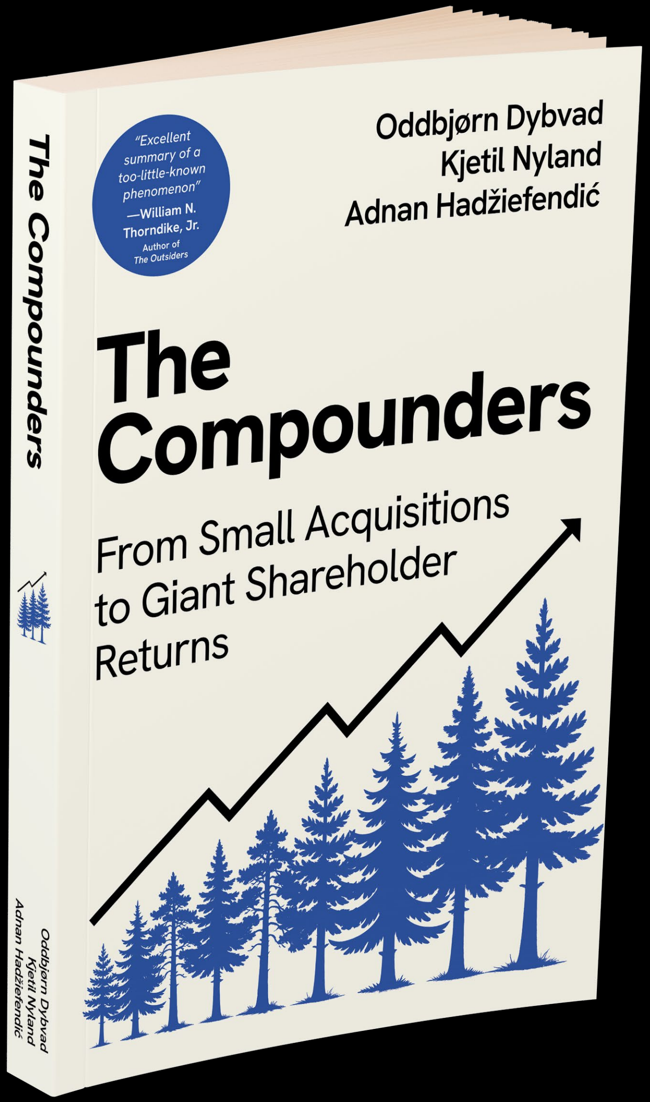
The Compounders

From Small Acquisitions to Giant Shareholder Returns



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Warren Buffett

"If the conglomerate form is used judiciously, it is an ideal structure for maximizing long-term capital growth"

“Time is the friend of a wonderful business” - WB

Herbie Wertheim

“My goal is to buy and almost never sell”

Heico investment:

$5 million => $2,6bn today

(520x)

“Time is the friend of a wonderful business” - WB

The woman with the +7500x returns.

(20% CAGR since 1976)

“Why should I sell?”

Returns That Speak for Themselves

The Story of 9 Acquisition-Driven Compounders from Around the World

Company	Total Return	CAGR	IPO Year
Bergman & Beving share price return (+ spin-offs)	7,500×	20%	1976
Addtech	210×	26%	2001
Lagercrantz	120×	23%	2001
Lifco	21×	33%	2014
Indutrade	50×	22%	2005
Constellation Software	375×	37%	2006
Ametek	175×	16%	1990
Heico	1,100×	22%	1990
Judges Scientific	115×	24%	2003

Average
27 years
25% CAGR

(414x)

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Sweden’s Compounder Factory

Why Sweeden? Small Nation. Big Compounding DNA.

Sweden has become **a global epicenter for acquisition-driven compounders**. This isn’t accidental—it’s the result of a **150-year industrial heritage**, a high-trust and transparent society, and a powerful cultural legacy of decentralization and entrepreneurship. Since the 19th century, Sweden has birthed industrial giants like:

Atlas Copco, Ericsson, SKF, Alfa Laval, Electrolux, ASEA, Sandvik

These pioneers set the stage for:

- *An ecosystem of spin-offs and serial entrepreneurs*
- *Talent pools with industrial heritage*
- *A culture of frugality and financial discipline*
- *Deep respect for decentralized decision-making*
- *Long-term thinking over short-term wins*
- *Managers act like owners, not just operators*

A New Generation Emerges

The old guard laid the industrial and cultural foundation. From that legacy emerged a new wave of world-class acquirers—quiet compounders that turned decentralization, discipline, and niche focus into a long-term edge.

Born from the same DNA:

Bergman & Beving, Addtech, Lifco, Lagercrantz Group, Indutrade

The rise of decentralization

Why Sweden? Small Nation. Big Compounding DNA.

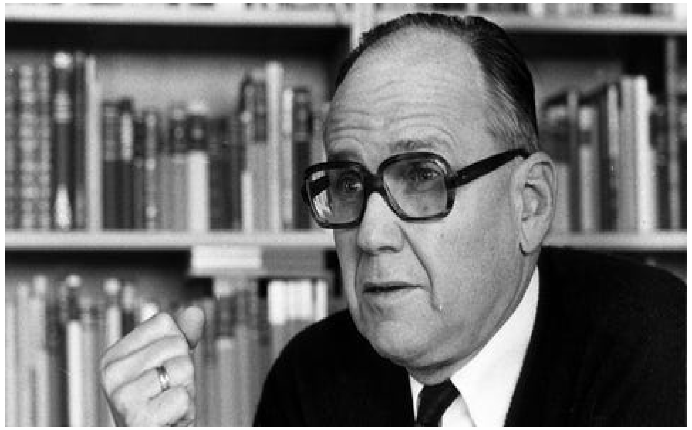
The Electrolux "troika"

Anders Scharp   Gösta Bystedt   Hans Werthén

Breaking bureaucratic systems:

- Grew Electrolux with 80x in two decades (1970s and 80s)
- Selling luxurious property in CBD and moving to the outskirts
- Strong reluctance to bureaucracy -> "*we have hired you with a high salary, take your own decisions*"
- "*It is poetry to hear managers talk about return on assets*"
- "Forecasts are only interesting when you look at them in the rearview mirror"

Dr. Jan Wallander – Svenska Handelsbanken



Pioneering the banking industry:

- Transformed Handelsbanken to one of the world's most successful banks with returns on capital way above peers
- Budgets and annual plans tossed aside -> branch employees were bestowed with independent lending authority
- Cut HQ staff with 33% and marketing department reduced from 40 to 1
- Introduced the "Octagon" – a long-term profit-sharing system that prioritized better profitability and return on capital vs peers

Nordics: Last 20 years and 10 years

Total sample of 979 Nordic companies

Total shareholder return – 20 years*

	Best performing in Nordics	TSR 20y
1	Fortnox	43032%
2	Vitec Softw are Group B	33494%
3	Lagercrantz Group B	19060%
4	Revenio Group Oyj	14591%
5	Protector Forsikring ASA	11779%
6	Addtech B	11460%
7	Kongsberg Gruppen ASA	10536%
8	Hexatronic Group	9852%
9	Vitrolife	8416%
10	Beijer Ref B	7932%
11	BioGaia B	7799%
12	Avanza Bank	6875%
13	Micro Systemation B	6347%
14	Bouvet ASA	6054%
15	Indutrade	5773%
16	Novo Nordisk A/S Class B	5681%
17	G5 Entertainment	5316%
18	OEM International B	5073%
19	Betsson B	5066%
20	Evolution	4962%
21	Addnode Group B	4558%
22	Bure Equity	4511%
23	AQ Group	4087%
24	Sw eco B	3884%
25	Atlas Copco B	3795%
26	AF Gruppen ASA Class A	3634%
27	DSV A/S	3564%
28	Hexagon B	3553%
29	Ambu A/S Class B	3383%
30	HMS Netw orks	3368%

Total shareholder return – 10 years*

	Best performing in Nordics	TSR 10y
1	Fortnox	6806%
2	Evolution	4962%
3	ChemoMetec A/S	4909%
4	Kitron ASA	2810%
5	EQL Pharma	2784%
6	INVISIO	2484%
7	Incap Oyj	2365%
8	Note	2029%
9	Vitec Softw are Group B	1949%
10	Qt Group Plc	1877%
11	MedCap	1682%
12	Kongsberg Gruppen ASA	1475%
13	Lagercrantz Group B	1462%
14	Lifco B	1433%
15	Bouvet ASA	1347%
16	Addtech B	1339%
17	Beijer Ref B	1294%
18	Mycronic	1199%
19	Harvia Oyj	1105%
20	Xvivo Perfusion	1085%
21	Hexatronic Group	1045%
22	Lundin Gold	1034%
23	Sectra B	1010%
24	HMS Netw orks	989%
25	BONESUPPORT	977%
26	Mips	975%
27	Wirtek A/S	971%
28	Aker BP ASA	967%
29	2020 Bulkers Ltd.	956%
30	Bufab	952%

- Out of the best 30 stocks in the Nordics over the last 20 years - acquisition driven compounders constitute 13 names = 43%

- Out of the best 30 stocks in the Nordics over the last 10 years – acquisition driven compounders constitute 10 names = 33%

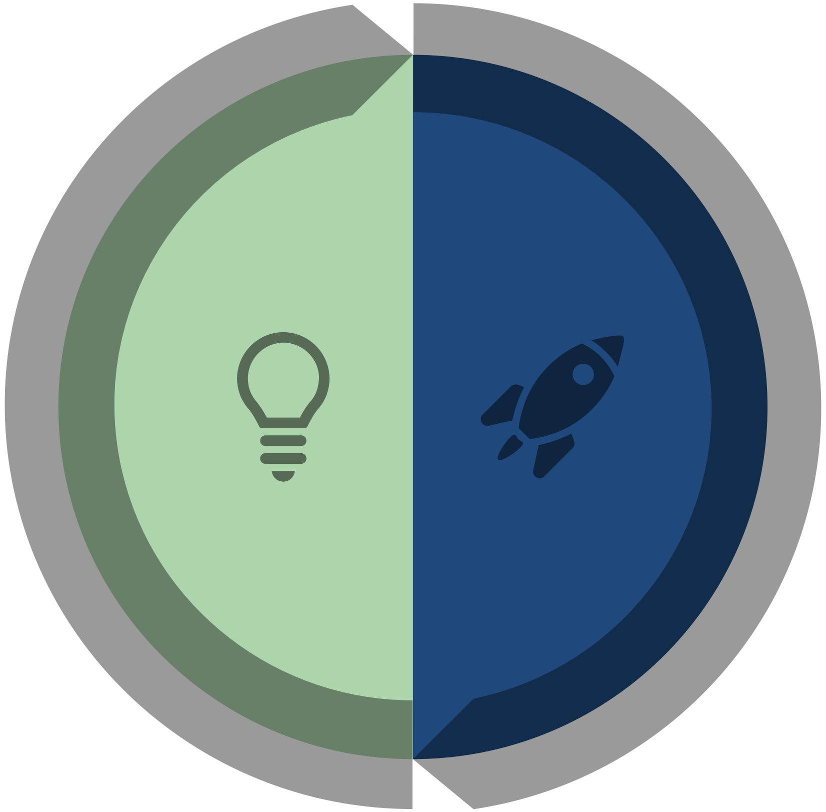
Source: Factset
* For the period or as long as they have been listed

The Two Core Engines of Outperformance

How culture and capital allocation combine to create unstoppable compounding machines

HIGH-PERFORMING DECENTRALIZED CULTURES

- ❑ Empowering local leaders
- ❑ Lean HQs
- ❑ Champion meritocracy and saying no to mediocrity
- ❑ Skin in the game (insider ownership & cash-based incentives)
- ❑ Strong alignment between management and shareholders
- ❑ Long-term mindset reinforced by autonomy and accountability



DURABLE REINVESTMENT ENGINES

- ❑ Investor-mindset management
- ❑ Capital allocation free from legacy or geographic constraints
- ❑ High-return reinvestments: organic + bolt-on acquisitions
- ❑ Bias toward acquiring founder-led niche businesses
- ❑ Relentless discipline and repeatability in deploying capital

These **two principles—decentralized excellence** + **reinvestment discipline**—allow compounders to:
- ❑ Sustain high ROIC
- ❑ Deliver consistent earnings growth
- ❑ Generate multi-decade, multi-bagger returns

Capital allocation toolbox

1 Cash flow

2 Equity

3 Debt

1 Organic investments

2 Acquisitions

3 Dividends

4 Share buyback

5 Paydown of debt

Best of both capital and people

Compounding =

$$f(\underbrace{\text{Reinvestment rate, ROIC,}}_{\text{CAPITAL}}\ \underbrace{\text{duration}}_{\text{PEOPLE}})$$

CAPITAL

- ❑ Capital allocation mindset => “Toolbox”
- ❑ Cash cultures (“capital incentives”)
- ❑ Organic growth priorities (pricing cultures)

PEOPLE

- ❑ Ownership
- ❑ “Organizational structure”
- ❑ Communication
- ❑ KPIs
- ❑ Decentralization

Acquisition-driven Compounders

Strong returns

Compounding =

$$\underbrace{f(\text{Reinvestment rate, ROIC, duration})}_{\substack{80\% \quad\quad 25\% \quad 25 \text{ years}}}$$

100x

Risk mitigation

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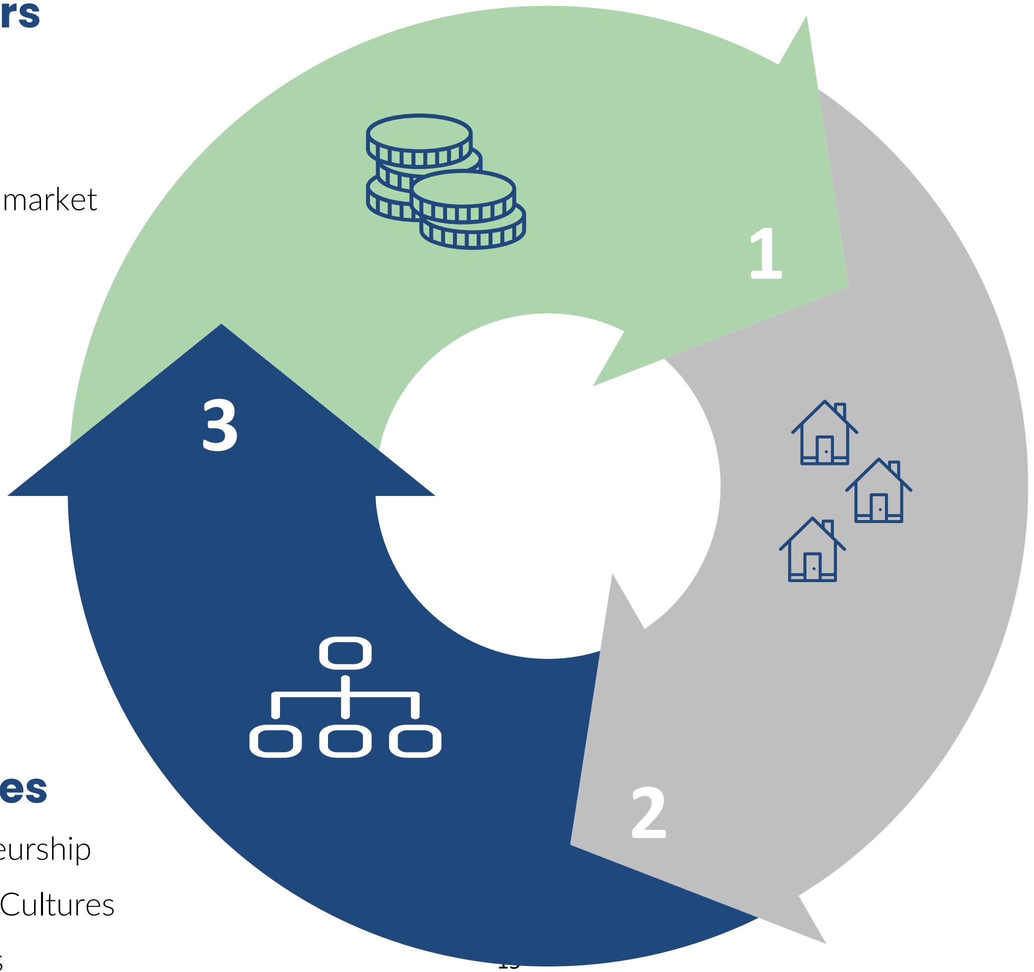
Acquisition-driven Compounders

A flywheel of compounding

Company builders

- Cashflow vehicles
- Dual engines of growth
- Not constrained to one market



Preferred buyers

- Buys from founders & families
- Often "off market" transactions
- Highly attractive multiples (5-7x)

Permanent homes

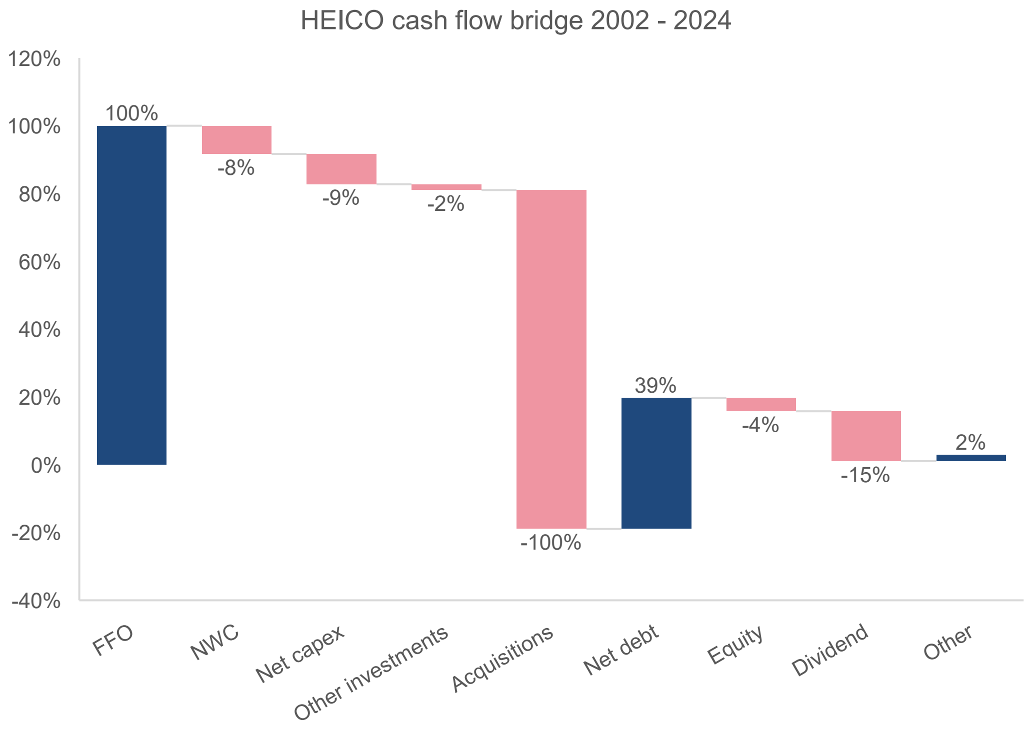
- Decentralized entrepreneurship
- Smart incentives & Cash Cultures
- Shareholder friendly KPIs

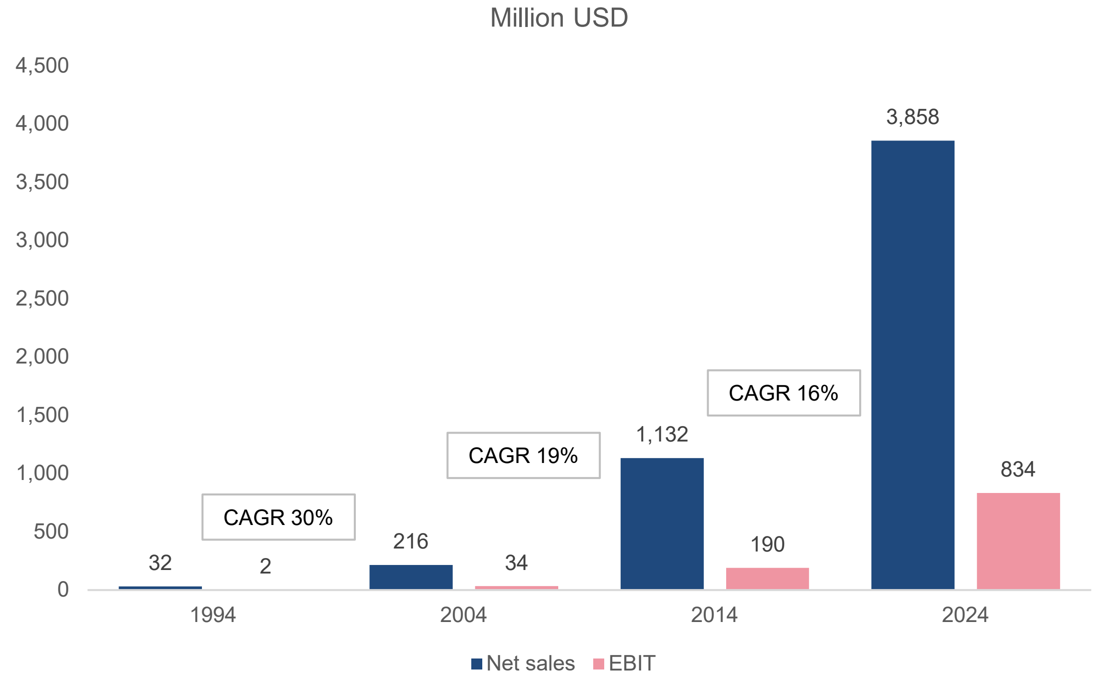
HEICO – a mindset of cash flow generation

"We are not merely an aerospace company, but rather a vehicle that generates strong cash flow through aerospace parts and technology."

HEICO – a cash flow machine of niche aerospace products

”We are not merely an aerospace company, but rather a vehicle that generates strong cash flow through aerospace parts and technology.”





The 7 Pillars of Acquisition-Driven Compounding

A radically different M&A playbook built for long-term, low-risk value creation

3) The best of two worlds

2) Roots of resilience

1) The dual engines of growth

4) Above-average entrepreneurship

5) The beauty of small markets

6) Growing big by staying small

7) Leadership brewed from within

The Beauty Of Small Markets

Why small markets?

- These companies don't chase massive markets. They dominate narrow, overlooked niches.
- Operating in the hinterland of the value-chain.
- Competition is limited – big PE firms usually skip smaller markets.
- As market leaders, they set prices rather than take them.
- Products are mission-critical and recurring, driving sticky customer ties.
- Businesses are asset-light, low capex, and need little working capital.

AMETEK

- Operates in niche markets ~$200–300m each
- 25–30% market share in every segment
- B2B, engineered components with pricing power
- Aggregation of niches builds resilience + scale

LIFCO

LIFCO DEVELOPS LEADING NICHE COMPANIES

LIFCO

Sales 2025 LTM:	27,282 MSEK
EBITA 2025 LTM:	6,088 MSEK

Dental

nordenta, dab, LIC SCADENTA, InteraDent, HAMMASVÄLINE, M+W Dental, EndoMark, MDH AG, DIRECTA, ahlen, al dente, Dentamed, ALMASOFT, PRODENT, JD JACOBSEN DENTAL AS, Nordenta

Leading distributors of dental products in Nordics and Germany

		% of EBITA[1]
Sales 2025 LTM:	6,343 MSEK	21%
EBITA 2025 LTM:	1,300 MSEK	

Demolition & Tools

BROKK, KINSHOFER crane and excavator attachments, HULTDINS, Indexator Rotator Systems

Leading producers of demolition robots, forest machines and attachments for excavators and cranes

		% of EBITA[1]
Sales 2025 LTM:	6,623 MSEK	26%
EBITA 2025 LTM:	1,645 MSEK	

Systems Solutions

TEXOR, LEAB group, ELDAN RECYCLING, MODUL-SYSTEM, CENIKA, PRO OPTIX, Haglöf, PROLINE

Wide range of leading systems solutions providers

		% of EBITA[1]
Sales 2025 LTM:	14,316 MSEK	53%
EBITA 2025 LTM:	3,308 MSEK	

The Beauty Of Small Markets

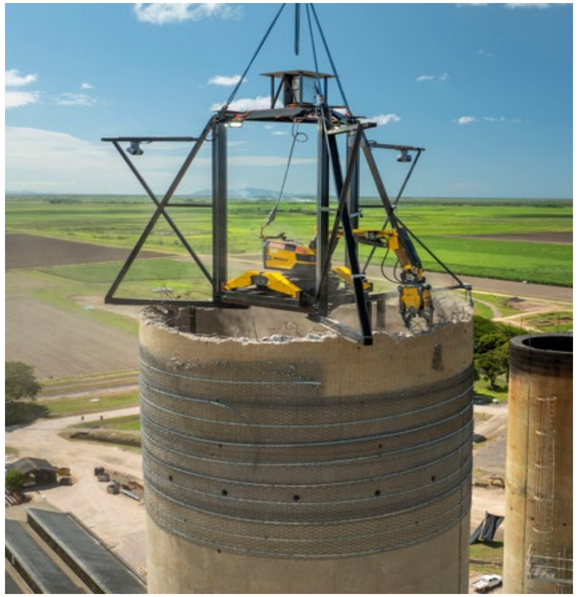
LIFCO

Reaching where others can't

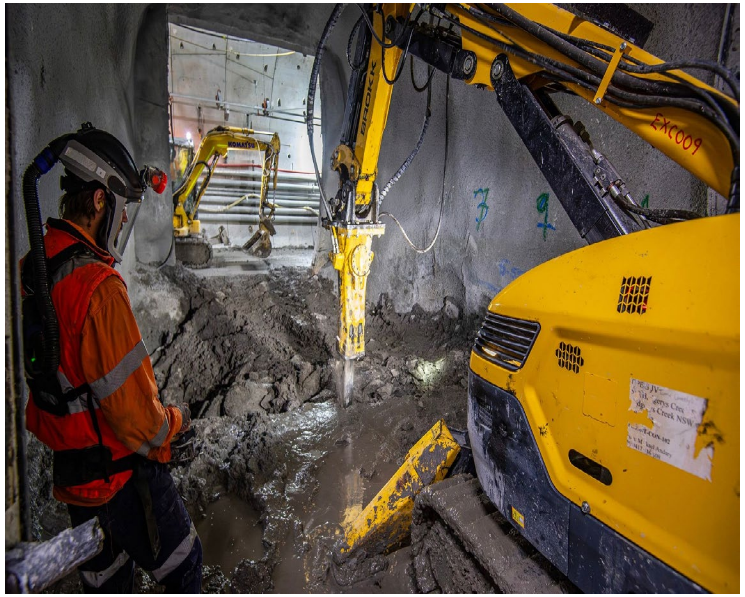
BROKK®
BROKK AUSTRALIA PTY LTD

- ❑ Global leader in small demolition robots.
- ❑ Grown sales 30x in 30 years – earnings even more.
- ❑ 70% market share in a ~$300m market
- ❑ 30%+ operating margins

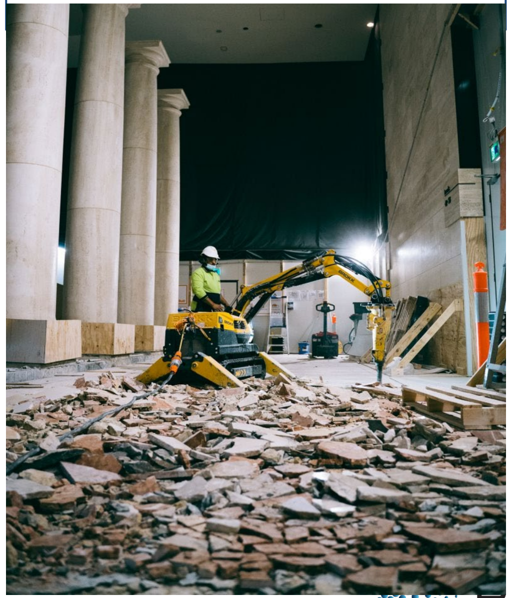
Brokk used for a crushing job at heights in **Northern Queensland.**



Sydney Metro – Western Sydney Airport, (SBT) project. Excavate 39 cross passages along the 9.8km of tunnels.



101 Collins Street
Melbourne

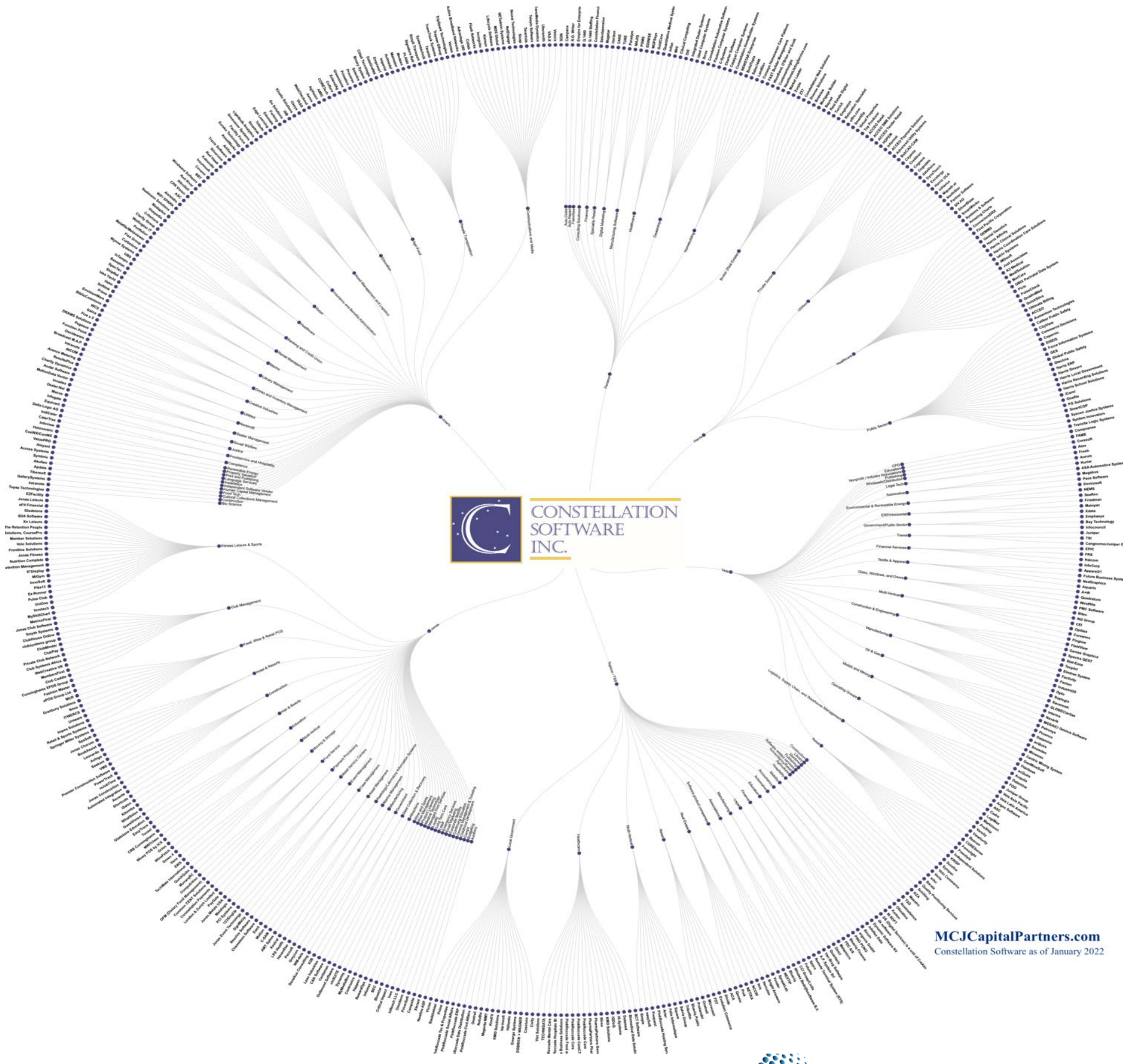


Growing Big By Staying Small – Decentralization as a Growth Strategy

Agility, autonomy, and sustained scalability in complex organizations

- ❑ Decentralization is essential, not optional.
- ❑ Separation of “investors” at HQ and operations
- ❑ Avoids integration bottlenecks at group level.
- ❑ Encourages faster decisions, closer customer relationships.
- ❑ Enables high acquisition pace without complexity.

- ❑ Over 100 acquisitions annually.
- ❑ 6 independent operating groups.
- ❑ No central integration – decisions made locally.
- ❑ Scaling enabled by structured decentralization.
- ❑ **HQ runs with ~15 people**



Scaling M&A – The Constellation way

Capital allocation responsibilities delegated

Mark Leonard, CEO

Mark Leonard largely responsible for the acquisitions

1995 - 2006
 # Acq <15 p.a.

Operating Group Managers

Delegated M&A to Operating Groups. HQ responsible for big acquisitions (capital allocation decision). OGMs built and trained their own M&A staff, and further delegated some responsibility for capital deployment to Portfolio Managers (of which there might be 5-10 at each OG).

2006 - 2015
 # Acq 20-40 p.a

Portfolio Managers

By 2016, there were 26 OGMs and Portfolio Managers that spent >50% of their time on M&A, and another 60 full-time M&A professionals spread across CSU.

In 2018, CSU gave OGMs the **autonomy to approve acquisitions up to $20m**, pushing more of the capital deployment responsibility down the chain

2016-2020
 # Acq 40-80 p.a.

CSU 2.0

Exploring new ideas:

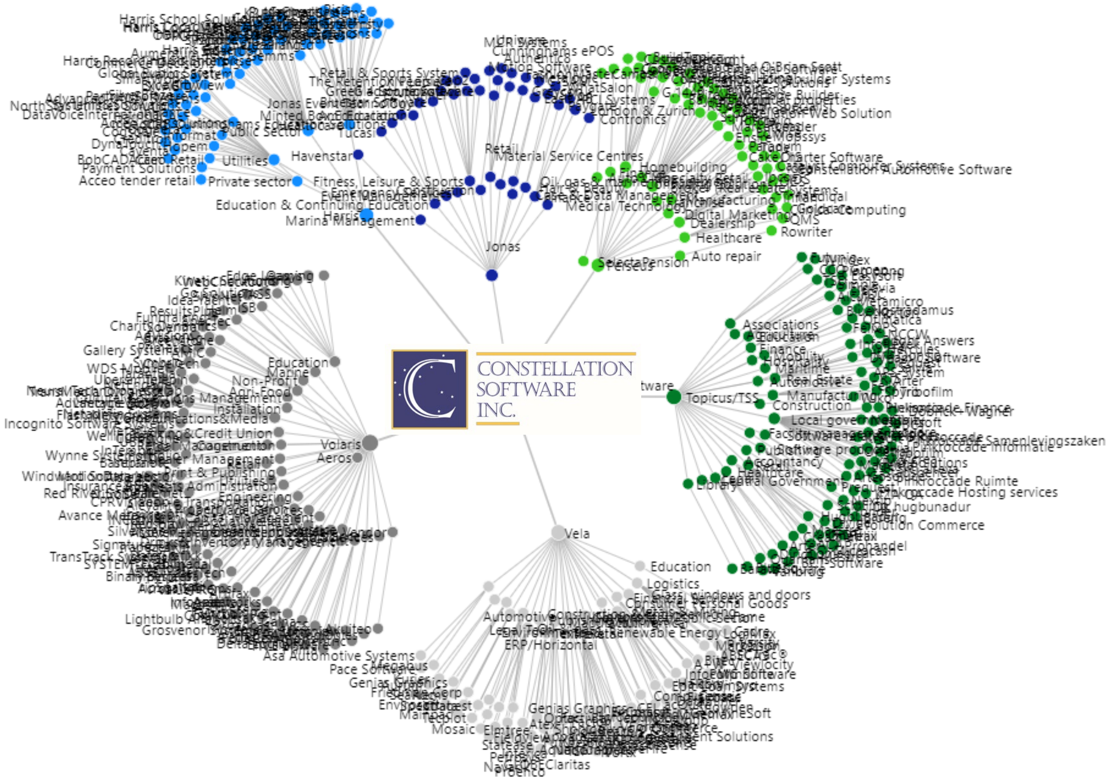
- **Spin-offs (Lumine, Topicus)**
- Constellation Venture capital
- Carve-outs and larger deals
- Incubator initiatives (organic growth)

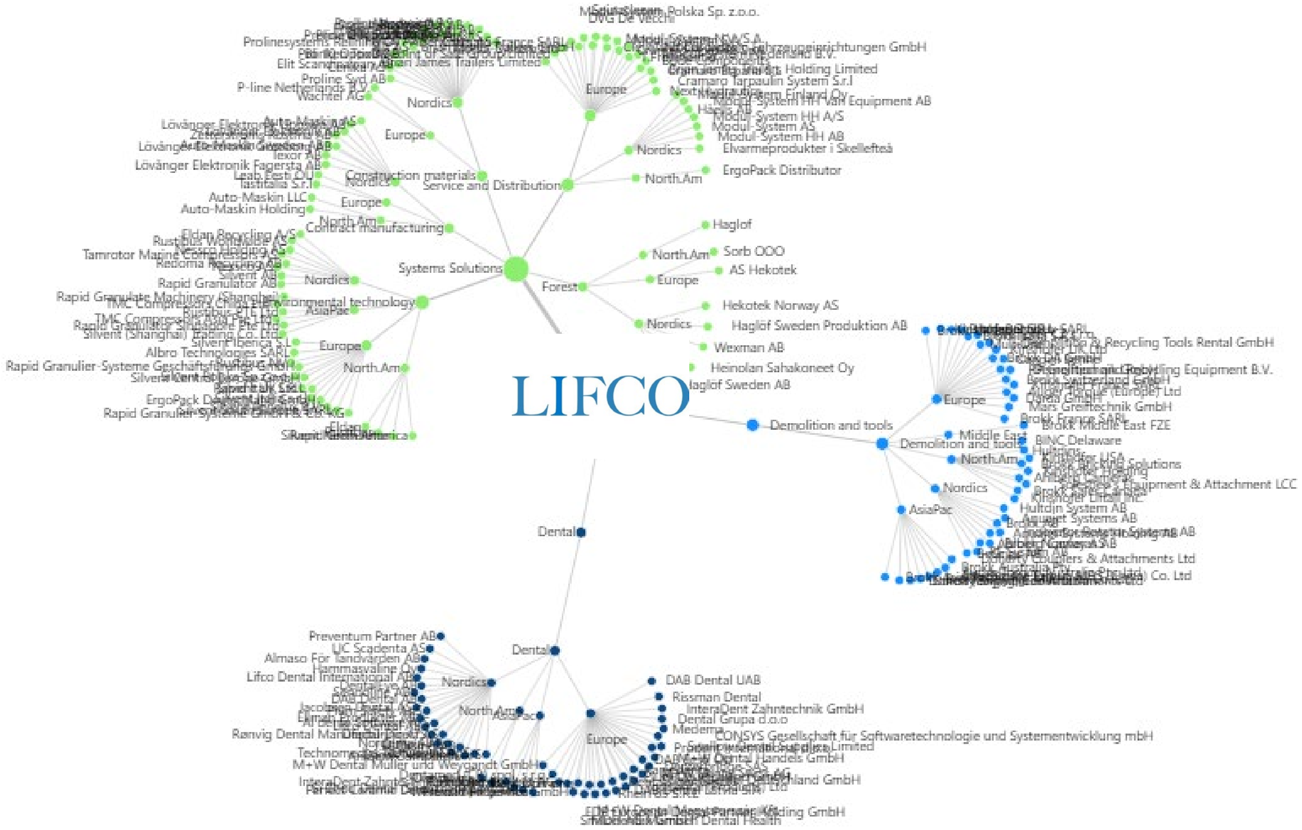
- Exploring other sectors beyond VMS

2021 – 2023
 # Acq 80-150 p.a.

Great risk-mitigating characteristics

Constellation Software and Lifco





Source: Constellation Software annual report

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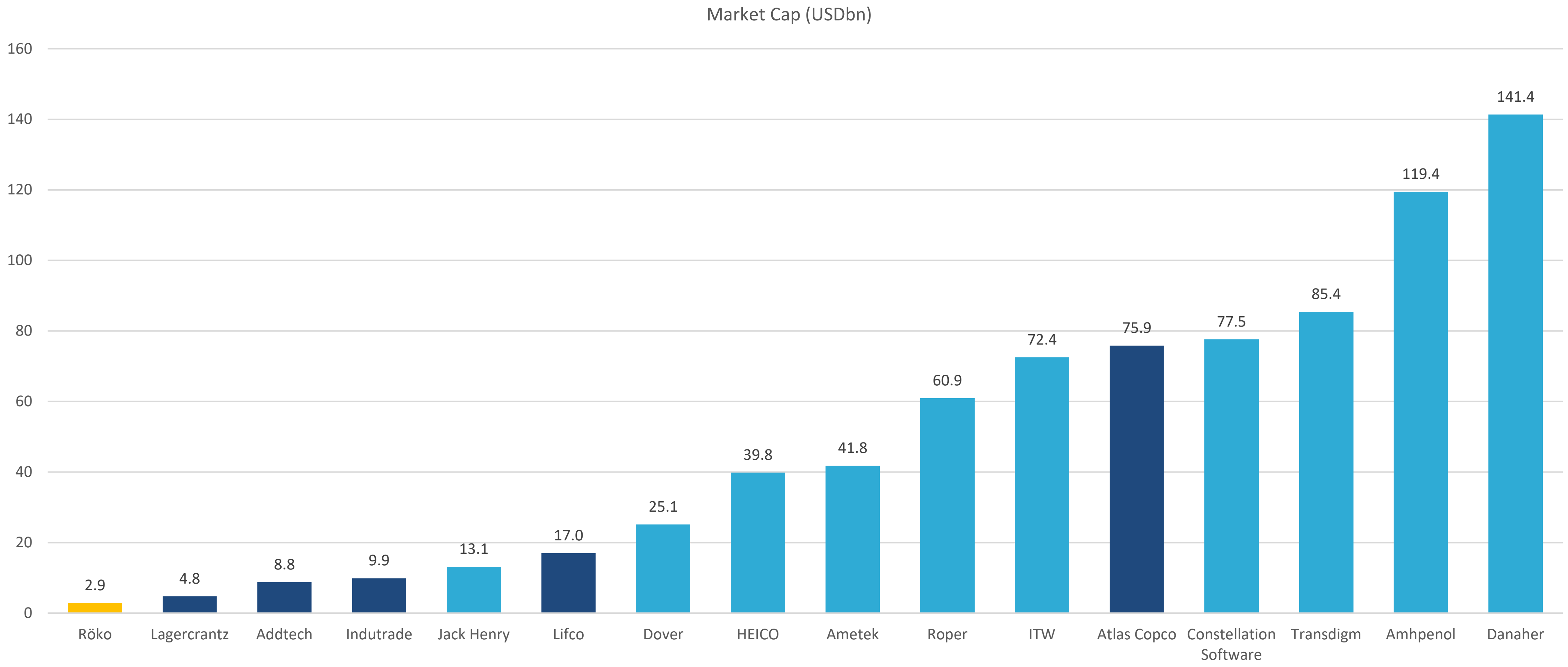
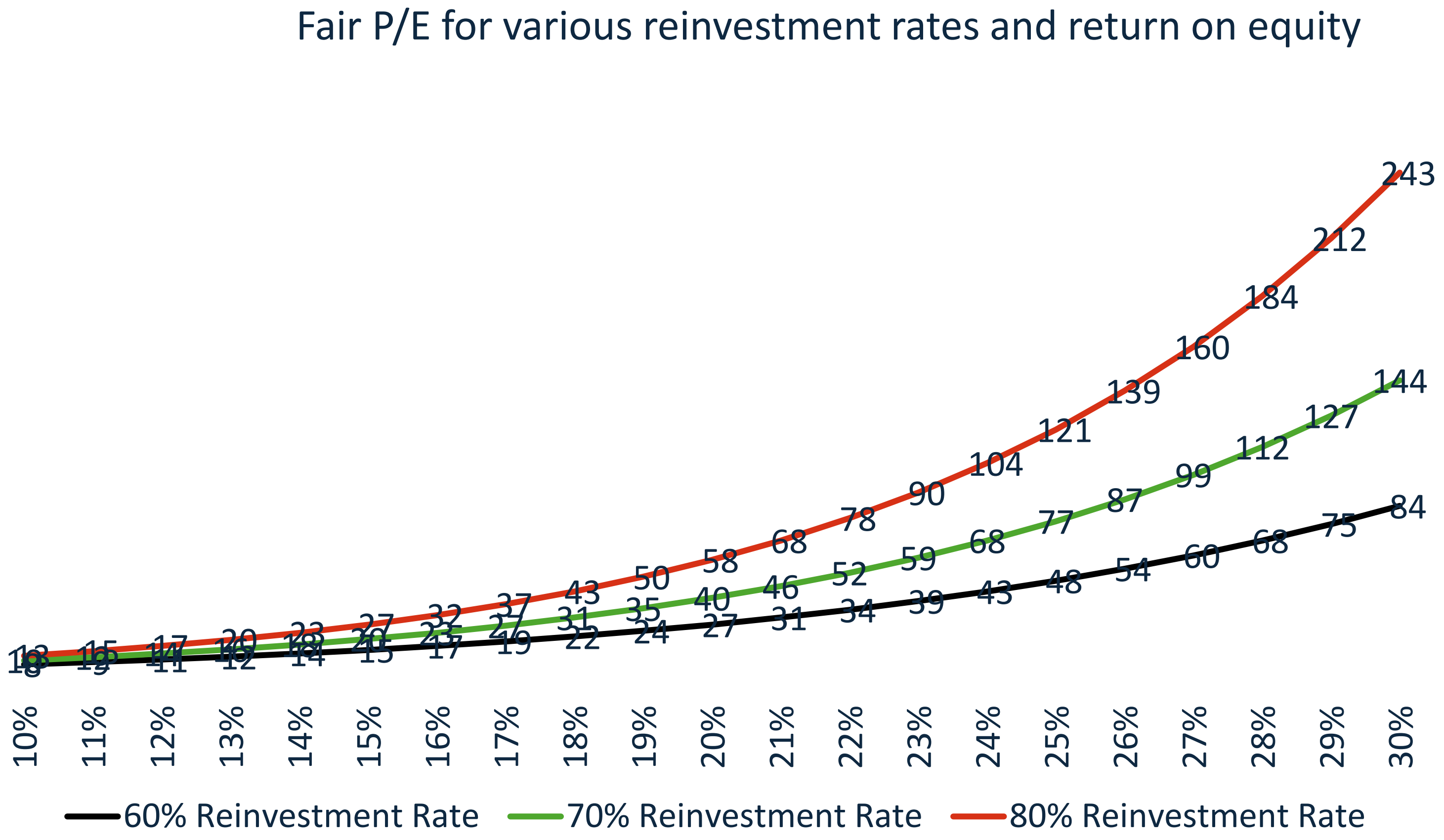
Swedish Acquisition-driven Compounders in an international context



Source: Factset

Reflections on Pricing



The best of two worlds

Risk and return

High and durable reinvestment rates

High return on capital

Dual engines of growth

Strong returns

Low risk

Diversified cash flow streams

Low debt and self-financing

Alignment & insider ownership

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