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Storskogen Group AB (STOR.SE)

Q3 2021 Earnings Call

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MANAGEMENT DISCUSSION SECTION

Daniel Samuel Kaplan

Co-Founder & Chief Executive Officer, Storskogen Group AB

Good morning and a warm welcome to Storskogen's Presentation – Earnings Presentation for the Third Quarter 2021. As you know, this is our first report as a listed company. My name is Daniel Kaplan. I'm the CEO and Co-Founder of Storskogen. And, today, with me, I have my eminent CFO, Lena Glader.

We'll be spending the next 60 minutes together with you, 25 minutes presenting Storskogen and, after that, answering whatever questions you may have in a Q&A session. If you want to ask a question, you could just press the button and you will be in line to ask a question. We'll you get into more of the details of that. So, the button will appear when the Q&A session starts basically.

So, let's get on with the presentation. First, we'll have Storskogen and the Q3 in brief, the financial performance presented by Lena, something on the strategic developments going forward and, finally, the Q&A session.

So, what about Storskogen? First, a very brief snapshot, we're a fast-moving company, so as of yesterday, we are an SME compounder. We buy small and medium-sized companies. We have an infinite ownership agenda, and we really want to develop these to be the most successful and competitive companies throughout the years.

We want to be a resilient business model. We are active in lots of different industries and, nowadays, we actually have operations in 21 countries with investment organizations in the Nordics, UK, and the DACH region.

Turnover-wise, from – we have net sales, annual net sales of about SEK 21 billion, SEK 2.4 billion in annual adjusted EBITA, and more than 7,000 employees. We've done quite a few acquisitions since our founding, 152 and counting, of course, with 102 business units and divided into 12 verticals. And in all of those geographies where we put down our feet as a – with an investment organization we want to be that leading SME compounder basically in all geographies where we're active.

So, we're divided into three business areas: Services; Trade; and Industry. Services headed by Peter Ahlgren. Our biggest business area as of – when it comes to numbers such as 50-ish business units, almost 4,000 employees, divided into six verticals, construction and infrastructure, installation, logistics, engineering services, digital service and HR and competence.

Trade headed by Christer Hansson, 24 business units, 1,500 employees. And we've done 18 acquisitions to-date and divided into brands, producers and distributors. If we look at Industry that's headed by Fredrik Bergegård, 28 business units as of today, 2,300 employees, and we've done nine acquisitions to-date this year. As you can see, from a revenue perspective, they're quite evenly distributed. I should say also that Industry is divided into product, automation and industrial technology.

So, how did we perform the first – the third quarter and year-to-date? Well, in summary, we've had a really strong EBITA development. We made an IPO just after the third quarter, the 6th of October, and also entered into a new credit facility. And all of these things together is really paving the way now for future growth.

We had 118% growth when it comes to reported net sales. And our adjusted EBITA of SEK 492 million represents 100% growth compared to last year. We had a very strong organic growth as well, 16% in the third quarter. And you should take into consideration that our third quarter last year was actually extremely strong, so that's – we're very happy with that growth. And, year-to-date, we've grown with about 30% which is, of course, significantly above what we're guiding towards.

We have, of course, been facing, like most industries, significant challenges when it comes to the supply of intermediate goods and also freight costs and other stuff and disruptions in value chains. And the way to respond to that has been a conscious and systematic build-up of inventory levels. And we're happy to say that we have quite succeeded. So, we're now well positioned to support our customers, making those happy and also gaining market share through that. Of course, the downside of that has been a weaker cash flow this last quarter, temporarily, of course. But, all in all, it's something we're quite happy about.

Looking forward, we have a strong pipeline. We're not allowed to do acquisitions in the third quarter, basically due to the IPO. But we have done 14 so far and, looking forward to have 17 signed LOI or preferred buyer agreements. And they will contribute about SEK 400 million in EBITA going forward, so if we get those deals done. So, it's really exciting. And from a margin perspective, we're around our guidance of 10% year-to-date.

All in all, successful IPO as well, SEK 7.2 billion in net proceeds, which really makes it possible for us to do the acquisitions and fulfill our strategic plans going forward.

Looking at the acquisitions in more detail, like I said, limited M&A in Q3, just a few add-on acquisitions. In addition to that, though, 14 acquisitions so far in Q4, and then I should say that the M&A engine is truly up to speed at this point. So, we're seeing 150% increase in deal flow, primarily due to our new investment professionals out there in the DACH region, UK, Norway and Denmark. And we've entered 17 LOIs and preferred buyer agreements, SEK 2.6 billion and SEK 400 million in EBITA if we get those deals done, as I mentioned previously.

I won't go through all of these. I can just say that, as you can see, it's quite a few acquisitions, quite a few of them also add-on acquisitions. And even though those contribute less from an EBITA perspective, they strengthen the strategic positioning of all our business units, so they are equally important, I would say, going forward. So, about 59 acquisitions to-date, plus another 2, actually, that we haven't yet – we've signed the agreement but we haven't just closed the deal.

If we look at the operational development per business area, as you can see, a 70% growth net sales CAGR, 70% – even beyond – more than that if you look at the last five years. And that's, of course, the pace that we're planning to or aiming for even going forward. And I want to highlight the organic growth this year year-to-date, which has been quite extraordinary, 42% in Industry, 45% in Trade, and 9% in Services.

So, the financial performance, Lena.

Lena Krauss

Chief Financial Officer, Storskogen Group AB

Right. Thank you, Daniel. So, let's look at the numbers in some more detail. Let's see if I can flip that forward. There you go. So, starting off looking at the sales, well, you understood from Daniel already that we've had quite a growth in the quarter and also year-to-date. A large part of that is obviously driven by the large number of acquisitions that we've made. But we've also had a very strong organic performance, as you just heard from Daniel.

The Q3 last year was a strong quarter. So, the year-on-year comparison tells us that it's not so much COVID rebound. Still, it has a lot to do with growth initiatives made within the subsidiaries with productivity improvements, new investments that have generated more sales, and a collaboration also between the subsidiaries we have, plus also, of course, an element of price increase, especially within Trade and Industry.

Looking at the RTM column there to the right, you see that the RTM revenue is SEK 19.4 billion at the end of Q3 this is, as the pro forma as if we owned all the subsidiaries the entire last 12 months. Now, Daniel mentioned the number SEK 21 billion, that is even including the last – the 14 acquisitions that we've actually closed post Q3 to date. So, growing at a good pace there.

Moving on to EBITA, well, it grew by 100% year-on-year. The organic EBITA growth in the quarter was 16%, as Daniel mentioned, 30% year-to-date. This is also driven by organic initiatives, by productivity improvements, by cost reductions and also price increases that have fallen through to the margin, obviously.

And the EBITA margin, well, it is 10.4% in Q3. So, that's actually lower than last year Q3, last year was strong, as we mentioned before. If you strip out the group costs and just look at the business areas and how the actual subsidiaries have performed, well, their EBITA margin combined was 11.4%. So that's actually in line or slightly better than last year even. So, the difference there is the group costs.

Now you mentioned that we have built and scaled the organization. We are moving abroad, internationally. We have strong pipelines outside Sweden and with this organization buildup plus also some additional costs related to the IPO, obviously, increasing consultant costs, especially. Some of them we've adjusted for in the adjusted EBITA, but not all of it. That has meant that the overhead cost has increased quite significantly from last year. But this is all to enable us to continue growing next year and the years to come.

Moving on to look at the return metrics, we have return on equity, return on capital employed here. We've made some share issues and rights issues the past year, and these are obviously diluting these kinds of return on equity, return on capital employed metrics. Also, I just like to point out that in the return on capital employed, we do not deduct the cash, as I understand some companies do.

One metric that we haven't included on this page is the return on working capital, which was actually SEK 90.5 million, if I remember correctly, in the last 12-month period. So, the return on working capital is actually very strong within the companies.

Cash conversion, I'll come back to later. And then, finally, leverage, net debt to EBITDA looks here as if it's 2.8 times, the RTM EBITDA. Well, we made quite a significant share issue in conjunction with the IPO. So, this leverage is actually closer to zero today and after these IPO proceeds.

So, let's have a look at the trends here. To the left, you see the net sales and adjusted EBITA margin. The EBITA margin has been stable at or slightly above 10% the past quarters. And then some words on the RTM bars here. Now, just the RTM is, as I said, as if we'd owned all the portfolio the entire 12 months' period. And you see that there is quite a significant jump here in Q2 this year where we added SEK 6 billion approximately in acquired revenue only in Q2 alone. So, that means that we're now on another level at around SEK 20 billion in RTM sales.

To-date, we have acquired, I believe – or actually until the end of Q3, we acquired SEK 8.4 billion worth of revenue that was added to the portfolio and then some – more after that obviously. The EBITA – RTM EBITA is SEK 2.1 billion at the end of Q1, and adding these acquisitions that we made post that, well, it's SEK 2.4 billion already, with a good margin of 11.4%. Many of the acquisitions we made this year actually have had slightly higher margins than the average Storskogen portfolio, so they've actually been margin-enhancing acquisitions.

And then having a closer look at the Services business area, many of these verticals, six verticals, have had a really solid development, especially HR and competence, digital services, and also logistics have performed really well this year. But we've had – we had problems with construction and engineering in the beginning of the year.

Those have now started to come back to normal levels, whereas the installation vertical is still struggling with post-COVID issues such as sick leaves, also some project delays, and lower – higher competition which have meant lower margins for the project. So, that's still actually weighing down on the Services business area's margins. The summer months are also typically slower with vacation, obviously. And the Q4 is typically a stronger quarter for the Services segment.

I'd also like to point out that we – post the Q3, we closed the acquisition of the five Ceder – five companies that we acquired from Ceder Capital. Four of them are within the Services business areas with quite good historical margins, at least, so that will come through to – in the Q4 numbers. But despite the difficulties within installation, construction equipment, organic growth of 9% on EBITA is actually fairly strong, I would say, despite all that.

And then, let's have a look at Trade. Here, we had – have had a really strong development within Trade throughout the year, especially in the past two quarters, driven by, to some extent, COVID rebound, but to the large extent, a really strong market within the business-to-business areas and customers especially showing in distributors and brands that have had a really good performance this year. Also, profitability focus, price increases have come through that are showing both on sales and the margins.

Margins are around 12%, thanks to cost control and the price increases I just mentioned also strong markets. We have seen some delays, obviously, in freight or in shipping, some bottlenecks in the supply chains, material shortage, et cetera. We have to, the largest extent, been able to compensate those difficulties through price increases and through building inventories to secure the sales and deliveries in the coming months. However, there are still some uncertainties out there. We can't rule out that these problems will be solved in that short term. But the underlying market is, as I said, benign with the tailwind.

And finally, Industry, also here very strong and solid development the past quarters, especially within automation and products. We made three significant, very good acquisitions in Q2 I think it was, yeah, Wibe Cable Support, Brenderup and Scandia Steel that are now, I think, more than 50% actually of the business vertical products with very strong margin and they've actually improved the business areas both in terms of sales, obviously, as you can see in the sharp growth there in the past quarter but also in terms of margin's stability. And there have been some post-COVID pickup in the automotive and engineering customer segments in the previous quarters, in this quarter as well, but now we're mostly talking about a really strong underlying demand among customers.

We have also here, to the large extent, been able to mitigate price increases for raw materials and intermediate goods through own price increases. Some of them are going to show up also in Q4. So we don't see any material effect on the margin here. Order book looks good, and we've seen commodity prices slowly coming down as well. So we hope that will continue throughout the fourth quarter, of course.

A few words on the cash flow, which was, as Daniel mentioned, weak in Q3. We had – this is mainly explained by actually two factors. One of them is one large positive or a couple of large positive one-off effects in Q2 that we mentioned before to those of you who've listened in to us before, related to some prepayments in Q2 that were then resulted in outflows or lower short-term liabilities in Q3. And then some acquisition related also short-term debt in – that affected the working capital negatively. This is, as I said, a one-off effect. But our financial target of a cash conversion rate of at least 70% that's set on a 12-month basis not on a quarterly basis.

And looking at the last 12 months or the past 12 months, the cash conversion rate was 62.5% or 63%. And if we analyze this a bit and look at the inventory buildup, the strategic inventory buildup that was mentioned before within Trade and Industry in particular those add up to approximately our estimate is around SEK 150 million. A part of that, small part of that perhaps, around 10%, relates to price increases but most part is strategic inventory buildup. Now if that were in a normal level, then the cash conversion rate would be around 71% on the 12-month basis and so we're pretty confident in that still.

A few words on the CapEx. CapEx to sales was only 1% in Q3. It's quite low. We have had higher CapEx in the previous quarters and so some of those investments are, well, it's just a natural cause. That we paused some of the investments and we made large investments before and also in some of the larger acquisitions, as I mentioned Wibe Cable Support, Brenderup, et cetera that are included in sales. They haven't made any significant investments in the first months post our acquisition. But we do have a really good investment pipeline and CapEx pipeline for the coming months. So Q4 will look a bit different than this.

Net debt, this is not very relevant bars, I guess, since we made a SEK 7.2 billion share issue, well, net proceeds of SEK 7.2 billion in conjunction with the IPO, so the net debt today would be closer to zero, at least below 1. We made some acquisitions since as well. What I can mention here is, though, the €1 billion refinancing that we closed just at the end of Q3, this means that we have a more flexible, it's a larger RCF facility to fund growth and acquisitions. And today, we announced our intention to issue a new SEK bond here in Sweden within a framework of SEK 5 billion, around SEK 2 billion we're looking at issuing at this first point.

And why do we do that with all this cash at bank? Well, we have a very strong M&A pipeline, as Daniel showed of the bars. We have a very good team in place that are looking at exploring M&A opportunities in other countries than Sweden. M&A pipeline in Sweden is not bad either, of course. And our ambitions are quite – well, we have quite ambitious targets to continue to grow through M&A at a fairly rapid pace going forward. And so, we want and we need this financial flexibility to make sure that we can actually act on this strong pipeline. But still keeping the financial leverage within a good range between 2 and 3 times.

So back to you, Daniel.

Daniel Samuel Kaplan

Co-Founder & Chief Executive Officer, Storskogen Group AB

So a few words on the strategic development work we're doing at the moment. Well, first of all, I think the purpose of most of our strategic business development work centers around how can we be the best owner for our companies, how can we improve their lives? This includes the Business Excellence Groups where we find joint initiatives, knowledge sharing across business units and business areas, and education and other types of processes and benchmarking. Of course, it's a continuous development on our M&A strategy.

We're continuously – since we are participating in so many different transactions and bidding processes, we gradually collect data, starting to increase that learning experience, so we can be better and better at allocating capital to the markets, industries and geographies where the price is right, so to say, and always to improve our processes to avoid systematic mistakes, of course. We want to be better all the time, continuous improvement.

We're also looking at the international expansion. We have, during the autumn, established our Norwegian team with Karianne as the CEO. We have our first Danish M&A professional in place, but also strengthening the teams now gradually in Germany, in Switzerland and in the UK. In addition to that, we are looking at additional markets in Europe, in the Nordics, in North America and are evaluating those options, seeing, first of all, to find the right people, I would say that's really important, in Asia I should mention as well. So, we're gradually to support our business units with add-on acquisitions and platform acquisitions in those markets, but also with commercial support actually to be able to support them when they're sourcing or when they're selling, finding partners as well.

Finally, ESG, it's a continuous process. We want to be better at the acquisition – at the time of the acquisition, but also the follow-up, the working. We want that to be a unique selling point for most of our companies. We want them to be truly good at this. So, this is a process, a gradual improvement process that will never end, but is really picking up speed now out in the business units.

Financial guidance maybe if you can touch on that.

Lena Krauss

Chief Financial Officer, Storskogen Group AB

Yeah. Just an update on the financial guidance. We realized the other day that we included the financial guidance in the IPO prospectus, but we haven't really communicated them like this before. So, we thought we'd do that. The financial guidance is actually split into five boxes here or six. First of all, it is the organic growth target which is an EBITA growth target, which is real GDP growth plus 1% to 2%. Well, the outcome so far this year is a 30% growth target. So, actually exceeding the – or, the 30% organic growth, I'm sorry, in EBITA this year-to-date.

So, that's well in-line or above the target. And then another EBITA growth target is the reported growth target of which we've said would be approximately in-line with previous year's growth. Actually, that has been, what, 70% is net CAGR the past years. So, something along those lines. And 82% year-to-date growth is what we have achieved so far.

EBITA margin target, 10% and the outcome this year to-date is 10%. So, that's also in-line. Cash conversion target is at least 70%. You see the definition here and the outcome so far is 63%. But as I mentioned before, the strategic inventory buildup is the explanation to this. And had we had normal inventory levels, it would have been approximately in line with this target as well. Leverage target is between 2 and 3 times, net debt to EBITDA. Outcome at the end of Q3 was 2.8. Now today, it is much lower, of course.

Daniel Samuel Kaplan

Co-Founder & Chief Executive Officer, Storskogen Group AB

So what are the key takeaways from this? Well, I think we are – we have filled our coffers, so to say, with the IPO so we're well positioned financially, both on the equity side, on the debt side. Operationally, we have geared up our entire organization and we're basically ready to, for next year's acquisitions and continued expansions, both in Sweden and internationally, of course.

We can see that we have a very good growth momentum in Q3 and actually the year-to-date. And we find that profitability is in line with targets. And as we mentioned, the lower cash conversion, but actually, it's something that we are quite happy about, since it actually positions our companies quite well towards their customers, enabling them to make the sales that they need especially now during the fourth quarter.

And looking at the pipeline ahead, we have the LOIs and the preferred buyer agreements, which would – if we make the deals done, would contribute about SEK 400 million in the EBITA. Just to mention on the probability of those falling out, of course, they are not 100% certain. Historically, we have had a very significant conversion or very strong conversion rates between LOIs and a done deal, and probably that's about to continue. The preferred buyer status is somewhat less probability wise.

So it's not unreasonable that one or two of these deals will not materialize. On the other hand, I'm quite sure that we have other deals coming up where we don't sign an LOE, we go directly for the SPA, the shareholders purchase agreement. So, in the end, it'll probably even out. So, all in all, looking very good on the acquisition front. Before we move into the Q&A, I should say that, well, we have a long tradition, every quarter we interview our beloved companies. We meet them and we meet also some senior executives out in our business areas, for example.

And of course, due to COVID reasons, I haven't had the chance to really go out and visit lots of our companies. But last week I actually went out and went to Germany and Switzerland. I met a few of our fantastic companies. And it's been a great thing. And of course, this you'll see the long movie on our home page. Actually, you can also look at some old interviews as well. I think those are very illustrative on what we're doing and the value we bring to our companies. But of course, you can't look at a long movie without a trailer. It's a fantastic road trip movie you shouldn't miss it. So, here it goes.

[Video Presentation] (30:52-31:43)

So, welcome back, and don't hesitate to look at this fantastic road trip movie from Switzerland. Lots of exciting products. We'll now start with the Q&A. I just want to remind you that if you want to ask a question, please the request to speak button, then it will pop out and you will have to say yes to allow browsers to access camera plus microphone. And when it's your turn to ask your question, please present yourself and the bank you represent, so that would be the best way to do it. So, feel free to ask questions.

QUESTION AND ANSWER SECTION

Daniel Samuel Kaplan
Co-Founder & Chief Executive Officer, Storskogen Group AB

A

So, time for Q&A. Our first question and...

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

Q

Yes. Good morning. Johan Dahl here at Danske Bank in Stockholm. I'll try to keep it short. I had a couple of questions, just starting with the LOIs that you've signed. You're talking about SEK 400 million EBITA potentially. Can you just explain a little bit are these deals or these things that have originated, sort of, over a long period of time, are these deals that, sort of, have been originated in the second half, just to describe the process, how you've arrived at these potential deals?

Daniel Samuel Kaplan
Co-Founder & Chief Executive Officer, Storskogen Group AB

A

Yeah. Very good question. Thanks, Johan. It's actually different between the different deals. One or few are actually long-time discussions in Sweden or, in some cases, actually originating from the Artum discussions. They've had, historically, a different process with a big database where they've proactively contacted companies. And at least two of these LOIs are actually a result of that type of process, their ongoing deal flow.

So some of them have been proprietary processes going on for quite some time. Some others are structured processes, bidding processes run by brokers, and a few are proprietary processes due to basically add-on acquisitions where usually our CEOs and their CEOs, and everybody starts contacting each other and in the end a deal gets done. So I guess it's probably, without firm statistics, it's probably like 50/50 proprietary processes and broker-led processes, I would say.

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

Q

Okay.

Daniel Samuel Kaplan
Co-Founder & Chief Executive Officer, Storskogen Group AB

A

Yeah.

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

Q

Got you. Can you also just speak a little bit, you wrote in the report about in the Service business, it seems as if organic earnings year-over-year in the third quarter was quite weak. You wrote a little bit about it in the report. But can you just help us bridge that weak performance organically in the third quarter and potentially also what you're doing to fix this for coming quarters?

Daniel Samuel Kaplan
Co-Founder & Chief Executive Officer, Storskogen Group AB

A

Yeah. I think there are different parts of that. First of all, it was a very strong third quarter last year from Services' perspective. That said, I think we have had a very uneven or the Services areas is quite big. You would have the digital services, the HR and competence, logistics that are performing extremely well. And like Lena said, it's primarily the installation companies that are lagging behind.

And that's due to several reasons. One reason, not to say the least, is quite high sick leave levels. People are at home with their children or themselves. This is partly a COVID effect. Another lasting effect of COVID was that you could see that the market, what, became a little bit worried. There was more price competition, quite high utilization rates actually in installation, but nevertheless – and painting, but nevertheless higher competition, lower margins. And actually, the market has more or less turned. At this point, it's improving. But it's still gradually improving only. But all in all, utilization levels have been quite decent. So, we haven't had to lay off anyone or so.

It's just that we gradually need to – the market gets to regain confidence and price accordingly basically. I think that's a key view. If you look at the construction and infrastructure segment, I think our companies that's more individually in different micro markets, some companies are performing extremely well or quite good. Whereas others have individual, I wouldn't say problems, but they're performing less well, I would say. But it's I mean, with a 9% organic EBITA growth, it's not necessarily – these are not fast-growing companies. So, overall, we're quite satisfied actually with the growth. But the installation part is, of course, something that we would hope to improve going forward.

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

Q

Okay. Thanks.

Lena Krauss
Chief Financial Officer, Storskogen Group AB

A

I have to remind you that you need to accept the video and sound in the application or the web. Otherwise, we'll have technical problems.

Daniel Samuel Kaplan
Co-Founder & Chief Executive Officer, Storskogen Group AB

A

Yeah.

Lena Krauss
Chief Financial Officer, Storskogen Group AB

A

Sorry about that.

Daniel Samuel Kaplan
Co-Founder & Chief Executive Officer, Storskogen Group AB

A

So, the next question. Yes.

Lena Krauss
Chief Financial Officer, Storskogen Group AB

A

And also a reminder to press the Request to Speak button if you wish to ask a question.

Daniel Samuel Kaplan
Co-Founder & Chief Executive Officer, Storskogen Group AB

A

We were probably crystal clear, so there's no...

Lena Krauss
Chief Financial Officer, Storskogen Group AB

A

Don't be shy.

Daniel Samuel Kaplan
Co-Founder & Chief Executive Officer, Storskogen Group AB

A

So, next question?

Q

Hi. Morning. Can you hear me?

Daniel Samuel Kaplan
Co-Founder & Chief Executive Officer, Storskogen Group AB

A

Yes, yes. Hi. Good day.

Q

[indiscernible] (38:54). Just a quick one. What is the cost of acquisition post-close and what would be pro forma net debt to EBITDA after taking into account your acquisition?

Lena Krauss
Chief Financial Officer, Storskogen Group AB

A

Well, since we haven't communicated the purchase price of these acquisitions post Q3, if that's your question, so unfortunately you will have to estimate that yourself. But you know that we have – we had a net debt of close to zero if you include the IPO net proceeds of SEK 7.2 billion. We added these acquisitions with – and I believe that we mentioned the EBITA, aggregate EBITA in the quarterly report and the EBITDA as, of course, slightly higher than that. And so, unfortunately, I can't give you a correct answer, but you should be able to figure it out pretty well.

Daniel Samuel Kaplan
Co-Founder & Chief Executive Officer, Storskogen Group AB

A

I could mention, and to give you some guidance, which we've also given previously, I think historically, our acquisitions multiple have been [ph] 5.6 (40:07), I think, these last years. We're seeing now a relatively higher price level, especially in new markets where we're buying somewhat bigger acquisitions. I think you saw the announcement of Julian Bowen, for example, in the UK. And I think we mentioned the number EV/EBITA [ph] 7 (40:28) or something like that as a midterm projection on average price. And not to say that these latest acquisitions have been EV/EBITA [ph] 7 (40:37), but it's, if you think around those numbers, somewhat higher than historically, I think, then you'll be relatively close.

Q

Yeah. Thanks a lot. And second question would be, are you seeing any more competition for assets, especially in the new market that you're entering?

Daniel Samuel Kaplan
Co-Founder & Chief Executive Officer, Storskogen Group AB

A

Just to repeat, new competition for acquisitions, you mean?

Q

Exactly.

Daniel Samuel Kaplan
Co-Founder & Chief Executive Officer, Storskogen Group AB

A

Yeah. Yeah. Well, we do see competition. I think in markets outside of Sweden, we don't see other compounders. We see family offices, industrial buyers. And in the end, I think it depends on the seller agenda if we are the right buyer. I think those sellers that really want to get the highest price potentially with a double exit, if you will, private equity players looking at the smaller acquisitions could be more relevant.

And those looking to an industrial buyers, of course, they have their own logic. But I think we feel that we – in our sector, we're quite alone out there in most of the other geographies that we're active in. So, I think both the deal flow and the actual – our competitive advantage is significant in markets outside of Sweden.

Q

Thank you.

Daniel Samuel Kaplan
Co-Founder & Chief Executive Officer, Storskogen Group AB

Thanks. So, next question? So, I understand correctly, this was all the questions you had. We've had – for once, we have been communicated. Thanks a lot for all your questions and showing interest in Storskogen. And if you have further questions, don't hesitate to either call or e-mail Lena or myself, ir@storskogen.com is the right address, of course. And for now, I wish you all a great day. And thank you, everybody.

Lena Krauss
Chief Financial Officer, Storskogen Group AB

Thanks. Speak soon.