



## WELCOME TO OUR ECOSYSTEM!

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Ernströmgruppen is a family-owned industrial conglomerate focusing on developing and acquiring technical trading companies and niche industries. The company was established in 1975 in connection with our first acquisition – Armaturjonsson – which still to this day remains part of the group.

The history of our owners, Ernström & Co, however dates as far back as 1918. In other words, we have a great deal of experience in managing and developing companies for our future generations.

We no longer see ourselves as a group, but rather as a decentralised ecosystem of companies.

Like in any thriving forest, Ernströmgruppen is made up of a flora of different trees in various sizes.

This diversity, along with a robust, integrated root system, provide us with the strength and tenacity to stand better equipped in the face of future challenges and opportunities.

Each company in our ecosystem is managed by competent leaders and staff, who constantly strive to make their company better, making it more efficient and customer-oriented every single day.

We do this by combining the best of two worlds: entrepreneurial spirit and large scale enterprise.

Welcome to our world!

## OUR AMBITION: TO DEVELOP BUSINESS LEGACIES FOR FUTURE GENERATIONS

In a world where development takes place at an increasingly faster pace, small and medium-sized companies are struggling to remain competitive on their own. This will sometimes lead to fully viable businesses being sold to foreign competitors, or to institutions focusing on maximum short-term profit, and subsequently be relocated, merged with other companies or – in a worst-case scenario – simply cease to exist. At Ernströmgruppen, we would like to think of ourselves as a better long-term alternative for anyone thinking about selling their business legacy. In the following pages we share our views on the development of businesses, the strength that lies in a network of like-minded (and unlike-minded!), and how we create opportunities for entrepreneurs to remain involved in the development of their creations.

Most of us at Ernströmgruppen could be described as: mature people in mature companies, operating on mature markets. We all realise that the world is changing and that we need to change with it, but how? The companies in our network are given the opportunity to share their experiences with colleagues in similar positions. We put a lot of effort into issues such as digitalisation, and what we can do to pass on the best possible ecological footprint to the next generation.

Simply put, we strive to make great companies even better in a digital and sustainable future!

Pontus Cornelius, CEO

## OUR BUSINESS MODEL: COLLECTIVE ENTREPRENEURIAL POWER

We stand for a long-term owner commitment aimed at strengthening the competitive edge of companies to enable them to advance their market positions. To accomplish this, we combine entrepreneurial spirit with the business methods found in large scale enterprises.

The entrepreneurial world gives us accountability, effective decision-making processes, a strong sales and customer focus and a great deal of personal commitment from everyone at the company.

Large scale enterprise provides us with a professional approach to boardroom work, strategic thinking, sharing of knowledge and experience, structure and financial stability.

As part of our long-term perspective, all business-building efforts are based on ethics, morals, and taking responsibility for our ecological footprint. We call this business model “Collective Entrepreneurial Power”.



### LEARNING FROM EACH OTHER AND THINKING OUTSIDE THE BOX

To us, all companies are unique and should be treated as such, but we also know that acting alone is rarely the best course of action. For smaller companies to retain their competitive edge in the future, they need to be challenged and stimulated, and get inspiration from others in the same situation. Our companies operate in different industries, with different customer groups and products – all with different experiences. This creates a unique arena for knowledge sharing in order to come up with new business opportunities and recipes for success.



### DECISIONS ARE BEST MADE CLOSE TO THE CUSTOMER

The basis of our ecosystem is that each individual company is accountable for its own income statement, balance sheet and development. We offer a highly decentralised environment, in which company managements run complete companies and report to a competent, company-specific board. This philosophy not only attracts the best business people; it also creates better conditions for companies to meet the various needs of their customers as well as ability to quickly adapt to the increasingly intense fluctuations of the surrounding world.

The synergies between our companies are sometimes obvious, but we never impose collaboration on them. Instead, we offer different opportunities for co-operation, such as joint purchasing and exchange of expertise. It is then up to each organisation to decide on the potential business benefits – all with the aim to maintaining the entrepreneurial spirit and the clearly delegated responsibility for the company’s results.

Some might see this decentralised structure as a sign that we don’t contribute to the development of the companies. Nothing could be more wrong. The only difference is HOW we do it. In our experience, demand-driven synergies are best realised in organisations with clear expectations and a competent, confident leadership. It may take a little longer, but the outcome will often be better. Besides, there is no rush. We have no exit agenda; our primary goal is to develop these companies for future generations.

This will be our legacy.

### WHAT IS KEY TO US?

- Highly decentralised organisation, characterised by excellent business acumen and clear profit responsibility.
- To extract the best parts of large scale enterprises without losing the driving force found in entrepreneurial companies.
- Freedom with accountability – but we do require profitability and continuous development.
- Acquisition without destroying.
- We challenge good companies to become even better.
- We develop companies – we do not develop by divesting our companies.
- Strong focus on business ethics and environment.



## THE ART OF *SELLING* A BUSINESS LEGACY – THINGS TO CONSIDER

The decision to hand your business legacy over to someone else is a major step to take. As a seller, you do not only want to ensure that the price is right but also that a new owner continues to develop your company in a good way for your staff, customers and suppliers.

All this needs to happen in an ever-tougher business climate and an increasingly digitalised world that requires investments.

We know this process needs to mature and take its time.

A rushed decision may risk that the company eventually ceases to exist or loses its competitive edge. In our experience, the chance of success, will improve dramatically if the buyer and seller take time to fully understand each other's value base, and then create a common goal for your company.

### WE ARE THE BEST BUYER FOR THOSE WHO:

- Want to see their business legacy developed and maintained.
- Care to see the company culture live on.
- Want to take responsibility for your customers, staff and suppliers.
- Don't want to see the business relocated abroad or elsewhere.
- Want the backing of a competent, experienced and financially solid corporate sphere.

### 1 COMPILE A CAREFULLY CONSIDERED SPECIFICATION OF REQUIREMENTS

"Trust your intuition and listen to your heart" is what we usually advise anyone considering selling their business. "Do you want to be involved in the continued development of the company? Do you have a family member who would like to stay on, but not as an owner? Do you value a new owner who cares for the company's staff, customers and suppliers? What kind of owner do you think could help your company develop further?" These are examples of questions you may have to answer before you decide to look for a new owner.

### 2 DEFINE CLEAR REQUIREMENTS AND SCRUTINISE THE INTENTIONS OF THE POTENTIAL NEW OWNERS

Begin by defining a specification of requirements on the buyer. Then allow time for your decision to mature while you get to know the potential buyers and find out how well they meet your requirements. Because you should have requirements. Only you know what is the best solution for your business legacy and which type of owner philosophy is best suited for the company. To be able to make the best possible choice, you need to know the true intentions of the potential new owners. Once the decision has been made, you should feel confident that the buyer will deliver on their promises. Financially and emotionally, this will probably be the most important transaction of your life. Allow it to take its time!



## THE ART OF *BUYING* A BUSINESS LEGACY – OUR WAY OF THINKING

There is one major difference between us and most other buyers: we don't have an exit strategy. Instead, our ambition is to own companies for generations. Having been in business for four generations we feel this is a credible claim.

We seek involvement in companies that have a clear business position, where we feel we would be a good owner, able to contribute to the development of the company. We always put great emphasis on evaluating company management and staff. We act like an owner, not like a group management team. The idea is that the management teams of each of our companies should act as if it was their own business. Only then, we avoid being torn between short- and long-term priorities.



### SOLID COMPANIES FRÅN SOLID PEOPLE

Our most important acquisition criterion is to purchase solid companies from solid people who share our passion for the long-term development of companies for future generations. Since we only acquire well-run companies, we rarely find reasons to relocate, reorganise, merge or sell them on. On the contrary, continuity is what matters most to us.



### ONE CLEAR PROCESS UP TO THE POINT OF TRANSACTION

Only when both parties are fully comfortable with each other's values, intentions and visions for the future, we feel the conditions are met for a "happy marriage". For you, as the seller, to feel safe about disclosing information about your company, we generally suggest signing a Non-Disclosure Agreement (NDA) and sometimes a simple Letter of Intent (LOI). This way both parties can feel safe in the continued discussions and intent to finalize the transaction in the way we have agreed upon. Next step in the process is to conduct a Due Diligence (DD).

This is something that we almost without exception carry out ourselves, since this procedure also offers a great opportunity for us to learn more about the people and the company, so that we can be a good owner straight after the takeover.

In legal issues and other areas where we require additional competence, we bring in outside expertise. We would also recommend you, as the seller, to have a legal representative to help you with any questions along the way. The same lawyers will prepare a Share and Purchase Agreement (SPA) which sums up what we have agreed on.

Following this, we begin our joint efforts to develop your and your family's business legacy.

KEY MILESTONES IN A FAMILY-OWNED COMPANY'S 100 YEAR-HISTORY



**1918**  
**A FOUNDATION OF BUILDING MATERIALS**

In February, the driven businessman Ivar Ernström founded Ernström & Co AB in Gothenburg. The company initially sold nails, boards, asphalt and reed mats; the construction materials of that time. In January of 1922 the first generation of the present owner-family, Albert Hobohm, joined the company. Albert became a partner shortly after that.



**1927**  
**A CORNERSTONE THROUGH THE YEARS: SERPONIT**

Water-proofing of cement through adding pieces of serponit stone is first seen. This led Ernström & Co to found Vattentät Cement AB and build a factory in Köpmannebro to manufacture its product, later to be known as Serponit. Ernström & Co invested large parts of its earnings on further development of a variety of plastering products, all sold under its increasingly well-known product name Serponit.



**1934**  
**ALBERT HOB OHM BECOMES CEO**

Following the turmoil of the thirties, with builders' strikes, the Kreuger Crash, the Great Depression and the death of Ivar Ernström in 1934, ownership of Ernström & Co was converted and Albert Hobohm became the new CEO. The company quickly recovered, and except for one single year, its figures haven't been in the red since.



**1960-1966**  
**THE MINERAL BUSINESS EXPANDS & MODULENTHUS IS CREATED**

Already in the fifties the need to extend the plants near Örebro (Sweden) used for crushing the raw material found in Serponit became evident. In 1967, the company also began to mine for dolomite in the area of Glanshammar, Sweden. Building methods changed rapidly during the post-war era. Brick was replaced by lightweight concrete, and the number of concrete structures increased. Modulent was established in 1966 to produce modular concrete staff cabins. Next step was prefabricated family homes, and during the seventies the company produced 900 homes yearly under the brand name Modulenthus.



**1975**  
**ARMATURJONSSON JOINS & ERNSTRÖMGRUPPEN IS FOUNDED**

Armaturjonsson was acquired in 1975, following several years of discussions. At the same time Ernströmgruppen was founded as a wholly-owned subsidiary of Ernström & Co, with the intention to build a group of technical trading companies.



**1983-1991**  
**ON THE OTC-LISTAN**

In the early 1980s, additional funding was needed to take business to the next level. The solution was to have Ernströmgruppen AB listed on the Stockholm Stock Exchange OTC-list. The company expanded abroad, and at its peak had operations in 11 countries in and outside of Europe, among these France, Spain, Turkey and Saudi Arabia. At the end of 1991, the family decided that the company would be better off in private regime again. It was subsequently bought back and taken off the stock exchange.



**1992-2010**

In the decades that followed, Ernströmgruppen continued to grow as a privately-owned group of companies focused on construction materials. Several takeovers and start-ups were realised, among which Armatec and Retherm AB form the foundation of today's Ernströmgruppen.



**2011**  
**A DECENTRALISED CORPORATE CONGLOMERATE**

In 2011, as the 4th generation took over, a decision was made to appoint an experienced external board and CEO to further develop Ernströmgruppen, which at the time consisted of 9 companies with a combined turnover of SEK 912 million. A new strategy was adopted with the mission to "make good companies better in a sustainable and digital future".



**TODAY**  
**TIMELESS VALUES FORM THE BASIS OF THE OPERATIONS**

Our strategy of organic development and carefully managed acquisitions has, since 2011, resulted in multiple years of record profits. Today, Ernströmgruppen operates according to a unique business model based on values formed during our long business history.

- Professionalism
- Long-term perspective
- Clear profit responsibility
- Decisiveness
- Freedom with accountability
- Business acumen based on strong morals and ethics
- Positive environmental impact





# BALANSRÄKNING / BALANCE SHEET

ERNSTRÖMGRUPPEN

<b>TILLGÅNGAR / ASSETS</b>	<b>2017</b>	2016	2015	2014
<b>Anläggningstillgångar / Non-current assets</b>				
Immateriella anläggningstillgångar / Intangible assets	<b>168 257</b>	113 645	86 228	49 467
Materiella anläggningstillgångar / Tangible fixed assets	<b>76 441</b>	35 586	28 452	21 603
Finansiella anläggningstillgångar / Financial assets	<b>5 299</b>	3 381	5 793	12 872
<b>Summa anläggningstillgångar / Total non-current assets</b>	<b>249 997</b>	152 612	120 473	83 942
<b>Omsättningstillgångar / Current assets</b>				
Varulager / Inventories	<b>209 337</b>	141 512	131 833	101 106
Kortfristiga fordringar / Receivables	<b>366 239</b>	286 505	286 576	228 985
Likvida medel / Cash and cash equivalents	<b>28 295</b>	71 808	52 960	15 080
<b>Summa omsättningstillgångar / Total current assets</b>	<b>603 871</b>	499 825	471 369	345 171
<b>SUMMA TILLGÅNGAR / TOTAL ASSETS</b>	<b>853 868</b>	652 437	591 842	429 113
<b>EGET KAPITAL OCH SKULDER / EQUITY AND LIABILITIES</b>				
<b>Eget kapital / Equity</b>	<b>289 168</b>	271 844	223 610	181 667
<b>Avsättningar / Provisions</b>	<b>10 555</b>	9 214	6 435	4 875
<b>Skulder / Liabilities</b>				
Långfristiga skulder / Non-current liabilities	<b>159 126</b>	81 071	84 750	50 084
Kortfristiga skulder / Current liabilities	<b>395 019</b>	<b>290 308</b>	277 047	192 487
<b>SUMMA EGET KAPITAL OCH SKULDER / TOTAL EQUITY AND LIABILITIES</b>	<b>853 868</b>	<b>652 437</b>	591 842	429 113



# RESULTATRÄKNING / INCOME STATEMENT

ERNSTRÖMGRUPPEN

	2017	2016	2015	2014*
Rörelsens intäkter / Net sales	1 641 101	1 344 979	1 055 493	1 069 205
Rörelsens kostnader / Operating expenses	-1 480 868	-1 219 310	-942 131	-977 560
Avskrivningar / Depreciation and amortization	-35 539	-18 924	-14 797	-16 392
<b>Rörelseresultat / Operating profit</b>	<b>124 694</b>	<b>106 745</b>	<b>98 565</b>	<b>75 253</b>

## Finansiella intäkter och kostnader / Financial income and expenses

Ränteutäkter och andra finansiella intäkter / Interest and other financial income	1 523	1 798	553	2 981
Räntekostnader och andra finansiella kostnader / Interest and other financial expenses	-9 018	-5 592	-5 890	-7 124
<b>Resultat efter finansiella poster / Profit after financial items</b>	<b>117 199</b>	<b>102 951</b>	<b>93 228</b>	<b>71 110</b>
Bokslutsdispositioner / Appropriations	-28 041	3 419	-21 547	-20 615
Skatt på årets resultat / Tax on profit for the year	-31 145	-23 977	-20 306	-19 529
<b>ÅRETS RESULTAT / PROFIT FOR THE YEAR</b>	<b>58 013</b>	<b>82 393</b>	<b>51 375</b>	<b>30 966</b>

## Årets resultat hänförlig till / Profit attributable to:

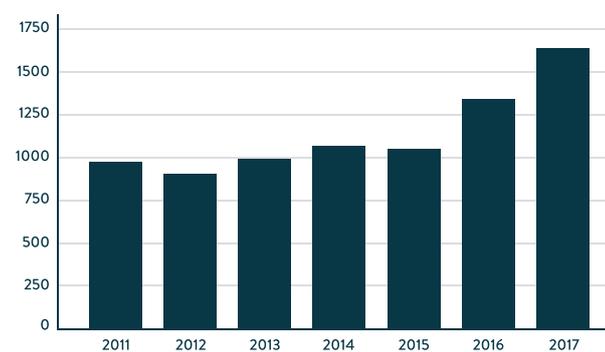
Moderföretagets ägare / Owners of Ernst & Young AB	57 477	81 924	51 375	30 966
Minoritetsintresse / Non-controlling interests	536	469		

## NYCKELTAL / KEY RATIOS

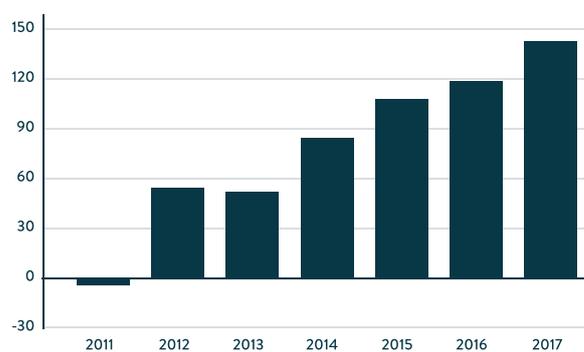
	2017	2016	2015	2014
EBITA	8,8 %	8,8%	10,2%	7,9%
Tillväxt / Growth	22,0%	27,0%	-1,3%	7,7%
Soliditet / Equity Ratio	33,9 %	41,7%	37,8%	42,3%

\*Exklusive kostnader kopplade till avyttringen av Kakeldaxgruppen AB / Excluding cost related to the sale of Kakeldaxgruppen AB

## NET SALES 2011-2017



## EBITA 2011-2017





# FÖRETAGSSTRUKTUR

ERNSTRÖMGRUPPEN

