



Ratos Capital Markets Day 2018

Jonas Wiström

4 June 2018

Who is Jonas Wiström?

- Royal Institute of Technology Stockholm
- Philips Defence Electronics
- Saab-Scania
- SUN Microsystems
- Silicon Graphics
- Prevas
- ÅF
- RatOS
- Current Board memberships
 - Business Sweden, IVA



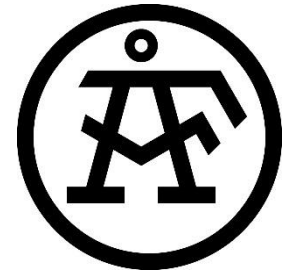
PHILIPS



SCANIA



Prevas



My mission

To increase shareholder value in a
growing Ratos

Agenda

Ratos 2012-2017

Actions 2017-2018

Financial targets

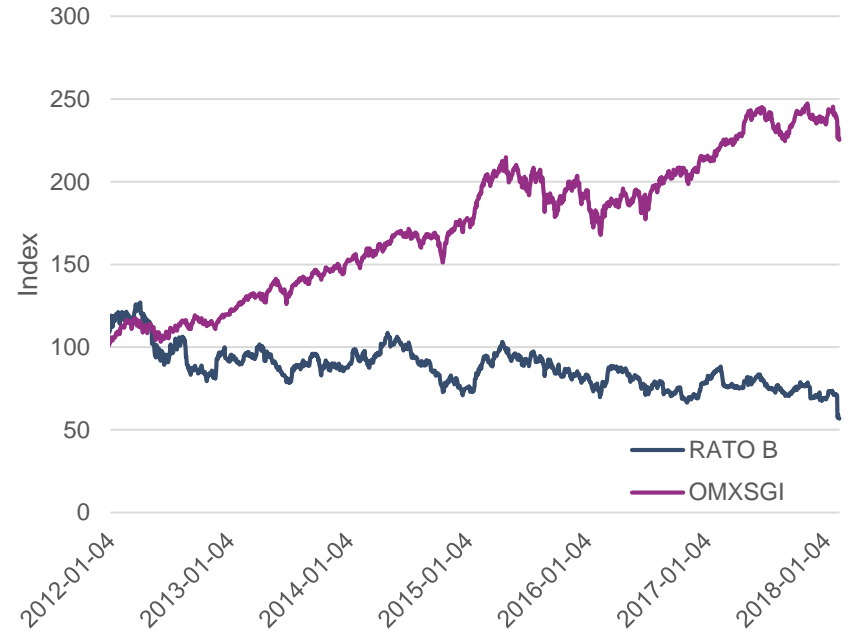
Ratos moving forward

Summary



History

- Weak share price trend since 2011 with high dividend yield
- Operated as a listed PE-company



Weak share price trend

- High valuation 2012
- “Divested great companies and held on to lesser great ones”
- Development in the portfolio is too weak, although some companies are performing well



Ratos's challenge

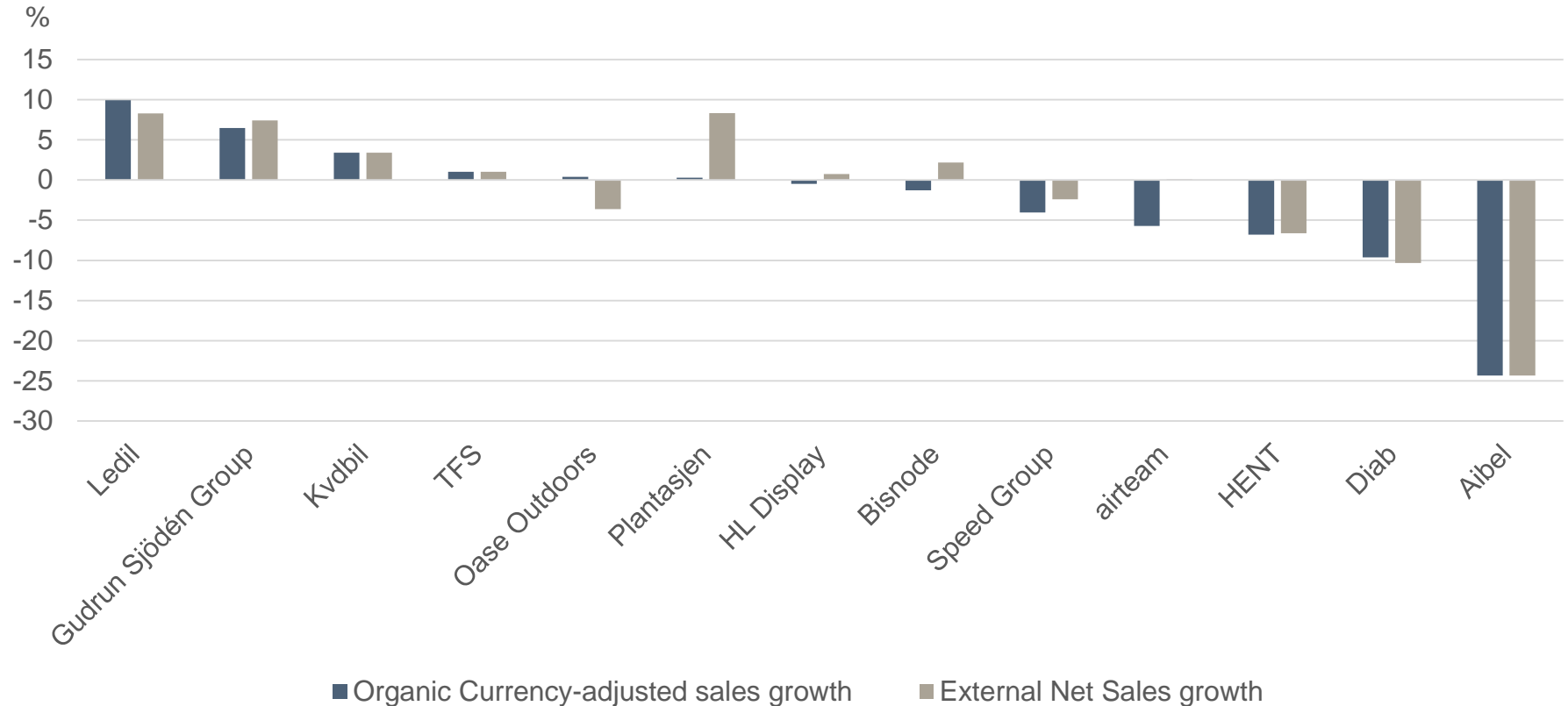
Development of the company portfolio

- During 2017, only 7 of 14 companies showed an improved EBITA-performance, despite a boom in most industries
- The current company portfolio earnings generation and debt level do not finance Ratos's dividends



Another challenge: Organic growth

Organic, currency-adjusted sales growth LTM compared to external net sales growth LTM, Q1 2018



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Ratos during 2017

- Updated strategic agenda
 - ✗ Focus holdings on fewer sectors
 - ✗ Retain certain companies for a longer period with lower debt leverage over time
 - ✗ In future, dividends on Ratos shares will be based on stable cash flows from the portfolio companies instead of exit gains
 - ✓ Changed investment intervals
- Nebula and Serena successfully divested
- GS-Hydro declared bankrupt



Ratos during 2017 (cont.)

- Preference shares ended
- Impairment of book values -550 MSEK
- New short-term incentive programme
- More efficient organisation
 - Reduced central management costs
- Weak performance by the company portfolio during the second half of the year



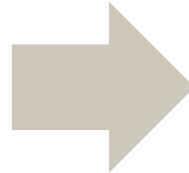
My CEO agenda 2018 H1

- Understand before you want to be understood
- You will find the answers within the organisation
- Structure-Processes-Culture and Strategy



Nothing is more important to a good result for Ratos than...

Great CEOs
in our
companies!



GREAT
TEAM

EXECUTE

STRATEGY

GREAT
PLACE TO
WORK

Leadership - the definition

A good leader delivers sustainable good results

What is a good result?

EBITA and growth?

My first 70 days

Understand and go through in detail

- Portfolio companies
 - Management
 - Board of Directors
 - Results
 - Market
- Our corporate governance
- Ratos AB
 - Organisation
 - Processes
 - Culture
 - Incentive system



Actions so far

Reduced and changed investment organization

- Was too large
- We require less of certain competences and more of others
- We need new eyes

Changed incentive system

- Short-term incentive programme (1 year) based on the earnings trend in the company portfolio
- Long-term incentive programme (4-5 years) based on the performance of the Ratos share

New or updated investment teams

PLANTASJEN

HENT

 **airteam**



Gudrun Sjödén

 **Bisnode**



TFS
It's all about trust

OASE
OUTDOORS

Changed Governance



Gudrun Sjödén

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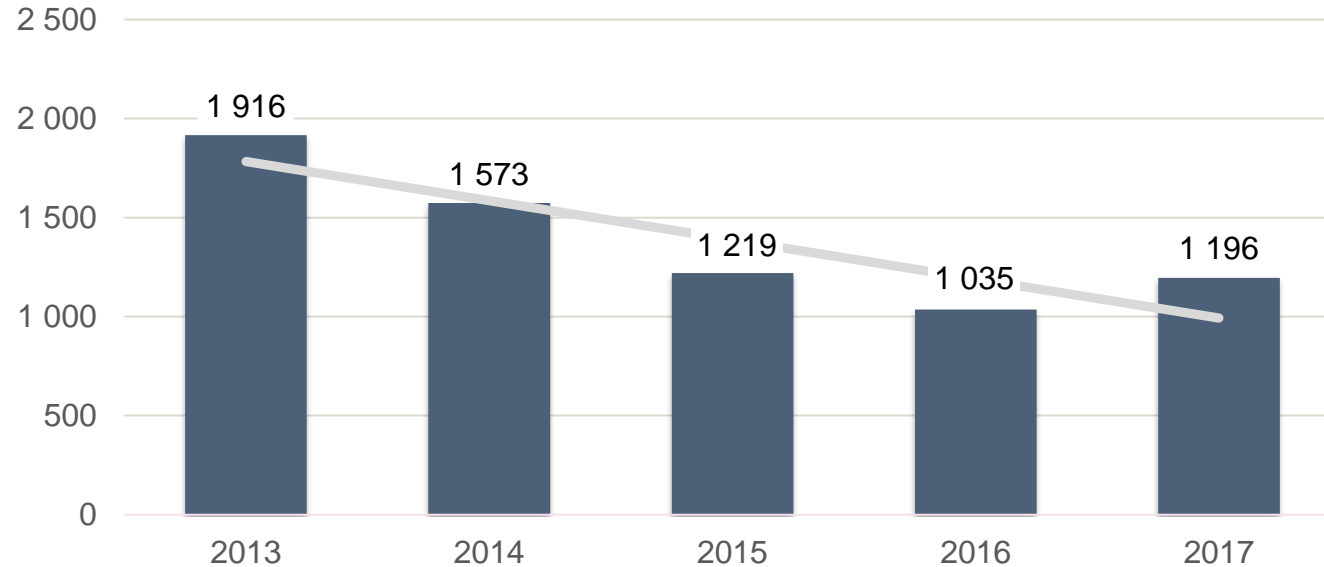
Ratos moving forward

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EBITA-development in Ratos portfolio companies

EBITA-development, MSEK



New financial targets



Increase
profit each
year

The earnings of the
company portfolio
should increase each
year



Leverage
< 2.5x

A conservative leverage
in the portfolio companies
with an aggregated debt
ratio including Ratos AB
less than 2.5x (Net debt /
EBITDA)

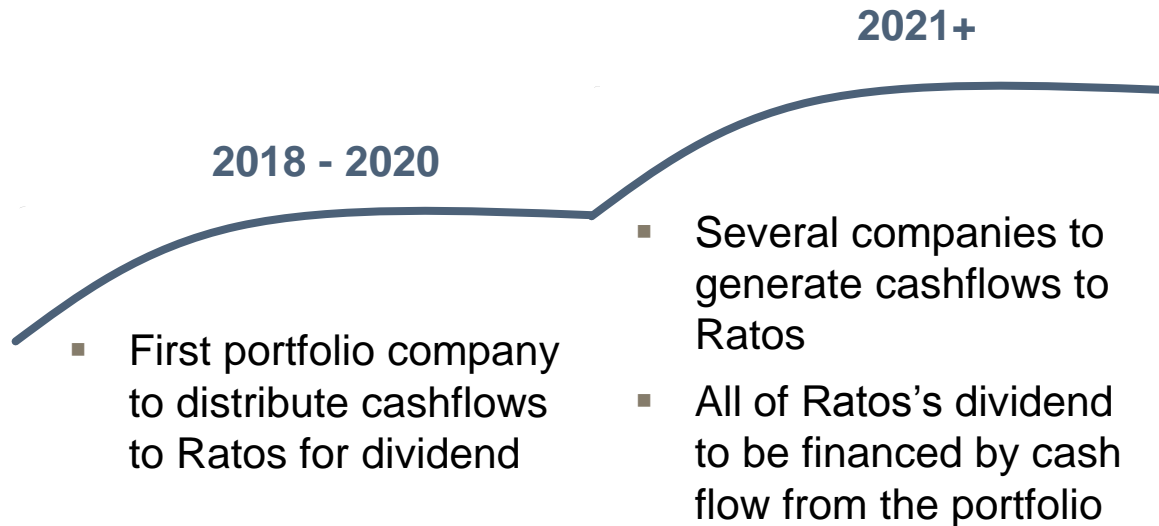


Total share return
should outperform
index

Total return of the Ratos
share should over time
outperform the average
on Nasdaq Stockholm

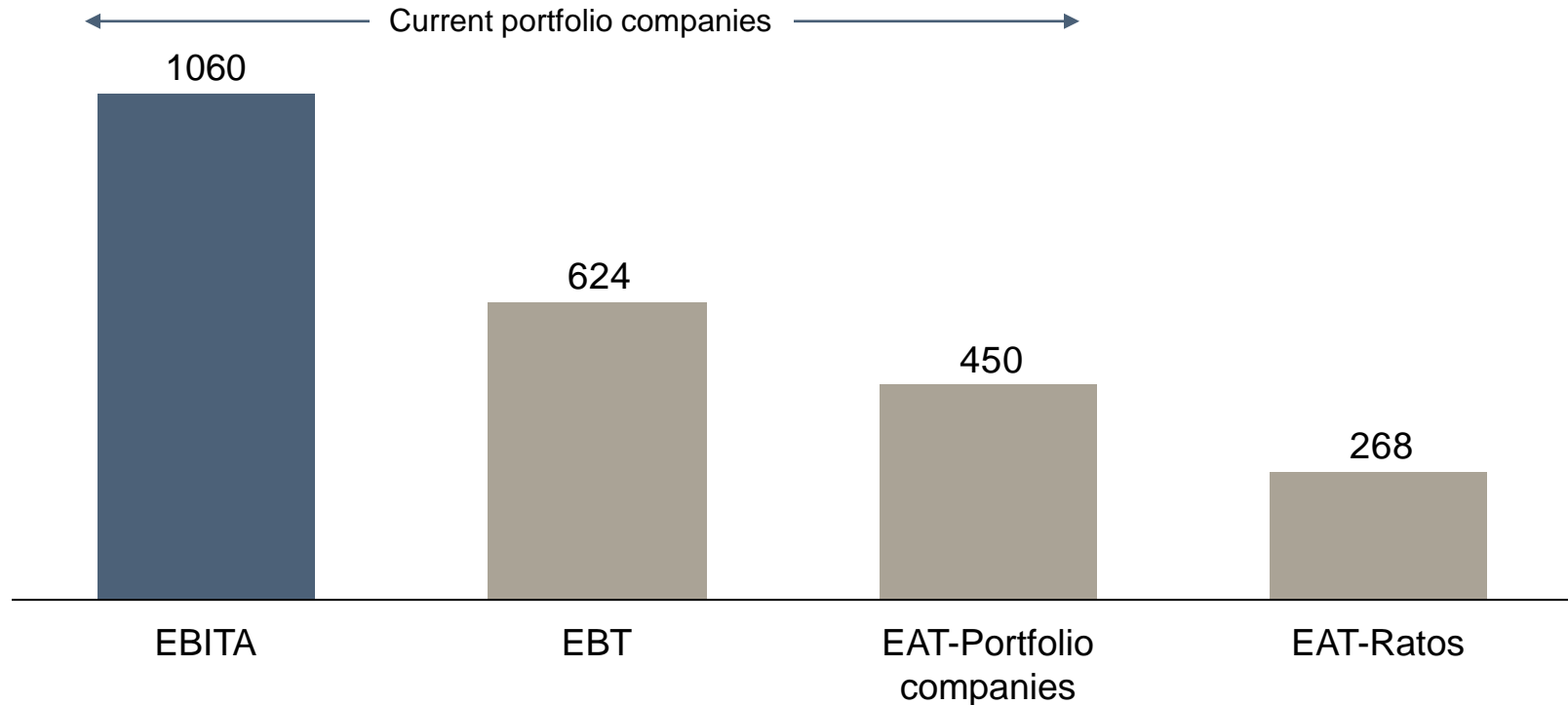
~~IRR > 15%~~

Dividends to be financed by operating cashflows from the portfolio



EBITA, EBT and EAT from the Ratos company portfolio

Profit 2017 MSEK



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Ratos focus for second half of 2018

**Continue to focus on
current portfolio**



**Criteria for long-term
holdings**



**New investment
criteria**



Continue to focus on current portfolio

Focus on the current portfolio until our profit trend is positive

Ratos priority



Underperforming companies

Action list on underperforming companies

- Governance
- Management
- Indirect costs, gross-margin and organic growth



Top 3 priorities for turn-around

Criteria for long-term holdings in our portfolio



Strong market position
in the company's
sector & geography
(# 1 or 2)



Cash flow and debt
leverage to provide
dividend

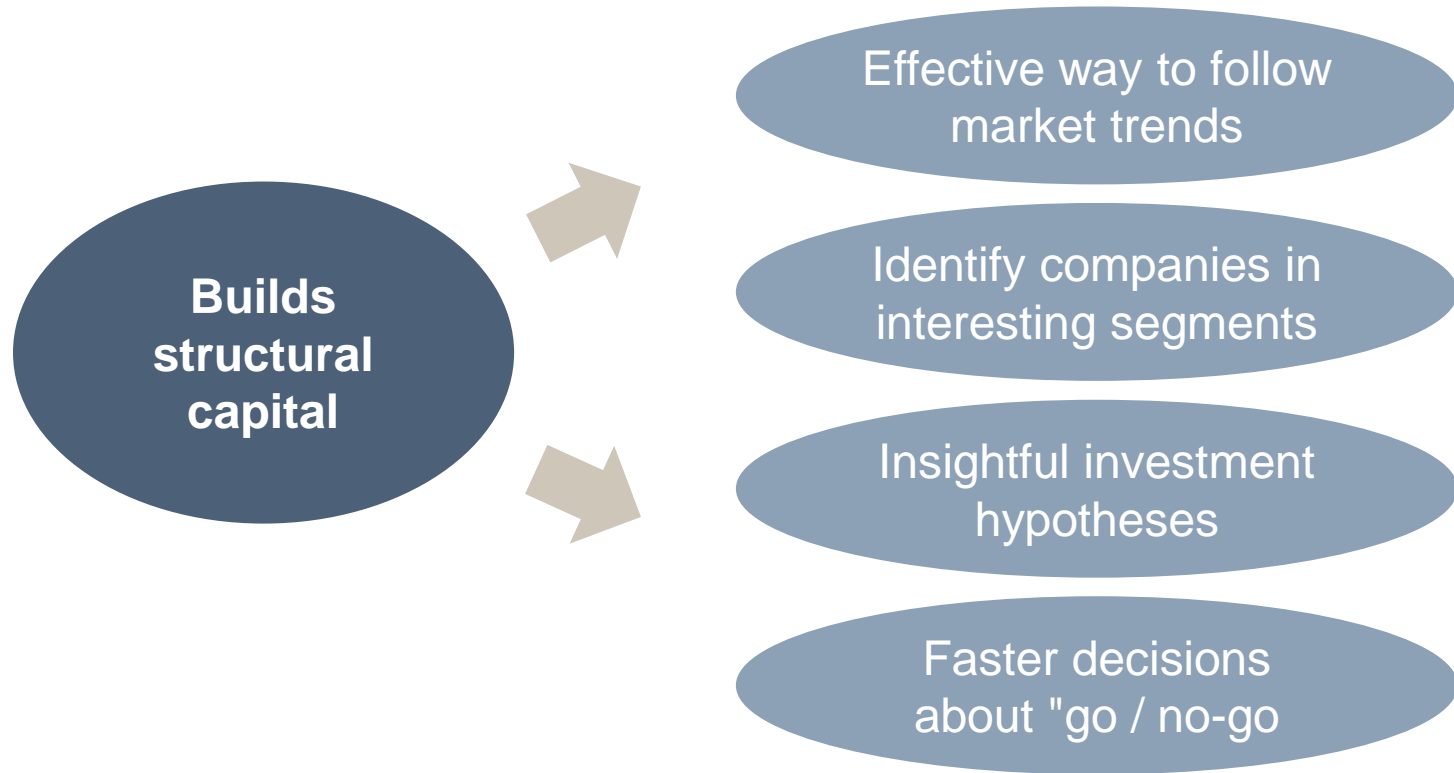


Size >50
MSEK EBITA



Attractive
sector

The advantage of sector focus



Ratos investments divided into sectors

Consumer / Retail / Leisure



Gudrun
Sjödén Group



Oase
Outdoors



Plantasjen

Construction



airteam



HENT

Healthcare



TFS

Industrial



Diab



HL Display



Ledil



Aibel

TMT



Bisnode



Kvdbil

Business services



Speed Group

New investment criteria

Sector companies

- Stand alone investments
- Defined by sectors

Platform companies

- Investments with strong acquisitive agenda
- Larger companies
- History over a business cycle
- Management, Processes, Culture and brand for bolt-on acquisition

Basic criteria for all investments

- Good profitability compared to peers
- Size >50 MSEK EBITA
- Cash flow and debt leverage to provide dividend
- Strong management and culture
- Headquartered in the Nordics

Ratos principles for long-term value creation

Accountability, speed, profitability

Ownership

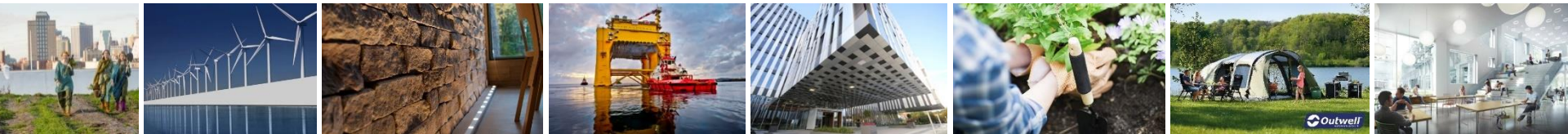
- Majority
- Situational board configuration
- Ensure right CEO
- Aligned incentives between organisation and owners

Governance model

- Ratos investment manager ultimately responsible for value development
- CEO responsible for the development of the business
- Minimize formalities and bureaucracy, short and fast decision making

Value Creation

- Focus on EBITA growth and return on operating capital
- Ensure implementation of "Ratos Basics"



The Ratos Basics

Increased shareholder value in a growing Ratos

Strong CEO and management
with strong long-term incentive

Governance structure depending on situation, ownership and company progress

Ratos Basics

**Competitive
Benchmarking**

*“Ability to understand
performance”*

**Monitoring
Profitability**

*“Ability to know your
numbers”*

**Customer
Satisfaction**

*“Ability to understand
attractiveness of
offering”*

**Human relations &
Incentives**

*“Ability to attract,
keep and develop the
best professionals”*

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- New financial targets
- New short-term incentives and long-term incentives programs
- Focus on current portfolio
- New investment criteria
- The Ratos way of value creation
- New investment organisation
- Updated view on governance

My Vision:
**A successful Ratos where the best
professionals want to work**

High value and valuation of the share and a top ranking in
“Sweden's best workplace”.

It´s all about people!



THANK
YOU!