

Chairman's message

2021, too, was characterized to a high degree by the viral disease Covid-19 and its consequences for society. Vaccinations began at the very start of the year, but the vaccination rate varies from country to country. In some parts of the world, still only a minority of people are vaccinated. In addition, owing to new mutations of the virus, transmission is continuing. No one knows how long, but it is likely that we will have to live with this virus for a long time to come. The hope is that with continued vaccination and less dangerous mutations, the situation will improve over time.

Owing to extensive financial and monetary policy measures taken during the year in the world's major economies, economic growth was strong in 2021. Global GDP growth amounted to a full 5.9%. For large parts of the business sector, this translated to high demand for products and services. Certain sectors, however, such as aviation, hotels and tourism, continued to have weak demand, as did physical retail.

For many manufacturing companies, major problems arose with supply chain disruptions and shortages of various types of components as well as price increases for energy and transports. A shortage of labor in certain sectors could also be noted. In general, the Swedish business sector succeeded in handling these problems, and as a result earnings performance was strong. The adjustments and efficiency improvements that many companies have made during the last two years also contributed to the favorable earnings.

Ahead of coming years, uncertainty over inflation has increased. I believe that improved focus on pricing of companies' products and services will be extremely important.

The stock markets in Europe and the U.S. rose in general during the past year. The Swedish stock market performed particularly well, where the total return was a full 39%. The good earnings performance combined with record-low interest rates and plenty of money, as well as a lack of investment alternatives, are key explanations for the stock market's performance.

During 2021 Industrivärden did not manage to keep up with average performance in the stock market. Our net asset value including reinvested dividend increased by 22%, and the total return for the Class C shares was 10%. The difference is explained by an increase in the, so called, discount to net asset value during the year.

Over the long term, of course, the goal is to give the shareholders a return that is well in line with the market's required rate of return with consideration to the risk profile of the individual portfolio companies. During periods of strong stock market performance and in which new introductions and young companies in new sectors with new technology draw investors' interest, it can be hard for Industrivärden to keep pace. However, with our choice of portfolio companies and our way of working, I am convinced that over the long term we will continue to deliver an attractive absolute return, especially in view of our level of risk. Comparing us in an individual year with an average equity index is in my view not relevant.

Our portfolio holdings are among the foremost companies in Sweden. They are also sufficiently large to have economies of scale and be able to hold their own against international competition. With our business model, we are a valuable principal owner of the companies. We exercise a form of active ownership that is designed to develop the companies and create shareholder value. And over longer periods of time, Industrivärden's stock has given the shareholders a return that well corresponds to our goal.

In our companies, business and technological development are conducted within the framework of the resources and experience that are characteristic of a large company.

Our history

1940s

Industrivärden is founded in 1944 by Handelsbanken to manage the shareholdings taken over by the bank during the economic crisis in the 1920s and '30s. The equities portfolio consists of eight portfolio companies active primarily in forestry, power generation, textiles, steel and telecommunications (through Ericsson). In 1945 the Company is listed on the stock exchange and its shares are distributed to Handelsbanken's shareholders.

1950s

Demand for industrial products and input components rises sharply in post-war Europe. Against this background, Industrivärden strengthens its ownership positions in attractive portfolio companies and carries out new acquisitions in sectors such as forest products, gas and steel. SCA becomes a new portfolio company.

1960s

Continued strong growth and extensive housing construction lead to investments in engineering and construction companies. Even though the five largest holdings account for most of the portfolio value, the equities portfolio becomes differentiated to include more than 60 portfolio companies and a number of wholly owned subsidiaries.

1970s

Falling productivity and growing international competition put demands on structural measures and stronger competitiveness. Industrivärden formulates a clear investment strategy with the ambition to exercise its ownership in a more structured way. Numerous, large structural and equity deals are carried out. The Company begins to build up a holding in Handelsbanken.

1980s

The model for active ownership is developed, and in pace with this the equities portfolio is sharply concentrated at the same time that the unlisted holdings are gathered into a wholly owned industrial and real estate business.

Many talented employees are involved with this undertaking on a daily basis. A major strength of the companies is their existing customer bases that have been built up over a very long time.

For us it is a central duty to make sure that the portfolio companies have competent board members and company management teams. We also believe that the potential of a large company is best utilized in a decentralized organization with broad delegation of responsibility. Countering bureaucracy and encouraging business acumen and customer relationships are key for success. In addition, we put strong emphasis on the importance of leadership and on ensuring that the companies have a strong financial position. During 2021 we continued to invest in the portfolio companies – something that we intend to do also in the coming years. We believe there are good opportunities for value creation in the companies over time. Furthermore, our ambition is that our share of ownership in the companies will be sufficiently large – preferably more than 10% of the capital. After many years as a major shareholder of SSAB, we divested our holding in order to concentrate on our other portfolio companies.

I am impressed by the work that the CEOs and their management teams and organizations have done in 2021. On the whole they advanced their companies' positions, which bodes well for the future.

Industrivärden's financial position remains strong, with a net debt-equities ratio of 4%. Owing to this and the positive performance during 2021, the Board of Directors proposes to the coming AGM an increase in the ordinary dividend to SEK 6.75 per share.

During 2021 the board work in Industrivärden worked well. This was reaffirmed by the yearly board evaluation that was conducted in December.

We held eleven board meetings during the year in addition to numerous meetings of the compensation and audit committees. The CEOs of a number of our portfolio companies visited our board meetings and talked about their respective companies.



Our CEO Helena Stjernholm and her colleagues have shared their views on our portfolio companies on a regular basis, including very thorough analyses. On top of this, the Board has dedicated time to analyses and discussions on the macro economy, the effects of the Covid-19 pandemic and sustainability issues, among other things.

As in her previous years as CEO, Helena has done an exceptionally good job. In her role as a board member of three portfolio companies and chair of four nominating committees, she represents Industrivärden in a superb manner. Her knowledge and judgment are respected.

On behalf of the Board of Directors I want to extend a warm thanks to Helena and the other employees.

I also want to thank my colleagues on the Board for their fruitful and pleasant cooperation.

Finally, great thanks to the boards and management teams of our portfolio companies for their solid work during the past year.

Stockholm, February 2022

Fredrik Lundberg

1990s

Consolidation of the wholly owned businesses continues, culminating in the formation of the industrial company Inductus, the industrial trading company Indutrade, and the property company Fundament. The equities portfolio is changed with the divestment of the holdings in PLM and AGA, new purchases are made in SSAB and Sandvik, and the holding in Skanska is doubled.

2000s

A globalized capital market and mounting competition drive towards specialization. Industrivärden focuses on its area of strength: active ownership in large, listed companies. The portfolio is refined through the sale of the remaining subsidiaries. Industrivärden further develops its ownership strategy.

2010s

At the start of the decade Industrivärden becomes the largest shareholder in Volvo. Many industrial companies are struggling with lingering effects from the financial crisis of the 2000s, and focus is directed above all on various measures in existing portfolio companies. In February 2016 Industrivärden unveils a refined strategy for active ownership, with greater focus on existing portfolio companies and increased financial flexibility.

2021

Industrivärden enters the 2020s with a concentrated portfolio of Swedish listed companies with leading positions and strong financial positions. In 2021 the holding in SSAB is sold, and as in 2020, investments are increased in several portfolio companies.