Storskogen Q2 2023

TODAY'S PRESENTERS

Daniel Kaplan

CEO

Lena Glader

CFO

August 2023

Storskogen in brief

Storskogen is an international group of businesses with annual LTM net sales of SEK 36.9bn and EBITA of SEK 3.5bn, split across three business areas and 14 verticals

Services

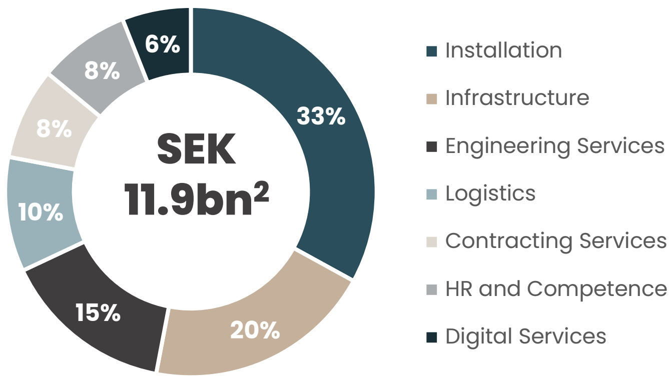
Peter Ahlgren

NO. OF BUSINESS UNITS[1]

61

NO. OF EMPLOYEES

>4,500



Trade

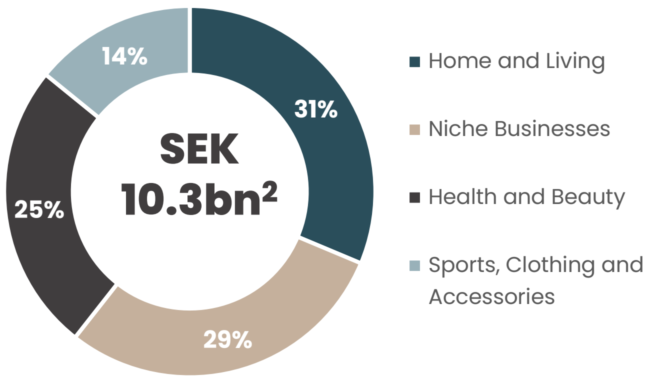
Christer Hansson

NO. OF BUSINESS UNITS[1]

32

NO. OF EMPLOYEES

>2,500



Industry

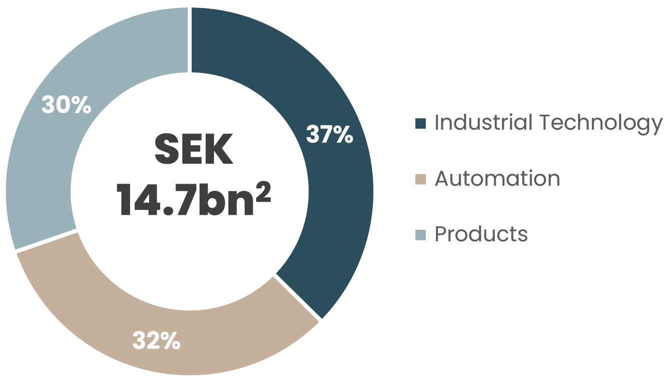
Fredrik Bergegård

NO. OF BUSINESS UNITS[1]

39

NO. OF EMPLOYEES

>5,200



[1] Number of business units as per 30 June. [2] Percentage figures refer to the share of LTM net sales for Q2 2023 in the respective business area.

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Q2 2023 highlights

Strong cash flow from operations and margin protection in challenging environment

NET SALES:

SEK 9,462m

(+4%[1])

ORGANIC NET SALES GROWTH, YTD:

-2%

(16%[2])

ADJUSTED EBITA:

SEK 922m

(+5%[1])

ORGANIC EBITA GROWTH, YTD:

-5%

(-3%[2])

ADJUSTED EBITA MARGIN:

9.7%

(9.7%[3])

KEY EVENTS

- Successful issuance of SEK 2bn bonds and repurchase of SEK 3bn bonds – maturity extended from 2024 to 2027
- EBITA margin protection amid challenging macro
- Y/Y cash flow from operating activities improved by SEK 517m to SEK 852m in Q2 - (Y/Y YTD improvement of SEK ~1.2 bn)
- LTM adjusted cash conversion ahead of target at 87% - Q2 cash conversion at 105%
- Four acquisitions were completed with combined annual net sales of SEK 304m
- Four divestments were completed with combined annual net sales of SEK 1.2bn

[1] Y/Y growth. [2] Organic Net Sales/EBITA growth in Q2 2022. YTD [3] Adj. EBITA margin in Q2 2022.

Update on strategic priorities

Solid delivery on strategic priorities as set out at the Capital Markets Day in September 2022

Priorities	Status	Comment
Improve cash flow		LTM Operating cash flow[1] has improved by SEK 2.1bn since Q3’22
Protect profitability		Adj EBITA margin at 9.7% in challenging markets
Reduce leverage		Interest-bearing net debt reduced by SEK 774m since Q3’22
Reduced M&A pace		Q2’23 YTD: 7 acquisitions Q2’22 YTD: 45 acquisitions
Strategic divestments		Five strategic divestments completed in 2023
Reduce negative EBITA effect from Group operations		Group operations’ Adj. EBITA reduced from -1.1% sales to -0.7% of sales Y/Y

[1] Defined as adjusted EBITDA – change in NWC – capex.

Empowering businesses

By increasing the upside and limiting the risk, Storskogen carved out Wibe Group and increased sales by 27%[1] with an improved EBITA-margin

- Acquired in Q2 2021 as a carve-out from one of the market leaders
- The complexity and risk of the transaction was reflected in the valuation
- Challenging carve-out to secure successful transformation from a non-core unit to a independent company, while ensure long term potential

wibe group

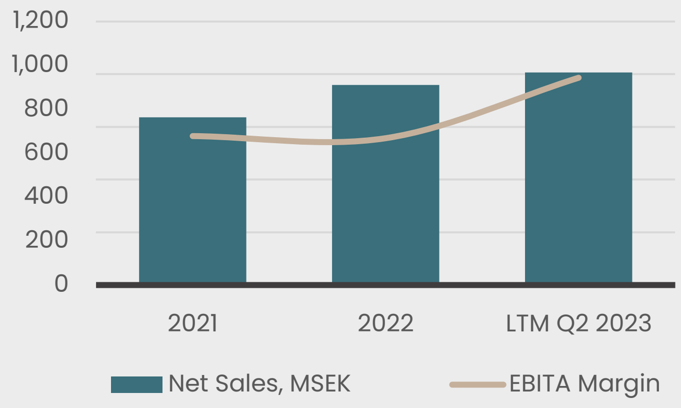
- Offering a complete, innovative range of cable ladders, cable trays and mesh trays trough four globally leading brands: Wibe, Stago, Mita and Defem
- Applications ranging from commercial buildings to extreme demanding industrial environments
- Headquartered in Mora, Sweden, with operations in 6 countries and ~280 employees

Acquired	Business Area	Vertical
Q2 2021	**Industry**	**Products**

Storskogen has enabled Wibe to:

- Establish a new operational platform – including an independent organisation, certifications and systems support
- Improve profitability through group procurement and proactive sales efforts
- Investing for growth by strengthening the product portfolio and enabling new revenue streams
- Strengthen the business through add-on acquisition

Financial performance



[1] Net sales increase from FY 2021 to LTM Q2 2023.

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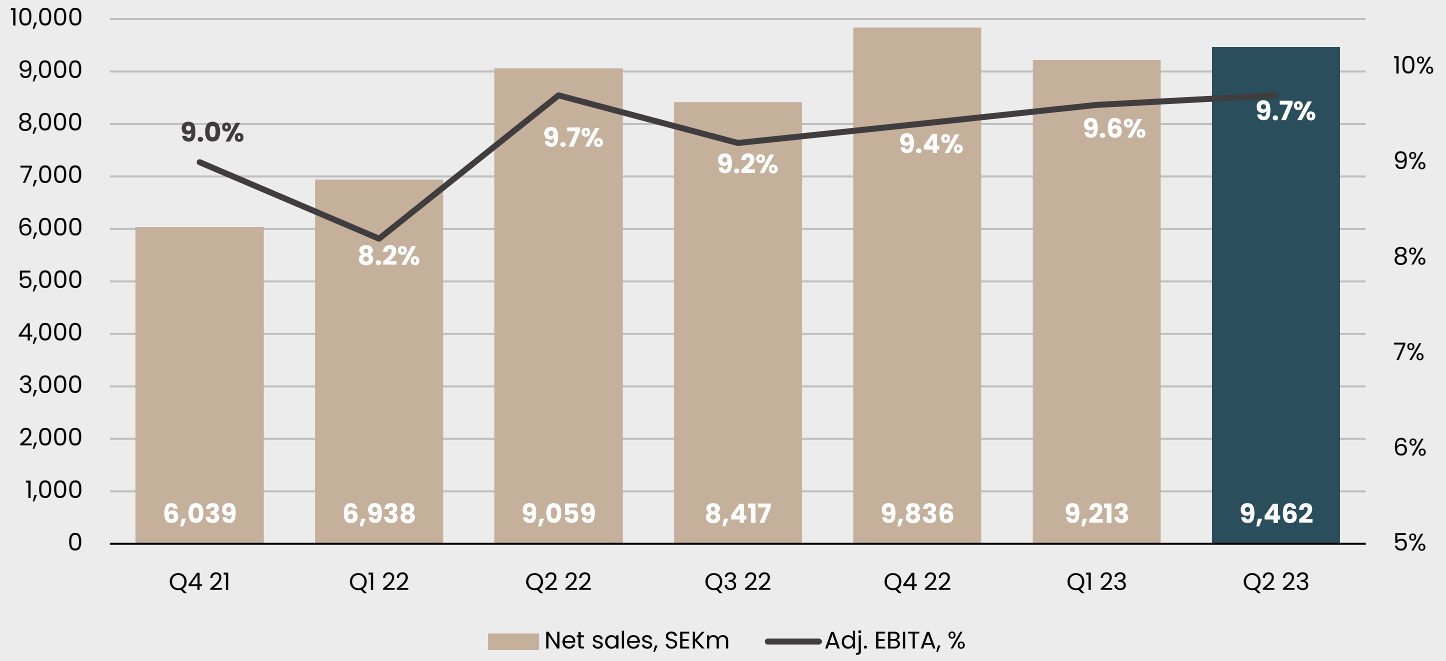
Net sales and EBITA margin

Margin protection despite continued uncertainty

Financial development



COMMENT

- Margin protection across diversified portfolio
- EBITA growth in Services offset by decline in Trade
- Continued focus on protecting margin in challenging environment

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Market development

Solid demand in Industry and Services, but softer in Trade. Reduced M&A pace with strong focus on selected high value cases.

MACRO

- Solid demand in Industry and Services
- Stabilised cost situation, and supply chain disruptions
- Demand remains soft in certain consumer-facing industries and companies early in the construction cycle

TRANSACTION MARKET AND M&A

- Decent deal flow with stabilised multiples
- Continuation of prolonged transaction processes with high uncertainty due to lower visibility in the general economy
- Reduced M&A pace (for Storskogen) with a strong focus on selected high value cases

Overview of financial targets

Focus is on operational excellence, balance sheet and cash flow in the short to medium term

	Organic EBITA growth:	Adjusted EBITA growth including acquisitions:	Adjusted EBITA margin (over time):	Adjusted cash conversion on an annual basis:	Interest-bearing net debt / RTM adjusted EBITDA:
MEDIUM-TERM TARGETS	**Real GDP growth + 1–2 percentage points**	**In line with historical levels**	**10%**	**>70%**	**2.0–3.0x**
OUTCOME	**-5%** (YTD)	**25%** (YTD)	**9.5%** (LTM)	**87%** (LTM)	**2.6x** (RTM)

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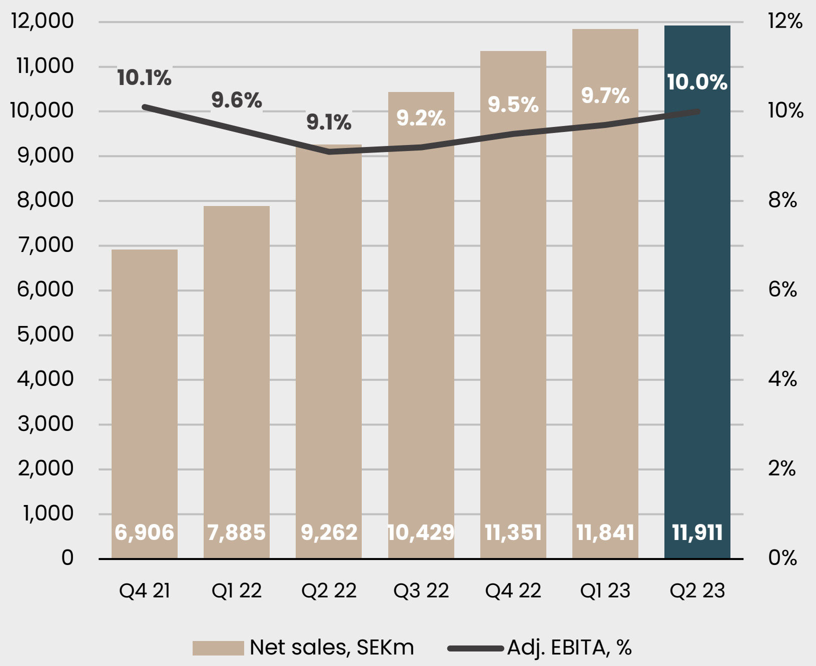
Services

Strong quarter with significant margin improvement Y/Y

NET SALES AND ADJ. EBITA MARGIN (LTM)



COMMENTS

- Organic sales growth of 0% (YTD), organic EBITA growth of 8% (YTD)
- Seasonally strong quarter, with improved sales and margins Y/Y
- Installation and Infrastructure were the main drivers of the improved margins
- Companies with exposure to new construction, mainly in Engineering Services, continue to see weakened demand
- Q3 is seasonally weaker due to holiday season, but solid demand for rest of the year

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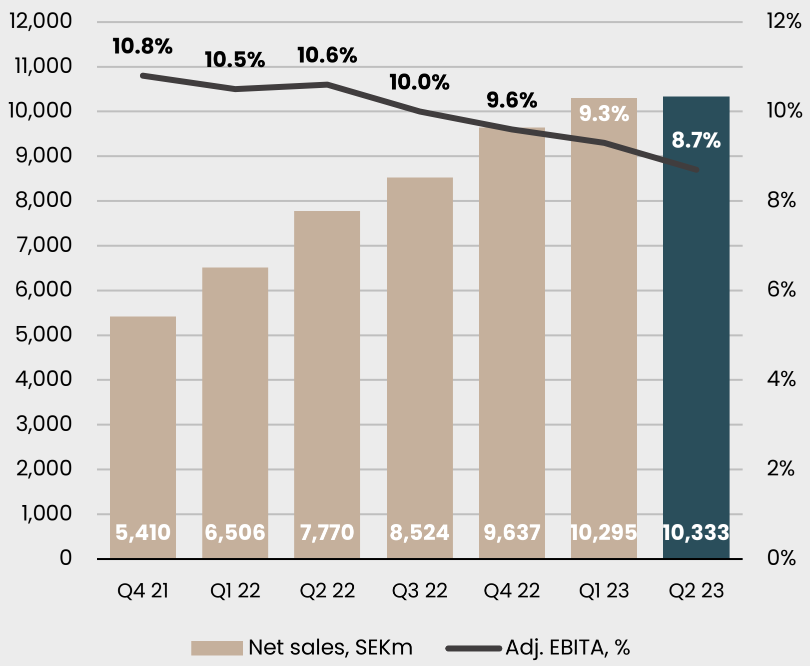
Trade

Key focus to improve working capital position and protect profitability

NET SALES AND ADJ. EBITA MARGIN (LTM)



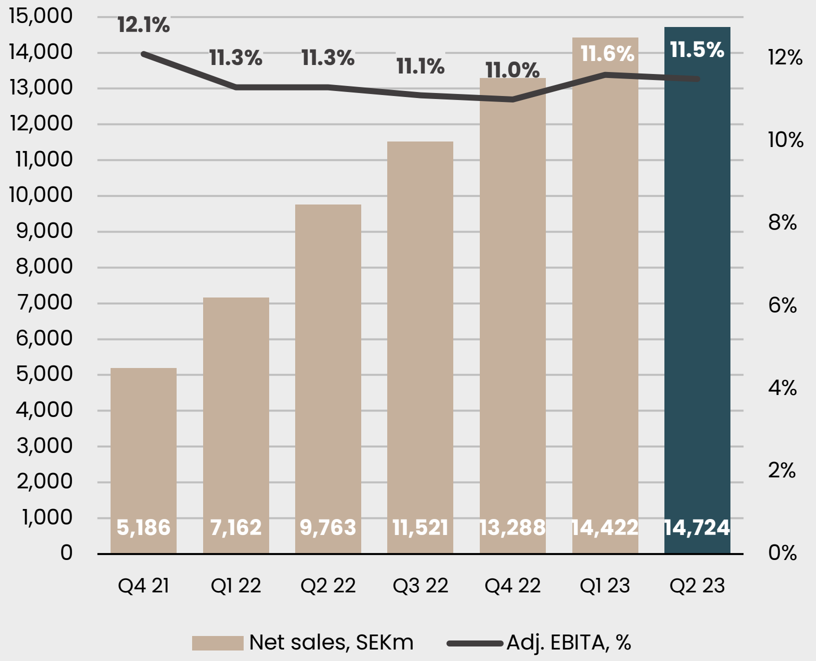
COMMENTS

- Organic sales growth of -3% (YTD), organic EBITA growth of -22% (YTD)
- Continued soft demand within consumer-related durable goods and e-commerce. Health and Beauty remained robust
- Focus to improve working capital position and protect profitability to strengthen long-term position
- Profitability negatively affected by weak SEK
- Challenging environment due to elevated uncertainty for the fall

Industry

Sales growth of +9% in Q2 2023 and margin expansion

NET SALES AND ADJ. EBITA MARGIN (LTM)



COMMENTS

- Organic sales growth of -1% (YTD), organic EBITA growth of 1% (YTD)
- Continued strong underlying market with good demand and orderbooks, somewhat decreased order intake
- Strong performance in Industrial technology, while Automation saw increased competition and price pressure
- Reshoring trend, green transition and demand for automation solutions continues to have positive impact, albeit with low visibility in the second half of 2023

Completed transactions

Four acquisitions and several divestments completed since Q1

	Acquisitions completed in Q2		Acquisitions completed after Q2		Divestments
	Business units	Add-ons	Business units	Add-ons	
Services	**AC Electrical** joins Installation			**Swiss Medical Jobs**[1] joins Vokus Personal within HR and Competence **Möller Klima-Kälte**[1] joins Christ & Wirth within Installation	**Dextry Group**[1] within Installation **2 divestments**[2] Parts of Brunner-Anliker within Installation
Trade		**Modern Design** joins Vox Hair within Health and Beauty **Guardio Safety** joins Båstadgruppen within Niche Businesses			**Skidstahus**[1] within Home and Living **Hilpert Electronics**[1] within Niche Businesses **Delikatesskungen**[1] within Home and Living
Industry		**Align Products** joins Wibe within Products			

[1] Divestment completed in Q2. [2] Divestments signed but not completed after Q2.

Key financial performance, Q2 2023

Adj. EBITA margin improved vs. Q2 2022. Price increases and cost efficiency partly offset cost inflation and currency headwinds.

SEKm	Q2 2023	Q2 2022	Chg., %	LTM Q2 2023	RTM [1]
Net sales	9,462	9,059	4	36,929	36,080
Adj. EBITA	922	877	5	3,505	3,586
Adj. EBITA margin, %	9.7	9.7	-	9.5	9.9
EPS, SEK	0.04	0.25	-84	0.80	-
ROE (LTM), %	7.7	9.2	-	7.7	-
ROCE (LTM), %	10.2	9.6	-	10.2	-
Cash flow from operating activities	852	335	>100	2,795	-
Cash conversion, %	105	44	-	87	-
Interest-bearing net debt / adj. RTM EBITDA, x	2.6	2.5	-	2.6	2.6

COMMENT

- Net sales growth of 4% with an adj. EBITA growth of 5%
- EBITA margin sustained at 9.7%
- Net interest costs[2] unchanged vs. Q1 at SEK -221m (-226)
- Non-recurring items[3] in net financial items and Opex totaling SEK -236m, affecting EPS and ROE
- ROE of 7.7% (9.2%) and ROCE of 10.2% (9.6%)
- Net of cash, ROCE was 11.1% (11.9%). Net of goodwill, ROCE was 22.8% (20.4%)
- Y/Y operating cash flow improved by SEK 517m to SEK 852m
- Cash conversion of 105%

[1] RTM (pro forma) by the end of Q2 [2] Excluding one-off costs related to repurchase of the outstanding bond maturing in 2024 (SEK 51m)
[3] Costs other than interest costs (SEK 135m) in the financial net as well as items affecting comparability (SEK 101m)

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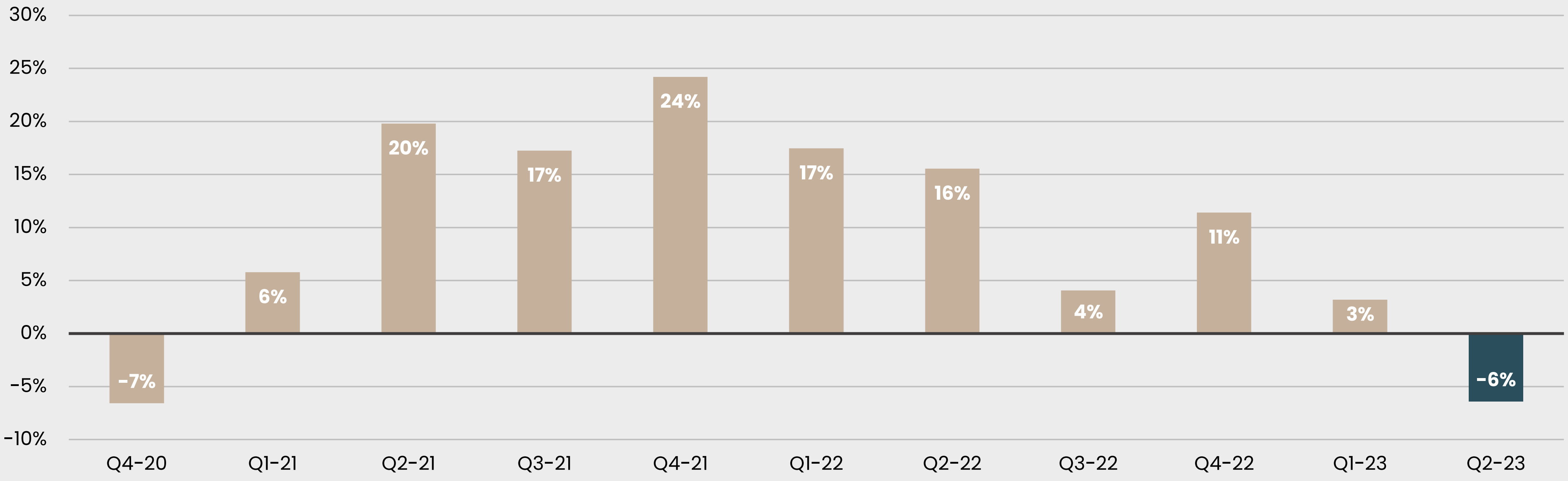
Organic sales growth

Organic sales growth in negative territory, primarily driven by business area Trade

Organic growth (QTD[1])



[1] Comparable sample based on portfolio companies owned as of January last year, i.e. the same sample as organic FY data

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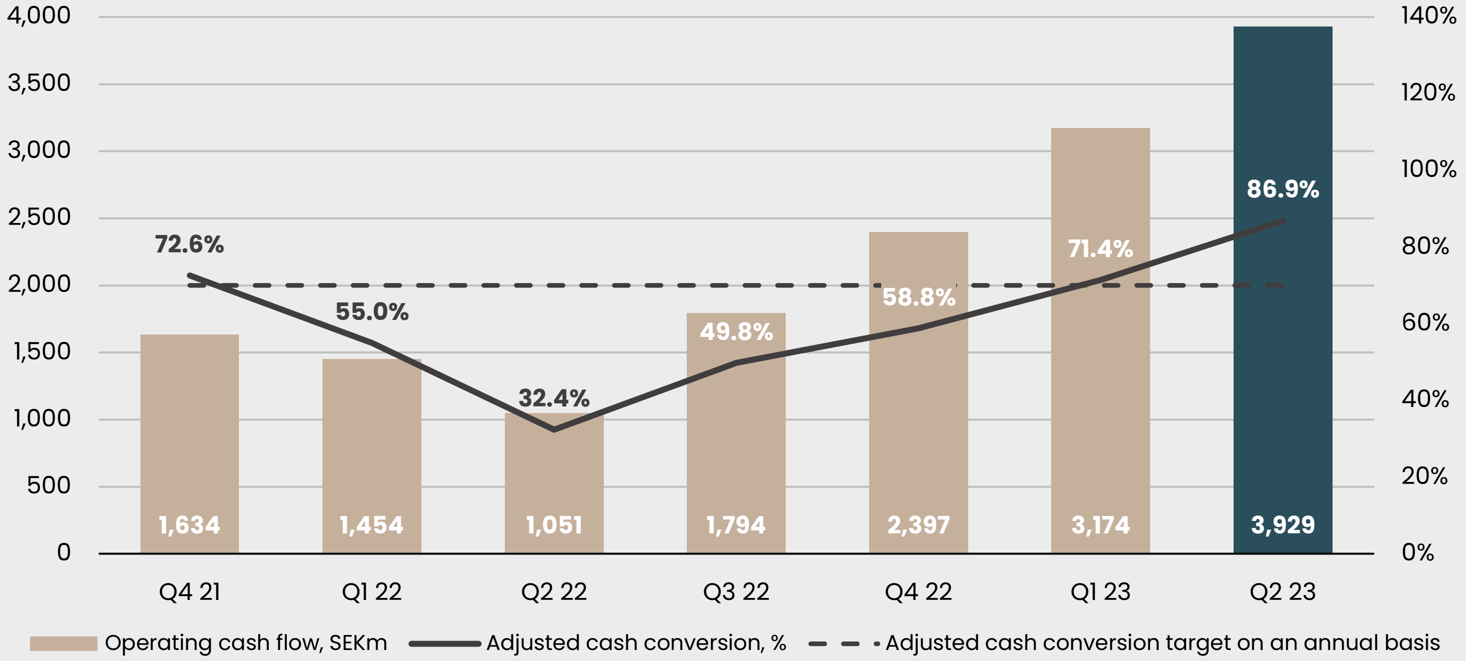
Operating cash flow and cash conversion

Cash flow improvement supported by working capital efficiency – close to LTM SEK 4bn

Operating cash flow[1] (LTM)



COMMENTS

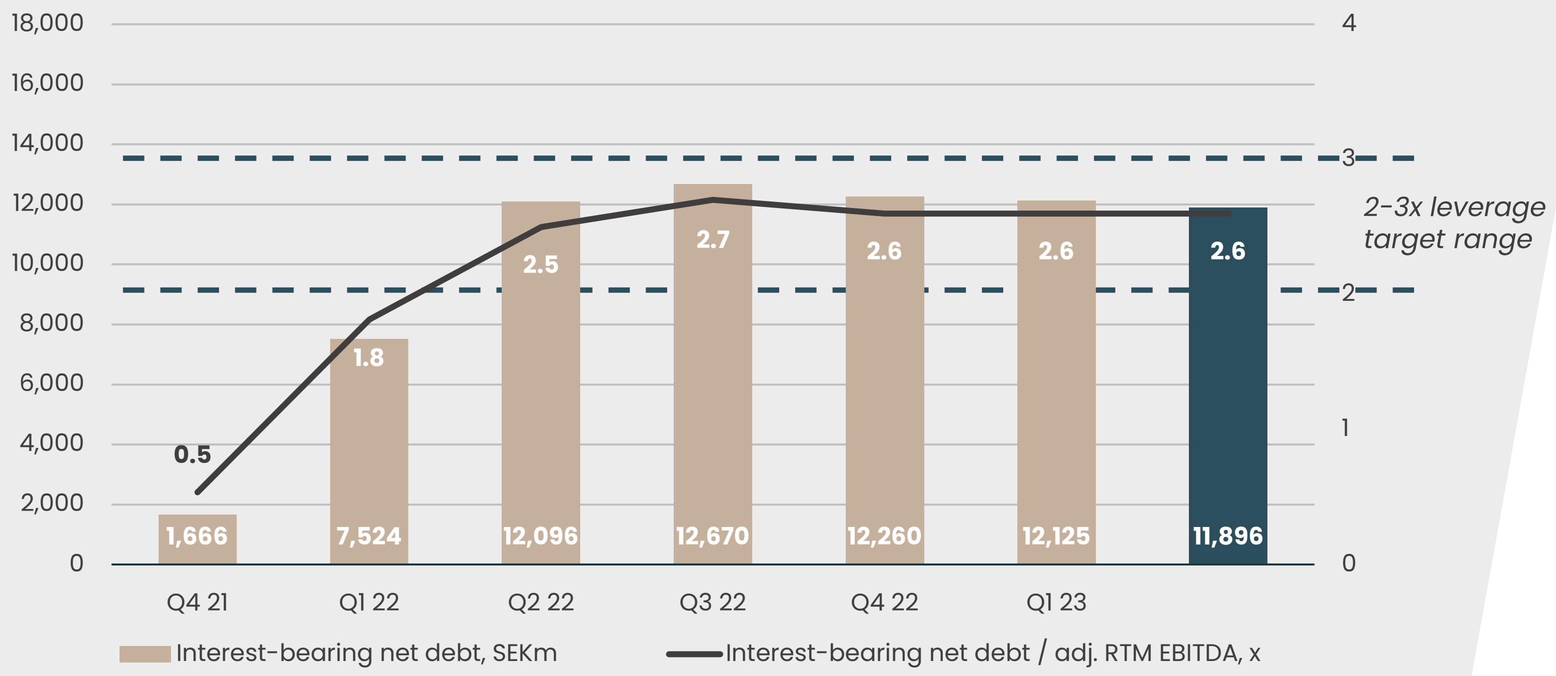
- LTM operating cash flow of SEK 3.9bn
- LTM cash conversion of 87% - well above target level
- Q2 cash conversion of 105%
- Focus on reducing working capital continues - positive effect of SEK 223m in Q2
- Capex/sales of 1.8% in Q2 and 1.7% LTM

[1] Defined as adjusted EBITDA – change in NWC - capex

Net debt and leverage

Debt maturities significantly extended. Leverage unchanged at 2.6x with further reduction in short to medium term being a key priority

Leverage ratio



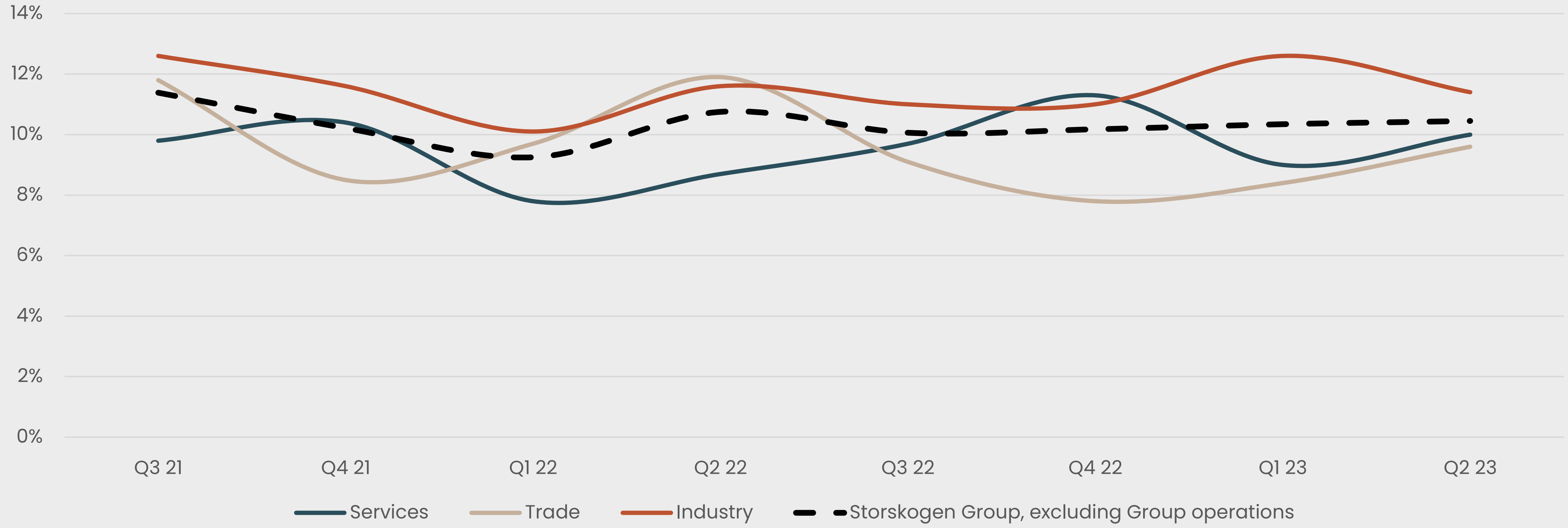
COMMENTS

- Interest-bearing net debt of SEK 11.9bn, a decrease of SEK 229m
- Gross interest-bearing debt reduced by SEK 503m in Q2 and by SEK 1,045m YTD
- SEK 3bn bond maturing in 2024 refinanced with SEK 2bn maturing in 2027
- Interest-bearing leverage of 2.6x, within the target range of 2–3x. Further reduction remains a key priority
- Total available liquidity of SEK 8.9bn;
  - Cash: SEK 2.0bn
  - Unutilised credit facilities: SEK 7.0bn

Continued strong diversification effect

The diversified business model continues to show low correlation – pickups in Services and Trade as Industry levelled out

EBITA margin, QTD



Note: Group EBITA margin excluding group operations

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Key takeaways

Delivery on strategic priorities

- Strong cash flow and margin despite macro uncertainty
- Seasonally strong performance in Services – diversified portfolio delivers
- Maturity profile extended as 2024 bonds were refinanced with a smaller 2027 issue
- Continued focus on operational excellence, cash flow and balance sheet optimisation

Q&A

TODAY'S PRESENTERS

Daniel Kaplan

CEO

Lena Glader

CFO

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