

# Storskogen Q2 2024

## TODAY'S PRESENTERS



**Christer Hansson**

CEO



**Lena Glader**

CFO

August 2024

# Storskogen in brief

Storskogen is an international group of businesses with LTM net sales of SEK 34.9bn and adj. EBITA of SEK 3.0bn, split across three business areas consisting of business units averaging SEK ~280m in sales

## Services



NO. OF BUSINESS UNITS<sup>1</sup>

**57**

Sales, LTM

**SEK 10,827m**

Adj EBITA margin, LTM

**9.2%**

## Trade



NO. OF BUSINESS UNITS<sup>1</sup>

**28**

Sales, LTM

**SEK 9,718m**

Adj EBITA margin, LTM

**7.8%**

## Industry



NO. OF BUSINESS UNITS<sup>1</sup>

**39**

Sales, LTM

**SEK 14,441m**

Adj EBITA margin, LTM

**10.7%**

# Highlights

Sales and EBITA improved in seasonally stronger quarter

NET SALES, Q2:

**SEK 9,243m**  
(-2%<sup>1</sup>)

ORGANIC NET SALES GROWTH, YTD:

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

ADJ. EBITA, Q2:

**SEK 894m**  
(-3%<sup>1</sup>)

ORGANIC EBITA GROWTH, YTD:

**-12%**  
(-5%<sup>2</sup>)

ADJ. EBITA MARGIN, Q2:

**9.7%**  
(9.7%<sup>2</sup>)

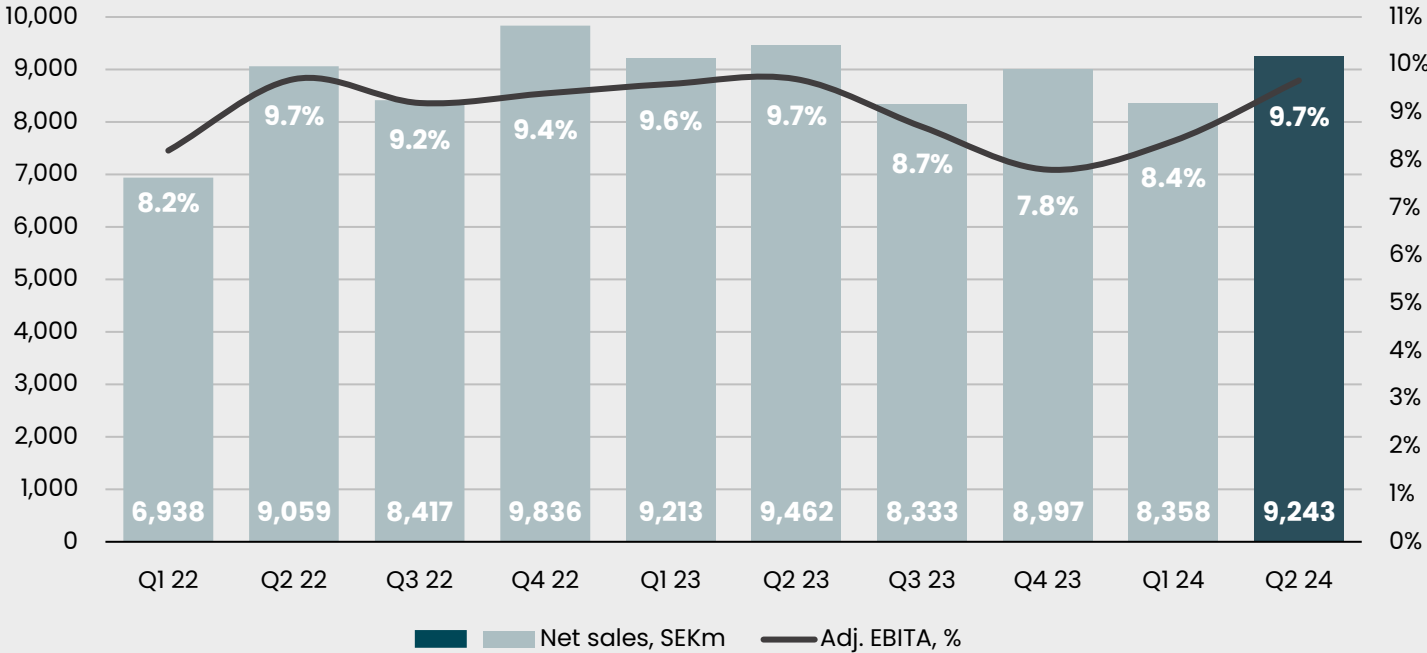
## KEY EVENTS

- LTM adj. cash conversion ahead of target at 101% (87)
- Interest-bearing net debt/RTM adj. EBITDA at 2.7x
- Organic sales and EBITA growth improving
- Christer Hansson appointed permanent CEO
- Successful bond issue to refinance part of bonds maturing in Q4 2025
- Divesment of nine low-performing business units and non-cash impairment reported

# Net sales and EBITA margin

Sales and EBITA margin in line with expectations in seasonally stronger Q2

## Financial development



## COMMENT

- Sales in line with expectations in seasonally stronger Q2
  - Divestments (-5%), organic growth (+2%) and acquisitions/FX (+1%)
- Margin improved as sales picked up, and early positive impact from organic EBITA growth initiatives

# Services

Y/Y margin improvement in seasonally stronger quarter

NET SALES, Q2:

**SEK 2,844m**  
(-7%<sup>1</sup>)

ORGANIC NET SALES GROWTH, YTD:

**0%**  
(0%<sup>2</sup>)

ADJ. EBITA, Q2:

**SEK 291m**  
(-5%<sup>1</sup>)

ORGANIC EBITA GROWTH, YTD

**-16%**  
(8%<sup>2</sup>)

ADJ. EBITA MARGIN, Q2:

**10.2%**  
(10.0%<sup>2</sup>)

## COMMENTS

- Sales affected by divestments (-11%), offset by organic growth, acquisitions and FX (+4%)
- Operational efficiency measures yielding early positive effects
- Five divestments completed on August 14
- Demand in the quarter remained muted for companies with exposure to construction
- Overall positive signs of improved market sentiment
- Q3 is a seasonally softer quarter

# Trade

Y/Y margin improvement in seasonally stronger quarter

NET SALES, Q2:

**SEK 2,510m**  
(-2%<sup>1</sup>)

ORGANIC NET SALES GROWTH, YTD

**-2%**  
(-3%<sup>2</sup>)

ADJ. EBITA, Q2:

**SEK 246m**  
(0%<sup>1</sup>)

ORGANIC EBITA GROWTH, YTD

**-9%**  
(-22%<sup>2</sup>)

ADJ. EBITA MARGIN, Q2:

**9.8%**  
(9.6%<sup>2</sup>)

## COMMENTS

- Sales affected by divestments (-5%), offset by organic growth, acquisitions and FX (+3%)
- Operational efficiency measures yielding early positive effects
- One divestment in the quarter
- Three divestments completed on August 14
- Demand in the quarter remained muted for companies with exposure to construction and end consumers
- Overall market sentiment slowly improving
- Q3 is a seasonally softer quarter

# Industry

Sales and EBITA largely in line with last year

NET SALES, Q2:

**SEK 3,905m**  
(2%<sup>1</sup>)

ORGANIC NET SALES GROWTH, YTD

**-4%**  
(-1%<sup>2</sup>)

ADJ. EBITA, Q2:

**SEK 437m**  
(0%<sup>1</sup>)

ORGANIC EBITA GROWTH, YTD

**-11%**  
(1%<sup>2</sup>)

ADJ. EBITA MARGIN, Q2:

**11.2%**  
(11.4%<sup>2</sup>)

## COMMENTS

- Sales in line with expectations
- EBITA margin continued to improve sequentially
- Demand in the quarter remained muted for companies exposed to construction and end consumers
- Continued solid order intake in the quarter
- One divestment completed on August 14
- Overall solid market and strong orderbooks, but global uncertainty remains

# Short-term priorities remain

We remain focused on our priorities, with a clear set of triggers for returning to a normalised state

## Today

- Organic EBITA growth
- Cash flow focus
- Leverage ratio improvement
- Portfolio review

## Triggers

- Satisfactory leverage ratio
- Persistent organic EBITA growth
- Favourable market conditions

## Tomorrow

- Persistent organic EBITA growth
- Cash flow deployed for EBITA growth
- Capital allocation





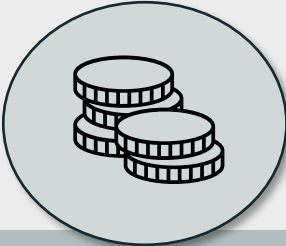
# Achieving organic growth

A number of both defensive and offensive initiatives for improvement today, and for when market demand returns



**Sales**

**Increase sales volume  
Gain market shares**



**Pricing**

**Protect margins  
Strengthen profitability**



**Investments**

**Improve scalability  
Enhance professionalism**



**Cost control**

**Protect margins  
Increase efficiency**

*Selected examples*



# Strategic divestment

Significant positive impact from divesting nine long-term low performers<sup>1</sup>

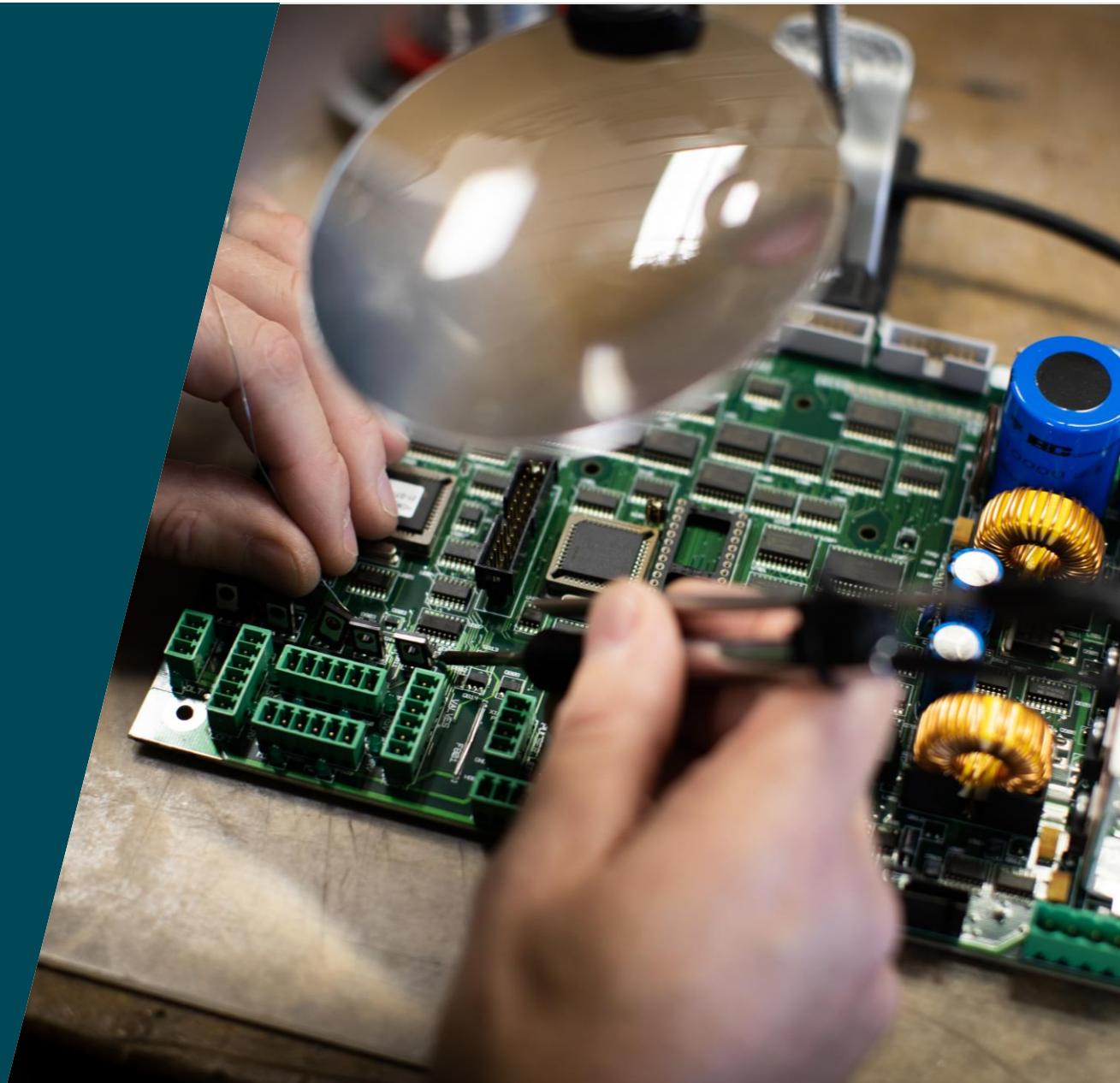
## Jan 2024–Jun 2024

## Jul 2023–Jun 2024

	<i>Storskogen, reported</i>	<i>Divested entities</i>	<b><i>Storskogen, excl. divested entities</i></b>	<i>Storskogen, reported</i>	<i>Divested entities</i>	<b><i>Storskogen, excl. divested entities</i></b>
<b>Net sales, SEKm</b>	17,600	740	<b>16,860</b>	34,931	1,512	<b>33,419</b>
<b>Adj EBITA, SEKm</b>	1,597	-32	<b>1,629</b>	3,028	-110	<b>3,138</b>
<b>Adj EBITA-margin</b>	9.1%		<b>9.7%</b>	8.7%		<b>9.4%</b>

# Storskogen Q2 2024

## Financial update



# Financial summary, adjusted for IAC

Operationally in line with last year, growth in profit

SEKm	Q2 24	Q2 23	Chg., %
Net sales	9,243	9,462	-2
C.O.G.S	-7,295	-7,497	-3
<b>Gross profit</b>	<b>1,948</b>	<b>1,965</b>	<b>-1</b>
Selling & admin. expenses	-1,345	-1,370	-2
Other operating income & expenses	87	111	-22
<b>Operating profit</b>	<b>690</b>	<b>706</b>	<b>-2</b>
Net financial items	-237	-306	-23
<b>Profit before tax</b>	<b>453</b>	<b>400</b>	<b>13</b>
Income tax	-129	-133	-3
<b>Profit for the period</b>	<b>324</b>	<b>267</b>	<b>21</b>
Financial KPIs	Q2 24	Q2 23	Chg., %
Adjusted EBITA	894	922	-3
Adjusted EBITA margin, %	9.7	9.7	Unch.
Adjusted RoE, % (12 months)	4.0	6.9	-2.9pp
Adjusted RoCE, % (12 months)	6.7	8.0	-1.3pp
Adjusted EPS, after dilution	0.16	0.13	21

## COMMENTS

- **Q2 net sales** decreased 2%, whereof divestments (-5%), organic growth (+2%) and acquisitions/FX (+1%)
- **Gross margin** unchanged at 21% (21)
- **EBIT** of SEK 690m corresponds to a margin of 7.5%, in line with last year
- **Net financial items** decreased Y/Y
  - **Net interest costs:** SEK -228m (-218)
  - **FX and other costs:** SEK -9m (-88)
- **Net of Goodwill, RoCE** was 15.4% (17.8)
- **Items affecting comparability** (IAC), see next slide
  - Affecting **EBIT:** SEK -958m (-101)
  - Affecting **net profit:** SEK -995m (-152)

# Financial summary, reported

## Significant impact from IAC in connection with divestment<sup>1</sup>

SEKm	Q2 24	Q2 23	Chg., %
Net sales	9,243	9,462	-2
C.O.G.S	-7,996	-7,497	7
<b>Gross profit</b>	<b>1,247</b>	<b>1,965</b>	<b>-37</b>
Selling & admin. expenses	-1,513	-1,372	10
Other operating income & expenses	-2	12	n/a
<b>Operating profit</b>	<b>-268</b>	<b>605</b>	<b>n/a</b>
Net financial items	-274	-357	-23
<b>Profit before tax</b>	<b>-542</b>	<b>248</b>	<b>n/a</b>
Income tax	-129	-133	-3
<b>Profit for the period</b>	<b>-671</b>	<b>115</b>	<b>n/a</b>
Financial KPIs	Q2 24	Q2 23	Chg., %
Adjusted EBITA	894	922	-3
Adjusted EBITA margin, %	9.7	9.7	Unch.
RoE, % (12 months)	-1.0	7.7	-8.7pp
RoCE, % (12 months)	3.8	8.6	-4.8pp
EPS, before and after dilution	-0.43	0.04	n/a

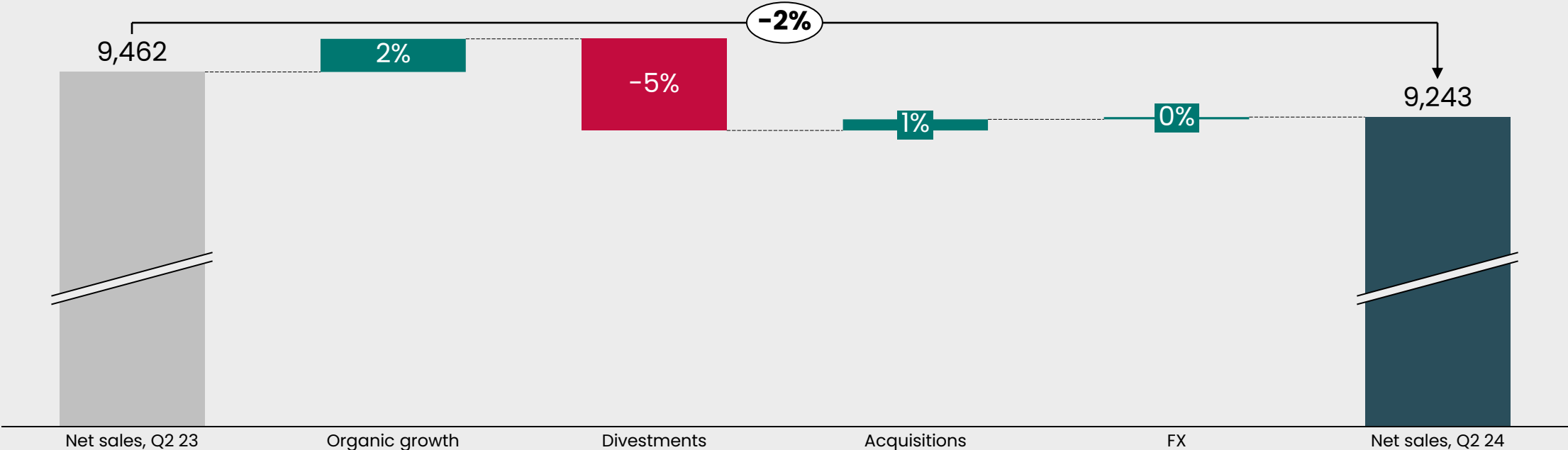
## COMMENTS

- **Items affecting comparability (IAC):**
  - Affecting **EBITA**: SEK -227m (-101)
  - Affecting **EBIT**: SEK -958m (-101)
  - Affecting **Profit/EPS**: SEK -995m (-152)
- **IAC affecting EBIT split by category:**
  - **Announced divestment<sup>1</sup>**: SEK -976m
    - Of which impairments and write-downs amounted to SEK -866m
  - **Other**: SEK 18m

# Q2 sales bridge

Organic growth recovering, while negative Y/Y change was explained by divestments

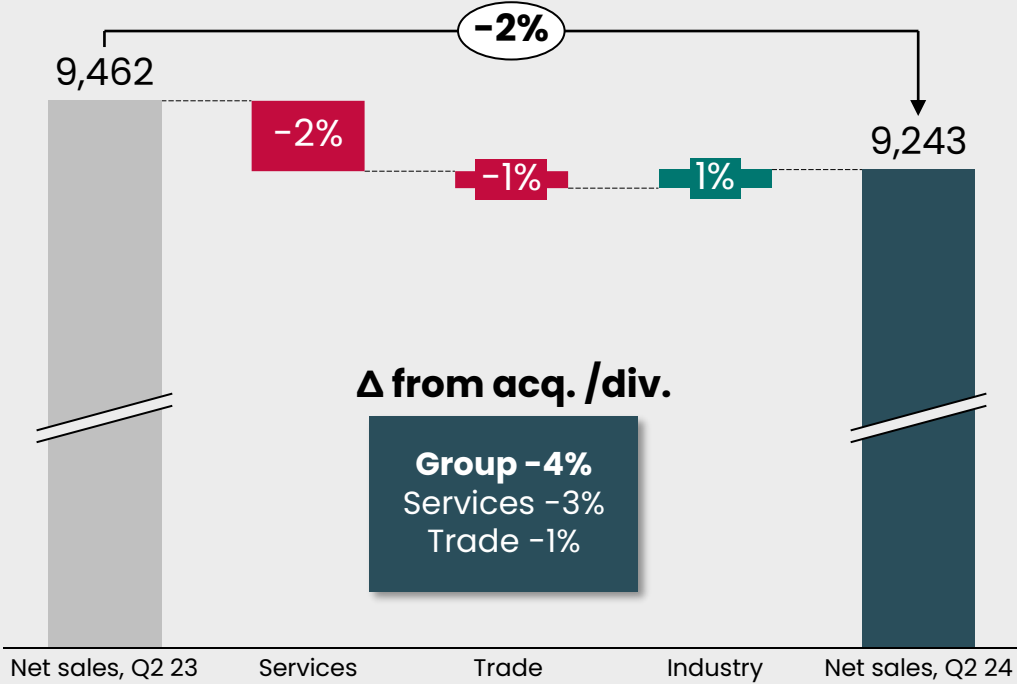
SEKm



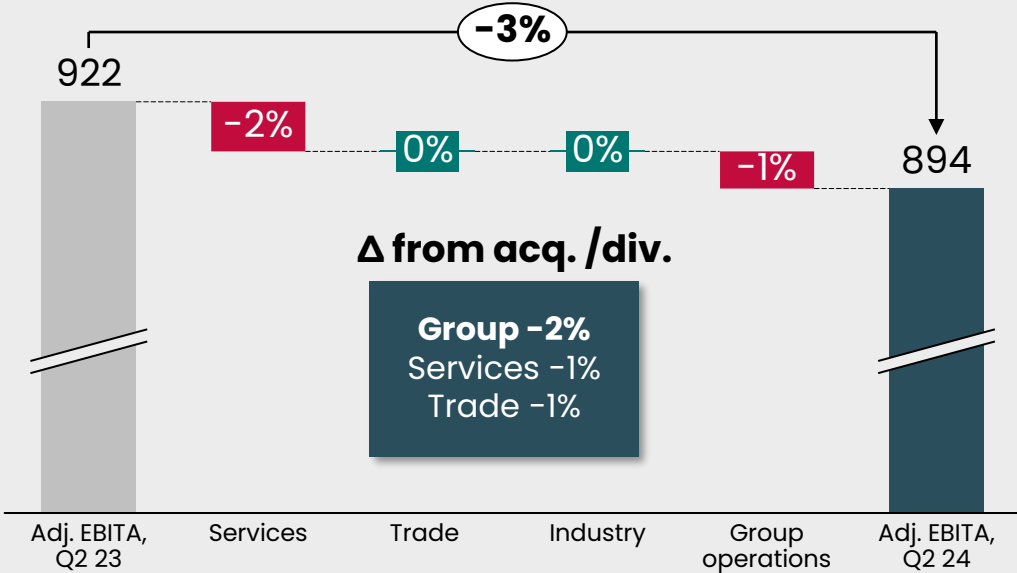
# Q2 bridges by business area

Divestments affected sales and EBITA but organic growth improved

Net sales, SEKm



Adj. EBITA, SEKm



Note: Business area change and change from acquisitions and divestments in relation to total change

# Condensed cash flow

Cash flow continues to be solid after NWC progress in 2023

SEKm	Q2 24	Q2 23	Chg., %	LTM
Profit before tax	-542	248	n/a	91
Adjustment for non-cash items	1,533	631	>100	3,050
Income tax paid	-190	-250	-24	-710
Change in WC	54	223	-76	576
<b>Cash flow from operating activities</b>	<b>855</b>	<b>852</b>	<b>Unch.</b>	<b>3,007</b>
Net investments in non-current assets	-140	-120	17	-545
Acquisitions & divestments	2	-313	n/a	-168
<b>Cash flow from investing activities</b>	<b>-138</b>	<b>-433</b>	<b>-68</b>	<b>-713</b>
<b>Cash flow from financing activities</b>	<b>-619</b>	<b>-1,086</b>	<b>-43</b>	<b>-2,779</b>
<b>Cash flow for the period</b>	<b>99</b>	<b>-668</b>	<b>n/a</b>	<b>-485</b>
Cash at the beginning of the period	1,407	2,613	-46	1,990
<b>Cash at the end of the period</b>	<b>1,497</b>	<b>1,990</b>	<b>-25</b>	<b>1,497</b>
<b>Financial KPIs</b>	<b>Q2 24</b>	<b>Q2 23</b>	<b>Chg., %</b>	
Adjusted cash conversion, % (LTM)	101	87	14pp	
Total available liquidity, SEKm <sup>1</sup>	3,706	8,949	-59	

## COMMENTS

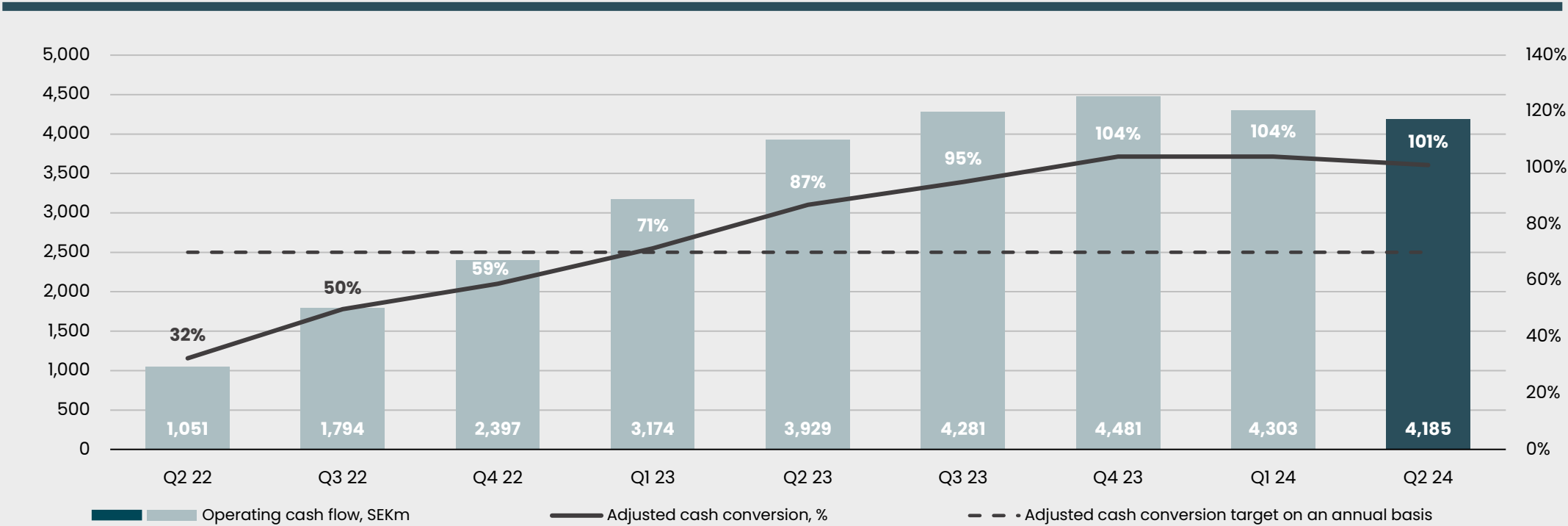
- **Cash flow from operating activities** of SEK 855m, in line with last year
- **Capex/sales:** 1.1% (1.8)
- **M&A net:** SEK 2m (-311)
  - Acquisitions paid: SEK -6m
  - Bought and sold minorities: SEK -16m
  - Earn-outs paid: SEK -116m
  - Divestment proceeds: SEK 140m
- **Cash flow from financing:** SEK -619m
  - Change in loans: SEK -275m
  - Leasing and other: SEK -137m
  - Dividends to minority owners: SEK -54m
  - Dividends to shareholders: SEK -152m
- **Free cash flow after leasing (LTM):** SEK 1,879m (1,890)
- **Total available liquidity** of SEK 3,706m
  - Cash: SEK 1,407m
  - Unutilised credit facilities: SEK 2,209m



# Operating cash flow and cash conversion

Cash flow solid and LTM cash conversion well ahead of target

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



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

# Condensed balance sheet

## Debt significantly reduced Y/Y

SEKm	Jun 24	Jun 23	Chg., %	Dec 23
Total non-current assets	29,627	31,493	-6	30,597
Total current assets	14,632	15,817	-7	13,572
<b>Total assets</b>	<b>44,304</b>	<b>47,309</b>	<b>-6</b>	<b>44,169</b>
<b>Total equity</b>	<b>19,855</b>	<b>20,681</b>	<b>-4</b>	<b>20,437</b>
Interest-bearing non-current liabilities	10,112	11,855	-15	10,080
Non-current lease liabilities	1,332	1,147	16	1,222
Non-interest-bearing non-current liabilities	1,648	1,945	-15	1,814
<b>Total non-current liabilities</b>	<b>15,290</b>	<b>17,132</b>	<b>-11</b>	<b>15,248</b>
Interest-bearing current liabilities	561	610	-8	546
Current lease liabilities	463	422	10	430
Non-interest-bearing current liabilities	5,398	5,917	-9	5,238
<b>Total current liabilities</b>	<b>9,159</b>	<b>9,496</b>	<b>-4</b>	<b>8,484</b>
<b>Total equity and liabilities</b>	<b>44,304</b>	<b>47,309</b>	<b>-6</b>	<b>44,169</b>

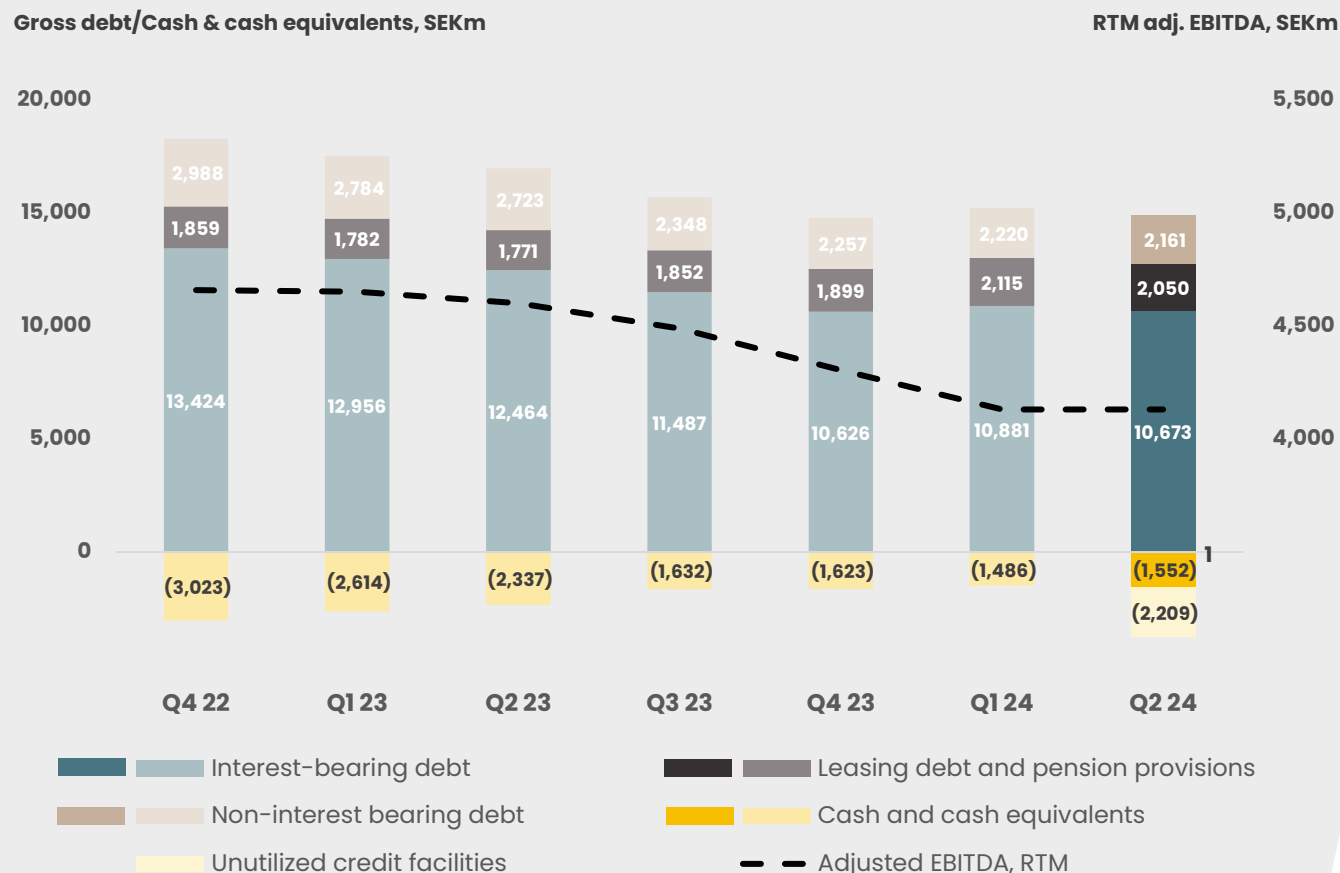
Financial KPIs	Jun 24	Jun 23	Chg.	Dec 23
Leverage ratio <sup>1</sup> , x	2.7	2.6	-0.1x	2.5
Equity/assets ratio, %	45	44	1pp	46

## COMMENTS

- **Balance sheet** 6% lighter at SEK 44bn
  - Divestments
  - Working capital reduction
  - Debt reduction
- **Equity/assets ratio** increased to 45% (44%)
- **Leverage ratio** of 2.7x (2.6), within the target range (2-3x) – ambition to reduce it further remains
- Impairments and write-downs in connection with divestment on August 14 affected equity by SEK -866m

# Total debt and leverage

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



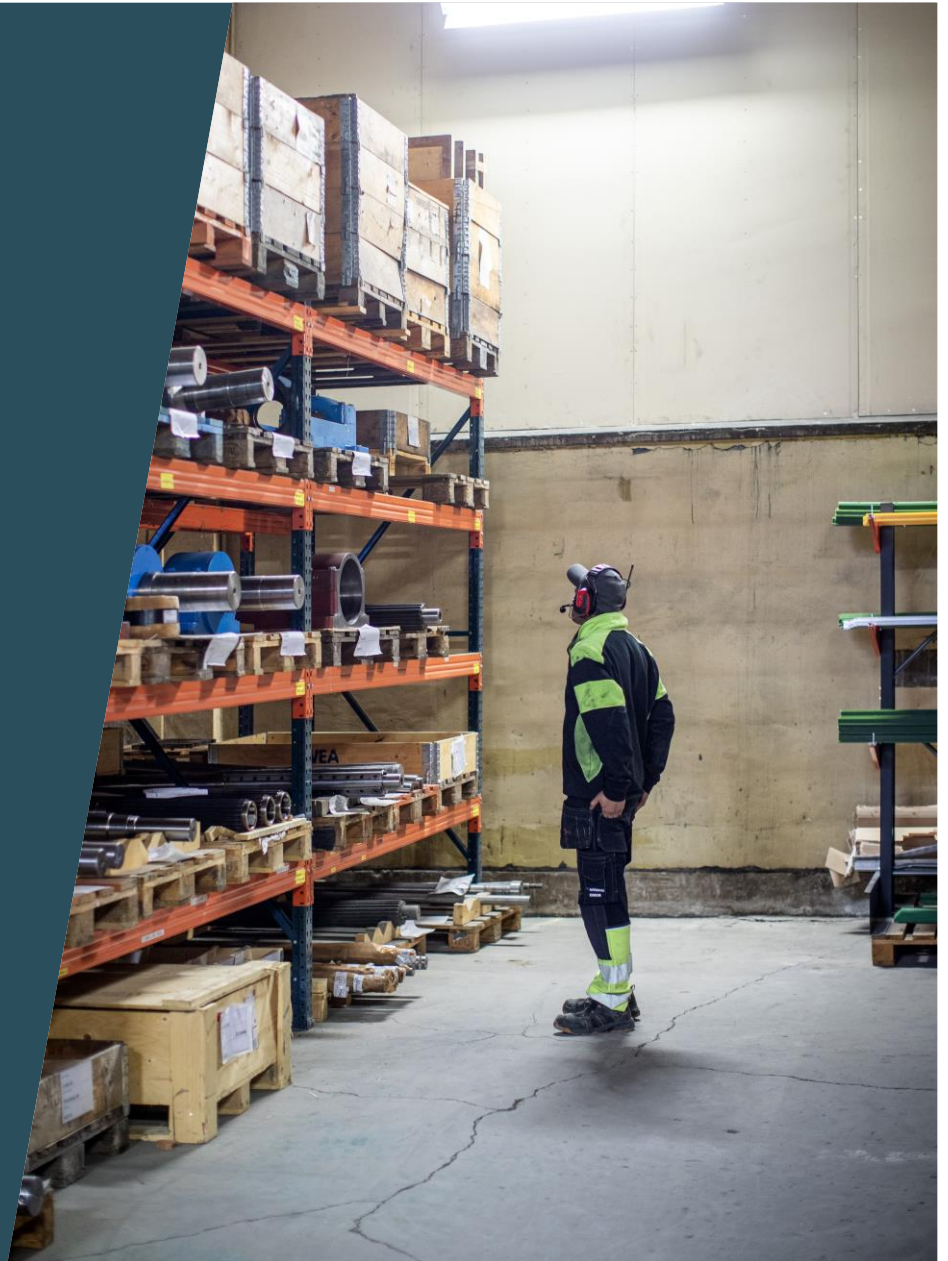
## COMMENTS

- **Continued focus on capital efficiency and cash flow during the quarter**
- **Interest-bearing net debt** (change)
  - Q2: SEK -336m
  - YTD: SEK 268m
  - LTM: SEK -726m
- **Reduction in net debt** offset by decline in RTM adj. EBITDA of SEK 4,131m (4,600), affected by divestments
- **Improved maturity profile**
  - SEK 1,250m bond (3.5y) to refinance buyback (equal amount) of shorter maturities
  - Issue done at Stibor 3m + 375bp, compared to Stibor 3m + 687.50 in Q2 23

# Key takeaways

Important strategic progress and continued operational focus as we enter H2 2024

- ✔ Strategic divestment improve profitability and potential for profitable growth
- ✔ Operational initiatives yielding positive effects as we enter the second half of 2024
- ✔ Continued focus on organic EBITA growth and cash flow to return to a normalised state



# Q&A

## TODAY'S PRESENTERS



**Christer Hansson**

CEO



**Lena Glader**

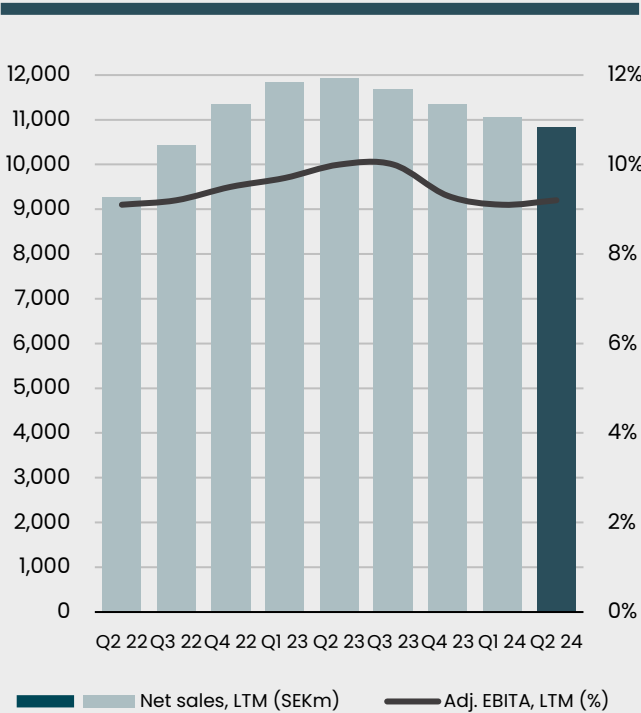
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# Appendix

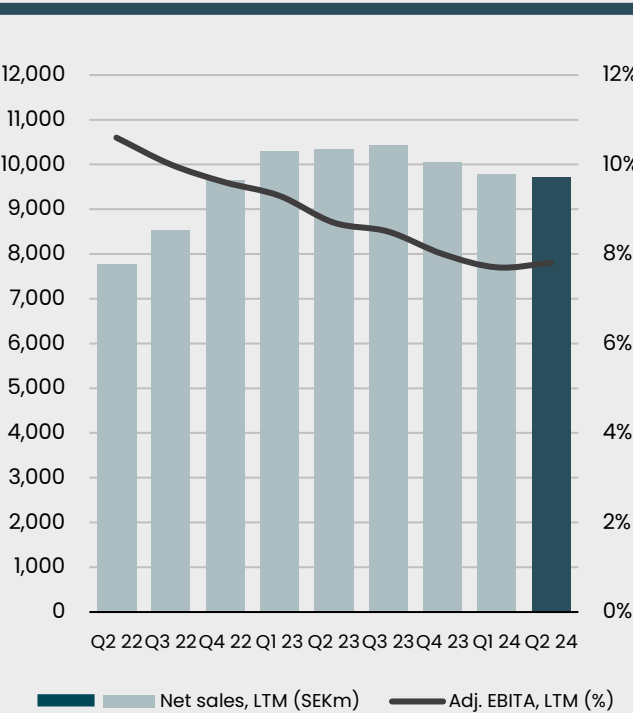
# Financial development per segment

Industry stabilising as demand normalises, and margin trend (LTM) reversed in both Services and Trade

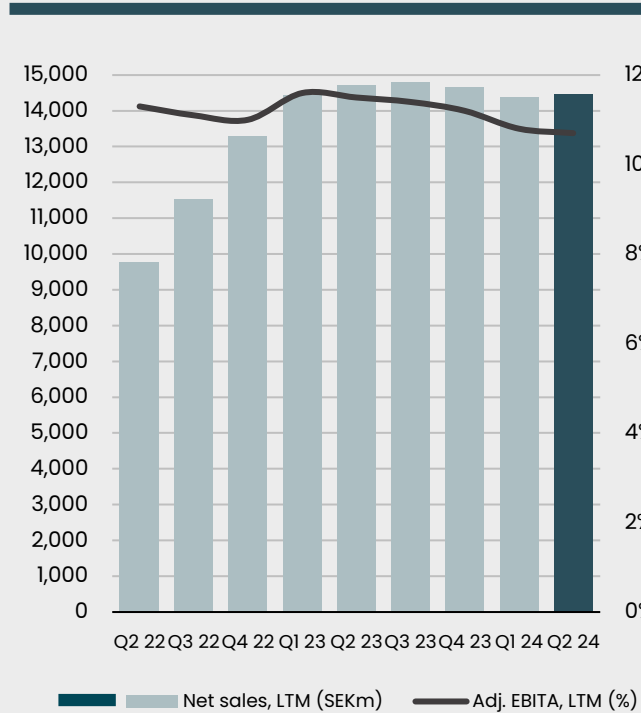
## Services



## Trade



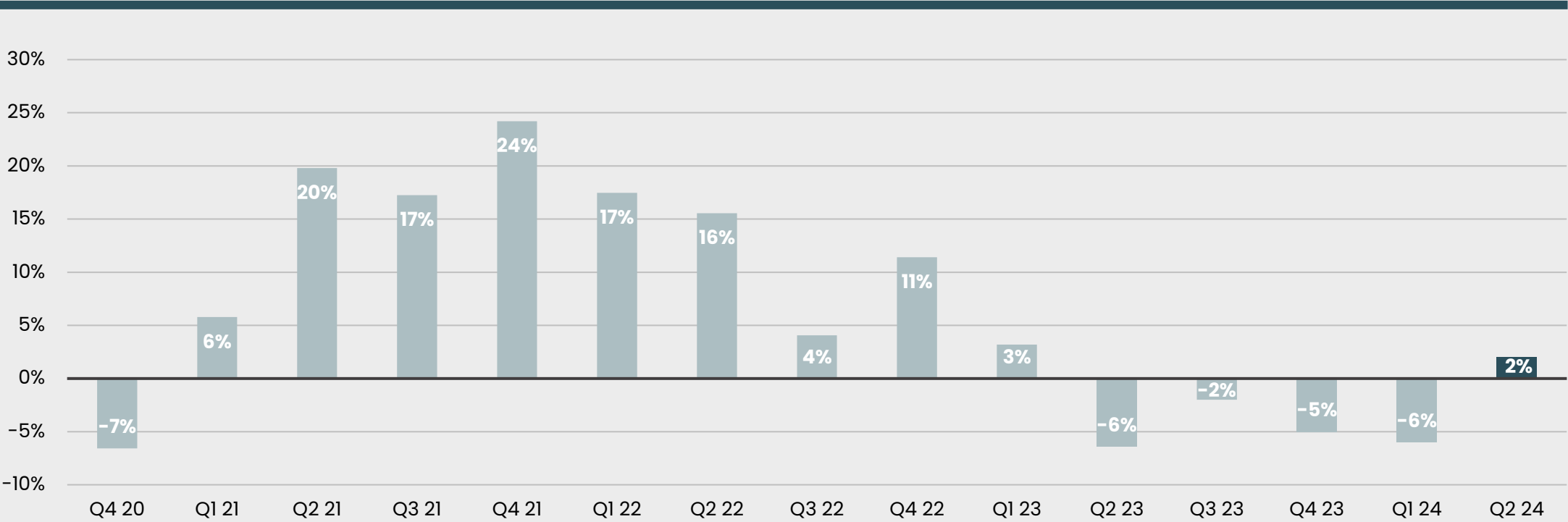
## Industry



# Organic sales growth

Negative organic sales trend recovering across all three business areas

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



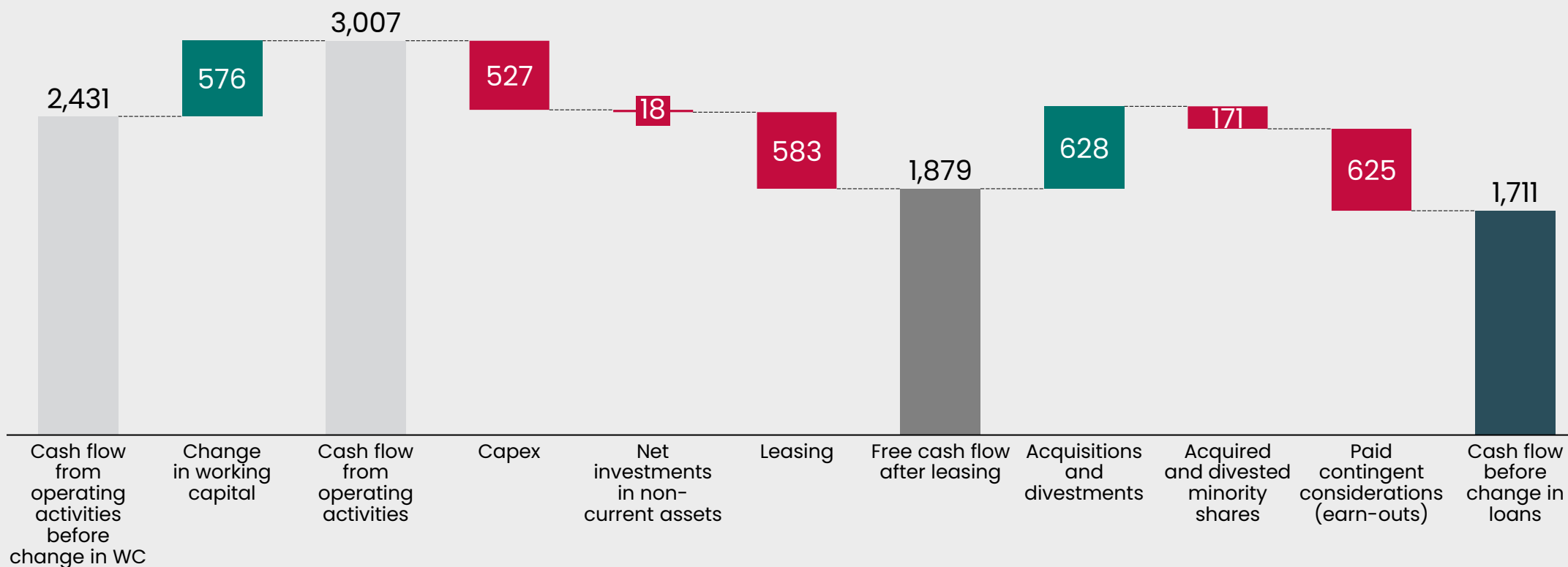
<sup>1</sup> Comparable sample based on portfolio companies owned as of January in the comparison year, i.e. the same sample as organic YTD data



# Cash flow bridge, Q2

Cash flow after leasing and capex continues to be solid

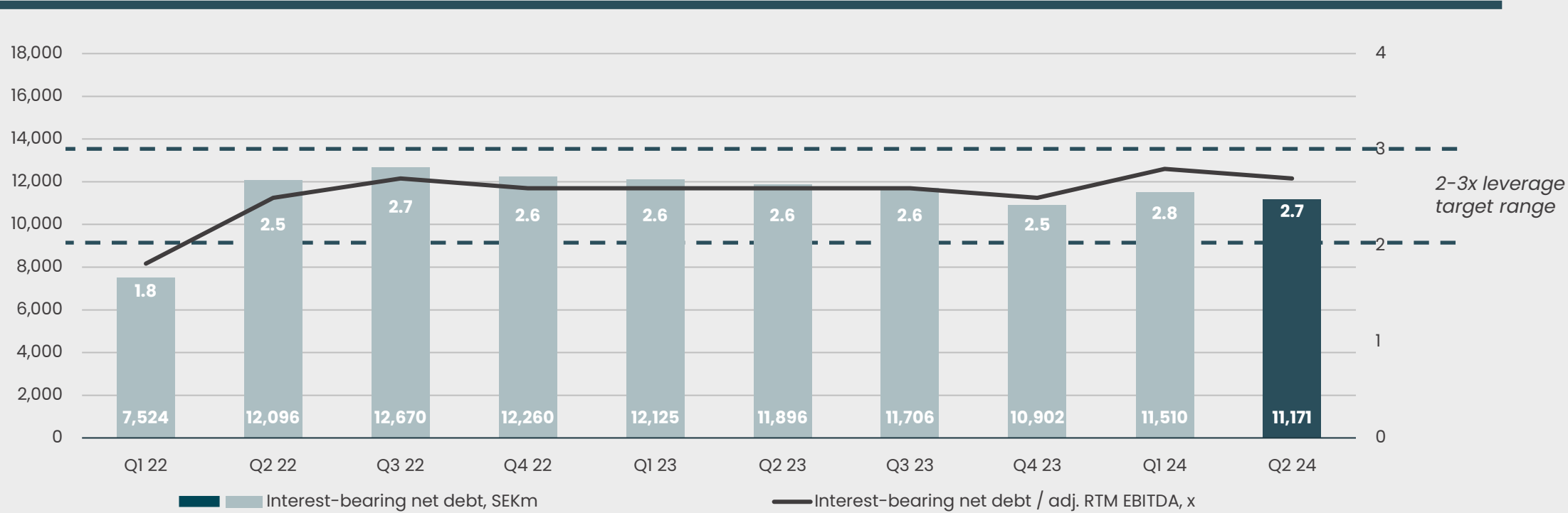
LTM, SEKm



# Net debt and leverage

Net debt and leverage ratio improvement vs seasonally softer first quarter

## Leverage ratio



# Overview of financial targets

Focus is on organic EBITA growth, cash flows and improving the leverage ratio

## MEDIUM-TERM TARGETS

Organic EBITA growth: <b>Real GDP growth + 1–2 percentage points</b>	Adjusted 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 / RTM adjusted EBITDA: <b>2.0–3.0x</b>
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## OUTCOME

<b>-12%</b> (YTD)	<b>-12%</b> (YTD)	<b>8.7%</b> (LTM)	<b>101%</b> (LTM)	<b>2.7x</b> (RTM)
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