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Strategy and business model



Mission

We empower businesses
to realise their full potential



Vision

To be the leading
international owner of small and
medium-sized businesses

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Business model

Storskogen owns and develops small and medium-sized businesses to create profitable growth and resilience.

1. Opportunity

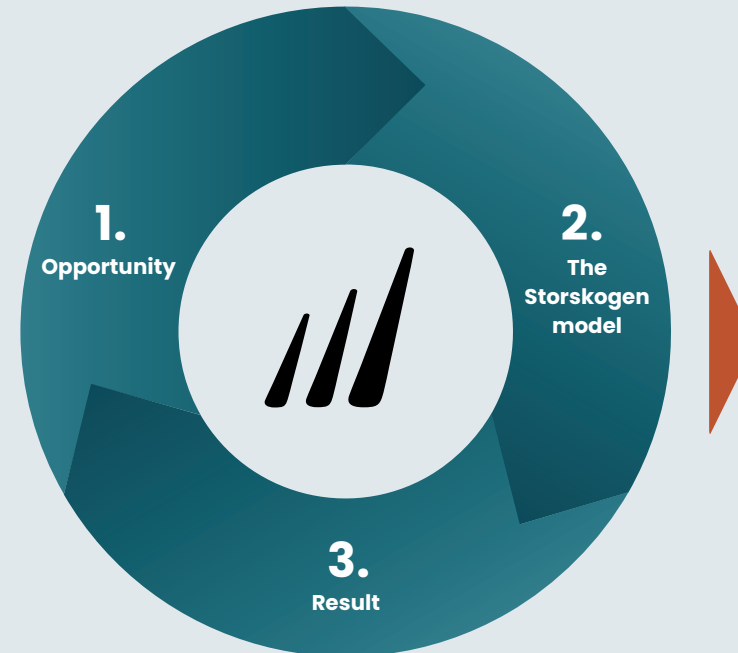
- **Evergreen opportunity** to acquire profitable companies with proven business models.
- **Attractive valuations.**
- **Value-creation opportunities** through professional and business development and synergies.

2. The Storskogen model

- **Long-term perspective and stability** ensure companies' future competitiveness.
- **Decentralisation** promotes entrepreneurship.
- **Active ownership and financial governance** enable businesses to realise their full potential.
- **Diversification** is ensured through organic and acquired growth.

3. Result

- **Resilience:** Group diversification, geographically and industrially, creates endurance over business cycles and mitigates risks.
- **Profitable growth:** Cash flows are reinvested to achieve long-term growth.



Value creation

- **Shareholders**
Exposure to a diversified group of small and medium-sized businesses creating profitable growth and resilience.
- **Business sellers/business units**
Long-term, decentralised ownership model that empowers businesses to realise their full potential.
- **Employees**
Opportunities for development and knowledge sharing within the business group.
- **Society**
Commitment to entrepreneurship supports local society.



The possibilities of owning small and medium-sized businesses

The foundational idea behind Storskogen is to own and develop profitable small and medium-sized businesses. The value that is generated from the business group enables continued profitable growth and strengthens resilience.

Evergreen opportunity

Small and medium-sized companies play a vital role in the world economy by promoting growth, creating jobs and contributing to local development. Some businesses are at the forefront of innovation while others rely on proven business models that have stood the test of time, for decades and sometimes even centuries.

From Storskogen's perspective, small and medium-sized businesses often have attractive valuations and thus constitute good investment opportunities. Looking at the number of potential acquisitions, Storskogen sees an evergreen opportunity to identify, acquire and develop profitable companies with stable business models to achieve long-term growth and improved resilience for the business group.

Attractive valuations

Small and medium-sized businesses are generally valued lower than large companies due to a number of risks such as greater sensitivity to market changes, fluctuations in the economy and greater dependence on key individuals, customers or suppliers. Investors typically pay a premium for investing in companies where it is easy to buy and sell shares at any given time, and the opposite is generally true for unlisted companies.

Even well-managed companies with proven business models can experience difficulties in attracting suitable buyers. This may be due to the business not suiting industrial buyers or being geographically located too far from potential stakeholders.

In sum, many factors can explain why privately held smaller companies generally have attractive valuations, which creates good conditions for high returns in the long term.

Value creation opportunities

Small and medium-sized businesses tend to have untapped potential that can be realised by becoming part of a larger business environment and context, such as Storskogen. Examples of specific areas that can be challenging for smaller companies are digitalisation, internationalisation, recruitment of competence and sustainability requirements.

Storskogen provides access to capital, expertise and knowledge sharing – areas that can be critical in order to improve operational excellence and carry out growth initiatives that increase profitability and empower companies to realise their potential.

For example, by gaining access to capital and expertise, companies belonging to fragmented industries can acquire competitors and create growth through industrial consolidation and expansion of their operations.

The Storskogen model

The Storskogen model is based on decentralised, long-term and active ownership that provides the business units with the opportunity to retain their entrepreneurial spirit while benefiting from the support of a larger business group.

Long-term perspective and stability

Privately held small and medium-sized companies often reach a point where a new owner is required to ensure future competitiveness. Beyond financial aspects of a sale, company sellers tend to look for buyers who share their vision of nurturing the business and its employees to realise its long-term potential. Storskogen's approach aligns with these preferences, which is reflected in Storskogen's ambition to remain as a long-term owner.

Decentralisation, entrepreneurship, scalability

To achieve the vision of becoming the leading international owner of small and medium-sized businesses, Storskogen's organisation is designed for scalability. This is achieved through Storskogen's decentralised operational model which gives the management in each business unit decision-making power. They have the experience needed to manage their business, take advantage of market opportunities, address customer needs and effectively run the day-to-day operations. The model also ensures that management

have incentives and a clear responsibility for operational decision-making and target achievement – which promotes Storskogen's ambition to maintain the entrepreneurial spirit of each business unit.

Active ownership and financial governance

Storskogen's central business area organisation plays a crucial role in developing the business units with strategic and operational support in issues such as investment decisions, succession planning, sustainability initiatives and corporate governance. Support is provided through board-level work and is supplemented by monthly follow-up and other activities adapted to the needs of the business units. A key aspect of this process is Storskogen's shared framework for financial governance, which ensures reliable financial reporting and forecasting.

The strength of Storskogen's network of business units enables both internal and external synergies. Internal synergies include cross-purchasing among business units and utilisation of collective capabilities and resources. External synergies can




The Storskogen model cont.

for example entail utilising the business units' collective purchasing power through framework agreements, optimising purchasing processes and procurement.

Some of the synergies are enabled through *Storskogen Knowledge Exchange*, KX, a platform aiming to increase cooperation and knowledge sharing within the business group. KX is structured into several areas: pricing, HR, procurement, digital channels, finance, ESG, supply chain and logistics. Through a range of tools including regular educational events, a shared repository, discussion forums and other activities, KX promotes cooperation and exchange of knowledge and experiences.

To enable long-term value creation, Storskogen places strategic emphasis on guiding the business units in their work to manage sustainability related demands and opportunities – areas that can be particularly challenging for small businesses to manage on their own. This is done through ongoing support, board-level work, trainings and common tools. The sustainability work is structured into three focus areas, based on the Group's materiality analysis: *Minimise environmental impact*, *A good employer and neighbour* and *Responsible business*.

Diversification and efficient capital allocation

Storskogen's growth comes from efficient capital allocation in both investments in organic growth and acquisitions. The acquisitions are divided into two main types:

- Platform acquisitions, forming individual business units. Platform acquisitions do not necessarily have to generate synergies but can contribute to the business group on an individual basis. However, they can, for example, have potential to consolidate industries through roll-up strategies.
- Add-on acquisitions, where an existing business unit acquires and integrates a business for strategic purposes, for example to expand its offer, competence or geographical presence.

The acquisition process is governed by carefully developed practices to ensure that the acquired companies are of high quality, aligning with Storskogen's overarching strategy. The proprietary *Case Assessment Tool*, CAT, systematically evaluates potential acquisitions, assessing their fit with the current business group and potential compared to other investment alternatives. This approach ensures that the acquired companies are likely to contribute to the profitability, diversification and resilience of the business group.





Value creation for all stakeholders

Storskogen's strategy of owning and developing business units in several sectors and markets creates endurance and profitable growth. Generated cash flows are used to further strengthen the business group and create long-term value for Storskogen's stakeholders.

Resilience

As a business group, Storskogen mitigates the risks usually associated with owning individual small and medium-sized businesses. A diversified group of companies creates resilience and lower risk because different parts of the group are affected differently by trends, drivers and economic fluctuations. The challenges that may arise in individual businesses are balanced by the characteristics of the Group as a whole. The risks are also mitigated through operational excellence initiatives in the business units, which strengthens both their operations and the Group.

Profitable growth

Through the work that is carried out in Storskogen's business areas and underlying verticals, conditions for synergies, cooperation, structural transactions, mergers and other network effects are created. Generated cash flows are reinvested into the Group to enable additional initiatives for organic growth as well as add-on and platform acquisitions.

Value creation for stakeholders

Storskogen's business model delivers benefits for several stakeholder groups:

- **Shareholders:** Small and medium-sized businesses account for more than 50 percent of GDP in many high-income countries, according to OECD. However, for investors, accessing the significant value these businesses generate within society can be challenging. Storskogen addresses this gap by offering shareholders exposure to small and medium-sized businesses with a unique potential to contribute to the diversification of the investor's portfolio and create profitable growth.
- **Business sellers/business units:** Storskogen is a long-term owner, providing stability, support and conditions for growth – for example in areas such as digitalisation, internationalisation and sustainability. Not only does this ensure the businesses' survival, but it empowers them to realise their full potential.

- **Employees:** Storskogen works actively to ensure the well-being and motivation of its employees. This includes offering them development opportunities within the broader business group. Storskogen also strives to contribute to the employment in local communities in which the business units operate.
- **Society:** Storskogen promotes entrepreneurship and supports local businesses, contributing positively to the societies in which Storskogen operates. Storskogen is dedicated to enhancing sustainability across the business units, ensuring the operations benefit all stakeholders, from local communities to investors.

In summary, Storskogen's approach not only fosters financial growth but also supports a healthy ecosystem of businesses, employees and communities, underpinning the Group's commitment to sustainable business practices.