



SHOF Case series

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FSN, Troax and the Satech acquisition opportunity¹

On a sunny afternoon in May of 2014, Marcus Egelstig and Peter Möller were desperately trying to find a car to get them from the airport to downtown Milan. Marcus and Peter worked at the Stockholm office of the Nordic private equity firm FSN Capital, and had flown to Milan to negotiate a potential acquisition opportunity for one of their Swedish portfolio companies, Troax. The trip had so far not gone entirely as planned: the CEO of Troax, Thomas Widstrand, had missed his flight and would not be able to make it, and on top of this all taxi drivers in Milan had decided to go on strike on that particular day. The meeting with the owners of Satech, the potential target, was coming up in only a few hours, and Peter and Marcus would hate to be late for this important negotiation.

Troax was a manufacturer of steel mesh panel solutions for protection and storage and had been acquired by FSN a year and a half ago. Troax was a leading company in a quite fragmented market, and one of FSN's acquisition rationales was to consolidate this market through add-on acquisitions. While waiting for their ride to show up, Peter and Marcus had some time to again reiterate the arguments for Troax acquiring Satech. First, FSN and Troax had to convince themselves that this was the right acquisition to make. Were the strategic benefits they had identified really there? Second, given that the acquisition made sense, how much should they be willing to pay? How much value would it add to the company and the Troax investment? Third, how should Troax pay for the acquisition? Should they use cash only, or should they also offer Satech shareholders some equity in the combined company? If so, what fraction of Troax should they offer, and how would this affect the return on FSN's investment, as well as the incentives of Satech's management? Fourth, Troax's existing bank had seemed unwilling to provide an additional loan to finance the acquisition, which would mean that FSN would have to put in additional equity into the company. Alternatively, FSN was exploring whether it would be possible for Troax to raise financing in the high-yield bond market. High-yield bonds were a relatively recent

¹ This case has been written in cooperation with Peter Möller and Kristoffer Stensrud at FSN Capital, and is partly based on internal information. Some of the information in the case may have been altered or disguised. The case is developed solely as the basis for class discussion, and is not intended to serve as an endorsement, a source of primary data, or to give illustrations of effective or ineffective management

phenomenon in the Nordic buyout market, but the issuance volume had been growing recently. FSN thought that this might be a good opportunity to tap into the bond market, not only to finance the Satech acquisition, but also to refinance Troax's existing bank loan. What would be the benefits and costs of doing this?

The market for metal-based mesh panel solutions

Metal-based mesh panel solutions consist of modular mesh panel components and accessories. A metal-based mesh panel solution can, for example, consist of metal mesh panel, posts, fittings and a gate with safe lock (see picture 1). In 2011, the worldwide market for metal-based mesh panels was estimated around between €850-1000 million worldwide, out of which (approximately) Europe accounted for 45%, U.S. for 40%, and China for 7-8%. China was the fastest growing market, with 20-25% CAGR between 2003 and 2011.

The market consisted of three major segments:

Automation and Robotics (A&R) are panels or fences used to protect humans from machinery and robotics in automated production processes, and to restrict machine access for unauthorized personnel. The customers in this segment included manufacturers in the automotive, electronics, packaging, machinery, furniture, and transportation equipment industries. In this market segment, mesh-panel producers competed with providers of electronic and motion control sensors, but these generally did not provide the same physical protection, and were often more complementary products in practice. A&R was the largest market segment accounting for about 50% of the market. A&R was also the fastest growing segment, driven by an increase in the use of industrial robots together with stricter regulations on employee safety. It had been growing 8-11% per year between 2003 and 2011, and it expected to grow at similar rates over the coming years. In Europe, Germany was the largest regional market (40% of the European market), followed by Italy (15%), and France (5%). The Nordics accounted for around 5% of the European market.

The second market segment, *Material Handling & Logistics (MHL)*, included storage cages, warehouse partitioning and anti-collapse screens for racking. Panels were used to close off automated logistics processes and server rooms, and to provide safety for personnel working in logistics centers and warehouses. Customers in this segment ranged from traditional manufacturers to large logistics facilities. The MHL products competed mainly with nylon nets, but these were not direct substitutes due to their inferior function and strength compared to that of metal-based mesh panel solutions. The MHL segment accounted for around 40% of the total, but had only been growing at 1-3% per year since 2003. Growth was expected to increase somewhat over the next few years, though, driven by an increased growth in warehousing. In Europe, Germany was the largest regional market also in MHL, followed by the U.K., the Nordics, and Italy.

Property Protection (PP), the third and smallest segment, offered standard and customized mesh panel safe storage solutions to property owners, housing associations, and commercial safe storage operators. The PP products provided protection against break-ins and vandalism for self-storage units (apartment or basement storage), garages, basements, loft spaces, rental storages and server rooms in the residential new build and renovation markets. Less expensive substitutes, such as poultry netting, existed but these were of inferior quality and offered less property protection. In Europe, the Nordics was the largest regional market, accounting for almost 40%. The market had been stagnant over the last decade, but was expected to grow somewhat over the next few years due to increased security and fire-safety concerns.

The mesh panel market was quite cyclical, particularly the A&R and MHL segments, since they varied significantly with industrial capital expenditures. During the financial crisis, the European market had dropped by 30% between 2008 and 2009, and had only recently returned to pre-crisis levels. The leaders in the market had experienced a smaller drop, however, and had gained market share, while maintaining positive operating profits, throughout the crisis.

The inputs for mesh panels consisted of steel pipe, steel wire, and powder coating, as well as locks, clamps and similar parts for gates and fittings. These were then welded together in manufacturing facilities, and distributed to end-customers either through the manufacturer's own sales force or wholesale distributors. Although the product itself was a fairly small investment for most customers, compared e.g. to an industrial robot, customers were willing to pay premium prices for reliable, fast delivery and service. Since an industrial robot would not be allowed to operate without proper protection, late delivery of a mesh panel protection could hold up the whole production process.

Troax

Troax Group AB was a leading producer of metal-based mesh panel solutions for industrial customers all over the world.

Troax's mesh panels were made of 100% high-quality welded steel, and included several unique concepts and solutions to fulfill different customer needs. The products were manufactured in two facilities, one in Hillerstorp, Sweden, and the other in Kingswinford, England. The company also had several international sales offices, as well as a research and development department of five people working on developing and optimizing new products and business solutions.

Troax was founded 1955 by the four Axelsson brothers in the small town of Hillerstorp, which was part of the municipality Gnosjö in the county of Småland in Southern Sweden. The Gnosjö region was famous for its entrepreneurial spirit, and hosted numerous

manufacturing businesses founded by local entrepreneurs, some of which eventually grew to become large publicly traded companies.

The Axelsson brothers were farm boys who dreamed of becoming entrepreneurs. The company was founded in a shed at their farm in Tyngel, where the brothers worked from early in the morning until late at night making anything and everything from iron and metal for their prospective customers. Troax's most up-to-date mesh panel production facilities were still housed in a rural location on the brothers' farm in Hillerstorp, Sweden.

After ten years, shopping trolleys and mesh partitions for cellars and attic storage spaces were the biggest sellers. Turnover increased constantly because the brothers had a good instinct for development, manufacturing and sales. As time went on, mesh panels were also developed for warehouse fittings and machine safety, and the production and warehousing facilities were continuously expanded. Troax also became one of the first private companies in Sweden to invest in industrial robots and automated production.

The company's expansion into Europe began in the 1970s with the opening of sales offices in Norway and Denmark; in the following decade, sales offices in Great Britain, Belgium, Netherlands, Germany and France followed. In 1991, Troax established its first manufacturing facility outside of Sweden, with the acquisition of C. Lee Manufacturing Ltd., a British producer of panels and storage separation products.

In 1985, as the Axelsson brothers were approaching retirement, they decided to sell Troax to local manufacturer Gnosjögruppen AB. Gunnebo AB, a publicly traded manufacturer of security products, in turn acquired Gnosjögruppen in 1994. As a subsidiary of Gunnebo, the company expanded outside of Europe with the establishment of sales offices or distributors in Brazil, Japan, Russia, India, Mexico, South America, U.S., and China. By the end of 2009, Troax generated revenues of €48 million (around SEK 500 million) and EBITDA of €4.2 million, and had close to 300 employees.

As part of a strategic initiative to focus their business, Gunnebo decided to sell their Troax division. In November 2010, Troax was sold for €41 million (a multiple of 5.5x based on LTM EBITDA) to the Swedish mid-market PE firm Accent Equity Partners together with Troax management in 2010. The international expansion accelerated under Accent's ownership, and over the next two years revenues grew to €69 million in 2012, with EBITDA more than doubling to €13.5 million. By now, Troax was the worldwide leader in the mesh panel market. [See exhibits 1-3 for historical financials of Troax.]

In an interesting twist, five years after their fathers had sold Troax, the sons of the Axelsson brothers decided to start another mesh panel company, which they named Axelent. Axelent was also headquartered in Hillerstorp, not far from Troax, and eventually grew to become the second largest company in the mesh panel industry. The Axelsson cousins eventually sold Axelent to new owners in 2001, but only to start a new mesh panel

company, Garentell, two years later. Garentell, located in the neighboring town of Värnamo, was now the 5th largest player in European market, with a focus on somewhat cheaper and lower-end products compared to Troax and Axelent.

FSN's acquisition in December 2012

FSN Capital

FSN Capital was a leading Nordic private equity investment company focused on the middle-market segment. Originally established in 1999, FSN Capital sought to make control investments in Nordic companies with enterprise values between €50 million and €250 million, and with significant potential to become international leaders. FSN had around 20 investment professionals and was based in Oslo, with additional offices in Stockholm, and Copenhagen. In addition, FSN had a network of industrial advisors with operating experience from large Nordic and international companies, who assisted in sourcing and evaluating investments, providing strategic insights, and sometimes served as board members on FSN's portfolio companies. FSN was currently investing through their third fund, FSN Capital Fund III, which closed in 2008 with €375 million in commitments. [See exhibit 4 for information on FSN's funds and professionals.]

FSN's acquisition of Troax

FSN had considered acquiring Troax already in 2010, but had decided to pass on the investment at that time, and Accent ended up owning the company. But when Accent decided to exit, FSN had a more positive view, and acquired Troax for €97 million in December 2012. The transaction was financed by €43 million in equity from FSN Capital Fund III, a €4 million equity investment from Troax management, bank loans from one of the major Nordic banks of €40 million, and a vendor loan from Accent of €10 million. [See exhibit 5 for details on the transaction financing.]

FSN was attracted to the company for a number of reasons.

First, the company was a pioneer and a clear market leader in a growing niche market with a differentiated value proposition. Although the market was cyclical, there were positive long-run trends relating to automation and changing distribution structures. More importantly, Troax was the clear market leader worldwide, and more than twice as big as the number two company Axelent. Their production facilities were state-of-the-art, and the company was well invested in sales and distribution. [See exhibit 6 for a summary of the competitive landscape in the mesh panel market.]

Second, the business had strong cash flow generation with low CAPEX needs and high EBITDA margins. In contrast with other manufactures, such as Axelent, Troax had a significantly larger sales force, and were able to provide faster and better service and more flexible solutions than most of their competitors. As a result, Troax had the strongest brand

in the market, with a highly satisfied and diversified customer base, and was able to charge premium prices as a result.

Third, FSN saw a number of opportunities to improve operations and increase value in the company. One way would be to enhance growth by entering new markets. China seemed particularly promising, given their very fragmented market (dominated by local blacksmiths) and rapid increase in automation. Both FSN and Troax management therefore planned make a considerable investment in Chinese production facilities and distribution networks. FSN also noted that although Troax had a larger sales force than their competitors, revenues per sales person were lower than for their competitors. FSN believed there should be opportunities to increase sales force efficiency and promote cross-selling of products.

In addition, FSN saw a considerable potential to grow Troax through add-on acquisitions, given the relative fragmentation of the mesh panel market. On the one hand, they saw potential for U.S. growth by acquiring one of the U.S. manufacturers. In Europe, on the other hand, Troax had a strong position in most markets, but Italy was one significant exception. Therefore, management had initiated discussions with Satech, the clear market leader in Italy, about a possible acquisition. Alternatively, Troax could seek to acquire one of the smaller competitors in Germany, in order to strengthen their market share there.

Finally, the Troax had a strong management team, with a history of consistently beating their performance targets. Despite having completed one successful buyout exit, management still seemed highly motivated and would also reinvest a considerable amount alongside FSN. [See exhibit 7 for Troax management biographies.]

FSN acknowledged that that the cyclicity of the market was a potential risk. Still, FSN believed the risk of another major economic downturn was relatively modest in the next few years. They were also comforted by the fact that Troax had held up surprisingly well during the 2008-2009 financial crisis. Another risk came from exchange rate exposures. The company would also be negatively affected by an appreciation of the Swedish krona, since Troax relied on Swedish manufacturing facilities but most of their sales was in Euros. Having modeled various exchange rate scenarios, FSN concluded that exchange rate risk could probably be handled. Finally, FSN had also identified a potential environmental risk, due to a toxic spill on the Hillerstorp manufacturing site. They assessed the clean up costs to be no more than €2 million, and in addition, FSN was able to at least partly share this risk with Accent in the Shareholder Purchase Agreement.

To evaluate the return on the investment, FSN prepared financial projections under a base-case scenario (shown in exhibit 8), as well as a downturn recession scenario, and an upside scenario with additional acquisitions and successful expansion in China. FSN's analysis indicated an expected IRR of 22% and a 2.7x multiple on investment under the base-case, assuming an exit in 5 years at an Enterprise Value of 7 times EBITDA. In the

upside case the IRR (multiple) could be as high as 31% (3.9x), while even in the downside FSN expected to at least break even on their original investment.

Developments since the acquisition

By April 2014, 16 months into the Troax investment, FSN was quite pleased with the company's performance so far. Troax had been able to implement a number of growth initiatives after FSN's acquisition. Following the plan, it had established production facilities in China, providing a platform for future growth in this region. Even more significantly, the company had strengthened its sales and marketing presence in the U.S. considerably, partly by moving one of their "star" regional managers there. As a result, the growth focus had shifted more towards the U.S. than China, compared to the original business plan. The company had also made considerable efforts to increase its sales force efficiency, including moving towards more variable compensation, introducing new KPIs focusing more on sales than production efficiency, restructuring sales procedures, and investing in new sales forces in several regions, including U.S., Russia, Brazil, Mexico, and India.

Overall, the company had performed well ahead of plan, with 4% higher sales, 15% higher EBITDA, and 27% lower net debt compared to the base-case projections. [See exhibit 9A for FSN's updated base-case projections.]

The one area where Troax had yet to deliver was with respect to add-on acquisitions. A U.S. acquisition had been high on the strategic agenda from the beginning. The company had retained a U.S. investment bank to assist in finding acquisition candidates, but these efforts had not yet borne fruit. In Europe, the company had recently initiated discussions with some potentially interesting German companies, but these efforts were still at an early stage. FSN had also approached Troax's largest competitor Axelent, but the long rivalry between the companies, as well as their common history, was expected to make merger discussions difficult.

The acquisition opportunity that was the furthest along at this point was with Italian mesh panel producer Satech.

Satech

Satech was a manufacturer of modular protection systems for industrial machinery using mesh panel solutions. The company also provided equipment assembly and installation services, after-sales services, and shipping and packaging services. Satech was founded in 2000 and based in Calco, Italy, where it had its production site. Satech was privately owned by its three managers, had 38 employees in total, and revenues of around €12 million in 2012. See Exhibit 9B for historical performance for Satech, as well as FSN's base-case projections for the company as a stand-alone.

The Italian mesh panel market was around €30 million in total. Satech was the largest player with a 40% market share and more than 2.5 times larger than their closest Italian competitor Della Casa. Exports, primarily to France, Spain, and Germany, accounted for a 27% of its revenue. Similar to Troax, Satech was able to charge a premium price compared to their competitors thanks to a higher service level and shorter delivery times.

Already before FSN became owners, Troax had considered a possible acquisition with Satech, but the parties had not been able to agree on price. During the fall of 2013, the negotiations picked up again, and by year end it seemed more likely that the parties would be able to reach an agreement.

Troax and FSN saw three main rationales for acquiring Satech. First, it would help Troax enter the Italian market, which was the second largest industrial market in Europe. Second, it would avoid the risk of another competitor, e.g. one of the U.S. manufacturers, to get a foothold in Europe by acquiring Satech. Third, Satech had a very complementary value proposition and marketing strategy to Troax. A Satech acquisition would create a larger, more diversified company and improve Troax's customer value proposition. Satech's strong brand would also enable Troax to pursue a two-brand strategy. In addition, Satech had an attractive business model, with a high use of commission pay for the sales force and a large reliance on subcontractors for production, resulting in a low fixed cost base.

On the other hand, since there was little overlap geographically, and Satech's brand was strong in the Italian market, Satech would continue to operate more or less independently. Cost synergies would likely be limited to sales office consolidation in a handful of markets. On the other hand, the lack of overlap would mean that negative revenue synergies due to cannibalization would be minimal.

FSN believed that another benefit of the acquisition would be simply that Troax would become a larger company after the acquisition, approaching €20 million in EBITDA within a few years. This in itself would make the company a more attractive exit candidate, both for a private buyer as well as for an IPO. Moreover, FSN believed that by executing the Satech acquisition, management would prove both to themselves and to the outside market that they had a credible add-on acquisition strategy, which, in turn, would create more acquisition opportunities.

In recent negotiations, the owners of Satech seemed willing to accept a price of around 6.5x pro forma EBITDA, which FSN and Troax management believed was an attractive valuation. FSN had projected future sales and EBITDA for Satech as a stand-alone company. One question was what additional synergies could be realized, but FSN felt that they should be fairly conservative with these when they evaluated the deal. Also, there was some uncertainty regarding the Italian economy, which had been significantly affected by the Euro crisis, although past data indicated that Satech performance had held up reasonably well in past downturns. There was also some uncertainty in evaluating historical financials,

given the specific accounting and reporting standards used in Italy. [See Exhibit 11 for public comparables.]

Financing the deal

One issue that had to be resolved was how to finance the acquisition. Troax currently had a little more than €10 million in cash on its books, which would cover part of the €24 million purchase price, but the question was how to finance the remainder.

A first way to fill the financing gap was to offer Troax shares as part of the consideration to Satech shareholders. It was clear, however, that the owners of Satech preferred to get most of the payment in cash, and would probably not accept more than 15% of the consideration in shares. An additional complication with using shares as a means of payment would be how to value Troax. While FSN and Troax management believed Troax should be valued at a higher multiple than Satech, due to its larger size and strong international market position, Satech managers might not agree with this. At any rate, paying with Troax shares would not suffice to cover all the remaining financing for the deal.

One way to cover the remaining cash need would be for Troax shareholders, i.e. primarily FSN Fund III, to provide more equity for the deal. Although this was clearly an option, FSN worried about this having a negative impact on their returns from the investment.

A more attractive alternative might be to raise additional debt to finance the remainder, and consequently FSN and management approached the bank that had financed the Troax acquisition. To their disappointment, the bank was unwilling to provide additional financing, and would much rather see FSN inject more equity into the deal. FSN and Troax then tried to approach other Nordic banks, but none of them seemed very enthusiastic about refinancing Troax and provide additional acquisition capital.

There was, however, one additional potential source of debt, namely the Nordic high-yield bond market (i.e. the market for non-investment grade bonds). Although this market was fairly undeveloped compared to the U.S. and the U.K., there had recently been some successful issues by PE-backed companies, and liquidity seemed to be improving. [See exhibit 12 for recent high-yield issues.] One reason for the limited development of the Nordic high-yield market was that the bankruptcy laws in these countries lacked a well-functioning insolvency code.² The existing bankruptcy code was considered very “bank friendly”, since it put unsecured bondholders in a very weak position in case of default. But in the low-interest environment that had prevailed in recent years, Nordic institutional

² See Becker, Bo, and Jens Josephson, “Insolvency resolution and the missing high yield bond markets,” forthcoming in the *Review of Financial Studies*.

investors had been eager to find better yielding fixed income securities, and had therefore shown an increased appetite for investing in high-yield bonds.

A high-yield bond issue would have to be fairly large, however, to ensure enough liquidity and interest from institutional investors. Troax's financial advisors indicated that a high-yield issue would probably have to be around €70 million, which was significantly more than what was needed for the acquisition. It was also unlikely that Troax's existing bank would approve a bond issue, so the proceeds would also have to cover a repayment of the outstanding bank loans. FSN saw some clear benefits with this alternative: it would be able to refinance the bank loan with a bond issue, which would involve a minimum of covenants (while the bank covenants were quite restrictive) and therefore decrease the default risk of Troax. In addition, they would be able to raise a considerable amount of financing, more than what was needed for both the acquisition and the bank loan refinancing, which might allow Troax to pay a dividend to its shareholders. On the flip side, the interest on the high-yield bonds would likely be higher, which would reduce Troax's cash flow compared to the bank loan. [See exhibit 10 for a summary of the different financing alternatives.]

Waiting for a car to pick them up from the airport, Peter and Marcus went over the alternatives once more. Which one would be in the best interests of both Troax as a company and FSN as the main shareholder?

Picture 1: Troax's products



Three strong market segments

TROAX delivers a broad range of high-quality safety solutions all over the world.

TROAX systems are marketed in three market segments: automation and robotics, material handling and logistics, and storage and property protection. By dividing operations up in this way, we can focus completely on the requirements and technical aspects within each market segment.



Automation and robotics

Today's modern industry with advanced processes places significant demands on safety. In particular, there is a great need for controlled access for authorised personnel. TROAX mesh panels are based on a carefully developed modular system that also includes special adaptations.



Material handling and logistics

TROAX can meet all requirements for storage and security. We are suppliers to all types of industry - from traditional manufacturers that require large-scale flows and volumes through their factories to facilities with high-bay storage and retail storage. We can meet all your requirements and we offer complete solutions.



Storage and property protection

Whether it's a question of new development or renovation of an existing installation, we are convinced that you will find our products easy to work with. Your unique needs and our creativity have contributed to our constant product development, giving rise to our motto: "Secure storage must be simple".

Exhibit 1: Troax income statements

Source: CapitalIQ

For the Fiscal Period Ending	12 months Dec-31-2011 EUR	12 months Dec-31-2012 EUR	12 months Dec-31-2013 EUR
Currency			
Total Revenue	61.6	72.7	70.2
Costs of goods sold	36.0	41.6	39.6
Depreciation and amortization	3.0	2.9	2.4
Gross Profit	22.6	28.3	28.2
Selling and Marketing Exp.	12.7	12.2	12.5
General and Administrative Exp.	4.7	4.4	7.4
Other Operating Expense/(Income)	(0.2)	(0.5)	(0.1)
Other Operating Exp., Total	17.2	16.1	19.8
Operating Income	5.4	12.1	8.4
Interest Expense	(2.3)	(2.0)	(2.7)
Interest and Invest. Income	0.1	0.0	0.1
Net Interest Exp.	(2.2)	(2.0)	(2.6)
Currency Exchange Gains (Loss)			(2.9)
Other Non-Operating Inc. (Exp.)			0.1
EBT Excl. Unusual Items	3.2	10.2	2.9
Income Tax Expense	1.5	2.8	1.0
Net Income	1.7	7.3	1.9
Pref. Dividends and Other Adj.			2.8
NI to Common	1.7	7.3	0.9
Supplemental Items			
EBITDA	8.3	15.1	10.8
EBITA	6.3	13.1	8.4
EBIT	5.4	12.2	8.4
Reporting currency	SEK	SEK	EUR
Exchange Rate	0.112	0.116	1.000

Exhibit 2: Troax balance sheets

Source: CapitalIQ

Balance Sheet as of:			
Currency	Dec-31-2011 EUR	Dec-31-2012 EUR	Dec-31-2013 EUR
ASSETS			
Cash And Equivalents	8.8	5.6	15.5
Trading Asset Securities	-	-	0.1
Total Cash & ST Investments	8.8	5.6	15.6
Accounts Receivable	10.3	12.9	10.9
Other Receivables	1.0	1.3	1.2
Total Receivables	11.3	14.2	12.1
Inventory	4.4	4.8	4.9
Prepaid Exp.	0.1	0.1	0.1
Other Current Assets	0.0	0.0	0.1
Total Current Assets	24.7	24.7	32.7
Gross Property, Plant & Equipment	11.8	12.8	18.9
Accumulated Depreciation	(1.6)	(3.4)	(2.0)
Net Property, Plant & Equipment	10.2	9.3	17.0
Goodwill	17.7	17.5	61.6
Other Intangibles	0.0	0.0	2.8
Other Long-Term Assets	0.3	0.4	2.4
Total Assets	53.0	51.9	116.5
LIABILITIES			
Accounts Payable	3.9	5.1	4.5
Accrued Exp.	3.4	3.6	4.6
Short-term Borrowings	0.4	0.2	-
Curr. Port. of LT Debt	-	-	2.4
Curr. Income Taxes Payable	0.6	2.1	1.4
Other Current Liabilities	2.9	3.2	3.2
Total Current Liabilities	11.2	14.3	16.0
Long-Term Debt	29.4	17.0	48.7
Pension & Other Post-Retire. Benefits	1.9	2.1	3.4
Def. Tax Liability, Non-Curr.	1.1	1.4	2.4
Other Non-Current Liabilities	0.0	0.1	0.1
Total Liabilities	43.6	34.8	70.7
Common Stock	0.1	0.1	0.5
Additional Paid In Capital	-	-	44.8
Retained Earnings	9.3	17.0	1.7
Comprehensive Inc. and Other	-	-	(1.2)
Total Common Equity	9.4	17.1	45.9
Total Equity	9.4	17.1	45.9
Total Liabilities And Equity	53.0	51.9	116.5
Supplemental Items			
Total Debt	29.8	17.2	51.0
Net Debt	21.0	11.5	35.5
Raw Materials Inventory	0.7	0.8	0.8
Work in Progress Inventory	2.2	2.6	2.8
Finished Goods Inventory	1.5	1.3	1.4
Land			12.2
Buildings	3.1	3.2	NA
Machinery	8.7	9.1	6.7
Construction in Progress	0.0	0.4	0.0
Reporting currency	SEK	SEK	EUR
Exchange Rate	0.112	0.116	1.000

Exhibit 3: Troax cash flow statements

Source: CapitalIQ

For the Fiscal Period Ending	12 months Dec-31-2011	12 months Dec-31-2012	12 months Dec-31-2013
Currency	EUR	EUR	EUR
Net Income	1.7	7.4	1.9
Depreciation & Amort.	2.0	2.0	2.4
Amort. of Goodwill and Intangibles	0.9	0.9	0.0
Depreciation & Amort., Total	3.0	2.9	2.4
Other Operating Activities	1.2	2.0	2.4
Change in Acc. Receivable	0.1	(2.2)	-
Change In Inventories	1.4	(0.2)	0.6
Change in Acc. Payable	(0.8)	1.0	-
Change in Other Net Operating Asset	0.7	0	3.6
Cash from Ops.	7.3	11.0	10.9
Capital Expenditure	(0.2)	(0.7)	(0.7)
Sale of Property, Plant, and Equipment	0.2	0.0	-
Cash Acquisitions	-	-	(74.7)
Sale (Purchase) of Intangible assets	-	-	0
Invest. in Marketable & Equity Secur.	0	0	-
Other Investing Activities	-	-	(2.0)
Cash from Investing	0	(0.7)	(77.4)
Total Debt Issued	1.1	-	56.7
Total Debt Repaid	(1.6)	(13.8)	(21.4)
Issuance of Common Stock	-	-	49.4
Other Financing Activities	(1.0)	-	-
Cash from Financing	(1.5)	(13.8)	84.7
Foreign Exchange Rate Adj.	-	-	(1.4)
Net Change in Cash	5.8	(3.5)	16.9
Supplemental Items			
Cash Interest Paid	2.3	2.0	2.5
Cash Taxes Paid	0.7	0.8	1.0
Change in Net Working Capital	NA	(0.4)	(1.4)
Net Debt Issued	(0.5)	(13.8)	35.3
Reporting currency	SEK	SEK	EUR
Exchange Rate	0.112	0.116	1.000

Exhibit 4: FSN Capital Funds and Investment Advisory Professionals

Source: Capital IQ

Panel A: FSN Funds

Fund Name	Launch Date	Size(€mm)	Size(\$mm)
FSN Capital Fund I	2000	54	65
FSN Capital Fund II	Aug-25-2004	151	204
FSN Capital III	2007	375	579

Panel B: Selected FSN Capital Investment Advisory Professionals

Name	Title	Office	Job Functions	Background
Kjaer, Knut Norheim	Executive Advisor and Chairman	Oslo	Corporate Development, Investor Relations, Professional, Consultant	Mr. Knut Norheim Kjaer is an Executive Advisor of FSN Capital Partners AS. Mr. Kjaer assists the team in developing the firm and its longer term development strategy with focus on investor base development and investor relations. He joined the firm in 2008. He was the Chief Executive Officer at Norges Bank Investment Management since in 1997 until 2008. Mr. Kjaer was responsible for the operative management and the management of Norway's foreign reserves. In 2011, Mr. Kjaer co-founded Trient Asset Management, where he currently serves as Executive Chairman. From 1994 to 1997, he was an Executive Vice President and Chairman of the Board of Storebrand. Mr. Kjaer holds Master's degrees in Economics and a Bachelor's degree in Political Science from University of Oslo. He has also studied Advanced Management from Harvard Business School.-
Holmsen, Cato A.	Senior Executive Advisor and Founder	Oslo	Top Key Executive, Investment Professional	Mr. Cato A. Holmsen founded FSN Capital Partners AS in 1999 and serves as its Senior Executive Advisor, is based at the Oslo office focusing on industrial and general industries. He serves as the Chairman and Partner of FSN Capital. He has operational and restructuring experience from leading Nordic industrial companies. He served as the Chief Executive Officer and President of IM Skaugen SE. He served as Deputy Chief Executive Officer of HeidelbergCement Northern Europe AB. He served as the Deputy Group Chief Executive Officer of Scancem AB and the Chief Executive Officer of Scancem International DA (alternate name, Scancem International ANS). He served as the President and Chief Executive Officer of Akers AB's Cement and Building Materials Division, the President and Chief Executive Officer of Kosmos, and the President and Chief Executive Officer of I.M. Skaugen. Mr. Holmsen holds an M Sc degree from ETH, Zürich and has also studies at IMD, Switzerland.-
Strand-Nielsen, Frode	Founder and Managing Partner	Oslo	Top Key Executive, Investment Professional	Mr. Frode Strand-Nielsen is Founder and Managing Partner of FSN Capital Partners AS. Mr. Strand-Nielsen founded FSN Capital in 1999. He served as Manager of Bain & Company, Inc. He has entrepreneurial, strategy and merger and acquisition experience from Arkwright and Bain and Co. He served as Founding Director at Arkwright Consulting AG. In 1978, he was named Scholar Athlete of the Year by the North American Intercollegiate Association (NAIA). He holds an M.B.A. from Harvard Business School and a B.A. (Hons.) from Simon Fraser University, Vancouver.-
Welo, Morten	Partner, Chief Operating Officer, and Investor Relations	Oslo	Chief Operating Officer, Senior Key Executive, Head of Investor Relations	Mr. Morten Welo is a Partner, Chief Operating Officer, and Investor Relations at FSN Capital Partners AS. He joined the firm in 2011. Mr. Welo has worked as Head of Operations at The Boston Consulting Group (BCG). He has been employed in BCG since 2002 in several roles (Consultant, Human Resources Country Manager, and Head of Nordic Human Resources). Prior to this, Mr. Welo was an Executive Officer at The Royal Yacht (Kongeskipet Norge). Mr. Welo has been with the Navy and Army for almost 13 years. Mr. Welo has an MSc. in Economics and Business Administration from the BI Norwegian School of Management (BI) and has studies at Naval Academy and Officers Cadet School in Norway.-
Broe-Andersen, Thomas	Partner	Copenhagen	Senior Key Executive, Investment Professional	Mr. Thomas Broe-Andersen is a Partner of FSN Capital Partners AS. Mr. Broe-Andersen has restructuring and mergers and acquisitions experience from Morgan Stanley, where he served as an Analyst in the Investment Banking Division. Mr. Broe-Andersen served as a Member of the Restructuring Team in the mergers and acquisitions department and the Financial Buyers Group at Morgan Stanley. Mr. Broe-Andersen has operational experience from acting as the Chief Financial Officer in Jamo A/S from 2003 to 2004. He serves as the Deputy Chairman at Lagkagehuset A/S. He is based at the Copenhagen office and joined Lagkagehuset in 2000. He serves as a Board Member at Teres Medical Group AS. He serves on the Board of Fitness World, EET Europarts, Lagkagehuset, Skamol, Tactel, PM Retail Startedand, and HusCompagniet. Mr. Broe-Andersen holds an M.Sc. in Finance and Accounting from The Aarhus School of Business and a Diploma in International Management from L'Institut Commercial de Nancy, France.-
Jabet, Patrice	Partner	Stockholm	Senior Key Executive, Other Key Executive, Investment Professional	Mr. Patrice Jabet is a Partner at FSN Capital Partners AS. He was previously a Principal, Director, Senior Associate, and an Associate at the firm. Mr. Jabet joined the firm in 2008. He has five years of previous investment banking experience, most recently from Lazard, where he worked as an Associate in the Nordic mergers and acquisitions advisory team in Stockholm from 2006 to 2008. Prior to joining Lazard, Mr. Jabet worked with mergers and acquisitions advisory and private equity fundraising at Keystone Advisers from 2003 to 2006. He has been a Director at Bringwell AB (publ). since April 28, 2016. He serves on the Board of Validus, Fitness World, and Vita. Mr. Jabet holds a M.Sc. in Industrial Management and Engineering from Lund Institute of Technology and a B.Sc. in Business and Economics from Lund University.-
Möller, Peter	Partner	Stockholm	Senior Key Executive, Investment Professional	Mr. Peter Möller is a Partner at FSN Capital Partners AS. He joined the firm in 2006 He has mergers and acquisitions and principal equity experience from Goldman Sachs and Permira. At Goldman Sachs, Mr. Möller spent seven years in the Principal Investment group and the M&A team. He was promoted to Vice President in the Mergers and Strategic Advisory Group in 2002. In January 2003, Mr. Möller joined Permira as an Investment Manager to help build Permira's Nordic office in Stockholm. Previously, he was employed at the Permira Advisers as an Investment Manager. He serves as Member of Board of Directors of Kjell & Co Elektronik A.B., Actic, Green, Instalco, Troax and Baggium. Mr. Möller has significant transaction experience from a wide range of industries and geographies, both from a principal as well as from an advisory perspective. Mr. Möller holds a M.Sc. in Economics and Business Administration with a dual major from the Stockholm School of Economics and the Wharton School.-
Nelson, Erik	Partner	Oslo	Senior Key Executive, Other Key Executive, Investment Professional	Mr. Erik Nelson is a Partner of FSN Capital Partners AS. Mr. Nelson joined FSN in August 2005. Mr. Nelson has significant mergers and acquisitions and restructuring experience from Deutsche Bank AG where he worked within Corporate Finance. He was an Executive Officer of Ernst & Young LLP. He has line management experience from Ernst & Young LLP. He serves as a Director of Aura Light International AB. He serves on the Board of PM Retail AS, Instalco, Troax, Alignment Systems and Aura Light. He served as a Director of FSN Capital Partners AS. Mr. Nelson holds an M.Sc., with great distinction in Economics, Business, and Management from McGill University Montreal, Canada and the Norwegian School of Management BI. He has a Junior Officer school degree from the Norwegian Coastal Artillery Academy and also graduated from Officers Cadet School in Norway.-
Smith, Ulrik A.	Partner	Oslo	Senior Key Executive, Other Key Executive, Investment Professional	Mr. Ulrik Smith is a Partner at FSN Capital Partners AS. Previously, he was a Director at the firm and joined in August 2005. Mr. Smith has business restructuring and strategy development experience from McKinsey & Company Inc. and mergers and acquisitions, debt, investment management, and equity experience from Goldman Sachs International. Mr. Smith also has experience from Citigroup Inc. and venture capital experience from Venturepark Incubator. He serves on the Board of VIA Travel Group, Roplan, Fibo-Trespo, and Norman. He is the Chairman of ROPLAN AB. He was ranked one in his class in McGill University Montreal, Canada. He holds a M.Sc., with distinction, in Economics and Management from McGill University Montreal, Canada. Mr. Smith also holds an M.B.A. from Harvard Business School. He also studied at United World College of the Atlantic.-
Brekke, Line Heje	Investment Director	Oslo	Other Key Executive, Investment Professional	Ms. Line Heje Brekke is an Investment Director at FSN Capital Partners AS. She joined the firm in 2007 and was previously an Associate and a Senior Associate at the firm. Ms. Brekke has experience from McKinsey & Company as a Consultant in organizational design and lean manufacturing in Sweden and Norway. She serves as Director of Norman ASA and PM Retail AS. Ms. Brekke holds an M.B.A. from INSEAD in France and Singapore and also studied at Babson College.-
Bruzelius, Andreas	Principal	Stockholm	Other Key Executive, Investment Professional	Mr. Andreas Bruzelius is a Principal at FSN Capital Partners AS. He joined the firm in 2008 and has previously served as an Associate, a Senior Associate, and a Director. From 2006 to 2008, Mr. Bruzelius worked in Deutsche Bank's Nordic mergers and acquisitions advisory team in London. From 2005 to 2006, he worked in the investment banking division at Carnegie. He serves on the Board of Green Landscaping, Roplan and Instalco. He served as Board Member of Teres Medical Group AS. Mr. Bruzelius holds a M.Sc. in Economics and Business Administration from the Stockholm School of Economics with exchange studies at the University of Michigan.-
Denkov, Lars	Principal	Copenhagen	Other Key Executive, Investment Professional	Mr. Lars Denkov is a Principal at FSN Capital Partners AS. He joined the firm in 2011 and has previously served as a Director. Previously, Mr. Denkov was a Vice President at Providence Equity Partners LLC. He joined the firm in 2007. Prior to this, Mr. Denkov worked as an Analyst and then as an Associate at Morgan Stanley in media and communications investment banking and leveraged and acquisition finance group. He is on the Board of PM Retail AS and EET Europarts A/S. He received a M.S. degree in Finance and Economics from the London School of Economics and a B.S. degree from the University of Copenhagen.-
Egelstig, Marcus	Principal	Stockholm	Other Key Executive, Investment Professional	Mr. Marcus Egelstig is a Principal at FSN Capital Partners AS. He joined the firm in 2010 and has previously served as an Investment Director, Associate and a Senior Associate at the firm. Before joining FSN Capital, he worked in KPMG's Transaction Services team from 2007 to 2010. From 2005 to 2007, Mr. Egelstig worked as an Analyst in the Swedish Post's mergers and acquisitions department. He is a Director of Vindora and Skamol. Mr. Egelstig holds a M.Sc in Economics from the Gothenburg School of Economics and Commercial Law with exchange studies at Macquarie University.-

Exhibit 5: Financing of FSN's acquisition, December 2012

Source: FSN Capital, Bidbook Dec. 17, 2012; Bank term sheet Dec. 28, 2012

Panel (a): Sources and Uses

<u>Sources (mEUR)</u>		<u>Uses (mEUR)</u>	
Bank loans	40.0	Purchase of Troax Equity	73.0
Vendor note	10.0	Repayment of existing debt	17.0
FSN equity	43.0	Additional holdco cash	2.0
Management equity	4.0	Transaction costs	5.0
<i>Total sources</i>	<i>97.0</i>	<i>Total uses</i>	<i>97.0</i>

Panel (b): Loan terms

Bank loan details Assume closing on Jan 1 2013

<u>Tranche</u>	<u>Amount</u>	<u>Use</u>	<u>Maturity</u>	<u>Repayment</u>	<u>Base rate</u>	<u>Interest payment: If Net Debt/EBITDA (*)</u>			
						<u>>2.5x</u>	<u>>2x & <2.5x</u>	<u><2x</u>	
Term loan A	18.0	Finance purchase	6 years	According to amortization schedule below	EURIBOR	6.20%	5.70%	5.20%	
Term loan B	22.0	Finance purchase	6 years	At maturity	EURIBOR	6.70%	6.20%	5.70%	
Revolver	5.0	General corporate purposes	6 years	At maturity	EURIBOR	6.20%	5.70%	5.20%	
CAPEX facility	8.0	Financing of expansion CAPEX	6 years	5 year straight amortization, starting year 2	EURIBOR	6.70%	6.20%	5.70%	
					Average interest	6.5%	6.0%	5.5%	

Amortization schedule term loan A

2013	1.8
2014	2.3
2015	3.0
2016	3.8
2017	5.0
<u>2018</u>	<u>2.1</u>
Total	18.0

Financial covenants for bank loan

Maximum D/EBITDA and minimum EBITDA/Financial Net Payable covenants

Financial covenants are set with a headroom allowing EBITDA to fall by 25% during 2013-2015 and 22.5% for the following years, relative to the base-case model in Exhibit 5.

*Interest rate is expressed as EURIBOR + margin.

These total interest rate numbers includes author's assumptions about EURIBOR swap rates.

Vendor loan details

Vendor loan has a PIK interest rate of 11% per year.

Exhibit 6: Main players in Mesh Panel market, 2012

Source: FSN Capital

					Overall	A&R	MHL	PP	Germany	Italy	UK	Nordics	Europe		
Company	Headquartered	~Sales	~Employees	Comment	Mkt size: €380-420M	€210-230M	€110-130M	€40-60M	€110-130M	€30-50M	€20-40M	€60-80M	€130-150M		
		(MEUR)			CAGR 03-11:	8-11%	1-3%	<1%							
					Top 3 share	~30%	~27%	~35%	~45%	~48%	~35%	~30%	~55%	NA	
Europe:	Troax	Sweden	70.0	300	Global leader in supplying and producing mesh panel partitioning systems		1	1	1	1	1	4+	2	1	1
					Closest competitor to Troax and second largest globally. Strong position in France, Germany, Belgium, and the Nordics.		2	2	2	3	2	2	3	2	2+
	Axelent	Sweden	33.0	113	Low cost concept with sales only conducted via phone or the web.		5	10	3	5	5	4+	5+	5	2+
	Garantell	Sweden	7.0	19	Solid position in UK. Operates as a distributor for Satech.		9	8	Not active	Not active	7+	3	1	7+	2+
	Procter	UK	12.0	150	German operator focusing predominantly on the PP segment.		6	Not active	Not active	2	4	4+	5+	7+	2+
	Gerhard Braun	Germany	6.5	40	German provider focusing on technical aspects and flexible design.		4	4	5	Not active	3	4+	5+	7+	2+
	Brühl	Germany	7.0	120	Small German company focusing on A&R and MHL.		12+	11+	6	Not active	7+	4+	5+	7+	2+
	Tiemann	Germany	15.0	20	Family owned company with asset light business model and sales predominantly via independent distributors. Clear market leader in Italy, #3 in Europe.		3	3	4	Not active	7+	1	4	7+	2+
US:	Satech	Italy	12.8	37											
					Chicago based family owned US operator. Active in A&R and MHL.										
	Folding Guard	US	13.0	15	Largest company in the US. Family owned company situated in St. Louis. Active in all three segments.										
	Wirecrafters	US	15.0	>100											

Exhibit 7: Troax Management Biographies

Source: CapitalIQ

Ola Österberg

Born: 1966

Ola Österberg has served as CFO of Troax since 2008. Ola Österberg has more than 20 years of experience from positions as controller and CFO within Svedbergs i Dalstorp AB and ITAB. Ola Österberg holds a B.Sc. in business administration from Växjö University, Sweden.

Thomas Widstrand

Born: 1957

Thomas Widstrand has served as a member of the board of directors since 2014 and as the CEO of Troax since 2008. Thomas Widstrand has over 25 years of experience from leading positions within international businesses such as CEO of Borås Wärfveri AB, CEO of Cardo Pump and division manager at ESAB.

Thomas Widstrand holds a MBA from the University of Gothenburg, School of Business, Economics and Law.

Lennart Lindeberg

Born: 1963 Lennart Lindeberg has served as Vice President and Supply Chain Manager of Troax since 2008. Lennart Lindeberg has more than 20 years of experience from purchasing, logistics, supply chain and management. Lennart Lindeberg holds a M.Sc. in Mechanical Engineering from Chalmers University of Technology in Gothenburg, Sweden.

Exhibit 8: FSN base case for Troax

Source: FSN Capital, Troax prospectus, author's calculations and assumptions*

EUR, million

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
	Actual	Actual	Actual	Actual	Actual	Actual	Pro Forma	Forecast	Forecast	Forecast	Forecast	Forecast
Total Sales	58.0	65.0	65.0	48.0	51.7	60.8	71.5	68.6	71.3	77.0	84.3	92.7
Sales growth	0.0%	12.1%	0.0%	-26.2%	7.7%	17.6%	17.6%	-4.1%	3.9%	8.0%	9.5%	10.0%
EBITDA (adjusted)	4.0	8.0	9.0	4.2	7.2	9.6	14.4	11.9	13.0	14.6	16.9	18.5
EBITDA margin	6.9%	12.3%	13.8%	8.8%	13.9%	15.8%	20.1%	17.3%	18.2%	19.0%	20.0%	20.0%
EBITDA growth	#REF!	100.0%	12.5%	-53.3%	71.4%	33.3%	50.0%	-17.4%	9.2%	12.3%	15.5%	10.0%
Depreciation and amortization								2.4	2.0	1.6	1.2	1.0
Cash interest								-2.4	-2.2	-1.9	-1.1	-0.8
Cash interest %								6.5%	6.5%	6.5%	5.0%	5.5%
Non-cash interest								-1.1	-1.1	-1.3	-1.4	-1.6
EBT								6.0	7.7	9.8	13.1	15.2
Taxes paid								-1.2	-1.5	-2.0	-2.6	-3.0
Net income								4.8	6.2	7.8	10.5	12.1
Maintenance CAPEX								-0.9	-0.9	-0.9	-1.0	-1.0
Expansion CAPEX								0.0	-4.5	-2.6	-0.5	0.0
Increase in NWC								-0.8	-1.5	-1.2	-1.8	-2.1
Incr. NWC/Incr Sales								-28%	56%	21%	25%	25%
Net cash flows before financing								6.6	2.4	6.0	9.8	11.6
Excess cash							1.0	2.3	1.8	3.0	4.5	6.9
Bank debt							40.0	34.7	31.8	27.0	18.7	9.5
Vendor note (from Accent)							10.0	11.1	12.2	13.5	14.9	16.5
Total debt							50.0	45.8	44.0	40.5	33.6	26.0
Net debt							49.0	43.5	42.2	37.5	29.1	19.1
Net debt/EBITDA							3.40	3.66	3.25	2.57	1.73	1.03

*2016 and 2017 numbers built on the case author assumptions

Exhibit 9: Base-case projections for Troax (updated) and Satech, March 2014

Source: FSN Capital, Troax prospectus, author's calculations and assumptions*

Panel A: Troax stand-alone

	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
	Actual	Actual	Actual	Actual	Actual	Forecast	Forecast	Forecast	Forecast
Sales	48.0	51.7	60.8	71.5	70.2	74.0	77.5	85.3	93.8
Sales growth		7.7%	17.6%	17.6%	-1.8%	5.4%	4.7%	10.0%	10.0%
EBITDA (adjusted)	4.2	7.2	9.6	14.4	13.7	14.7	14.6	17.1	18.8
EBITDA margin	8.8%	13.9%	15.8%	20.1%	19.5%	19.9%	18.8%	20.0%	20.0%
Depreciation and amortization			3.0	2.9	2.4	2.0	1.6	1.2	1.0
Cash interest					(1.5)	(2.3)	(1.8)	(1.4)	(0.8)
Cash interest, %						6.5%	6.0%	6.0%	5.5%
Non-cash interest					(1.1)	(1.1)	(1.3)	(1.4)	(1.6)
Earnings before tax					8.7	9.3	9.9	13.1	15.4
Taxes paid					(1.0)	(1.9)	(2.0)	(2.6)	(3.1)
Net income					7.7	7.4	7.9	10.5	12.3
Maintenance CAPEX					(0.9)	(0.9)	(0.9)	(1.0)	(1.0)
Expansion CAPEX					0.0	(4.5)	(2.6)	(0.5)	0.0
Increase in NWC					(0.8)	(1.5)	(1.2)	(1.9)	(2.1)
Increase in NWC/Incr Sales						39%	34%	25%	25%
Net cash flows before financing					9.5	3.6	6.1	9.6	11.8
Excess cash				1.0	15.6	11.0	12.4	13.7	16.3
Bank debt				40.0	40.0	31.8	27.0	18.7	9.5
Vendor note (from Accent)				10.0	11.1	12.2	13.5	14.9	16.5
Total debt				50.0	51.1	44.0	40.5	33.6	26.0
Net debt				49.0	35.5	33.0	28.1	19.9	9.7
Net debt/EBITDA				3.4	2.6	2.2	1.9	1.2	0.5

Panel B: Satech stand-alone

	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
	Actual	Actual	Actual	Forecast	Forecast	Forecast	Forecast
Sales	12.7	13.0	13.0	13.0	13.5	14.0	14.3
		2.4%	0.0%	0.0%	3.8%	3.5%	2.5%
EBITDA	3.5	3.6	3.5	3.3	3.4	3.5	3.6
	27.6%	27.7%	26.9%	25.4%	25.2%	25.2%	25.2%
Depreciation				0.1	0.1	0.1	0.1
CAPEX				(0.1)	(0.1)	(0.1)	(0.1)
INWC				(0.1)	(0.1)	(0.1)	(0.1)

*2016 and 2017 numbers built on the case author assumptions

Exhibit 10: Financing alternatives for the Satech acquisition

Source: FSN, author's calculations and assumptions

Panel A: All-cash bid, no new loan

<u>Sources</u>	(€ million)	<u>Uses</u>	(€ million)
Troax cash	11.2	Cash payment to Satech shareholders	24.2
Additional FSN equity	11.5		
Additional mgmt and board equity	1.5		
Total sources			
<u>Ownership of combined Troax + Satech</u>			
FSN	88.5%		
Management and Board	11.5%		
	100%		

Panel B: Cash and equity bid, no new loan

<u>Sources</u>	(€ million)	<u>Uses</u>	(€ million)
Troax cash	11.2	Cash payment to Satech shareholders	20.6
Additional FSN equity	8.3		
Additional mgmt and board equity	1.1		
Total sources	20.6		
<u>Ownership of combined Troax + Satech</u>			
FSN	84.5%		
Management and Board	11.0%		
Satech shareholders	4.5%		
	100%		

Panel C: Cash and equity bid, high-yield bond issue, dividend to Troax's shareholders

<u>Sources</u>	(€ million)	<u>Uses</u>	(€ million)
High-yield bond issue	70.0	Repayment of bank term loan	40.0
Troax cash	11.2	Repayment of Accent loan	11.1
		Dividend to FSN	8.5
		Dividend to management	1.1
		Cash payment to Satech shareholders	20.6
Total cash sources	81.2	Total cash uses	81.2
<u>Ownership of combined Troax + Satech</u>			
FSN	84.5%	<u>High-yield bond terms:</u>	
Management and Board	11.0%	Face value, € million	70.0
Satech shareholders	4.5%	Duration	6.0 years
	100%	Coupon	7.25%
		No(significant) EBITDA covenants	
		Opportunity to repay 10% of face value during each year for the first three years @ 103% of par	

Exhibit 11: Public trading comparables

Source: CapitalIQ

	Beijer Electronics (OM:BELE)		Gunnebo (OM:GUNN)		Lindab (OM:LIAB)	
Company description	Beijer Electronics AB, together with its subsidiaries, develops, manufactures, and sells products and solutions for industrial automation and data communications worldwide. The company sells its products and solutions through proprietary sales units in 19 countries and a network of independent distributors in another 60 countries. It serves OEMs, system integrators, distributors, and brand label partners. Beijer Electronics AB was founded in 1981 and is headquartered in Malmö, Sweden.		Gunnebo AB develops, produces, installs, and services various security products, services, and solutions for banks, retail, CIT, mass transit, public and commercial buildings, and industrial and high-risk sites. The company's products include closed cash handling terminals, entrance security solutions, cash and valuables safes, vaults and vault doors, safe deposit lockers, and ATM safes. In addition, the company offers electronic security systems. The company was founded in 1764 and is headquartered in Gothenburg, Sweden.		Lindab International AB develops, manufactures, markets, and distributes products and system solutions in sheet metal and steel for construction and improved indoor climate. The company operates through two segments, Products & Solutions, and Building Systems. It offers products and systems for ventilation, cooling, and heating, as well as construction products and building solutions. Lindab International AB offers its products through a network of branches, as well as through building contractors and retailers primarily in the Nordic region, Western Europe, Central and Eastern Europe/the Commonwealth of Independent States, and internationally. Lindab International AB was founded in 1956 and is headquartered in Båstad, Sweden.	
	Dec-12	Dec-13	Dec-12	Dec-13	Dec-12	Dec-13
Sales	1367.2	1376.2	5236.2	5270.5	6656	6523
EBITDA	138.3	120.3	357.8	386.7	609	654
Net Debt	447.3	446.4	732.1	733.9	1959	1480
Book Equity	405.7	396.2	1533.6	1463.6	2683	2967
Market Equity*	750	1200	1390	2700	6100	7350
Net interest exper	22.3	21	11.7	22.5	150	114
Equity beta		1.04		0.9		0.93

* Market equity in Dec 2013 column is as of June 2014

Exhibit 12: Most recent Nordic private-equity backed high-yield bond issues (May 2014)

Source: Bloomberg

Issuer	Date	Currency	Deal size	D/EBITDA	Rating	Maturity	Interest	PE sponsor
Perstorp	Nov-12	USD	380.0	4.0	CCC	5 years	8.75%	PAI Partners
		EUR	270.0			5 years	9.00%	
		USD	370.0			5 years	11.00%	
Unilabs	Jul-13	EUR	335.0	6.5	CCC	5 years	8.50%	Nordic Capital
			130.0			5 years	Euribor+7.25%	
			241.0			5 years	12% PIK	
LM Wind Power	Mar-14	EUR	130.0	1.8	NR	5 years	Euribor+8%	Doughty Hanson
Polygon	Apr-14	EUR	120.0	3.9	NR	5 years	Euribor+5%	Triton
Infratek	May-14	NOK	650.0	3.1	NR	5 years	NIBOR+5%	Triton
Ovako	May-14	EUR	200.0	3.5	B	5 years	6.50%	Triton