

Interim Report

January-September

2023

Röko AB, Org.nr 559195-4812

July-September

- Net sales increased 17% to MSEK 1,354 (1,157)
- Operating profit decreased 3% to MSEK 165 (170), due to seasonal variation of MSEK -50
- Adj. EBITA was MSEK 224 (224), due to seasonal variation of MSEK -50
- Adj. EBITA margin was 17% (19%)
- Net profit decreased to MSEK 103 (116)
- Earnings per share* decreased to SEK 7.39 (8.57), because of seasonally lower net profit in companies acquired since last year and increased number of shares

January-September

- Net sales increased 36% to MSEK 4,137 (3,046)
- Operating profit increased 37% to MSEK 604 (442)
- Adj. EBITA increased 35% to MSEK 774 (572)
- Adj. EBITA margin was 19% (19%)
- Net profit increased to MSEK 381 (313)
- Earnings per share* increased to SEK 27.91 (23.18)
- One acquisition with annual sales of MSEK 255 was completed during the period

Events after the period

No significant events have occurred after the period.

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 5,634 and RTM Adj. EBITA of MSEK 1,027.

Summary of financial performance

MSEK	Q3		Nine months		Full-year
	2023	2022	2023	2022	2022
Net sales	1,354	1,157	4,137	3,046	4,316
Operating profit	165	170	604	442	612
Earnings per share (SEK)*	7.39	8.57	27.91	23.18	28.60
Adj. EBITA	224	224	774	572	787
Adj. EBITA margin	17%	19%	19%	19%	18%
Net profit for the period	103	116	381	313	386

* Historical periods are restated based on the number of shares after the 1,000:1 split in January 2023. Earnings per share in the 2023 periods have been calculated with a new base of shares, following the new share issue in Q3.

Röko is a perpetual owner of European small and medium-sized businesses and today we own 23 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 23

Comments from the CEO

For the quarter, net sales increased 17% from MSEK 1,157 to MSEK 1,354, driven by acquisitions and exchange rate differences. The companies' organic sales shrunk 3% in local currency in the quarter and grew 4% in reported currency. For the nine months period, organic sales shrunk 3% and grew 2% in reported currency. No acquisitions were completed during the third quarter.

Acquisitions that were completed last year has a negative seasonal impact on the Adj. EBITA of MSEK 50 in the third quarter. There is no significant seasonal variation to Adj. EBITA during the first nine months. During the three-month period ending 30 September 2023 Adj. EBITA was unchanged and amounted to MSEK 224. The Adj. EBITA margin decreased slightly in the period. We always work with improving margins in all our business units. Cash flow from operational activities increased to MSEK 240 (93).

The relation between financial net debt (including put / call option debt and deferred considerations) and RTM Adj. EBITDA was 2.3x at the end of the period which is in line with our long-term target of being below 3.0x. Of the total financial net debt, the interest-bearing net debt amounts to 0.4x RTM Adj. EBITDA.

The put/call option debt and deferred consideration has decreased with MSEK 49 during the quarter. Exchange rate differences reduced the debt in the quarter by MSEK 48. In total the put / call option debt and deferred considerations amounted to MSEK 2,225 at the end of the quarter.

Return on capital employed was 13% for the first nine months and 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 high growth, mainly through acquisitions.

Röko's new share issue of MSEK 708, which was initiated in Q2 2023, was completed during the quarter, and added an additional MSEK 303 of cash from the shareholders. Following the completion of the new share issue Röko has repaid MSEK 1,038 of interest-bearing liabilities during the quarter. The additional capital has strengthened the financial position and provides ample financial room for additional acquisitions.

Earnings per share decreased during the quarter because of a negative seasonal impact of MSEK 50 relating to companies acquired since the third quarter last year and the increased number of shares from the new share issue.

Fredrik Karlsson
CEO
Stockholm, 27 October 2023

Group performance in July-September

Net sales increased to MSEK 1,354 (1,157) during the quarter, driven by acquisitions. Organic sales shrunk 3% in local currency in the quarter but measured in reported currency sales increased 4%. Earnings per share for the quarter decreased to SEK 7.39 (8.57). The earnings per share have been negatively impacted by negative seasonality in the B2C segment and the increased number of shares due to the new share issue in the period.

Operating profit decreased to MSEK 165 (170) during the period. Adj. EBITA was MSEK 224 (224). The Adj. EBITA margin declined to 17% (19%) and is explained by negative seasonality in acquired companies. Recent acquisitions impact the seasonality of the group's profit generation in 2023, with higher profits during the first two quarters and losses in the third quarter. By eliminating seasonal variation, EBITA in Q3 2023 would increase by ca MSEK 50. Röko's definition of Adj. EBITA does not include costs for acquisitions, see definitions on page 22. Acquisition-related costs amounted to MSEK 0 (-13) in the quarter.

Net interest on interest-bearing debt increased to MSEK -15 (-12), while net other financial items amounted to MSEK -4 (-10). Income tax increased to MSEK -43 (-33). The effective tax rate was 29% (27%). Net profit for the period decreased to MSEK 103 (116).

Capital employed decreased by 4% during the quarter to MSEK 8,361 (8,722), largely driven by cash generation in the group. Return on Capital Employed* (ROCE) amounted to 11% in Q3 2023. Quarterly ROCE can be misleading due to timing of acquisitions and seasonality in group companies.

From 2023-06-30 to 2023-09-30, the Group's interest-bearing net debt decreased by MSEK 533 to MSEK 454. In the period, the Group's put/call option debt for shares relating to non-controlling interests and earn-out obligation decreased by MSEK 49 to MSEK 2,225.

The cash flow from operational activities increased to MSEK 240 (93) and cash amounted to MSEK 525 at the end of the period.

Group performance in January-September

Net sales increased to MSEK 4,137 (3,046) during the nine months period, driven by acquisitions. Organic sales shrunk 3% in local currency in the period, but sales increased 2% in reported currency. Earnings per share for the quarter increased to SEK 27.91 (23.18), with positive contribution from acquisitions and a negative impact from the new share issue.

Operating profit increased to MSEK 604 (442) during the period. Adj. EBITA increased to MSEK 774 (572). There is no significant seasonal variation to Adj. EBITA during the first nine months. The Adj. EBITA margin was 19% (19%). Röko's definition of Adj. EBITA does not include costs for acquisitions, see definitions on page 22. Acquisition-related costs amounted to MSEK 6 (26) in the period.

Net interest on interest-bearing debt increased to MSEK -65 (-25), while net other financial items amounted to MSEK -28 (-16). Röko's interest expenses have increased during the first six-months, solely explained by the increase in the reference rates from central banks. Income tax increased to MSEK -129 (-88). The effective tax rate was 25% (22%) and is explained by the increased corporate tax rate in the UK. Net profit for the period grew to MSEK 381 (313).

Capital employed increased by 5% from 2022-12-31 to 2023-09-30 to MSEK 8,361 (7,944), driven by acquisitions and exchange rate differences. Return on Capital Employed* (ROCE) amounted to 13% in September 2023.

From 2022-12-31 to 2023-09-30, the Group's interest-bearing net debt decreased by MSEK 1,133 to MSEK 454. In the period, the Group's put/call option debt for shares relating to non-controlling interests and earn-out obligation increased by MSEK 39 to MSEK 2,225.

The cash flow from operational activities increased to MSEK 668 (305) and cash amounted to MSEK 525 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 2.3x, 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. Interest-bearing net debt in relation to RTM Adj. EBITDA is 0.4x.

During the period Röko completed the acquisition of Godiva, a UK-based distributor of bearings, financed solely with cash from the balance sheet.

*) Return on capital employed for the third quarter and the first nine months of 2023 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 24-25.

Segment Overview

Net Sales MSEK	Q3		Nine months		Full-year
	2023	2022	2023	2022	2022
Segment B2B	940	781	2,724	2,037	2,965
Segment B2C	415	376	1,412	1,009	1,351
Net Sales	1,354	1,157	4,137	3,046	4,316
Adj. EBITA MSEK	Q3		Nine months		Full-year
	2023	2022	2023	2022	2022
Segment B2B	175	149	512	402	574
Segment B2C	57	87	288	200	256
Adj. EBITA*	231	236	800	602	830
Central costs	-7	-12	-26	-29	-43
Group Adj. EBITA*	224	224	774	572	787

*) 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. The amortization of intangible assets related to acquisitions amounted to MSEK 54 (38), and the acquisition costs were MSEK 0 (13) in the quarter. For the first nine months, the amortization of intangible assets related to acquisitions amounted to MSEK 156 (98), and the acquisitions costs were MSEK 6 (26) for the period.

The Röko Group consists of 23 business units in different industries and no single customer or industry is individually significant to the group.

Quarterly Adj. EBITA increased to MSEK 175 (149) for Segment B2B and decreased to MSEK 57 (87) for Segment B2C before the allocation of central group costs. By eliminating seasonal variation, Adj. EBITA for Segment B2C would increase ca MSEK 50 in 2023. Central group costs amounted to MSEK 7 (12) in the quarter. For the first nine months, Adj. EBITA increased to MSEK 512 (402) for Segment B2B and increased to MSEK 288 (200) for Segment B2C before the allocation of central group costs. Central group costs amounted to MSEK 26 (29) for the period.

B2B performance in July-September

The B2B segment includes 15 business units of which all were included at the start of the period. Net sales increased to MSEK 940 (781) during the period, driven by acquisitions and with positive contribution from exchange rates. Adj. EBITA increased in the quarter, driven by acquisitions and with positive contribution from exchange rates. The B2B companies have worked with pricing initiatives to safeguard profit margins, partly at the expense of slower organic growth. The segment Adj. EBITA is stated before central costs.

B2C performance in July-September

The B2C segment includes eight business units of which all were included at the start of the period. Net sales increased to MSEK 415 (376) during the period, driven by acquisitions and with positive contribution from exchange rates. Adj. EBITA decreased due to seasonality which negatively impact the business segment's Adj. EBITA with ca MSEK 50 in the quarter. Some B2C companies experience slower demand and struggle to pass on cost increases fully. The segment Adj. EBITA is stated before central costs.

B2B performance in January-September

The B2B segment includes 15 business units of which one was consolidated in the period. Net sales increased to MSEK 2,274 (2,037) during the period, driven by acquisitions 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 customers in full during the period. The segment Adj. EBITA is stated before central costs.

B2C performance in January-September

The B2C segment includes eight business units of which all were included at the start of the period. Net sales increased to MSEK 940 (781) during the period, driven by acquisitions and with positive contribution from exchange rates. Adj. EBITA increased during the period. Several companies in the segment experienced slower demand in the period, and hence difficulties to pass on input-cost increases 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 7 employees and recorded a net profit of MSEK 147 (234) in the first nine months of 2023, of which 131 (26) in the third quarter. The decline in net profit is mostly explained by exchange rate differences on financial net debt related to acquisitions in foreign currencies. Röko AB received MSEK 82 (40) in dividends during the third quarter and MSEK 339 (251) during the first nine months. Röko AB received MSEK 176 (125) in repayments of loans from the companies in the group during the nine months period year 2023. Röko AB has converted an MSEK 400 loan to a wholly owned subsidiary to equity contribution.

Employees

At the end of the period, the number of employees in the Group was 1,377 (1,271 in December 2022). Acquisitions have added 55 employees since the beginning of the year.

Events after the end of the reporting period

No events have occurred after the end of the period.

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 114 in the quarter. Röko has entered into commercial agreements with related parties to the companies in the Group with an amount equal to MSEK 1 for the quarter. The related party transactions are mostly relating to lease of properties for the companies' facilities. Loans from related parties arising from acquisitions amount to MSEK 8. Röko's shareholders have contributed MSEK 303 (738) in equity injections, of which MSEK 303 (0) in the share issue completed in the quarter. The new share issue has increased the number of outstanding shares with 10% to 14,832,500 shares. Röko's shareholders have contributed MSEK 1,189 (1,271) in equity injections 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. Fredrik Karlsson's holding company, Gjusböte AB, have contributed MSEK 0 (42) during the quarter and MSEK 35 (72) during the first nine months. Tomas Billing's holding company, Smöla AB, have contributed MSEK 21 (42) during the quarter and MSEK 35 (72) during the first nine months.

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 454, which equals 0.4x RTM Adj. EBITDA. An increase of the interest rate with 1% on Röko's interest-bearing debt would impact our net profit with MSEK -8 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 525 in cash and an additional MSEK 250 as an undrawn revolving credit facility.

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 14 and Note 3 and 4 in the Annual Report for 2022.

Seasonal variations

The group's income exhibits seasonal variations, in particular relating to the B2C segment. The first and second quarter are normally stronger, and the third quarter weaker, on a comparable basis.

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 24-28 in the 2022 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 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, 27 October 2023

Tomas Billing
Chairman of the Board

Peter Sterky
Director

Fredrik Karlsson
Director and CEO

Lilian Biner
Director

Angela Langemar Olsson
Director

Financial statements

Condensed Consolidated Income Statement

MSEK	Q3		Nine months		Full-year
	2023	2022	2023	2022	2022
Net sales	1,354	1,157	4,137	3,046	4,316
Cost of goods and services sold	-825	-706	-2,479	-1,869	-2,668
Gross profit	530	451	1,657	1,177	1,648
Sales and marketing expenses	-158	-120	-456	-328	-474
Administrative expenses	-179	-135	-515	-347	-482
Other operating income and expenses	0	6	1	11	18
Other operating expenses	-28	-32	-84	-73	-98
Operating profit	165	170	604	442	612
Net Interest on interest-bearing debt	-15	-12	-65	-25	-41
Net other financial items*	-4	-10	-28	-16	-18
Profit before tax	146	148	510	401	554
Tax	-42	-33	-129	-88	-168
Net profit for the period	103	116	381	313	386
Profit attributable to:					
Parent Company shareholders	103	116	381	313	386
Non-controlling interests	-	-	-	-	-
Profit for the period	103	116	381	313	386
Earnings per share before and after dilution for the period, attributable to Parent Company shareholders (SEK)**	7.39	8.57	27.91	23.18	28.60

*Interest on leasing obligations and currency gains / losses on revaluations of financial debt, including earn-out obligations

**Per share data for the historical periods have been re-stated based on the 1,000:1 share split. 2023 numbers after the new share issue completed in Q3 2022 have been calculated with the average number of shares for the respective periods.

Consolidated Statement of Comprehensive Income

MSEK	Q3		Nine months		Full-year
	2023	2022	2023	2022	2022
Net profit for the period	103	116	381	313	386
Other comprehensive income					
Items that can later be reclassified to profit or loss:					
Hedge of net investments	-2	-	-40	-	-
Tax related to hedge of net investments	-	-	-	-	-
Hedge of debt	13	-	-51	-	-
Tax related to hedge of debt	-	-	-	-	-
Translation differences	-141	46	188	92	143
Other comprehensive income	-129	46	96	92	143
Total comprehensive income for the period	-26	161	477	405	529
Comprehensive income attributable to:					
Parent Company shareholders	-26	161	477	405	529

Condensed Consolidated Balance Sheet

MSEK	2023-09-30	2022-09-30	2022-12-31
ASSETS			
Non-current assets			
Intangible assets	7,548	6,037	7,339
Tangible assets	718	708	747
Other long-term securities and receivables	43	25	15
Total non-current assets	8,309	6,770	8,101
Current assets			
Inventories	922	805	843
Accounts receivables	651	610	597
Other current receivables	32	48	28
Prepaid expenses/accrued Income	55	41	53
Cash and cash equivalents	525	402	558
Total current assets	2,184	1,907	2,079
TOTAL ASSETS	10,494	8,677	10,180
EQUITY AND LIABILITIES			
Equity			
Share capital	1	1	1
Other contributed capital	4,443	3,104	3,254
Translation reserve	269	122	173
Non restricted equity incl. net income	463	348	226
Equity attributable to parent company shareholders	5,176	3,575	3,653
Non-controlling interest	–	–	–
Total equity	5,176	3,575	3,653
Non-current liabilities			
Non-current interest-bearing liabilities incl. leasing	435	449	460
Other non-current liabilities, put/call debt and earn-out liabilities	2,162	1,544	2,034
Deferred tax liability	756	558	719
Other provisions, non-current	5	1	4
Total non-current liabilities	3,358	2,551	3,217
Current liabilities			
Current interest-bearing liabilities incl. leasing	1,051	1,795	2,202
Accounts payable	337	319	352
Advances from customers	76	26	198
Current tax liabilities	74	121	67
Other current liabilities, put/call debt and earn-out liabilities	226	152	321
Accrued expenses and prepaid Income	196	138	168
Total current liabilities	1,960	2,551	3,309
TOTAL EQUITY AND LIABILITIES	10,494	8,677	10,180

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	-	-	-	313	313
Other comprehensive income					
Items which can later be reclassified to profit or loss					
Hedge of net investments	-	-	-	-	-
Tax related to hedge of net investments	-	-	-	-	-
Hedge of debt	-	-	-	-	-
Tax related to hedge of debt	-	-	-	-	-
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
Opening balance per 2023-01-01	1	3,254	173	226	3,653
Net profit for the period	-	-	-	381	381
Other comprehensive income					
Items which can later be reclassified to profit or loss					
Hedge of net investments**	-	-	-40	-	-40
Tax related to hedge of net investments**	-	-	-	-	-
Hedge of debt**	-	-	-51	-	-51
Tax related to hedge of debt**	-	-	-	-	-
Translation differences**	-	-	188	-	188
Total other comprehensive income	-	-	96	381	477
Total comprehensive income for the period	-	-	96	381	477
Transactions with owners					
Shareholder's contribution	-	1,189	-	-	1,189
Transaction costs relating to capital increase	-	-	-	-	-
Revaluation of liabilities to non-controlling interests*	-	-	-	-144	-144
Closing balance per 2023-09-30	1	4,443	269	463	5,176

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

**Translation differences amount to MSEK 360, hedge of net investments to MSEK -40 and hedge of debt to -51 at 2023-09-30.

Condensed Consolidated Statement of Cash Flows

MSEK	Q3		Nine months		Full-year
	2023	2022	2023	2022	2022
Operating activities					
Operating profit	165	170	604	442	612
Non-cash items	100	73	273	187	262
Other financial items	-0	-8	-1	-6	-6
Interest received	4	0	9	0	2
Interest paid	-25	-16	-91	-38	-63
Tax paid	-42	-25	-153	-93	-189
Cash flow before changes in working capital	201	194	641	492	618
Changes in working capital					
Increase/decrease in inventory	18	-33	56	-104	-84
Increase/decrease in receivables	-34	1	15	-14	11
Increase/decrease in accounts payable	54	-69	-43	-68	-30
Total change in working capital	38	-101	27	-187	-103
Cash flow from operating activities	240	93	668	305	515
Investing activities					
Investments in intangible assets	-0	-0	-19	-1	-1
Divestments of intangible assets	0	-	2	0	0
Investments in tangible assets	-11	-10	-44	-36	-49
Divestments of tangible assets	1	-	5	-	0
Acquisition of subsidiaries after subtracting cash	-0	-1,015	-301	-1,905	-2,438
Divestments of subsidiaries	-	-	1	3	3
Changes in non-current assets	5	-	6	-	0
Cash flow from investing activities	-5	-1,027	-349	-1,940	-2,486
Financing activities					
Shareholder's contribution	303	738	1,189	1,273	1,421
Debt issued	2	386	2	762	1,187
Debt repayment	-1,038	-107	-1,219	-183	-242
Other financing activities	20	-10	-203	-16	-9
Payments to non-controlling interests	-27	-20	-144	-92	-125
Cash flow from financing activities	-740	988	-374	1,744	2,231
Cash flow of the period	646	54	-56	109	260
Cash and cash equivalents at beginning of period	1,042	345	558	290	290
Translation differences	-11	4	22	4	8
Cash and cash equivalents at end of period	525	402	525	402	558

Business Segments

MSEK	Q3		Nine months		Full-year
	2023	2022	2023	2022	2022
Segment B2B	175	149	512	402	574
Segment B2C	57	87	288	200	256
Central Group functions	-7	-12	-26	-29	-43
Adj. EBITA*	224	224	774	572	787
Amortisation of intangible assets	-59	-41	-165	-105	-148
<i>Amortization of intangible assets arising from acquisitions</i>	-54	-38	-156	-98	-139
Acquisition related costs	0	-13	-6	-26	-27
Operating profit	165	170	604	442	612
Net financial items	-19	-22	-94	-41	-58
Profit before tax	146	148	510	401	554

*) 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 59 (54) in the quarter and MSEK 171 (131) for the first nine months.

The Röko Group consists of 23 business units in different industries and no single customer or industry is individually significant to the group.

Quarterly Adj. EBITA increased to MSEK 175 (149) for Segment B2B and decreased to MSEK 57 (87) for Segment B2C, before allocation of central group function costs. Central group costs decreased from MSEK 12 to MSEK 7. Central group function costs decrease as a share of Adj. EBITA. In July Adj. EBITA increased to MSEK 512 (402) for Segment B2B and increased to MSEK 288 (200) for Segment B2C, before allocation of central group function costs. Central group costs decreased from MSEK 29 to MSEK 26. Central group function costs decrease as a share of Adj. EBITA.

Segmentation of net sales

MSEK	Q3		
	B2B	B2C	Total
Over time	166	159	326
At a specific point in time	773	256	1,029
Net Sales Q3 2023	940	415	1,354

MSEK	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	Nine months		
	B2B	B2C	Total
Over time	252	159	411
At a specific point in time	2,472	1,253	3,725
Net Sales in Jan-Sep 2023	2,724	1,412	4,137

MSEK	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

Recognition of net sales over time

MSEK	Q3		
	B2B	B2C	Total
Products	889	409	1,297
Services	51	6	57
Net Sales Q3 2023	940	415	1,354

MSEK	B2B	B2C	Total
Products	703	319	1,059
Services	78	26	98
Net Sales Q3 2022	781	289	1,157

MSEK	Nine months		
	B2B	B2C	Total
Products	2,509	1,361	3,869
Services	216	51	267
Net Sales in Jan-Sep 2023	2,724	1,412	4,137

MSEK	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

Acquisitions January-September 2023

23 business units were consolidated as per 2023-09-30. During the period, one acquisition was completed. Godiva, a UK-based company was acquired and consolidated at the end of the first quarter. During the period Röko acquired shares in a subsidiary from a non-controlling shareholder in accordance with a put/call option agreement and received a payment for a reduction in purchase price for an acquisition in 2022. Acquisition-related costs amounted to MSEK 0 (13) in the third quarter and amounted to MSEK 6 (26) in the nine months period.

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 January 1st 2023

	Carrying amount	Value adjustment	Fair value
Trademarks, customer relationships, licences	-	73	73
Tangible assets	2	-	2
Inventories, accounts receivable and other receivables	158	-	158
Accounts payable and other liabilities	-35	-	-35
Deferred tax	-0	-18	-19
Adjustments to previous acquisitions	8	-	8
Cash and cash equivalents	76	-	76
Net assets	208	55	263
Goodwill	-	89	89
Total net assets	208	144	352
Put/call option debt for non-controlling interests	-	-71	-71

Cash flow effect

	MSEK
Purchase price	-281
<i>o/w withheld purchase price</i>	3
Cash in acquired companies	76
Total cash flow effect	-202
Cash paid for acquisitions in previous periods	-99

Acquisitions

Consolidated in month	Acquisitions	Segment	Net Sales RTM (MSEK)	Employees	Röko ownership
March	Godiva Ltd	B2B	255	68	75%

Godiva is a UK-based distributor of bearings and spare parts for automotive and industrial customers. The acquisition completed during the period have added MSEK 126 of sales, MSEK 27 in Adj. EBITA and MSEK 23 of operating profit for the period. If the company would have been consolidated since January 1, 2023, it would have added an additional MSEK 68 of sales, MSEK 11 of Adj. EBITA and MSEK 10 to operating profit for the 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 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	2023-09-30	2022-09-30
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	487	497
Total	487	497
Lease liabilities		
Long term (reported as non-current liabilities in the Balance Sheet)	426	431
Short term (reported as current liabilities in the Balance Sheet)	80	66
Total lease liabilities	506	497
	Nine months	
MSEK	2023	2022
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	63	43
Total	63	43
Interest expense	16	12

Financial assets in the balance sheet

MSEK	Financial assets at amortised cost
Per 2023-09-30	
Accounts Receivables	651
Other non-current financial receivables	43
Cash and cash equivalents	525
Sum	1,219
Per 2022-12-31	
Accounts Receivables	597
Other non-current financial receivables	15
Cash and cash equivalents	558
Sum	1,169
Per 2022-09-30	
Accounts Receivables	610
Other non-current financial receivables	25
Cash and cash equivalents	402
Sum	1,036

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 2023-09-30				
Interest-bearing borrowings		–	980	980
Accounts payable - trade		–	337	337
Put/call-option debt*	3	2,162	–	2,162
Deferred considerations*	3	63	–	63
Other liabilities**		–	756	756
Total		2,225	2,073	4,298
Per 2022-12-31				
Interest-bearing borrowings		–	2,145	2,145
Accounts payable - trade		–	352	352
Put/call-option debt*	3	2,034	–	2,034
Deferred considerations*	3	152	–	152
Other liabilities**		–	719	719
Total		2,186	3,215	5,401
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

* 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.

** Other liabilities consist of acquisition related deferred tax liabilities and other deferred tax liabilities

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	2023-09-30	2022-12-31
Opening balance	152	106
Acquisitions in the period	3	154
Paid purchase prices	-99	-111
Expense/Reversal via income statement	-	-
Interest	-	-
Exchange rate differences	7	-
Closing balance	63	152

Option liabilities

MSEK	2023-09-30	2022-12-31
Opening balance	2,034	1,050
Acquisitions in the period	85	762
Divestments in the period (management purchases)	1	6
Paid purchase prices	-14	-5
Expense/Reversal via equity in the balance sheet	-	162
Interest	-	-
Exchange rate differences	56	59
Closing balance	2,162	2,034

MSEK 111 of the option liabilities are to be exercised within 12 months, MSEK 531 between one and three years and MSEK 1,583 after more than three years.

Condensed Parent Company Income Statement

Röko AB, 559195-4812

MSEK	Q3		Nine months		Full-year
	2023	2022	2023	2022	2022
Other operating income*	-	4	25	19	19
Administrative expenses	-6	-12	-23	-29	-38
Operating profit	-6	-9	2	-10	-19
Profit from shares in group companies**	82	40	339	251	325
Financial income	92	28	177	78	135
Financial expenses	-37	-34	-371	-85	-193
Profit after financial items	131	26	147	234	248
Appropriations	-	-	-	-	-
Tax	-	-	-	-	-
Net profit for the period	131	26	147	234	248

* 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	2023-09-30	2022-09-30	2022-12-31
ASSETS			
Non-current assets			
Shares in group companies	7,151	5,260	6,419
Long-term receivables	7	10	6
Total non current assets	7,158	5,270	6,425
Current assets			
Receivables in group companies	919	1,426	1,391
Current tax receivables	–	1	1
Prepaid expenses/accrued Income	1	1	1
Cash and cash equivalents	225	90	34
Total current assets	1,145	1,518	1,427
TOTAL ASSETS	8,303	6,789	7,851
EQUITY AND LIABILITIES			
Restricted equity			
Equity	1	1	1
Total restricted equity	1	1	1
Non-restricted equity			
Other contributed capital	3,735	3,104	3,254
Non restricted equity incl. net income	589	428	442
Share premium account	708	–	–
Total non-restricted equity	5,032	3,532	3,696
Total equity	5,033	3,533	3,697
Non-current liabilities			
Other non-current liabilities	1,903	1,430	1,765
Total non-current liabilities	1,903	1,430	1,765
Current liabilities			
Debt to credit institutions	955	1,709	2,118
Accounts payable	1	2	3
Liabilities to group companies	346	85	114
Current tax liabilities	–	–	–
Other current liabilities	65	30	154
Accrued expenses and prepaid Income	–	0	0
Total current liabilities	1,367	1,826	2,389
TOTAL EQUITY AND LIABILITIES	8,303	6,789	7,851

Parent Company Statement of changes in equity

MSEK	Share capital	Other contributed capital	Non. Restr equity	Share premium account	Total
Opening balance per 2022-01-01	1	1,833	194	-	2,028
Net profit for the period	-	-	234	-	234
Other comprehensive income					
Transactions with owners					
Shareholder's contribution	-	1,283	-	-	1,283
Share issue	-	-	-	-	-
Transaction costs	-	-12	-	-	-12
Closing balance per 2022-09-30	1	3,104	428	-	3,533
Opening balance per 2023-01-01	1	3,254	442	-	3,697
Net profit for the period	-	-	147	-	147
Other comprehensive income					
Transactions with owners					
Shareholder's contribution	-	481	-	-	481
Share issue	-	-	-	708	708
Transaction costs	-	-	-	-	-
Closing balance per 2023-09-30	1	3,735	589	708	5,033

Key Performance Indicators

	Q3		Nine months		Full-year
	2023	2022	2023	2022	2022
Net sales for the period, MSEK	1,354	1,157	4,137	3,046	4,316
RTM* Net sales, MSEK	5,634	4,811	5,634	4,811	5,259
Adj. EBITA*, MSEK	224	224	774	572	787
Adj. EBITA* margin	17%	19%	19%	19%	18%
RTM Adj. EBITA*, MSEK	1,027	915	1,027	915	1,005
RTM Adj. EBITA* margin	18%	19%	18%	19%	19%
Adj. EBITDA*, MSEK	264	256	881	655	902
Adj. EBITDA* margin	20%	22%	21%	21%	21%
Capital employed*, MSEK	8,362	6,991	8,362	6,991	7,944
Return on capital employed	11%	14%	13%	13%	13%
Return on equity	8%	15%	12%	15%	14%
Financial net debt*, MSEK	2,680	2,917	2,680	2,917	3,773
Interest-bearing net debt*, MSEK	454	1,345	454	1,345	1,587
Financial net debt*/ RTM Adj EBITDA, times	2.3x	2.8x	2.3x	2.8x	3.3x
Interest-bearing net debt*/ RTM Adj EBITDA, times	0.4x	1.3x	0.4x	1.3x	1.5x
Equity/assets ratio	49%	41%	49%	41%	36%
Number of shares, average	13,973,016	13,484,000	13,647,605	13,484,000	13,484,000
Number of shares, end of the period	14,832,500	13,484,000	14,832,500	13,484,000	13,484,000
Number of employees, end of the period	1,377	1,141	1,377	1,141	1,271

* See definitions on page 23.

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 KPIN - 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 KPIN 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 KPIN 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 KPIN 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 KPIN 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 23.

Adj. EBITA compared with financial statements in accordance with IFRS

MSEK	Q3		Nine months		Full-year
	2023	2022	2023	2022	2022
Operating profit	165	170	604	442	612
Amortisation of intangible assets related to acquisitions	59	41	165	105	148
Acquisition costs	0	13	6	26	27
Adj. EBITA	224	224	774	572	787

Adj. EBITDA compared with financial statements in accordance with IFRS

MSEK	Q3		Nine months		Full-year
	2023	2022	2023	2022	2022
Operating profit	165	170	604	442	612
Depreciation of tangible assets	40	32	107	82	115
<i>of which Depreciation of leasing rights</i>	25	18	63	43	61
Amortisation of intangible assets	59	41	165	105	148
<i>of which Amortisation of intangible assets from acq.</i>	54	38	156	98	139
Acquisition costs	0	13	6	26	27
Adj. EBITDA	264	256	881	655	902

Net debt compared with financial statements in accordance with IFRS

MSEK	2023-09-30	2022-09-30	2023-06-30	2022-06-30	2022-12-31
Non-current interest-bearing liabilities	9	263	10	171	13
Current interest-bearing liabilities	970	688	2,019	808	2,132
Cash and cash equivalents	-525	-268	-1,042	-701	-558
Interest-bearing Net Debt	454	683	987	279	1,587
Put/call debt for non-controlling shares and earn-out debt	2,225	820	2,274	712	2,186
Total Financial net debt	2,680	1,503	3,261	991	3,773

RTM Net Sales and RTM Adj. EBITA*

MSEK	Q3		Full-year
	2023	2022	2022
Net sales according to consolidated IS	5,406	3,723	4,316
Addition of non-consolidated Net Sales from July 1 (January 1 for Full year) to the acquisition date			
Segment B2B	128	905	506
Segment B2C	100	184	436
RTM Net Sales	5,634	4,811	5,259
Adj. EBITA Last Twelve Months	989	689	787
Addition of non-consolidated Adj. EBITA from July 1 (January 1 for Full year) to the acquisition date			
Segment B2B	9	163	94
Segment B2C	30	63	124
RTM Adj. EBITA	1,027	915	1,005

Capital employed

MSEK	2023-09-30	2022-09-30	2023-06-30	2022-12-31
Constituents of Capital employed				
Equity	5,176	3,575	4,926	3,653
Interest-bearing debt	980	1,747	2,029	2,145
Leasing	506	497	534	518
Put/call debt for non-controlling shares and earn-out debt	2,225	1,573	2,274	2,186
Less cash	-525	-402	-1,042	-558
Capital employed	8,362	6,991	8,722	7,944
Average Capital employed (used for ROCE)**	8,153	5,625	8,333	6,102

Return on capital employed

MSEK	Q3		Nine months		Full-year
	2023	2022	2023	2022	2022
Constituents of ROCE					
Adj. EBITA	224	224	774	572	787
Annualized Adj. EBITA	898	896	1,032	763	787
Average capital employed	8,542	6,275	8,153	5,719	6,197
ROCE in %	11%	14%	13%	13%	13%

Organic growth

MSEK	Q3		Nine months		Full-year
	2023	2022	2023	2022	2022
Net sales, including sales for comparable companies***	1,105	1,058	2,697	2,652	1,478
FX impact	-81		-131		-61
Organic sales in constant currency	1,024	1,058	2,566	2,652	1,417
<i>Organic growth constant currency</i>	-3%		-3%		8%
<i>Growth comparable companies (actual currency)</i>	4%		2%		12%

* The twelve-month period referred to is the reported financials for the Röko Group in the period from 1 October 2022 / 2021 to 30 September 2023 / 2022. For full year the period is from 1 January 2022 to 31 December 2022.

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

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

Financial calendar

Year-end 2023	16 February 2023
Annual Report 2023	29 March 2024
First-quarter 2024	26 April 2024

Questions

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Röko in brief

Röko is a perpetual owner of European small-and medium-sized businesses and today we own 23 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.