

**RATOS**

Back to normal

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# Ratos has many strengths to build on...

- Proven strategy
- Organisation
- Brand and values
- Long-term view
- Ownership structure
- Financing
- Active ownership

## **...but also challenges to overcome**

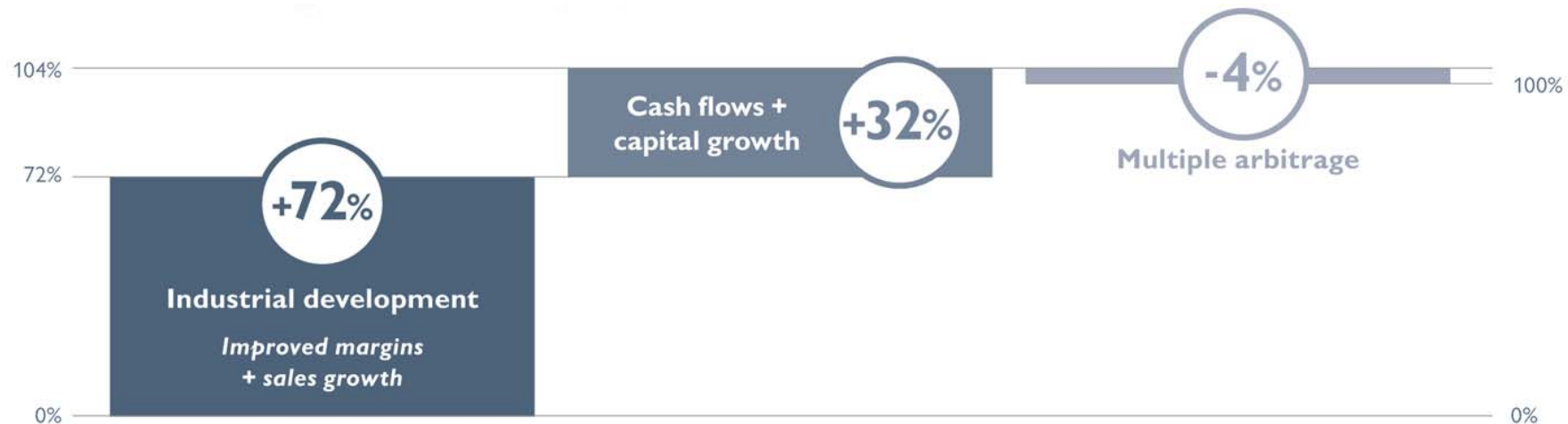
- Macro environment
- Acquisitions / transactions
- Pressure on returns
  - Hardened competition
  - Value add
- Capital – need for flexibility

# 20% IRR target stands

- Benchmarking: Ratos in line with top PE performers
- Effect of financial crisis
- 20% target going forward
- All things equal: tougher to achieve now
- Challenging market = opportunities for Ratos

# Same but different: PEC 2.0

- The core: active ownership
- Focus on developing portfolio companies
  - Historical value creation here
  - Even more important going forward
- Continuous improvement key
  - How we do things
  - What we focus on
  - Efficiency



## **PEC 2.0: priorities**

1. Further develop active ownership
2. Increase focus on transactions
3. Increase efficiency in the organisation
4. Ensure flexible access to financing

## 2012/13: the first step

1. Focus on profit growth in the portfolio
2. High transaction activity
3. New organisational structure
4. Flexible access to financing

# I. Focus on profit growth

- Weak economic climate
- Not "one-size fits all"
- Significant action programmes
  - Flexibility
  - Cost focus
- Selective growth focus
  - Offense after defense fixed
  - Take market share



# I. Performance in holdings 2010-2013

	2010	2011	2012	2013
Sales	+2%	-1%	-2%	+1%
EBITA	-1%	-17%	-15%	+18%
EBITA, adjusted	+9%	-13%	-11%	+2%

\*Holdings as reported per 31 December each year and adjusted for Ratos's ownership.

# I. Clear impact of action programmes

- Hard work and costs borne have impact
- Improved operating profit
- Higher margins
- Operating leverage
- More expected 2014
- Journey continues – further measures
- Growth key

## 2. Increased focus on transactions

- High deal flow
- Market has pent-up need to sell companies
- Own initiatives balance structured processes
- Good availability to bank financing: Ratos has strong position

## 2. High transaction activity 2013

### Exits



IRR: -16%

# Stofa:

IRR: 54%



IRR: neg

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### Acquisitions



Arcus-Gruppen's add-on



SF merger with Finnino



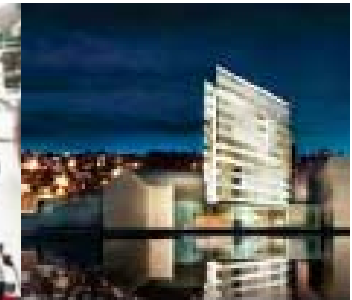
Aibel



Accent Equity's shares in Jøtul



Nebula



HENT

## 2. AÄI 80

- Active ownership first 180 days
- Key activities
  - Governance
  - Activity/business plan
  - Secure implementation and follow up



### 3. Organisation and people

- New organisational structure autumn 2012
- Industrial advisors
- Efficiency and effectiveness
- Continuous development, knowledge building
- Ratos's people initiative
  - CEO Summits
  - CFO development programs
  - Talent Award

## 4. Flexible access to financing

- Ratos's business model different
  - Big flows of capital difficult to forecast
  - Dividend important
- Timing key – make acquisitions when they are available
- Overall risk – no leverage in holding company
- Ratos's financing tool box
  - B-shares
  - Preference shares
  - Debt facility SEK 3.2 bn

# Increased focus on Corporate Responsibility

- Credibility as responsible owner
- Stakeholder expectations
- Preserve and create value
- Strengthen sustainability of holdings during ownership
- Examples of news 2013/14
  - Signatory of UN Global Compact and PRI
  - New CR framework: clear and adaptable
  - Anti-corruption focus



United Nations Global Compact





## PEC 2.0: priorities

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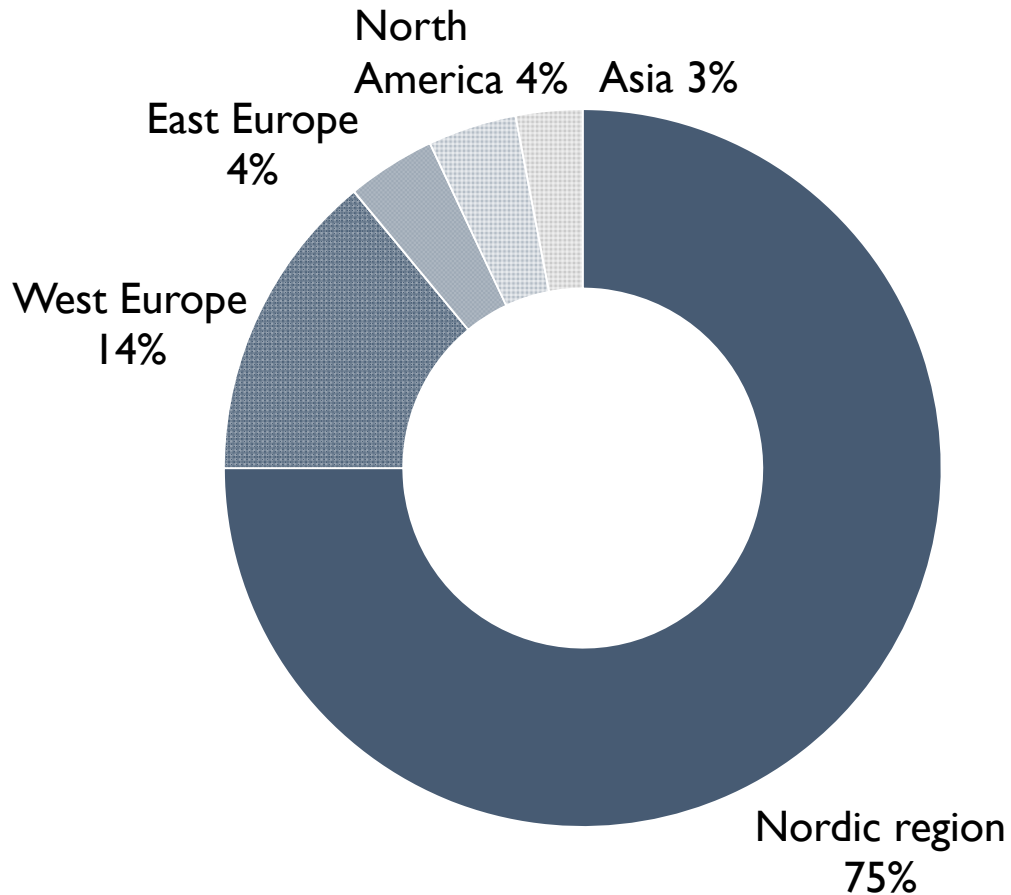
The journey  
continues!

# Market stabilisation with bright spots

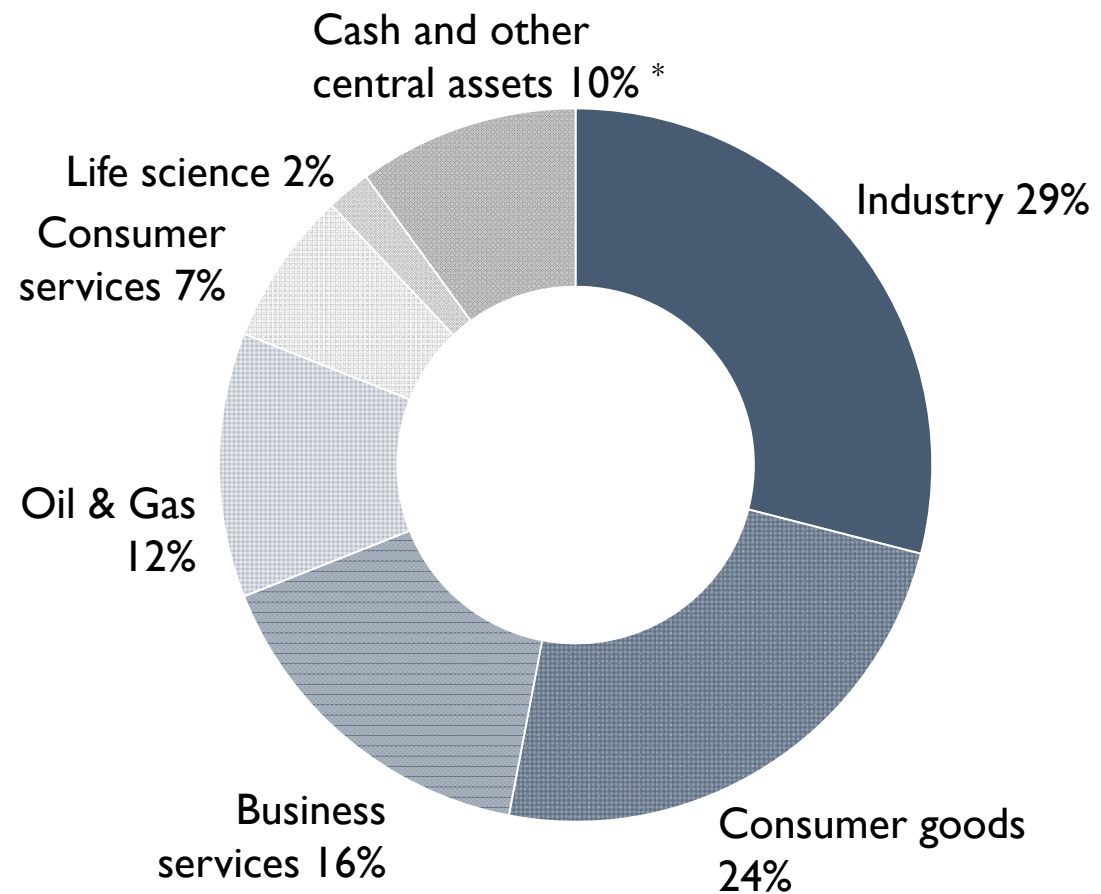
- Levelling out and increased stability
- Growth in some markets
- Varies between markets and months
- Moving in the right direction
- Support from global macro
- Gradual slow recovery expected 2014

# Portfolio breakdown

## Sales per geography\*



## Book value per sector

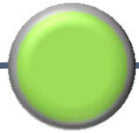


\*Adjusted for Ratos's holding size

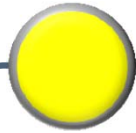
# Back to normal

- 2005-2007 "perfect world"
- 2011-2012 "perfect storm"
  - Weak markets
  - Company specific challenges
  - Weak transaction market
- Now: back to normal
  - Normal distribution of company performance
  - Transaction market returning to normal

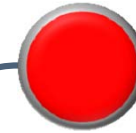
# Normal performance distribution



Arcus-Gruppen  
HENT  
HL Display  
Inwido  
KVD  
Mobile Climate Control  
Nebula  
Nordic Cinema Group  
SB Seating

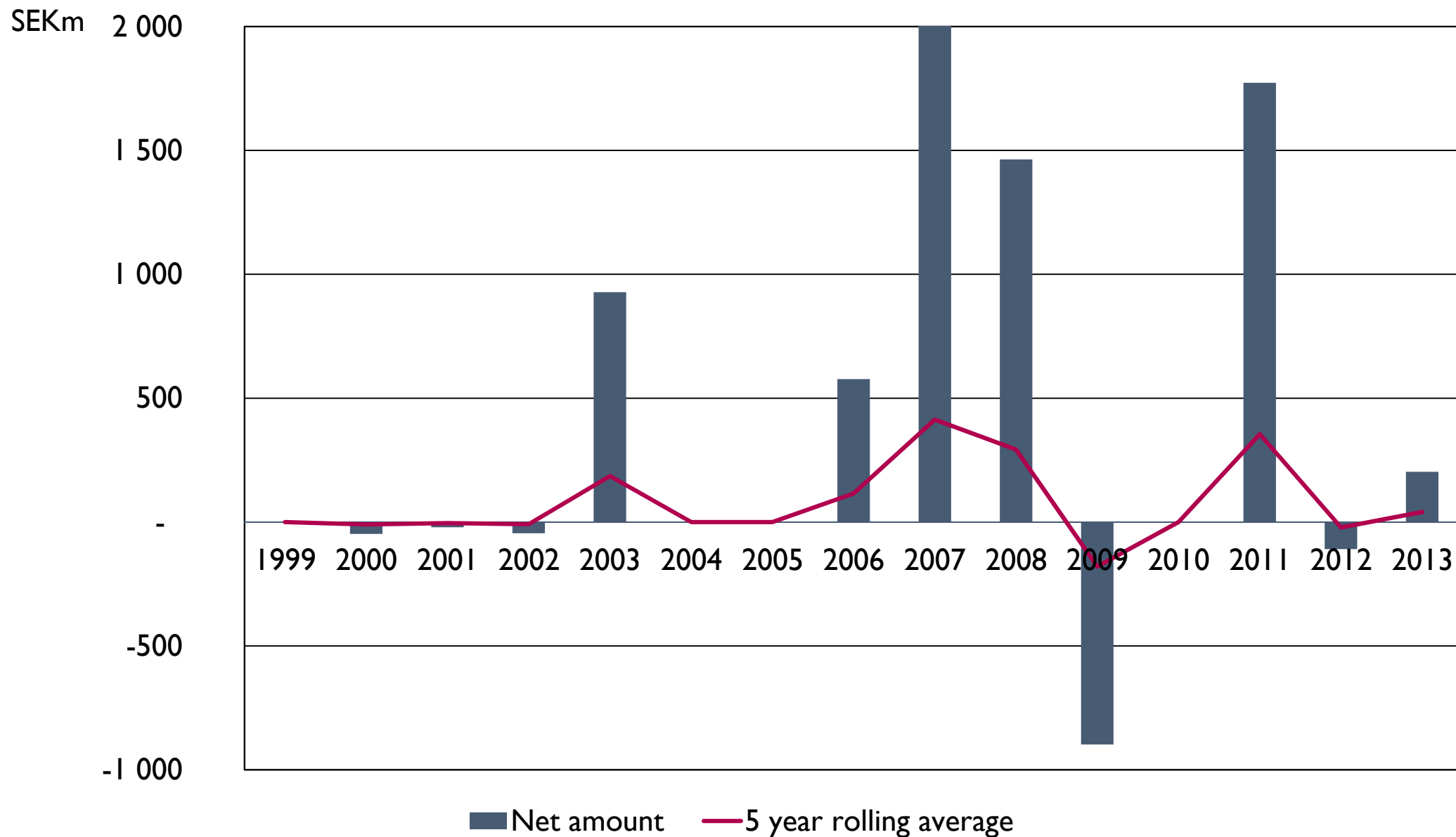


Aibel  
Biolin Scientific  
Bisnode  
DIAB  
Euromaint  
GS-Hydro  
Jøtul



AH Industries  
Hafa Bathroom Group

# Refinancings vs. capital contributions – 5:1



# Transaction market – more normal 2014?

- Sluggish 2013 – due to weak company development?
- Good access to bank financing
- Pent-up need to sell companies
- IPO market attractive
- Conditions exist for increased activity 2014

# Good prospects for the future!

- Actions taken provide good starting point for holdings
- Steady, but slow recovery 2014
- Interesting transaction market
- Delivering on PEC 2.0
- Leverage the Ratos platform
- Growth



**RATOS**

**Q&A**