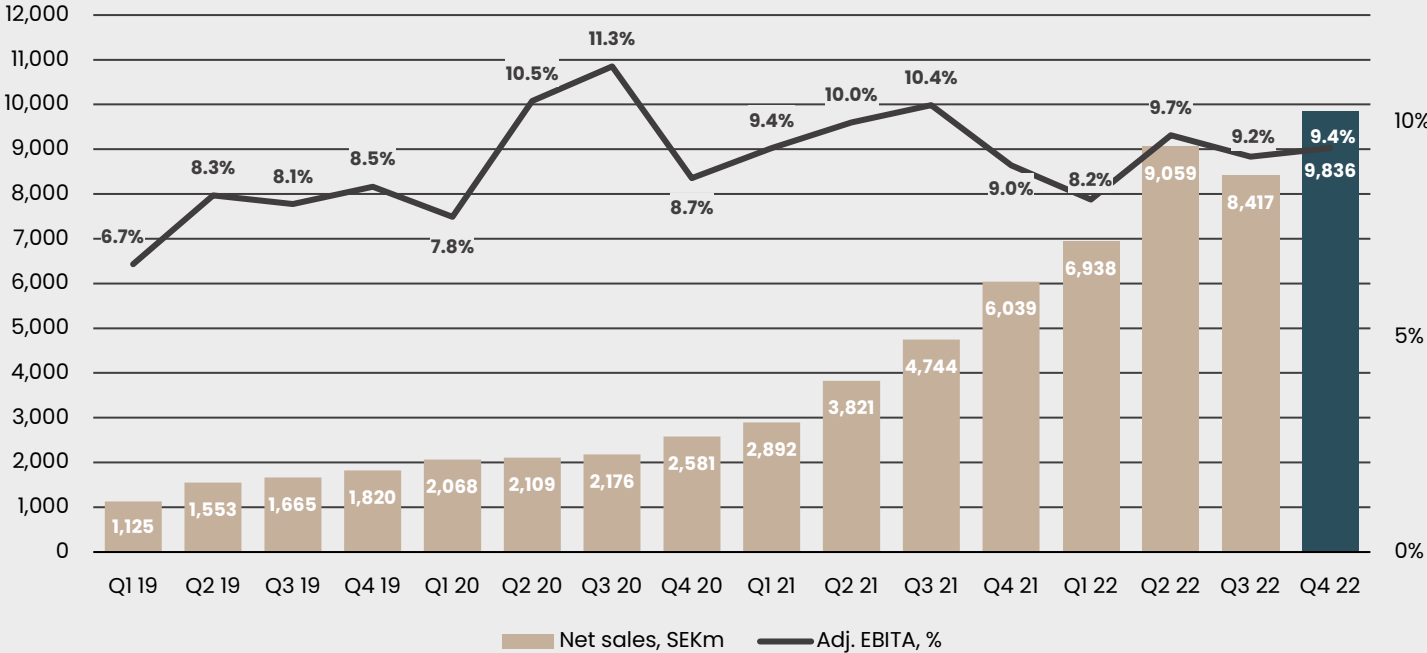
## KEY EVENTS

- Good finish to a challenging year, with full year turnover almost doubling
- Strategic focus remains on operational excellence, cashflow and strengthening the balance sheet
- Strong Q4 cash flow of SEK 1.3bn
- Interest-bearing net debt/EBITDA reduced to 2.6x (2.7x in Q3 2022), interest-bearing net debt reduced by SEK 410m
- Five acquisitions completed with combined net sales of SEK 446m
- Events since the reporting period:
  - The board has proposed a dividend of SEK 0.08 (0.07) per share
  - Three add-on acquisitions were completed with a combined EBITA of SEK 16m

# Net sales and EBITA margin

Continued good demand and an increase in profitability despite a challenging inflation environment and the weak Swedish currency

## Financial development



## COMMENT

- Sales growth driven by acquisitions as well as underlying growth in volumes and prices
- Underlying EBITA margin held up well, but was negatively impacted by price inflation and currency headwinds
- Margins were protected by price adjustments, productivity measures and generally solid demand

# 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
- ↓ Weak Swedish currency and weakening demand in certain consumer-facing industries and companies early in the construction cycle
- The first quarter is seasonally weaker than the fourth quarter. Macro outlook for 2023 is uncertain

## TRANSACTION MARKET and M&A

- ↓ General slowdown in the market
- ↑ Signs of decreasing multiples in several segments
- ↓ Longer deal processes due to differing price expectations between buyers and sellers
- 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

## 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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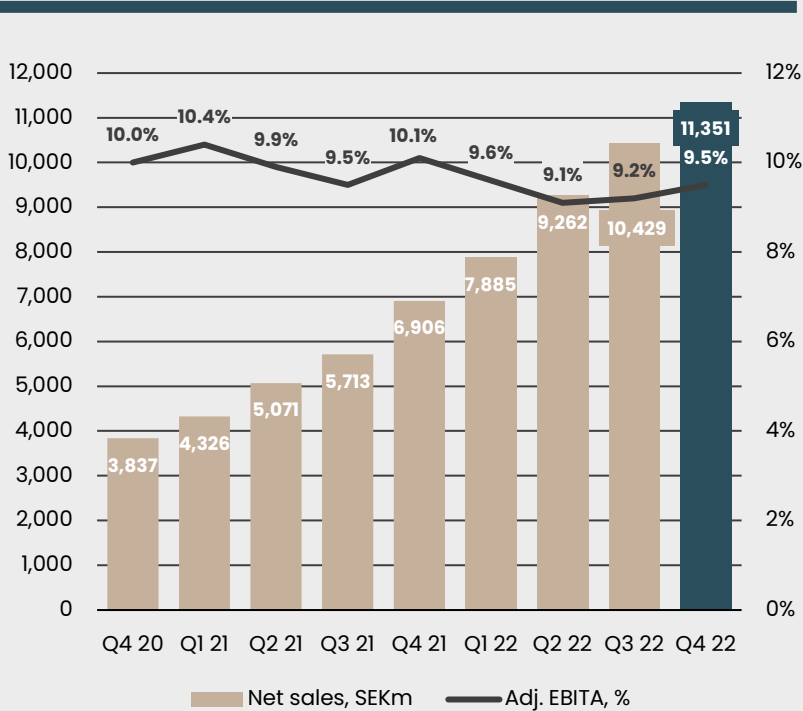
## OUTCOME

<b>-6.1%</b> (FY)	<b>86%</b> (FY)	<b>9.2%</b> (LTM)	<b>59%</b> (LTM)	<b>2.6x</b> (RTM)
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# Services

Good sales growth, +39% in Q4 2022, with a positive margin development

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



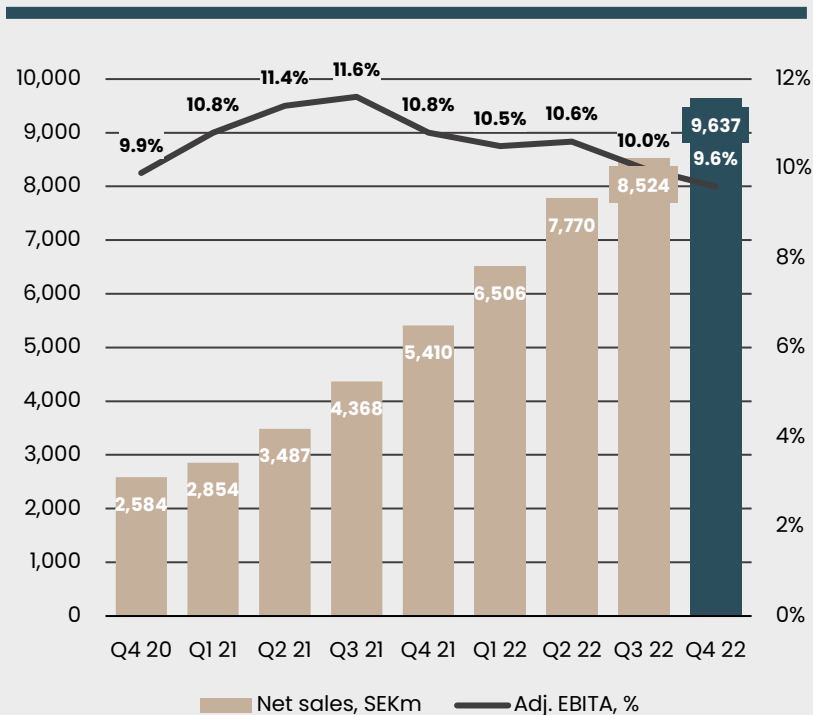
## COMMENTS

- Organic sales growth of 14% (FY), organic EBITA growth of -5% (FY)
- Seasonally strong quarter with solid demand and generally good capacity utilisation
- Logistics, Digital Services and Infrastructure performed well and contributed to improved profitability
- Fully implemented price increases in combination with easing supply chains disruptions and stabilising material prices resulted in a positive margin development
- Q1 is seasonally weaker. Outlook for Installation is good while Logistics is expecting somewhat weaker demand
- Two add-on acquisitions were completed in Sweden and Finland (Installation and Digital Services). One divestment in Installation

# Trade

Strong sales growth, +62% in Q4 2022, lower margin due to FX headwinds and cost inflation

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



## COMMENTS

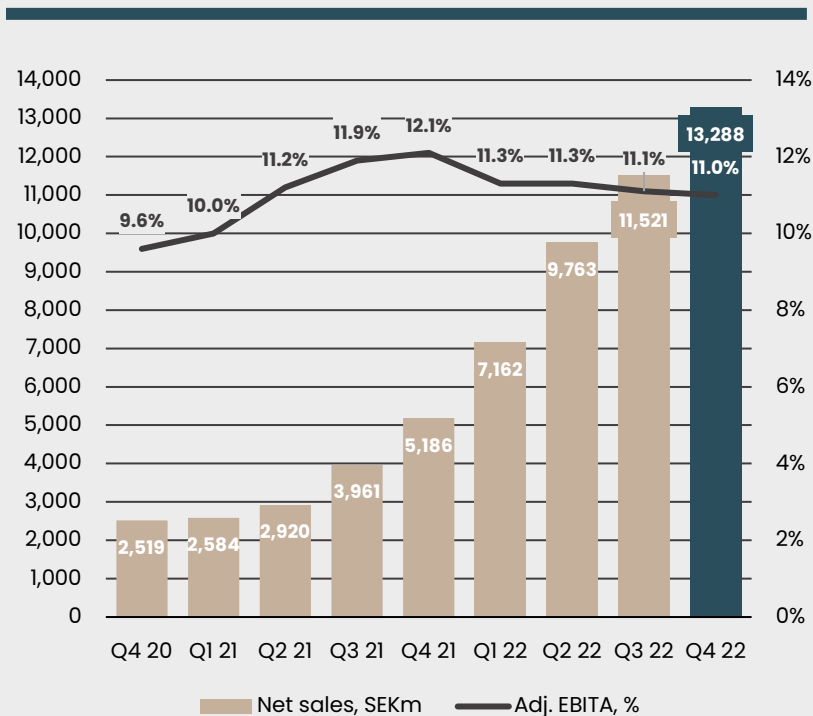
- Organic sales growth of 10% (FY), organic EBITA growth of -14% (FY)
- Continued dampened demand within consumer-related durable goods and e-commerce. Good demand in the Niche Businesses vertical with B2B customers
- Margin squeeze due to currency headwinds and cost inflation, partially offset by price increases
- Inventory levels decreased
- Continued tough market for consumer durables, expected stable demand for less cyclical verticals
- One add-on acquisition was completed in Norway (Health and Beauty). One divestment is signed in Niche Businesses



# Industry

Strong sales growth, +92% in Q4 2022, with steady margins above 11%

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



## COMMENTS

- Organic sales growth of 11% (FY), organic EBITA growth of 1% (FY)
- Strong underlying market with good demand and order books, somewhat decreased order inflow
- Automation and Industrial Technology experienced solid demand, while consumer-facing companies in Products encountered a weaker market
- Steady margin Q/Q. Price increases and improved productivity compensated for cost inflation
- Reshoring trend and demand for automation solutions support positive market sentiment, albeit with low visibility during 2023
- One acquisition was completed in Singapore (Automation)

# Key financial performance, Q4 2022

Adj. EBITA margin improved vs. Q4 2021. Price increases and cost efficiency partly offset cost inflation and currency headwinds.

SEKm	Q4 2022	Q4 2021	Chg., %	FY 2022	RTM <sup>1)</sup>
Net sales	9,836	6,039	63	34,250	37,371
Adj. EBITA	927	542	71	3,143	3,491
Adj. EBITA margin, %	9.4	9.0	-	9.2	9.3
EPS, SEK	0.22	0.13	73	0.86	-
ROE (LTM), %	8.8	10.4	-	8.8	-
ROCE (LTM), %	10.1	9.1	-	10.1	-
Cash flow from operating activities	1,272	699	-	1,628	-
Cash conversion, %	109.4	97.8	-	58.8	-
Interest-bearing net debt / adj. RTM EBITDA, x	2.6	0.5	-	2.6	2.6

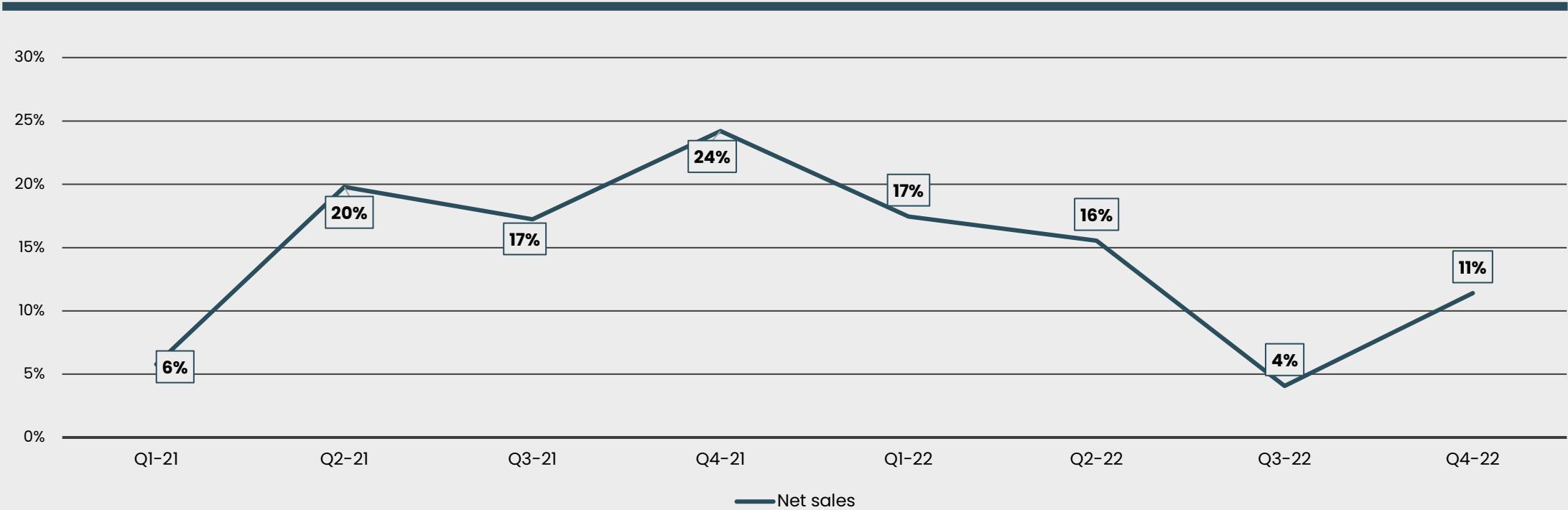
## COMMENT

- Net sales growth of 63% with corresponding adj. EBITA growth of 71%
- Q/Q improvement in cash conversion
- Q4 cash conversion of 109%
- EPS growth of 73%
- ROE of 8.8% and ROCE of 10.1% diluted by growth and undeployed capital raises.
- Net of cash, ROCE was 11.5% (12.3%). Net of Goodwill, ROCE was 22.4% (18.2%)
- Reduced costs for group operations in Q4

# Organic growth

Good organic sales growth throughout 2022

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

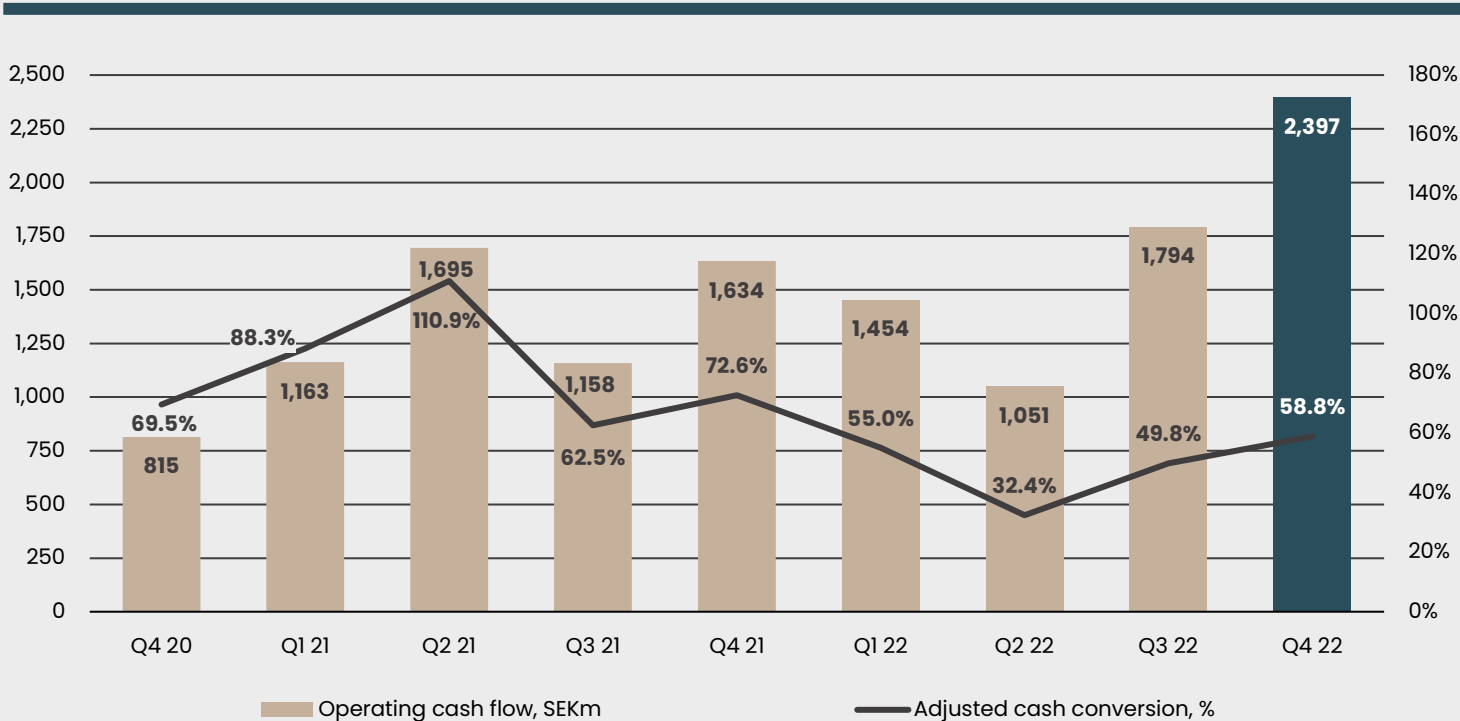


<sup>1</sup> Comparable sample based on owned portfolio companies as of January the year before, i.e. the same sample as organic FY data

# Operating cash flow and cash conversion

Reduced working capital supported cash flow in Q4. LTM cash conversion improving.

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



## COMMENTS

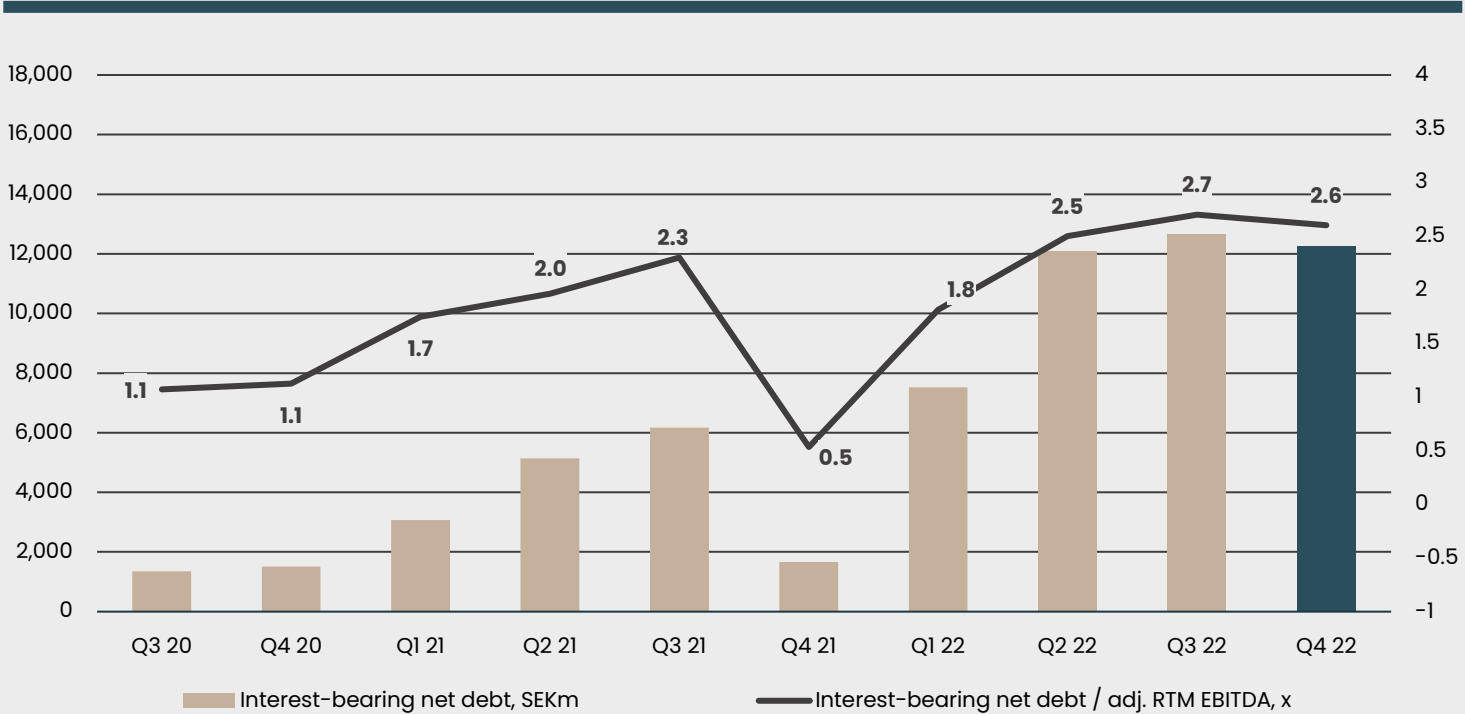
- LTM operating cash flow of SEK 2.4bn
- LTM cash conversion of 59%. Working capital release in Q4 but absolute levels remains elevated
- Q4 cash conversion of 109%
- High focus to reduce working capital. Structured process that will take some time
- Capex/sales of 2.0% in Q4 2022 and 1.6% FY22

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

# Net debt and leverage

Leverage decreased to 2.6x, within the target range of 2-3x. Plan to further reduce leverage short to medium term.

## Leverage ratio




## COMMENTS

- Interest-bearing net debt of SEK 12.3bn, a decrease of SEK 0.4bn during the quarter including M&A spend
- Interest-bearing leverage of 2.6x, within the target of 2-3x
- Total available liquidity amounted to SEK 10bn, of which SEK 3bn was cash and SEK 7bn was unutilised credit facilities
- Plan to extend maturity profile and reduce absolute debt

# Completed transactions

Four acquisitions were completed during the quarter, with a further three add-ons acquired since the end of December. One divestment completed.

	Acquisitions completed during Q4		Acquisitions completed after Q4		Divestments
	Business units	Add-ons	Business Units	Add-ons	
<b>Services</b>		<b>EnergiStyret</b> joins Växjö Elmontage within Installation  <b>Eneron</b> joins Buildercom within Digital Services		<b>HSV Hässleholms Sot&amp;Vent</b> joins SoVent within Installation	<b>Thermo-Fasad</b> <sup>1</sup> Subsidiary Dextray Group within Installation
<b>Trade</b>		<b>Cutrin Norge</b> joins ByWe within Health and Beauty			<b>Subsidiary</b> <sup>2</sup> within Niche Businesses
<b>Industry</b>	 Automation Interconnect solutions within wire harnesses and cable assembly			<b>Höga Kusten Teknikresurs</b> joins ARAT within Automation  <b>Loginor</b> joins ARAT within Automation	

<sup>1</sup> Divestment complete in Q4 <sup>2</sup> Signed, not completed

# Operational efficiency

Storskogen is continuously working with cost efficiency and synergy measures to support margins



## Group operations

**What**

- Reduced number of employees
- Increased operational engagement in BUs
- Improved efficiency



## Business Units

**What**

- Proactive cost cutting in cyclical BUs protecting profitability
- Hands-on support for low performers with concrete action plans
- Contingency planning



## Procurement

**What**

Assessment of savings through joint procurement in 12 categories:

- |                       |                                 |
|-----------------------|---------------------------------|
| 1. Steel              | 7. IT and telecom               |
| 2. Freight (inbound)  | 8. Office services & supplies   |
| 3. Freight (outbound) | 9. Travel expenses              |
| 4. Mobility and fleet | 10. Insurance                   |
| 5. Consulting         | 11. Accounting & audit services |
| 6. Utilities          | 12. Workwear                    |

# Working capital project

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



## Education and support

- Cross-organisation education event attended by 30 employees from Storskogen and 120 employees from portfolio companies
- Analysis tools have been distributed



## Targets and follow-up

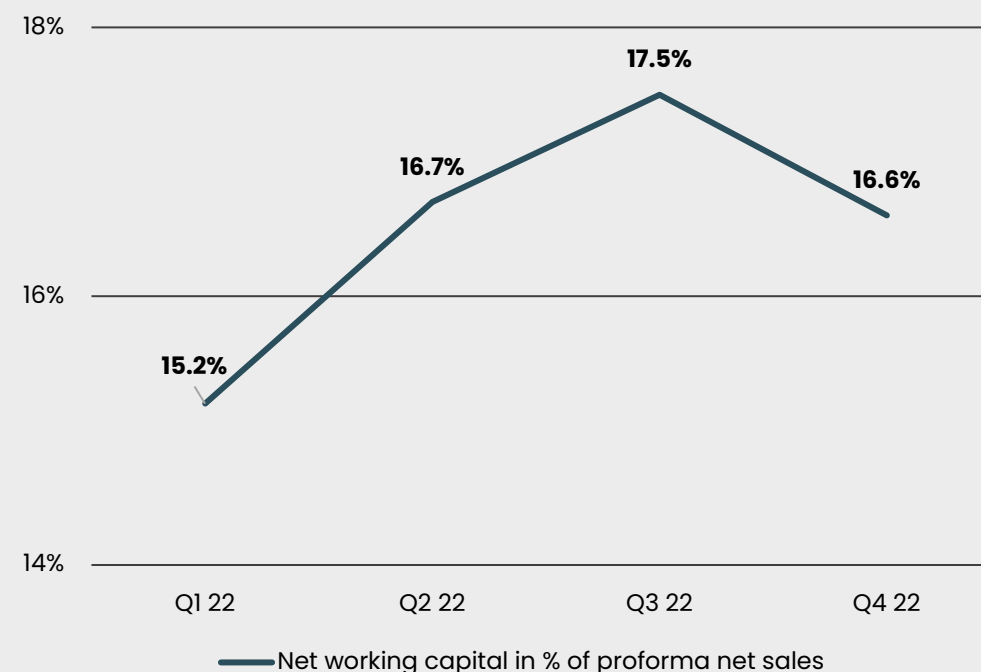
- Targets have been set, on both Group level and company level
- Monthly follow-up meetings



## Activities

- 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

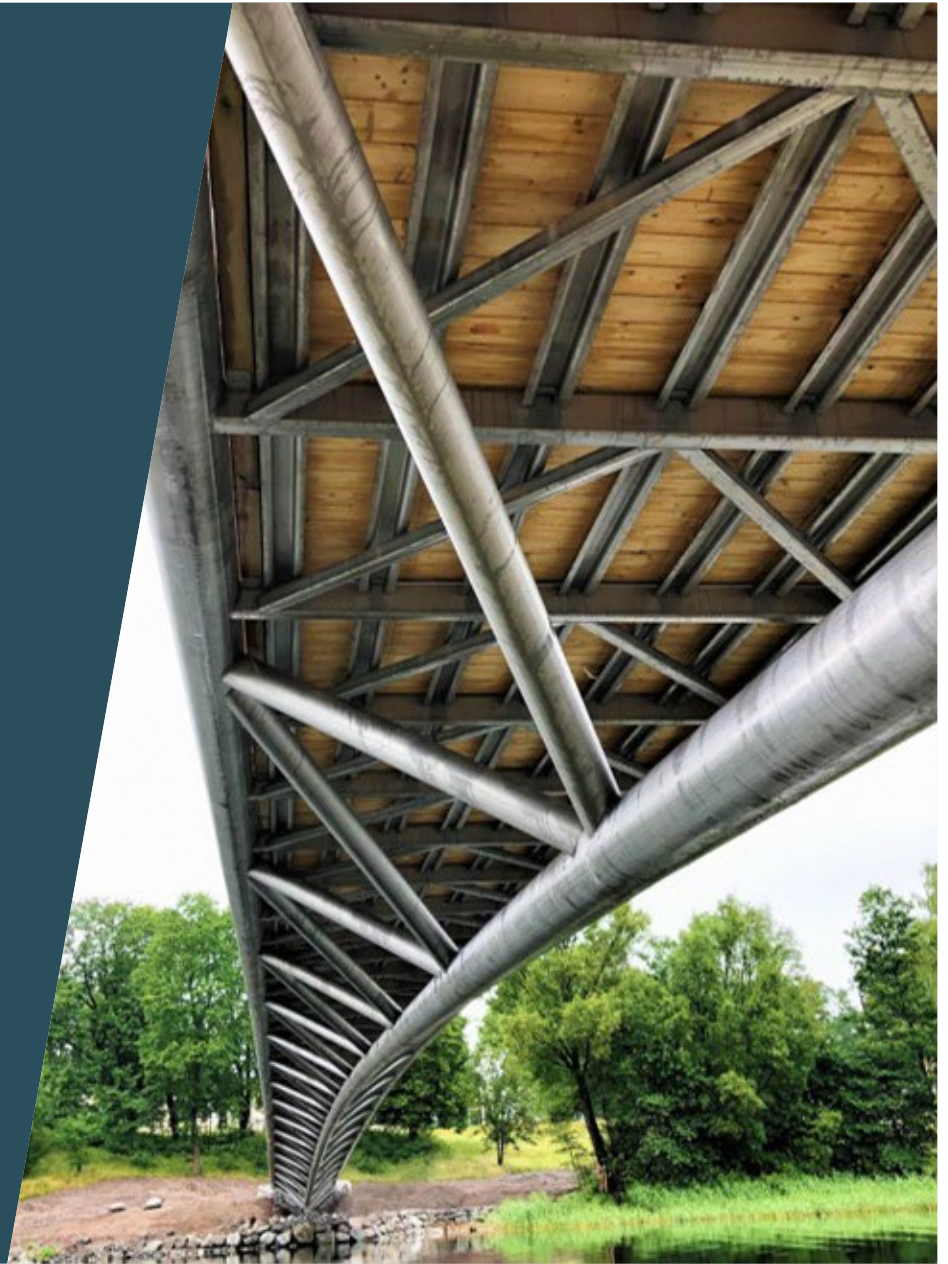




# Key takeaways

**Good finish to a challenging year when our full year turnover nearly doubled**

- ✔ Good performance given the challenging macro environment of 2022
- ✔ Mixed picture with Industry strong, Services improving and Trade weaker. Q1 is seasonally weak
- ✔ Strong cashflow and a SEK 410m reduction of interest-bearing net debt bringing leverage ratio to 2.6x (2.7x) in the quarter
- ✔ Focus remains on operational excellence, cash flow and the balance sheet
- ✔ Once leverage is reduced, free cashflow will be deployed for M&A growth



# Q&A

## TODAY'S PRESENTERS



**Daniel Kaplan**

CEO



**Lena Glader**

CFO