

Interim Report

Jan-Sep 2022

Röko AB, Org.nr 559195-4812

July-September

- Net sales increased to MSEK 1,157 (615) driven by acquisitions and organic growth. Organic growth was 10 percent and in addition exchange differences added another 5 percent of growth
- Operating profit increased to MSEK 170 (116)
- Adj. EBITA increased to MSEK 224 (138)
- Adj. EBITA margin decreased 19 percent (22)
- Net profit increased to MSEK 116 (83)
- Earnings per share* increased to SEK 8,569 (6,183)
- Two acquisitions with combined annual sales of MSEK 630 were completed during the period. See page 13.

January-September

- Net sales increased to MSEK 3,046 (1,407) driven by acquisitions and organic growth. Organic growth was 9 percent and in addition exchange rate differences added another 4 percent of growth
- Operating profit increased to MSEK 442 (227)
- Adj. EBITA increased to MSEK 572 (289)
- Adj. EBITA margin decreased to 19 percent (21)
- Net profit increased to MSEK 313 (163)
- Earnings per share* increased to SEK 23,183 (12,052)
- Five acquisitions with combined annual sales of MSEK 1,183 were completed during the period. See page 13.

Events after the period

After the end of the period, Röko has obtained a new credit facility of MSEK 400 from a new lender at similar terms to previous credit financing.

Rolling twelve months - RTM¹

During the last twelve months, the companies that were consolidated in the Röko Group at the end of the period (referred to as RTM), generated RTM net sales of MSEK 4,811 and RTM Adj. EBITA of MSEK 915.

Summary of financial performance

MSEK	Q3		Nine months		Full-year
	2022	2021	2022	2021	2021
Net sales	1,157	615	3,046	1,407	2,083
Operating profit	170	116	442	227	311
Earnings per share (SEK)*	8,569	6,183	23,183	12,052	16,119
Adj. EBITA	224	138	572	289	403
Adj. EBITA margin	19%	22%	19%	21%	19%
Net profit for the period	116	83	313	163	217

* Historical periods are restated based on the number of shares after the 2:1 split in Q3 2022.

Röko is a perpetual owner of European small- and medium sized businesses and today we own 21 companies in a variety of industries across Europe. Our team has more than 100 years of combined experience working with owner-managed businesses across markets and in different situations. To date, Röko has only acquired majority stakes in founder-owned companies, and the founders and management teams in our group companies remain invested in their own entity. We believe in empowering local management teams with autonomy and sharing incentives for local management to safeguard alignment of interest.

¹ See definitions on page 22

Comments from the CEO

For the three-month period, net sales increased from MSEK 615 to MSEK 1,157, driven by acquisitions, organic growth of 10% and from exchange rate differences which added 5%. During this period Röko acquired two companies, TECCON located in Norway and Silk-ka in the Netherlands. TECCON manufactures products for electricians and Silk-ka designs and markets artificial flowers and plants.

During the quarter ending 30 September 2022 Adj. EBITA increased from MSEK 138 to MSEK 224 driven by acquisitions and growth in the companies acquired in previous periods. Our group of diversified and independent businesses operates in different end markets and due to respective industry trends, the assessment of quarterly information in isolation can be misleading. The Adj. EBITA margin in the quarter decreased from the same period last year. While the diversified nature of our group provides risk mitigation for market challenges, we experience that the high inflationary environment impacts all our companies and that we, across the group, have not yet been able to transfer sufficient cost increases to our customers. We experienced this already in Q2 and we note that the trend continued also in Q3.

For the nine-month period, net sales increased from MSEK 1,407 to MSEK 3,046, driven by acquisitions, organic growth of 9% and in addition 4% from exchange rate differences. During this period Röko acquired five companies, three located in the UK, one in Norway and one in the Netherlands.

During the nine-month period ending 30 September 2022 Adj. EBITA increased from MSEK 289 to MSEK 572 driven by acquisitions and organic growth. The Adj. EBITA margin decreased slightly in the period, driven by our companies' not having passed on input-driven price increases to our customers fast enough. Cash flow from operating activities amounted to MSEK 305 (203). Cash flow was negatively impacted from an abnormal inventory build-up due to supply chain disruptions in the wake of Covid.

The relation between financial net debt (including put / call option debt and deferred considerations) and RTM Adj. EBITDA was 2.8x at the end of the period which is in line with our long-term target of being below 3.0x. After the end of the period, we have obtained a new credit facility of MSEK 400 from a new lender. This improves our financial strength and together with MSEK 650 in capital commitments from existing shareholders provides ample room for further acquisitions.

Fredrik Karlsson
CEO
Stockholm, 4 November 2022

Group performance in July-September

Net sales increased due to acquisitions and organic growth to MSEK 1,157 (615) during the quarter. Operating profit increased to MSEK 170 (116) during the period. Earnings per share for the quarter increased to SEK 8,569 (5,905).

Adj. EBITA increased to MSEK 224 (138). The Adj. EBITA margin was 19 (22) percent. Our definition of Adj. EBITA does not include costs for acquisitions, see definitions on page 22. Acquisition-related costs amounted to MSEK 13 (1) in the quarter.

Net financial items in the quarter increased to MSEK -22 (-6) and income tax increased to MSEK -33 (-26). The effective tax rate was 22% (24%).

Net profit for the period grew to MSEK 116 (83).

Capital employed increased by 26% from 2022-06-30 to 2022-09-30 to MSEK 6,991 (5,557). Return on Capital Employed* (ROCE) remained at 14% percent in Q3 2022 which is in line with full-year 2021. Quarterly ROCE can be misleading due to timing of acquisitions.

From 2022-06-30 to 2022-09-30, the Group's interest-bearing net debt increased by MSEK 288 to MSEK 1,345. In the period, the Group's put/call option debt for shares relating to non-controlling interests and earn-out obligation increased by MSEK 152 to MSEK 1,573.

The operational cash flow increased to 93 (83) and cash amounted to MSEK 402 at the end of the period.

The Group's leverage, defined as financial net debt (Including put / call option debt for non-controlling interest and earn-out obligations) to RTM Adj. EBITDA, is 2.8x which is in line with our long-term target of not exceeding 3.0x. Short-term the group's leverage can exceed 3.0x depending on timing of acquisitions.

Group performance in January-September

Net sales increased due to acquisitions and organic growth to MSEK 3,046 (1,407) during the period. Operating profit increased to MSEK 442 (227) during the period. Earnings per share for the nine-month period increased to SEK 23,358 (11,955).

Adj. EBITA increased to MSEK 572 (289). The Adj. EBITA margin was 19 (21) percent. Our definition of Adj. EBITA does not include costs for acquisitions. Acquisition-related costs amounted to MSEK 26 (15).

Net financial items in the period increased to MSEK -41 (-13) and income tax increased to MSEK -88 (-51). The effective tax rate was 22% (24%).

Net profit for the period grew to MSEK 313 (163).

Capital employed increased by 64% percent from 2021-12-31 to 2022-09-30 to MSEK 6,991 (4,259). Return on Capital Employed* (ROCE) for the first nine months amounted to 14% (15%).

From 2021-12-31 to 2022-09-30, the Group's interest-bearing net debt increased by MSEK 547 to MSEK 1,345. In the period, the Group's put/call option debt for shares relating to non-controlling interests and earn-out obligation increased by MSEK 418 to MSEK 1,573. MSEK 487 of the increase was attributed to the acquisitions completed in the period and a reduction of MSEK 107 due to payment of an earn-out obligation relating to an acquisition in an earlier period.

The operational cash flow increased to 305 (203) in the period.

*) Return on capital employed for Q3 2022 and full-year 2021 has been calculated based on the opening and closing balance for each period and for the periods by annualizing Adj. EBITA for the period. Please refer to Reconciliation of alternative key performance indicators on page 23-24.

Segment Overview

Net Sales	Q3		Nine months		Full-year
MSEK	2022	2021	2022	2021	2021
Segment B2B	781	325	2,037	772	1,177
Segment B2C	376	289	1,009	635	906
Net Sales	1,157	615	3,046	1,407	2,083

Adj. EBITA	Q3		Nine months		Full-year
MSEK	2022	2021	2022	2021	2021
Segment B2B	150	79	402	179	242
Segment B2C	88	65	200	129	190
Adj. EBITA*	238	144	602	308	432
Central costs	-14	-6	-29	-19	-29
Group Adj. EBITA*	224	138	572	289	403

Adj. EBITA margin	Q3		Nine months		Full-year
	2022	2021	2022	2021	2021
Segment B2B	19%	24%	20%	23%	21%
Segment B2C	23%	22%	20%	20%	21%
Adj. EBITA* margin	21%	23%	20%	22%	21%
Group Adj. EBITA* margin	19%	22%	19%	21%	19%

*) Segmental Adj. EBITA does not include the amortization of intangible assets (including from assets arising from the acquisitions), acquisition costs, or other acquisition-related items which are reported as part of the operating income in the consolidated financial statements. They amount to MSEK 54 (22) in the quarter and MSEK 131 (62) for the first nine months.

The Röko Group consists of 21 business units in different industries and no single customer or industry is individually significant to the group.

Quarterly Adj. EBITA increased to MSEK 150 (79) for Segment B2B and to MSEK 88 (65) for Segment B2C before the allocation of central group costs. For the first nine-month period Adj. EBITA increased to MSEK 402 (179) for Segment B2B and to MSEK 200 (129) for Segment B2C before the allocation of central group costs. Central group costs amounted to MSEK 14 (6) in the quarter and MSEK 29 (19) for the first nine-month period. While central costs increased during the last nine-month period they decreased as a share of sales.

B2B performance in July-September

The B2B segment includes 14 business units of which one was consolidated during the period. Net sales increased to MSEK 781 (325) during the period, driven by acquisitions, organic growth and with positive contribution from exchange rates. Adj. EBITA margin for the segment decreased to 19% (24%). The input-cost increases for our B2B segment are still high and for the segment we have not been passing these on to our customers in full. The segment Adj EBITA margin is stated before central costs.

B2C performance in July-September

The B2C segment includes seven business units of which one was consolidated during the period. Net sales increased to MSEK 376 (289) during the period, driven by the acquisition, organic growth and with positive contribution from exchange rates. Adj. EBITA margin for the segment increased one percentage point to 23% (22%), driven by the completed acquisition and sustained margins in rest of the segment. The segment Adj. EBITA margin is stated before central costs.

B2B performance in January-September

The B2B segment includes 14 business units of which four were consolidated during the period. Net sales increased to MSEK 2,037 (772) during the period. Acquisitions, organic growth, and exchange rate differences have all had positive effects. Adj. EBITA margin for the segment decreased three percentage points to 20% (23%). Throughout the year we have experienced a lag in transferring cost increases to their customers. The segment Adj. EBITA margin is stated before central costs.

B2C performance in January-September

The B2C segment includes seven business units of which one was consolidated during the period. Net sales increased to MSEK 1,009 (635) during the period. Adj. EBITA margin for the segment are in line with last year at 20% (20%). The segment Adj. EBITA margin is stated before central costs.

Other financial information

Parent Company

Röko AB is a perpetual owner of niche businesses across a variety of industries. Röko has 6 employees and recorded a net profit of MSEK 234 (122) in the first nine months of 2022, of which MSEK 26 (7) in the third quarter. Röko AB received MSEK 40 (9) in dividends during the third quarter and MSEK 251 (130) during the first nine months. Röko AB received MSEK 125 (70) in repayments of loans from the companies in the group during the first nine months 2022.

Employees

At the end of the period, the number of employees was 1,141 (856 in December 2021). Acquisitions have added 216 employees since the beginning of the year.

Events after the end of the reporting period

After the end of the period, Röko has obtained a new credit facility of MSEK 400 at similar terms to prior financing with a new lender. Röko has increased the number of lenders from two to three through this new financing. After the end of the period, Röko has sold shares to local management in one company. The transactions have been made to market value and are bound by put-call option agreements enabling Röko to buy back these shares in the future.

Related party transactions

Transactions between Röko AB and the other Group companies have been eliminated in the consolidated financials as presented in this report. Any sale of goods or services between Group companies are done on market terms and at arm's length. Intragroup sales amounted to MSEK 69 in the quarter and MSEK 186 in the first nine months. Röko has entered into commercial agreements with related parties to the companies in the Group with an amount equal to MSEK 20 for the first nine months. The related party transactions are mostly relating to lease of properties for the companies' facilities. Röko's shareholders have contributed MSEK 738 (0) in equity injections during the third quarter and MSEK 1,271 (924) during the first nine months. The equity injections have been partly funded by Röko's controlling shareholders, Fredrik Karlsson and Tomas Billing, through their respective holding companies. They have together and in equal parts contributed MSEK 42 (0) during the third quarter and MSEK 72 (52) during the first nine months. During the period, Fredrik Karlsson and Tomas Billing, through their respective holding companies, have sold shares in Röko AB to employees and members of the board of directors at Röko AB. The transactions have been conducted at market value for a total transaction amount of MSEK 9 and coincided with a 2:1 share split, meaning that the total number of shares now amounts to 13,484.

Risks and uncertainties

The risk factors which have the largest impact on Röko are the competitive situation, structural changes in the market, and general level of economic activity. The Röko Group is currently experiencing high inflation and supply chain shortages across the business segments and markets in which Röko operates. The Röko Group has interest-bearing net debt of MSEK 1,345, which equals 1.3x RTM Adj. EBITDA. An increase of the interest rate on Röko's interest-bearing debt would impact our net profit with MSEK -14 for the next 12-month period. Deal activity was strong during Q3, and we believe there is still a decent level of transactions in the market but uncertainties in the markets may lead to lower level of acquisitions in the near-term. Röko is also exposed to financial risks, including currency risks, interest rate risks, credit, and counterparty risks. At the end of the period the Group had MSEK 402 in cash, an additional MSEK 100 as an undrawn revolving credit facility and an additional MSEK 650 in committed capital available from existing shareholders.

The Parent Company is affected by the above risks and uncertainties in its capacity as owner of the subsidiary companies. For further information on Röko's risks and risk management, Röko refers to page 12 and Note 3 and 4 in the Annual Report for 2021.

Accounting policies

The group applies International Financial Reporting Standards (IFRS) and interpretations from IFRIC, as adopted by the European Union, the Swedish Financial Reporting Board's standard RFR 1 Supplementary Accounting Rules for Groups and related interpretations and the Swedish Annual Accounts Act.

The Group's interim report has been prepared in accordance with IAS 34 Interim Financial Reporting and the Swedish Annual Accounts Act. In respect of the Parent Company, the report has been prepared in accordance with the Annual Accounts Act and Recommendation RFR 2 Financial Reporting for Legal Entities of the Swedish Financial Reporting Board. The accounting policies have been applied in accordance with those which are presented in Note 2 on pages 22-26 in the 2021 Annual Report and should be read in conjunction with these.

The interim information on pages 1-6 is an integrated part of this financial report. This English report is an unofficial translation. In case of any discrepancy between the English and the Swedish version, the Swedish shall prevail. This interim report has not been reviewed by the company's auditors.

Declaration of the Board of Directors

The Board of Directors and the Chief Executive Officer warrant and declare that this interim month report gives a true and fair view of the Parent Company's and the Group's operations, financial positions and results, and that it describes significant risks and uncertainties faced by the Parent Company and the companies in the Group.

Stockholm, 4 November 2022

Tomas Billing
Chairman of the Board

Peter Sterky
Director

Fredrik Karlsson
CEO

Lilian Biner
Director

Stina Andersson
Director

Financial statements

Condensed Consolidated Income Statement

MSEK	Q3		Nine months		Full-year
	2022	2021	2022	2021	2021
Net sales	1,157	615	3,046	1,407	2,083
Cost of goods and services sold	-706	-363	-1,869	-878	-1,293
Gross profit	451	252	1,177	529	790
Sales and marketing expenses	-120	-87	-328	-137	-203
Administrative expenses	-135	-40	-347	-131	-224
Other operating income and expenses	6	-1	11	1	0
Other operating expenses	-32	-9	-73	-35	-52
Operating profit	170	116	442	227	311
Financial income	20	4	69	21	34
Financial expenses	-42	-10	-110	-34	-59
Profit before tax	148	110	401	214	286
Tax	-33	-26	-88	-51	-68
Net profit for the period	116	83	313	163	217
Profit attributable to:					
Parent Company shareholders	116	83	313	163	217
Non-controlling interests					
Profit for the period	116	83	313	163	217
Earnings per share before and after dilution for the period, attributable to Parent Company shareholders (SEK)	8,569	6,183	23,183	12,052	16,119

**Per share data for the historical periods have been re-stated based on the 2:1 share split*

Consolidated Statement of Comprehensive Income

MSEK	Q3		Nine months		Full-year
	2022	2021	2022	2021	2021
Net profit for the period	116	83	313	163	217
Other comprehensive income					
<i>Items that can later be reclassified to profit or loss:</i>					
Translation differences	46	31	92	16	49
Other comprehensive income	46	31	92	16	49
Total comprehensive income for the period	161	114	405	179	266
<i>Comprehensive income attributable to:</i>					
Parent Company shareholders	161	114	405	179	266

Condensed Consolidated Balance Sheet

MSEK	2022-09-30	2021-09-30	2021-12-31
ASSETS			
Non-current assets			
Intangible assets	6,037	3,197	3,984
Tangible assets	708	476	506
Other long-term securities and receivables	25	8	14
Total non-current assets	6,770	3,682	4,504
Current assets			
Inventories	805	301	424
Accounts receivables	610	283	370
Other current receivables	48	16	54
Prepaid expenses/accrued Income	41	26	43
Cash and cash equivalents	402	268	290
Total current assets	1,907	893	1,180
TOTAL ASSETS	8,677	4,575	5,684
EQUITY AND LIABILITIES			
Equity			
Share capital	1	1	1
Other contributed capital	3,104	1,617	1,838
Translation reserve	122	-3	30
Non restricted equity inc. net income	348	172	122
Equity attributable to parent company shareholders	3,575	1,787	1,991
Non-controlling interest	0	0	0
Total equity	3,575	1,787	1,991
Non-current liabilities			
Non-current interest-bearing liabilities inc. leasing	449	298	285
Other non-current liabilities, put / call debt and earn-out liabilities	1,544	791	1,050
Deferred tax liability	558	293	365
Other provisions, non-current	1	1	1
Total non-current liabilities	2,551	1,383	1,702
Current liabilities			
Current interest-bearing liabilities inc. leasing	1,795	965	1,118
Accounts payable	319	167	256
Advance from customer	26	13	15
Current tax liabilities	121	85	89
Other current liabilities, put / call debt and earn-out liabilities	152	95	382
Accrued expenses and prepaid Income	138	79	132
Total current liabilities	2,551	1,405	1,992
TOTAL EQUITY AND LIABILITIES	8,677	4,575	5,684

Condensed Consolidated Statement of Changes in Equity

MSEK	Share capital	Other contributed capital	Translation reserve	Non. Restr equity	Total
Opening balance per 2021-12-31	1	1,838	30	122	1,991
Net profit for the period	-	-	-	313	313
Other comprehensive income					
Items which can later be reclassified to profit or loss					
Translation differences	-	-	92	-	92
Total other comprehensive income	-	-	92	313	405
Total comprehensive income for the period	-	-	92	313	405
Transactions with owners					
Shareholder's contribution	-	1,277	-	-	1,277
Transaction costs relating to capital increase	-	-12	-	-	-12
Revaluation of liabilities to non-controlling interests*	-	-	-	-87	-87
Closing balance per 2022-09-30	1	3,104	122	348	3,575

*Revaluation of put / call options for shares relating to non-controlling interests and earn-outs

MSEK	Share capital	Other contributed capital	Translation reserve	Non. Restr equity	Total
Opening balance per 2020-12-31	1	693	-19	45	720
Net profit for the period	-	-	-	163	163
Other comprehensive income					
Items which can later be reclassified to profit or loss					
Translation differences	-	-	16	-	16
Total other comprehensive income	-	-	16	163	179
Total comprehensive income for the period	-	-	16	163	179
Transactions with owners					
Shareholder's contribution	-	936	-	-	936
Transaction costs relating to capital increase	-	-12	-	-	-12
Revaluation of liabilities to non-controlling interests*	-	-	-	-36	-36
Closing balance per 2021-09-30	1	1,617	-3	172	1,787

*Revaluation of put / call options for shares relating to non-controlling interests and earn-outs

Condensed Consolidated Statement of Cash Flows

MSEK	Q3		Nine months		Full-year
	2022	2021	2022	2021	2021
Operating activities					
Operating profit	170	116	442	227	312
Non-cash items	73	29	187	88	107
Other financial items	-8	-1	-6	0	0
Interest received	0	0	0	0	0
Interest paid	-16	-6	-38	-16	-26
Tax paid	-25	-15	-93	-38	-86
Cash flow before changes in working capital	194	122	492	261	307
Changes in working capital					
Increase/decrease in inventory	-33	-10	-104	-19	-16
Increase/decrease in receivables	1	17	-14	7	-62
Increase/decrease in accounts payable	-69	-46	-68	-46	19
Total change in working capital	-101	-39	-187	-58	-58
Cash flow from operating activities	93	83	305	203	248
Investing activities					
Investments in intangible assets	0	0	-1	0	0
Divestments of intangible assets	0	0	0	0	0
Investments in tangible assets	-10	-6	-36	-29	-51
Divestments of tangible assets	0	0	0	0	-2
Acquisition of subsidiaries after subtracting cash	-1,015	-467	-1,905	-1,380	-1,735
Divestments of subsidiaries	0	0	3	0	0
Cash flow from investing activities	-1,027	-474	-1,940	-1,411	-1,788
Financing activities					
Shareholder's contribution	738	0	1,273	924	1,140
Debt issued	386	18	762	472	625
Debt repayment	-107	-55	-183	-75	-83
Other financing activities	-10	-4	-16	-10	-49
Translation debt call- and put option	-20	-5	-92	-36	0
Cash flow from financing activities	988	-45	1,744	1,276	1,632
Cash flow of the period	54	-436	109	68	93
Cash and cash equivalents at beginning of period	345	701	290	192	192
Translation differences	4	3	4	7	5
Cash and cash equivalents at end of period	402	268	402	268	290

Business Segments

MSEK	Q3		Nine months		Full-year
	2022	2021	2022	2021	2021
Segment B2B	150	79	402	179	242
Segment B2C	88	65	200	129	190
Central Group functions	-14	-6	-29	-19	-29
Adj. EBITA*	224	138	572	289	403
Amortisation of intangible assets	-41	-21	-105	-46	-73
<i>Amortization of intangible assets arising from acquisitions</i>	-41	-21	-105	-46	-73
Acquisition related costs	-13	-1	-26	-15	-19
Operating profit	170	116	442	227	311
Net financial items	-22	-6	-41	-13	-26
Profit before tax	148	110	401	214	286

*) Segmental Adj. EBITA does not include the amortization of intangible assets (including from assets arising from the acquisitions), acquisition costs, or other acquisition-related items which are reported as part of the operating income in the consolidated financial statements. They amount to MSEK 54 (22) in the quarter and MSEK 131 (62) for the first nine months.

The Röko Group consists of 21 business units in different industries and no single customer or industry is individually significant to the group.

Quarterly Adj. EBITA increased to MSEK 150 (79) for Segment B2B and to MSEK 88 (65) for Segment B2C, before allocation of central group function costs. Central group costs increased from MSEK 6 to MSEK 14 partly explained by the Group's growth as well as increase in personnel costs and costs for capital markets preparations. For the nine-month period Adj. EBITA increased to MSEK 402 (179) for Segment B2B and to MSEK 200 (129) for Segment B2C, before allocation of central group function costs. Central group costs increased from MSEK 19 to MSEK 29 with most of the increase attributable to Q3. Central group function costs decrease as a share of Adj. EBITA.

Recognition of Net Sales

Time of revenue recognition

MSEK	Q3		
	B2B	B2C	Total
Over time	45	0	45
At a specific point in time	737	376	1,112
Net Sales Q3 2022	781	376	1,157
MSEK	B2B	B2C	Total
Over time	30	0	30
At a specific point in time	296	289	585
Net Sales Q3 2021	325	289	615

MSEK	Nine months		
	B2B	B2C	Total
Over time	130	0	130
At a specific point in time	1,907	1,009	2,916
Net Sales in Jan-Sep 2022	2,037	1,009	3,046

MSEK	Nine months		
	B2B	B2C	Total
Over time	68	0	68
At a specific point in time	704	635	1,339
Net Sales in Jan-Sep 2021	772	635	1,407

Revenue segmentation

MSEK	Q3		
	B2B	B2C	Total
Products	703	356	1,059
Services	78	19	98
Net Sales Q3 2022	781	376	1,157
MSEK	B2B	B2C	Total
Products	272	270	542
Services	53	19	73
Net Sales Q3 2021	325	289	615

MSEK	Nine months		
	B2B	B2C	Total
Products	1,790	941	2,730
Services	247	69	316
Net Sales in Jan-Sep 2022	2,037	1,009	3,046
MSEK	B2B	B2C	Total
Products	633	568	1,201
Services	139	67	205
Net Sales in Jan-Sep 2021	772	635	1,407

Acquisitions January-September 2022

21 business units were consolidated as per 2022-09-30. In the first nine months 2022, five acquisitions were completed. MCCN Holdings, ETB Technologies and Dorsey Construction Materials was acquired and consolidated in the first half year. All these companies are based in the UK. During the third quarter Röko acquired Norway-based TECCON and SK Holding in the Netherlands. Acquisition-related costs amounted to MSEK 13 (1) in the quarter and MSEK 26 (15) for the first nine-month period and have impacted the company's profits.

The table below for acquired net assets includes all the acquisitions completed in the period, and for these acquisitions the analysis is preliminary.

The purchase price allocation includes all acquisitions made during the last nine months as well as payments made for acquisitions in previous periods.

Acquired net assets

Net assets, MSEK. Preliminary analysis of acquisitions from 1 January 2022	Carrying amount	Value adjustment	Fair value	of which TECCON Holding
Trademarks, customer relationships, licences	2	918	920	328
Tangible assets	22		22	7
Inventories, accounts receivable and other receivables	463		463	183
Accounts payable and other liabilities	-230		-230	-104
Deferred tax	2	-203	-200	-68
Cash and cash equivalents	178		178	44
Net assets	438	715	1,153	390
Goodwill		1,126	1,126	400
Total net assets	438	1,841	2,279	790
Put / call option debt to non-controlling interests		-460	-460	-79
Cash flow effect			MSEK	
Purchase price			-1,819	-711
<i>o/w withheld purchase price</i>			21	
Cash in acquired companies			178	44
Total cash flow effect			-1,620	-667
Cash paid for acquisitions in previous periods			-284	

Acquisitions

Consolidated in month	Acquisitions	Segment	Net sales RTM (Icl currency)	Employees	Röko ownership
March	MCCN Holdings (Brownell)	B2B	10	40	70%
March	ETB Technologies	B2B	27	65	65%
June	Dorsey Construction Materials	B2B	22	36	80%
July	TECCON Holding	B2B	440	44	85%
July	SK Holding (Silk-ka)	B2C	17	31	80%

MCCN Holdings (with the operating company Brownell Ltd) is a UK-based developer and manufacturer of moisture control and humidity protection products for technical applications. ETB Technologies is a Scotland-based IT hardware refurbishment company focused on networking and storage equipment. Dorsey Construction Materials is a UK-based specialist supplier of niche construction accessories for brickwork. TECCON is a Norway-based manufacturer of electrician products such as pre-drawn conduits. SK Holding (with the operating company Silk-ka) is a Netherlands-based designer of artificial plants and flowers (so called silk flowers). Acquisitions completed during the period have added MSEK 394 of sales and MSEK 118 of operating profit to the nine-month period. If the companies would have been consolidated since January 1, 2022, they would have added an additional MSEK 613 of sales and MSEK 127 to operating profit for the nine-month period.

Röko consolidates all subsidiary companies to 100% provided the contractual put and call option agreements regarding outstanding ownership with all minority shareholders in each respective company. The put / call debt with non-controlling interests is valued based on the expected cash outflow to exercise the options and is based on the metric applied in the agreements.

Goodwill arises from acquisitions due to human resources, key personnel experience and skill in the acquired entity as well as geographical market extension. No part of goodwill arising from acquisitions is tax deductible.

Financial Instruments

Specification of leasing in the balance sheet and income statement

MSEK	2022-09-30	2021-09-30
Reported in the balance sheet		
The following amounts related to leasing agreements are reported in the balance sheet:		
Right of use assets (reported as rights of use assets in the Balance Sheet)		
Properties and premises	497	312
Total	497	312
Lease liabilities		
Long term (reported as non-current liabilities in the Balance Sheet)	431	277
Short term (reported as current liabilities in the Balance Sheet)	66	36
Total lease liabilities	497	312
	Nine months	
MSEK	2022	2021
Reported in the income statement		
The following amounts related to leasing agreements are reported in the income statement		
Depreciation on right of use assets		
Properties and premises	43	19
Total	43	19
Interest expense	12	7

Financial assets in the balance sheet

MSEK	Financial assets at amortised costs
Per 2022-09-30	
Accounts Receivables	610
Other non-current financial receivables	25
Cash and cash equivalents	402
Sum	1,036
Per 2021-12-31	
Accounts Receivables	370
Other non-current financial receivables	14
Cash and cash equivalents	290
Sum	674
Per 2021-09-30	
Accounts Receivables	283
Other non-current financial receivables	8
Cash and cash equivalents	268
Sum	559

Financial liabilities in the balance sheet

MSEK	Classification in the fair value hierarchy	Liabilities valued at fair value which affect equity	Financial liabilities at amortised cost	Total
Per 2022-09-30				
Interest-bearing borrowings		–	1,747	1,747
Accounts payable - trade		–	319	319
Put / call-option debt*	3	1,544	–	1,544
Deferred considerations*	3	29	–	29
Other Liabilities		–	558	558
Total		1,573	2,623	4,196

MSEK	Classification in the fair value hierarchy	Liabilities valued at fair value which affect equity	Financial liabilities at amortised cost	Total
Per 2021-12-31				
Interest-bearing borrowings		–	1,087	1,087
Accounts payable - trade		–	256	256
Put / call option debt*	3	1,050	–	1,050
Deferred considerations*	3	106	–	106
Other Liabilities		–	365	365
Total		1,155	1,709	2,864

MSEK	Classification in the fair value hierarchy	Liabilities valued at fair value which affect equity	Financial liabilities at amortised cost	Total
Per 2021-09-30				
Interest-bearing borrowings		–	951	951
Accounts payable - trade		–	167	167
Put / call option debt*	3	1,050	–	1,050
Deferred considerations*	3	30	–	30
Other Liabilities		–	293	293
Total		1,079	1,411	2,490

* Deferred considerations are liabilities which are recognised at fair value over the income statement and put / call option debt is valued at fair value over equity in accordance with IFRS 9.

Financial instruments are valued at their fair value depending on the classification of fair value in the hierarchy: Quoted prices (level 2) and non-observable market data points (level 3). The liabilities that Röko has which are non-observable are put / call liabilities for non-controlling shares in the subsidiary companies and earn-out obligations. No transfers between the levels have occurred during the quarter, or during last year. Changes in the value of put / call debts are made in equity over the balance sheet while changes in the value of earn-out liabilities occur in the Income Statement. In case the interest-rate impact is deemed to be material an amendment is made in the period. The fair value of short-term borrowing corresponds to the carrying amount, as the discounting effect is not significant.

The tables below display changes and recognitions of deferred considerations and put / call option liabilities.

Deferred considerations

MSEK	2022-09-30	2021-12-31
Opening balance	106	83
Acquisitions in the period	27	75
Paid purchase prices	-107	-53
Expense/Reversal via income statement	-	-
Interest	-	-
Exchange rate differences	3	-
Closing balance	29	106

Option liabilities

MSEK	2022-09-30	2021-12-31
Opening balance	1,050	368
Acquisitions in the period	460	591
Paid purchase prices	-	5
Expense/Reversal via equity in the balance sheet	-	85
Interest	-	-
Exchange rate differences	34	1
Closing balance	1,544	1,050

MSEK 8 of the option liabilities are to be exercised within 12 months, MSEK 166 between one and three years and MSEK 1,370 after more than three years.

Condensed Parent Company Income Statement

Röko AB, 559195-4812

MSEK	Q3		Nine months	
	2022	2021	2022	2021
Other operating income*	4	3	19	9
Administrative expenses	-12	-5	-29	-18
Operating profit	-9	-1	-10	-9
Profit from shares in group companies**	40	9	251	130
Financial income	28	6	78	25
Financial expenses	-34	-7	-85	-24
Profit after financial items	26	7	234	122
Appropriations	-	-	-	-
Tax	-	-	-	-
Net profit for the period	26	7	234	122

* Invoicing of group-wide services

** Profit from shares in group companies are dividends received from the group companies during each respective period.

Net profit for the period and total comprehensive income for the period are the same and therefore no Comprehensive Income Statement for the Parent company is presented.

Condensed Parent Company Balance Sheet

MSEK	2022-09-30	2021-12-31
ASSETS		
Non-current assets		
Shares in group companies	5,260	3,686
Long-term receivables	10	5
Total non current assets	5,270	3,691
Current assets		
Receivables in group companies	1,426	728
Current tax receivables	1	1
Prepaid expenses/accrued Income	1	-
Cash and cash equivalents	90	87
Total current assets	1,518	816
TOTAL ASSETS	6,789	4,507
EQUITY AND LIABILITIES		
Restricted equity		
Equity	1	1
Total restricted equity	1	1
Non-restricted equity		
Other contributed capital	3,104	1,833
Non restricted equity incl. net income	428	194
Total non-restricted equity	3,532	2,027
Total equity	3,533	2,027
Non-current liabilities		
Other non-current liabilities	1,430	1,045
Total non-current liabilities	1,430	1,045
Current liabilities		
Debt to credit institutions	1,709	1,043
Accounts payable	2	2
Liabilities to group companies	85	91
Current tax liabilities	-	1
Other current liabilities	30	294
Accrued expenses and prepaid Income	0	5
Total current liabilities	1,826	1,435
TOTAL EQUITY AND LIABILITIES	6,789	4,507

Parent Company Statement of changes in equity

MSEK	Share capital	Other contributed capital	Non. Restr equity	Total
Opening balance per 2021-12-31	1	1,833	194	2,028
Net profit for the period	-	-	234	234
Other comprehensive income				
Items which can later be reclassified to profit or loss				
Translation difference	-	-	-	-
Total other comprehensive income	-	-	-	-
Total comprehensive income for the period	-	-	234	234
Transactions with owners				
Shareholder's contribution	-	1,283	-	1,283
Transaction costs	-	-12	-	-12
Closing balance per 2022-09-30	1	3,104	428	3,533

Key Performance Indicators

	Q3		Nine months		Full Year
	2022	2021	2022	2021	2021
Net sales for the period, MSEK	1,157	615	3,046	1407	2,083
RTM* Net sales, MSEK	4,811	-	4,811	-	-
Adj. EBITA*, MSEK	224	138	572	289	403
Adj. EBITA* margin	19%	22%	19%	21%	19%
RTM Adj. EBITA*, MSEK	915	-	915	-	-
RTM Adj. EBITA* margin	19%	-	19%	-	-
Adj. EBITDA*, MSEK	256	154	655	329	462
Adj. EBITDA* margin	22%	25%	21%	23%	22%
Capital employed*, MSEK	6,991	-	6,991	-	4,259
Return on capital employed	14%	17%	14%	15%	14%
Return on equity	15%	n.a.	15%	17%	
Financial net debt*, MSEK	2,917	1,503	2,917	1,503	1,952
Interest-bearing net debt*, MSEK	1,345	683	1,345	683	798
Financial net debt*/ RTM Adj EBITDA, times	2.8x	-	2.8x	-	-
Equity/assets ratio	41%	39%	41%	39%	35%
Number of shares	13,484	13,484	13,484	13,484	13,484
Number of employees, end of the period	1,141	634	1,141	634	856

* See definitions on page 22

Definitions and objectives

The report includes financial key ratios that are based on IFRS (e.g. earnings per share) and in addition Röko also use additional other key ratios (Alternative KPI - Alternative Key Performance Indicators) to describe and assess the Group's operations. These Alternative metrics and Alternative KPIs are to be considered as a complement to the financial reporting as presented in accordance with IFRS. Note that these definitions may differ somewhat from other companies' definitions of the same terms.

Adj. EBITA	Adj. EBITA is considered a relevant metric for investors who wish to understand the earnings generated by Röko's acquired companies and is the metric used for internal tracking of performance per business segment. Adj. EBITA, defined as earnings before interest, taxes, and amortization as well as acquisition expenses. Adj. EBITA serves as an approximation for the cash flow before tax, under the assumption that capital expenditures mirror depreciation, which is normally the case, as Röko invests in asset-light businesses.
Adj. EBITA margin	Adj. EBITA divided by net sales.
Adj. EBITDA	Adj. EBITDA is considered a relevant metric for investors who wish to understand the earnings generated by Röko's acquired companies. Adj. EBITDA, defined as earnings before interest, taxes, depreciation, and amortization as well as acquisition expenses. Adj. EBITDA serves as an approximation for the cash flow before capital expenditures and tax.
Adj. EBITDA margin	Adj. EBITDA divided by net sales.
RTM	RTM information of net sales and Adj. EBITA is based on the companies' reported figures from the group reporting during the period in the most recent rolling twelve months that the companies have been consolidated in the Group. For companies that have been acquired during the last twelve months the company's own monthly reporting for the months prior to consolidation is included for net sales and Adj. EBITA. The RTM metric is unaudited or otherwise reviewed (IRSE 2410). RTM net sales and Adj. EBITA is based on local GAAP for the not consolidated financial information of the last twelve months for subsidiaries owned on the balance sheet date, for the elimination of internal sales and profits. As the Röko Group is growing rapidly through acquisitions, RTM gives a better understanding of the Group's current sales and earnings potential than the IFRS accounting.
Financial net debt	Röko uses the alternative KPI total net debt. This allows users of the financial reports to assess the Group's ability to pay dividends, make strategic investments and meet its financial obligations. The KPI is defined as follows: current and non-current liabilities to credit institutions, bonds, interest-bearing pension provisions, liabilities related to put/call options for non-controlling interests and additional considerations relating to acquisitions less cash and cash equivalents.
Earnings per share	Profit after tax attributable to Parent Company shareholders, divided by the average number of shares outstanding.
Interest-bearing net debt	Röko uses the alternative KPI interest-bearing net debt. This allows users of the financial reports to assess the Group's ability to pay dividends, make strategic investments and meet its financial obligations. Röko defines the KPI as follows: current and non-current liabilities to credit institutions, bonds as well as interest-bearing pension provisions less cash and cash equivalents.
Equity/assets ratio	Equity divided by total assets (balance sheet total).
Capital employed	Capital employed is used as a base for calculating returns and for measuring efficiency for the Group. Capital employed is useful in helping users of the financial reports to understand how the Group finances itself. Röko defines capital employed as total assets less cash and cash equivalents, interest-bearing pension provisions and non-interest-bearing liabilities except for liabilities related to put/call options and additional considerations relating to acquisitions.
Return on equity	Net profit for the period divided by average equity.
Return on capital employed	Adj. EBITA divided by average capital employed for the period, calculated as the average during the period. The measure is an approximation for the pre-tax cash return.
Organic growth	Net sales for companies that have been consolidated in the group for the entire period as well as for the entire comparable period. FX from the prior period has been used for both periods to calculate the fixed currency growth and the organic growth is calculated as an arithmetic mean.

Net sales

Net sales are the sum of gross sales less its returns, allowances, and discounts.

Put / call options for shares relating to non-controlling interests

Put / call options for shares relating to non-controlling interests is the sum of obligations to exercise put and call options to purchase the outstanding shares held by non-controlling interest. The value of the put / call liability is the current estimate of the future outflows to acquire the shares in accordance with agreements with all non-controlling interests.

Reconciliation of alternative metrics

The interim report presents alternative metrics (KPIs) for assessing the Group's performance. The primary alternative KPIs presented in this interim report are Adj. EBITA, Adj. EBITDA, net debt, and capital employed. Definitions of the alternative KPIs are presented on page 22.

Adj. EBITA compared with financial statements in accordance with IFRS

MSEK	Q3		Nine months		Full Year
	2022	2021	2022	2021	2021
Operating profit	170	116	442	227	311
Amortisation of intangible assets	41	21	105	46	73
Acquisition costs	13	1	26	15	19
Adj. EBITA	224	138	572	289	403

Adj. EBITDA compared with financial statements in accordance with IFRS

MSEK	Q3		Nine months		Full Year
	2022	2021	2022	2021	2021
Operating profit	170	116	442	227	311
Depreciation of tangible assets	32	16	82	40	58
Amortisation of intangible assets	41	21	105	47	73
<i>of which Amortisation of intangible assets from acq.</i>	38	21	98	47	73
Acquisition costs	13	1	26	15	19
Adj. EBITDA	256	154	655	329	462

Net debt compared with financial statements in accordance with IFRS

MSEK	2022-09-30	2021-09-30	2022-06-30	2021-06-30	2021-12-31
Non-current interest-bearing liabilities	383	263	325	171	235
Current interest-bearing liabilities	1,364	688	1,077	808	852
Cash and cash equivalents	-402	-268	-345	-701	-290
Interest-bearing net debt	1,345	683	1,057	279	798
Put / call debt for non-controlling shares and earn-out debt	1,573	820	1,392	712	1,155
Total Financial Net Debt	2,917	1,503	2,449	991	1,953

RTM Net sales and Adj. EBITA*

MSEK	Q3	Q2
	2022	2022
Net sales according to consolidated IS	3,723	3,181
Addition of non-consolidated net sales from July 1 to the acquisition date		
Segment B2B	905	838
Segment B2C	184	0
RTM Net sales	4,811	4,019
Adj. EBITA Last Twelve Months	689	601
Addition of non-consolidated Adj. EBITA from July 1 to the acquisition date		
Segment B2B	163	178
Segment B2C	63	0
Adj. RTM EBITA	915	779

Capital employed

MSEK	2022-09-30	2021-09-30	2022-06-30	2021-12-31
Constituents of Capital employed				
Equity	3,575	1,786	2,699	1,991
Interest-bearing debt	1,747	951	1,402	1,087
Leasing	497	312	409	316
Put / call debt for non-controlling shares and earn-out debt	1,573	820	1,392	1,155
Less cash	-402	-268	-345	-290
Capital employed	6,991	3,602	5,557	4,259
Average Capital employed (used for ROCE)	5,625	2,636	4,908	2,965

Return on capital employed (ROCE)

MSEK	Q3		Nine months	
	2022	2021	2022	2021
Constituents of ROCE				
Adj. EBITA	224	138	572	289
Annualized Adj. EBITA	896	553	763	385
Capital employed	6,274	3,264	5,625	2,636
ROCE in %	14%	17%	14%	15%

Organic growth

MSEK	Q3		Nine months	
	2022	2021	2022	2021
Net sales, including sales for comparable companies**	777	674	1,093	967
FX impact	-34		-44	
Organic revenue in fixed currency	744	674	1,050	967
Organic growth constant currency	10%		9%	
Organic growth (faktisk valuta)	15%		13%	

* The twelve-month period referred to in 2022 is the reported financials for the Röko Group in the period from 1 October 2021 to 30 September 2022. For Q2 the period is from 1 July 2021 to 30 June 2022.

** Includes companies that were owned by Röko for the entire current period as well as for the full comparable period.

Financial calendar

Full-year Report 2022

20 February 2023

Questions

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Röko in brief

Röko is a perpetual owner of European small-and medium-sized businesses and today we own 21 companies in a variety of industries across Europe. We are a Swedish company, and our team has more than 100 years of combined experience working with owner-managed businesses across markets and in different situations.