

Stofa:

Active ownership in Stofa

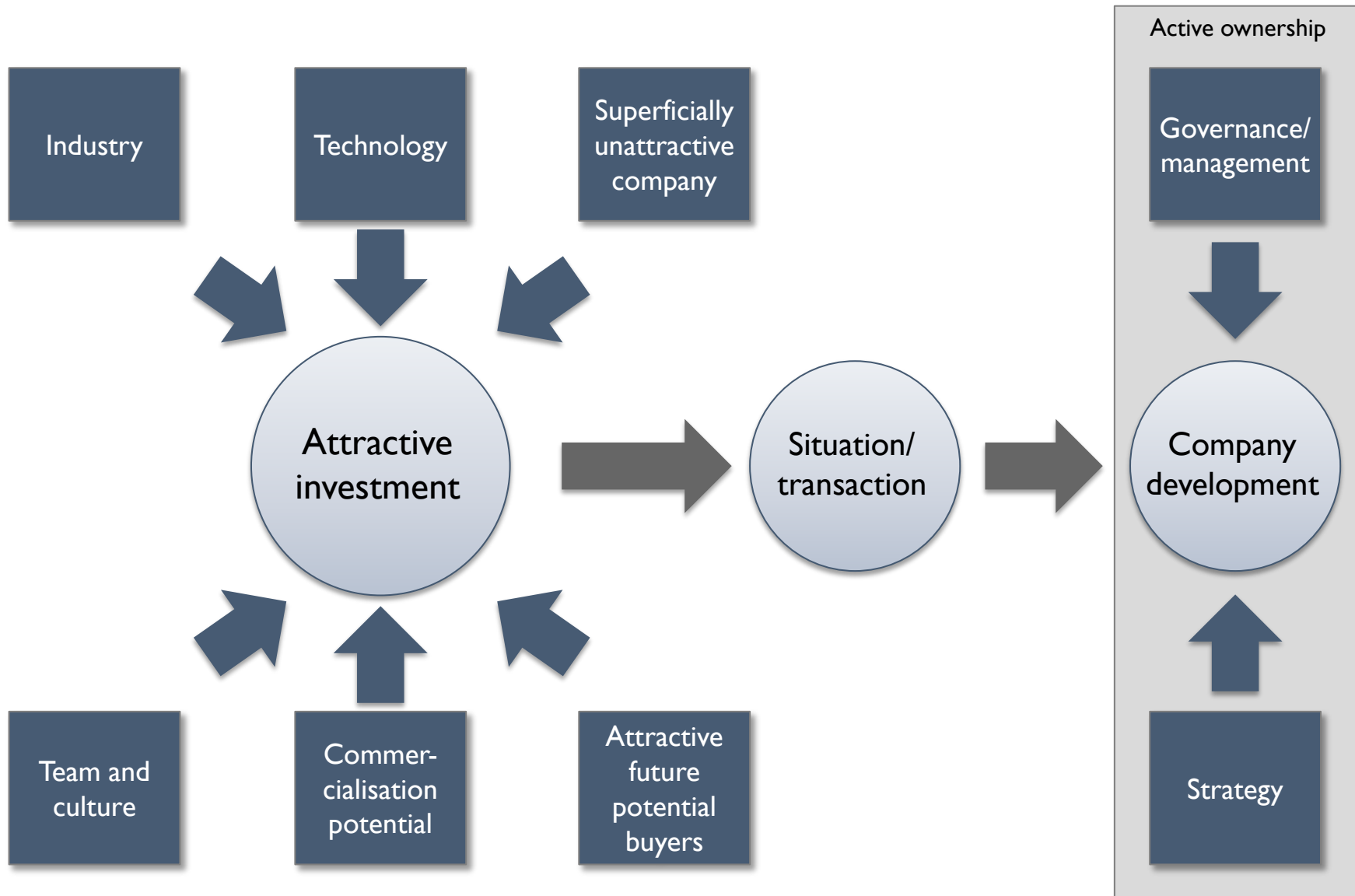
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Stofa

- Denmark's second largest cable TV operator and broadband provider for consumers
- Business model: Partner and supplier to local antenna associations
- Head office in Horsens in Jutland
- Turnover 2010: DKK 1,100m
- EBITDA 2010: DKK 165m
- Employees 2010: 429

Ratos's investment in Stofa



Industry: Cable TV and private equity

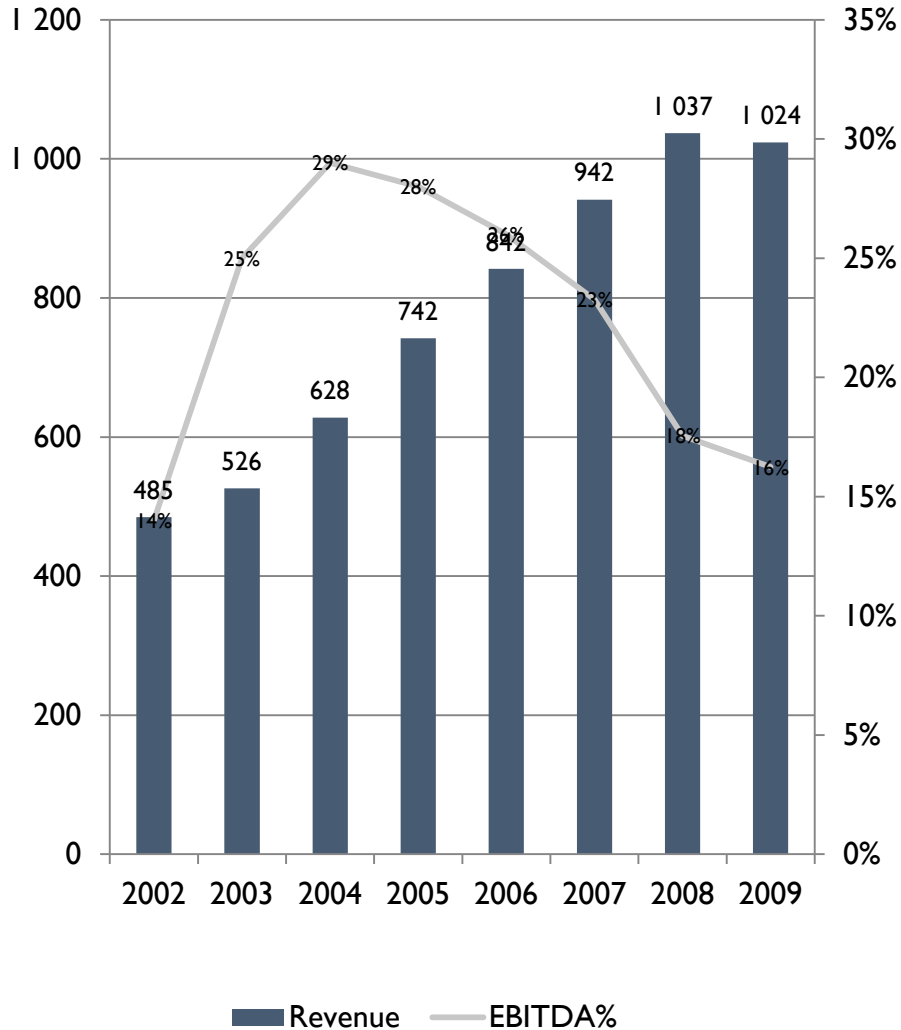
- Cable TV well known investment area for private equity
- Standard investment case:
 - Stable client base – price increases
 - Broadband build-out/triple play
 - Stability enables leverage
- Very strong leverage on strategic and operational action
 - High gross margins
 - Fixed costs

Technology

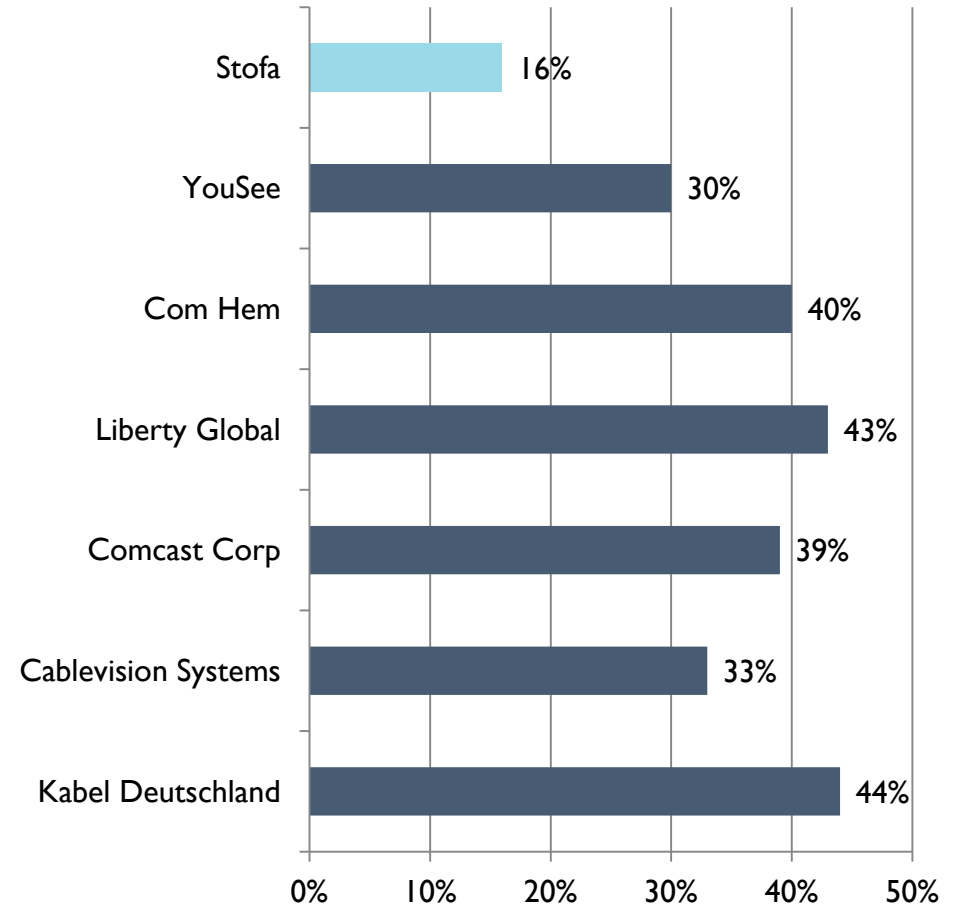
- Unlimited growth in appetite and demand for broadband capacity
- Coax still has ample capacity to deliver more bandwidth
 - ADSL has reached its limit
- Where already built, coax has superior economics compared to fiber/ADSL/mobile
 - Last mile sunk cost
 - Capacity investments proportional to actual use
- Stofa's network of high standard and well invested

Superficially unattractive company

Profitability development DKKm



EBITDA % 2009



Team and culture

- Strong loyalty to company
 - Brand
 - Underdog
 - Local environment
- Customer focus
- Transparency
- Good match with Ratos

Commercialisation potential

- Weak target-setting, profitability focus and strategic guidance from previous owner
 - Previous strategy not based on Stofa's specific competitive advantages
 - Strong focus on customers
 - Strong focus on competition
- Missing strategies for
 - Leveraging purchasing volumes
 - Effective marketing
- Missing pervasive focus on profitability

TeliaSonera's sales process

- Highly competitive process
- Declining valuation through process
 - Business model
 - Stated strategies
 - Difficulties in financing – some banks unwilling to lend
- Main competitor: Nordic PE fund
- Ratos final offer DKK <10m above competitor

Governance, management

- Initial phase: Assess situation
- Board recruitment
 - Chairman: Lars Torpe Christoffersen, ex TDC
- Strategy development
- Management succession
 - CEO: Klaus Høeg-Hagensen
 - Klaus has gradually replaced most of the management team

Strategy development – Ratos priorities

- Commercialisation, profitability focus
- Efficiencies
- Growth within existing customer base
- Improved bargaining position
- Investments in network and market position
- Continued investments in platform for future world of television

■ KEEP IT SIMPLE

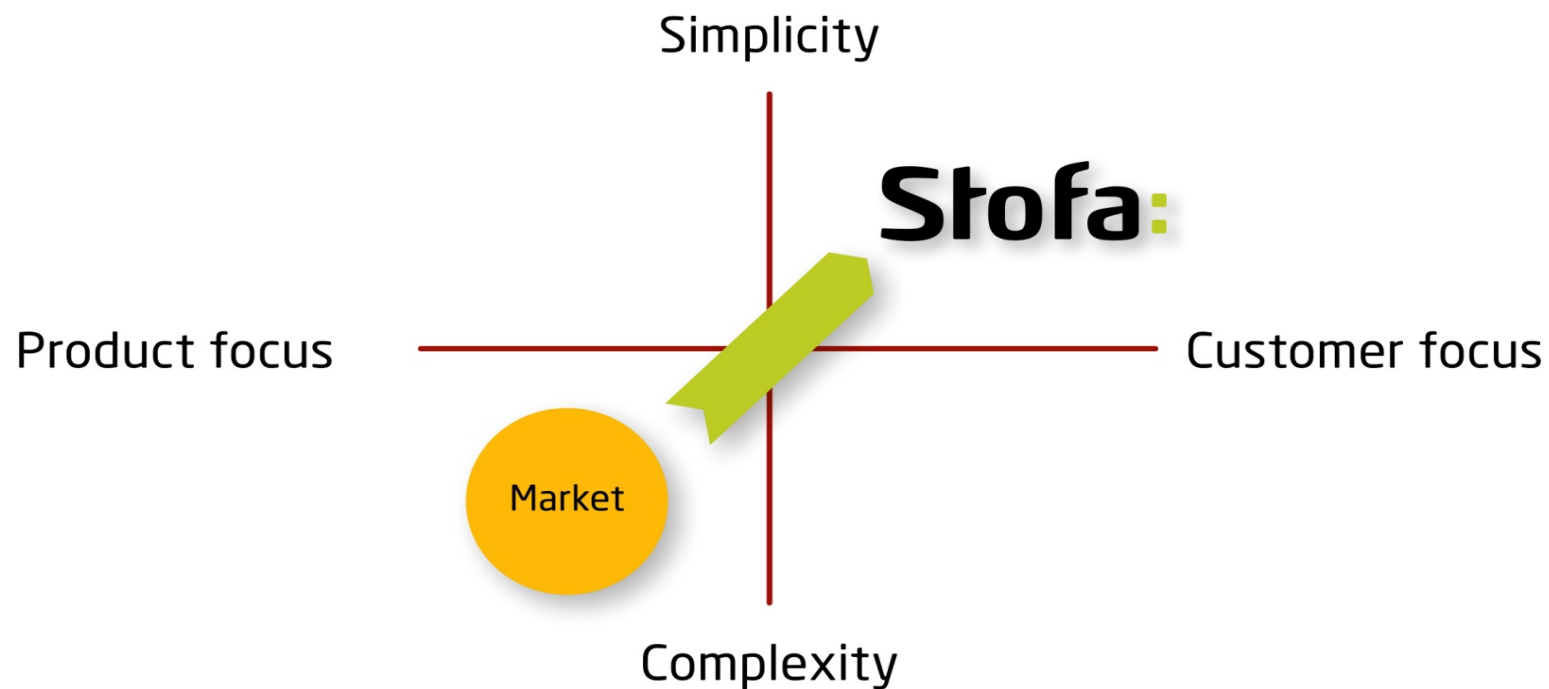
Simplify core business

Take end-user ownership

Efficiency

**Back to
basics**

■ MARKET POSITION










■ RATOS APPROACH

- Firm determination
- No nonsense
- Brave, in a tight spot





RATOS WORKING METHOD

STRENGTHS

-  Genuine industrial interest
-  Long-term commercial focus
-  Trade competence high
-  Full transparency
-  Highly visible to Level 2
-  Strong support to CFO - strategic focus and risk management in the board
-  Comprehensive and fast changes supported

CHALLENGES

-  Ambition level of strategic plan versus serious execution power
-  Danish versus Swedish

Active ownership must be situation specific...

- Needs to be adapted to specific situation
- Operational improvement cases: Shaking companies up, carrying out a large number of activities. Typical tools:
 - 100-day plans
 - Project office
 - Action lists
 - Detailed multi-year action plans by functional area and business area
- Stofa: Some elements of operational improvement, but main issue was strategic clarity:
 - Strategy alignment
 - Strategy simplification – helping management focus on the most important activities
 - Clearly saying no to some options (mobile, growing outside the network)

... but some general principles should always apply

- The owner needs to act the role: Patience, humility and calm attitude to change – do not create confusion
- Always:
 - Governance - Respecting the roles of management, board and owner
 - Overseeing that management is moving in the right direction
 - Financial follow-up
 - Strategic understanding
 - Capital structure
 - Aligning choices with value focus

Outcome

- Company sold to SE (Sydenergi) autumn 2012 (closed spring 2013)
- EBITA from 91 to DKK 157m
 - Underlying profitability higher
 - Strong growth in number of broadband subscribers
 - Improved content margins
 - Continued investments in the network
 - Improved working capital
 - Add-on acquisitions
 - Efficiencies
- Sales price based on trajectory going into 2013
- EV from 1,100 to DKK 1,900m
- Ratos's investment 2010 DKK 527m
 - DKK 425m dividend Q1 2012
 - Exit value DKK 1,000 m
- IRR: 60% (in DKK)

Stofa:

Q&A