

# RATOS



## Sector focused deal origination

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# How do we generate and follow up leads?

Proactive sector coverage and deal sourcing

Structured investment evaluation

Differentiation, business case and action plan

Advisory Boards (Countries)

Holdings (Mgmt. + Board)

Sector Teams

Industrial Advisors

Ratos Network

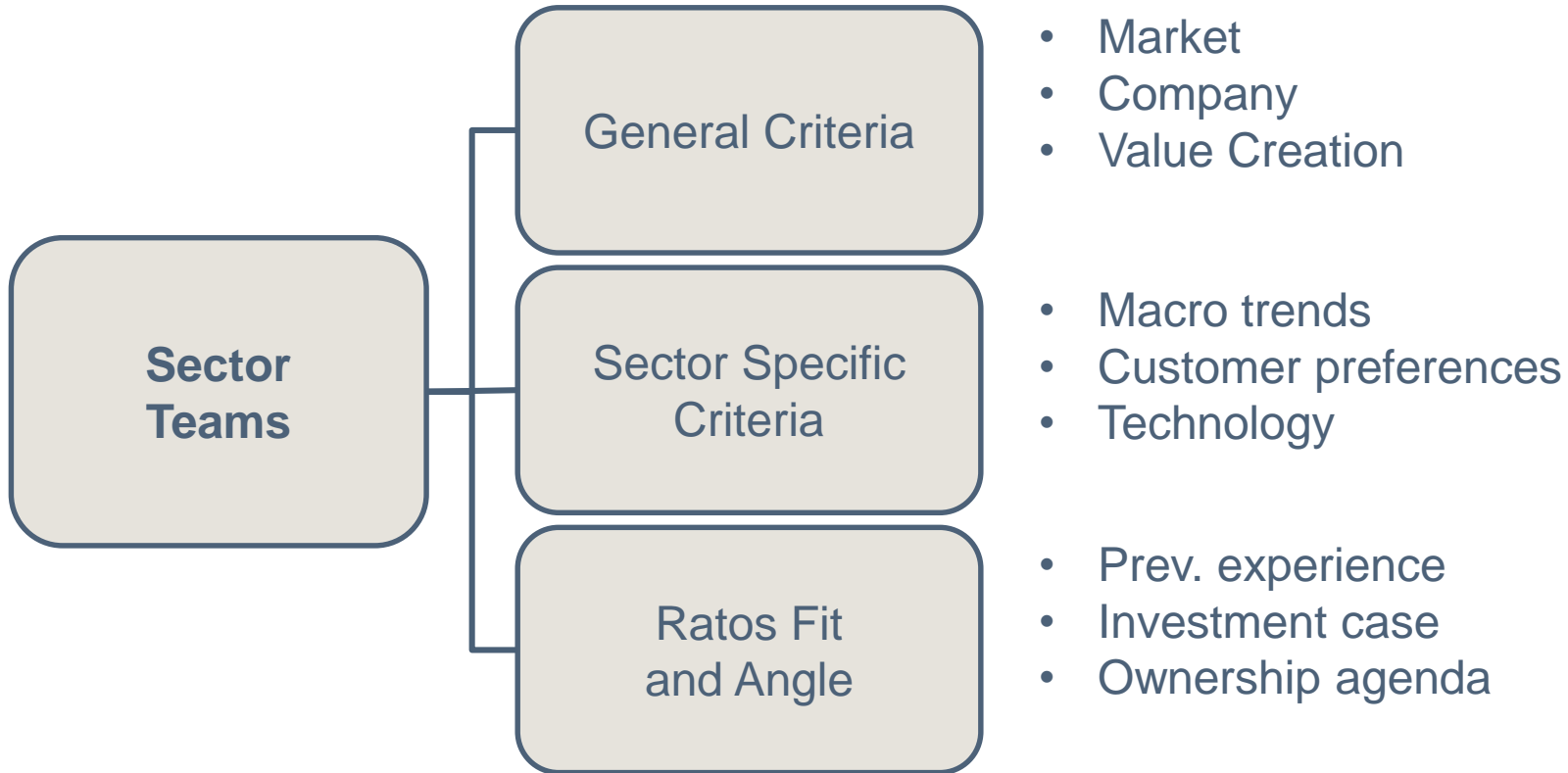
Inv. Banks + Other Adv.

Ratos exclusion criteria and investment criteria

Attractiveness assessment

Valuation

# How do we assess the attractiveness?



# Consumer





# Sector specific criteria and investment trends – examples from consumer, retail and leisure

## Customer preferences

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- Digital shopping
  - Omni channel
- Service and convenience
  - Including eating out
- Sustainability
- Trading up / trading down
- Personalization
  - Mass customization
- ...

## Customer base

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- Aging population
  - Stronger purchasing power
- Millennials
  - Hyper connected
- Increased immigration
- Improved purchasing power in developing countries
- ...

## Technology

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- Digitalization and e-com.
  - Big Data, mobile payment etc.
- Logistics
  - Same day delivery
- Vertical integration
  - Control value chain and brand
- New tools for marketing
  - Targeting, social media m.m.
- ...

# Ratos Angle & Fit

## Divested Holdings



Arcus

30%

Norwegian to Nordic



Haglöfs

30%

Swedish to European



Stofa:

54%

Strengthened offering



INWIDO

16%

Nordic consolidation



41%

Nordic consolidation



Hafa®

neg.

Strengthened offering

## Current Holdings



Gudrun  
Sjödén  
Stockholm Est. 1976



PLANTAGEN®



JØTUL®



OASE  
OUTDOORS

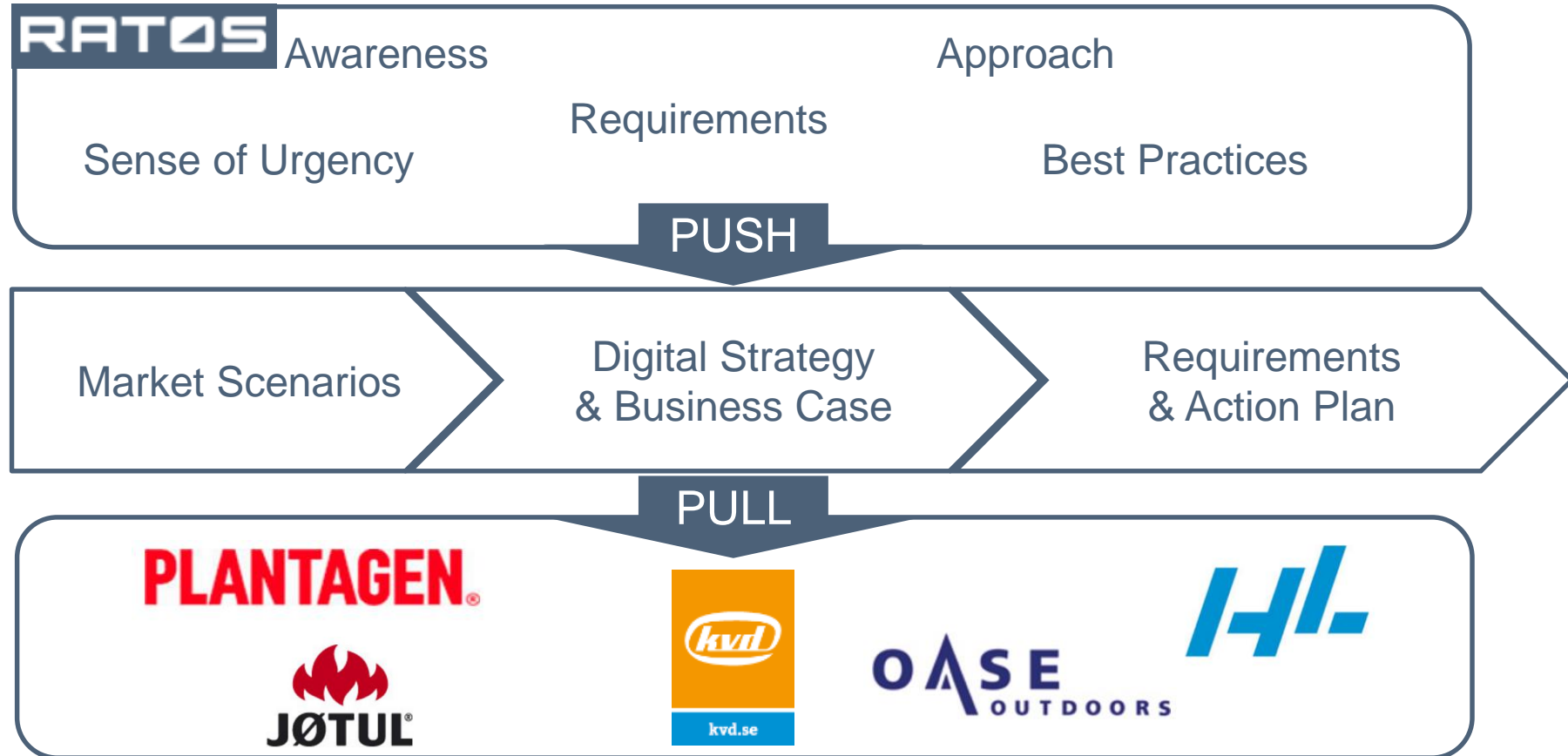


H.L.



kvd  
kvd.se

# Digitalization in our portfolio – sector focused approach



TMT







## Stofa

Danish operator within broadband, cable TV and telephone

*IRR 54%*



## Nebula

Leading provider of cloud services, managed services and network services to SMEs in Finland

*IRR 37%*



## Bisnode

Leading European provider of decision support within business, credit and market information



## KVD

Independent online marketplace offering broker services for second-hand vehicles

# What we look for

## Segments

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- Selected tech & telecom segments in focus, e.g.:
  - Software
  - IT services
  - Network services
- Many other segments case by case, e.g.:
  - Hardware
  - Consumer electronics
- Limited appetite for media

## Attributes

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- Local champions
- Low technology risk
- Recurring revenues
- Scalability
- Supported by megatrends

## Challenges

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- Size
- Valuation

# Case example



## Investment hypothesis 2013

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- Market leader in its niche in Finland
- Strong technical culture with cost focus
- Strong business model
- Fragmented market with consolidation opportunities
- Entrepreneur-led company looking for transition

## Development 2013-2017

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- Revenue growth +12% CAGR
- Spend on sales & marketing, personnel, and SW development +13% CAGR
- Number of employees +30%
- Two strategic and synergistic acquisitions

## Exit outcome

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- Divestment signed with Telia
- IRR 37% & MM 3.3x



# Construction





# Why Construction?

- Strong Ratos track-record
- First class industrial network + internal operational experience
- Structural growth opportunities, albeit cyclicity
- Long-term investment perspective an advantage
- Less crowded by Private Equity
- "Attractive" sector characteristics: Conservative, old-fashioned, fragmented



Great opportunity for entrepreneurial investment approach

# Why Construction?

## Strong RatOS track-record

### Current investments

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Entry: 2016  
Annual sales growth\*: 21%



Entry: 2013  
Annual sales growth\*: 27%

### Historic investments

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Entry: 2004 | Exit: 2015  
IRR: 16% | MM: 3,6x  
Annual sales growth\*: 15%



Entry: 2001 | Exit: 2012  
IRR: 23% | MM: 3,7x  
Annual sales growth\*: 7%



Entry: 2000 | Exit: 2012  
IRR: 13% | MM: 3,1x  
Annual sales growth\*: 7%



Entry: 1999 | Exit: 2004  
IRR: 35% | MM: 4,0x  
Annual sales growth\*: 4%

\*CAGR sales growth between RatOS entry and exit year.

# What do we look for?

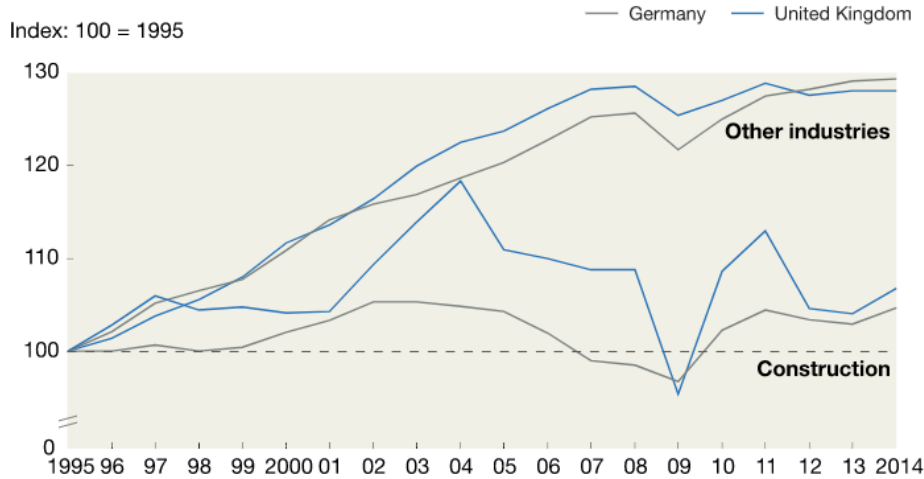
- Prioritized subsegments
  - e g Building materials, Prefab, Installation
  - Not prioritized: e g Rental companies, Residential project developers
- Interesting investment themes
  - e g Buy-and-build, Digitalization, Improved productivity (e g prefab)
- Challenges
  - Timing
  - Size

# What do we look for?

## Interesting investment themes

### Improved productivity

Labor productivity (gross value added per hour worked, constant prices<sup>1</sup>)



<sup>1</sup>Based on 2010 prices.

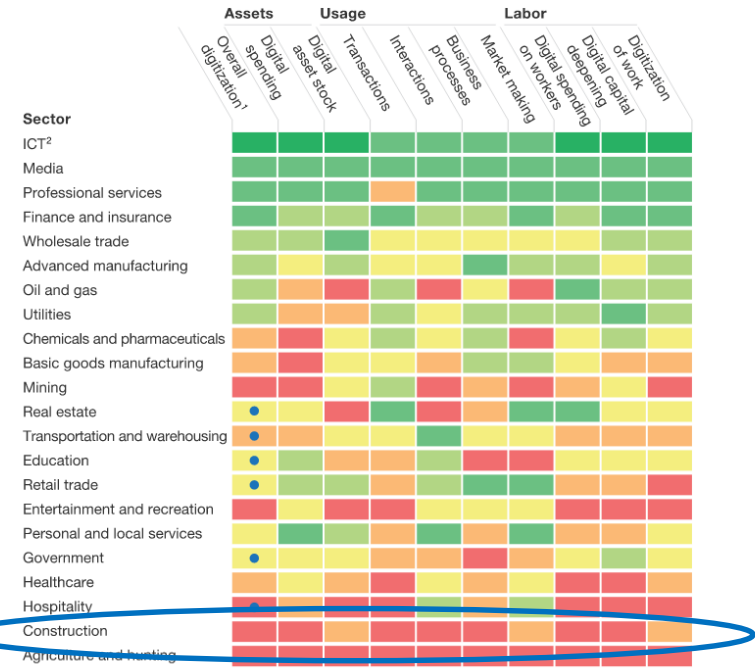
McKinsey&Company | Source: Organisation for Economic Co-operation and Development

### Digitalisation

McKinsey Global Institute industry digitization index; 2015 or latest available data

Relatively low digitization Relatively high digitization

● Digital leaders within relatively undigitized sectors





# How do we work?

- Screening ~40 construction-related ideas per year
- Top 20 target list
  - Follow-up plan per target company
- Active involvement of Industrial Advisors in lead generation