

Year-end Report

Jan-Dec 2022

Röko AB, Org.nr 559195-4812

October-December

- Net sales increased 88 percent to MSEK 1,270 (677)
- Operating profit increased 102 percent to MSEK 170 (84)
- Adj. EBITA increased 87 percent to MSEK 215 (115)
- Adj. EBITA margin was 17 (17) percent
- Net profit increased to MSEK 73 (56)
- Earnings per share* increased to SEK 5.42 (4.16)
- One acquisition with annual sales of MSEK 331 was completed during the period. See page 13

January-December

- Net sales increased 107 percent to MSEK 4,316, (2,083)
- Operating profit increased 97 percent to MSEK 612 (311)
- Adj. EBITA increased 96 percent to MSEK 787 (403)
- Adj. EBITA margin decreased to 18 (19) percent
- Net profit increased to MSEK 386 (217)
- Earnings per share* increased to SEK 28.60 (16.12)
- Six acquisitions with combined annual sales of MSEK 1,683 were completed during the period. See page 13
- The Board of Directors propose that no dividend be paid to shareholders for the financial year 2022.

Events after the period

After the end of the period, Röko has received shareholder approval to execute a new share issue of up to MSEK 1,000 until the end of 2024.

Rolling twelve months - RTM

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 5,259 and RTM Adj. EBITA of MSEK 1,005.

Summary of financial performance

MSEK	Q4		Full Year	
	2022	2021	2022	2021
Net sales	1,270	677	4,316	2,083
Operating profit	170	84	612	311
Earnings per share (SEK)*	5.42	4.16	28.60	16.12
Adj. EBITA	215	115	787	403
Adj. EBITA margin	17%	17%	18%	19%
Net profit for the period	73	56	386	217

* Historical periods are restated based on the number of shares after the 1,000:1 split in January 2023.

Röko is a perpetual owner of European small and medium-sized businesses and today we own 22 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.

See definitions on page 21

Comments from the CEO

For the full year, net sales increased 107 percent from MSEK 2,083 to MSEK 4,316, driven by acquisitions, organic growth of 8% and in addition 4% from exchange rate differences. During this period Röko acquired six companies, three located in the UK, one in Norway, one in the Netherlands and one in Denmark.

During the twelve-month period ending 31 December 2022 Adj. EBITA increased 96 percent from MSEK 403 to MSEK 787 driven by acquisitions and organic growth. The Adj. EBITA margin decreased slightly in the period and is explained by slowness, in some entities, in passing on input-driven price increases to our customers. Cash flow from operational activities amounted to MSEK 515 (248). Cash flow was negatively impacted from an abnormal inventory build-up due to supply chain disruptions in the wake of Covid, but in the fourth quarter the inventory level improved, with positive impact on cash flow.

The relation between financial net debt (including put / call option debt and deferred considerations) and RTM Adj. EBITDA was 3.3x at the end of the period which is above our long-term target of being below 3.0x. Short-term, the target can be exceeded because of acquisitions. Of the total financial net debt, the interest-bearing net debt amounts to 1.4x RTM Adj. EBITDA. In December Röko AB 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.

The put/call option debt has increased with MSEK 768 because of acquisitions completed in 2022. The companies acquired in earlier years have performed well and thus increased the put/call debt by another 162 MSEK (valued at closing balance currency rates). In total the put/call option debt and deferred considerations (e.g. earn-out obligations) increased by 1,030 MSEK during 2022.

Return on capital employed of 13% for the full year is low compared to comparable companies that have been active longer than we have. The lower return is a result of Röko being a new company with very high growth, mainly through acquisitions, which impact the metric in three ways. Acquisitions completed at the end of the reporting period add capital employed but don't contribute profits and hence has a negative relative impact on the calculated return rate. Capital employed stemming from acquisitions will be reduced over time due to amortizations. Acquired companies will increase profits over time without a corresponding increase in capital employed.

After the end of the period, Röko has received approval from our shareholders to increase our equity capital through a new share issue of up to MSEK 1,000 until the end of 2024. In addition, Röko AB has existing undrawn MSEK 450 in capital commitments from our shareholders. Thus, Röko has ample financial room for additional acquisitions.

Fredrik Karlsson
CEO
Stockholm, 20 February 2023

Group performance in October-December

Net sales increased to MSEK 1,270 (677) during the quarter, driven by acquisitions, organic growth of 7% and in addition 5% from exchange rate differences.

Operating profit increased to MSEK 170 (84) during the period. Earnings per share for the quarter increased to SEK 5.42 (4.16).

Adj. EBITA increased to MSEK 215 (115). The Adj. EBITA margin was 17 (17%) percent. Our definition of Adj. EBITA does not include costs for acquisitions, see definitions on page 21. Acquisition-related costs amounted to MSEK 2 (4) in the quarter.

Net interest on interest-bearing debt increased to MSEK -16 (-5), while net other financial items amounted to MSEK -2 (-7) and income tax increased to MSEK -80 (-16). The effective tax rate was 52% (22%) because of the announced increase in the corporate tax rate in the UK, which led to higher deferred tax liabilities and a non-recurring tax expense of MSEK 41. Net profit for the period grew to MSEK 73 (56).

Capital employed increased by 13% from 2022-09-30 to 2022-12-31 to MSEK 7,909 (6,991). Return on Capital Employed* (ROCE) amounted to 12% percent in Q4 2022. Quarterly ROCE can be misleading due to timing of acquisitions and the fact that Röko is a young company with high growth, predominantly through acquisitions.

From 2022-09-30 to 2022-12-31, the Group's interest-bearing net debt increased by MSEK 208 to MSEK 1,552. In the period, the Group's put/call option debt for shares relating to non-controlling interests and earn-out obligation increased by MSEK 613 to MSEK 2,186. MSEK 162 of the increase is related to revaluation of put/call option debt due to strong financial performance from companies acquired prior to the quarter, another MSEK 25 from currency and MSEK 449 to acquisitions completed in the quarter. The debt was reduced by MSEK -23 because of purchases of shares from minority owners and payments of deferred considerations.

The cash flow from operational activities increased to MSEK 210 (46) and cash amounted to MSEK 558 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 3.3x which is higher than 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-December

Net sales increased to MSEK 4,316 (2,083) during the period driven by acquisitions, organic growth of 8% and in addition 4% from exchange rate differences. Operating profit increased to MSEK 612 (311) during the period. Earnings per share for the twelve-month period increased to SEK 28.60 (16.12).

Adj. EBITA increased to MSEK 787 (403). The Adj. EBITA margin was 18 (19) percent. Our definition of Adj. EBITA does not include costs for acquisitions. Acquisition-related costs amounted to MSEK 27 (19).

Net interest on interest-bearing debt increased to MSEK -41 (-13) while net other financial items amounted to MSEK -18 (-13) and income tax increased to MSEK -168 (-68). The effective tax rate was 30% (24%) and was artificially high because of the change in corporate tax rate in the UK mentioned above. Net profit for the period grew to MSEK 386 (217).

Capital employed increased by 86% percent from 2021-12-31 to 2022-12-31 to MSEK 7,909 (4,259). Return on Capital Employed* (ROCE) for the twelve-month period amounted to 13% (14%).

From 2021-12-31 to 2022-12-31, the Group's interest-bearing net debt increased by MSEK 754 to MSEK 1,552. In the period, the Group's put/call option debt for shares relating to non-controlling interests and earn-out obligation increased by MSEK 1,030 to MSEK 2,186. MSEK 922 of the increase was attributed to the acquisitions completed in the period. MSEK 162 of the increase was due to changes in the put/call option debt and earn-out obligations, as a result of improved financial performance by the subsidiaries and MSEK 62 due to currency exchange. The debt was reduced by MSEK -116 because of purchases of shares from minority owners and payments of deferred considerations.

The cash flow from operational activities increased to MSEK 515 (248) in the period.

*) Return on capital employed for Q4 2022 and full-year 2022 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 22-23.

Segment Overview

Net Sales MSEK	Q4		Full year	
	2022	2021	2022	2021
Segment B2B	928	406	2,965	1,177
Segment B2C	341	271	1,351	906
Net Sales	1,270	677	4,316	2,083

Adj. EBITA MSEK	Q4		Full year	
	2022	2021	2022	2021
Segment B2B	172	63	574	242
Segment B2C	56	61	256	190
Adj. EBITA*	228	124	830	432
Central costs	-14	-9	-43	-29
Group Adj. EBITA*	215	115	787	403

*) 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 43 (25) in the quarter and MSEK 167 (87) for the full year.

The Röko Group consists of 22 business units in different industries and no single customer or industry is individually significant to the group.

Quarterly Adj. EBITA increased to MSEK 172 (63) for Segment B2B and declined to MSEK 56 (61) for Segment B2C before the allocation of central group costs. For the full year Adj. EBITA increased to MSEK 574 (242) for Segment B2B and to MSEK 256 (190) for Segment B2C before the allocation of central group costs. Central group costs amounted to MSEK 14 (9) in the quarter and MSEK 43 (29) for the full year. While central costs increased during the full year they decreased as a share of sales.

B2B performance in October-December

The B2B segment includes 14 business units of which one was consolidated during the period. Net sales increased to MSEK 928 (406) during the period, driven by acquisitions, organic growth and with positive contribution from exchange rates. The input-cost increases for our B2B segment are still high and some companies have not been passing these on to our customers in full. The segment Adj EBITA is stated before central costs.

B2C performance in October-December

The B2C segment includes eight business units of which one was consolidated during the period. Net sales increased to MSEK 341 (271) during the period, driven by the acquisition, organic growth and with positive contribution from exchange rates. Several companies in the segment experienced slower demand in the period, and hence difficulties to pass on input-cost increases to customers, with a decline in Adj. EBITA as a result. The segment Adj. EBITA is stated before central costs.

B2B performance in January-December

The B2B segment includes 14 business units of which four were consolidated during the period. Net sales increased to MSEK 2,965 (1,177) during the period. Acquisitions, organic growth, and exchange rate differences have all had positive effects. Throughout the year we have experienced cost increases from suppliers and some companies have a lag in transferring those increases to customers. The segment Adj. EBITA is stated before central costs.

B2C performance in January-December

The B2C segment includes eight business units of which two were consolidated during the period. Net sales increased to MSEK 1,351 (906) during the period. In the segment we have experienced cost increases from suppliers which for some companies have not been adequately passed on to customers. The segment Adj. EBITA 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 AB has 6 employees and recorded a net profit of MSEK 248 (173) in the full year 2022, of which MSEK 14 (51) in the fourth quarter. Röko AB received MSEK 325 (194) in dividends during the full year and MSEK 74 (64) during the fourth quarter. Röko AB received MSEK 194 (101) in repayments of loans from the companies in the group during the full year 2022. In December 2022 Röko AB 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.

Employees

At the end of the period, the number of employees was 1,271 (856 in December 2021). Acquisitions have added 326 employees since the beginning of the year.

Events after the end of the reporting period

After the end of the period, Röko has executed a share split, in which, each share regardless of share class became 1,000 shares (1,000:1) making the total shares outstanding amount to 13,484,000. After the end of the period, Röko has obtained an approval from the shareholders to execute on a new issuance of up to MSEK 1,000 until the end of 2024.

Furthermore, in one subsidiary, management have bought 0.3% of the shares in the subsidiary from Röko. The transaction was carried out at market value and the shares are subject to a put/call option agreement meaning that Röko can 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 83 in the quarter and MSEK 269 for the full year. Röko has entered into commercial agreements with related parties to the companies in the Group with an amount equal to MSEK 37 for the full year. Loans from related parties arising from acquisitions amount to MSEK 7. The related party transactions are mostly relating to lease of properties for the companies' facilities. Röko's shareholders have contributed MSEK 148 (216) in equity injections during the fourth quarter and MSEK 1,421 (1,140) during the full year. 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 (12) during the fourth quarter and MSEK 81 (64) during the full year.

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 1,552, which equals 1.4x RTM Adj. EBITDA. An increase of the interest rate with 1% on Röko's interest-bearing debt would impact our net profit with MSEK -16 for the next 12-month period. The M&A market is volatile, and the number of opportunities can be low during uncertain periods. We believe that there is a risk for lower transaction volumes 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 558 in cash, an additional MSEK 60 as an undrawn revolving credit facility and an additional MSEK 450 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 yearly impairment test for the Group's cash generating units, as required according to IFRS, was completed during the fourth quarter. No single cash generating unit for which the impairment test was completed had a book value which exceeded the recoverable value. No impairment has been made for 2022 or 2021.

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 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, 20 February 2023

Tomas Billing
Chairman of the Board

Peter Sterky
Director

Fredrik Karlsson
Director and CEO

Lilian Biner
Director

Stina Andersson
Director

Financial statements

Condensed Consolidated Income Statement

MSEK	Q4		Full year	
	2022	2021	2022	2021
Net sales	1,270	677	4,316	2,083
Cost of goods and services sold	-799	-415	-2,668	-1,293
Gross profit	470	261	1,648	790
Sales and marketing expenses	-146	-66	-474	-203
Administrative expenses	-136	-93	-482	-224
Other operating income and expenses	7	-1	18	0
Other operating expenses	-25	-18	-98	-52
Operating profit	170	84	612	311
Net Interest on interest-bearing debt	-16	-5	-41	-13
Net other Financial items*	-2	-7	-18	-13
Profit before tax	153	72	554	286
Tax	-80	-16	-168	-68
Net profit for the period	73	56	386	217
Profit attributable to:				
Parent Company shareholders	73	56	386	217
Non-controlling interests				
Profit for the period	73	56	386	217
Earnings per share before and after dilution for the period, attributable to Parent Company shareholders (SEK)**	5.42	4.16	28.60	16.12

**Interest on leasing obligations and currency gains / losses on revaluations of put/call debt*

***Per share data for the historical periods have been re-stated based on the 1,000:1 share split*

Consolidated Statement of Comprehensive Income

MSEK	Q4		Full year	
	2022	2021	2022	2021
Net profit for the period	73	56	386	217
Other comprehensive income				
<i>Items that can later be reclassified to profit or loss:</i>				
Translation differences	51	21	143	49
Other comprehensive income	51	21	143	49
Total comprehensive income for the period	124	77	529	266
<i>Comprehensive income attributable to:</i>				
Parent Company shareholders	124	77	529	266

Condensed Consolidated Balance Sheet

MSEK	2022-12-31	2021-12-31
ASSETS		
Non-current assets		
Intangible assets	7,339	3,984
Tangible assets	747	506
Other long-term securities and receivables	45	14
Total non-current assets	8,131	4,504
Current assets		
Inventories	843	424
Accounts receivables	597	370
Other current receivables	24	54
Prepaid expenses/accrued Income	53	43
Cash and cash equivalents	558	290
Total current assets	2,074	1,180
TOTAL ASSETS	10,206	5,684
EQUITY AND LIABILITIES		
Equity		
Share capital	1	1
Other contributed capital	3,254	1,838
Translation reserve	173	30
Non restricted equity incl. net income	226	122
Equity attributable to parent company shareholders	3,653	1,991
Non-controlling interest	-	-
Total equity	3,653	1,991
Non-current liabilities		
Non-current interest-bearing liabilities incl. leasing	460	285
Other non-current liabilities, put/call debt and earn-out liabilities	2,034	1,050
Deferred tax liability	749	365
Other provisions, non-current	4	1
Total non-current liabilities	3,247	1,702
Current liabilities		
Current interest-bearing liabilities incl. leasing	2,202	1,118
Accounts payable	352	256
Advance from customer	198	15
Current tax liabilities	63	89
Other current liabilities, put/call debt and earn-out liabilities	321	382
Accrued expenses and prepaid Income	168	132
Total current liabilities	3,305	1,992
TOTAL EQUITY AND LIABILITIES	10,206	5,684

Condensed Consolidated Statement of Changes in Equity

MSEK	Share capital	Other contributed capital	Translation reserve	Non. Restr equity	Total
Opening balance per 2022-01-01	1	1,838	30	122	1,991
Net profit for the period	-	-	-	386	386
Other comprehensive income					
Items which can later be reclassified to profit or loss					
Translation differences	-	-	143	-	143
Total other comprehensive income	-	-	143	386	529
Total comprehensive income for the period	-	-	143	386	529
Transactions with owners					
Shareholder's contribution	-	1,427	-	-	1,427
Transaction costs relating to capital increase	-	-12	-	-	-12
Revaluation of liabilities to non-controlling interests*	-	-	-	-282	-282
Closing balance per 2022-12-31	1	3,254	173	226	3,653

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

MSEK	Share capital	Other contributed capital	Translation reserve	Non. Restr equity	Total
Opening balance per 2021-01-01	1	693	-19	45	720
Net profit for the period	-	-	-	217	217
Other comprehensive income					
Items which can later be reclassified to profit or loss					
Translation differences	-	-	49	-	49
Total other comprehensive income	-	-	49	217	267
Total comprehensive income for the period	-	-	49	217	267
Transactions with owners					
Shareholder's contribution	-	1,158	-	-	1,158
Transaction costs relating to capital increase	-	-13	-	-	-13
Revaluation of liabilities to non-controlling interests*	-	-	-	-140	-140
Closing balance per 2021-12-31	1	1,838	30	122	1,991

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

Condensed Consolidated Statement of Cash Flows

MSEK	Q4		Full year	
	2022	2021	2022	2021
Operating activities				
Operating profit	170	84	612	312
Non-cash items	75	19	262	107
Other financial items	0	0	-6	0
Interest received	2	0	2	0
Interest paid	-26	-10	-63	-26
Tax paid	-96	-48	-189	-86
Cash flow before changes in working capital	126	46	618	307
Changes in working capital				
Increase/decrease in inventory	21	4	-84	-16
Increase/decrease in receivables	26	-69	11	-62
Increase/decrease in accounts payable	38	64	-30	19
Total change in working capital	84	0	-103	-58
Cash flow from operating activities	210	46	515	248
Investing activities				
Investments in intangible assets	-1	0	-1	0
Divestments of intangible assets	0	0	0	0
Investments in tangible assets	-14	-22	-49	-51
Divestments of tangible assets	0	-2	0	-2
Acquisition of subsidiaries after subtracting cash	-533	-355	-2,438	-1,735
Divestments of subsidiaries	0	0	3	0
Changes in non-current assets	1	2	0	0
Cash flow from investing activities	-546	-377	-2,486	-1,788
Financing activities				
Shareholder's contribution	148	216	1,421	1,140
Debt issued	425	153	1,187	625
Debt repayment	-60	-9	-242	-83
Other financing activities	8	-39	-9	-49
Payments to non-controlling interests	-34	36	-125	0
Cash flow from financing activities	488	357	2,231	1,632
Cash flow of the period	152	25	260	93
Cash and cash equivalents at beginning of period	402	268	290	192
Translation differences	4	-2	8	5
Cash and cash equivalents at end of period	558	290	558	290

Business Segments

MSEK	Q4		Full year	
	2022	2021	2022	2021
Segment B2B	172	63	574	242
Segment B2C	56	61	256	190
Central Group functions	-14	-9	-43	-29
Adj. EBITA*	215	115	787	403
Amortisation of intangible assets	-43	-26	-148	-73
<i>Amortization of intangible assets arising from acquisitions</i>	-42	-21	-139	-68
Acquisition related costs	-2	-4	-27	-19
Operating profit	170	84	612	311
Net financial items	-17	-12	-58	-26
Profit before tax	153	72	554	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 43 (25) in the quarter and MSEK 167 (87) for the full year.

The Röko Group consists of 22 business units in different industries and no single customer or industry is individually significant to the group.

Quarterly Adj. EBITA increased to MSEK 172 (63) for Segment B2B but decreased to MSEK 56 (61) for Segment B2C, before allocation of central group function costs. Central group costs increased from MSEK 9 to MSEK 14. For the full year Adj. EBITA increased to MSEK 574 (242) for Segment B2B and to MSEK 256 (190) for Segment B2C, before allocation of central group function costs. Central group costs increased from MSEK 29 to MSEK 43 with most of the increase attributable to additional employees at the headquarter as well as costs related to financing and compliance. Central group function costs decrease as a share of Adj. EBITA.

Recognition of Net Sales

Time of revenue recognition

MSEK	Q4		
	B2B	B2C	Total
Over time	54	0	54
At a specific point in time	875	341	1,216
Net Sales Q4 2022	928	341	1,270

MSEK	B2B	B2C	Total
Over time	41	0	41
At a specific point in time	365	271	636
Net Sales Q4 2021	406	271	677

MSEK	Full year		
	B2B	B2C	Total
Over time	180	0	180
At a specific point in time	2,785	1,351	4,136
Net Sales in Jan-Dec 2022	2,965	1,351	4,316

MSEK	B2B	B2C	Total
Over time	105	0	105
At a specific point in time	1,072	906	1,978
Net Sales in Jan-Dec 2021	1,177	906	2,083

Revenue segmentation

MSEK	Q4		
	B2B	B2C	Total
Products	835	318	1,153
Services	94	23	117
Net Sales Q4 2022	928	341	1,270

MSEK	B2B	B2C	Total
Products	335	246	581
Services	71	25	96
Net Sales Q4 2021	406	271	677

MSEK	Full year		
	B2B	B2C	Total
Products	2,623	1,259	3,882
Services	342	92	434
Net Sales in Jan-Dec 2022	2,965	1,351	4,316

MSEK	B2B	B2C	Total
Products	967	815	1,782
Services	210	92	302
Net Sales in Jan-Dec 2021	1,177	906	2,083

Acquisitions January-December 2022

22 business units were consolidated as per 2022-12-31. During the full year 2022, six acquisitions were completed. MCCN Holdings, ETB Technologies and Dorsey Construction Materials were acquired and consolidated in the first half year. All these companies are based in the UK. During the second half year Röko acquired Norway-based TECCON, SK Holding in the Netherlands and AJT ApS in Denmark. Acquisition-related costs amounted to MSEK 2 (4) in the quarter and MSEK 27 (19) for the full year.

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 full year 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
Trademarks, customer relationships, licences	3	1,494	1,497
Tangible assets	38		38
Inventories, accounts receivable and other receivables	534		534
Accounts payable and other liabilities	-479		-479
Deferred tax	20	-348	-328
Cash and cash equivalents	400		400
Net assets	516	1,147	1,663
Goodwill		1,801	1,801
Total net assets	516	2,948	3,464
Put/call option debt for non-controlling interests		-768	-768
Cash flow effect			MSEK
Purchase price			-2,696
<i>o/w withheld purchase price</i>			146
Cash in acquired companies			400
Total cash flow effect			-2,151
Cash paid for acquisitions in previous periods			-287

Acquisitions

Consolidated in month	Acquisitions	Segment	Net sales RTM (Icl currency)	Employees	Röko ownership
March	MCCN Holdings (Brownell)	B2B	11	40	70%
March	ETB Technologies	B2B	23	65	65%
June	Dorsey Construction Materials	B2B	22	36	80%
July	TECCON Holding	B2B	437	44	85%
August	SK Holding (Silk-ka)	B2C	18	31	80%
December	AJT ApS (AJAT)	B2C	233	110	70%

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 UK-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). AJT ApS is a group of companies that design and manufacture uniforms and products for students. Acquisitions completed during the period have added MSEK 741 of sales and MSEK 160 of operating profit for the period. If the companies would have been consolidated since January 1, 2022, they would have added an additional MSEK 943 of sales and MSEK 141 to operating profit for the full year.

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 option 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	2022-12-31	2021-12-31
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	518	316
Total	518	316
Lease liabilities		
Long term (reported as non-current liabilities in the Balance Sheet)	447	266
Short term (reported as current liabilities in the Balance Sheet)	70	50
Total lease liabilities	518	316
		Full year
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	61	24
Total	61	24
Interest expense	21	13

Financial assets in the balance sheet

MSEK

Financial assets at amortised cost

Per 2022-12-31	
Accounts Receivables	597
Other non-current financial receivables	45
Cash and cash equivalents	558
Sum	1,199
Per 2021-12-31	
Accounts Receivables	370
Other non-current financial receivables	14
Cash and cash equivalents	290
Sum	674

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 2022-12-31				
Interest-bearing borrowings		–	2,109	2,109
Accounts payable - trade		–	352	352
Put/call-option debt*	3	2,034	–	2,034
Deferred considerations*	3	152	–	152
Other Liabilities		–	749	749
Total		2,186	3,210	5,396
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		1,156	1,709	2,864

* 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	2022-12-31	2021-12-31
Opening balance	106	83
Acquisitions in the period	154	75
Paid purchase prices	-111	-53
Expense/Reversal via income statement	-	-
Interest	-	-
Exchange rate differences	3	-
Closing balance	152	106

Option liabilities

MSEK	2022-12-31	2021-12-31
Opening balance	1,050	368
Acquisitions in the period	768	591
Paid purchase prices	-5	5
Expense/Reversal via equity in the balance sheet	162	85
Interest	-	-
Exchange rate differences	59	1
Closing balance	2,034	1,050

MSEK 16 of the option liabilities are to be exercised within 12 months, MSEK 565 between one and three years and MSEK 1,453 after more than three years.

Condensed Parent Company Income Statement

Röko AB, 559195-4812

MSEK	Q4		Full year	
	2022	2021	2022	2021
Other operating income*	-	-	19	9
Administrative expenses	-9	-8	-38	-26
Operating profit	-9	-8	-19	-17
Profit from shares in group companies**	74	64	325	194
Financial income	57	14	135	39
Financial expenses	-109	-19	-193	-43
Profit after financial items	14	51	248	173
Appropriations	-	-	-	-
Tax	-	-	-	-
Net profit for the period	14	51	248	173

* 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	2022-12-31	2021-12-31
ASSETS		
Non-current assets		
Shares in group companies	6,419	3,686
Long-term receivables	6	5
Total non current assets	6,425	3,691
Current assets		
Receivables in group companies	1,391	728
Current tax receivables	1	1
Prepaid expenses/accrued Income	1	-
Cash and cash equivalents	34	87
Total current assets	1,427	816
TOTAL ASSETS	7,851	4,507
EQUITY AND LIABILITIES		
Restricted equity		
Equity	1	1
Total restricted equity	1	1
Non-restricted equity		
Other contributed capital	3,254	1,833
Non restricted equity incl. net income	442	194
Total non-restricted equity	3,696	2,027
Total equity	3,697	2,027
Non-current liabilities		
Other non-current liabilities	1,765	1,045
Total non-current liabilities	1,765	1,045
Current liabilities		
Debt to credit institutions	2,118	1,043
Accounts payable	3	2
Liabilities to group companies	114	91
Current tax liabilities	-	1
Other current liabilities	154	294
Accrued expenses and prepaid Income	0	5
Total current liabilities	2,389	1,435
TOTAL EQUITY AND LIABILITIES	7,851	4,507

Parent Company Statement of changes in equity

MSEK	Share capital	Other contributed capital	Non. Restr equity	Share premium account	Total
Opening balance per 2021-12-31	1	1,833	194	–	2,027
Net profit for the period	–	–	248	–	248
Other comprehensive income					
Transactions with owners					
Shareholder's contribution	–	1,433	–	–	1,433
Transaction costs	–	-12	–	–	-12
Closing balance per 2022-12-31	1	3,254	442	–	3,697

Key Performance Indicators

	Q4		Full year	
	2022	2021	2022	2021
Net sales for the period, MSEK	1,270	677	4,316	2,083
RTM* Net sales, MSEK	5,259		5,259	
Adj. EBITA*, MSEK	215	115	787	403
Adj. EBITA* margin	17%	17%	18%	19%
RTM Adj. EBITA*, MSEK	1,005		1,005	
RTM Adj. EBITA* margin	19%		19%	
Adj. EBITDA*, MSEK	247	133	902	462
Adj. EBITDA* margin	19%	20%	21%	22%
Capital employed*, MSEK	7,909	4,259	7,909	4,259
Return on capital employed	12%	11%	13%	14%
Return on equity	8%	12%	14%	16%
Financial net debt*, MSEK	3,738	1,953	3,738	1,953
Interest-bearing net debt*, MSEK	1,552	798	1,552	798
Financial net debt*/ RTM Adj EBITDA, times	3.3x		3.3x	
Equity/assets ratio	36%	35%	36%	35%
Number of shares	13,484,000	13,484,000	13,484,000	13,484,000
Number of employees, end of the period	1,271	856	1,271	856

* See definitions on page 21

Definitions and objectives

The report includes financial key ratios that are based on IFRS (e.g. earnings per share) and in addition Röko also uses 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, annualized if the period is shorter than 12 months, divided by average equity, calculated as the average of the opening, and closing balance for the period.
Return on capital employed	Adj. EBITA for the period, annualized if the period is shorter than 12 months, divided by average capital employed for the period, calculated as the average of the opening, and closing balance for 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	Q4		Full year	
	2022	2021	2022	2021
Operating profit	170	84	612	311
Amortisation of intangible assets	43	26	148	73
Acquisition costs	2	4	27	19
Adj. EBITA	215	115	787	403

Adj. EBITDA compared with financial statements in accordance with IFRS

MSEK	Q4		Full year	
	2022	2021	2022	2021
Operating profit	170	84	612	311
Depreciation of tangible assets	32	18	115	58
<i>of which Depreciation of leasing rights</i>	18	5	61	24
Amortisation of intangible assets	43	26	148	73
<i>of which Amortisation of intangible assets from acq.</i>	42	21	139	68
Acquisition costs	2	4	27	19
Adj. EBITDA	247	133	902	462

Net debt compared with financial statements in accordance with IFRS

MSEK	2022-12-31	2021-12-31	2022-09-30	2021-09-30
Non-current interest-bearing liabilities	13	19	18	22
Current interest-bearing liabilities	2,096	1,068	1,729	929
Cash and cash equivalents	-558	-290	-402	-268
Interest-bearing net debt	1,552	798	1,345	683
Put/call debt for non-controlling shares and earn-out debt	2,186	1,156	1,573	820
Total Financial Net Debt	3,738	1,953	2,917	1,503

RTM Net sales and Adj. EBITA*

MSEK	Q4	Q3
	2022	2022
Net sales according to consolidated IS	4,316	3,723
Addition of non-consolidated net sales from January 1 / October 1 to the acquisition date		
Segment B2B	506	905
Segment B2C	436	184
RTM Net sales	5,259	4,811
Adj. EBITA Last Twelve Months	787	689
Addition of non-consolidated Adj. EBITA from January 1 / October 1 to the acquisition date		
Segment B2B	94	163
Segment B2C	124	63
Adj. RTM EBITA	1,005	915

Capital employed

MSEK	2022-12-31	2021-12-31	2022-09-30	2021-09-30
Constituents of Capital employed				
Equity	3,653	1,991	3,575	1,786
Interest-bearing debt	2,109	1,087	1,747	951
Leasing	518	316	497	312
Put/call debt for non-controlling shares and earn-out debt	2,186	1,155	1,573	820
Less cash	-558	-290	-402	-268
Capital employed	7,909	4,259	6,991	3,602
Average Capital employed (used for ROCE)**	6,084	2,965	5,625	2,636

**Average capital employed is calculated as the average of the opening balance and closing balance of capital employed for each period.

Return on capital employed (ROCE)

MSEK	Q4		Full year	
	2022	2021	2022	2021
Constituents of ROCE				
Adj. EBITA	215	115	788	403
Annualized Adj. EBITA	859	459	788	403
Average capital employed	7,446	4,062	6,085	2,965
ROCE in %	12%	11%	13%	14%

Organic growth

MSEK	Q4		Full year	
	2022	2021	2022	2021
Net sales, including sales for comparable companies***	752	673	1,478	1,314
FX impact	-34	0	-61	0
Organic revenue in fixed currency	718	673	1,417	1,314
<i>Organic growth constant currency</i>	7%		8%	
<i>Organic growth (actual currency)</i>	12%		12%	

* The twelve-month period referred to in 2022 is the reported financials for the Röko Group in the period from 1 January 2021 to 31 December 2022. For Q3 the period is from 1 October 2021 to 30 September 2022.

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

Financial calendar

Annual report 2022	28 April 2023
First quarter 2023	28 April 2023
Second quarter 2023	20 July 2023

Questions

CFO & Deputy CEO
Johan Bladh
johan@roko.se
+46 73 533 3573

Investor Relations
Andreas Larsson
ir@roko.se
+46 70 970 7555

Röko in brief

Röko is a perpetual owner of European small-and medium-sized businesses and today we own 22 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.