

# ALLiGO

Interim report Q3  
1 July – 30 Sept 2023

Thursday, Oct 26, 2023



# Presenters

**Clein Johansson Ullenvik**

Group President & CEO



**Irene Wisenborn Bellander**

CFO



# AGENDA

- **This is Alligo**
- Highlights Q3 2023
- Brand Consolidation and Sales Strategy
- Financials
- Summary and outlook
- Q&A



# Alligo – a leading player in workwear, personal protection, tools and supplies in the Nordic region

9,520  
MSEK Revenue\*

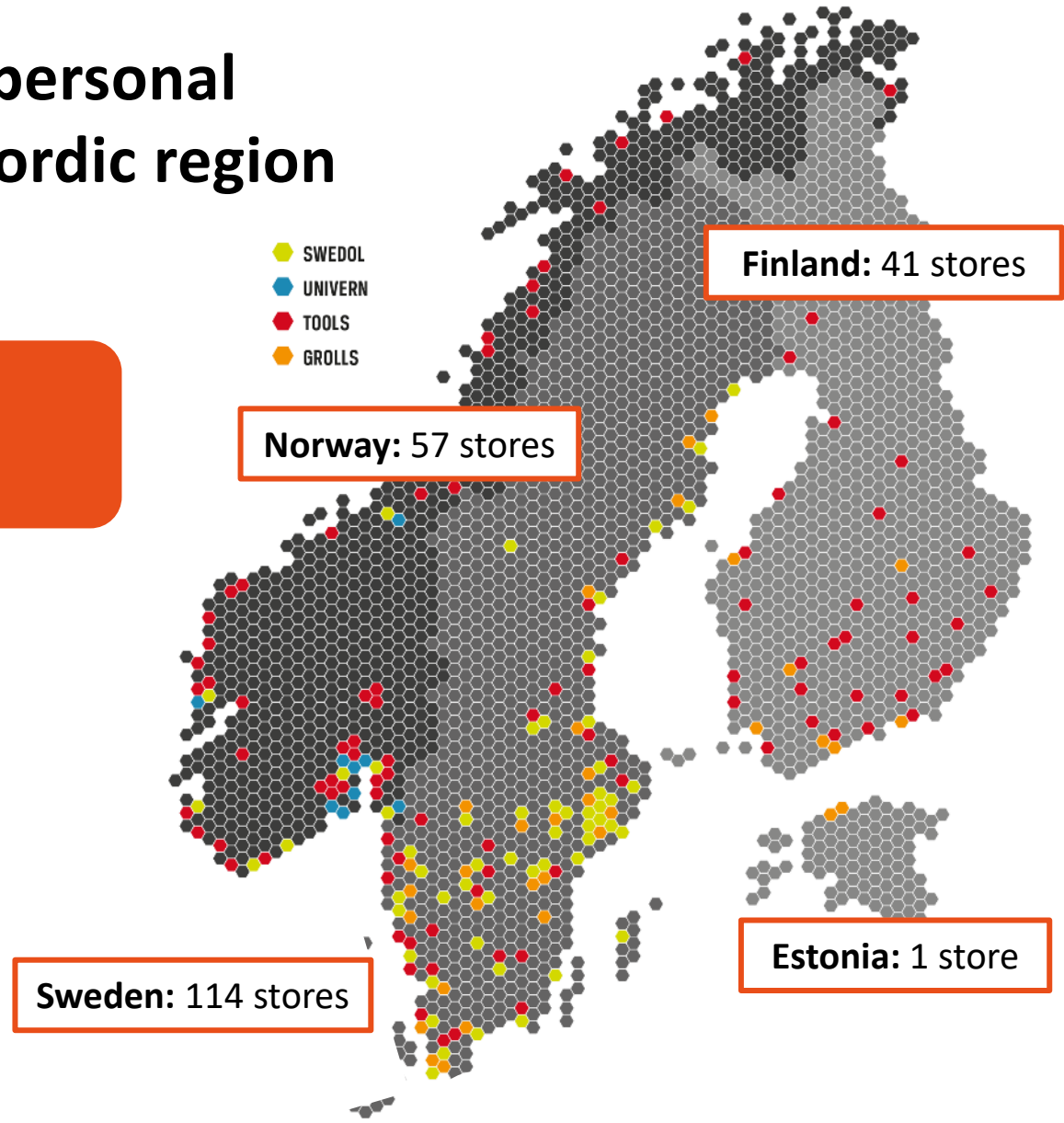
2,476  
Employees\*

213  
Stores\*

Main concept brands

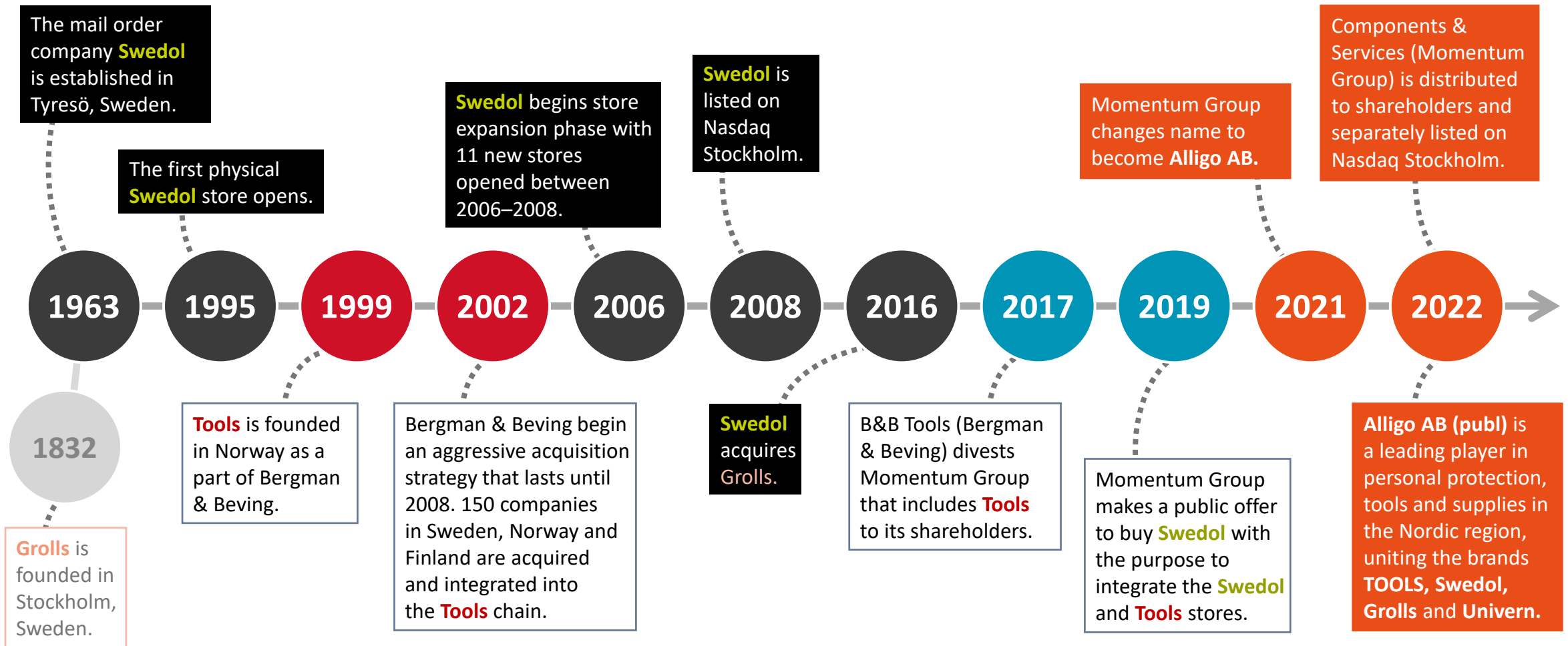


The image shows four brand logos: TOOLS (white text on a red background), UNIVERN (grey text), swedol (black text with a green dot), and GROLLS (orange text).

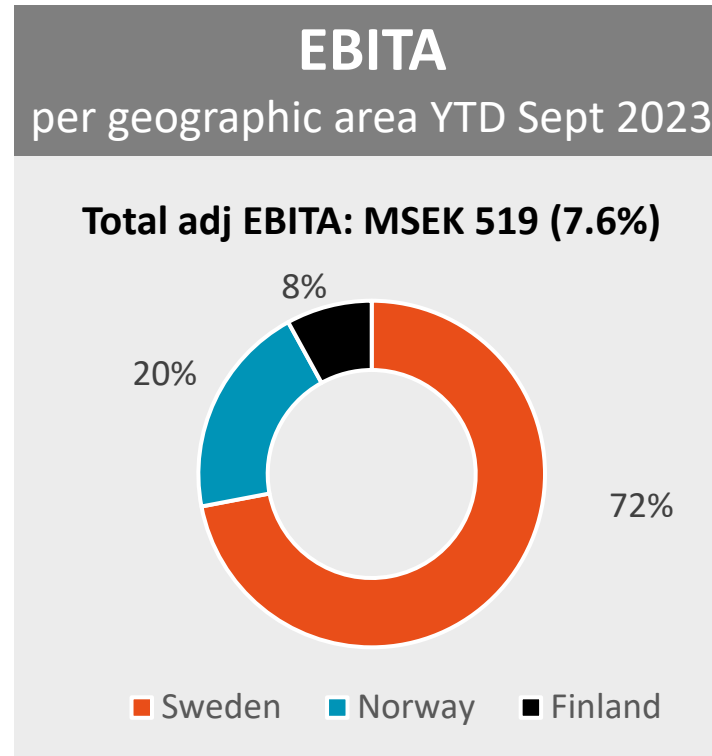


\*R12 September 2023.

# The origins of Alligo



# Alligo at a glance



# Alligo at a glance

- **Nordic main markets**
  - annual revenue of approximately SEK 53 billion
- **Customers**
  - a combination of small and medium-sized enterprises, large industrial companies, and the public sector within **eight defined segments**
- **Main competitors**
  - chains that focus on industry and construction as well as independent local operators



**Manufacturing**



**Construction Industry**



**Public Sector**



**Transport & Storage**



**Repair & Maintenance**



**Agriculture & Forestry**



**Fishing & Aquaculture**



**Oil & Gas**

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# Q3 business conditions



## Market situation

- Weak market development in Sweden and Finland – several customer segments
- Strong demand in Norway – Oil & Gas industry

## Proactive management

- Growth initiatives
- Refining sales work
- Price adjustments
- Sensitive categories
- Reducing inventories
- Cost reductions

## Delivery capacity

- Good and stable

## Macro-economic factors

- Geopolitical turbulence
- Downturn in the business cycle

## Q3 in brief: Increased profit and improved cash flow

- Revenue 0.2 % MSEK 2,122 (2,118)
- Adjusted EBITA increased by 6 % to MSEK 191 (181)
- Improved operating cash flow MSEK 34 (-91)
  - still high inventory levels
- Coordination of Norwegian logistic centres
  - access to the newly built central warehouse in Vestby
- New sales organisation in place
- Celebration of Swedol's 60th birthday
- Repurchase of the company's own Class B shares

+ 0.2 %  
Revenue growth

+ 6 %  
Adjusted EBITA growth

9.0 % (8.5)  
Adjusted EBITA margin

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# Brand Consolidation and Sales Strategy



# Ambition 2024: One concept brand per country

## Sweden

– Complete brand implementation

Current store count	2023	2024
Swedol	57	90*
Tools	14	0
Grolls	18	0
Other**	25	25

\* New store opens in Boden end of 2023.  
 Five Grolls stores have already been re-branded  
 \*\* Mercus and profile companies.

## Norway

– Brand harmonization almost completed

Current store count	2023	2024
Tools*	53	57
Univern	4	0
Other	0	0

\* Five Univern stores have already been re-branded and eight Swedol stores.

## Finland

– Plan for finalizing brand coordination

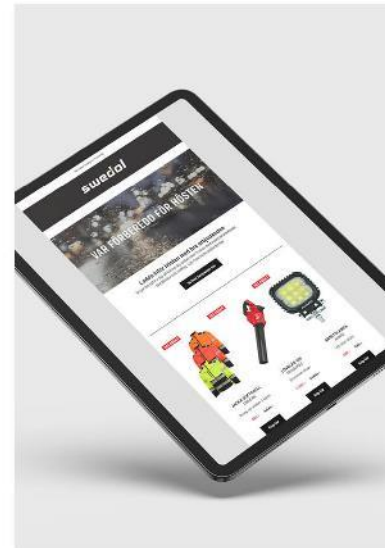
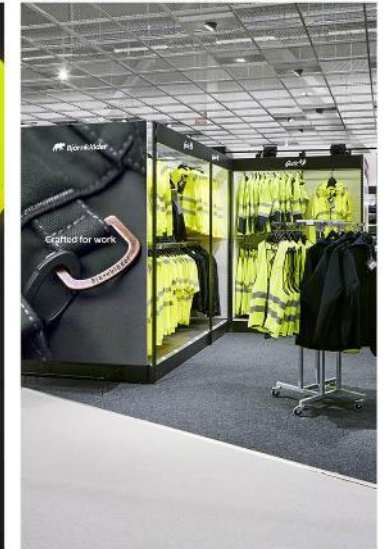
Current store count	2023	2024
Tools*	30	35
Grolls	5	0
Estonia/Grolls	1	1
Other**	6	6

\* Two Grolls stores have already been re-branded.  
 \*\* Metaplan and recently acquired companies.

# On-going actions:

## Stores to attract small & medium-sized enterprises

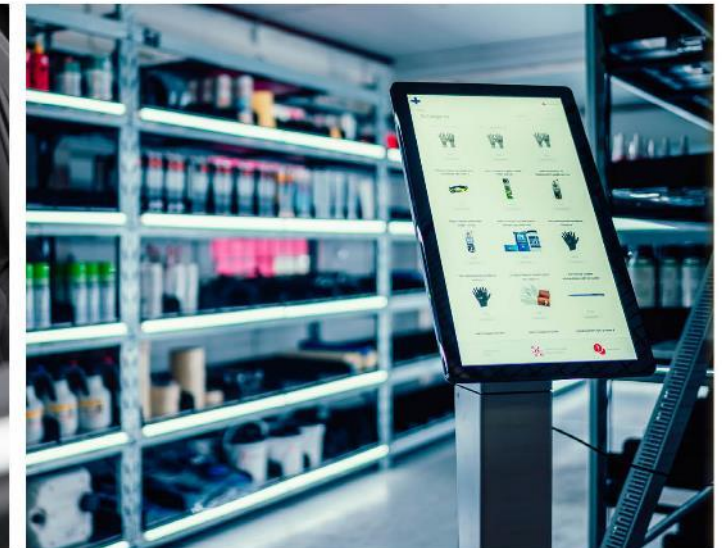
- Refining sales work in all countries
  - Business developers to improve processes
  - Develop cooperation between the countries
- Intensified marketing
  - Multichannel campaigns
  - Improving e-commerce platforms
- New locations
  - Boden opens in the beginning of 2024
  - Outlet in Norrköping opened in October
- Refurbishing existing stores
  - Six new locations in Finland



# On-going actions:

## Direct sales to attract larger customers

- Industry customer segment
  - Supporting local sales organisations
- Smart services
  - Customers are supplied with goods directly on-site – saving valuable time and improving cost control
- Tailored e-store solutions
  - Digital solutions enabling Alligo's e-commerce stores to interact with the customer's purchasing system



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# Group in summary: improved profitability in a weaker market

## Revenues and EBITA

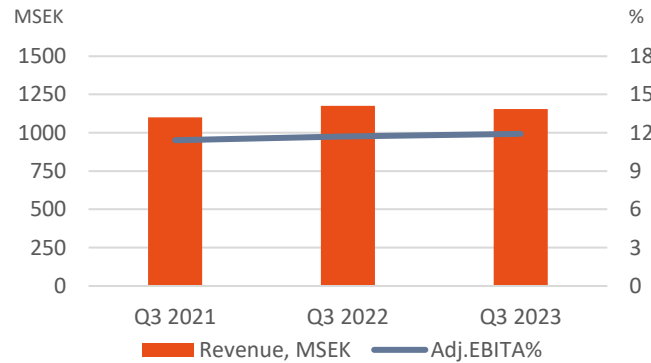
MSEK	2023 Jul-Sep	Δ, %	2022 Jul-Sep	2023 Jan-Sep	Δ, %	2022 Jan-Sep
Revenue	2,122	0.2	2,118	6,797	4.8	6,488
Adjusted EBITA	191	5.5	181	519	13.3	458
<i>Amortisation</i>	-16		-15	-45		-48
<i>Items affecting comparability</i>	0		0	-4		-9
Operating profit	175		166	470		401
Gross margin, %	41.6		40.7	40.7		40.1
Adjusted EBITA margin, %	9.0		8.5	7.6		7.1

## Highlights Q3

- Revenue increased by 0.2 %
  - Organic growth of -3.0 %
  - Acquisition-driven growth of 3.5 %
  - One less trading day -1.5 %
- Adjusted EBITA increased by 5.5 %
  - Growth, margin improvements and cost reductions
  - Weaker results in Finland
- Improved gross margin
  - Increased share of own brands 19.7 % (17.8)
  - Supplier negotiations
  - Negative country mix counteracts
- Restructuring reserve – release of MSEK 15
- Financial net -31 MSEK (-15)
  - -23 MSEK (-10) excluding IFRS 16
- Effective tax rate of 21.5 % (21.9)

# Increased profitability in Norway, volume challenges in Sweden & Finland

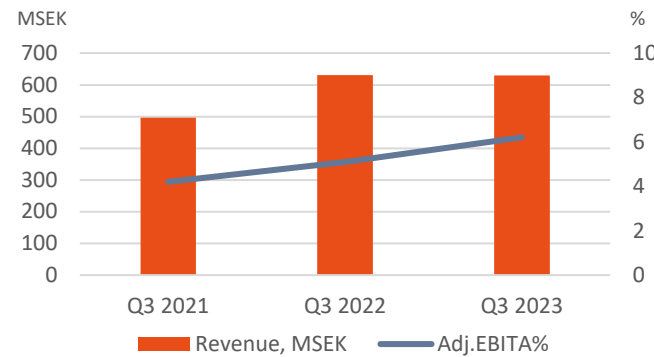
## Sweden



Organic growth:	Adj. EBITA margin:
Q3 -6%	Q3 11.9% (11.7)
Q1-Q3 -2%	Q1-Q3 9.8% (9.7)

- Revenue decreased by -1.7 %
  - Slowdown in the market
  - Acquisitions counteract
- Increased share of own brands 24.5 % (22.6)
- EBITA in line with prior year
  - Margin improvements, cost adjustments
- Focus forward – driving sales, sales and assortment management within the industrial segment

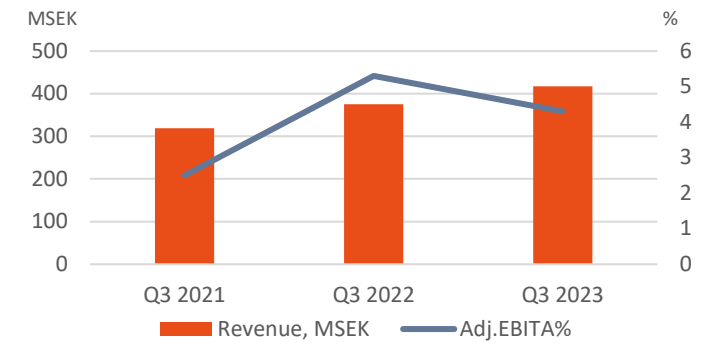
## Norway



Organic growth:	Adj. EBITA margin:
Q3 +2%	Q3 6.2% (5.1)
Q1-Q3 +6%	Q1-Q3 5.4% (4.0)

- Revenue decreased by -0.2 %
  - Negative FX effects
- Increased share of own brands 16.5 % (15.2)
- EBITA increased by +21.9 %
  - Margin improvements, cost adjustments
- Focus forward – increase share SME, sales and assortment management

## Finland



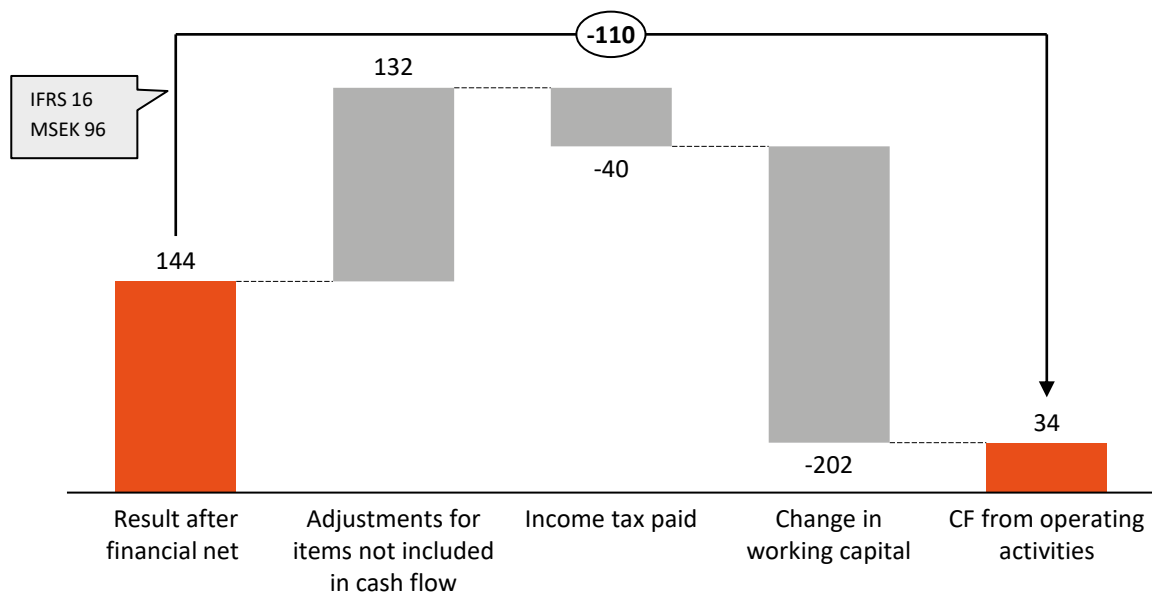
Organic growth:	Adj. EBITA margin:
Q3 -3%	Q2 4.3% (5.3)
Q1-Q3 +3%	Q1-Q3 3.5% (4.0)

- Revenue increased by 11.2 %
  - Positive FX effects
  - Acquisitions
  - Slowdown in the market
- Increased share of own brands 11.8 % (8.0)
- EBITA decreased by -10.0 %
  - Investments in stores
- Focus forward – driving sales, investment in stores to attract SME, sales and assortment management

# Improved operating cash flow – inventory levels remain too high

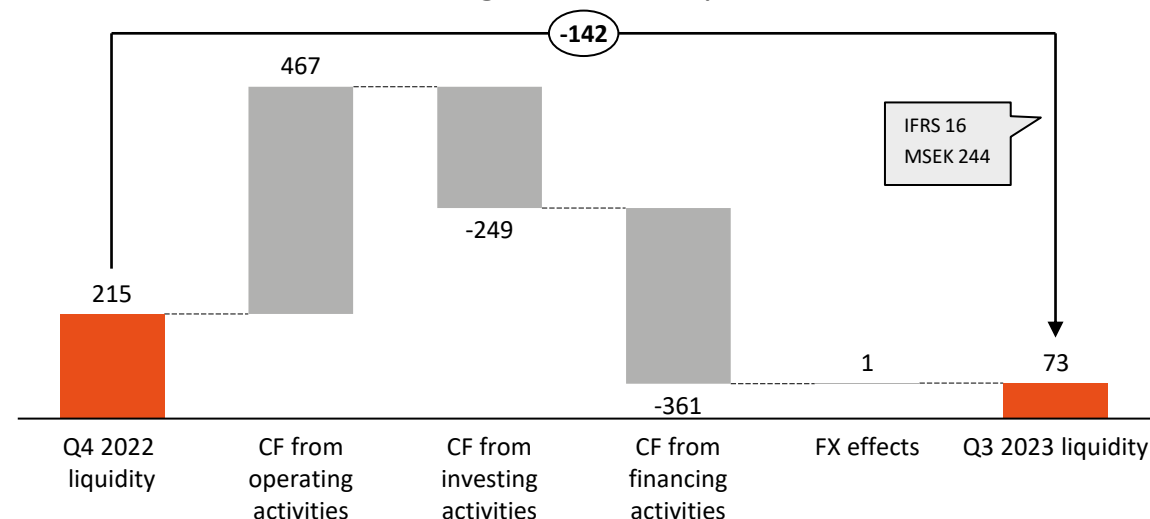
## Q3 Operating activities

- Seasonally the weakest quarter
- Operating cash flow amounted to 34 MSEK (-91)
  - Inventory build-up at a lower pace
- Increased NWC/Sales 26.9 % (23.3) driven by inventory of own brands
  - Several ongoing actions related to capital reduction



## Q1-Q3 Operating, investing and financing activities

- Investing activities
  - E-commerce investments, store adaptations, new WMS system in Norway, and expansion of Alligo’s warehouse and logistics facility (MSEK 123)
  - Acquisition of subsidiaries (MSEK 126)
- Financing activities
  - Dividend paid, increased usage revolving facility, and amortization of leasing liabilities, repurchase shares



# Increased net debt – but still a strong financial position

## Overview of the financial position

MSEK	30 Sep 2023	30 Sep 2022	31 Dec 2022
Non-current interest bearing liabilities	2,645	2,298	2,410
Current interest bearing liabilities	387	483	352
Cash and cash equivalents	-73	-31	-215
Financial lease liabilities	-1,196	-973	-1,013
<b>Net operational liabilities</b>	<b>1,763</b>	<b>1,777</b>	<b>1,534</b>
EBITDA*, LTM	904	797	845
<b>Net operational liabilities/EBITDA*, X</b>	<b>2.0</b>	<b>2,2</b>	<b>1.8</b>

\* Excl. IFRS 16

## Highlights

- Ratio of net operational liabilities to EBITDA (excl. IFRS 16) of 2.0
- Cash and unutilized granted credit facilities of MSEK 938 at the end of the period
- Equity/assets ratio 40 %
- Total facility 2,300 MSEK excl. credit facility 400 MSEK
  - Maturity 2026 + 1 year
  - Q3 average interest rate 4.8% (2.0)
- Financial covenants fulfilled
- Continue to invest in organic growth and take advantage of potential good M&A opportunities

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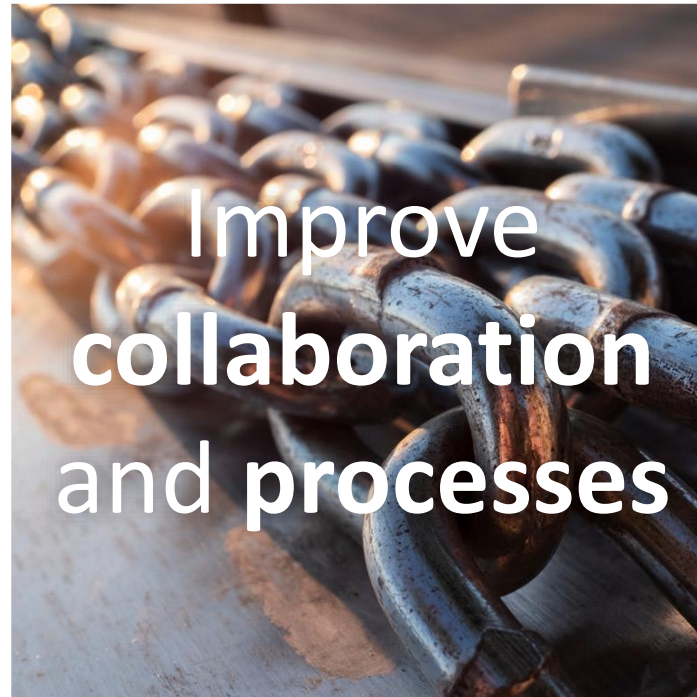


## Q3 in summary

- Good resilience in an expected weaker market
  - Slowdown intensified in SE and FI, but stable in NO
- Increased profitability and improved operating cash flow
  - Standard assortment
  - Still too high inventory levels – several actions ongoing
- Strengthened competitiveness
  - Supplier negotiations
  - Cost reductions
- Good delivery capacity for own brands
  - Progress within sustainability



## Three overarching themes for 2024



# Outlook 2023-2024

- Alligo is well-positioned in a weaker market
- Focus on driving sales, developing our offer and streamlining our processes
  - Brand consolidation and roll-out of own brands
  - Refining our sales work
- Increase the share of small and medium-sized enterprises
- Decrease inventory levels – improve capital efficiency
- Adapting the cost structure to market conditions
- Financial and organizational capacity to acquire and integrate new companies





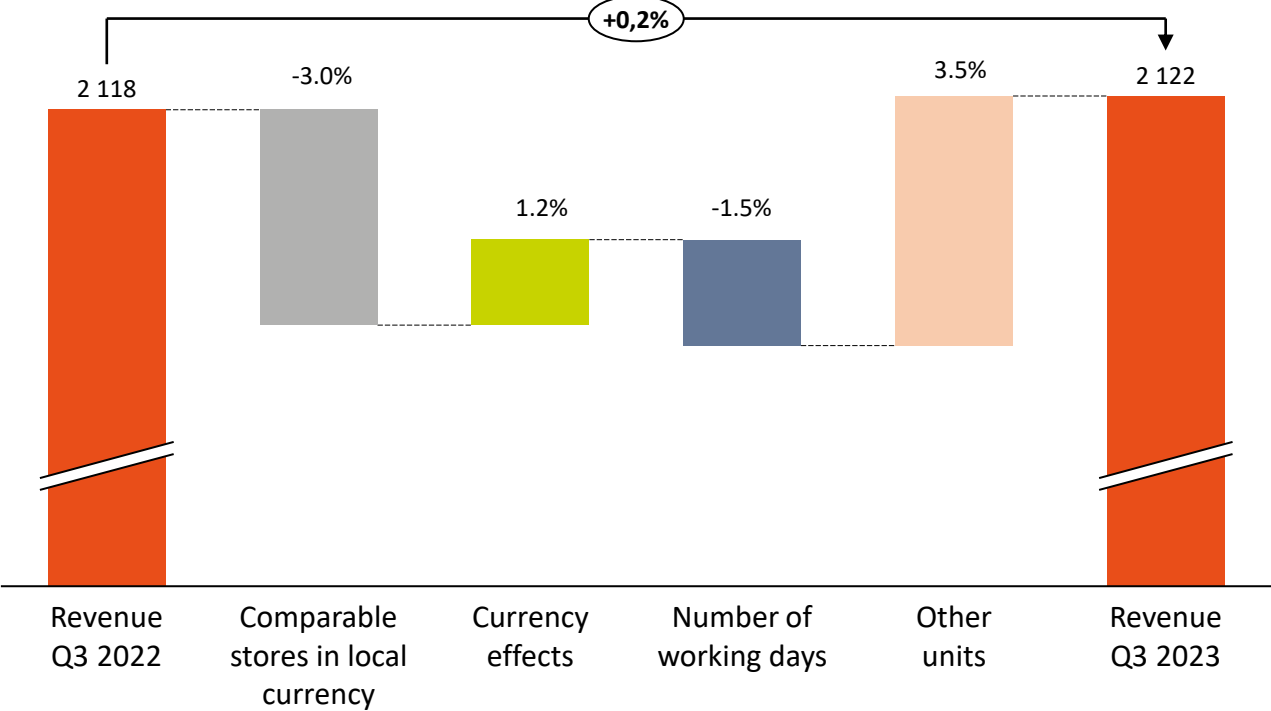
# Q&A

# APPENDIX



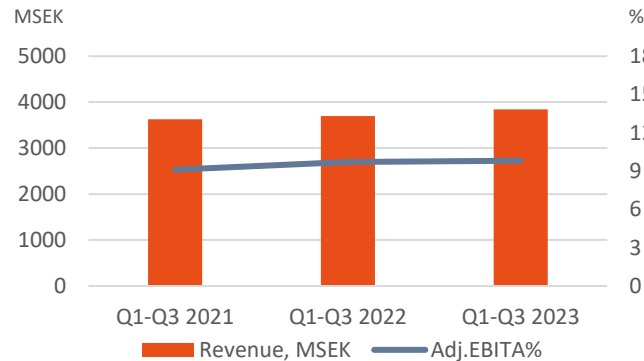
# Revenue bridge third quarter 2023

## Revenue year-on-year Q3



# YTD 2023 - Profitable growth in Sweden and Norway, weaker in Finland

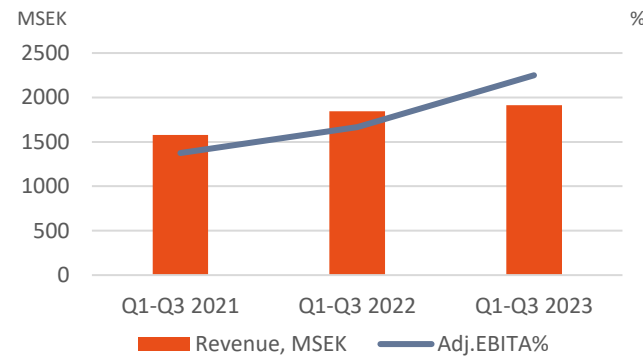
## Sweden



Organic growth:	Adj. EBITA margin:
Q3 -6%	Q3 11.9% (11.7)
Q1-Q3 -2%	Q1-Q3 9.8% (9.7)

- Revenue increased by 4.0 %
  - Acquisition driven growth
  - Slowdown in the market since Q4 22
- Increased share of own brands 23.3 % (22.4)
- EBITA increased by +5.9 %
  - Growth, cost adjustments
- Focus forward – driving sales, sales and assortment management within the industrial segment

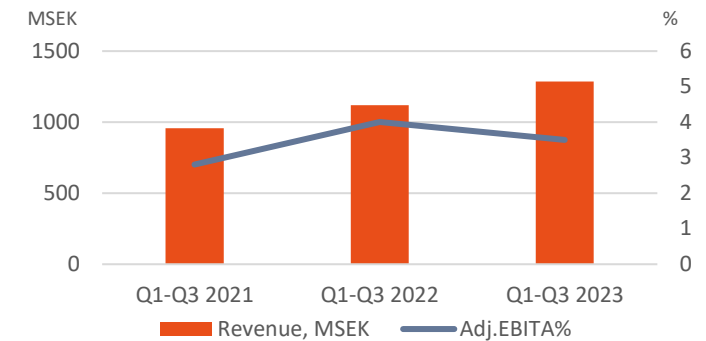
## Norway



Organic growth:	Adj. EBITA margin:
Q3 +2%	Q3 6.2% (5.1)
Q1-Q3 +6%	Q1-Q3 5.4% (4.0)

- Revenue increased by 3.6 %
  - Negative FX effects
  - Oil & Gas segment
- Increased share of own brands 15.2 % (13.6)
- EBITA increased by +41.1 %
  - Growth, margin improvements, cost adjustments
- Focus forward – increase share SME, sales and assortment management

## Finland



Organic growth:	Adj. EBITA margin:
Q3 -3%	Q2 4.3% (5.3)
Q1-Q3 +3%	Q1-Q3 3.5% (4.0)

- Revenue increased by 14.7 %
  - Positive FX effects
  - Acquisitions and larger industrial customers
  - Slowdown in the market since Q2 23
- Increased share of own brands 9.6 % (7.6)
- EBITA in line with the prior year
  - Investments in stores
- Focus forward – driving sales, investment in stores to attract SME, sales and assortment management

# IFRS 16 effects on cash flow

<b>MSEK</b>	<b>2023 Jul-Sep</b>	<b>2022 Jul-Sep</b>	<b>2023 Jan-Sep</b>	<b>2022 Jan-Sep</b>
IFRS 16 effects on cash flow from operations	96	84	244	280
IFRS 16 effects on cash flow from financing activities	-96	-84	-244	-280

# Five reasons to invest in Alligo

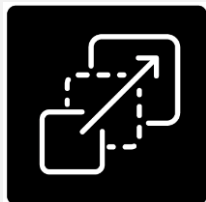
1

Attractive market growth and resilient customer segments



2

Scalable platform is a foundation for continued growth



3

Own brands and services increase competitiveness and profitability



4

Sustainability as an integrated part of the business



5

A leader in the consolidation of the Nordic markets



# Solid performance in 2022 in relation to Financial Targets

TARGET

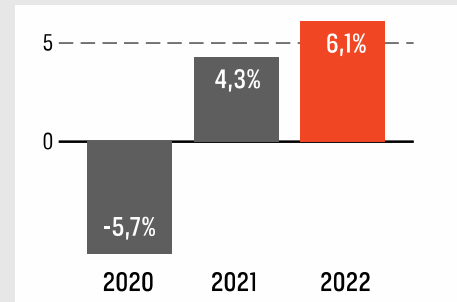
OUTCOME

## GROWTH

# >5%

### Organic growth

Average organic growth shall be more than 5 per cent per year over a business cycle. Further growth shall also be made through acquisitions.



TARGET

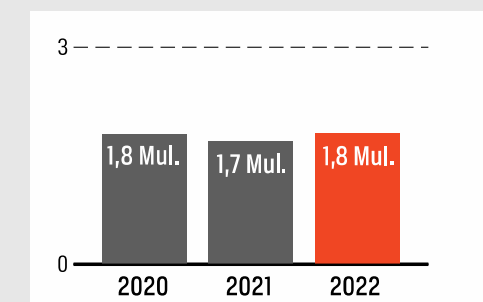
OUTCOME

## INDEBTEDNESS

# <3X

### Ratio of net operational liabilities to EBITDA excl. IFRS 16

Ratio of net operational liabilities to EBITDA excl. IFRS 16 shall be less than a multiple of 3.

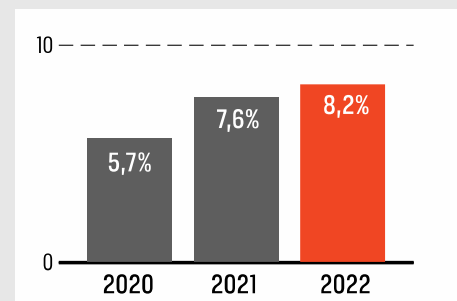


## PROFITABILITY

# >10%

### EBITA margin

The EBITA margin shall be more than 10 per cent per year.

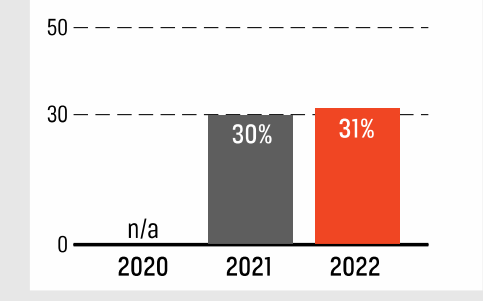


## DIVIDEND

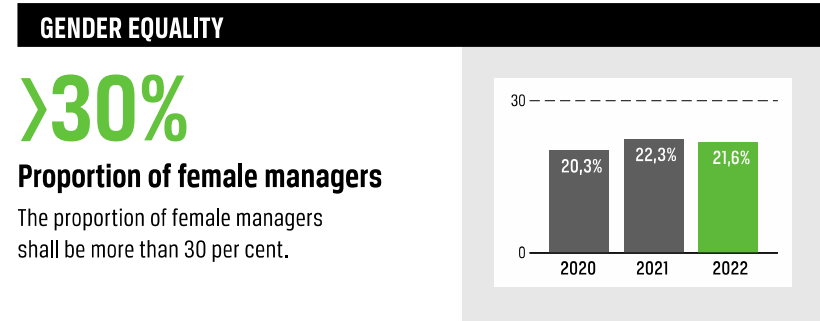
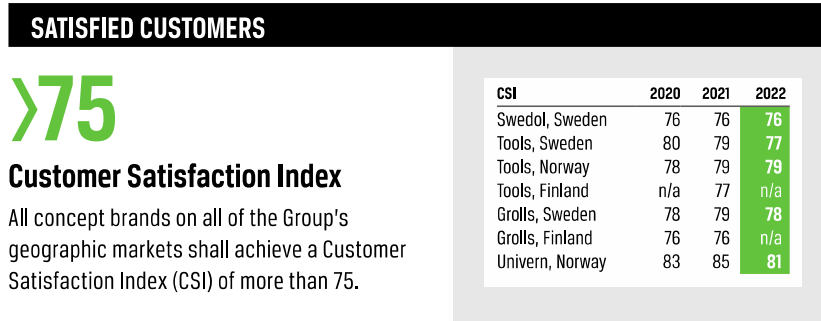
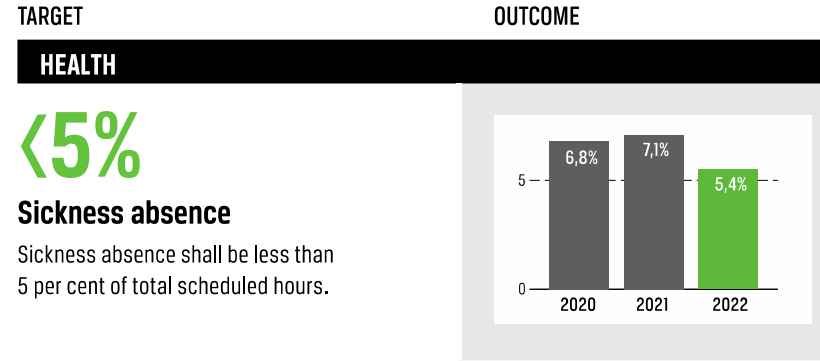
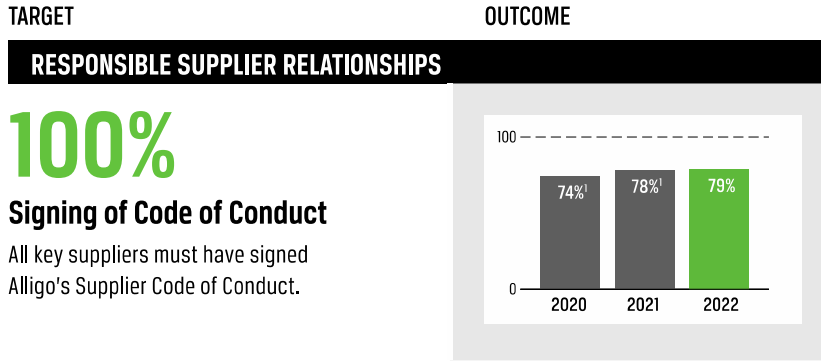
# 30-50%

### Dividend from net profit

The dividend as a percentage of net profit shall be 30-50 per cent, taking into account other factors such as financial position, cash flow and growth opportunities.



# Performance 2022 in relation to Sustainability Targets

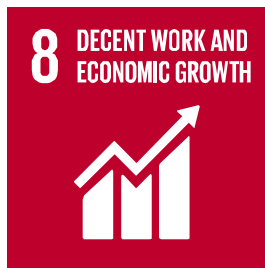


1) The basis of calculation was adjusted in 2022 and the comparison figures have been recalculated according to the same principles.



# Alligos material sustainability issues and the UN Global Goals for sustainable development

- Customer satisfaction
- Diversity and equality
- Work environment and health
- Skills development
- Working conditions and human rights in the supply chain



- Product quality and safety
- Environmental impact and chemicals
- Transparent sustainability communication and help customers make sustainable choices
- Anti-corruption



- Climate impact

