

# GS-Hydro

CEO Pekka Frantti

Ratos's Capital Market Day

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# GS-Hydro in brief

## ***Leader in non-welded piping solutions***

- Non-welded piping solutions....
  - Complete piping systems
  - Customized piping modules
  - Piping products
  - Related services
- .... for mission critical hydraulic applications....
- .... in three customer segments:
  - Offshore
  - Marine
  - Land based

## ***With global market coverage***

- Headquarter and production in Finland
  - Production of the GS-flanges and other GS-Piping components
- Global presence with subsidiaries in 15 countries
  - 660 piping specialists
  - Agent in smaller markets
- Sales of 155 MEUR

# GS-Hydro focuses on the non-welded piping technology

## ***Benefits versus welded piping.....***

- Superior cleanliness
- Optimized flexibility
- Documented quality
- Environmental friendliness
- Cost savings throughout the system lifetime:
  - Cost effective to construct
  - Lower total installed system cost and shorter installation time
  - Less flushing time and cost
  - Shorter down-time in productions during maintenance/repairs

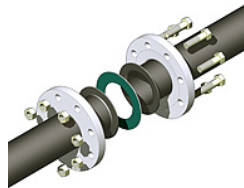
***... base for continued increasing technology penetration***



# GS-Hydro combines own products with products from partners

## GS-Hydro's connection technology

- GS-Retain Ring Flange System
- GS-37° Flare Flange System
- GS-90° Flare Flange System
- Primarily used for pipe diameters above 42mm



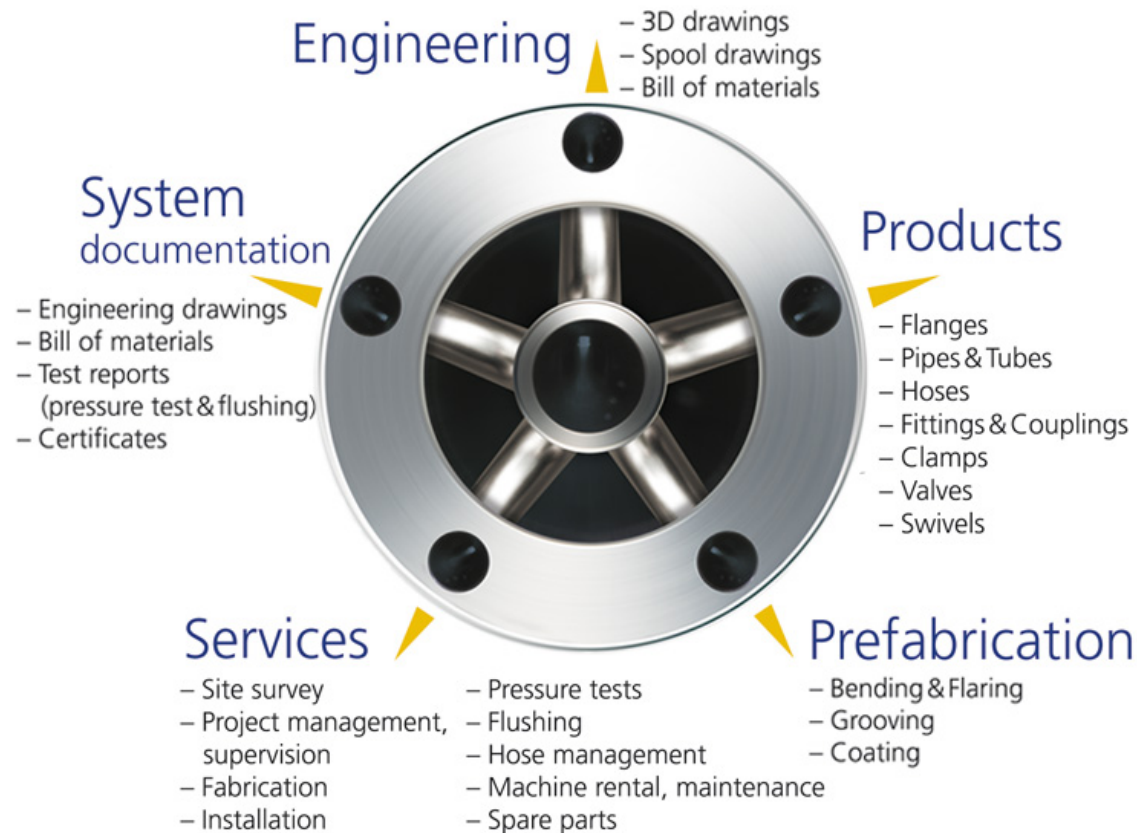
## Products from suppliers

- Pipes and tubes
- Hoses
- Clamps
- Fittings
- Couplings
- Ball valves



***Combined with services for complete piping solution***

# GS-Hydro's offering can be adapted to customers' varying needs



# Global presence



# GS-Hydro serves three customer segments

## Offshore



Share of  
sales 2012

**56%**

## Marine



**16%**

## Land based



**28%**

# Offshore



## Applications

- Most offshore structures, e.g. drilling rigs, support vessels, FPSOs etc.

## Non-welded penetration

- High

## Segment specific benefits of non-welded solutions

- No “hot work”
- High pressure systems
- Requirements for cleanliness

## Market development and outlook

- Strong market development after a couple of lower activity years
- Supply-demand imbalance, aging drilling fleet, increasing safety requirements, life extension projects (MMO)
- Growth opportunities for GS-Hydro in after sales and in Asia, the North Sea, the USA and in Brazil



# Marine



## Applications

GS-Hydro's products mainly used in hydraulic intense specialty vessels like dredgers, tugboats and Ro-Ros

- Hydraulics (winches, cranes, propulsion, etc)
- Fire extinguishing systems

## Non-welded penetration

- Low (higher in GS-Hydro's targeted vessel segments)

## Segment specific benefits of non-welded solutions

- Possibility to install the systems in confined spaces
- Flexibility in change projects

## Market development and outlook

- After several years of strong growth, the global marine market has passed its peak and the short term outlook is weak
- Oversupply of shipping capacity in the world - new build contracts are expected to drop further
- Still opportunities with specialty vessels like dredgers and windmill installation vessels

# Land based



## Applications

GS-Hydro's products are used in a wide range of applications in several industries such as:

- Metals & Mining
- Pulp & Paper
- Recycling
- Testing

## Non-welded penetration

- Low

## Market development and outlook

- Impacted by the global economic slow down, stable but sub par growth in 2012
- One of the most interesting sub-segments for GSH is the Testing industry which has a very strong order backlog for 2012 and 2013
- Selective approach to the most attractive parts of the fragmented land based segment

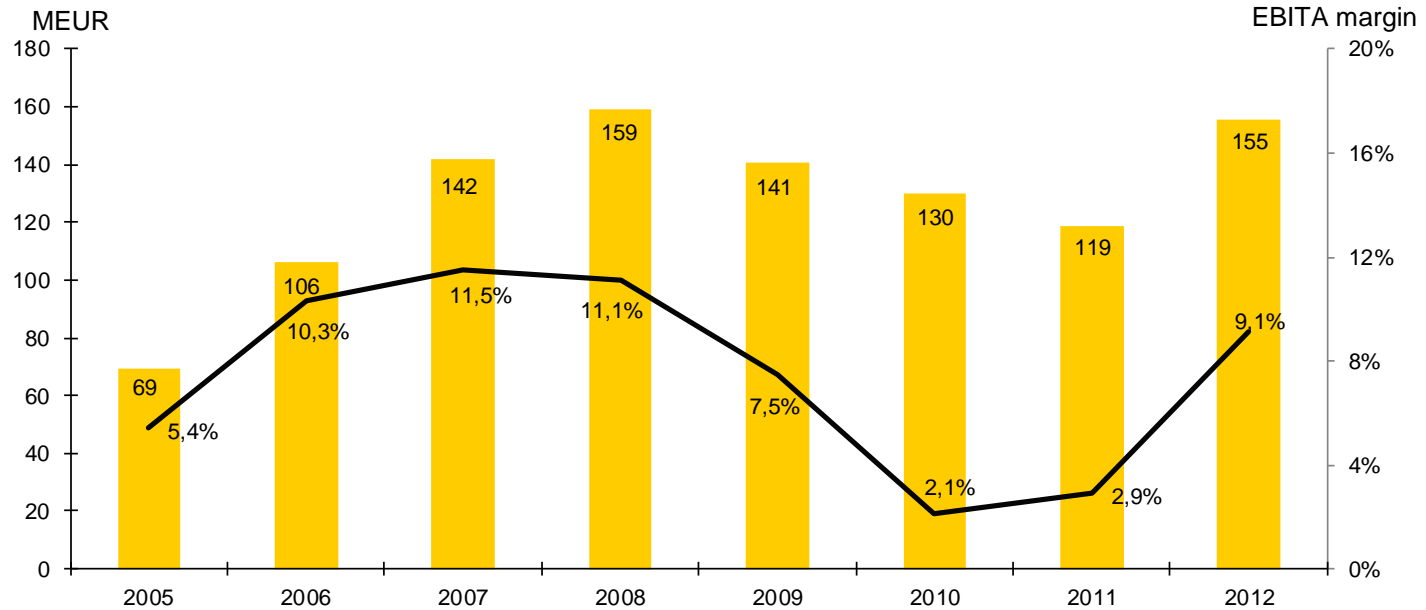
# Competition

- Primary competition comes from welded technology
  
- In the non-welded segment, competition is highly fragmented:
  - Local pipe fitting companies
  - Global component and material suppliers
  - Piping system suppliers
    - Parker Hannifin
    - Tube-Mac

## GS-Hydro's competitive strengths

- Technology benefits
- Brand name and track-record
- Large installed base
- Broad offering to serve customers' varying needs
- Flexible value chain
- Global presence with foothold in growth markets

# Financial development 2005-2012



EBITA (MEUR)	2005	2006	2007	2008	2009	2010	2011	2012
	3,7	10,9	16,3 <sup>1</sup>	17,6	10,6	2,8	3,4	14,1

■ Sales      — EBITA margin

1) Excluding EO income from property sale of 3,6 MEUR

# Strategic intents for 2013-2015

- 1. High customer value and deep customer relationships**
- 2. Offshore driven growth**
- 3. After sales business growth**
- 4. Global operating model**
- 5. Preferred employer with winning culture**

## Financial targets:

Organic growth: >10% p.a.

EBITA margin: >10%

# Thank you

# RATOS

GS-Hydro

Henrik Blomé

14 March 2013



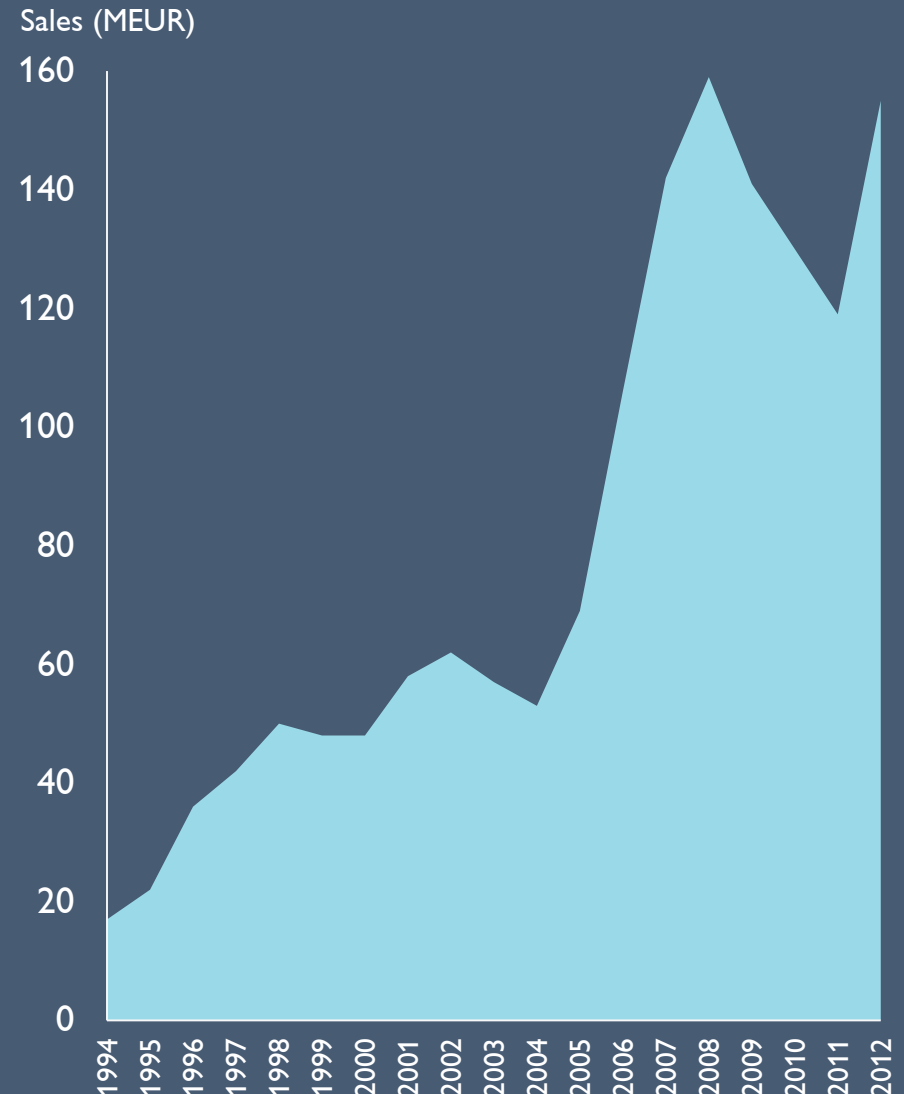
# Ratos's investment i GS-Hydro

- GS-Hydro's previous parent company Arcorus was part of the Atle acquisition in 2001
  - 2005: Split-up of Arcorus into Hägglunds Drives and GS-Hydro
- Investment details
  - Ownership: 100%
  - Gross investments: SEK 226m
  - Received distributions: SEK 576m
  - Net distributions: SEK 350m
  - Book value 31 December 2012: SEK -2m
- Ratos's team
  - Henrik Blomé
  - Johan Pålsson

# History of strong organic growth

- Sales CAGR 1994-2012: 13%

- Growth of underlying segments
- Technology penetration
- Geographic expansion
- Expansion of service and product offering



# Investment attractions

- Positive growth fundamentals in underlying markets
- Leading niche position
  - Winning technology
  - Brand name and a reliable business partner for leading customers
  - In depth knowledge of customers' applications
  - Global market coverage
  - Solutions provider
- Proven growth strategy
- Attractive, flexible business model and financial profile



**Strong belief in strategy and continued growth**

RATOS