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Storskogen Group AB (STOR.B.SE)

Q2 2024 Earnings Call

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MANAGEMENT DISCUSSION SECTION

Operator: Welcome to the Storskogen Q2 Presentation for 2024. [Operator Instructions]

Now, I will hand the conference over to the CEO, Christer Hansson, and CFO, Lena Glader. Please begin your meeting.

Christer Hansson
Chief Executive Officer, Storskogen Group AB

Good morning and welcome to the presentation of Storskogen's results for the second quarter of 2024. I'm Christer Hansson, the CEO of Storskogen, joined today by our CFO, Lena Glader.

During the last quarterly presentation, I was three months into my role as an Interim CEO. As of July 1, I'm pleased to announce my transition to a permanent position. When I took on this role, I did so with a clear objective to drive earnings growth. Our performance this quarter indicates that we are on the right track, which I look forward to sharing further light on along with Lena Glader. So, let's begin with an overview of Storskogen before we take a closer look at the quarter.

Storskogen is a diversified international business group, with sales of about SEK 35 billion over the last 12 month and with an adjusted EBITA of SEK 3 billion spread across our three business unit areas.

I'm pleased to announce that Åsa Murphy has also moved from her interim role to become the permanent head of business area Trade. I'm confident that Åsa, alongside Peter Ahlgren and Fredrik Bergegård, will continue to drive our mutual success.

So, let's move to the second quarter. We reported sales of SEK 9.2 billion, an adjusted EBITA of SEK 894 million and adjusted EBITA margin of 9.7%. Cash flow, organic EBITA growth and profitability remains our top priority.

This quarter, I think that we are showing that we are on the right track with an organic sales growth of 2% and improving our organic earnings significantly from Q4 and Q1. The margin continues to improve, and we are now on the same level as Q2 of 2022 and Q2 of 2023. Cash conversion continues to be ahead of our target, and we are benefiting from the great work that our company has done over the past years. Our continuous efforts to optimize our balance sheet progresses, and I'm happy that we are able to refinance part of our bonds maturing in 2025 at a significantly better terms compared to a year ago. Finally, I want to highlight our strategic divestment of nine business units. This is key step in our journey to return to more normalized state, but I will get back to that later in the presentation.

As we noted in the Q1 report, we believe that Q2 would be stronger than Q1 with improved sales and margins. As you can see in this graph, the Q2 margin is back on the same level as 2022 and 2023. And we are moving towards our target of 10%. I'm happy to see that we are continue to improve our margin as sales pick up, to some extent positively affected by some of the initiatives we put in place to drive organic EBITA. In sum, however, we will continue to work hard to reach our target of 10%.

In the second quarter, the Services business area saw a decrease of net sales by 7% to about SEK 2.8 billion, entirely driven by divestment in the past year at minus 11%. This number was offset by organic growth, acquisitions and FX contributing with a combined increase of 4%. The margin came in at 10.2%. They're all positive signs of improving market sentiment, and operational efficiency measures are yielding early positive effects. Demand in the quarter continued to be muted for companies with exposure to construction, impacting our performance in this segment. However, product and consultancy companies in the Digital Services vertical sustained a strong demand and profitability trend. Overall, we see positive signs of improving market sentiment in the business area.

Looking ahead, we anticipate Q3 to be seasonally softer to a large extent, caused by the summer holiday period, followed by a pickup in Q4 similar to how Q2 is stronger than Q1. Further interest rates cuts are expected to support the positive signs of an improved market sentiment, though effects may be a little bit slower compared to, for example, some of the companies in the business area Trade. Overall, our focus remains on adapting our cost base and expanding our service offerings to foster growth and respond dynamically to changing market conditions.

In the Trade business area, we saw net sales decrease by 2% to about SEK 2.5 billion in the second quarter. This slight downturn was primarily due to divestments which impacted sales by 5%, but was partly offset by 3% combined increase from organic growth, acquisitions and favorable FX movements. As we noted in Q1, there are encouraging signs of improvement in the overall market sentiment. The adjusted EBITA margin improved to 9.8%, up from 9.6% in the same quarter last year, and the EBITA of SEK 246 million was in line with last year. This shows the initial success of our ongoing efficiency measures and initiatives aimed to driving organic EBITA growth. Demand in the quarter remain muted for companies with exposure to construction and end consumers, consistent with trends across these industries.

Looking ahead to Q3, we anticipate a seasonally softer quarter similar to Services, but we expect to pick up in Q4. We remain cautiously optimistic about the overall market sentiment, increasing consumer confidence, however slow, and anticipated interest rates cuts could provide a boost. However, ongoing issues such as delays and increased sea freight rates due to the conflict around the Suez Canal remain challenging. To sum up, while Trade business area navigates in a complex environment, strategic divestment and focus on improving operational efficiency are paving the way for more resilient performance moving forward.

In the Industry business area, we've seen sales aligned with our expectations, with net sales increasing by 2% to SEK 3.9 billion in the quarter. Adjusted EBITA was SEK 437 million in the second quarter, in line with last year. Our EBITA margin has continued to show a sequential improvement for the past three quarters at 11.2% for the quarter, slightly below what we saw last year. Despite seeing the soft demand in certain sectors in the quarter, the overall market conditions remained robust, supported by a solid order intake across several companies during the quarter. Also, our sustained efforts in operational efficiency have helped us protect profitability.

Looking ahead, the pace at which the soft demand in the consumer and construction sectors will recover is still uncertain due to broader political climate. However, the overall market outlook remains solid, and our focus remains on leveraging on our strong order books supported by global trends of electrification, reshoring and optimization. As we move forward, our unified focus across all of our business areas is set on driving organic EBITA growth and continue to improve our profitability through various initiatives.

As we look at our short-term priorities, I want to revisit the slide from the Q1 presentation. As mentioned, our main focus today is on driving organic EBITA growth. We're committed to building on strong cash flows from last year and continuing to work to improve our leverage ratio. As I will get into a bit momentarily, we have taken key steps in refining our portfolio, and we aim to ensure that every business unit aligns with our strategic goals and financial targets. Achieving a satisfactory leverage ratio remains a crucial trigger for our return to a more normalized situation where we deploy and invest our cash flow towards achieving a combination of organic and acquired EBITA growth. In sum, our efforts are not just about navigating today's operational and economic landscape but are aimed at positioning Storskogen at achieving EBITA growth.

To take a look on how we are driving organic growth, I want to turn your attention to some of the initiatives across four key areas: sales, pricing, investment and cost control. I'll highlight a few selected examples from our business group to illustrate these efforts. Beginning with sales, this area typically includes activities such as broadening of product lines or new brands or other activities to increase geographical or market reach. For instance, Scandinavian Cosmetics, one of our biggest business units, has a super professional approach of attracting new and developing new brands and having increased their geographical reach by establishing a presence in Finland. INGENIØR'NE, our Danish engineering services firm, has expanding by opening an office in Copenhagen. This move have attracted numbers of qualified consultants and increased its market reach. Acreto, a distributor in the Trade sector, has successfully expanded its product portfolio while excelling on – in its core business of mosquito repellents.

Looking at pricing, this is an area that can include initiatives to optimize prices through more sophisticated pricing strategies or it might mean a systematic approach to revisiting quotation, processes or renegotiating terms. This is an area that we are focusing on throughout the business group, including Acreto that I just mentioned who have effectively expanded sales while applying a solid approach to pricing. In the UK, our service company, Stop Start, has also refined its pricing strategies to better align with market dynamics, enhancing competitiveness and improving margins.

Turning to investments, Stop Start, like most business units, are implementing initiatives that relates to combination of the four areas highlighted on this slide. In addition to its pricing adjustment, Stop Start has also upgraded its warehouse facilities, optimizing its distribution chain to meet increased demand. Primulator, a distributor of coffee machines among other products, have invested in sales training of its technical staff. This effort keeps costs down and also enhance revenue opportunities by enabling technical service personnel to pursue sales into customers' interactions. Another example is in the area of investment is A&K, a leading provider of ultra-fresh ready meals in the business area Industry. A&K has doubled in size over the past years, in part by tapping into the growing trend in Germany of providing more meals. We are supporting A&K in expanding their facilities to manage their increased demand. In the Automation sector, we are capitalizing on the global automation trend by fostering increased collaboration among our Automation businesses. This approach allow us to offer cutting-edge solutions in order to meet rising demands.

In summary, our business units are not just reacting to current economic conditions. They are proactively moving to take advantage of future market opportunities to enhance profitability, organic EBITA growth and cash flow, key to our continued success.

Before handing over to Lena Glader, I want to comment on the divestment of the nine business unit that we announced at the end of June and which closed yesterday on August 14. First of all, I want to emphasize that our primarily objective is support our business units, prioritize those that align with our strategic goals. By divesting these nine business unit, we can better focus on areas with the highest potential for growth, profitability and returns. If we look at the financial impact of this transaction, excluding these divestments of entities, our margin for the first six months of the year would have improved to 9.7%, up from 9.1%. Looking at the last 12 months, the margin improvement is even more pronounced, showing a gain of 0.7 percentage points.

More importantly, by addressing and divesting these business units, we are not only strengthening our profitability. Again, this also frees up resources to focus on areas with greater potential for profitable growth. While our portfolio review is constant, these specific transactions has effectively addressed the low performers we want to address. Looking ahead, I'm committed to continue our focus on driving organic EBITA growth and maintain our strong cash flow, and moving us closer to a more normalized state.

With that, I hand over to Lena and a closer look at our financials.

Lena Paulina Glader

Chief Financial Officer, Storskogen Group AB

Indeed. Thank you, Christer.

So, let's have a closer look at the financials then. Given the items affecting comparability this quarter that we communicated in relation to the aforementioned divested portfolio that Christer just described, we'll show you two sets of P&L statements here: first, the adjusted on this page; and on the next page, reported. In the adjusted, we have removed all items affecting comparability. Net sales growth was minus 2% to SEK 9.2 billion and the organic growth was, as Christer mentioned, a positive 2%. And I'll show you a more detailed sales bridge on a separate page in a while. Adjusted EBIT then also declined by 2% to SEK 690 million, indicating an unchanged EBIT margin compared to Q2 last year of 7.5% underlying in the quarter. Net financials adjusted again for non-recurring items were at minus SEK 237 million versus SEK minus 306 million in Q2 last year when we had a higher FX-related cost item. All these SEK 237 million net interest costs represented SEK 228 million, which actually is somewhat more than SEK 218 million in Q2 last year. Thanks to lower financial costs, pre-tax profit increased by 13% and net profit increased by 21% compared to the second quarter 2023. The effective tax rate when removing these nonrecurring items was 28.5%, and I'll remind you that these items are generally not tax deductible.

Then turning to the financial KPI table below, Christer already mentioned adjusted EBITA and the EBITA margin which was in line with that of Q2 last year. However, adjusted return on equity was lower, 4% for the 12-month period, and return on capital employed for the 12-month period was 6.7%. These are, obviously, burdened by the, however, negative organic growth that we've had the past 12 months even though this has improved significantly in Q2. Net of goodwill, the return on capital employed was 15.4%, which is an indication – a better indication maybe of the operational return on capital employed without goodwill. And, finally, earnings per share adjusted for these nonrecurring items grew by 21% to SEK 0.16 from SEK 0.13 in the second quarter last year.

On the following page here, we have the unadjusted reported profit and loss statement for the quarter. All line items below net sales were obviously affected by the costs that we communicated in conjunction with the portfolio divestments. And these costs make up almost all items affecting comparability. Our total and I'll try to explain this briefly, but you'll find more details in the text here. Our total nonrecurring costs above EBIT or operating profit line amount to SEK 957 million, and this consists mainly of capital loss, asset write-down and goodwill impairment which is the largest share of that item. And again, of the SEK 958 million, all of SEK 976 million so a little bit more than that relates to this portfolio divestment and a goodwill impairment. The rest is other capital gain and a small earn-out revaluation.

Now, looking below the EBIT line in net financial items, another SEK 37 million is nonrecurring. And out of this, SEK 20 million is relating to the portfolio divestments that Christer described on the previous page, and SEK 17 million to the bond buyback that we made in the middle of the – in the mid-quarter.

Over to the sales bridge for the quarter on this page, and here we illustrate contribution to sales from organic, structural and currency changes. Organic sales growth, again, plus 2% for the group in the quarter, 2% for the group in the quarter. It was positive in all business areas. Divestments represented minus 5% of the minus 2% sales decline. The largest divestment here being the Dextry Group and the electrical installation company sold last year. Just to be clear, these divestments here do not include the portfolio divestment that we've talked about, which will actually take effect in mid-Q3 this year. Acquisitions and currency, small effect this quarter, representing a combined plus 1% of the year-from-year change in sales.

And on the following page, we have two sets of bridges, the sales and EBITA for the second quarter, divided here by business area. Starting with the sales bridge to the left, as mentioned on the previous page, all three business areas contributed with positive organic sales growth in the quarter. But however, recent divestments and acquisitions, small however still in Services and Trade, not yet again including the most recent large portfolio divestment, impacts the group's reported sales growth by a negative 3% and 1%, respectively, explaining the reported 2% negative sales growth. And on the EBITA waterfall to the right, you see a similar effect on EBITA where the net of divestments and acquisitions in Services and Trade reduced group EBITA by 1% and 1%, respectively, so 2% in total. Central functions costs increased as a result mainly or entirely, actually, increase is explained by one-off costs stemming from share incentive programs that were decided at the AGM in May. And these are [ph] all the item (00:22:03) characters.

Over to the next page where we have the cash flow statement for the second quarter. I'll start actually here with the income tax. Paid income tax was minus SEK 190 million in the quarter, 24% lower than Q2 last year. The cash flow effect from change in net working capital, which has been a focus area here as you might have understood by now, was plus – no, the contribution was at plus SEK 54 million in the quarter. Higher payables and somewhat lower inventories contributed positively, while higher receivables contributed negatively. All in all, we're, of course, glad to see that working capital efficiency persists.

Summing up, cash flow from operating activities, and mind you this is after interest and tax, we arrive at SEK 855 million for the quarter and SEK 3 billion for the rolling 12-month period. CapEx to sales, 1.1% or just above SEK 100 million in the quarter. So, around the same level as in Q1 but below previous historic levels where CapEx to sales has trended around 1.5% to 2% of group sales. Cash effects from M&A, very small, a net SEK 2 million only in the quarter. But this is a net of divestments, acquisitions, including acquisitions of minority shares in our companies and paid earnouts. Finally then, cash flow from financing activities was a negative SEK 619 million, including loan amortization, leasing and, of course, paying dividends to shareholders. Summing it all up gives us a cash flow for the period of SEK 99 million in the quarter.

And then, what is the free cash flow after leasing the past 12 months? This is a KPI we like to look at internally. This was SEK 1.9 billion, again free cash flow after leasing, which is actually exactly almost the same as a year ago. But 12-month rolling basis here is recommend to look at because we do have seasonality in cash flows typically. Our cash balance was SEK 1.5 billion at the end of June, around the same level as previous quarter, with total available liquidity including undrawn credit commitments of SEK 3.7 billion which is a comfortable level, obviously.

Although at following page here, we have a graph showing the cash flow, operating cash flow and cash conversion trend for a longer period of time since Q2 2022. And these bars are shown on a rolling 12-month basis here. In Q2 2022, we were at a low level with a cash conversion of 32% only, which is below the target level of at least 70% marked here as the dotted line. However, this has improved now and has actually – the cash conversion has actually been above or around 100% for the past rolling 12-month for the past four consecutive quarters now. And for the isolated Q2, we had a cash conversion rate of 96%. And on a rolling 12-month period, you can see here it's 101%. However, as demand returns and growth starts to come back, we do expect cash conversion to normalize again but at a more efficient level than pre-pandemic, obviously. However, just pointing out the cash flow will continue to be a prioritized area for us at Storskogen.

Looking quickly at the balance sheet on the following page, we have the condensed group balance sheet here. Total balance sheet is 6% lighter compared to a year ago, largely as a result of divestments and as well as, of course, working capital focus and consequently reduced debt. Equity ratio increased to 45% from 44% a year ago, despite impairments and write-downs affecting equity negatively by SEK 866 million, as shown on the previous page. But this relates obviously to the portfolio divestment there. So, our interest-bearing leverage ratio was 2.7 times at the end of Q2, a reduction from 2.8 times at the end of Q1 but nevertheless an increase from 2.6 times a year ago. Interest-bearing net debt has decreased by more than SEK 700 million or 6% since June 2023. But EBITDA has also decreased partly as a consequence of divestments but also of negative organic growth during this 12-month period, which explains the leverage.

And then, finally, a closer look at the debt and cash development and leverage development over the period we show quarter-by-quarter here since Q2 2022. The dotted line shows the 12-month pro forma EBITDA used in our leverage definition. After a period of declining EBITDA stemming from divestments and organic development, as mentioned, we now had a flat RTM EBITDA for the quarter compared to Q1 which is encouraging, obviously. Debt and net debt came down in Q2, thanks to the strong cash flow shown on previous page. Interest-bearing net debt was in fact SEK 336 million lower than in the first quarter.

And while speaking of debt, I'd like to spend a few words on the most recent bond transaction we made in June. We issued SEK 1.25 billion new 3.5-year bond, and we used those proceeds to buy back parts of our bond with maturity in December 2025 to improve the maturity profile, obviously. The rest – the remaining share of that bond with maturity in December 2025 will likely be addressed within the coming quarters. The issue was done at 375 basis points above STIBOR, which can be compared to a similar transaction we did a year ago at 687 basis points above STIBOR. And this is obviously substantially better terms which, I believe, is a testament to the almost complete restructuring we've done in the past quarters of our debt portfolio and the improved maturity profile.

So, with those positive words, I think I'll hand over to you again, Christer, for concluding remarks.

Christer Hansson

Chief Executive Officer, Storskogen Group AB

Thank you, Lena.

To conclude this, if I reflect on the first half year, it has been six months since I stepped into the role as an Interim CEO, and I'm honored to now continue as the permanent CEO. Just I want to highlight three areas that paved the way for improved performance and growth indeed in the quarter. First of all, strategic divestments, this has significantly enhanced our profitability profile and opens up greater potential for profitability growth across our business group. Secondly, operational initiatives, the initiatives being implemented have started to yield early results, setting a strong foundation as we progress into the second half of 2024. Organic EBITA growth and cash flow. Our continued focus here is crucial to us returning to more normalized operational state, where we add acquisitions in addition to organic EBITA growth initiatives.

And with that, I want to thank you for joining us today. And we are ready for questions.

QUESTION AND ANSWER SECTION

Operator: [Operator Instructions] The next question comes from Carl Ragnerstam from Nordea. Please, go ahead.

Carl Ragnerstam
Analyst, Nordea Bank ABP
Q

Good morning. It's Carl here from Nordea. A couple of questions. Firstly, it's great to see that you return to positive organic sales growth. But could you give any flavor whether you saw any variations of this during the months of the quarter? And also, perhaps if you could say something about the trend continuing so far in July and August? Thank you.

Christer Hansson
Chief Executive Officer, Storskogen Group AB
A

Hi, Carl. But we have – like we said, it was still a tough quarter, but we've seen broadly improvement in the quarter in the business areas. And July, it's too early say, but we continue to be cautiously optimistic on the trend going forward. But we have seen it's broad where we had a better situation in all our business areas.

Carl Ragnerstam
Analyst, Nordea Bank ABP
Q

Very good. And in general, in Q3, you see a quite a few business areas is seasonally slower as you said due to the summer break. But do you see that the customers might take longer holidays this year owing to somewhat muted market, or is it – is your feeling that it's more or less same to last year?

Christer Hansson
Chief Executive Officer, Storskogen Group AB
A

I don't – it's hard to comment on that. But as you said, some of our companies, I mean, small companies almost closed their businesses in July. We have services companies that are really, really slow in the summer. But if it's more or less than last year, I don't know that. It's hard to answer.

Carl Ragnerstam
Analyst, Nordea Bank ABP
Q

Okay. You mentioned that in one part of the report, you mentioned that you saw a solid order intake in Industry and in other you saw a strong order intake in Industry. Just to clarify, is it possible to give any numbers on the order intake, whether it's solid or even strong in the quarter?

Christer Hansson
Chief Executive Officer, Storskogen Group AB

A

Well, it is strong in the quarter, but we don't give any – but it is a strong order intake in Q2 for Industry and it has been for some while. So, they are really doing well.

Carl Ragnerstam
Analyst, Nordea Bank ABP

Q

Perfect. And when do you – is it longer orders that is expected to be delivered during early 2025 or should we see effects from this already in second half in deliveries as well?

Christer Hansson
Chief Executive Officer, Storskogen Group AB

A

Now, that's both. I mean, there are longer order intakes, the orders that we take now that will be delivered in 2025 and some of them are even in 2026. So, it's a wide range of that. But it's a solid order intake if you look at the industry as a whole.

Carl Ragnerstam
Analyst, Nordea Bank ABP

Q

Okay. Very good. And in terms of Trade, you guided that you saw quite the broad-based improving markets here? To what extent would you say – I mean, this may be hard to tell. But to what extent it's driven by better underlying sort of sentiment in the market? And to what extent do you think it is distributors, after a long period of time reducing inventories, stared to refill inventories again?

Christer Hansson
Chief Executive Officer, Storskogen Group AB

A

Yeah. I think it's a multiple things there. Of course, there are some distributors are effectively by what you were talking about in inventory buildup from the customer side. But I also see that still the consumers are getting more confident. But still, they are kind of – it's not a strong sentiment from consumer yet. Hopefully, we see if we'd get interest rates cuts in Sweden in particular for the Trade, hopefully, that will help the consumer to come back in and have confidence again. But of course, there are some things regarding the inventory things that is improving.

Carl Ragnerstam
Analyst, Nordea Bank ABP

Q

Okay, that's very clear. And finally, you said that you saw enhanced collaboration between the companies and you're seeing effects from this. I'm a bit curious to hear more about how you accomplish this. Is it driven centrally or is it locally for some reason that the company started to collaborate or, yeah, what's...

Christer Hansson
Chief Executive Officer, Storskogen Group AB

A

This is, of course, locally. It's driven by – we have a decentralized business group and they are collaborating on their own. Of course, we can help on doing that together with the company. But it must be driven by the company, the companies, and the will to want to collaborate. But we see that in [ph] several areas (00:35:57) where companies do take a wider kind of and in orders taking a better grip on orders together.

Carl Ragnerstam
Analyst, Nordea Bank ABP

Q

But I know that you're decentralized and so on. But I mean, for a company just to wake up one day and say, hey, we need to collaborate with another company in an improved way. I mean, have you done anything to enhance the collaboration or the – yeah.

Christer Hansson
Chief Executive Officer, Storskogen Group AB

A

Yeah. This is something I wouldn't say that we have done. We have always wanted our companies to collaborate, so this is not something new. But we might see more of it often, but – so this is not something that just wakes up. This is something that the companies wants to do. And if they have a good profit of it, all of them, that would be more of that. So, I think that's something that we would continue to see if the companies wants and see that they profit off it, [ph] all events (00:36:58), I would say.

Carl Ragnerstam
Analyst, Nordea Bank ABP

Q

Okay, very good. All from me. Thank you.

Christer Hansson
Chief Executive Officer, Storskogen Group AB

A

Thank you, Carl.

Operator: [Operator Instructions] The next question comes from Johan Dahl from Danske Bank. Please, go ahead.

Johan Dahl
Analyst, Danske Bank A/S (Sweden)

Q

Yes, good morning. Just two questions, please. Firstly, on these minority options, I was wondering if you could possibly update about some sort of payment schedule there, if you have that for the current year and possibly next summer, and what the cash outflow [ph] stands for there (00:37:52)?

Secondly, I was just wondering if you look on the LTM EBITDA for the group, I think you've put down SEK 4.1 billion approximately in this quarter. It peaked, I think, a couple of years back at SEK 4.8 billion. I was just curious to know if when you do – when you adjust for all these divested units, is there any sort of material difference in the volatility of the LTM EBITDA? Just to understand the volatility of the portfolio post the divestments that you've made, if there is any material difference at all? Thanks.

Lena Paulina Glader
Chief Financial Officer, Storskogen Group AB

A

Hi, Johan. I can start with the first question, which is the easier one regarding the minority options. We do have a total liability of SEK 2.1 billion in the balance sheet, of which SEK 530 million-something is short-term, so next 12 months. And of those, we believe that around SEK 150 million might be called upon during the coming two quarters, so Q3 and Q4 this year. And of course, this is attached with a lot of uncertainty because it might also be that minority shareholders do not want to sell at this point. But if they do, then that would be SEK 150 million roughly. And then the earnout liability is very small. It's only SEK 60 million in the balance sheet, of which SEK 30 million is short-term. And of those, only a very small amount is likely to be paid out in the short-term, if that helps.

Regarding the question about the RTM EBITDA, you're right, it was SEK 4.1 billion in – at the end of Q2. It was the same amount at the end of Q1 and it was significantly higher at the end of last year. Again, this is a result of the, of course, the divestments that we've made. Bear in mind that we divested electrician companies on the Dextry portfolio and some others during last year. [indiscernible] (00:40:21) also in Q2 this year that were – had a low profitability but yet profit-making. And that, of course, impacts then. And the other ingredient there is, obviously, the negative organic EBITDA – EBITA and also EBITDA growth that we've, unfortunately, have seen especially in Trade and Services due to macro mainly in the past quarters.

Not sure, maybe you want to rephrase the question about patterns [indiscernible] (00:40:59)

Johan Dahl
Analyst, Danske Bank A/S (Sweden)

Q

Yeah, thank you for those answers. I was more interested in sort of the long-term view, looking a couple of years back when I think you had SEK 4.8 billion in LTM EBITDA on a pro forma basis. And now, the portfolio has changed slightly. I mean, it's not huge, the changes. But I was just interested to understand if you've done that analysis, whether the volatility in the portfolio has been materially reduced following this divestment. Do you see what I mean? So, if you make the [ph] adjustments from (00:41:25)...

Lena Paulina Glader
Chief Financial Officer, Storskogen Group AB

A

Yeah.

Johan Dahl
Analyst, Danske Bank A/S (Sweden)

Q

...SEK 4.8 billion a couple of years back to these companies, which is now divested...

Lena Paulina Glader
Chief Financial Officer, Storskogen Group AB

A

Yes.

Johan Dahl
Analyst, Danske Bank A/S (Sweden)

Q

...is there anything we should take into account, or just so if you've done that analysis?

Lena Paulina Glader
Chief Financial Officer, Storskogen Group AB

A

Yes. Now, I understand your question. And here, I think you're right that the companies that we have divested have contributed with higher earnings volatility and then, unfortunately, primarily a negative such in the past years. And we're also talking about the – maybe even more so the portfolio that we just divested yesterday that we closed yesterday which has contributed with quite significant, as you understand from the numbers, earnings volatility and then, again, earnings declines, if you will, during the past years. So, it's – I think that you are right about that. And of course, all the activities and transactions that we do when it comes to both divestments and acquisitions, of course, and the underlying work that Christer is describing in the existing portfolio, those are all kind of done with the idea of reducing volatility in earnings for the longer period going forward.

Johan Dahl
Analyst, Danske Bank A/S (Sweden)
Q

Thanks a lot. Thanks.

Operator: There are no more questions at this time, so I hand the conference back to the speakers for any closing comments.

Christer Hansson
Chief Executive Officer, Storskogen Group AB

Thank you for those questions and thank you for listening in today. If there are any questions after this meeting, you know where we are. But thanks a lot for listening in and see you later.

Lena Paulina Glader
Chief Financial Officer, Storskogen Group AB

Thank you.

Christer Hansson
Chief Executive Officer, Storskogen Group AB

Thank you.