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Storskogen Group AB (STOR.B.SE)

Q3 2024 Earnings Call

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MANAGEMENT DISCUSSION SECTION

Operator: Welcome to the Storskogen Q3 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 third quarter of 2024. I am Christer Hansson, and with me today is our CFO, Lena Glader. We are overall happy with the performance this quarter and I'm eager to get into the details with you. So, let's begin with an overview of Storskogen's before we take a closer look at the quarter's highlight.

Storskogen is a diversified international business group, with sales of about SEK 34.6 billion over the last 12 months, and adjusted EBITA of SEK 3.1 billion spread across our three business areas. After a number of completed divestments in the quarter, we now consist of 116 business units with an average sales approaching of about SEK 290 million.

Highlights for the quarter. Cash flow, organic EBITA growth and profitability remain our top priorities. This quarter continues to demonstrate that we are on the right track with organic sales growth in all three business areas and with marginally positive organic EBITA growth. We reported sales of about SEK 8 billion and adjusted EBITA of SEK 783 million SEK, and our adjusted EBITA margin came in at 9.8%. Cash conversion continues to be ahead of our target at 99%. And we are benefiting from the great work that our companies have done over the past years.

Our leverage ratio came down slightly and is now 2.6x. Our continuous efforts to optimize our balance sheet progresses. And I'm pleased that we have continued to refinance part of our bonds maturing in 2025. And as of now, we don't have any significant bond maturities before 2027. I'm also pleased that S&P affirmed our credit rating BB with an improved outlook from negative to stable.

As we noted in the Q2 report, the third quarter is typically a seasonally weaker quarter and sales was in line with this pattern. Decreased sales can be attributed to divestments, explaining 5% of the drop and acquisition/FX minus 2%. These were offset by positive organic growth of 3%. And I want to underscore that we saw positive organic sales growth in all business areas.

If I may turn your attention to the quarter's margin in the right side of the graph, at 9.8%, we are inching closer to our target of 10% and significantly higher than the 8.7% in the Q3 of 2023. This meaningful year-on-year improvement can be attributed to divestments and positive organic growth in Services and Trade. I'm happy to note that our continued margin improvements are in part the result of both the initiatives that we have implemented to drive organic EBITA and the strategic divestments that we have made. However, there should be no doubt that we will continue to work hard to reach our target margin of 10%.

Going into the business areas. Services reported lower sales, but notably higher profitability in the third quarter. The sales decrease of 9% was driven by divestment that contributed to the decrease with 11%. However, this was offset by positive organic sales growth of 3%. We saw underlying improvements in most areas, such as digital services, logistics and installation, while the market for companies exposed to construction remained soft. The dedicated efforts to adapt cost has contributed to maintain profitability throughout the year.

Gradually recovering demand also contributed positively to profitability in the quarter. It's also worth noting that divestments completed on August 14 is supporting the margin improvements. Overall, I want to mention that we are seeing positive signs of improved market sentiment. And looking ahead, I will conclude to mention that Q4 is seasonally stronger quarter.

Looking at the Trade. For Trade business area, we saw sales decrease with 4%. Divestments contributed to decrease with 6%, which was offset by organic growth of 4%. Consumer demand remains subdued. However, we are seeing early signs of recovery in the consumer sentiment. Our operational initiatives are already yielding positive results with the potential for even better profitability as demand gradually improves and as the effects of interest rates cut materialize. Looking ahead, as with Services, we anticipate a seasonally stronger fourth quarter, though we remain mindful of ongoing market uncertainties.

Industry's profitability and net sales were in line with last year's figures. Sequential margin development is somewhat impacted by subdued demand in the UK and as expected, Q3 reflected seasonally softer performance due to the summer holidays. Operational focus still offset on steady demand and some sectors [ph] remains central (00:06:29). Overall, market conditions are stable and order books remained at the healthy levels.

Consistent with the first half year, companies involved with automation solutions, especially those offering robot integrations, metal processing and infrastructure continued to see a solid demand. That said, global uncertainties pose potential delays in a broader recovery into 2025, especially for companies exposed to the consumer market and the construction industry. As a result, our commitment to counter these effects and maintain continued solid profitability continues to be highly prioritized.

As we look at our short- to medium-term priorities, I want to revisit an important slide from the past two quarterly presentations. Our main focus today continues to be on driving organic EBITA growth. We are committed to building on strong cash flows from last year and continue to work to improve our leverage ratio. In the past quarter, we finalized divestitures of a group of businesses in order to ensure that every business unit aligns with our strategic goals and financial targets. Achieving satisfactory leverage ratio remains a crucial trigger for our return to more normalized situation, where we will deploy and invest our cash flow towards achieving a combination of organic and acquired EBITA growth. In sum, our efforts are moving ahead in the right direction.

To take a look at how we are driving organic growth, I want to turn your attention to some of the initiatives across our four key areas, sales, pricing, investment, and cost control. And here are a few selected examples from our business group of these efforts. Starting with Services. IVEO, this e-commerce digital agency has over the years held many of the Storskogen's portfolio companies in building their e-commerce platforms. As a result, they have developed IVEO Storefront, a plug-and-play solution tailored for trading companies. Danboring, this Danish company that offers horizontal drilling services, has begun to collaboration with the Swedish business units, [ph] NDS and Tofta Gård (00:09:04), to strengthen their offering. Currently, they are collaborating on a large wind power project intended to supply electricity to nearly 0.5 million households. The companies are supporting each other with resources and expertise.

Going into the Trade, about two years ago, we conducted a merger of a number of business units active in the distribution of professional hair care products into the business unit, ByWe. The improved Nordic reach of ByWe recently contributed to winning the global brand, OLAPLEX, with retail sales in Sweden, Norway and Denmark. Recently, we also noted the win of the key account, Nikita Hair, a chain of hair salons in Norway and Sweden. What we have achieved with ByWe is something that we are now aiming to emulate through having merged five Storskogen companies into ASHE Sport, forming a leading Nordic distributor and brand partner in sports and active lifestyle. ASHE offers products in areas such as alpine, tennis, paddle, outdoor, and sports fashion with more than 30 global brands like Babolat, Nike and Blizzard. And as a group, ASHE will benefit from the scale and achieve several synergies, while also meeting external demands to remain an attractive partner for customers and brand owners.

In the Industry segment, I want to mention Stål & Rörmontage. This is a leading supplier of qualified construction in the stainless steel – in stainless steel. They're benefiting from the positive macro trends relating to electrification and infrastructure, among other areas, building bridges and very large carousels for cables. To meet an increased demand, they have invested in an 1,800 square meter facility, building part with internal resources, which will deliver a cost efficiency with the fast payoff.

Lastly, Brenderup, a manufacturer of various types of trailers, acquired its Norwegian peer, Tysse, to approximately two-and-a-half years ago. Since then, Brenderup has achieved multiple synergies. One example – one recent example, at the time of acquisition, Tysse had more advanced offering for the professional segment, which was limited to the Norwegian market. Currently, Brenderup is in the early stages of expanding this offering across Europe, leveraging its broader European distribution network. These are just a few examples of various types of initiatives across our group to provide flavor of all the different types of initiatives we are pursuing to achieve organic EBITA growth.

With that, I'll now pass over to Lena Glader for a closer look at our financial performance.

Lena Paulina Glader

Chief Financial Officer, Storskogen Group AB

Thank you, Christer. Such interesting stories from our businesses. Now over to the Q3 financials. And on this page, we show first the adjusted P&L and – or profit and loss statement and on the next page, the reported. So, this is adjusted for items affecting comparability. And we already mentioned, a net sales decline of 4% to SEK 8 billion, driven by divestments, and whereas organic growth was positive. And I'll come back with a more detailed sales bridge on a separate page.

So, we had a sales decline of 4%, but we had an adjusted EBIT growth, or operating profit growth of 19% to SEK 597 million, with an adjusted EBIT margin that consequently improved from 6% in Q3 last year to 7.5% in Q3 this year. Operating profit in the quarter was, of course, helped by the divestment, partly of the nine unprofitable businesses, but also, like Christer mentioned just now, by operational improvements, most notably in the business area, Services, but also within Trade, and underlying also within Industry. And in addition, margins were positively affected by lower central costs as we reversed some provisions tied to an incentive program from 2021.

Moving on to the net financial items that were SEK 242 million negative. Of course, this is a clear reduction from minus SEK 290 million in Q3 last year. And of this SEK 242 million, the net interest costs represent SEK 207 million, which is an almost 20% reduction year-on-year, thanks to a combination of lower interest rates and lower absolute debt. This is still a high level, of course, and our ambition is to reduce it. Now, I believe the [ph] Riksbank (00:18:13) will come back with some news in 15 minutes. So, let's see what that does. A 1 percentage point reduction in base rates overall should improve our – or reduce our interest cost by around SEK 60 million on an annualized basis. The lower financial costs and the EBIT growth, of course, meant that profit before tax increased by 68% in Q3. And then looking at the tax, they were higher – this compared to the previous quarters due to positive one-offs in Q3 last year. And then, the net profit consequently increased by 31%. So, a little bit less than 68%, obviously.

And then turning to the financial KPIs table below there, we already mentioned the adjusted EBITA growth of 8% and margin of 9.8%. But looking at the return on equity, the adjusted return on equity here was 4.3% for the 12-month period, which is lower than that of last year, but a small sequential improvement from 4% in Q2. And the same applies for the adjusted return on capital employed of 7.1%. This was also lower than Q3 last year, but a slight improvement from the second quarter this year. And net of goodwill, the return on capital employed was 16.4%. Again, our ambition is obviously to improve the return metrics over time and successively. Finally, EPS, adjusted for items affecting comparability, grew by 35% to SEK 0.13 from SEK 0.10.

Finally, a few words on the year-to-date numbers there to the right. As a reminder, we had a quite slow start of the year, as you may remember, with significant negative organic growth in Q1. This then turned to positive organic sales growth in the second quarter and now also in the third quarter with a slight positive organic EBITA growth actually also in the third quarter. But considering that our nine-month operating margin is at the same level as that of the previous years, despite the significant year-on-year decline of 20% in Q1, that shows, I believe, that our focus on cost control and operational efficiency throughout our businesses, including divestments of low performers, has yielded results in the past two quarters.

On the following page, we have a financial summary for the reported so without these adjustments. So, how does that look? Well, in Q3 this year, we had items affecting comparability quite low on EBITA of SEK 8 million stemming from capital gains, while we had a negative minus 11 million in the same quarter last year. And so, the reported EBITA is up 23% year-on-year to SEK 604 million. And looking at the year-to-date result, we had – the year-to-date results, we had a total of SEK 970 million affecting EBIT. So, that's the items affecting comparability on EBIT level and more than SEK 1 billion affecting net profit for the nine-month period. And these relate to capital losses, impairment and write-downs that were communicated and done in conjunction with this portfolio divestment in Q2. So, as a consequence, obviously, reported EBIT declined by 58% to SEK 814 million.

Then, we have the Q3 sales bridge right here on the next page where we've already mentioned these numbers. Organic sales growth plus 3% for the group in the quarter. This is second quarter in a row now with a positive sales growth and it was positive in all business areas, obviously. Divestments minus – represented minus 5% of the sales decline, the largest divestments being the portfolio divestments that we made this summer, as well as [indiscernible] (00:18:482) earlier in the year. And actually, the divestments of, I believe, three electrical installation companies that were sold in September last year are also included here. Currency represented a combined minus 2% of the year-on-year change in Q3.

And then on the following page here, we have a quick glance at the Q3 sales again and EBITA, but here divided by business areas. So, starting with the sales bridge to the left, we just mentioned all three business areas had a positive organic sales growth and divestments impacted negatively. And the largest part of the past year's divestments have been made within Services, both in terms of number of divestments and also in terms of size. And the EBITA waterfall to the right here. There you can see the opposite effect on EBITA. So, the divestments made in Services, Trade and Industry actually lift group EBITA by 4% in total comparing to Q3 last year. This is a result of the fact that these divested companies on aggregate were loss-making in Q3 last year. Lower central costs, of course, contributed positively around 3% to the year-over-year EBITA growth. There you go.

And then over to the cash flow statement on that next page. For the third quarter – so, first of all, as a backdrop, a reminder, cash flow and cash conversion is generally seasonally lower in the third quarter compared to Q2 and Q3 that are generally stronger. Trading companies typically build inventories in the third quarter that they then release in the fourth quarter. The cash flow effect from change in working capital was, well, this as a backdrop then minus SEK 142 million in Q3. But this is a combination not only of inventories, but this is a combination of lower payables, actually, and somewhat higher inventories, not significantly higher impact. And this is partly then offset by also a reduction in receivables.

Summing up the cash flow from operating activities and again mind you this is after interest and after tax, we arrive at SEK 453 million for the quarter and SEK 2.9 billion for the rolling last 12-month period in cash flow from operating activities, CapEx to sales was 1.4% in the third quarter, which is actually in the lower end of historical levels. And cash effects from M&A was minus SEK 91 million in the quarter. The majority of this, SEK 84 million of this actually is acquired minority shares in portfolio companies. Cash flow from financing activities minus SEK 300 million. This is loan amortization and leasing. And that all sums up – something that all up gives us the cash flow for the period of minus SEK 213 million for the quarter.

And on the next page here, we show the rolling 12-month EBITDA-based operating cash flow and the cash conversion over the past nine quarters. So, a little bit more history here. We've gone from a cash conversion rate of 50% two years ago to being at or around 100% in the past five quarters now and this is on a rolling 12-month basis. And in the isolated third quarter, cash conversion was 75%, which actually is a quite good number looking at where Q3 typically is. And – but over the last 12-month period, the cash conversion is 99%, so still very strong. Worth pointing out, again, however, that a cash conversion of 100% is not sustainable for our lines of businesses over time. As demand returns and growth starts to come back, we do expect cash conversion to normalize slowly again, but at more efficient levels than pre-pandemic. Our target level being over 70% over a 12 months' period.

A quick look at the balance sheet, next. Our total balance sheet of SEK 43.3 billion is 6% lighter compared to a year ago. And this is largely a result of divestments, as well as working capital focus, obviously, has meant that we've been able to reduce debt as a consequence. I'll show you the net debt items and how they've developed in more detail on the next page. But our interest-bearing leverage ratio of 2.6x at the end of Q3 is a reduction from 2.7x at the end of Q2 and 2.8x in Q1, but unchanged from a year ago. And finally, our equity ratio increased to 46% from 45% a year ago.

And on the next page here, let's have a closer look at the debt and leverage development. We show the quarter-on-quarter development since Q4 2022 here. The dotted line shows the 12 months' pro forma EBITDA, which is used in our leverage definition. After a period of declining EBITDA stemming from divestments and organic development, we now had a flat RTM EBITDA than the recent three quarters. It was, in fact, marginally up in the third quarter, but you can hardly see it here on this dotted line, but nevertheless important to us.

Debt and net debt came down further in Q3. Interest-bearing net debt SEK 255 million lower than in Q2. And looking at the longer period, our debt level has, of course, been reduced more substantially. Interest-bearing debt, the light blue or gray bars, is almost SEK 3 billion less compared to what it was in Q4 2022. And the yellow bars below is cash and cash equivalents that has been pretty stable during the last – the past quarters. And then, of course, we have also unutilized credit facilities of SEK 2.1 billion, which gives us a solid liquidity balance.

Finally here, a few words on the debt maturities and improved maturity profile. And the way we've worked with especially our bonds but also our bank loans, we have refinanced a large part of our total debt portfolio during the past 12 months, 18 months, including the RCF term loan and bonds. And during the third quarter, we issued a SEK 1.25 billion bond of four years. Of this, SEK 900 million was used to refinance buyback of bonds with a shorter maturity. And this transaction was, however, settled in October after the quarter closed. And the net amount, so SEK 1.25 billion minus SEK 900 million, was used to pay down the RCF in Q4. The most recent bond issue was done at SIBOR+ 325 basis points. And although I would say this is still at too high margin level, I believe Christer agrees...

Christer Hansson

Chief Executive Officer, Storskogen Group AB

Yes.

Lena Paulina Glader

Chief Financial Officer, Storskogen Group AB

...we're, of course, glad that we're refinancing at better and better levels with every issue we've done now. And this bond was, in fact, issued at 50 basis points lower margin and with a longer maturity compared to the similar-sized transaction we did only in June this year. And we believe, of course, that this is a testament to the almost complete restructuring that we have done in the past quarters and the improved maturity profile as illustrated here. Now, there is only one smaller SEK 843 million bond maturing in December 2025. And we are, of course, finally also happy to have maintained or reached a stabilized outlook with a BB rating from Standard & Poor's during the quarter, as you mentioned.

That's it for me on the financials. Over to you, Christer.

Christer Hansson

Chief Executive Officer, Storskogen Group AB

Thank you, Lena. To conclude this, I'd like to highlight the key takeaways from today's presentation. Our operational focus is yielding positive effects across all prioritized areas. The initiatives were implemented are starting to show tangible results, reinforcing our commitment to driving organic EBITA growth and maintaining strong cash flows. With no significant maturities until 2027, we have the flexibility to concentrate on our operational improvements without the pressure of refinancing. The firm credit rating improved outlook from S&P is a testament to our successful effort in enhancing Storskogen's overall credit profile.

Since becoming the CEO, I've made – I've had the opportunity to visit many of our colleagues across different geographies, meeting with our business units and discussing their challenges and opportunities has been both inspiring and reassuring, strengthening my confidence that we are on the right path. The insights gained from these visits have contributed to the strategic work that has been ongoing over the past year. I look forward to sharing more about the strategic direction at Storskogen's Capital Markets Day on November 27.

And with that, 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 few questions. Firstly, I mean, quite impressive margin uplift in the quarter. But I'm a bit curious to hear more about the dynamics, especially in regards to the big portfolio divestments you announced during the summer? What margin impact did those have? Because you've done other divestments as well, right? So, if we isolate to those divestitures you announced or the portfolio you divested, what impact did it have on, let's say, the group margin or segment margins for that matter?

Lena Paulina Glader
Chief Financial Officer, Storskogen Group AB

A

Should I take that?

Christer Hansson
Chief Executive Officer, Storskogen Group AB

A

You should take that.

Lena Paulina Glader
Chief Financial Officer, Storskogen Group AB

A

Yeah. Sure. Hi, Carl, and good morning. Well, as we haven't, I believe, disclosed in detail what the margin uplift was, but, obviously, the, by far, largest effect is on business area, Services. I believe that these companies have contributed or the divestment of these companies would contribute by more than 1 percentage point. I believe it's closer to 1.3 percentage point or something like that in Services. And a little bit less so in Q3, because we owned the companies also for a month in Q3. And that's about the size of it. And then also there is a margin contribution, obviously, positive in Trade and less so visible in business area, Industry. But I believe that [ph] again (00:31:31) if you have a look at the EBITA bridge that we showed just now, you can have a look at that. And also bearing in mind that the EBIT – underlying EBIT growth or organic EBITA growth in Q3 was slightly on the positive side. We had a plus 3% contribution from lower central costs. And then the rest is pretty much related to these divestments.

Carl Ragnerstam
Analyst, Nordea Bank ABP

Q

Okay. That is very clear. And when...

Lena Paulina Glader
Chief Financial Officer, Storskogen Group AB
A

I'm sorry. Again...

Carl Ragnerstam
Analyst, Nordea Bank ABP
Q

Yeah, please.

Lena Paulina Glader
Chief Financial Officer, Storskogen Group AB
A

[indiscernible] (00:32:01) contribution is from the divestment made this summer. So, smaller contribution from the electric installation companies and whereas [ph] ground lift (00:32:10) had a very limited impact. So, you would – yes.

Christer Hansson
Chief Executive Officer, Storskogen Group AB
A

Yes.

Carl Ragnerstam
Analyst, Nordea Bank ABP
Q

Okay. So, it's the majority of the portfolio.

Lena Paulina Glader
Chief Financial Officer, Storskogen Group AB
A

By far.

Carl Ragnerstam
Analyst, Nordea Bank ABP
Q

And when we enter Q4, I mean, was it two-thirds that is deconsolidated in the quarter, right, of the portfolio?

Lena Paulina Glader
Chief Financial Officer, Storskogen Group AB
A

I'm sorry. No, it's the opposite. Just one-third.

Carl Ragnerstam
Analyst, Nordea Bank ABP
Q

Sorry. One-third, of course. Sorry. Yeah.

Lena Paulina Glader
Chief Financial Officer, Storskogen Group AB
A

Yeah.

Carl Ragnerstam
Analyst, Nordea Bank ABP
Q

So, if you look at the profitability of that portfolio divided by the month last year, would you say that they were more loss-making during the latter or former part of the period, meaning that we would see an even big...

Lena Paulina Glader
Chief Financial Officer, Storskogen Group AB

A

Yeah, exactly. No. Yes. They were actually not loss-making during the one month that we owned them in July, had a slight profit actually. But they were largely loss-making in Q4 last year. You remember, we had a quite a weak Q4 last year and a large part of – I would say, a large part of the – that was actually stemming from these portfolio companies, I would say. Christer, is that fair to say?

Christer Hansson
Chief Executive Officer, Storskogen Group AB

A

Yeah. Yeah. That's fair to say.

Q

Okay. Very clear. Thank you. And you mentioned that order books are stable, in general, in Industry. Should we interpret that as you're sort of eating a little bit from the backlog you've built up in first half 2024 and that orders are a bit sluggish currently, or how should we look at the order situation in Industry?

Christer Hansson
Chief Executive Officer, Storskogen Group AB

A

I think we should look at it, call out, that it was strong, as we said, in Q1 and Q2, slightly less so in Q3, but on a really stable or a healthy level still, but a little bit slower in Q3. And I think we have to wait and see the uptick when that is coming. So, a little bit slower in Q3 compared to Q2.

Carl Ragnerstam
Analyst, Nordea Bank ABP

Q

And have you seen the slowdown accelerating during November? It's obviously early days, but October at least, [ph] is it same, same (00:34:24)?

Christer Hansson
Chief Executive Officer, Storskogen Group AB

A

No. It's too early. But no significant. No, we can't say that we have seen slower.

Carl Ragnerstam
Analyst, Nordea Bank ABP

Q

Okay. That is very clear. And on the balance sheet here, obviously, great to see the margins coming up organic EBITA. But on the cash flow side, as you said, tying up working capital a bit. If we deduct CapEx leasing, I mean, it's not that much left to de-lever, right? So, we keep the leverage at 2.6x or it's down 0.1x notch sequentially. So, what is – we had this discussion last year as well, right, with leverage. You have the ambition to take it close to 2 times or a little bit above that. What is the ambition here? What is the deleveraging journey? I think the stickiness at least surprised us a bit if you look from a year back and I guess you as well. So, what's your thoughts on this going forward?

Christer Hansson
Chief Executive Officer, Storskogen Group AB
A

I think that we have been – what our focus is, call it, is that we really need to work – continue to work on the operating part and getting our EBITA up again. And that is our total focus. And that is why some of it have been sticking, as Lena showed, on with EBITA going in a negative way, that has been kind of what has made us so sticky. But we're taking notch-by-notch and we are ready to have a good growth of EBITA when demand is coming back. But this is a – we are going to continue to work hard with the operations in order to get profit up and that's what we are focusing on.

Lena Paulina Glader
Chief Financial Officer, Storskogen Group AB
A

And we are also, again, I just spoke about that, the third quarter is typically cash flow-wise weaker, whereas we typically – historically – this is no guidance, but historically we have had a stronger fourth quarter quite substantially. So, in terms of cash flow, we also typically have lower tax [ph] payment (00:36:30) and so forth, and also better working capital situation in the fourth quarter. But again, that's no guidance for this Q4, but that would be the typical pattern.

Carl Ragnerstam
Analyst, Nordea Bank ABP
Q

Okay. That's very clear. Thank you so much.

Operator: [Operator Instructions] The next question comes from Andreas Koski from BNP Paribas Exane. Please go ahead.

Andreas Koski
Analyst, Exane BNP Paribas SA (Sweden)
Q

Thank you, and good morning. I just want to follow up on the cash flow statement. I think you had net cash outflows of SEK 275 million in nonrecurring assets. You say that your net investments in intangible assets was SEK 115 million. And now in your presentation say that the CapEx-to-sales numbers was 1.4%. But it looks like you have had a substantial outflow in some sort of intangible assets. And I just wonder if we should expect that to continue in the coming quarters or if we will go back to, say, a normalized level of between SEK 100 million, SEK 150 million overall, including investment in intangibles? Thank you.

Lena Paulina Glader
Chief Financial Officer, Storskogen Group AB
A

Right. Good morning, Andreas Koski. A very good question there in that SEK 275 million is, I mean, CapEx SEK 115 million, as you said. But there's also investments in intangible, which is, for instance, ERP systems that we – I mean, Christer, you've talked about that for a few quarters now that we are investing in production efficiency and productivity improvements in businesses, including in software systems. That's one part of it. Another part is actually real estate investments that we made in a few companies to also again make productivity and scalability improvements in those. So, that's part of which is not CapEx, because it's a real estate investment. And those kinds of investments you would expect us to continue to make as part of our kind of ownership deal. And then, there's also a part that relates actually to the divestment of the nine unprofitable businesses earlier this year where there is a shareholder contribution actually made to the holding companies – the new holding company of that viewed as a loan or it is a loan, in fact. And this is all communicated actually in releases, press releases that we gave out in or published in June. So, that's part of that. So, it's a mix. And that's part, of course, you should not expect us to continue to do that with a one-off, but the kind of investments in systems or ERP systems and software and trades and trademarks, and real estate, we will continue to make it to some extent.

Christer Hansson A
Chief Executive Officer, Storskogen Group AB

To some extent, but there could be – the level of it might be lower than this going forward.

Lena Paulina Glader A
Chief Financial Officer, Storskogen Group AB

Yes.

Andreas Koski Q
Analyst, Exane BNP Paribas SA (Sweden)

Yes. But it's – just to maybe clarify, it sounds like we should expect this sort of step-up compared to what we have seen in, yeah, in the previous quarters. I mean, on average, this line has been SEK 140 million negative. It means it's only been above [ph] $200 million one time (00:40:32) before, from what I can see. So should we expect this to be a step-up, at least, in terms of your cash outflows related to this?

Lena Paulina Glader A
Chief Financial Officer, Storskogen Group AB

No, that's not how you should read it.

Andreas Koski Q
Analyst, Exane BNP Paribas SA (Sweden)

Okay.

Lena Paulina Glader A
Chief Financial Officer, Storskogen Group AB

The one-off thing is this investment in the related to the divestment of the portfolio this year. But a CapEx level is and has been at around 1.5% to 2%. It was a bit lower, the CapEx part of it this quarter. But I mean, we don't expect that to come up in any material way. We expect that to remain at a kind of normalized – normal levels going forward as well, right?

Lena Paulina Glader A
Chief Financial Officer, Storskogen Group AB

Yeah.

Andreas Koski Q
Analyst, Exane BNP Paribas SA (Sweden)

Understood. Thank you. And then just to follow up to Carl's question and your answer, you talked about the typical pattern with Q4 being a seasonally stronger quarter than Q3. But you – I think you clearly pointed out that that was not the guidance. Does that mean that you don't expect the seasonal pattern to be visible this year, or why didn't you want to sort of guide lower than the normal seasonality? Thank you.

Christer Hansson
Chief Executive Officer, Storskogen Group AB
A

Yeah. We have to have that. That is – we all have said and we are sticking with that, that Q1 and Q3 are seasonally weaker, and Q2 and Q4 are seasonally stronger, and we stick with that areas.

Lena Paulina Glader
Chief Financial Officer, Storskogen Group AB
A

Yeah. It's just the CFO being misled.

Andreas Koski
Analyst, Exane BNP Paribas SA (Sweden)
Q

Yeah.

Christer Hansson
Chief Executive Officer, Storskogen Group AB
A

Yeah.

Lena Paulina Glader
Chief Financial Officer, Storskogen Group AB
A

Nothing wrong in that.

Andreas Koski
Analyst, Exane BNP Paribas SA (Sweden)
Q

Understood. Thank you very much.

Lena Paulina Glader
Chief Financial Officer, Storskogen Group AB
A

Yeah.

Christer Hansson
Chief Executive Officer, Storskogen Group AB
A

Thank you.

Operator: [Operator Instructions] There are no more questions at this time. So, I hand the conference back to the speakers for any closing comments. 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, everyone. Just two quick questions. Firstly, on the rolling 12-month EBITA pro forma. Could you possibly mention what the pro forma adjustment was there for the divestments? That is sort of 12-month perspective, that gross adjustment for the divestments? And secondly, is it possible to put a round number on the – on that reversal you did in Q3 on the incentive program on group common cost? Thanks.

Lena Paulina Glader
Chief Financial Officer, Storskogen Group AB
A

Hi, Johan. The contribution from the divested portfolio is they were, in fact, slightly – though it's very low or slightly positive even, I believe, very marginal on EBITDA level, but negative on EBITA level. So, no major impact on EBITDA from the divestment of those on a 12-month rolling basis. And then the second question was on the central costs?

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

Correct.

Lena Paulina Glader
Chief Financial Officer, Storskogen Group AB
A

Yeah. And that is – the amount of that is SEK 12 million that is reversed. So that's kind of costs that we have booked like on an ongoing basis. And now that this program started in 2021, it's now maturing or falling due in November this year. So that's why we have concluded that and that resulted in a reversal of provisions of around SEK 12 million to our favor.

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

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 all the questions, and I want to thank you from our side that you have been listening to us. And I hope that you have a continued great day. So, thanks from us at Storskogen.

Lena Paulina Glader
Chief Financial Officer, Storskogen Group AB

Thank you.