

Storskogen divests business units and announces non-cash impairment

2024-06-25 Regulatory information

Storskogen Group AB (publ) (“Storskogen”) has entered into an agreement to divest nine business units to M Industrial Invest AB, and simultaneously announces a non-cash impairment of approximately SEK 920 million in the second quarter. The divestment will allow Storskogen to allocate more time and resources to other business units with greater potential for profitable growth and improves the Group’s overall profitability. During the last twelve months, this corresponds to an increased adjusted EBITA margin of 0.7 percentage points. As a consequence of the divestment, Storskogen initiates written procedures under the terms and conditions for its outstanding bonds.

Interim CEO, Christer Hansson, emphasises Storskogen’s strategic objectives with the divestment of the business units.

“As we have previously communicated, our firm focus is organic EBITA growth, profitability improvement and cash flow. This is also the basis for our decision to divest these nine businesses. The divestment strengthens our profitability noticeably, but most importantly it allows us to prioritise business units with better potential for profitability and growth”, says Christer Hansson.

The business units being divested¹ had combined annual sales of approximately SEK 1,583 million and adjusted EBITA of approximately SEK -98 million in the past 12-month period as of 31 March 2024. Excluding the divested businesses, pro forma, the Group’s net sales would have amounted to SEK 33,567 million, with an adjusted EBITA of SEK 3,154 million during the same period. This corresponds to an adjusted EBITA margin of 9.4 percent, an improvement of 0.7 percentage points compared to the reported margin. The divestment is assessed to marginally improve the Group’s interest-bearing net debt/RTM adjusted EBITDA.

In connection with the divestment, Storskogen reports goodwill impairment in the affected verticals of approximately SEK 600 million and impairment of other tangible and intangible assets of approximately SEK 320 million. The total impairment of approximately SEK 920 million, and other financial impacts from the divestment of approximately SEK -30 million, will impact the second quarter results and be reported as items affecting comparability. After repayment of Storskogen’s loans to the New Company (defined below) (see section **Information on waivers of certain terms in the terms and conditions for outstanding bonds**), Storskogen is entitled to a significant part of the profits in the New Company as well as sales proceeds from a future sale of the companies to a third party, according to the agreement. However, these are not recognised as assets until the timing for the earnings can be determined.

Storskogen initiated the divestment process in the spring and Christer Hansson underscores that the interest in the divested companies has been substantial.

“We have evaluated a number of options for the affected companies and have had productive discussions with multiple parties. What finally made us decide on M Industrial Invest as a counterparty was their proven ability to support these types of companies into their next phase, benefitting both the companies and Storskogen”, says Christer Hansson.

M Industrial Invest has been active since 2003 and has completed approximately 20 investments and 15 divestments, under the leadership of CEO Daniel Martinwall.

¹ Dimabay GmbH, Bergendahls El Gruppen AB, Elcommunication Sweden AB, Swedfarm AB, HOJ TWS AB, Smederna Sverige AB, Såg- och Betongborrning i Uddevalla Aktieföretag, EnRival AB, Strigo AB.

“The team behind M Industrial Invest has extensive experience of supporting and developing companies facing various challenges and we look forward to working with these companies”, says Daniel Martinwall, CEO of M Industrial Invest.

The transaction entails that the business units will be transferred to a new company (the “**New Company**”), in which Storskogen holds a preference share, entitling it to a significant part of the profits in the New Company as well as sales proceeds from a future sale of the companies to a third party. The transaction is subject to regulatory approval, which is expected to be obtained by August at the latest. The transaction is also conditional on holders of Storskogen’s outstanding bonds approving certain waivers of the terms and conditions for the bonds, as described in the section below.

Webcast

Christer Hansson, interim CEO, and Lena Glader, CFO, will hold a presentation and answer questions about the divestment on Wednesday 26 June at 08:00 CEST.

To participate via webcast, please use the following link:

<https://ir.financialhearings.com/press-conf-june>

If you wish to participate via telephone conference, please register via the link below. After registration you will be provided with a phone number and conference ID to access the conference. You can ask questions verbally via the telephone conference.

<https://conference.financialhearings.com/teleconference/?id=5009006>

Information on waivers of certain terms in the terms and conditions for outstanding bonds

As part of the agreement with M Industrial Invest, Storskogen will, in connection with closing of the transaction, convert existing intra group loans currently outstanding to, and existing cash in bank (Sw. *kassa*) in, the business units being divested to loans to the New Company at a total amount of approximately SEK 240 million. The loans will be interest-bearing, and no dividends will be distributed by the New Company until the loans have been repaid.

In order for the loans described above to be permitted and for Storskogen’s capacity to distribute dividends to its shareholders for the 2024 financial year not to be affected by the impairment described above, Storskogen initiates written procedures under the terms and conditions for its outstanding bonds 2021/2025 ISIN: (SE0017084650), bonds 2023/2027 (ISIN: SE0020358026) and bonds 2024/2027 (ISIN: SE0022240974) (the “**Terms and Conditions**” and the “**Bonds**” respectively) to request that the holders of the Bonds approve waivers of certain loans out restrictions and dividend restrictions under the Terms and Conditions. This is further described in the three separate notices of written procedures which will be available on Storskogen’s website, and which will also be sent to directly registered holders and nominees of the Bonds who, as of close of business on 25 June 2024, were entered into the respective debt register administered by Euroclear Sweden AB.

The results of the written procedures will be published by way of press release in connection with the completion of the written procedures. The record date for voting is 3 July 2024 and the last day to vote in the written procedures is 15.00 CEST on 15 July 2024.

Further information regarding the written procedures is available in the notices of the written procedures.

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This press release contains inside information that Storskogen Group AB (publ) is required to make public pursuant to the EU Market Abuse Regulation. The information was submitted for publication by the above contact person on 25 June 2024 at 18:00 CEST.

For more information about M Industrial Invest: <https://www.mindustrialinvest.com/>

ABOUT STORSKOGEN

Storskogen is an international group of businesses across trade, industry and services. As a long-term owner, we are positioned to identify, acquire, and develop market leaders with sustainable business models. Storskogen creates value by providing access to capital and strategic direction combined with active governance and a decentralised operational model. Storskogen has approximately 12,000 employees, net sales of SEK 35 billion (LTM) across a diversified group of businesses and is listed on Nasdaq Stockholm.