

FOUR SIDES

Modesty—Morlas—Artistry—Confidentially

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SWEDEN'S DECLINE AND ...

- a book about Sweden's future and why we are where we are.

T This book has just been published in Swedish and is available for purchase in paper form or to download at Adlibris, Book on Demand or in the bookstore. It will probably also be published in English, but it is quite easy to translate it chapter by chapter on Google translate etc.

“If you tell the truth, you don't have to remember anything.

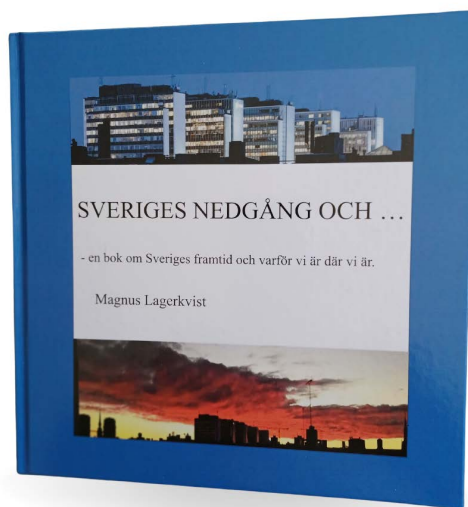
MT

“Good friends, good books, and a sleepy conscience: this is the ideal life.

MT

“Whenever you find yourself on the side of the majority, it is time to reform (or pause and reflect).

Mark Twain



Magnus Lagerkvist
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THERE IS STILL A GREAT POTENTIAL TO INVEST IN TRADITIONAL BUSINESSES



MICHAEL ROSENLEW, Chairman of the Board of Hartwall Capital and member of Lagerkvist & Partners Advisory Board, former Managing Partner of IK Investment Partners.

Four sides: You have been in the Private Equity industry for a long time. How do you see its development today?

Michael Rosenlew: It has been a great development. The market of investors has realized that with the low interest rates it has been better to invest in Private Equity actors that can give a much better return on their money, so the market has grown enormously, but this has also meant great changes. There is more money in the market than there is competence to handle the money in a wise way. The public, through the newspapers, is only shown the success stories, or at least mostly, and how much money many of the partners at the Private Equity companies earn. What we do not see is that there are also more failures today than before, but as long as each fund is performing well the investors are content.

FS: What are the greatest problems today for the PE-companies?

MR: The greatest problems are to find excellent people and people with the right attitude!

FS: What do you mean with “the right attitude”?

MR: When you are young and get a job at a PE-firm and have the power to handle or at least influence the use of large amounts of money it can be difficult for many to remain humble and realize that you must be thorough and cautious, because you are taken care of other people’s money, often money for their pensions. Still, some of the founders and the first-generation PE-people is around with an entrepreneurial spirit and who have started from fairly small circumstances, but they are moving out. Now you can come into a firm that has tens of billions of equity, or more, in their funds, where it is easy to lose your respect for money.

FS: Still, we are educating more and more people?

MR: That is true, but people must also have experience so they can see and understand the mechanisms of a certain business and how it “tics”. Furthermore, they have to have distance to themselves not to believe they are “King Kong”. We will see more continuing successes in the PE-industry, but I also think we will see more failures in the future. This will be the case when/if the interest rates go up.

FS: We have seen big differences in the way to run companies in Sweden and Finland, is that still the case?

MR: Yes, I think it is. It was even greater differences before where the CEOs in Finland took all the decisions. That was also due to the fact that Finland was an isolated country, very few have had an education from abroad or even been abroad before they started work. Now you have to spend half a year abroad at a university education of economics before you get an exam at for example Hanken School of Economics, so now we are more internationally oriented in Finland. To put it simple: In Sweden you discuss and discuss and many times you are not sure if you have reached a decision or not; In Finland we discuss also today but in the end the CEO says, thank you for a good discussion, and then takes a decision and takes the responsibility for the decision. Of course, there are exceptions to the rule in Sweden but that you will find mostly in private owned companies where the founder or his heir is running the company.

FS: On the other hand, we think a similarity between Finland and Sweden, if we go back, is that we did not have too many written contracts and lawyers around, handshakes were enough. How do you perceive the situation today?

MR: It is much more contracts today in Finland as it is in Sweden. I think it is the Anglo-Saxon influence that has made this, but also that the business climate has become tougher and perhaps the young professionals are greedier. Before it was handshakes very often and no more and people stuck to it.

FS: It is fun to do business and there is a lot of opportunities around both in Sweden and Finland, but how do you perceive the overall political climate, we are especially thinking of Russia?

MR: The bonds between Finland and Russia are strong. We are doing a lot of business together and we have a long tradition together, even if we were fighting during the Second World War, so a conflict between Finland and Russia I think is very unlikely! Russia has very little to gain to incorporate Finland.

FS: Our Russian people tells us that Russia perceive Gotland as the aircraft carrier of the Baltic sea. If you have Gotland, you will dominate the whole Baltic Sea area!

MR: That is true. To take Gotland and Åland make more sense for Russia and can be a risk but I think in that case, to take the Baltic States can be a first step.

FS: The focus of many, even most, PE-companies today seems to be the health care sector and the ICT sector for example handling of transaction like payments etc. Traditional industries do not seem to be of the same interest. You Agree?

“ *The fear of death follows from the fear of life. A man who lives fully is prepared to die at any time. Nothing in life is to be feared, it is only to be understood. Now is the time to understand more, so that we may fear less.*

Marie Curie

MR: Definitely so. Still my opinion is that there is a lot to do and invest in in traditional businesses and if you know what you are doing you can get a nice return. Perhaps not a couple of 100% but very often 30% or more and with less risk, that is, not so many cases with downside of several hundred percentage, which you also can see today.

FS: Finally, concerning the future, are you an optimist or a pessimist?

MR: I am an optimist, you must be to work progressively, almost mandatory – but I am an optimist for real!

THE PANDEMIC'S POSITIVE EFFECTS – 1-2% INCREASED GNP GROWTH!

The worlds development takes jumps. When the wheel was invented, the steam engine, the telegraph and then the telephone, the car and trucks and its motors, the mobile phone, and other things the world experienced exceptional growth. When the inventions come it is not so often its impact is recognised at once. Often it is entrepreneurs or entrepreneurial companies that takes the lead and by that many times creates amazing fortunes. Railroads and the Forest Industries were examples. Microsoft, Apple, Tesla, and Amazon are examples today.

The Covid-19 epidemics have struck the world and people and governments were taken by surprise. But it has also initiate different behaviours that will be permanent and have a strong impact on the world and generate growth.

“ *Age is an issue of mind over matter. If you don't mind, it doesn't matter.*

Mark Twain

One of the large consultancy firms in America came 1989 to the conclusion that the mobile phone market in the world would end up being approximately 90 000 units/subscribers because it would only be top executives that were interested in them, and they were to be very expensive. The single biggest mistake they did was not to understand how the work for craftsmen and the construction industry were made more efficient, so the productivity increased substantially.

The Covid-19 has forced us to change our behaviour and how we work, and changes will to substantial extent be permanent. Main changes will be:

- Less travel at work, both short travels to work and long travels – most internal meetings and people to people discussions can be made over the net when you are not sitting in the same office or even so if the office is large.
- Less needs for offices as you will work more at home or at your summer home – not permanently but 1-3 days per week.
- More productive workforce as you spend less time traveling/commuting and people interaction becomes more efficient (compare the telephone when it arrived)
- People can move to smaller cities and further out from the city centres where their job is as they do not have to commute every day and not always at rush hours.

What economic effects will this have. We are here taking Sweden as an example as we have rather good statistics here. We assume the following:

- 10% of the work force will do 5 travels less at a cost of 300 EUR each.
- 25% of the work force will make one travel less per week with car to work during 40 weeks of the year at a cost of 5 EUR per KM and an average travel of 20 KM.
- 25% of the work force will travel one day less to work with collective transports during 40 weeks at a cost of 5 EUR.
- 20% of the work force has personal offices of 15 m² this will diminish with 50%, cost per year is 200 EUR/m².
- 20% of the work force will save (increase their productive hours) with half a month per year having an average salary of 4000 EUR plus social insurances.
- 5% of the work force will move to cheaper and better living saving 6000 EUR per year.

“ Between two evils, I always pick the one I never tried before.

Mae West

Macro assumptions:

- Sweden's population 2020 10,3 million.
- Work force 5,1 million.
- BNP 498 billion EUR.

This gives us:

- 0,51 GEUR in savings in car travel; 0,255 GEUR in collective travel and 1,02 GEUR in work travels. Total 1,785 GEUR.
- Office space 1,53 GEUR cost savings.
- More efficient work 1,696 GEUR savings.
- Better and cheaper living 1,53 GEUR savings.

This means 6,541 GEUR in savings that can be used to investments and/or consumption.

With a multiple effect of 10 this will increase GNP with 13,13 %. Multiple of 5 the increase will be 6,57% and with no multiple effect it will be 1,31%.

Of course, it will take some time to reach these effects, but the pace has been faster than expected so far. One Swedish Office owner's association made a prognosis last spring that the demand for office space will decrease with 20-30%. Now they have reversed their prognosis and are saying 50%.

Johan Gieseke, a Swedish Professor in epidemiology and bio statistics, from Karolinska Institute has said that we cannot evaluate the pandemic until after 3-4 years. The undertakers in Sweden are saying that excess deaths during the beginning of the pandemic have resulted in less deaths than normal after that – so, so far, the pandemic effect has in the end meant that some, mostly elderly people, has died some month earlier.

So, the final truth will probably be that the pandemic was not that bad, it produced vaccine in rapid speed and the GNP growth effects will be permanent and people will live a better life!

That is, if not the ongoing war with Russia will become a global conflict!

“ Life imitates art far more than art imitates life.

Oscar Wilde