

Wall to Wall Group AB appoints new CEO and publishes preliminary financial results for the third quarter of 2024

The Board of Directors of Wall to Wall Group AB (“Wall to Wall Group” or the “Company”) has appointed André Strömngren as the new Chief Executive Officer with immediate effect. The Company’s current CEO, Joachim Welin, is leaving the Company. André is currently the Chief Financial Officer of the Company, a role he will retain until a successor is appointed.

The Company’s preliminary reported net sales for the third quarter of 2024 amounted to SEK 206.0 million (217.4). The reported adjusted operating profit (EBITA) was SEK 5.6 million (11.1), corresponding to an adjusted operating margin of 2.7% (5.1%).

During the third quarter, an improved market was observed. Customer have demonstrated increased willingness to invest, which is expected to drive normalized demand for the Company’s relining and energy operations, which some impact expected for the remainder of the year and full impact expected from 2025 onwards. This is in line with the previously communicated outlook.

In addition to previously initiated measures, further actions are planned to reduce the Company’s indirect costs, aiming to achieve higher efficiency and improved economies of scale.

Changes in Wall to Wall Group’s Executive Management

The Board of Directors of Wall to Wall Group has appointed the Company’s current CFO, André Strömngren, as the new Chief Executive Officer with immediate effect. André succeeds Joachim Welin, who is leaving the Company. André will remain as Acting CFO until a successor is appointed.

“The real estate sector in general, and the housing sector in particular, have been severely impacted by the higher interest rate and cost environment, which has affected their investment levels. In the housing sector, investment in planned maintenance is one of the few areas property owners can influence in the short term, as rental income and other expenses are largely regulated. This has affected the Company’s operations, particularly in pipe relining and energy. Although Wall to Wall Group has quickly established itself as the leading player in the Nordic region, the Company is still in a development phase”, comments Anders Böös, Chairman of the Board. He continues, *“The changing market conditions and the demands of the ongoing development and industrialization of Wall to Wall Group require a change in leadership. I would like to thank Joachim for his valuable contributions in various roles over the years, and at the same time welcome André in his new role and the responsibility of leading the Company in its continued development.”*

"Wall to Wall has established a strong market position in the Nordic market for pipe relining, energy, and pipe flushing services, a position that has been built through acquisitions and organic growth. This, along with the ongoing development and transformation work it entails, is something I am very familiar with from previous assignments. I am excited about the opportunity to lead the Company in its continued development", comments André Strömgren, Chief Executive Officer.

Market outlook and comments on developments in the third quarter of 2024

During the third quarter, the Company's pipe relining and energy operations, which address property owners' needs for planned maintenance and energy efficiency measures, experienced sluggish development, albeit with continued differences across geographies. Increased demand was noted in the Danish and Finnish pipe relining operations, but their contribution to results remains insufficient and not on par with comparable operations in Sweden and Norway. For the Company's pipe flushing services, which address property owners' needs for ongoing maintenance and service, the development during the quarter has remained strong.

The relatively low activity levels within pipe relining and energy have impacted the Company's gross margin, which amounted to 33.7% for the quarter compared to 34.6% last year. Combined with lower revenues from comparable units, this resulted in a reduced gross result of SEK 13 million during the quarter, which could not be fully offset despite an 11% reduction in indirect costs compared to the previous year. In addition to previously initiated measures, the Company is therefore planning further actions to reduce indirect costs. The implementation of a group-wide ERP system is nearly complete, which will facilitate the consolidation of the administrative platform, improve efficiency, and enhance economies of scale. In parallel, other initiatives are underway to strengthen revenues and margins. These include the coordination of materials and purchasing, as well as a more unified market presence under a common brand. Along with a more developed and coordinated sales process, these efforts will contribute to increased sales.

During the quarter, an improved market was observed, including increased activity on inquiries and strengthened sales towards the end of the quarter, which positively impacted the order backlog. The signs of increased willingness to invest in the main customer segments align with the Company's expectations of normalized demand for its pipe relining and energy operations. For the second half of the year, the Company maintains its previous assessment of gradually improved profitability.

Preliminary financial performance in the third quarter of 2024

Reported net sales for the third quarter amounted to SEK 206.0 million (217.4), a decrease of -13.6% on a fully comparable and currency-adjusted basis, of which the impact from discontinued operations accounted for -4.9 percentage points. In operations held for at least 12 months, adjusted for discontinued units, the currency-adjusted organic growth

was -8.5 percentage points. For operations acquired thereafter, the currency-adjusted organic growth was -0.1 percentage points. Other impacts during the quarter amounted to -0.2 percentage points. The adjusted operating profit (EBITA) was SEK 5.6 million (11.1), corresponding to an adjusted EBITA margin of 2.7% (5.1%).

Net sales for the third quarter are in line with the same quarter in 2022, despite stronger market conditions at that time. At the same time, the adjusted operating profit has improved, from SEK 0.7 million and an adjusted EBITA margin of 0.3% in the third quarter of 2022 to SEK 5.6 million and an adjusted EBITA margin of 2.7%.

In the third quarter, non-recurring items totaled SEK -20.9 million (-3.4), primarily attributable to the write-down of contingent earnout considerations amounting to SEK -22.1 million.

For the nine-month period ending September 2024, net sales amounted to SEK 679.9 million (681.3), a decrease of -9.6% on a fully comparable and currency-adjusted basis, with an adjusted operating profit (EBITA) of SEK 24.1 million (46.6), corresponding to an adjusted EBITA margin of 3.5% (6.8%).

As of September 30, cash and cash equivalents amounted to SEK 53.5 million (86.7). Interest-bearing debt totaled SEK 195.2 million (158.4), and leasing liabilities amounted to SEK 92.0 million (69.8). Provisions for contingent earnout considerations were SEK 0.0 million (62.9).

Other information

Additional information can be found on the Company's webpage, www.walltowallgroup.com.

Wall to Wall Group will publish its interim report for the third quarter on October 25, 2024, at 08:00 CET, an earlier release than previously announced. The Company has decided to issue an unaudited quarterly report, as it deems it important for the information to reach the public earlier than originally planned. This is an exception to the established procedure.

Wall to Wall Group AB

Board of Directors

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About Wall to Wall Group AB

Wall to Wall Group is primarily active within property related pipe flushing and relining. Wall to Wall's customers mainly consist of commercial property managers and housing cooperatives. Wall to Wall Group has a clear growth strategy with a focus on both acquisitions and organic growth, including through greenfieldings in new locations. The head office is located in Stockholm.

This information is information that Wall To Wall Group is obliged to make public pursuant to the EU Market Abuse Regulation. The information was submitted for publication, through the agency of the contact persons set out above, at 2024-10-21 08:00 CEST.

Attachments

Wall to Wall Group AB appoints new CEO and publishes preliminary financial results for the third quarter of 2024
Management Comments Q3 2024