

# Year-End Report Q4 2023

1 October–31 December

Friday, February 16, 2024



**ALLiGO**



# Presenters

**Clein Johansson Ullenvik**

Group President & CEO



**Irene Wisenborn Bellander**

CFO

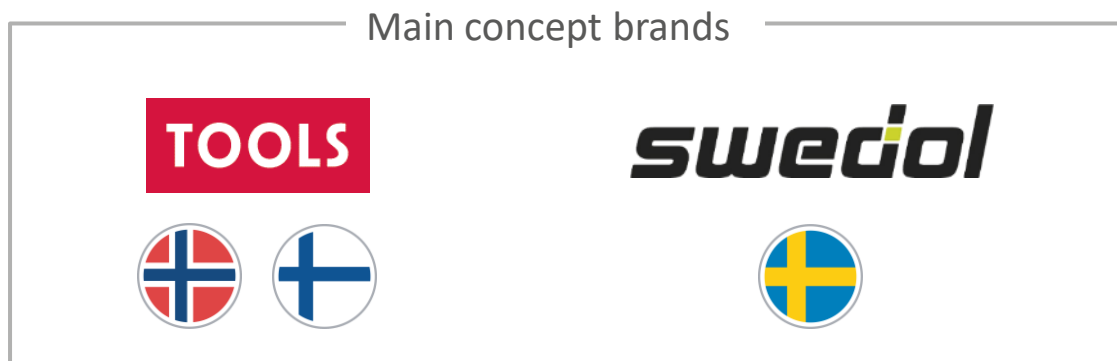
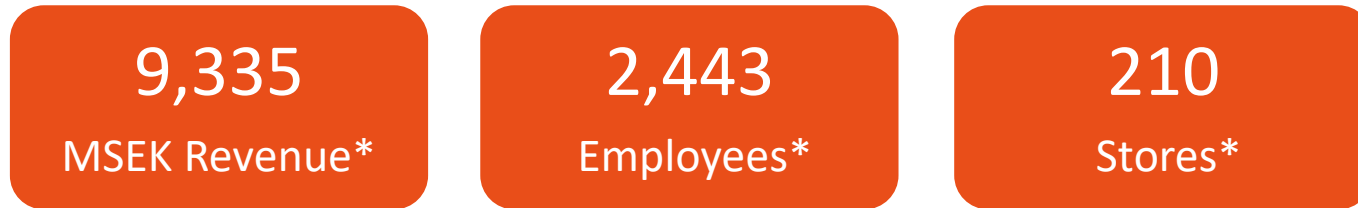


# AGENDA

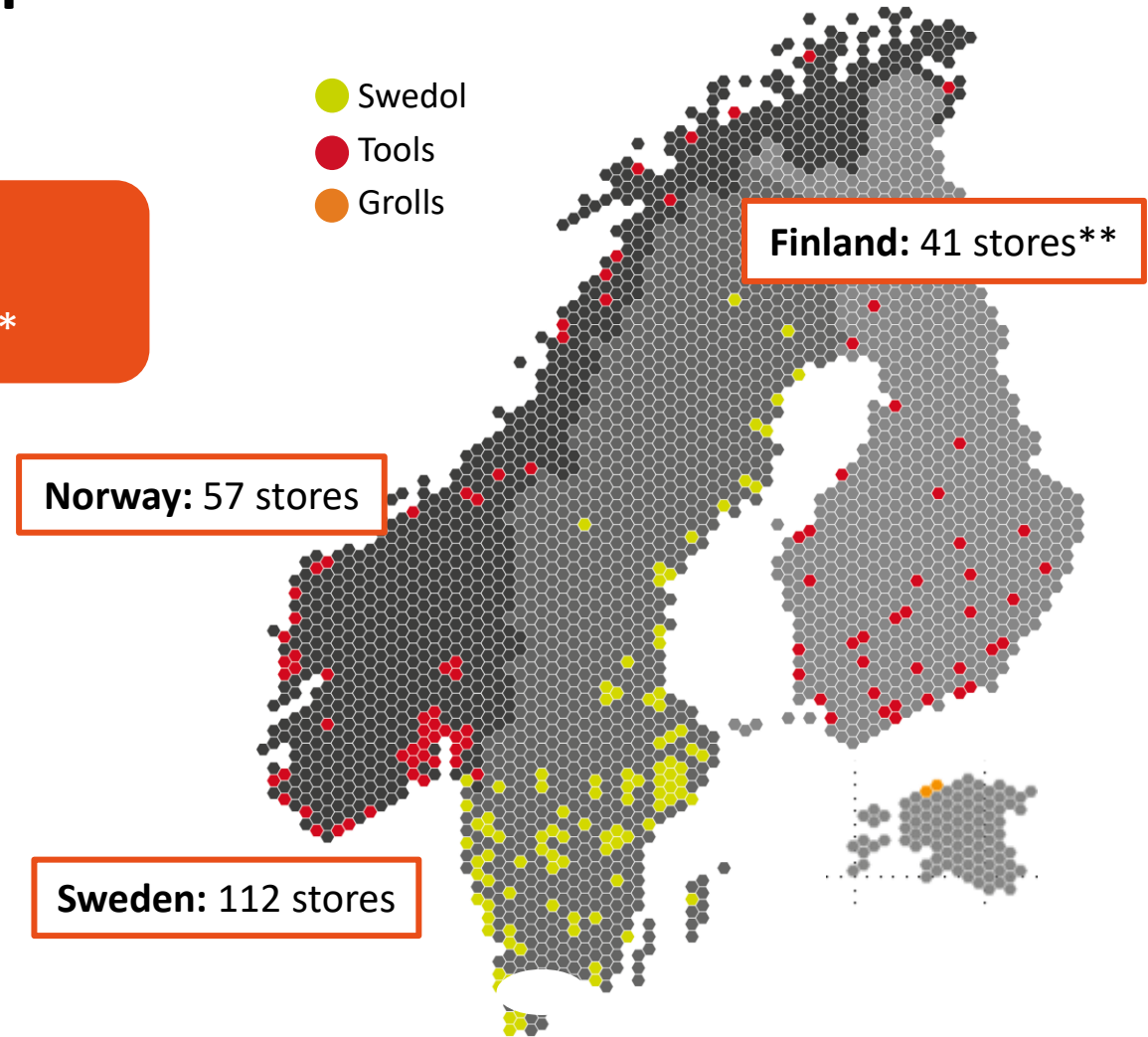
- **This is Alligo**
- Highlights Q4 2023
- Update logistics – Örebro (SE) and Vestby (NO)
- Financials
- Summary and outlook
- Q&A



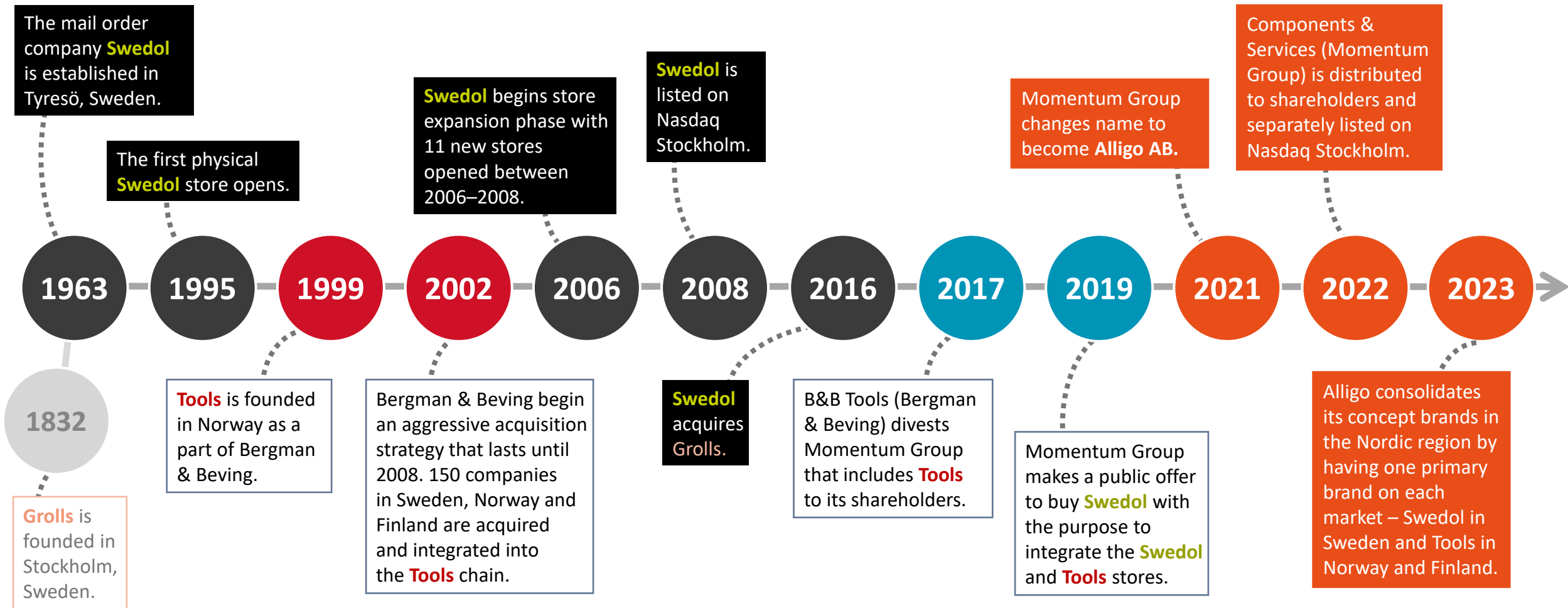
# Alligo – a leading player in workwear, personal protection, tools and supplies in the Nordic region



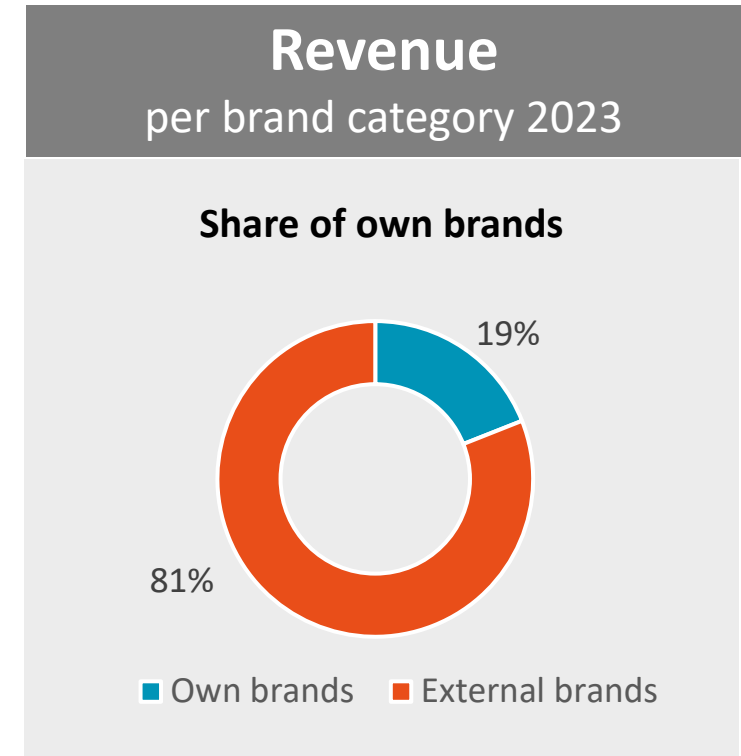
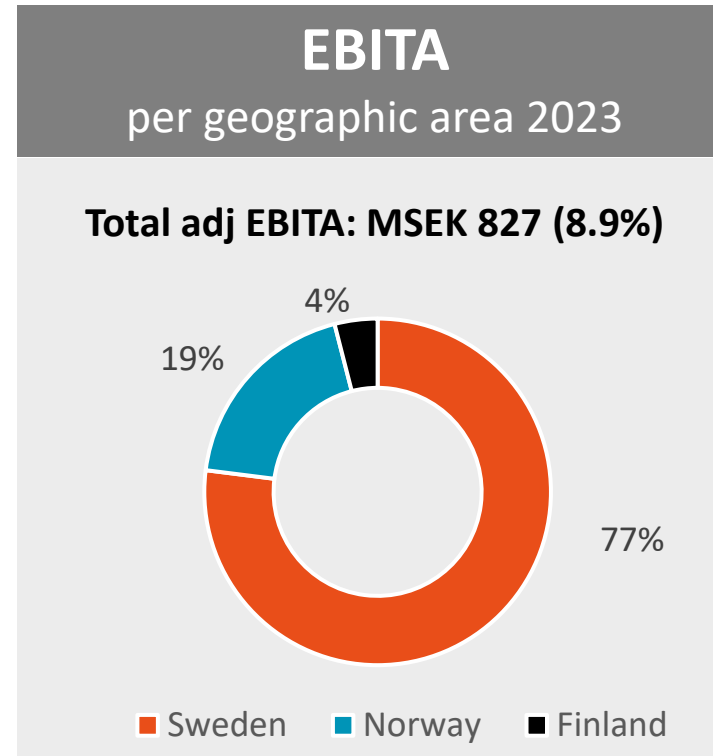
\*FY 2023    \*\* Including 2 stores in Estonia



# The origins of Alligo



# Alligo at a glance





# Alligo at a glance

- **Nordic main markets**
  - annual revenue of approximately SEK 59 billion
- **Customers**
  - a combination of small and medium-sized enterprises (SME), large industrial companies and the public sector all 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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# Q4 business conditions



## Market situation

- Continued weak market development in Sweden and Finland
  - Several customer segments
- Signs of weaker market in Norway
  - Except stable demand in Oil & Gas industry

## Proactive management

- Cost reductions
- Price adjustments
  - Sensitive categories
- Growth by acquisitions
- Driving sales
- Reducing inventories

## Delivery capacity

- Good and stable

## Macro-economic factors

- Accelerated downturn in the business cycle
- Geopolitical turbulence incl Red Sea

## Q4 in brief

### – Strong cash flow and increased profitability despite weaker demand

- Revenue decreased -6.8 % to MSEK 2,538 (2,723)
- Adjusted EBITA increased by 3 % to 308 MSEK (298)
- Improved operating cash flow MSEK 526 (417)
  - Still high inventory levels, but positive trend
- Signed agreements for additional three acquisitions\*
  - Two within welding further strengthening Alligo's position in this area
- Alligo commits to Science Based Targets initiative (SBTi)
- Consolidation of concept brands in the Nordic region
  - Sweden = Swedol, Norway & Finland = Tools
- Coordination of Norwegian logistic centers initiated
- Board of Directors proposes a dividend of SEK 3,50 (3,00)

- 6.8 %

Revenue

+ 3 %

Adjusted EBITA growth

12.1 % (10.9)

Adjusted EBITA margin

*\*Completed in January 2024.*

# 2023 – Six acquisitions signed, adding 330 MSEK in annual revenues

– as well as 80 employees and 8 stores

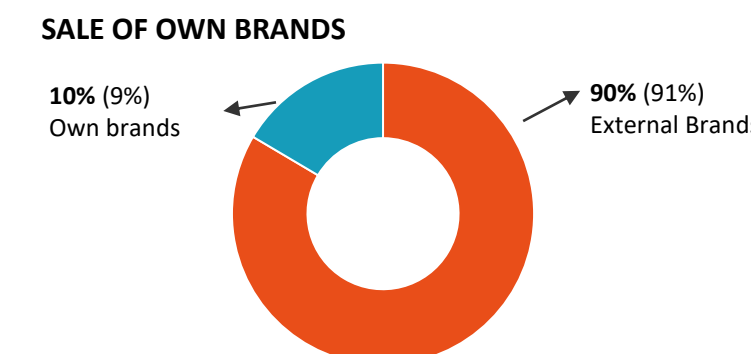
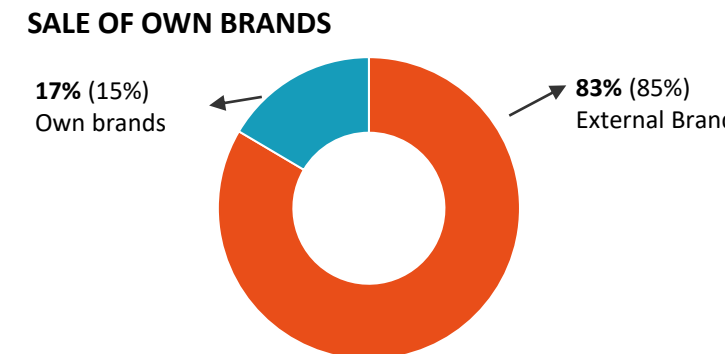
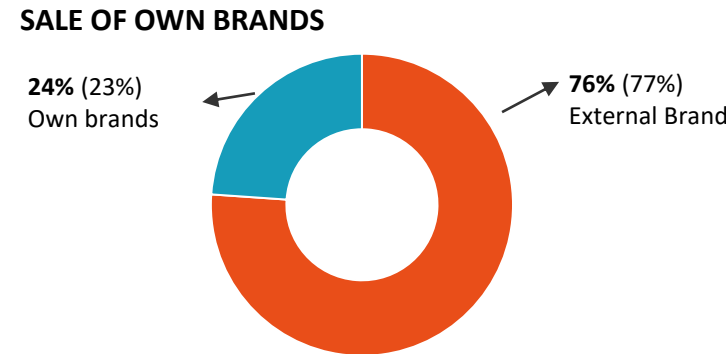
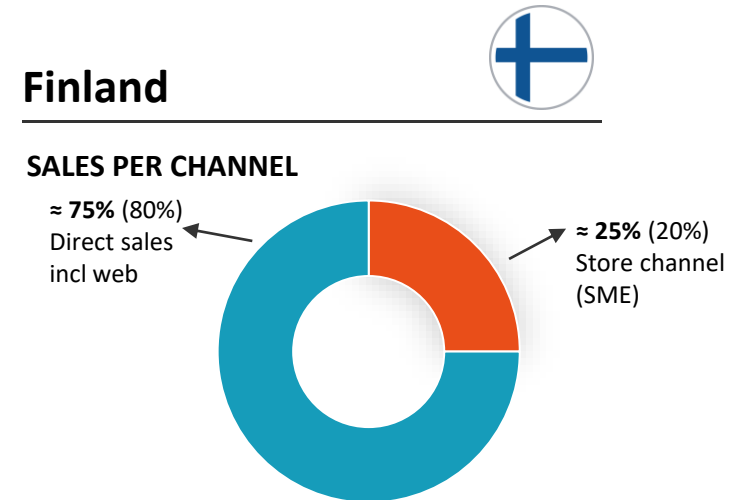
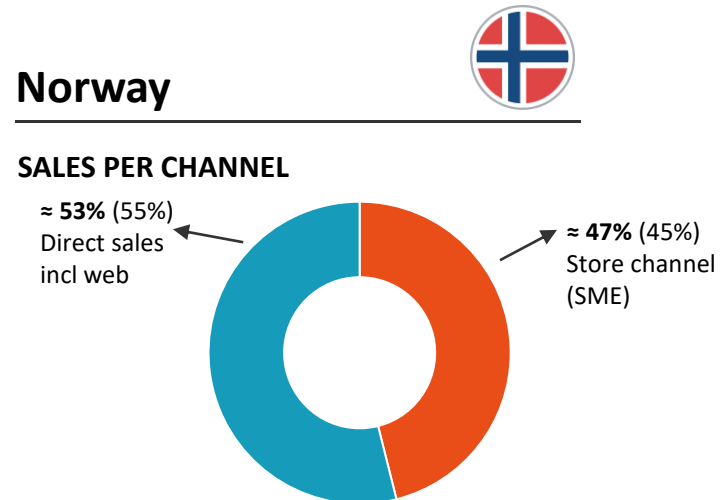
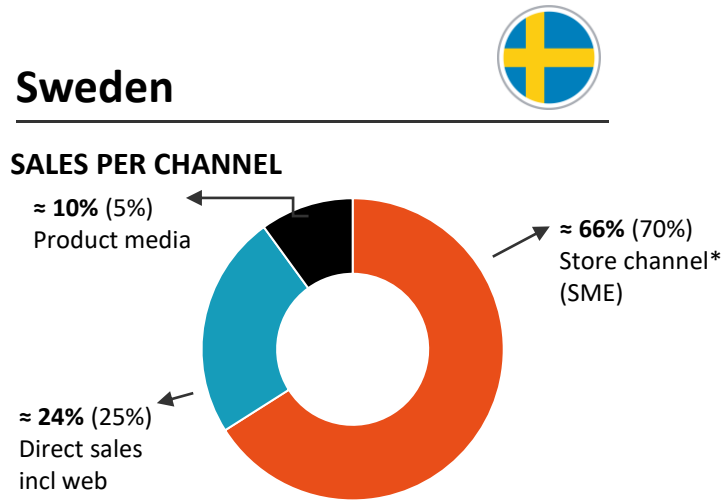
Acquisition	Product category	Date signing	Annual revenue (MSEK)*	Employees	Stores
 Kitakone Oy	Workwear/Tools	April 2023	34	8	1
 Topline AB (70%)	Workwear/Profile Clothing/Product Media	May 2023	60	16	2
 Tampereen Pirkka-Hitsi Oy	Welding	June 2023	57	13	2
 Tore Vagle AS**	Industrial Components/Tools/	Dec 2023	38	11	1
 Svets och Tillbehör i Sverige AB**	Welding/Tools	Dec 2023	120	24	1
 Svetspartner i Malmö AB**	Welding/Tools	Dec 2023	25	8	1
			<b>334</b>	<b>80</b>	<b>8</b>

\*Currency rate: EUR 11,4, NOK 0,98

\*\* Completed in Jan 2024



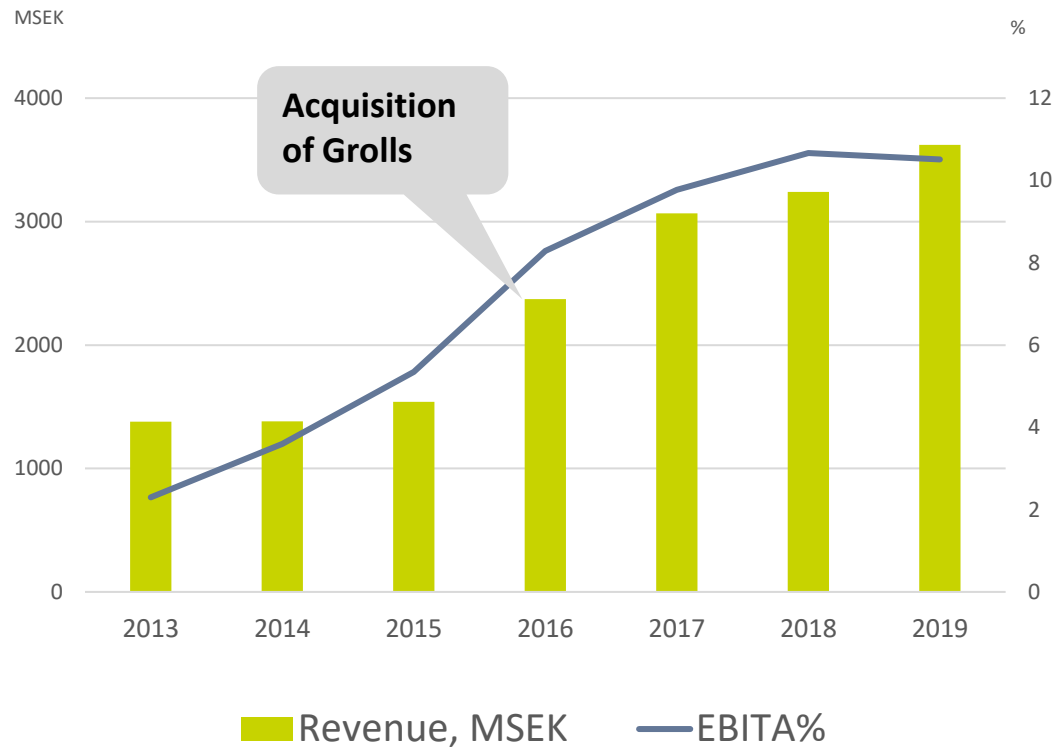
# Increased share of own brands and SME customers in 2023



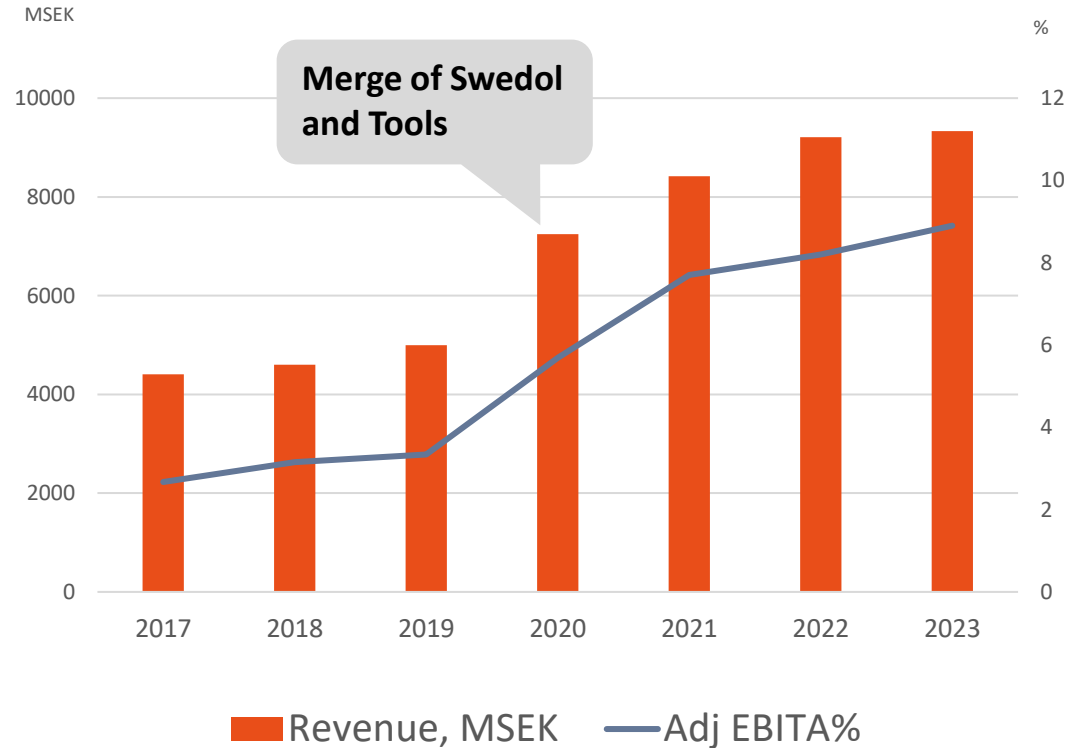
\* Sales related to Store channel in Sweden flat vs last year excl Product media

# Building a stronger Alligo Group

## Swedol, 2013–2019



## Alligo, 2019–2023\*



\* 2017 -2020 relates to Momentum Group excl Component & Services.

# AGENDA

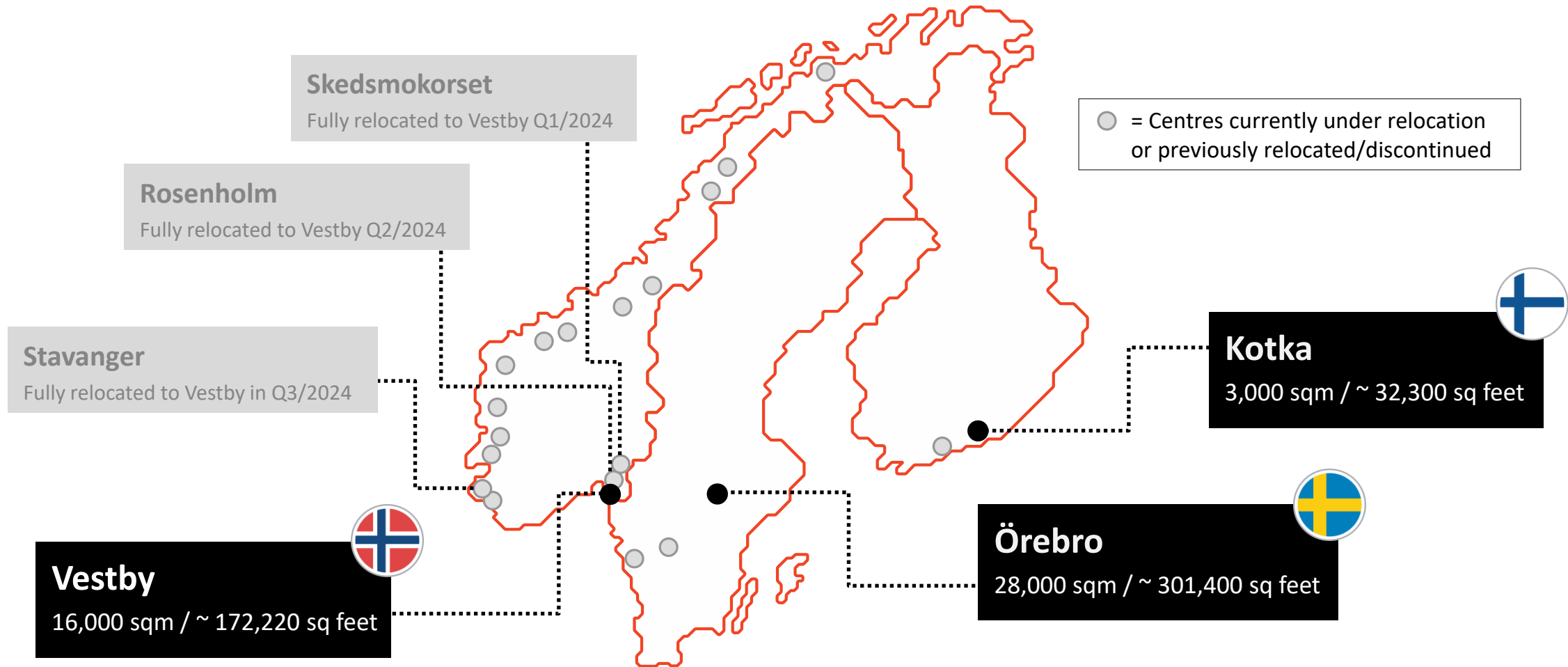
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# Alligo's integrated Nordic logistics function

– increased storage capacity, improved efficiency and logistical offer



## – Relocation of Norwegian logistic centers on-going

- Increased capabilities, improved efficiency and customer service
  - New modern premises of 16,000 sqm
  - Good logistical location – well situated near highways and freight terminals
  - Capacity for future expansion opportunities
- Move from Skedsmokorset started Dec 1, 2023
  - The first orders sent to customers according to plan
  - In total 9,000 items will be relocated until end of Feb 2024
- Relocation of Rosenholm to begin mid-Feb
  - The move will include 22,000 items
  - Expected to be completed during Q2 2024



# Örebro

## – Successful launch of extended automation

- Streamlining the packaging process
  - Increased automation to minimise indirect handling
- Improved working environment
- Saves time and improved delivery
  - To customers and our own stores
- Improved and standardised quality
- Autostore – current capacity
  - 90,000 bins, 92 robots, and 30 picking ports
  - 1,000 goods received order lines per day
  - 13,000 average picked order lines per day





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# Improved profitability in a weaker market

– Strong gross margin and reduced cost base

## Revenues and EBITA

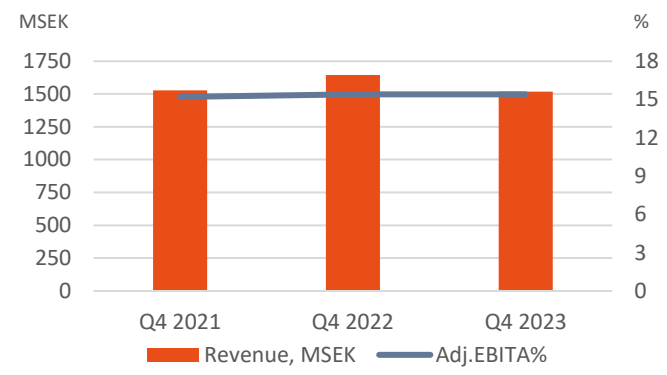
MSEK	2023		2022		2023		2022	
	Oct-Dec	Δ, %	Oct-Dec	Jan-Dec	Δ, %	Jan-Dec	Jan-Dec	Jan-Dec
Revenue	2,538	-6.8	2,723	9,335	1.3	9,211		
Adjusted EBITA	308	3.4	298	827	9.4	756		
<i>Amortisation</i>	-14		-15	-59		-63		
<i>Items affecting comparability</i>	-16		-15	-20		-24		
Operating profit	278		268	748		669		
Gross margin, %	43.4		41.4	41.4		40.5		
Adjusted EBITA margin, %	12.1		10.9	8.9		8.2		

## Highlights Q4

- Revenue decreased by -6.8 %
  - Organic growth of -7.5 %
  - Acquisition-driven growth of 3,0 %
  - Negative effect FX (-0,9%) and one less trading day (-1,4%)
- Improved gross margin
  - Increased share of own brands 21.8 % (20.2) and SME
  - Supplier negotiations
- Adjusted EBITA increased by 3.4 %
  - Margin improvements and cost savings
- Items affecting comparability mainly related to scrapping of Covid-related products in stock
- Financial net -34 MSEK (-22)
  - -27 MSEK (-16) excluding IFRS 16
- Effective tax rate of 21.3% (21.1)

# Q4 – Norway: Increased profitability; Sweden and Finland: weak volumes

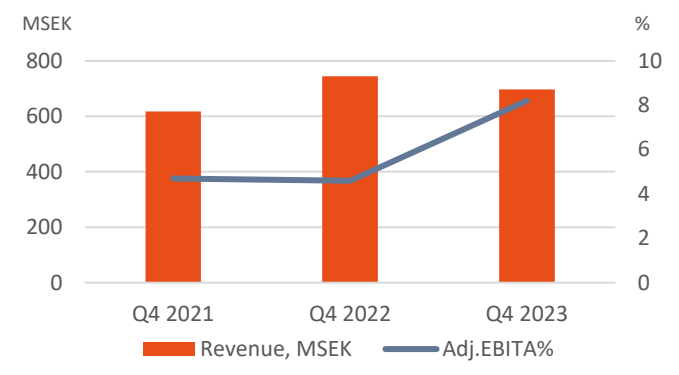
## Sweden



Organic growth:	Adj. EBITA margin:
Q4 -11%	Q4 15.4% (15.4)
Q1-Q4 -5%	Q1-Q4 11.4 % (11.4)

- Revenue decreased by -7.8%
  - Accelerated slowdown in the market – acquisitions counteract
- Increased share of own brands 25.4 % (23.8)
- EBITA decreased by -8 %
  - Declining volumes
  - Margin improvements and cost savings counteract

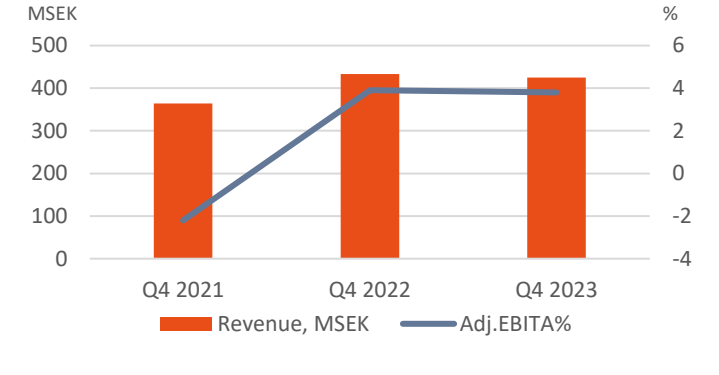
## Norway



Organic growth:	Adj. EBITA margin:
Q4 +1%	Q4 8.2% (4.6)
Q1-Q4 +4%	Q1-Q4 6.1% (4.1)

- Revenue decreased by -6.3%
  - Signs of slowdown in the market except for Oil & Gas
  - Negative FX effects
- Increased share of own brands 20.2 % (17.2)
- EBITA increased by +68 %
  - Growth, margin improvements and cost savings

## Finland



Organic growth:	Adj. EBITA margin:
Q4 -8%	Q4 3.8% (3.9)
Q1-Q4 +/-0%	Q1-Q4 3.6% (4.0)

- Revenue decreased slightly by 1.8 %
  - Clear slowdown in the manufacturing industry – acquisitions and positive FX effects counteract
- Increased share of own brands 12.3 % (11.9)
- EBITA decreased by -6 %
  - Declining volumes and investments in stores
  - Margin improvements counteract

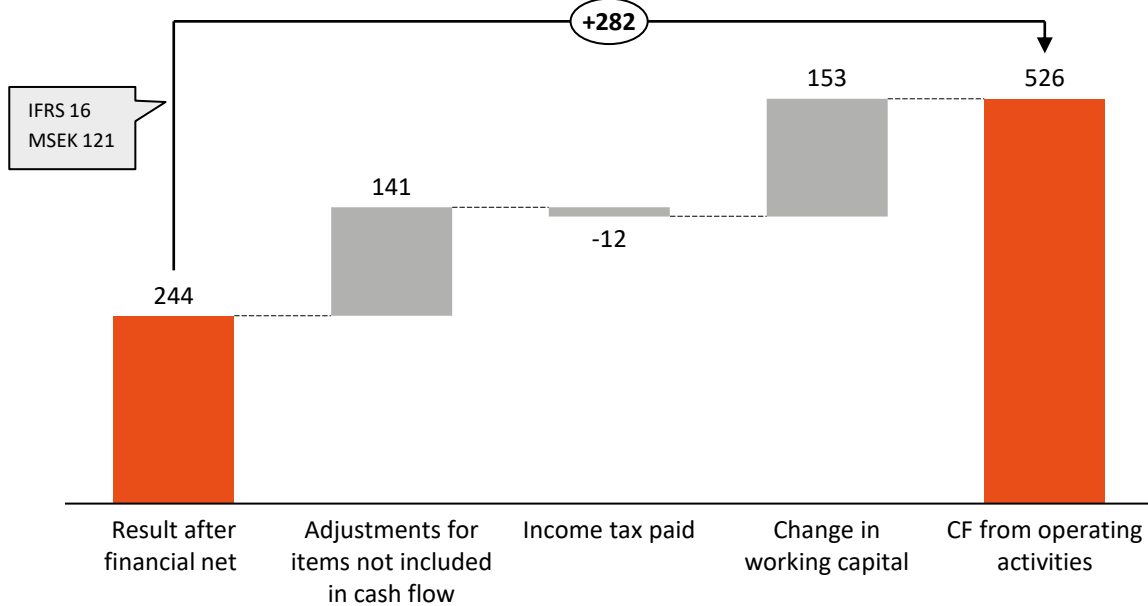
**Focus forward – increase the share of SME, improve sales and assortment management, and further cost adjustments**



# Improved operating cash flow in Q4 and for the full year

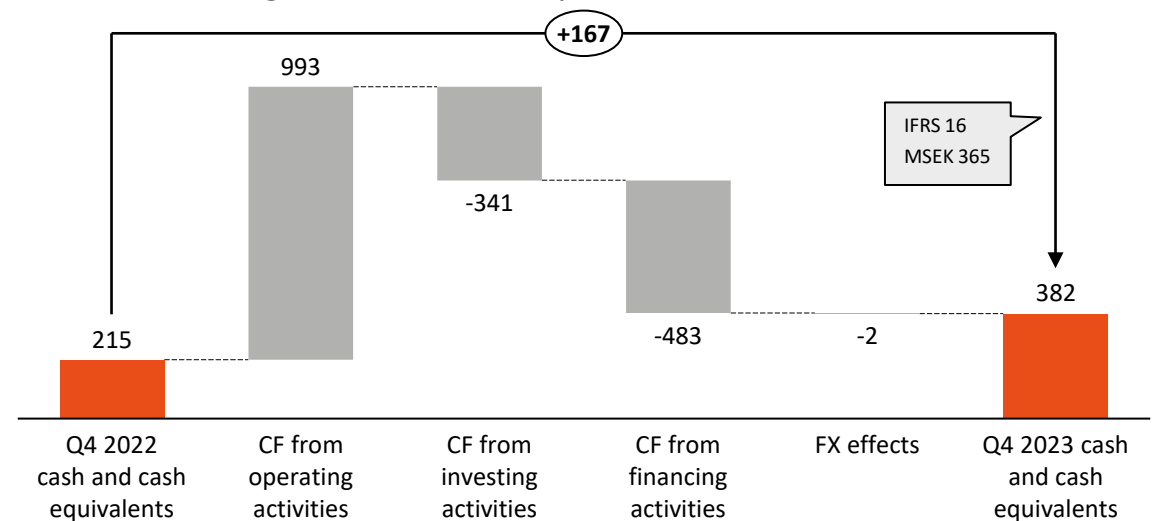
## Q4 Operating activities

- Seasonally the strongest quarter
- Operating cash flow amounted to 526 MSEK (417)
  - Decreased inventory levels
- Increased NWC/Sales 27.8 % (24.1)
  - Inventory of own brands
  - Several ongoing actions related to capital reduction



## Q1-Q4 Operating, investing and financing activities

- Investing activities
  - E-commerce solutions, service concepts, store modifications, newly constructed warehouse in Norway, and continued automation of the Group's logistics center (MSEK 215)
  - Acquisition of subsidiaries (MSEK 126)
- Financing activities
  - Dividend paid, increased usage revolving facility, amortization of leasing liabilities, and repurchase shares



# Strong financial position

## Overview of the financial position

MSEK	31 Dec 2023	31 Dec 2022
Non-current interest bearing liabilities	2,624	2,410
Current interest bearing liabilities	398	352
Cash and cash equivalents	-382	-215
Financial lease liabilities	-1,191	-1,013
<b>Net operational liabilities</b>	<b>1,449</b>	<b>1,534</b>
EBITDA*, LTM	914	845
<b>Net operational liabilities/EBITDA*, ggr</b>	<b>1.6</b>	<b>1.8</b>

\* Excl. IFRS 16

## Highlights

- Ratio of net operational liabilities to EBITDA (excl. IFRS 16) of 1.6
- Cash and unutilized granted credit facilities of MSEK 1,251 at the end of the period
- Equity/assets ratio 41 %
- Total facility 2,300 MSEK excl. credit facility 400 MSEK
  - Maturity 2026 + 1 year
  - Q4 average interest rate 5.1% (3.1)
- Financial covenants fulfilled
- Continue to invest in organic growth and take advantage of potential good M&A opportunities

# Solid performance in 2023 in relation to Financial Targets

TARGET

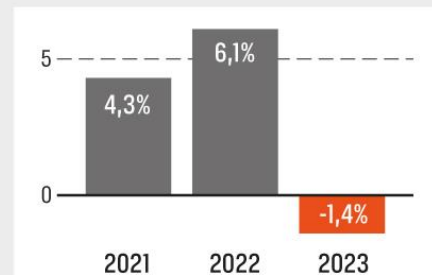
## GROWTH

# >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.

OUTCOME



TARGET

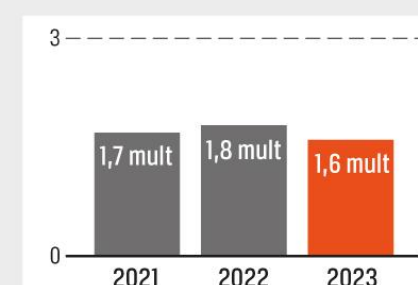
## INDEBTEDNESS

# <3X

### Ratio of net operational liabilities to adjusted EBITDA

Ratio of net operational liabilities to adjusted EBITDA shall be less than a multiple of 3.

OUTCOME

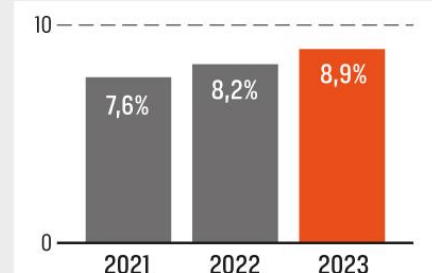


## PROFITABILITY

# >10%

### Adjusted EBITA margin

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

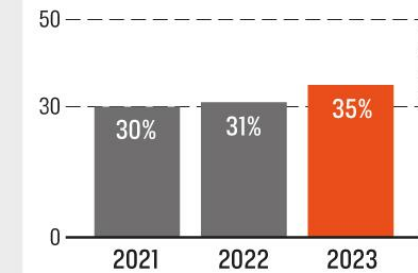


## DIVIDEND

# 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 2023 in relation to Sustainability Targets

TARGET

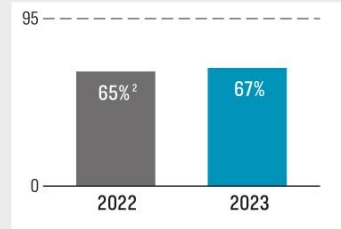
OUTCOME

## RESPONSIBLE SUPPLIER RELATIONSHIPS

>95%

### Shall meet the Supplier Standard

More than 95 percent shall meet Alligo's Supplier Standard<sup>1</sup>, measured as a proportion of the total purchase value from suppliers to the standard assortment.



## SATISFIED CUSTOMERS

>75

### Customer Satisfaction Index

Customer Satisfaction Index (CSI) shall amount to more than 75.

NKI	2021	2022	2023 <sup>3</sup>
Sweden (Swedol)	76	76	-
Sweden (Tools)	79	77	-
Sweden (Grolls)	79	78	-
Norway (Tools)	79	79	-
Norway (Univern)	85	81	-
Finland (Tools)	77	n.a.	-
Finland (Grolls)	76	n.a.	-

## CLIMATE IMPACT

↓CO<sub>2</sub>

### Reduce greenhouse gas emissions

The climate-impacting emissions shall be reduced.

In December 2023, Alligo joined the Science Based Targets initiative. By the end of 2025, the Group shall establish targets for reducing climate impact.

2023 2024 2025 2026

TARGET

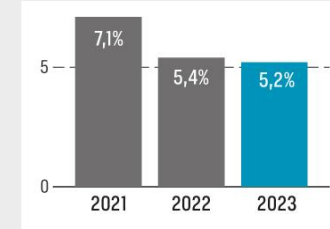
OUTCOME

## HEALTH

<5%

### Sickness absence

Sickness absence shall be less than 5 per cent of total scheduled hours.

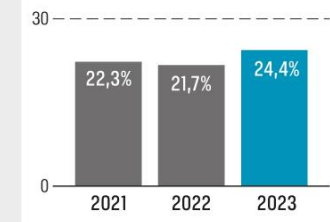


## GENDER EQUALITY

>30%

### Proportion of female managers

The proportion of female managers shall be more than 30 per cent.



- 1) Alligo's Supplier Standard includes contracts, an accepted Code of Conduct for Suppliers with associated chemical restriction lists, and a self-evaluation conducted by the supplier linked to the requirements of the Code of Conduct.
- 2) The calculation basis was adjusted in 2023 and the comparative figures for 2022 have been restated according to the same principles.
- 3) The method for measuring customer satisfaction is being revised. Results for 2023 can not be reported and a new target will be set according to the new measurement method.



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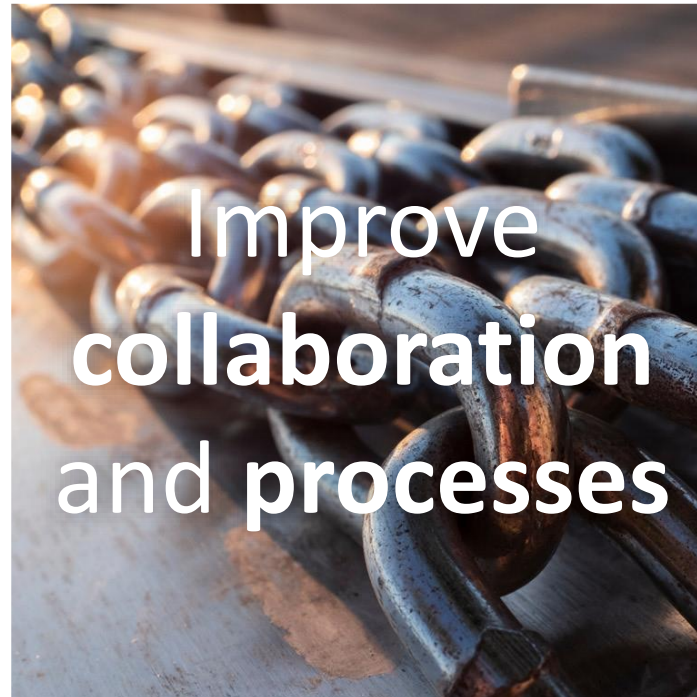


## Q4 in summary

- Strong cash flow and increased profitability in a weaker market
- Improved operating cash flow
  - Inventory reduction actions yield positive results
- Strengthened competitiveness, by continued focus on
  - Price- and cost adjustments
  - Supplier negotiations
  - Sales and assortment management
  - Changing the customer mix
- Good delivery capacity and increased share of own brands in all markets



## Three overarching themes for 2024





# Outlook 2024

- Alligo is well-positioned in a weaker market
- Focus on driving sales, developing our offer and streamline our processes
  - Brand consolidation and roll-out of own brands
  - Refining our sales work
- Increase the share of SME
- Decrease inventory levels – improve capital efficiency
- Adapting the cost structure to market conditions
- Financial and organizational capacity to acquire and integrate new companies
- Aiming to set climate targets in line with SBTi

***Ready to hit the accelerator when the market returns***





# Q&A





# APPENDIX



# Five reasons to invest in Alligo

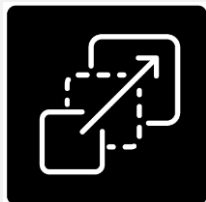
1

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



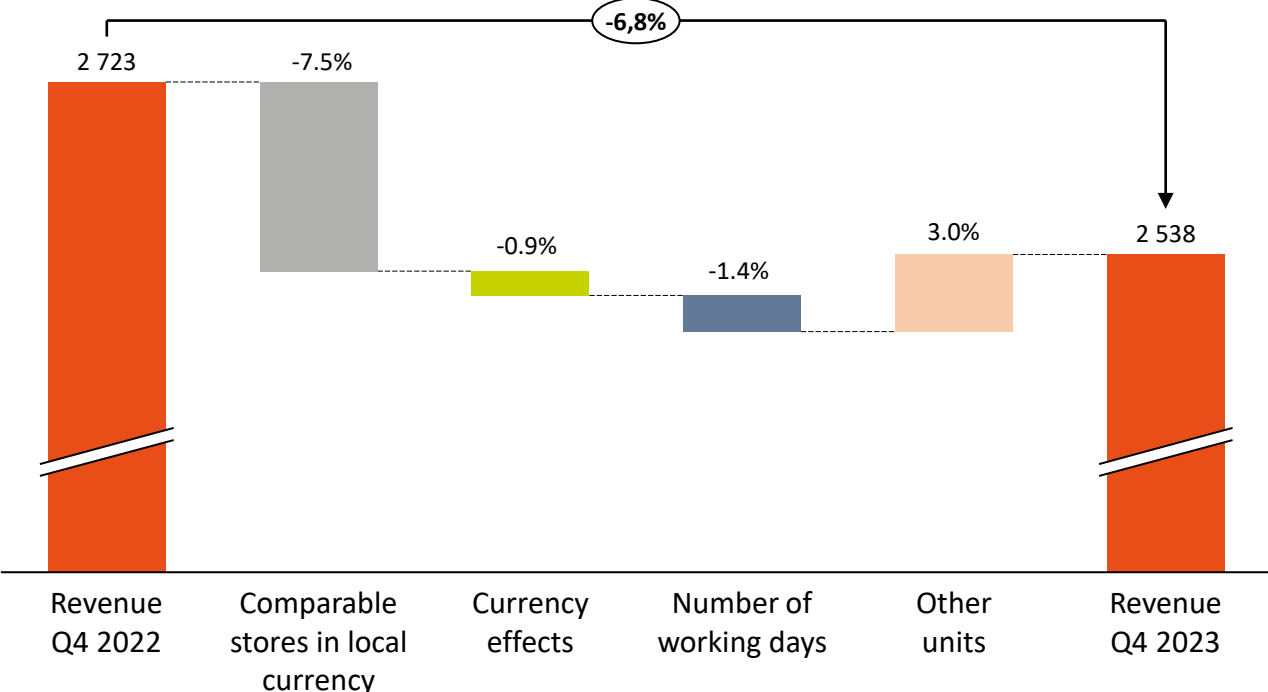
5

A leader in the consolidation of the Nordic markets



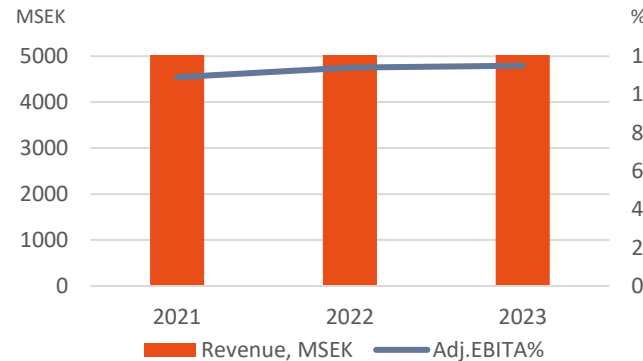
# Revenue bridge fourth quarter 2023

## Revenue year-on-year Q4



# 2023 – Increased profitability in Norway and stable profitability in Sweden

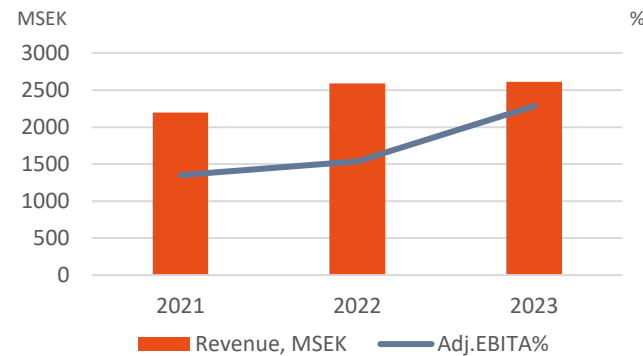
## Sweden



**Organic growth:** 2023: -5%  
**Adj. EBITA margin:** 2023: 11.4% (11.4)

- Revenue in line with prior year +0.3 %
  - Acquisition-driven growth
  - Slowdown in the market intensified during the year
- Increased share of own brands 23.9 % (22.9)
- EBITA in line with last year
  - Margin improvements and cost savings counteract decline in organic growth

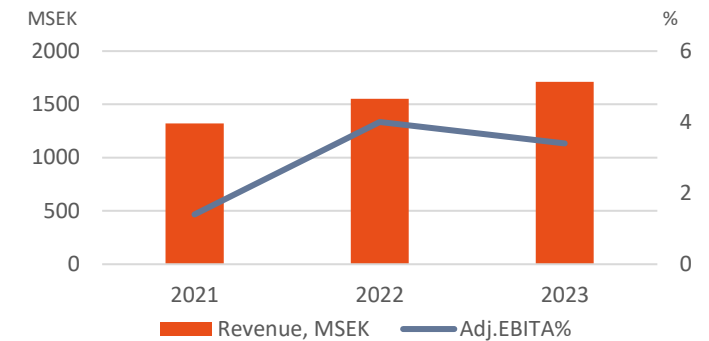
## Norway



**Organic growth:** 2023: +4%  
**Adj. EBITA margin:** 2023: 6.1% (4.1)

- Revenue in line with prior year +0.8%
  - Acquisitions and strong Oil & Gas segment
  - Negative FX effects
- Increased share of own brands 16.5% (14.6)
- EBITA increased by +50%
  - Growth, improved sales and assortment management, cost adjustments

## Finland



**Organic growth:** 2023: +/-0%  
**Adj. EBITA margin:** 2023: 3.6% (4.0)

- Revenue increased by 10.1 %
  - Acquisition-driven growth
  - Positive FX effects
  - Slowdown gradually intensified during the year
- Increased share of own brands 10.2 % (8.8)
- EBITA decreased by -2%
  - Higher costs from investment in stores mitigated by margin improvements

**Focus forward – increase the share of SME, improve sales and assortment management, and further cost adjustments**

# IFRS 16 effects on cash flow

<b>MSEK</b>	<b>2023 Oct-Dec</b>	<b>2022 Oct-Dec</b>	<b>2023 Jan-Dec</b>	<b>2022 Jan-Dec</b>
IFRS 16 effects on cash flow from operations	121	84	365	364
IFRS 16 effects on cash flow from financing activities	-121	-84	-365	-364



# 2022 – Nine acquisitions signed, adding 400 MSEK in annual revenues

– as well as 115 employees and 13 stores

Acquisition	Product category	Date signing	Annual revenue (MSEK)*	Employees	Stores
 Liukkosen Pultti Oy	Workwear/Tools	Feb 2022	47	12	1
 Lunna AS	Industrial Components/Tools/ Workwear/Protective Equipment	March 2022	86	26	3
 H E Seglem AS	Industrial Components/Tools/ Workwear/Protective Equipment	June 2022	42	8	1
 Magnusson Agentur AB	Profile Products/Workwear	July 2022	27	6	1
 LVH AS	Tools/Supplies/Workwear/ Protective Equipment	Aug 2022	13	4	1
 Profeel Sweden AB (75%)	Profile Clothing/Product Media	Nov 2022	72	18	2
 Z- Profil AB** (70%)	Profile Clothing/Product Media	Dec 2022	41	13	2
 Kents Textiltryck i Halmstad AB** (70%)	Workwear/Profile Clothing/Product Media	Dec 2022	42	15	1
 Olympus Profile i Uddevalla AB** (70%)	Workwear/Profile Clothing/Product Media	Dec 2022	43	13	1
			<b>414</b>	<b>115</b>	<b>13</b>

\* Currency rate: EUR 10.5, NOK 1.05

\*\* Completed beginning of 2023

# ALLiGO

Read more: [alligo.com/en/report/year-end-report-2023/](https://alligo.com/en/report/year-end-report-2023/)