

Chairman's message



2020 was dominated by the viral disease Covid-19. During the first half of the year, countries around the world shut down parts of their societies, with ensuing sharp drops in GDP. Worries and uncertainty spread quickly, and stock markets around the world plummeted during the first quarter. Extensive financial and monetary policy measures were taken in many countries. As early as the second quarter, however, the stock markets began recovering. The extremely low interest rates and lack of investment alternatives are key explanations for this. At the same time, the pandemic continued to claim many lives and the number of infections accelerated. The pandemic levelled out during the summer, but during the fourth quarter spread of the disease starting rising again. New lockdowns were mandated in our societies, and the burden on health care systems once again rose. In December and early 2021, Covid-19 vaccines were approved in several countries. The hope now is that the vaccine will put a halt to the spread and gradually overcome the dangerous virus.

Certain parts of the business sector have been extremely hard-hit by the pandemic. Airlines, hotels, tourism and physical retail can be named in particular. For manufacturing industries, order intake fell dramatically at the end of the first quarter and during the second quarter. It is impressive to note how companies handled this. Quickly and effectively, overheads and ways of working were adapted. During the second half of the year, order intake rebounded for many companies. For the most exposed sectors, however, major problems have continued.

Following the drop in share prices during the first quarter, the Swedish stock market recovered and posted a total return of 15% for the full year 2020. Industrivärden's net asset value grew 8%, and the total return for Industrivärden's stock was 18%. Looking back on the past year's drama, I am very pleased with the outcome.

The stock market offers attractive opportunities for favorable returns. This has always been the case over time, and it continues to apply now and will in the future. Industrivärden's portfolio companies are among some of the best companies we have in Sweden. However, the preconditions for various sectors vary over time, which makes it desirable to balance this through holdings in several companies. But with the capital base we have, we cannot be a large owner in all too many companies. Nor should our ownership stakes in the respective portfolio companies be too low. This is so we can optimize the effects of our active ownership, which aims to create value in the portfolio companies. During the year we therefore continued to invest in a number of our portfolio companies at attractive levels. Some may ask why we do not choose to invest in companies that are new for us. The answer is simple. Our portfolio companies continue to be attractively valued and are among the foremost in their respective sectors, so there is no reason to cross the stream to get water. Moreover, the wealth of knowledge we gain about our portfolio companies means a lot and is something that takes place gradually over time.

In recent years our determined work as an active owner has yielded positive results. Today all of the portfolio companies are clearly stronger than they were five years ago. This applies for their vital leadership as well as their financial positions, but even in terms of their competitiveness. We see continued good opportunities for value creation over time.

Industrivärden's financial position remains strong. The debt-equities ratio was 6% at year-end, which is well within the interval of our gearing policy.

In 2020 the Board chose not to propose a dividend to our shareholders. This was due to the uncertainty surrounding the Covid-19 pandemic as well as to the fact that many of the portfolio companies withheld their dividends in 2020. We now propose to the 2021 Annual General Meeting that we resume paying a dividend. This is based on the favorable earnings in 2020 as well as on the fact that we once again expect to receive dividends from the portfolio companies in 2021. The Board thus proposes an ordinary dividend of SEK 6.25 per share. In addition, the Board proposes an extra dividend of SEK 2.00 per share, which is justified by the extra dividends we expect to receive in 2021.

During the past year, board work at Industrivärden has been exceptional. We held eleven board meetings as well as several meetings of the Compensation and Audit Committees. A number of CEOs from our portfolio companies were invited to our board meetings and gave presentations on their respective companies. At every meeting our CEO, Helena Stjernholm, shared her views on the macroeconomic situation as well as on our portfolio companies. In addition, the impacts of the Covid-19 pandemic were analyzed and discussed.

Under the difficult conditions that prevailed in 2020, Helena has done an outstanding job. This goes for her role as a board member in the portfolio companies as well. On behalf of the Board I want to extend a great and warm thanks to Helena and Industrivärden's other employees.

I also want to thank my colleagues on the Board for a fruitful and enjoyable cooperation.

Similarly, I want to thank the boards and management teams of the portfolio companies for their many wise decisions and their exceptionally thorough work during the past year.

Stockholm, February 2021

Fredrik Lundberg