

Year-end report 2021

Röko AB, Org.nr 559195-4812

January-December

- Net sales increased 239 percent to MSEK 2 083 (614) and the organic growth was 13 percent
- EBITA increased 224 percent to MSEK 403 (125)
- EBITA margin was 19 percent (20)
- Net profit increased 287 percent to MSEK 217 (56)
- Earnings per share increased 287 percent to TSEK 32 (8)

Pro forma

During the last twelve months, Röko generated Pro forma net sales of MSEK 3 136 (1 146) and Pro forma EBITA of MSEK 606 (219). Pro forma figures include figures for twelve months for all companies that Röko has acquired up until 31 December 2021, i.e., that are in the consolidated balance sheet per 31 December 2021.

Summary of financial performance

MSEK	Full year	
	2021	2020
Net sales Pro forma	3 136	1 146
Net sales	2 083	614
EBITA Pro forma	606	219
EBITA	403	125
EBITA margin Pro forma	19%	19%
EBITA margin	19%	20%
Net profit for the period	217	56
Earnings per share (TSEK)	32	8
Return on capital employed	14%	9%

Comments from the CEO

For the twelve-month period of 2021 net sales increased 239 percent to MSEK 2 083 (614), driven by acquisitions and organic growth. During this period Röko acquired nine companies, located in the UK, Denmark, and the Netherlands. Exchange rates affected net sales marginally.

During the twelve-month period of 2021 EBITA increased 224% to MSEK 403 (125) driven by acquisitions and organic growth.

Fredrik Karlsson
CEO

Group performance in January-December

Net sales increased 239 percent to MSEK 2 083 (614) during the period.

EBITA increased 224 percent to MSEK 403 (125). The EBITA margin was 19 (20) percent.

Net profit for the period grew 287 percent to MSEK 217 (56).

Capital employed increased by 167 percent during the period to MSEK 4 260 (1 593). Return on Capital Employed* (ROCE) increased from 9 percent in 2020 to 14 percent in 2021.

From 31 December 2021, the Group's interest-bearing net debt increased by MSEK 454 to MSEK 798.

From 31 December 2021, the Group's minority debt increased by MSEK 787 to MSEK 1 155.

*) Return on capital employed for 2021 and 2020 have been calculated based on the opening and closing balance for each full year.

Other financial information

Employees

At the end of the twelve-month period, the number of employees was 846 (248).

Events after the end of the reporting period

After the year ended, Röko AB has acquired Brownell Limited and ETB Technologies Ltd. The total turnover for both companies amounted to MGBP 24 in 2021.

Related party transactions

No significant transactions with related parties took place during the period.

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. Röko is also exposed to financial risks, including currency risks, interest rate risks, credit, and counterparty risks.

The Parent Company is affected by the above risks and uncertainties in its capacity as owner of the subsidiary companies.

Accounting policies

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. Rounding may cause differences in presented figures. This Year-end report has not been audited by Röko's auditors.

Financial calendar

Year-end report 2021	28 February 2022
Annual report for 2021	31 May 2022
Report for the first quarter 2022	31 May 2022
Report for the second quarter 2022	31 August 2022

Questions

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Röko in brief

Röko is a Sweden-based investment company with 270 MEUR of capital. We are a perpetual owner of European small- and medium-sized businesses and today we own 18 companies in a variety of industries across Europe. Our team has more than 100 years of combined experience working with owner-managed businesses across a broad range of industries.

Financial statements

Condensed consolidated income statement

MSEK	2021	2020
Net sales	2 083	614
Cost of goods and services sold	-1 293	-310
Gross profit	790	304
Sales and marketing expenses	-203	-109
Administrative expenses	-247	-99
Other operating income and expenses	-28	-8
Operating profit	312	89
Net financial items	-26	-14
<i>of which leasing interest</i>	<i>-13</i>	<i>-6</i>
Profit before tax	286	75
Tax	-69	-18
Net profit for the period	217	56
Profit attributable to:		
Parent Company shareholders	217	56
Earnings per share before and after dilution for the period, attributable to Parent Company shareholders (TSEK)	32	8
EBITA	403	125
Depreciation of tangible assets	-58	-26
<i>of which depreciation of leasing assets</i>	<i>-24</i>	<i>-13</i>
Amortisation of intangible assets	-73	-31
<i>of which Amortisation of intangible assets arising from acquisitions</i>	<i>-68</i>	<i>-27</i>

Consolidated statement of comprehensive income

MSEK	2021
Net profit for the period	217
Other comprehensive income	
<i>Items that can later be reclassified to profit or loss:</i>	
Translation differences	25
Tax related to other comprehensive income	-
Total comprehensive income for the period	242
<i>Comprehensive income attributable to:</i>	
Parent Company shareholders	242

Segment overview

Net Sales MSEK	Jan-Dec		Pro forma
	2021	2020	2021
Segment B2B	1 177	415	2 020
Segment B2C	906	198	1 115
Net Sales	2 083	614	3 136

EBITA MSEK	Jan-Dec		Pro forma
	2021	2020	2021
Segment B2B	242	91	399
Segment B2C	190	48	235
Central Group functions	-29	-15	-29
EBITA*	403	125	606

*) Segmental EBITA does not include amortization of intangible assets arising from the acquisition, acquisition costs and other acquisition-related items which are reported as part of the operating income in the consolidated financial statements. They amount to MSEK 92 and MSEK 32 in total for each period respectively.

The Röko Group consists of 16 business units in different industries and no single customer or industry is of substance. No single business unit uses any percentage of completion (POC reservation).

EBITA increased 166 percent to MSEK 242 (91) for Segment B2B and 293 percent to MSEK 190 (48) for Segment B2C, before allocation of central group function costs.

Condensed consolidated balance sheet

MSEK	31 Dec 2021	31 Dec 2020
ASSETS		
Intangible assets	3 985	1 506
Tangible assets	506	251
<i>of which leasing assets</i>	316	162
Financial assets	14	4
Total non-current assets	4 505	1 761
Inventories	424	86
Current receivables	467	146
Cash and cash equivalents	290	192
Total current assets	1 181	425
TOTAL ASSETS	5 685	2 186
EQUITY AND LIABILITIES		
Shareholders' equity	1 991	719
Long-term borrowings	285	160
<i>of which leasing liabilities</i>	266	142
Other long-term financial liabilities	1 050	368
<i>of which minority debts and earn-outs</i>	1 050	368
Long-term provisions	369	147
Total non-current liabilities	3 800	1 394
Short-term borrowings	1 118	538
<i>of which leasing liabilities</i>	50	20
Other short-term financial liabilities	106	0
<i>of which minority debts and earn-outs</i>	106	0
Other liabilities	768	254
Total current liabilities	1 886	792
TOTAL EQUITY AND LIABILITIES	5 685	2 186

Consolidated statement of changes in equity

Attributable to Parent Company shareholders

MSEK	31 Dec 2021	31 Dec 2020
Opening equity	719	349
Comprehensive income for the period	217	56
Equity issue, owner transactions	1 153	343
Issue expenses	-13	-4
Transactions with non-controlling interest	-135	0
Translations differences	50	-25
Closing equity	1 991	719
<i>Equity attributable to:</i>		
Parent Company shareholders	1 991	719
Non-controlling interests	0	0

ACQUISITIONS IN 2021

Sixteen business units were consolidated as per 2021-12-31. Acquisitions made in 2021 pertain to Ekstralys AS, Renovotec Investments Ltd, Rocket Medical Group Ltd, Les Deux ApS, Golf Experten A/S, Wifigear Ltd, 4x4 Accessories & Tyres Ltd, Smit Visual B.V. and Jade Solutions Ltd.

The purchase price allocation includes all acquisitions made during the last twelve months.

Since the respective consolidation dates, the acquired companies have added SEK 858 million to consolidated net sales and SEK 166 million to EBITA. If the companies would have been owned for the full twelve months, net sales and EBITA for the year would have increased by a further SEK 1 052 million and 202 million respectively.

Acquired net assets

Net assets, MSEK	Carrying amount	Value adjustment	Fair value
Trademarks, customer relationships, licences	47	1 034	1 081
Tangible assets	207	-	207
<i>of which leasing assets</i>	117	-	117
Inventories, accounts receivable and other receivables	523	-	523
Accounts payable and other liabilities	-329	-	-329
Cash and cash equivalents	130	-	130
Net assets	579		1 613
Goodwill	-	1 362	1 362
Total net assets	579	2 396	2 974

Röko has an earn-out obligation from acquisitions completed prior to 2021 which will be paid out during 2022.

Acquisitions

Consolidated from month	Acquisitions	Segment	Net sales Pro forma	Employees	Röko ownership
January	Ekstralys AS	B2B	89	15	60%
April	Renovotec Investments Ltd	B2B	349	85	75%
June	Rocket Medical Group Ltd	B2B	347	196	79%
July	Les Deux ApS	B2C	250	53	57%
July	Golf Experten A/S	B2C	214	55	80%
August	WifiGear Ltd	B2B	50	25	75%
December	4x4 Accessories & Tyres Ltd	B2B	271	48	78%
December	Smit Visual B.V.	B2B	175	54	75%
December	Jade Solutions Ltd	B2B	180	36	75%

Röko consolidates all subsidiary companies to 100% provided the contractual agreements with all minority shareholders in each respective company. The only major acquisition, i.e., over MSEK 500, is Rocket Medical Group Ltd in the UK.

Financial instruments

MSEK	31 Dec 2021	31 Dec 2020
Financial assets at amortized cost		
Accounts receivable	370	105
Other non-current financial receivables	63	37
Cash and cash equivalents	290	192
Total	723	334
Liabilities at fair value through profit or loss		
Option liability*	1 050	368
Deferred considerations	106	-
Amortized cost	424	173
Financial liabilities at amortised cost		
Interest-bearing borrowings	1 087	536
Lease liability	316	162
Accounts payable - trade	256	56
Total	3 239	1 295

*The liability is measured at fair value, but the revaluation is recognized in Equity in accordance with IFRS 12.

The carrying amount corresponds to fair value. Financial assets are valued at fair value and classified at different levels based on how the fair value has been determined. All Röko Group's financial assets, valued at fair value are classified in accordance with level 3, i.e., non-observable data. The fair value of short-term borrowing corresponds to the carrying amount, as the discounting effect is not significant.

Key performance indicators

ROLLING 12 MONTHS TO	31 Dec 2021	31 Dec 2020
Net sales Pro forma, MSEK	3 136	1 146
Net sales, MSEK	2 083	614
EBITA Pro forma, MSEK	606	219
EBITA, MSEK	403	125
EBITA margin Pro forma	19%	19%
EBITA margin	19%	20%
EBITDA, MSEK	462	151
EBITDA margin	22%	25%
Capital employed, MSEK	4 260	1 593
Return on capital employed	14%	9%
Return on equity	16%	11%
Total net debt, MSEK	2 269	874
Interest-bearing net debt, MSEK	798	343
Interest-bearing net debt/EBITDA, times	1,7x	2,3x
Equity/assets ratio	35%	33%
Number of shares	6 742	6 742
Number of employees, end of the period	846	248

Condensed Parent Company income statement

MSEK	Jan-Dec	
	2021	2020
Administrative expenses	-25	-13
Other operating income*	8	2
Operating profit	-16	-11
Net financial items**	189	37
Profit after financial items	173	26
Appropriations	-	-
Tax	-	-
Net profit for the period	173	26

* Invoicing of group-wide services

** Net financial items include MSEK 194 (35) dividends received during the twelve-month period.

Condensed Parent Company balance sheet

MSEK	31 Dec 2021	31 Dec 2020
ASSETS		
Financial assets	3 691	1 269
Current receivables	729	399
Cash and cash equivalents	87	8
TOTAL ASSETS	4 507	1 676
EQUITY AND LIABILITIES		
Equity	2 027	715
Untaxed reserves	0	0
Provisions	0	0
Non-current non-interest-bearing liabilities	1 045	365
Current interest-bearing liabilities	1 043	513
Current non-interest-bearing liabilities	392	83
TOTAL EQUITY AND LIABILITIES	4 507	1 676
Contingent liabilities	-	-

Note: The Parent Company Income statement and Balance Sheet for 2020 differ from the Annual Report due to adjustments made for comparability.

Definitions and objectives

EBITA	Earnings before interest, taxes, and amortization as well as acquisition expenses.
EBITA margin	EBITA divided by net sales.
EBITDA	Earnings before interest, taxes, depreciation, and amortization as well as acquisition expenses.
EBITDA margin	EBITDA divided by net sales.
Pro forma	Pro forma information of net sales and EBITA is based on calculated by in addition to consolidated net sales and EBITA adding unaudited or otherwise reviewed (IRSE 2410) net sales and EBITA based on local GAAP for the not consolidated financial information of the last twelve months for subsidiaries owned on the balance sheet date.
Total 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 and additional considerations relating to acquisitions as well as lease liabilities less cash and cash equivalents.
Earnings per share	Profit after tax attributable to Parent Company shareholders, divided by the average number of shares outstanding.
Interest-bearing net debt	Röko uses the alternative KPI interest-bearing net debt. This allows users of the financial reports to assess the Group's ability to pay dividends, make strategic investments and meet its financial obligations. Röko defines the KPI as follows: current and non-current liabilities to credit institutions, bonds as well as interest-bearing pension provisions less cash and cash equivalents.
Equity/assets ratio	Equity divided by total assets (balance sheet total).
Capital employed	Capital employed is used as a base for calculating returns and for measuring efficiency for the Group. Capital employed is useful in helping users of the financial reports to understand how the Group finances itself. Röko defines capital employed as total assets less cash and cash equivalents, interest-bearing pension provisions and non-interest-bearing liabilities except for liabilities related to put/call options and additional considerations relating to acquisitions.
Return on equity	Net profit for the period divided by average equity.
Return on capital employed	EBITA divided by average capital employed for the period, calculated as the average of the last four quarters.
Organic growth	Net sales for the twelve-month period in relation to the same period last year for each company. The companies consolidated in the balance sheet the prior year are included for the full twelve months. Companies acquired in the current year are included for the period since consolidation, compared with the same period prior year in the calculation. Current year average FX applied also to the prior year.
Net sales	Net sales are the sum of gross sales less its returns, allowances, and discounts.
Minority debt	Minority debt is the sum of obligation to exercise put and call options to purchase the outstanding shares held by non-controlling interest.

Reconciliation of alternative key performance indicators

The interim report presents alternative key performance indicators for assessing the Group's performance. The primary alternative KPIs presented in this interim report are EBITA, EBITDA, net debt, and capital employed. Definitions of the alternative KPIs are presented on page 10.

EBITA compared with financial statements in accordance with IFRS

MSEK	TWELVE MONTHS 2021	TWELVE MONTHS 2020
Operating profit	312	89
Amortisation of intangible assets	73	31
Acquisition costs	19	5
EBITA	403	125

EBITDA compared with financial statements in accordance with IFRS

MSEK	TWELVE MONTHS 2021	TWELVE MONTHS 2020
Operating profit	312	89
Depreciation of tangible assets	59	26
Amortisation of intangible assets	73	31
<i>of which Amortisation of intangible assets arising from acquisitions</i>	68	27
Acquisition costs	19	5
EBITDA	462	151

Net debt compared with financial statements in accordance with IFRS

MSEK	31-Dec-2021	31-Dec-2020
Non-current interest-bearing liabilities	19	18
Current interest-bearing liabilities	1 068	518
Cash and cash equivalents	-290	-193
Interest-bearing net debt	798	343
Minority debt (Put/call options, additional considerations)	1 155	368
Lease liability	316	162
Total Net debt	2 268	873

Pro forma net sales and EBITA

MSEK	31-Dec-2021	31-Dec-2020
Net sales according to consolidated income statement	2 083	614
Addition of not consolidated net sales from January 1 to acquisition date		
Segment B2B	843	63
Segment B2C	209	470
Pro forma net sales	3 136	1 146
EBITA according to consolidated income statement	403	125
Addition of not consolidated EBITA from January 1 to acquisition date		
Segment B2B	157	11
Segment B2C	46	84
Pro forma EBITA	606	219