

# Interim Report Q2 2022

14 July 2022

# Presenting today

**Ulf Lilius, CEO**



**Niklas Enmark, CFO**



# Agenda

- Q2 highlights
- Development during the quarter
- Financial targets
- Focus in the short to medium term
- Aquisitions



## Q2 2022 highlights

# Business situation remains stable and positive earnings trend

Revenue:

**+13%**

- Favourable underlying demand in both business areas – despite turbulent environment
- Global shortage of components – long lead times
- Growth of 8% for comparable units – no signals of slow-down

EBITA:

**+23%**

- Organic sales growth
- Well-managed price increases from suppliers
- Cost control
- Positive contribution from acquisitions

EBITA/WC:

**62%**

Acquisitions:

**HNC**  
GROUP

(1 June, 2022)

**MYTOLERANS** (after the period)





Development during the quarter

**Q2** 2022



# Group: Sales Q2 2022

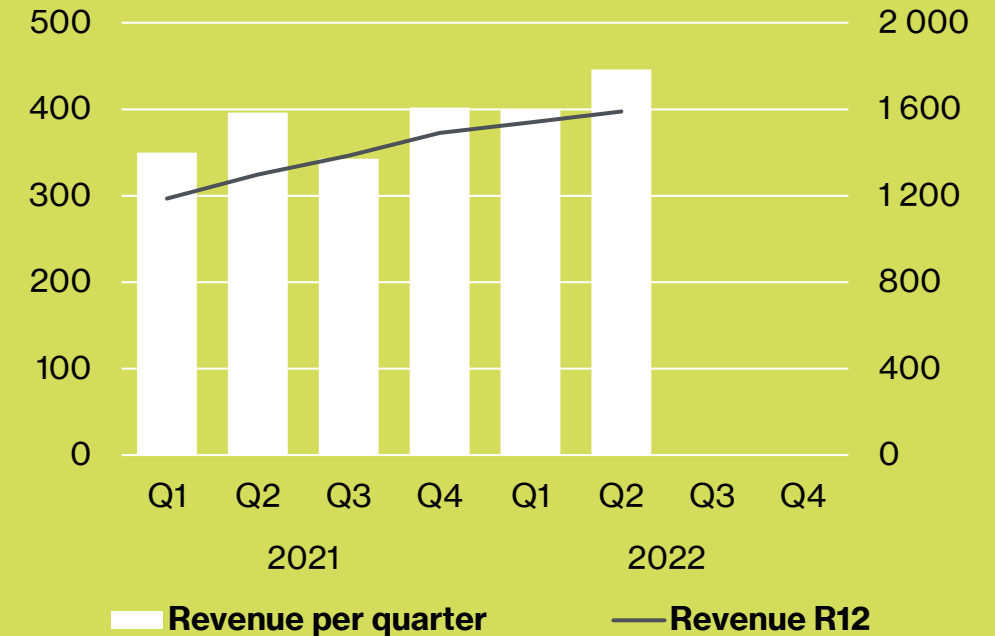
- Revenue increased by 13% to SEK 446 m (396)
- Favorable underlying demand in both business areas – growth in comparable units of 8%
- Global component shortage stabilizing but still contributing to long lead times
- Still no negative effect on sales from turbulent environment – the business units are continuously adapting to changes in the market
- Positive contribution from acquisitions adding 6% to revenue growth



Growth in comparable units  
vs Q2 2021

**+8%**

Revenue, SEK million



# Group: Earnings Q2 2022

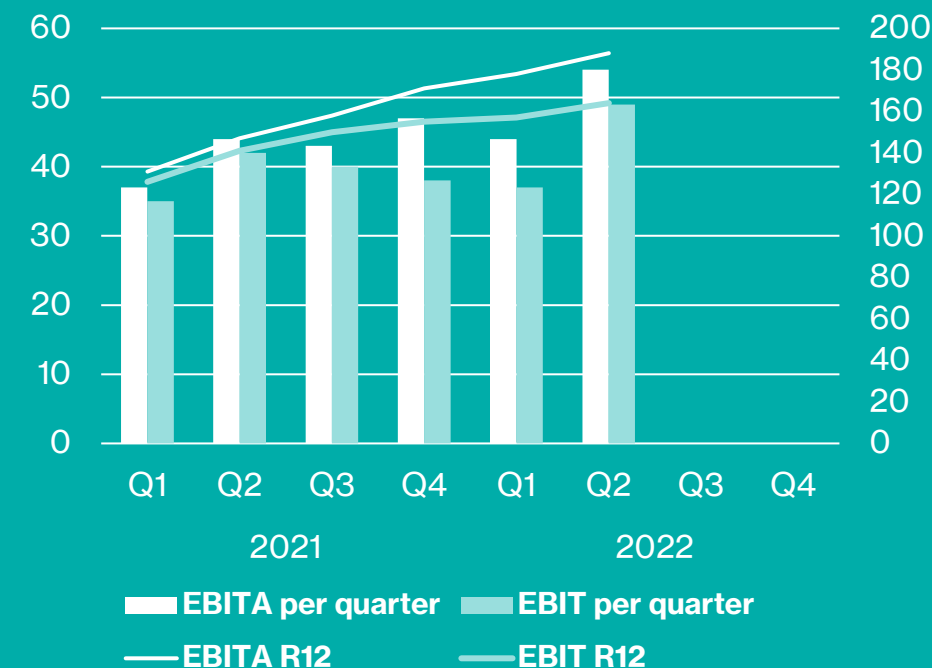
- Earnings growth due to:
  - Organic sales growth
  - Cost control
  - Well-managed price increases from suppliers
  - Acquisitions
- Operating profit SEK 49 m (42) including expenses affecting comparability of SEK –2 m (–) related to the listing
- EBITA SEK 54 m (44), EBITA margin 12.1% (11.1)
- Profit after tax SEK 37 m (30)
- Earnings per share SEK 0.70 (0.60)

	Q2		Δ
	2022	2021	
Revenue	446	396	13%
Operating profit	49	42	17%
of which: Items affecting comparability	-2	-	
of which: Amortisation of intangible assets in connection with acquisitions	-3	-2	
EBITA	54	44	23%
Net profit	37	30	23%
Earnings per share before and after dilution, SEK	0.70	0.60	17%
Operating margin	11.0%	10.6%	
EBITA margin	12.1%	11.1%	

EBITA  
vs Q2 2021

**+23%**

EBITA and operating profit, SEK m



# Group: 1 Jan-30 Jun 2022

- Revenue increased by 13% to SEK 845 m (746) and for comparable units an increase of 9%
- Operating profit SEK 86 m (77) including expenses affecting comparability of SEK –6 m (–) related to the listing
- EBITA increased by 21% to SEK 98 m (81), EBITA margin of 11.6% (10.9)

	Jan-Jun			R12 Jun		
	2022	2021	Δ	2022	2021	Δ
Revenue	845	746	13%	1,590	1,298	22%
Operating profit	86	77	12%	164	141	16%
of which: Items affecting comparability	-6	-		-12	-	
of which: Amortisation of intangible assets in connection with acquisitions	-6	-4		-12	-6	
EBITA	98	81	21%	188	147	28%
Net profit	65	57	14%	125	106	18%
Earnings per share before and after dilution, SEK	1.25	1.15	9%	2.40	2.10	14%
Operating margin	10.2%	10.3%		10.3%	10.9%	
EBITA margin	11.6%	10.9%		11.8%	11.3%	
Return on working capital (EBITA/WC)				62%	58%	
Equity/assets ratio				44%	35%	

Growth in comparable units  
vs 1 Jan–30 Jun 2021

**+9%**

EBITA growth  
vs 1 Jan–30 Jun 2021

**+21%**





# Components business area

## Momentum Industrial

- Strong demand and sales development especially within pulp & paper and steel
- Continued delays and material shortages leading to long lead times
- Extra stock purchases to meet demand

## Öbergs, Etab, JNF and HNC Group

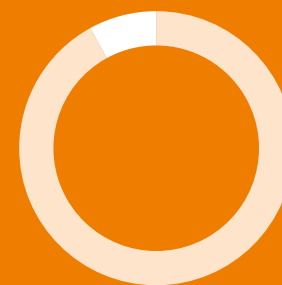
- Overall positive development
- Increased customer activity in system sales and projects
- Delivery delays and material shortages especially within hydraulics while pneumatic products easing
- HNC Group was consolidated during the quarter with a positive contribution to earnings

MSEK	Q2			Jan-Jun			R12 Jun		
	2022	2021	Δ	2022	2021	Δ	2022	2021	Δ
Revenue	358	321	12%	680	620	10%	1,269	1,144	11%
EBITA	50	47	6%	92	86	7%	177	163	9%
EBITA margin	14.0%	14.6%		13.5%	13.9%		13.9%	14.2%	
Return on working capital (EBITA/WC)							73%	72%	

Revenue growth in comparable units  
vs Q2 2021

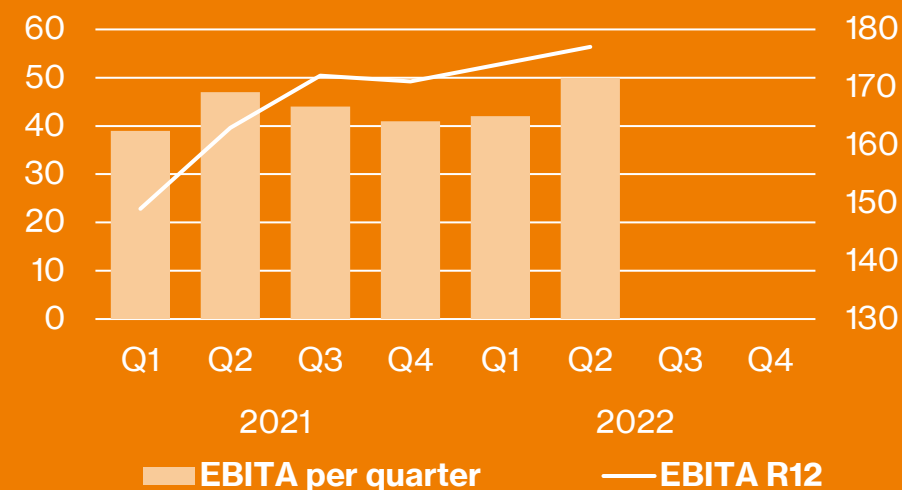
**+7%**

## Revenue R12



- Sale of goods 92%
- Service assignments 8%

## EBITA, SEK m



# Services business area

- Positive development in both sales and earnings
- Strong contribution from Rörick and the two Mekano companies
- Good capacity utilisation in the workshops and several new customer contracts during the quarter
- Delivery delays and material shortages affecting ability to complete orders thus affecting sales
- Acquisition of Mytolerans announced after the quarter, offering products and services in measurement technology to the Swedish industry

MSEK	Q2			Jan-Jun			R12 Jun		
	2022	2021	Δ	2022	2021	Δ	2022	2021	Δ
Revenue	93	78	19%	175	132	33%	338	164	106%
EBITA	9	3	200%	16	7	129%	34	12	183%
EBITA margin	9.7%	3.8%		9.1%	5.3%		10.1%	7.3%	
Return on working capital (EBITA/WC)							55%	44%	

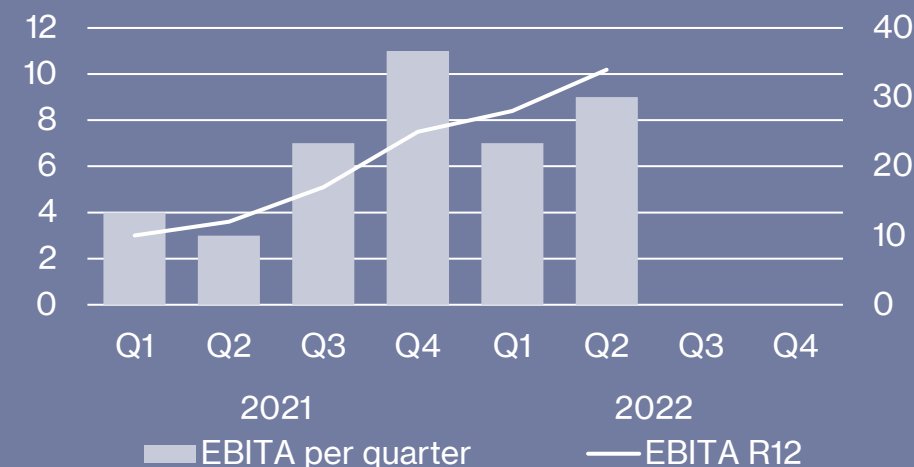
Revenue growth in comparable units  
vs Q2 2021

**+14%**

## Revenue R12



## EBITA, SEK m



# Profitability, cash flow and financial position

- EBITA/WC increased to 62% (58)
- Cash flow from operating activities for the reporting period SEK 46 m (90)
  - Inventory increase of SEK 33 m, due to extra stock purchases
  - Paid tax of SEK 47 m (10)
- Cash flow from investing activities SEK –33 m (–111), including acquisitions of SEK –32 m (–108)
- Cash flow from financing activities SEK –80 m (95), including share-buy backs of SEK –58 m (–)
- IFRS effects on cash flow<sup>1</sup> SEK 25 m (17)
- Operational net loan debt of SEK 25 m (vs receivable of SEK 61 m at the beginning of the year) affected by acquisitions and share-buy backs

<sup>1</sup> Positive effect on cash flow from operating activities, negative effect on financing activities. Net is zero. For previous periods, see appendix.

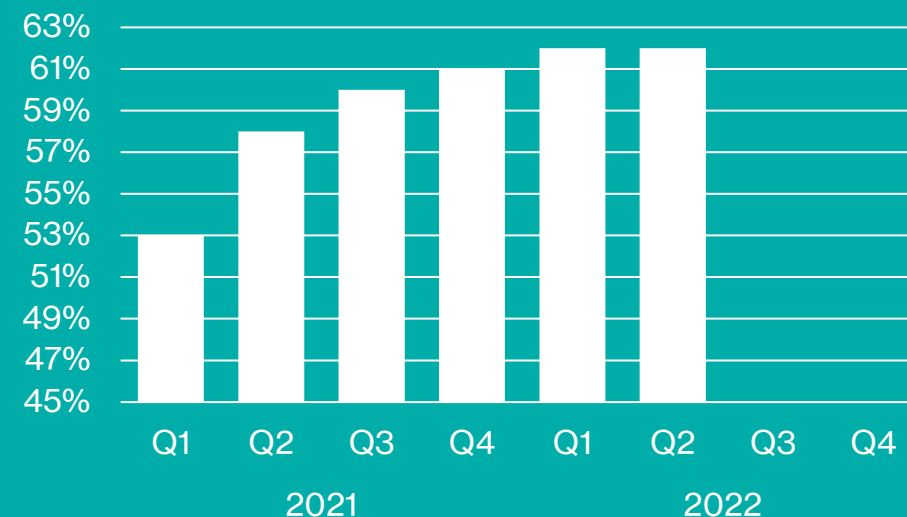
Equity/assets ratio

44%

Available cash and cash equivalents,  
SEK m

984

EBITA/WC (R12 per quarter)



# Financial targets

## Earnings growth

Aims to achieve earnings growth (EBITA) of at least 15% annually over a business cycle

**>15%**

## Profitability

Aims to achieve a profitability of P/WC of at least 45%, measured as EBITA (P) in relation to utilised working capital (WC)<sup>1</sup>

**>45%**

## Dividend policy

At least 30% of earnings per share annually over a business cycle

**>30%**

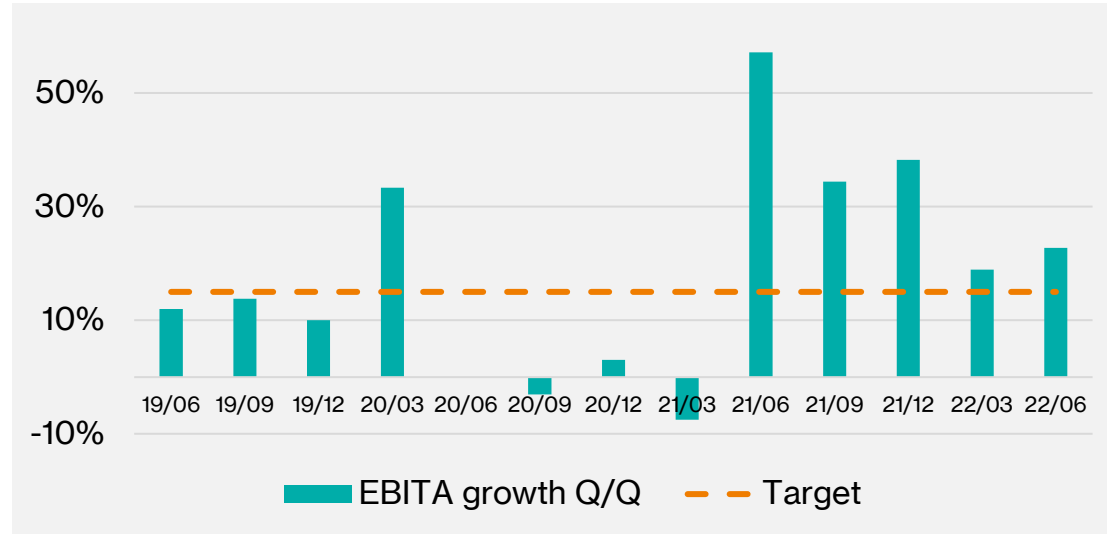
<sup>1</sup> P/WC) refers to the return (EBITA R12 (P)) on working capital (WC) defined as inventories plus accounts receivables less accounts payable on average R12.





# Financial targets performance

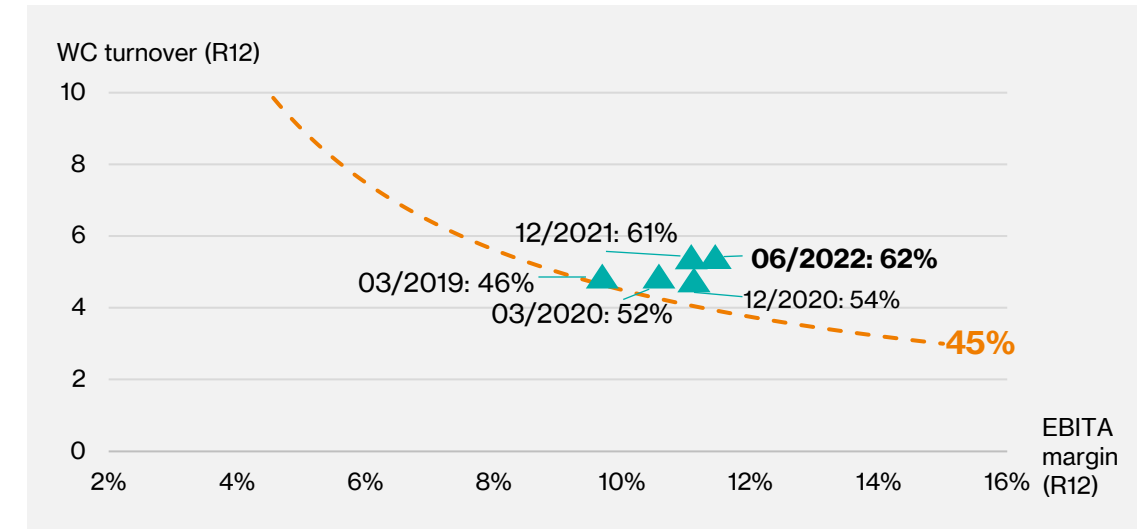
## EBITA growth



- EBITA growth Q/Q<sup>1</sup> on average 18% for the period June 2019–June 2022
- EBITA growth through:
  - revenue increase (about 2/3), both organic and through acquisitions
  - improvement in gross margin (about 1/3), mostly organic

<sup>1</sup> Quarter compared to corresponding quarter previous year. CAGR 3 year of 24%.

## Profitability



- EBITA/WC (R12) has increased to 62% (06/2022) from 46% (03/2019) through gradual improvements in EBITA margin and capital turnover
- Focus model for different levels of EBITA/WC:
  - **Above 45%** -> increase profits through revenue increases (organic and acquisitions)
  - **Below 25%** -> increase margins!
  - **25-45%** -> increase margins and WC turnover for "proof of concept"



# Focus in the short to medium term

A photograph of four men in a professional setting, likely a meeting room. Three men are seated around a large wooden conference table, and one man is standing and leaning over the table, pointing at a laptop. They are all smiling and appear to be engaged in a collaborative discussion. The man standing is wearing a light blue shirt, while the others are in various business attire. The room has large windows with white frames in the background, and a modern lamp is visible. The overall atmosphere is positive and professional.

# Momentum's core values and focus areas



## **“Heart and soul”**

**Decentralised responsibility**

**Willingness to improve  
("Better than yesterday")**

**Simplicity**



## **“Mind and soul”**

**Business development through  
decentralised responsibility and  
employee development**

**Business development through active  
ownership**

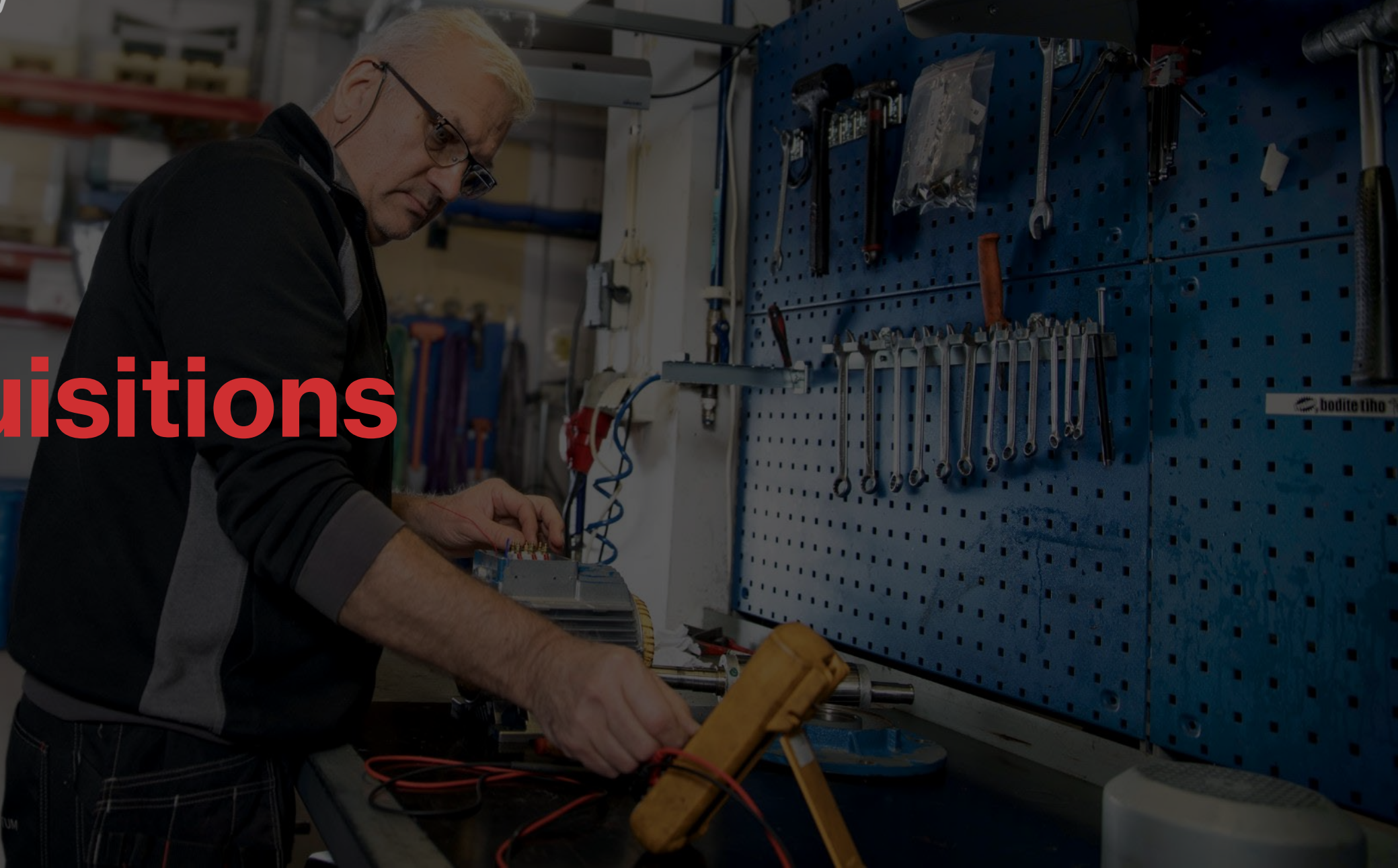
**Growth through acquisition of sustainable  
companies**





Growth strategy

# Acquisitions





# Acquisitions during and after the period



## Acquisition of HNC Group

- Acquisition of 70% of the shares in HNC Group A/S with its subsidiaries HNC Technik GmbH in Germany and Saniflow ApS. Included in the quarter
- HNC offers components as well as customized solutions for automation and process optimization for customers, primarily in the food and pharmaceutical industry, and for machine builders
- HNC has sales of approximately SEK 60 million and just over 30 employees



## Acquisition of Mytolerans

- Acquisition of 70% of the shares in Mytolerans AB, announced after the reporting period
- Mytolerans sells mechanical and optical measuring machines for quality control, follow-up and process controls as well as service and calibration, for Swedish industrial customers
- Mytolerans has sales of approximately SEK 35 million and 10 employees



# Our desired position

## Components business area

### Aftermarket sales

#### Focus/ambition

Company in the sale of industrial components, services and solutions for repair and maintenance, with expertise in industrial improvements.

**Revenue:** SEK 1,080 million  
**EBITA:** SEK 160 million



### Specialist (product verticals)

#### Focus/ambition

Companies with leading specialist positions in their respective market niches.

**Revenue:** SEK 130 million  
**EBITA:** SEK 10 million



## Services business area

### Technical service

#### Focus/ambition

Technical industrial services company in Sweden with a competitive offer for digitalised maintenance.

**Revenue:** SEK 300 million  
**EBITA:** SEK 25 million



**A niche compounder with organic and acquired growth.**

**Our decentralised business model is key to the success and continued development of the business within each company.**

Note: Revenue and EBITA refers to last financial year not including acquired business during the year

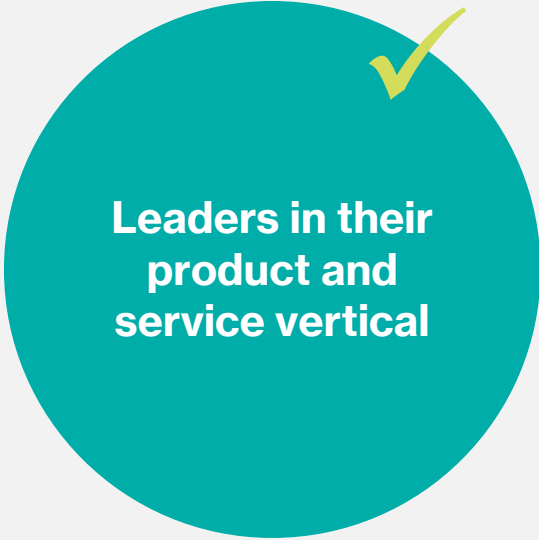




**The strategy is to acquire and develop businesses focused on trade and services in selected product and service verticals – in both existing product and service areas and in new business areas.**



**Well-developed  
customer and/or  
supplier  
relationships**



**Leaders in their  
product and  
service vertical**

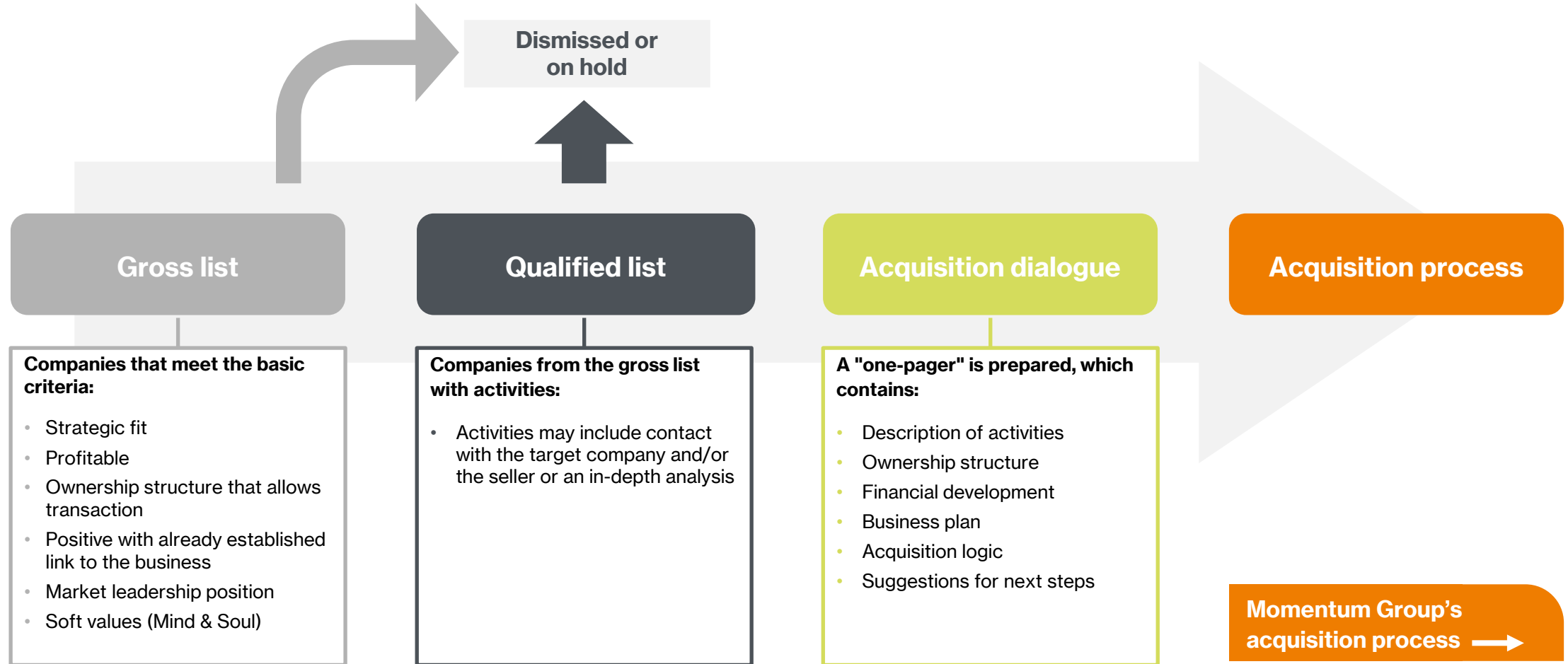


**Profitable**

**Candidates for acquisition should be leaders in their product and service verticals and it should be possible for them to develop and achieve long-term sustainable profitability and growth**



# Ability to identify and attract...

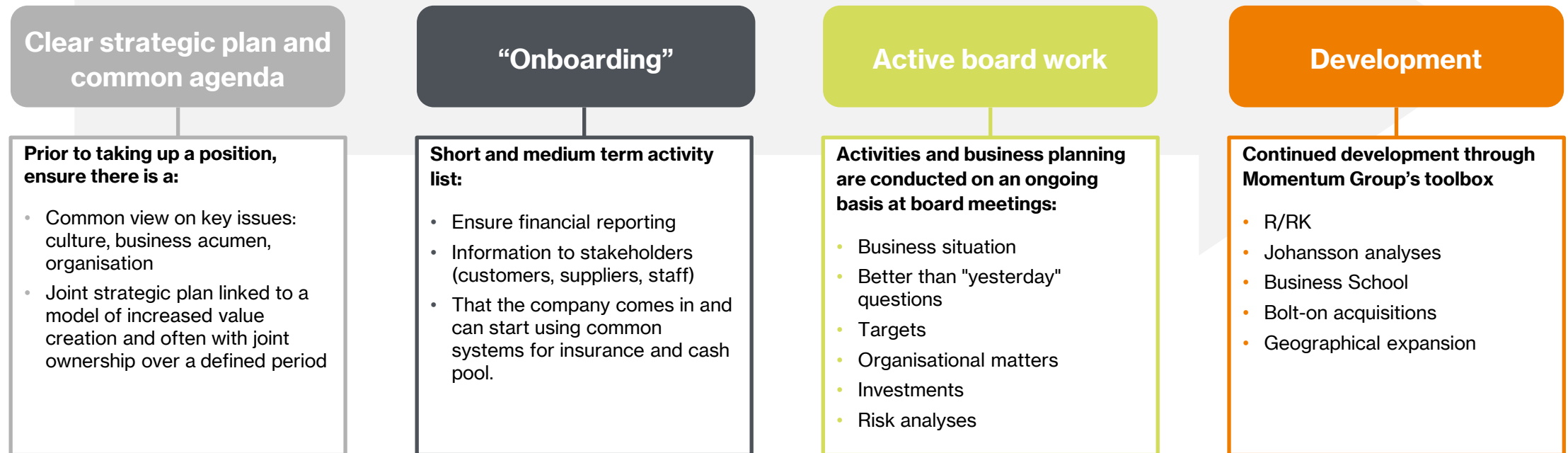


Acquisition-led growth – structured process for candidate selection





# ...welcome and developing successful companies



# Scope and resources for acquisitions



## Financing

- Strong cash flow from operations
- Strong financial position as a starting point
- Possibility of acquisition financing through revolving facility of SEK 800 million over 3+1 +1 years

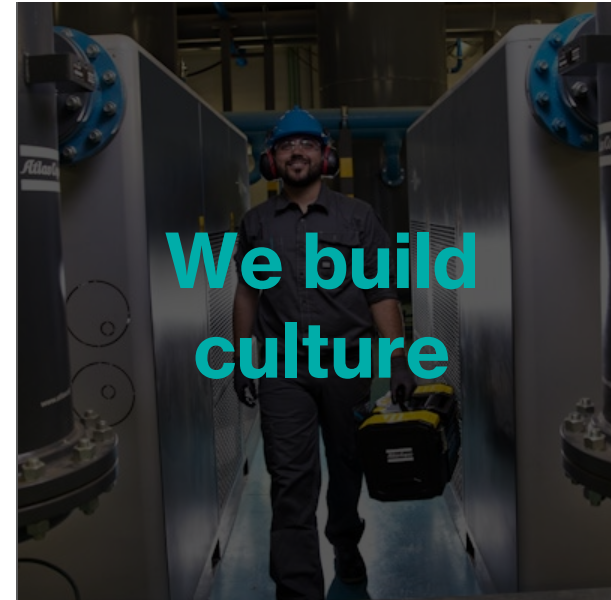
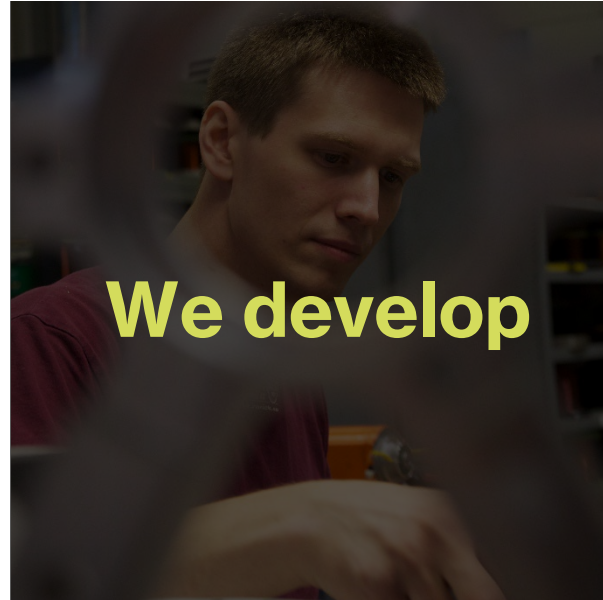


## Acquisition process

- Internal resources are used to a large extent to evaluate, implement and welcome new companies to the group
- A total of around ten employees work on acquisitions in various forms



# Bottom line: We are not that complicated



**If people grow, the business will grow!**





A man in a dark blue long-sleeved shirt and light blue jeans is operating a black forklift in a warehouse. He is looking down at the controls of the forklift. The warehouse is filled with tall metal shelving units and stacks of wooden pallets. Some of the pallets have boxes on them, and one box has the 'SKF' logo. The background is slightly blurred, showing more of the warehouse interior. The text 'Q&A' is overlaid in the center of the image in a bold, yellow, sans-serif font.

**Q&A**



# Contact us

Please email us at [ir@momentum.group](mailto:ir@momentum.group)  
if you have any questions.



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# Appendix



# IFRS effects on cash flow

	Reporting period		Full year	
	30 Jun 2022	30 June 2021	31 Dec 2021	31 Dec 2020 (9 m)
<b>MSEK</b>				
IFRS effects on cash flow from operations	25	17	41	23
IFRS effects on cash flow from financing activities	-25	-17	-41	-23
<b>Net</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

