12-May-2023

Storskogen Group AB (STOR.SE)

Q1 2023 Earnings Call

CORPORATE PARTICIPANTS

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

Lena Paulina Glader
Chief Financial Officer, Storskogen Group AB

OTHER PARTICIPANTS

Carl Ragnerstam
Analyst, Nordea Markets, Corporates & Institutions

Karl-Johan Bonnevier
Analyst, DNB Bank ASA (United Kingdom)

MANAGEMENT DISCUSSION SECTION

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

Hi, everybody. Great to have you listening in. So my name is Daniel Kaplan. I'm the CEO and one of the co-Founders of Storskogen, and together with me today, I have Lena Glader, CFO.

Lena Paulina Glader
Chief Financial Officer, Storskogen Group AB

Good morning.

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

Good morning. So let's jump right into it. First, Storskogen in brief. I think you follow us, know us by now, but still a brief look, SEK 37 billion about in sales, SEK 3.5 billion in annual EBITA these last 12 months. And the average size might be an interesting fact for our business unit is about SEK 280 million.

I might actually comment on that. The fact that is that the average size of our business units have grown with 62% in the last two years. And this, of course, really reduces the risk in each and every individual business unit with bigger management teams, less customer concentration, and less supply concentration as well, so just an aspect. We are about 13,000 employees in 28 countries, divided into four market areas where we do business.

Moving ahead to page number 3, we are divided into three business areas, Services, Trade, and Industry, each of these with different traits. Services, a higher degree of personal dependency, but quite often very strong local market positions, low CapEx, so very high cash conversion and averaging very stable regardless of business cycle. I think that's – those are the traits of Services.

It's about a third of all our revenue and headed by Peter Ahlgren. And we have seven different verticals within Services, spanning installation and infrastructure and engineering, to logistics, digital services, HR and competence, and contracting services.

Looking at Trade, it's about 28% of our turnover. Typical traits of the trade companies are they are scalable. They have quite often market-leading and sometimes exclusive market positions in their chosen areas and within four verticals, Home and Living niche businesses, Health and Beauty, Sports, Clothing and Accessories.

Finally, we have Industry headed by Fredrik Bergegård. This is our biggest business area. Industrial technology, automation and products are the verticals. And looking at typical traits of industry, I would say once again, market-leading companies, strong niches, less personal dependency. But on the other hand, you have higher CapEx and capital in general. So those are a little bit on the different business areas, of course.

Moving ahead, looking at Q1, so some of the highlights here. It's been a strong quarter. From a seasonality perspective, the first quarter is usually the weakest. But that said, with SEK 9.2 billion in sales, a 33% increase; an organic sales growth of 3%; and adjusted EBITA of SEK 885 million, which is actually a 56% increase, we have to, of course, be satisfied with the quarter. The organic EBITA growth is 6%, decent in a complex environment, with the adjusted EBITA margin of 9.6%, up from 8.2%. So we are happy with that.

Of course, one should say that Q1 last year was tempered by COVID closedowns, accelerating inflation, and the war in the Ukraine. So in this case, comparisons were not so tough, to be honest. But now we're bouncing back to a more normalized margin, I would say. This has some great consequences, including earnings per share, which increased with 118%. Cash flow, relatively strong. Normally, we tie up capital in the first quarter, but in this case, we actually had a 79% cash conversion, taking us to an LTM of 71%, which is more or less spot on target.

We extended our credit facilities and our interest bearing net debt to adjusted EBITDA RTM was at 2.6 times, remained at 2.6 times. We did three acquisitions in the quarter, another three after the quarter, so six transactions in total, and one small divestment as well. And then of course, we bought AC Electrical. And in concert with that, we also issued some convertibles that would be converted to Storskogen shares within a year.

A comment on net sales and EBITA margin. Well, as you can see, we always have a relative stable margin. But that said, a strong development in Q1, and well, we are happy with that. And I think it's a consequence also because of our hard work protecting margins with restructuring in our portfolio companies, reducing central costs, because it is true that like a third of our companies are currently in a recession environment. So this is, of course, a demanding and complex environment to do business. So especially in light of that, we are happy with that turnout.

Moving on to page 6, market development. So looking at the macro, we still see a very strong industry business cycle. Services, more stable. We have been successful in pushing on price increases, which is, of course, very important in an inflationary environment. Even though we can see some of the inflationary pressures now going down, freight costs are going down, for example, also through supply chain disruptions were really impacted last year, are easing up, enabling us to work on releasing working capital, for example.

On the negative side, we do see weak demand in most consumer-facing industries and also companies that are early in the construction cycle where the interest rate costs kind of go through the economy. The outlook, well, of course, we – on a company level, we usually have a seasonality-wise stronger second quarter. So, that's for us.

But if you look at the macro, well, we see a stable outlook for the second quarter, but we don't dare to say much when it comes to a very uncertain macro environment for 2023.

Looking at the transaction market and M&A. Well, we're moving into recession, meaning that we have fewer companies out for sale, somewhat decreasing multiples, at least in some segments, still strong demand in others. But deal processes are longer. It's harder to ascertain future earnings, especially in the short term. So all-in-all, a slower transaction market. And this is well in line with our own strategy at the moment or tactics at the moment with a reduced M&A pace.

So looking at our financial targets, we can see that we are actually having a quarter where we're more or less spot on most targets. The real GDP growth, 1 to 2 percentage points is our target. We delivered 6% this quarter. The adjusted EBITA growth, including acquisitions, 56% this quarter. I think given the cost of capital and access to capital, I think this is something that will be slower this year than historically. But nevertheless, we are, of course, very happy with 56%.

The adjusted EBITA margin over time, 10% is our financial target. We're currently on the LTM of 9.5%, 9.6% in the quarter. So I think given that the Q1 is actually normally the weakest quarter, I think we are well on track there.

Cash conversion, 70%, we're currently at LTM 71%, so we're back to our – well, in the range where we've been for quite a few years actually. So it's not a coincidence. And hopefully this year, of course, we'll get into that, we will have a continued strong cash conversion going forward.

And our leverage 2.6, actually reduced somewhat if you would add another decimal. But that said, still remains unchanged despite a quarter with significant tax payments and otherwise. So, quite happy with our adherence to our financial targets.

Looking at our business areas, we can start off with Services, very stable, stable sales growth, positive margin development. The first quarter is actually seasonally weaker. It's about the number of working days, but also it's – if you have lots of snow and if it's a cold quarter, which we actually had this year, this means that our infrastructure teams have more difficulties being productive. And there are some other aspects pushing down the first quarter. But nevertheless, a decent quarter from Services. And we can also see a stable outlook as far as we can see, at least for the second quarter. We did one add-on acquisition in Sweden.

Looking at Trade, this is – we had a stable, a solid sales growth. But in this case, we really see a challenging macroenvironment. Not only do we see a soft consumer confidence and demand, but also we had a problem with lots of our customers being overstocked, and they are currently working on reducing their stock, and that's potentially the light in the tunnel in this case. We do see some of our customers have received more normalized inventory levels and are starting to buy again. So – but, of course, it's a mixed bag. Some of our companies within, for example, Health and Beauty are performing great. So it's not a completely coherent picture in Trade. One divestment completed within niche businesses.

All right, moving on to Industry. Industry had a super strong quarter and exceptionally strong, I would say. Strong organic – well, the organic sales growth of 4% is one. But of course, with alleviated supply chain disruptions, access to semiconductors and other important intermediate goods, that enables us to have more efficient production. And we have a strong underlying market, good demand, strong order books. The ordering inflow a little bit lower, but nevertheless, stabilized on what we believe is a relatively high level.

And basically, all verticals and almost all companies are performing well, with a few exceptions of companies facing consumers. But even those have been very competent in reducing their costs and protecting their margins. And we see the underlying trends, the automation trend, the reshoring, closer production – I mean, production closer to home, all of these things drive the industry sentiment in a positive way. Two add-on acquisitions in Industry.

So looking at the acquisitions, we did a total of six acquisitions and one divestiture in the period and the period after. Actually – another actually divestiture even after the period. At this point, we have a reduced M&A pace. So if you look closely, you will see that Hassleholms Sot & Vent, it's a chimney sweeper, adding to our very successful roll-up of the chimney sweeping segment, creating a market leader here in Sweden.

Hoga Kusten and Loginor provide software competence and other competences to ARAT Group, which is our automation roll-up within the sawmill industry. Very important for us to ascertain those competencies. We did one platform acquisition after the period, AT Electrical in the UK, providing some strong growth in revenues and margins in that sector. So we're very happy with that. And then we did a few other add-ons as well after the period. And as you can see, we did a small divestment of Medkoh, and after the period, an additional divestment which we haven't yet disclosed to the staff. So therefore, we cannot name it at this point.

All-in-all, we're quite happy with the transaction in a way strengthening the market positions with our companies without actually affecting our leverage in any meaningful way. I would say that AC Electrical actually has, on the margin, a positive impact on our leverage, i.e., it reduces leverage.

So financial performance, Lena?

Lena Paulina Glader

Chief Financial Officer, Storskogen Group AB

Well, thank you, Daniel. So key financial performance metrics here in this table. So let's have a closer look at those numbers. Now, Daniel mentioned already some of the key numbers, of course, initially, but I'll just repeat them. So Q1 sales grew by 33% year-on-year from SEK 6.9 billion to SEK 9.2 billion in the quarter. And net sales for the last 12 months, that's the owned period, was SEK 36.5 billion. And pro forma, that's the RTM, as if we've owned all our companies the entire 12-month period, was SEK 37.7 billion.

Moving down to EBITA, adjusted EBITA grew by 56% year-on-year to SEK 885 million, last 12 months SEK 3.5 billion, and RTM pro forma again SEK 3.6 billion in earnings capacity. This corresponds – the quarter's EBITA corresponds to a margin of 9.6% for the quarter, which is quite a significant increase, actually, by 1.4 percentage points from 8.2% in Q1 last year.

The EBITA margin in Q1 was, in fact, a sequential improvement even from Q4. It reflects operational efficiency improvements in the subsidiary. It reflects the successful price increases that now show through, as seen also in the organic growth numbers, and strong demand, particularly in Industry.

Not showing on this page but worth mentioning perhaps is that the contribution from group operations reduced further to minus SEK 68 million in Q1 from minus SEK 74 million actually in Q1 last year. Now, this obviously also has a positive effect on the group margin.

EPS, as Daniel mentioned, grew by 118% to SEK 0.28 per share. And this year-on-year growth is largely actually explained by, of course, lower P&L tax in the P&L, not paid tax, not to mix up those, lower financial net also as a percentage of EBIT, and also the positive contribution from revaluations of earn-out liabilities that are, in fact, adjusted for in the adjusted EBITA but not in the EPS. All of those contribute positively to the earnings per share.

Return on equity, return on capital employed, both improved from last year. A return on equity to 10.0% from 8.9%. A return on capital employed to 10.7% from 8.9% last year. Return on capital employed in the underlying businesses, so excluding group goodwill and intangibles, was actually 28.4% for this last 12-month period, which is a good improvement from 18.5% a year ago. And this, of course, illustrates that the businesses are generating good returns on their own, but that the group – the impact from group goodwill and the fact that many of these units are recently acquired have had a dilutive effect, obviously, on return on capital employed, which we expect to gradually diminish.

We had cash flow from operating activities, as in the cash flow statement, of SEK 467 million in Q1. This is an improvement of actually of SEK 651 million compared to last year, with SEK 2.3 billion in cash flow from operating activities for the last 12-month period.

Now, Daniel, you briefly mentioned that we had high paid taxes in Q1 of more than SEK 400 million. Obviously, Q1 paid taxes is usually larger. And bear in mind that in Q4, we had very low paid taxes. So those are not operational cash flow items.

Cash conversion was 79%, as Daniel mentioned, in Q1, also an improvement from – significant improvement actually from 15% in Q1 last year, which was a weak quarter. And we're back at the 71% for the last 12-month period. And I'll come back to cash conversion and leverage separately in a little while.

So over to organic growth, organic sales growth was 3% in Q1. And as you can see from this graph, sales growth has been strong the past two years, driven by volume and price. We've been able to prove time and time again that our subsidiaries do have quite strong pricing power, having been able to push through to cover up for cost inflation to a large extent over this period of high inflation environment. In the first quarter, the organic growth was 3%. So obviously, price makes up for this organic growth.

Not shown on this page either is the organic EBITA growth, which was strong in Q1 at 6%, very strong organic EBITA growth in Industry, as expected. So over to operating cash flow and cash conversion. So here, we show the operating cash flow, which we here define as EBITDA, less change in net working capital, less CapEx and the cash conversion, which is this operating cash flow through EBITDA. So this, in fact, shows how much cash is generated out of the operating activities. And here, we don't include these negative effects from taxes paid. We show LTM on this slide, obviously, so rolling 12-month.

The operating cash flow bar in Q1 was, as you can see here, SEK 3.2 billion is a record strong. We've had improvements on an LTM basis for four consecutive quarters, again, building on improvements from Q1 last year, which was pretty weak. And cash conversion as well, we mentioned this before, has of course improved as well.

Why has cash conversion improved so much? Well, it's largely thanks to lower inventories in the quarter. We also lowered our inventories in Q4. So this is the second consecutive quarter where we see lower inventories, as previous supply problems are diminishing, of course. And we have worked and we continue to work actively to reduce working capital where inventories is one of the key drivers here.

Payables increased, contributing positively, whereas receivables and in particular work in progress contributed somewhat negatively to the working capital. But again, Q1 typically being a fairly weak quarter also in working capital terms. Cash flow improvements from Q1 last year are significant here, showing through in the isolated quarter, again, with a cash conversion of 79% from 15% last year.

So net debt and leverage on the following slide here. And we show the interest bearing net debt on the bars and the net debt to EBITDA, which is the line here. Interest bearing net debt was SEK 12.1 billion at the end of Q1. This is a slight decrease during the quarter. Leverage was at 2.6 times at the end of the quarter, which is the same as year-end. But as Daniel mentioned also, in fact, a small reduction if you look more closely. We have an ambition, clearly, continues – our ambition continues to be to reduce this leverage towards the lower end of this range using our operational efficiency and cash flow to get there.

Our total available liquidity amounts to SEK 9 billion. We're up SEK 2.6 billion in cash and SEK 6.4 billion in unutilized credit facilities. And we are, as we have communicated before, working towards extending the overall maturity profile of our debt portfolio to arrive at a more diversified maturity profile and to reduce the absolute level of debt. This is particularly relevant, of course, with the current interest rate environment. And as part of this focus, we extended our bank loan facilities by one year, and the next upcoming maturity is now in May 2024.

One more slide here on solid margins across business areas. We keep talking about our diversified portfolio, and on this page, we illustrate how that works also in the near term. This is the – here we show the three legs, Services, Trade and Industry, and how their EBITA margin has performed over the past six quarters. And illustrated here, you see the EBITA margin from our operations is much more stable of course on the dotted line, which is the group level when the business areas combined, whereas we have more variations between quarters also within each of the business area.

And Trade has historically been more sensitive early in the business cycle, whereas Industry typically is more delayed. Now, this is what you would see in not only Storskogen, but in many companies in different markets. And of course, we don't know yet how this business cycle will develop, but we are confident nevertheless that the diversification of our businesses will be a protection in any case.

Over to you again, Daniel.

Daniel Samuel Kaplan

Co-Founder & Chief Executive Officer, Storskogen Group AB

Thank you, Lena. So in conclusion, I think we had a good start to the year. The first quarter is seasonally weaker, but I think we have seen a very strong margin development, positive organic sales, EBITA growth. This has been led by Industry with a strong demand, but also hard work in all three business areas, protecting margins, restructuring, and driving out costs. So I think we are very happy with the performance of our CEOs out there, and our team, of course, how we worked with that.

The leverage ratio unchanged at 2.6 times, actually slightly decreased even. And extending the maturity of our credit facilities, of course, helps us with the debt maturity profile. So I think that's, of course, important. Going forward, we continue to focus on operational excellence, on the cash flow, reducing leverage. I think we see a very strong determination into the entire company that this is important and we can really see the results coming as well. So we are happy with that performance.

And of course, once we have reduced leverage, we can kind of gradually restart the acquisition engine to a more tempered M&A growth using our free cash flow with retaining a relatively low leverage, I think, going forward until macro is more is more certain. So all-in-all, a good quarter.

So that was basically what we had to say before Q&A.

QUESTION AND ANSWER SECTION

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

Carl Ragnerstam
Analyst, Nordea Markets, Corporates & Institutions

Q

Good morning. It's Carl here from Nordea. A couple of questions from my side. Firstly, when you sort of mentioned a stable macro for Q2, should we interpret that as sequentially unchanged demand in general? And also if you have seen any sort of larger variations on the segment levels during the latter part of the quarter, maybe entering April and May as well?

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

A

A very good question. I think, I mean, we have visibility now – or some visibility for the second quarter. We do see that the Industry demand is stable. There are, of course, in some industries, you can see projects being moved forward. But on the other hand, we do have access. We see that we fill that demand with other demand, so to say, and I think this is more or less across all industry segments. If you – apart maybe for those with consumer-facing industries where we actually have a weak demand.

When you look at Trade, we really see different sub-trends in different sectors where you have the what we call the lipstick industry, i.e. Health and Beauty going quite strongly, whereas other sports, health – Sports and Accessories, for example, they're having a tougher time. But we do see that the destocking in the value chains has gone quite far. So we actually foresee that we will have hopefully a more decent demand, but we will see how that turns out. I mean, the uncertainty is still relatively high.

Looking at Services, we see variations in the different verticals. We saw logistics coming in the year with lower volumes simply because trade is down. But that said, I think they've managed to retain margins at a decent level. Installation is doing quite well. But then one should bear in mind that the comparisons were not that hard to beat, given that last year was really affected by COVID, etcetera. So – but, of course, we have SoVent, for example, the chimney sweepers. They're having a very good market at the moment given the energy crisis. So, a little bit different between the companies.

If you look at verticals such as infrastructure, then it boils down to individual companies and the micro markets. So you can see the companies active, for example, in Gothenburg are doing quite well, whereas in other markets, depending on the customer profile, you could have a mixed bag of performance. So not self-evident exactly how that moves going forward. But for the latter part of the year, we don't dare to say much because, well, macro is uncertain. I should mention also that the companies early on in construction, so to say, demolition, we have an architectural firm, etcetera, those are having weak demand at the moment.

Carl Ragnerstam
Analyst, Nordea Markets, Corporates & Institutions

Q

Okay. Very clear. And also on central cost, it came down a bit here sequentially and year-over-year. Are you satisfied with the level or should we expect it to continue to come down a bit here in 2023? And also, is it related to reductions of FTEs or just that you have pushed out the cost to subsidiaries?

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

A

I think we're relatively happy with the cost levels centrally. We're not foreseeing any particular redundancy programs, etcetera. And it's true that we have pushed out costs gradually onto our business units and etcetera, with operational roles taken up by central – people previously employed centrally, they're now taking operational roles, sometimes even in the companies. So – but all-in-all, we're quite happy with the central costs at the moment. But then, of course, as we grow, we don't necessarily see that our central costs will grow to scale, so to say. So over time, I think it's fair to say that we anticipate a gradual reduction in central costs to sales over time.

Carl Ragnerstam
Analyst, Nordea Markets, Corporates & Institutions

Q

Okay. Very good. And you also continue to divest companies, one in the quarter and potentially one more here post quarter. Is it possible to give some flavor on the rationale behind the divestitures? And also how many companies, measured in units or sales, would you say is currently under review? And also on this topic, I mean, how has it impacted your culture in the organization when you divest companies? Is it an impact from it or – yeah.

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

A

Basically, three questions. First of all, I mean, we are continuously looking at our portfolio, and I think we are doing that with a little bit less patience now. But the rationale is primarily strategic. I think as a quoted company, we note this, and I mean, the lessons learned is that some of the companies that we bought are not simply aligned with our long-term targets, both with regard to ESG or our financial targets with regard to margins, or if you take cyclicality, the earnings volatility could be very high and that would put them on our review list, so to say.

So it could be smaller companies or it could be bigger companies, if we don't see that they fit into our long-term strategy. I mean, for example, some industries have structurally lower margins, for example. And in that case, we would – probably if we do a roll-up in that industry, we would see that it would be difficult for us to continue to do that roll-up. We wouldn't want to buy more companies and that would affect the individual business unit adversely. So in that case, it might even be that the company would do better with a different owner. So there are all kinds of strategic rationale when we look at the companies.

To your second question, how big a portion of our companies are subject to this review? I can't comment on that. And finally, has it affected our culture? Well, to some extent, I think we really stress that we are super long-term when we buy a company. Still our ambition is to be the eternal owner of that company. So that hasn't really changed.

But of course – and we've always said to our CEOs that we are not a charity. If you don't perform over time, you could be closed down or divested. So – but this, of course, pushes home the point, so to say, in that respect. And I would say, it's a good thing from an operational perspective. It adds discipline and urgency to change programs out in our portfolio companies.

Carl Ragnerstam
Analyst, Nordea Markets, Corporates & Institutions

Q

Okay. Very clear. That's all for me. Thank you.

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

A

Thank you.

Operator: The next question comes from Karl-Johan Bonnevier from DNB Markets. Please go ahead.

Karl-Johan Bonnevier
Analyst, DNB Bank ASA (United Kingdom)

Q

Daniel and Lena, I noticed in the report that you are not commenting on ongoing processes anymore. There are non-binding letters of intents or similar things. Is that because there's nothing ongoing or you have decided to stop reporting on it?

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

A

I mean, it's a good question. I think we decided to have like the LOI pipeline, etcetera, very explicitly when we grew with 100%. It was like for you to understand better where we were going. In this case, with the reduced M&A pace, it's basically not material in that respect anymore. It's not that we don't have anything ongoing, but of course, the extent with the reduced M&A pace is a lot less. So I think that would be the rationale for not kind of highlighting it the way we've used – we did previously.

And I think even as we move into a better business cycle with more access to capital, I think, a lesson learned is that we will probably increase our acquisition activity, but not to the extent that we had before. So it's a less relevant metric, I think, to analyze us now than it was a year ago.

Karl-Johan Bonnevier
Analyst, DNB Bank ASA (United Kingdom)

Q

And going forward also, well, you will continue to report basically when you close the acquisition rather than, say, earlier in the phase, as I guess you did earlier as well.

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

A

Yes, that's correct.

Karl-Johan Bonnevier
Analyst, DNB Bank ASA (United Kingdom)

Q

And given that you have this focus of de-gearing, have you seen your incoming opportunities, so to say, also taking a little bit of a beating or are you still getting as much proposal as you used to?

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

A

I think we have two movements. The main one is macro. I think in the recession with the very uncertain earnings, a lot of – I mean, we only buy profitable companies, really successful. If they feel that they will not get paid enough, they just don't come to market. So I think we do see a decreasing deal flow, but that's more a generic thing for the entire market. It's not relevant for us.

Karl-Johan Bonnevier
Analyst, DNB Bank ASA (United Kingdom)
Q

Yeah.

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

If you look at our deal flow as such, I think we quite recently established ourselves on quite a few geographies. So overall, actually our deal flow is quite strong, I would say. So I think we have a decent deal flow. But of course, with the current pace, we are being very selective. But it doesn't really – we are looking at cases and we are acquiring quite a – still six acquisitions since the start of the year. So, compared to most, I think we're still considered as an active buyer.

Karl-Johan Bonnevier
Analyst, DNB Bank ASA (United Kingdom)
Q

Excellent. And when you're looking at maybe increasing the pace again, a good move on the cash flow in the quarter, getting gearing down a further notch. Do you still see that being maybe a thing for the latter part of this year or is it more of a question for 2024?

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

I can't really comment on that. We want probably to deliver first. We have low visibility on the second half. And I think it's also dependent on macro. If we really feel that the world is very uncertain, we would want to go lower on the leverage. I think that's the key priority for this year at least. If we feel more and more certainty on macro, I think we could probably start to do acquisitions already this year. But I think that's too early to say. We will have to see to the let – save that discussion for a few more quarters.

Karl-Johan Bonnevier
Analyst, DNB Bank ASA (United Kingdom)
Q

I will do that. Thank you much for the color, and all the best out there.

Daniel Samuel Kaplan
Co-Founder & 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.

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

Thank you very much for listening in, it's been a pleasure, and for your questions as well. Have a nice afternoon, and enjoy the wonderful weather for those of you in Sweden. Take care.

Lena Paulina Glader
Chief Financial Officer, Storskogen Group AB

Thank you. Speak again in August.

Daniel Samuel Kaplan

Co-Founder & Chief Executive Officer, Storskogen Group AB

Bye.