REQ Capital

Investing with Insight

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INVESTING WITH INSIGHT

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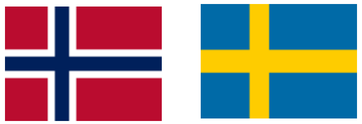
REQ Group Structure

Company structure

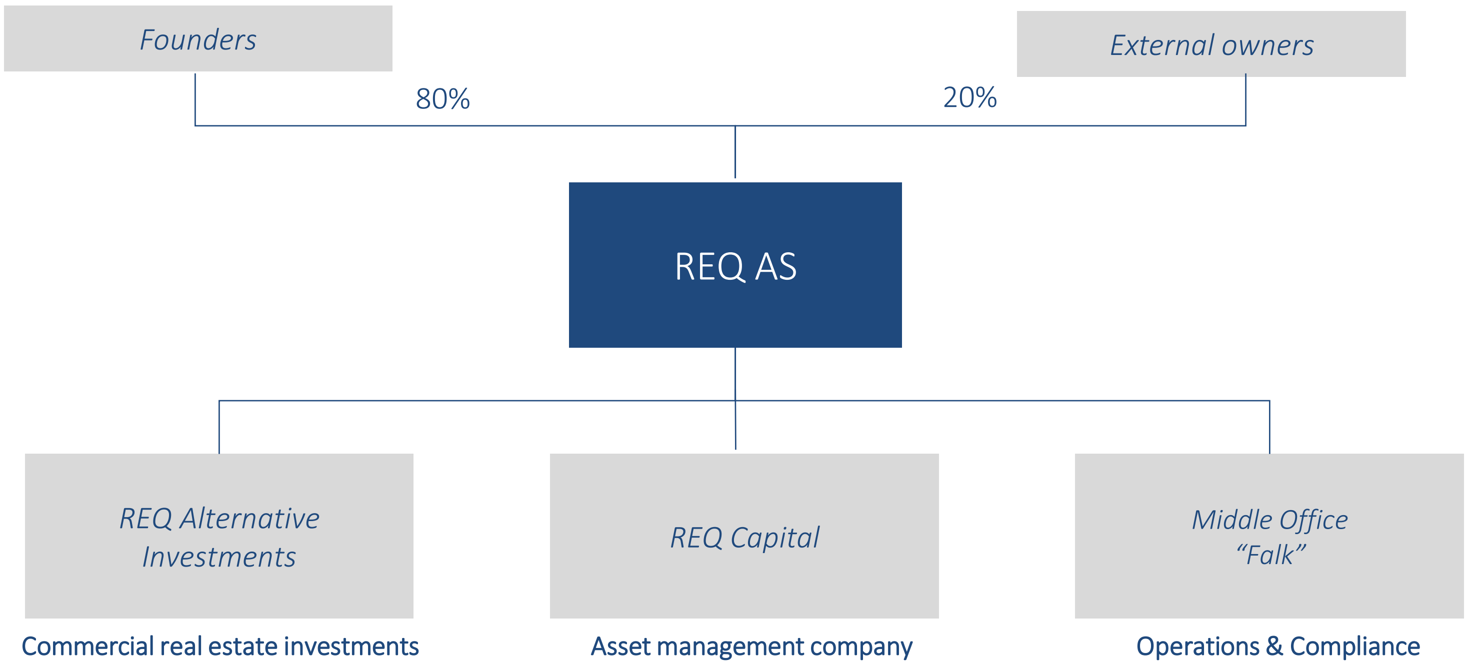
Introduction to REQ Capital and Investment Strategy

- REQ Capital: Boutique asset management firm
- Based in Oslo and Stockholm



- Structure: UCITS Long Only
- Single strategy: Listed Acquisition-driven Compounders
- Two funds, one strategy:

REQ Global Compounders and REQ Nordic Compounders



Signatory of:

*Rest owned by employees

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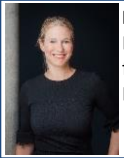
The Team

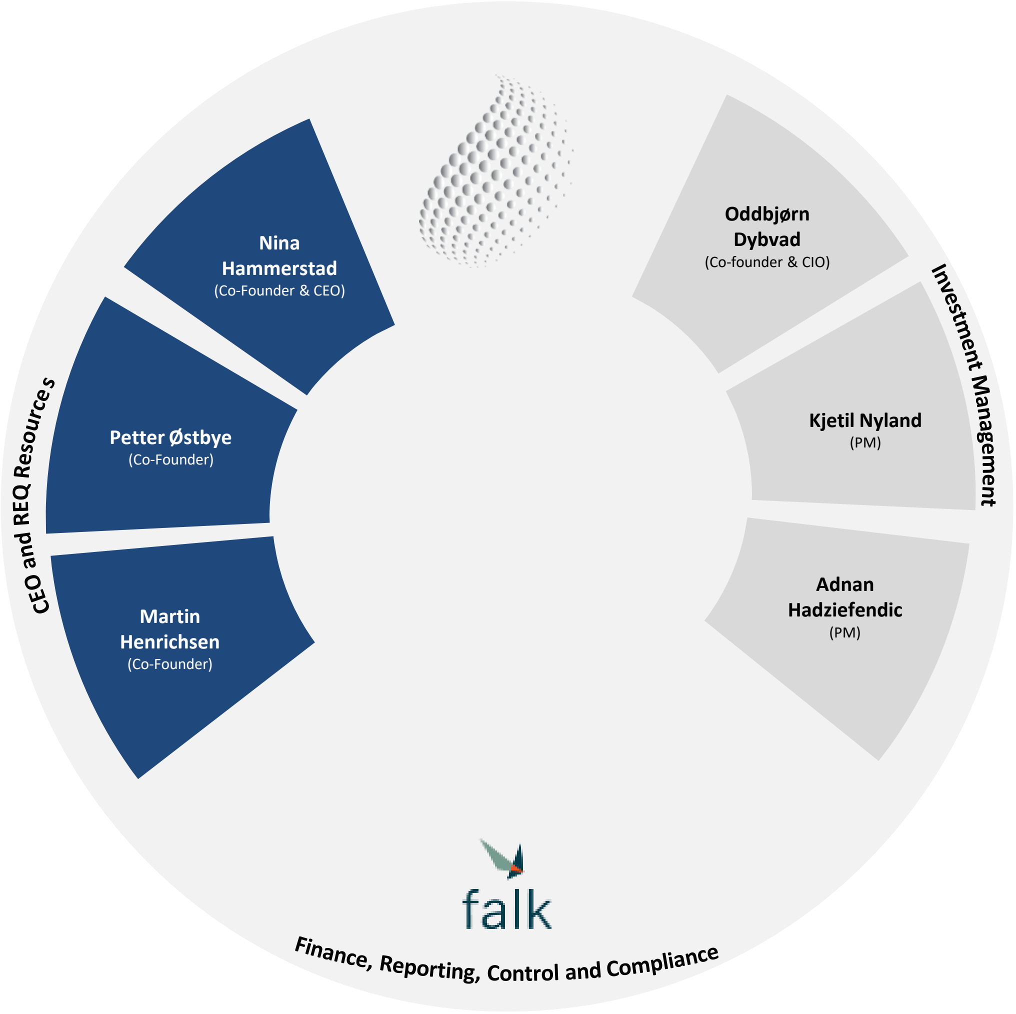
Introduction to REQ Capital and Investment Strategy



Nina Hammerstad
More than 20 years of experience from the financial and real estate industry, including Global Head of Real Estate Asset Management in NBIM

Petter Østbye
More than 10 years of experience from the financial industry and has extensive experience within capital raising and analysis.

Martin Henrichsen
More than 20 years of professional leadership experience in various roles from asset management and the financial industry.



Oddbjørn Dybvad
More than 13 years as portfolio manager - managing a global equity fund. Prior to becoming a portfolio manager, he worked as an equity analyst and a fund analyst.

Kjetil Nyland
More than 10 years of experience within the financial industry, both as an equity portfolio manager and as an equity and credit analyst on the buy-side. Previously managed the Borea Global Equities fund.

Adnan Hadziefendic
More than 10 years of experience within the financial industry as an analyst at Danske Bank and Swedbank. Author of Sweden's most extensive study on Acquisition-driven compounders, engaging with over 100 companies' Executives and Board of Directors.

Investment strategy

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Strategy in Brief

- We invest in **high-performing acquisition-driven compounders**
- These companies are **excellent at sourcing and closing acquisitions in the private market at highly attractive multiples**
- **Strong cash flow generation**, which in turn is reinvested at **high returns on capital**
- Management teams are **excellent capital allocators**, and often **own a significant part** of these companies
- We invest in **decentralized business models.**
- Underlying exposure to **numerous small private companies.**
- **Dual engines of profitable growth** (organic and through acquisitions)
- Highly **diversified business models** that reduce risk.

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Investment experience

Lessons learned

Finding rockets

Avoiding meltdowns

Financials

People

Sources of extraordinary performance

Three key ingredients

Capital allocation

Decentralization

People

Sources of Extraordinary Performance

Three key ingredients

Sources

Capital allocation
- Sources and uses of capital
- Consolidation opportunities
- Cost focus
- Focus on return on capital
- Value creation mindset
- Capital allocation is core in strategy
- Structured M&A process
- Cash flow focus

Decentralization
- Decentralized: Own P&Ls
- Entrepreneurship
- Right incentives
- Diversified business models
- Transparent reporting
- Cost-focus and simplicity
- Small teams
- Measurement

People
- «Owner operators»
- No guidance
- «Management led»
- Own their mistakes
- Down to earth and pragmatic
- No excuses and no politics
- Investor mind-set
- Employees first, customers second and shareholders last

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The best of two worlds

Strong returns

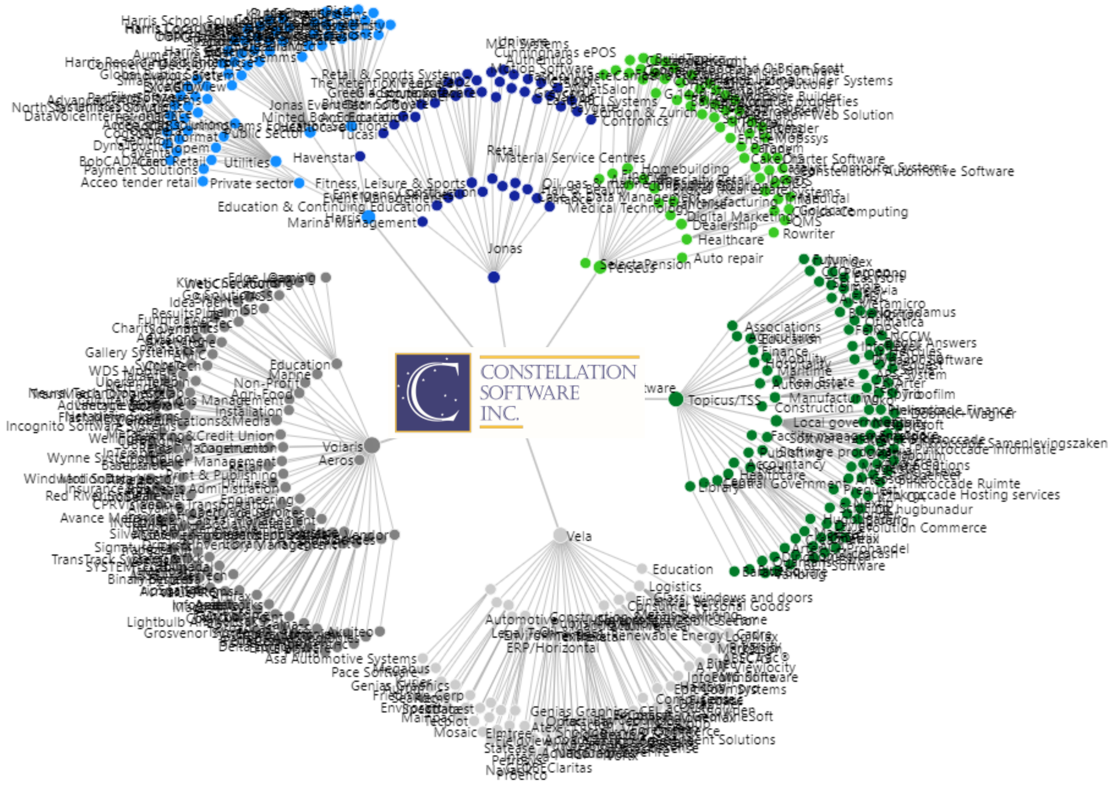
- **High reinvestment rate**
- **High return on capital**
- **Dual engines of growth**

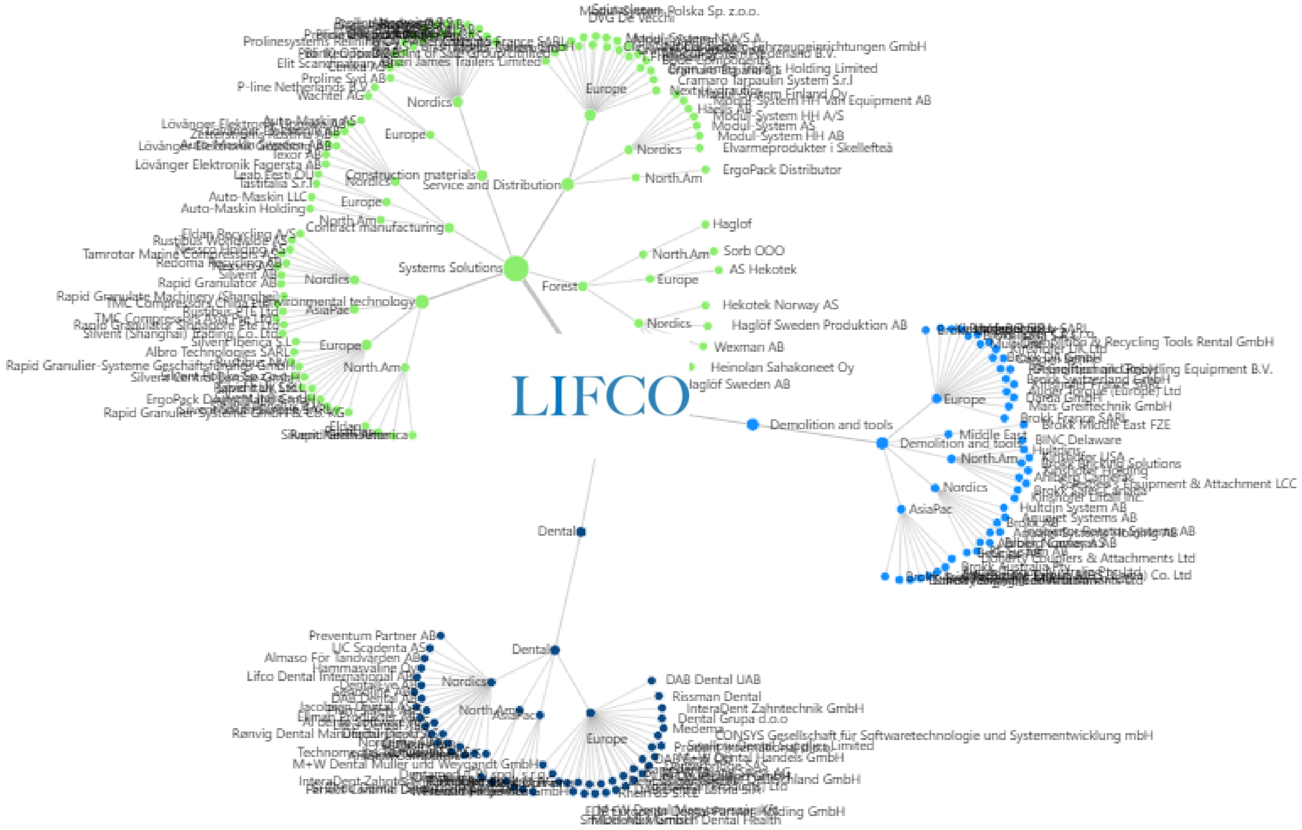
Low risk

- **Diversified cash flow streams**
- **Low debt**
- **High insider ownership**

Great risk-mitigating characteristics

Constellation Software and Lifco





Source: Constellation Software annual report

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A Private Strategy for Public Markets

FEATURES	Acquisition-driven compounders	Private equity
Investment horizon	Permanent home	5-7 years
Continuity of culture	No change	?
Due diligence	Internal DD	Long process
Governance	Board member	Operational involvement
Post transaction	Autonomy & reporting	Change
Financing	Free cash flow	Use of debt

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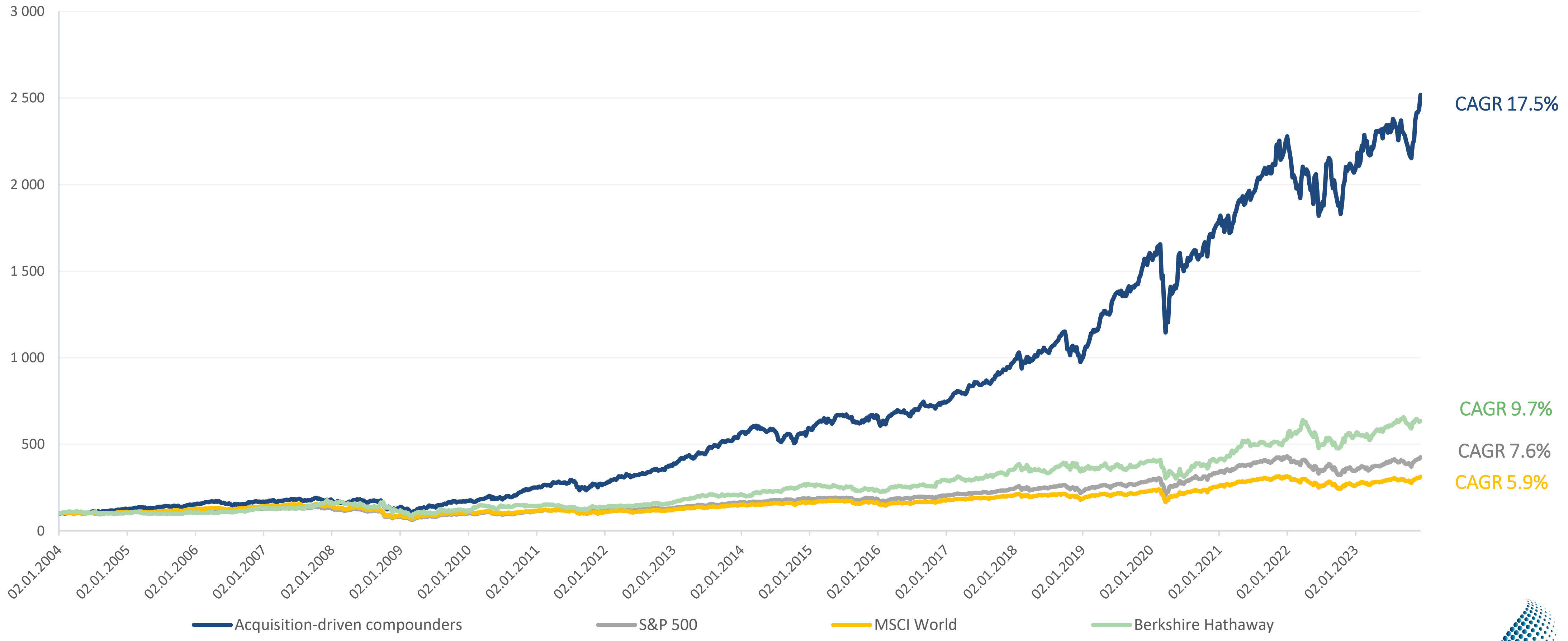
Superior Long-Term Share Price Performance – Global 20Y

20-year indexed share price performance
Global acquisition-driven compounders up 24x, Berkshire Hathaway up 6.4x



Source: Factset as of 2004-01-01 to 2023-12-15
Note: Average for companies by REQ identified as acquisition-driven compounders listed during the full period:
Heico, Diploma, Halma, Judges Scientific, Roper Technologies, Illinois Tool Works, Dassault Systems, Brown&Brown, DCC, Ametek, Nordson, Teledyne

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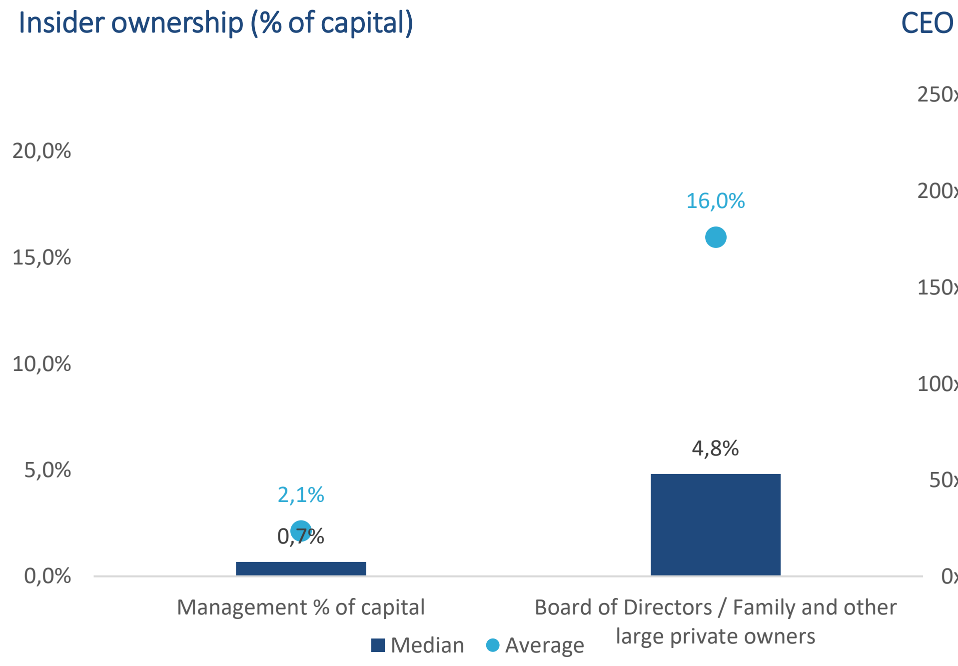
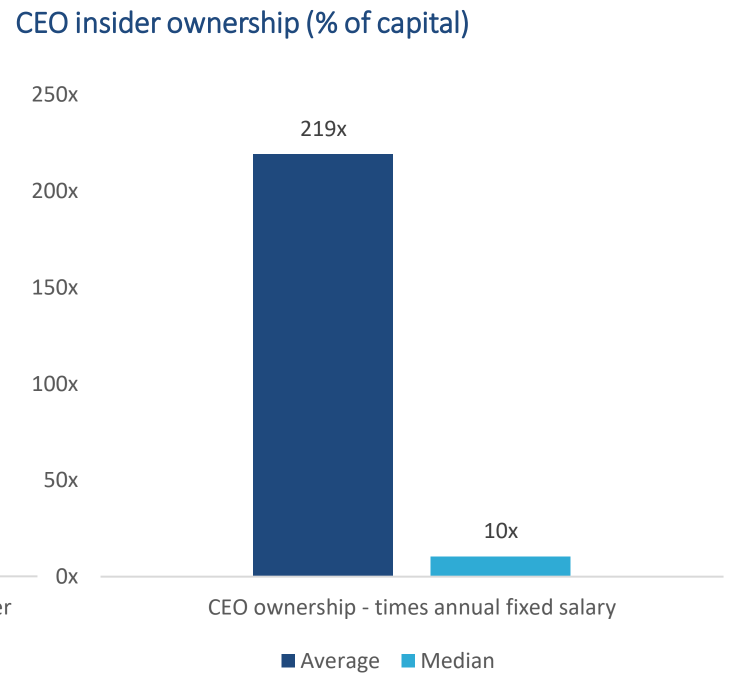
Insider Ownership – REQ Global Compounders





We define insider ownership as shares held by senior management, board members, and large private owners (often families) since these are all stakeholders that can significantly impact a company's long-term performance.

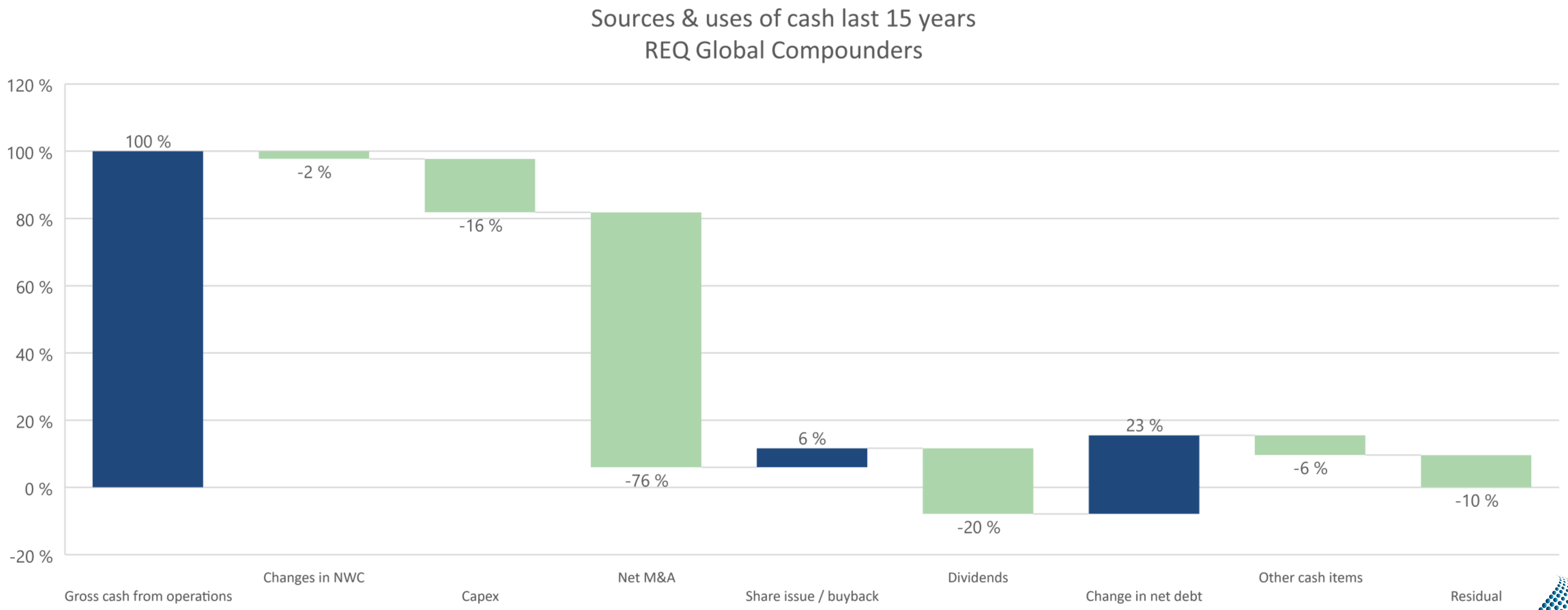
In the companies we own in the Global fund, management and Board of Directors hold, on average, 2% and 16% of the share of capital, respectively.

CEOs of our holdings, on average, have insider ownership 219 times their annual base salary (and 10x on median).

Source: Company websites, company reports, Factset

Cash Flow Bridge: REQ Global Compounders

M&A reinvestment: Predominantly self-financed; dividends excluded.



Source: Company reports

Acquisition Examples

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Case example: Addtech acquires Fey Elektronik GmbH

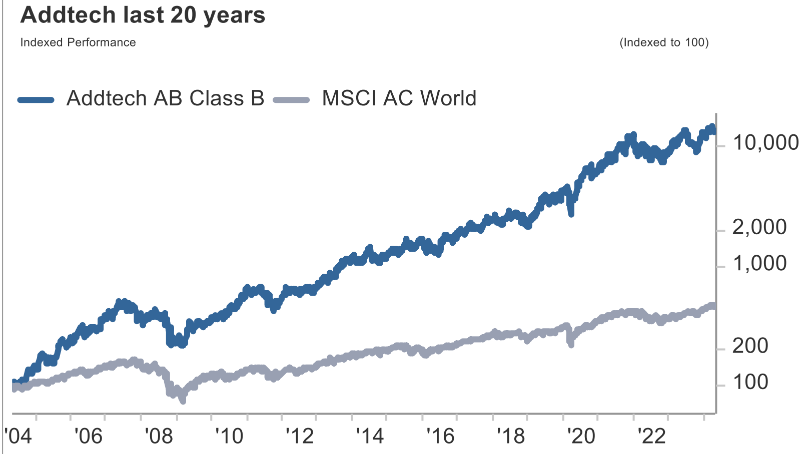
March 2022

Transaction details

Products

Share price

- German provider of customized battery solutions.
- Established in 1991, based in Seevetal, Germany
- Annual sales: EUR 55 million, 3,4% of Addtech's total sales
- CEO Michael Witte continues in his role with 10% ownership
- Full autonomy and financial support



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Source: Company reports, websites & Factset

Case example: Heico acquires Sensor Systems Inc

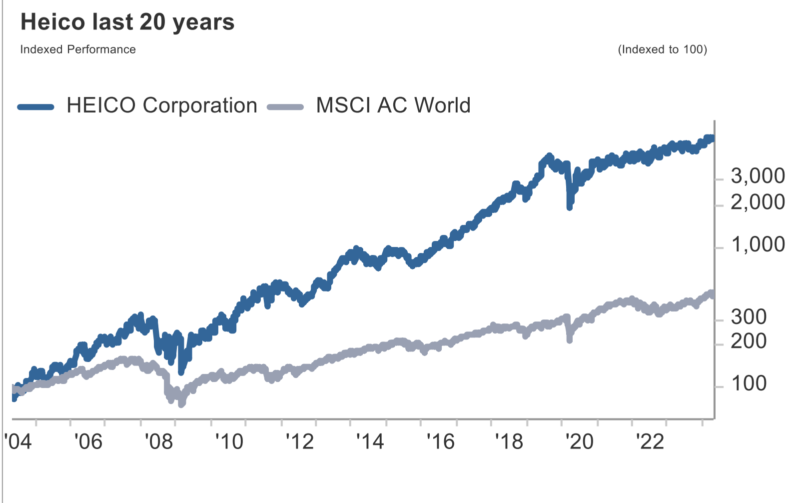
September 2022

Transaction details

Products

Share price

- US company that designs and manufactures airborne antennas for commercial and military applications.
- Sensor's antennas are found on nearly all large commercial aircrafts built in the last 50 years.
- Company founded in 1961 by Harvey Bazar and Mary Bazar. Currently 200 employees.
- Heico buys 80% of the company. Payment in cash and shares in Heico stock.



Source: Company reports, websites & Factset

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Case example: Lagercrantz acquires Libra Plast AS

May 2021

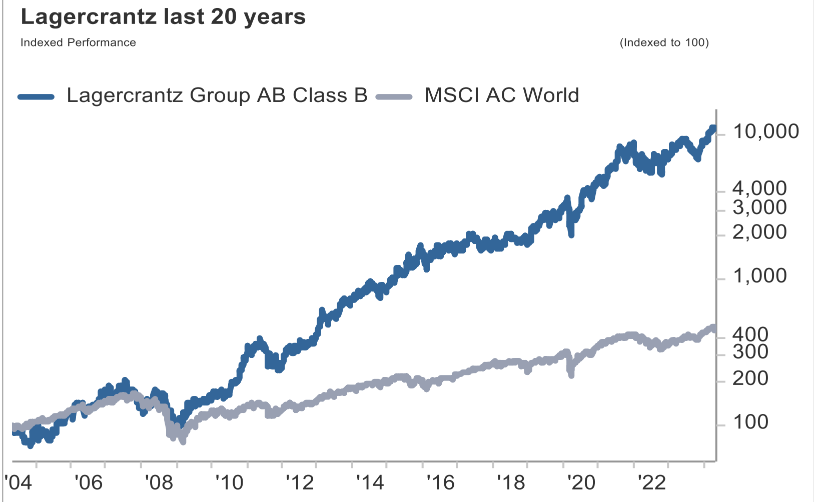
Transaction details

Products

Share price

- Norwegian manufacturer of premium doors and hatches for the marine industry
- Based in Hareid, Norway
- Established in 1988. Currently 36 employees
- Sales of NOK 177m, 3,2% of Lagercrants's total sales. 16% operating margins
- The Lillebø-family continues to own 25%
- CEO Einar Pieroth continues in his role as CEO
- EV/EBITA of 6,2x*

Libra™ MARINE DOORS



*Source: Own estimate based on aggregate transaction multiples for Lagercrantz

Assessing Durability and Returns

Underwriting Considerations

Business Resilience

People, Capital Allocation & Decentralization

Compounding trajectory

A framework consisting of 38 questions that merge both qualitative and quantitative insights

A framework consisting of 42 questions that merge both qualitative and quantitative insights

Evaluating compounding trajectory (reinvestment rates, returns on incremental capital) against expectations

Score weighted for durability and IRR

Shapes our discussions on:

- Initial weighting and underwriting
- Re-underwriting and assessing changes in thesis
- Assessing new ideas against the current portfolio

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The Underwriting Process

	Business resilience – Diversification & Durability (score 1-5)												
	Diversification: Products, End-markets, Number of Opcos, Customers, Suppliers and Geographies					Business Cycle Resilience and mission-criticalness/recurring nature/retention rates		Regulatory, Competition and Binomial Risk Factors			Financial Risk Factors		
	Products/end-markets & significant subsidiaries (in % of sales/ebita)	Customers	Suppliers	Geographies	Score		Score	Regulatory risk	Competition (including M&A competition)	Score	Financial risk considerations	Return on capital	Score
									In Government software typical competitors are				
Amphenol	Very diversified.No-end mrk > 25%. > 100k products. 8 verticals: 25% industrial, 21% automotive, 11% mobile devices, 21% IT Datacon, 5% Mobile networks, 5% Broadband,	Top 10 customers accounting for ~50% with the rest split between >2000 smaller players	Diversified production facility exposure geographically (250+ in total). China diversified.	33% US, 26% China, 20% Europe, 18% Other Asia, 3% RoW	5	Diversification and different business cycle across verticals does smooth overall cyclicality. Sales down 13% in 2009 with margins only down a couple of pct.	4	No known regulatory risks.Diversified exposure.	Company is #2 biggest in global interconnect market (a ~usd11b market holding 14% mshare). In the global sensor market company holds ~1 mshare (usd ~2b). Biggest competitor is Te	4	Net debt/EBIDTA < 1 and significant cash return to shareholders in addition to self-funded acqusitions.	ROCE/ROE > 20% avg historically last 5/10y and healthy rates incrementally	5.0
Lumine Group	Primarily two verticals: communication which houses >22 deals since 2014 as part of Volaris, and media (which houses the WideOrbit acqusition done in connection with the spin)	A big difference vs. CSU who serves SMB (thousands of customers) is that Lumine across business units primarily serves enterprise customers (WideOrbit clients =	Not relevant since each individual business unit do their own sourcing across a diversified base of product niches in the group.	Some businesses are locally focused in a region such as Scandinavia or the UK, and others are truly global with customers on many continents.	3	Often tailored software solutions (not just off-the-shelf) with high mission criticality and low total wallet share. Saw one report that stated that the average company acquired by Lumine had operated for 21 years pre deal (26 years now	4	Diversified exposure across subsegments in communication and media.	Compeition has to be analyzed in the context of each individual company in the group but enterprise customers imply fewer customers versus SMBs and some of the competitors for	4	Almost no net debt, especially in relation to earnings capacity.	Same hurdle rates as CSU (minimum 25% ROIC)	3.0
Judges Scientific	Scientific instruments where end markets are typically universities/academic/research	Customer concentration is low with no major end client.	Diversified supplier base with limited risk	US: 24%, UK: 12%, China: 12%, rest of Europe: 40%	5	Highly engineered products that are critical in the client's research processes. Recurring in nature. Cut in academic research budgets might affect the company.	5	Very little regulatory risk. On the contrary regulations and more testing requirements could be a postive driver.	Acquires niche companies and often off-market transactions. The larger the company gets the more reputation it gets among owners of scientific instrument companies. No large	4	Modest leverage of 1,5x ND/EBITDA	ROTIC typically varies between 20% and 30% depending on timing of acquisitions	4.0
Heico	55% commerical aerospace, 35% in defense and space and 10% in other niche products. Two main segments: electronic tehcnologies group (ETG = 1/3 of sales) and the flight support	Sells products across 115 countries and to all major airlines globally. A highly diversified client base, but many clients operating in the same airline industry.	Diversified supplier base with limited risk	66% US, 8% China and 10% Europe	4	Highly engineered products with lots of maintainance revenues.	5	The Federal Aviation Administration (FAA) approves all PMA parts. Over the long-run this could be a	Heico is the largest supplier of PMA aerospace parts. The biggest competitors are the OEMs (GE, Pratt&Witney etc) and another large PMA parts player: Teledyne	3	Leverage above normal levels at 2,7x ND/EBIDTA due to recent large acquisition of Wencor Group. Average over last 10 years is 0,8x	Average ROCE, including GW last 10 years of 16%	3.0
Halma	Well diversified across different end-markets and niches. In 2023, Halma's revenue breakdown by sector was as follows: the Safety sector contributed approximately 40%	Halma serves a diverse range of customers, from public and commercial areas to industrial and logistics setups, healthcare facilities, and organizations seeking	Each of the over 50 companies in the group operates autonomously, managing its supply chain based on its specific market needs and challenges. This approach allows for a wide-	Operates in more than 100 countries. In 2023, Halma's revenue distribution by region was as follows: the USA contributed 42% with £781 million, Mainland Europe 20% with £376	4	Steady gross and operating margins through periods like GFC and Covid although a growth pocket in 2021 during Covid. High exposure to long-term growth drivers like demographic trends, infrastructure demands, resource constraints, and	4	Diversified exposure across subsegments and number of companies and in many of the markets they are solving the	Competition stem primarily from competetion within the markets they are exposed to and competetion for acqusitions. Provide more data here.	5	2023: net debt/EBIDTA of 1.4 and a self-financed approach to growth with very halthy cash conversion levels.	Average ROCE, including GW last 10 years of 15% (slithly lower ROTIC), last 5Y average is 13%. Halma targets markets with relatively low capital intensity and	3.0
DCC	Highly diversified through energy distribution, health care and technology.	Low customer concentration with no client more than 1% of total profits.	Diversified supplier base with limited risk	UK: 34% of sales, US: 10% of Sales, Asia: 10% of Sales. Rest of sales: Europe	5	DCC is a distribution business. We think DCC is highly integrated into client's production processes with a recurring nature in many of the services offered by DCC. We think the group as a whole is less sensitive to economic	4	The fossil fules distribution business could face regulatory risks in a political push to move from more	A combination of small bolt-on deals and large transactions. We think the scale of DCC is an advantage in negotiations with sellers. Competition is highly fragmented.	4	Modest leverage of 1,2x ND/EBITDA	The ROIC of DCC is in the low to mid teens.	3.0
Boyd Group	Provides automotive collision and glass repair services. The end market is the automaotive repair industry. Boyd has various brands and locations across North America	Customers includes individual vehicle owners, insurance companies, fleet owners like rental car companies, transportation companies and corporate fleets and car dealerships (under	A range of suppliers that typically include: Automotive Parts Suppliers, Glass manufacturers, paint suppliers, equipment suppliers and suppliers of technolog suppliers.	A broad geographical footprint across United States and Canada. 92% of sales from US and 8% from Canada.	3	Non-cyclical demand and less sensitive to economic downturns. Insurance coverage also little exposed to economic fluctuations. General increased safety regulations where government ensure the fleet meet safety standars is	4	Risks might include Environmental Regulations, certification of technicians, insurance regulations.	Largest competitors are Caliber Collision and Service King. The industry is highly fragmented with lots of small private repair shops.	4	Modest leverage of 1,0x ND/EBITDA	The ROIC is in the low teens.	3.0
Idex corp	Three segments: Fluid&Metering Technologies, Health&Science and Fire&Safety/Diversity Products. Product applications across a range of end-markets	Clients includes OEM manufacturers who integrate IDEX components into their own products for resale. Pumps to oil&gas sector, fluid handling to food&beverage are other	Diversified set of suppliers of raw materials. No single supplier constitute a significant risk to the company	50% USA, 4% Canada, 4% China and rest is split between Europe (25%) and rest of Asia	4	Diverse industries and not too much exposure to a single sector. Essential products in critical industries providing a degree of insulation from cyclical end markets. Decentralized operating model makes the company more	4	Safety risk and regulatory risk in the healthcare business (FDA and OSHA). Water treatment products could be	Competition from key players like Flowserce in Matering technology, Graco in pumps, Thermo Fisher Scientific in Health&Science and Honeywell witin the Fire&Safety segment	4	Modest leverage of 1.1x EBITDA	The ROIC is in the mid to high teens. Disciplined capital deployment. Dividends 30-35% of net income and opportunistic share repurchases.	4.0

	People, Capital Allocation & Decentralization										
	Capital Allocation skillset, Acquisition History & Scaling Considerations							Owners, Mgt Communication style, Honesty and Alignment			
	Self financed? Discussion about all 3 tools to raise & 5 ways of capital deployment	Track record/skillsett/Who's involved in M&A?	Deal nuances (sourcing, minorities, earnouts structures etc)	M&A deal (bolt-on/platforms/small/large etc?	TAM and potential size	Multiples paid	Score	View on Senior Management and key long-term owners	Alignment/Incentives (senior mgt + business units compensated/incentivised?)	Communication (long-term/short-term, style & tone, cashflow/ROIC goals/targets, transparency, reporting strucutre, guiding etc)	Score
	for acquisitions. Therefore, we recently			over the coming years.				Topicus since 2013. The company is	Sijkhuizen). Bonuses are paid 25% in	to management.	
Amphenol	Yes - self-funded through internally cashflow.	Dedicated team focusing on M&A at HQ, supported by the business units who has a better local view of competetion and business dynamics.	Support from business units with leads.	Acquisitions are small at around usd50m annual revenue, mostly privately held. Lager acqusitions include TCS in 2005: usd380m revenue, FCI in 2016: usd600m revenue, MTS	Still relative low penetration within existing verticals and now market share within global sensor market (1% share)	Historical average price paid: ~1.8x acquired revenue (typically low-teens/~14% ebit margins at outset	5	CEO Adam Norwitt and CFO Craig Lampo, both 53, are experienced APH executives, succeeding long-serving Amphenol veterans Martin Loeffler	CEO owns equity worth usd150m or 106x his base salary. CFO owns more, equity worth usd220m and a higher ratio of base salary.	Open and transparent.	5
Lumine Group	Adopting the CSU model where acqusitions should be financed by internally generated cashflows.	Centralized M&A team that work together with David Nyland in Toronto.	To a large extent internally sourced through a vast network David Nyland has developed over the years and since 2014 in Volaris.	A mix of smaller deals and some larger carve-out transactions, aiming to "provide an optimal home for divested assets"	Based on conversations with David Nyland, communication and media are huge verticals by themselves so no need to consider expanding into new verticals.	Based on cumulative purchase price and revenye numbers for the 23 completed acquisitions prior to Wiztivi and WideOrbit (in connection with the IPO),	4	"A mover and a shaker". David Nyland is a deal maker and likes to talk to people	Adopting the CSU playbook in terms of incentives and alignment	Somewhat more outspoken/visionary and bold in his communication style, especially compared to Mark Leonard. Might reflect his character as a deal	4
Judges Scientific	Yes, fully self funded through internally generated CF. The company has increased leverage a bit over the last few years.	The whole management team is involved. We observe a broadening of the senior team over the last few years which we view positively.	Mostly internal sourcing and direct negotiations with sellers.	Very small transactions historically, but over the last few years the company has done a few larger deals	More than 2000 scientific instrument companies in the UK alone. Large TAM.	Diciplined in terms of price paid. Last acquisitions of Nove Vision was 4xEBIT and the recent acquisition of Henniker was also 4x	5	Founder and CEO David Cicurel holds 11% of the shares. Very positive view. Due to his age (71) we like the fact that the senior team has broaded in recent	Strong alignment with shareholders. In addition to David, the rest of the senior management team owns 3% of the company.	Direct and to the point. Not trying to hide mistakes.	5
Heico	Fully self financed business model. Strong cash generation over time.	The whole management team is involved in acquisitions.	Heico does both 100% buyouts (but keeps management), but is also willing to do acquisitions where the company leaves minority interests to sellers.	Heico typically buys small family-owned businesses but has recently did a few large acquisitions like Wencor Group in June 2023 for 2.1bn USD.	Substantial TAM which is hard to evaluate since Heico operates in large markets like Commerical Aviation, Defence, Space and Electronics.	Acquisition-multiples typically in the range of 5-8 times EBITDA and higher for eals like the Wencor Group acquired in 2023	5	Larry Mendelson and his two sons are senior managers. In total the family controls around 23% of the company.	Very strong alignment of interests since the family is the majority owner of the company.	Very long term communication with less focus on short term guidance.	
Halma	Strong focus on self-financed growth, keeping the ethos from David Barber alive and kicking, same share count as in 2013, net change in debt last 10y <	Hard to assess what they do vs. what they state: Over 20 M&A people in Halma both on group, division and company level. The M&A process involves a team	Halma typically sources transactions and deals through a combination of its dedicated M&A Directors and sector teams, leveraging internal expertise and	Last 10y and 5y Halma has executed an avg of 5 deals a year, avg size has been around 20m gbp. Combination of bolt-ons and bigger deals.	A mix of organic growth through market share gain and structural growth drivers for all 3 markets and acquisitions.	Seems to be a trend of paying up for companies (average P/E for deals in 2023 was around 14x) and avg deal size in 2023 was gbp 39m ex Firepro Group (deal	3	Andrew Williams, who's been with the company for 18 years (since 2005) retired in march 2023. Was responsible for more of a platform	Weak insider ownership. New CEO, Marc Ronchetti owns aprox 2x his salary in shares (old ceo owned 5x his salary in shares), 90% of bonuses	Marc Ronchetti became CEO recenly and somewhat too early to judge his style and commnunication.	3
DCC	Yes, fully self funded through internally generated CF. The company has used some equity on a couple of deals.	The whole management team is involved. In addition, there are multiples acquisitions sourced from the local companies themselves	Mostly internal sourcing and direct negotiations with sellers.	A combination of small bolt-on acquistions and large "platform" deals.	The TAM is very large since the company operates in three different areas across energy, health care and technology.		4	We have a positive view on CEO and CFO and their skillset and communication style. CEO Donal Murphy has been with the company for	We would ideally like to see a higher insider ownership. CEO Donal Murphy owns GBP 12m of shares (0,17% of the company). ROTIC performance,	Clear goals of doubling the business within 2030. Communication is direct and transparent.	4
Boyd Group	A self financed model but has also spent shares on incentive programs for management.	The whole management team is involved. In addition, there are multiples acquisitions sourced from the local companies themselves	A combination of strategic partnerships with existing shop owners, industry networking, brokerage firms and direct outreach	Mostly small bolt-on acquistions and also some portfolio acquisitions of several shops.	Collision repair industry in North America is 48bn USD in annual revenue. The company today has 942 locations across North America. Total market share: 6%. A	Company do not disclose individual multiples paid. But the small transactions indicate that multiples are at the lower end of the portfolio as a		Tim O'Day been with the company since 1998 and CEO since 2020. CFO Jeff Murray been with Boyd since 2004. Experience management team	CEO Tim O'Day owns shares of CAD 14m (0,2% of the company). In total, insiders own shares of CAD 35m.	Clear goals of doubling the sales of the business from 2021 to 2025, based on 2019 sales	4
Idex corp	A self financed model. Strong cash generation that provides funds for acquisitions. No increase in shares outstanding. Some share buybacks over	IDEX has a in-house M&A team responsible for indentifying potential acquisition targets. The team works closely with the executive leadership	Deal sourcing through internal research and analysis. Also use industry relationships, and corporate brokers and some direct approaches through its	A combination of small bolt-on acquistions and large "platform" deals.	Difficult to get a specific number on TAM, but IDEX serves very large markets across its segments. There is very little limit to growth opportunities across its key	IDEX typically pays higher multiples than the average company in the portfolio since it sometimes do larger deals where there is more competition from private	4	CEO Eric Ashleman joined Idex in 2006 as group executive for the company's Health segment. Senior guy with lots of experience from different parts of Idex.	Eric owns USD 15m of shares. In total, insiders own about USD 36m of shares. The shareholder structure is more institutionally owned than what we	Long term communicaiton style and focus on cash generation and return on capital.	4

	People, Capital Allocation & Decentralization									
	Organisational structure: Decentralized Culture				Cash culture, Business systems & Organic Growth			Scaling considerations including current size and M&A process scalability		
	De/centralization on a spectrum? Extreme form? Soft?	Company culture	# Business Areas / Opco's / # at HQ?	Score	Business systems/cash culture	Track record and focus on organic growth (driving growth internally? Increasingly buying companies with higher organic growth?)	Score	Current size and implications for scaling, deal volume/size, prices paid etc.	M&A process & Scaling	Score
		driven" culture of measurement.	VMS companies so far					typically 1-2 acquisitions per year	to to very large deals. Over the	
Amphenol	Very strong decentralized culture. 130 business units each with their own BU leader, P/L, capital allocation decisions (organic) with hurdles.	Strong company culture and a very strong decentralized culture with a long heritage. Strong cash culture.	~130 business units in the group across 8 verticals.	5	No communicated business systems and operating systems but they have a demonstrated track record of post deal uplift in terms of growth and margins.	Clear focus on organic growth. Organic growth	4	Admits size and want to do a) bigger deald and b) more of the smaller ones. "Acquisition potential is as great as it has ever been"	No clear path communicated in terms of scaling internal resources, including decentralising M&A responsibility down the org. Has to	2
Lumine Group	Centralized M&A, decentralized operations.	David Nyland built Lumine in Volaris from 2014. Somewhat too early to give a difinitive answer but on the surface, it looks similar to CSU	>30 business units	4	Adopting the CSU model, has been part of Volaris since 2014 so nurtured inside of CSU family. Lumine applying the best templates, best pactise sharing around pricing etc.	David Nyland have stated in our meeting that they have more focus on organic growth versus CSU. Have a yearly seminar called "Illuminate" where learning and	3	Scaling M&A people is not an issue at the momemnt and large carve-out transactions require a more integrated M&A team at HQ since	At the current size and outlook, not a major issue but it's on the radar when these scaling issues become more important.	4
Judges Scientific	Highly decentralized structure across 130 business units (each with their own BU leader, P/L, capital allocation decisions (organic) with hurdles. 3	Open and transparent culture. Focus on cash generation and shareholder value creation.	19 companies under the Judges Scientific umbrella	5	No "business system" communicated, but strong internal focus on Return on Capital	Clear focus on communicating both organic growth and acquistions	4	We view the broadening of the senior management team with 2 people from Halma as positive as increased the M&A capabilities	At the current stage, acquisitions are carried out by top management.	4
Heico	Highly decentralized operations. More centralized capital allocation.	Mendelsson spend a lot of time talking about "team members". Low employee turnover compared to industrial peers. Seems like a culture of ownership.	88 acquisitions completed since 1990.	5	Strong cash flow culture which is communicated consistently over the years	Organic growth has supplemented the 98 acquistions by the company since 1990. Organic growth has surpassed GDP growth by a wide margin over the last few years.	5	We have witnessed larger transactions over the last few years, with Wencor being the largest to date. We expect the company to	Heico is becoming larger and we have witnessed a larger higher amount of large acquisitions over the last few years. We continue to	5
Halma	Stuck between layers of middle management? No true decentralisation at the opco with full autonomy and P/L responsibility due to layers of middle	Many unknowns still. Still elements of the culture set by David Barber era remains (founded in 1972 by Barber), including a strong cashflow culture	> 50 companies across >15 sub-themes under thorse 3 broad umbrellas.	3	Seems to be running more of platform model (since the reorg in 2015 by Andrew Williams). Seems to not have any clearly defined business systems or operating systems,	Strong focus on organic growth through key KPIs and a #1 priority and R&D investmenets (5% of revenue) and various systems in place although not well described in materials. 10-	2	Decentralized approach to M&A both at the company, division and group level. More than 20 M&A professionals in the group.	More than 20 M&A professionals and a pipeline of companies (per 2023) of over 800 companies. Likes to talk about relationship led sourcing and	3
DCC	Highly decentralized structure.	Open and transparent culture. Focus on cash generation and shareholder value creation.	More than 200 companies under the DCC umbrella		No "business system" communicated, but strong internal focus on Return on Capital	Strong focus on both organic growth (3-4%) and M&A (6-8%)	4	Our impression is that sourcing of deals is done at the local business level with top management approval.	Buys both from families and industrial sellers. Deals have to be approved by top management.	3
Boyd Group	Highly decentralized structure but with centralize sourcing agreements		942 locations according to the company 2023 annual report. Several business areas through different brands/branches	4		Clear focus on growing organically by opening new locations. Most of the growth comes from acquisitions.	4			4
Idex corp	A company that adheres to the "80/20" principle and adopts a highly decentralized management approach.	Focus on return on capital. Culture based on empowered teams and accountability close to the customer. Entrepreneurial mindset.	Operates in more than 100+ locations globally. 3 segments and 11 business platforms	4	The common principle in Idex is the "80/20" principle where 80% of the resources is spent on the 20% most valuable clients. Allocates resources for growth and reduce	Organic growth typically 200bps above the markets in which the company operates. Target EBITDA margins around 25%.	4	Our impression is that sourcing of deals is done at the local business level with top management approval.	Buys both from industrial sellers and families	3

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Business Resilience

A List of 38 Questions We Ask Ourselves

💼 **Diversification: Products, End-markets, Number of Opcos**
Number of operating companies, product and vertical diversification along with product applications, and end-market diversification: Is it mission critical? Total Addressable Market (TAM) and potential: What is the size of the market the company operates in, and what is its growth potential? What are the structural underlying growth drivers? Are the end-markets attractive? Are there any headwinds? Is the market fragmented? Who are the competitors in the main markets or verticals, or from a group standpoint including other acquirers? Are we climbing the right mountain?

🌍 **Diversification: Customers, Suppliers and Geographies**
Considerations for customers and suppliers: number of customers and customer types (public/private as well as B2B/consumer, etc.), and supplier concentration.

⚖️ **Regulatory, Competition and Binomial Risk Factors**
Provide data on resilience or weakness during stress testing from challenging periods. Also discuss the business model in terms of B2B versus consumer interactions, including late-cycle nuances, and whether it relies on recurring revenue or new sales. Are there new sales and maintenance contracts? Also consider risk factors such as AI, risk or exposure related to China, reliance on government contracts, government subsidies (such as for HVAC), easy funding, overearning in the past, and recent booms or busts that have impacted the company's recent history.

💰 Financial Risk Factors
Structure of debt in terms of bank loans, bonds, interest rates, duration, etc. Are there any issues related to dilution or share issuance? Include reference points and stress testing from challenging periods, but be mindful of potential "wrong analogies" if the company has changed significantly since events like the GFC, for example. Assess the financial structure in the context of cash flow certainty of the business model.

🔄 **Business Cycle Resilience**
Where in the business cycle are the business units typically located? Mid-to-late cycle? Early cycle? Not cyclical? Provide data on resilience or weakness during stress testing from challenging periods. Also, discuss the business model in terms of B2B versus consumer interactions, including late-cycle nuances. Is the business reliant on recurring revenue or new sales? Are there new sales and maintenance contracts? What about operational gearing?

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Capital Allocation, Decentralization & People

A List of 42 Questions We Ask Ourselves

👀 **Capital Allocation & Scaling Considerations**

What is the capital allocation policy and priorities? Is there a stated and executed playbook for capital allocation? How is the capital allocation mindset and skillset judged based on historical track record, including which tools from the capital allocation toolkit are being used? What is the track record and what are the future prospects in terms of scaling and awareness of hurdle rates? Provide more data on the existing markets the group focuses on today in terms of Total Addressable Market (TAM), market share, and market fragmentation. Which parts of capital allocation are decentralized, if any, such as organic capital expenditures or bolt-on acquisitions? What governance structures are in place between the holding company and business units, if any? Be cautious of 'one man shows’. What does the reinvestment runway look like?

💡 **Acquisition History, Discipline & Strategy**

What is the company's style and orientation towards M&A? Does it adhere to a particular approach or philosophy? Regarding its self-financing philosophy: does the company prefer to finance acquisitions using its own funds? What criteria does the company consider when evaluating potential deals? How does the company typically source its deals—internally or through brokers and others? What parts of the due diligence (DD) process are typically outsourced versus handled in-house? What noteworthy transactions in the past have shaped the trajectory of the business? Has the company been involved in any significant transactions in terms of size or impact, including acquisitions of platforms? What is the typical volume of transactions per year? What is the usual size of the companies the company acquires? What valuation multiples are typically paid for these acquisitions? Who are the key individuals or departments involved in the M&A process? How many people are at headquarters in total, and how many are involved in M&A? How frequently does the company report its M&A activities to headquarters? Does the company conduct post-acquisition reviews to evaluate the success and integration of acquired companies?

🏢 **Organizational structure: Decentralized Culture**

How many people are at the headquarters compared to the operating companies? How is decentralization viewed from both operations and capital allocation perspectives? What observations can be made about integration efforts, synergies pursued, and business systems? Does the company operate with only a decentralized structure, or is there a genuine decentralized culture of entrepreneurship, autonomy, and decision-making? How does the company balance decentralization with the pursuit of synergies? Is the decentralization in hard form or soft form? Is there an established decentralized culture, or is it merely represented in fancy PowerPoint slides?

📊 **Cash culture, Business systems & Organic Growth**

What is the company's history in terms of organic growth and scaling? How many potential targets does the company typically consider for acquisition—large versus small? Are these acquisitions intended as platforms for further growth? Is the company moving into new verticals, adopting a generalist or specialist approach, or trying to escape the law of large numbers? Who is responsible for M&A activities today, and how many people are involved? How is the organization scaling to accommodate more deals, and how are human resource bottlenecks being addressed? Is there an established cash culture within the company? What value-add or private labels does the company provide if it operates under a distributor model?

🗣 **Mgt Communication style, Honesty and Alignment**

What is the communication style and what are the cultural aspects of the company—are they well-defined and integral to the organization, or merely presented on PowerPoint slides? What do Glassdoor reviews say about the company culture, and who are recognized as cultural carriers within the organization? Discuss management tenure and alignment, including turnover rates. What is the age of key individuals in senior management? What about the tenure of management and board members, their compensation, and whether they are internal candidates or brought in externally? What is the level of inside ownership among senior management, board members, and significant families? Refer to the proxy statement for KPIs related to compensation. What is the guiding style, and what type of financial targets are set by the company?

Compounding trajectory

⚖️ **How confidently can we underwrite a decent IRR from this investment based on the current price?**

- Assessing fundamental compounding trajectory: reinvestment rates (organic growth and acquisition-driven growth), returns on incremental capital, and duration.
- What expectations are embedded in today's prices with respect to reinvestment rates, returns on incremental capital, and duration?
- Things to consider
  - Great companies are not always great stocks; expectations matter, especially when size becomes a bottleneck for incremental returns.
  - Be especially aware of the entry multiples for specialists who are exposed to narrow verticals without the ability or willingness to pivot to other verticals, affecting scalability and, consequently, terminal value assumptions. This also holds true for generalists where size acts as a drag on incremental gains.

REQ Global Compounders – look through statistics

REQ Global Compounders	Portfolio - WA	Average	Median
Market Cap USD (bn USD)	17,4	16,6	7,2
Enterprise value USD (bn USD)	17,6	16,7	7,2
Reinvestment rate 3Y	72 %	82 %	81 %
Reinvestment rate 5Y	72 %	81 %	79 %
Reinvestment rate 10Y	71 %	80 %	79 %
ROE	20 %	22 %	20 %
ROIC (Net income / ND+EQ)	17 %	18 %	16 %
ND/EBITDA	1,3x	1,4x	1,5x
EPS CAGR 1Y	35 %	37 %	30 %
EPS CAGR 3Y	22 %	26 %	25 %
EPS CAGR 5Y	14 %	17 %	19 %
EPS CAGR 10Y	13 %	17 %	15 %
FCF yield	3,0%	3,8%	3,8%
Sales (mUSD)	4 448	4 635	2 873
EBIT (mUSD)	673	666	454
Net income 2024 (USDm)	503	489	273
Net income 2025 (USDm)	562	545	302
Net income 2026 (USDm)	590	574	336
Earnings yield 2024	3,4%	3,5%	3,2%
P/E 2024	29,8	29,0	31,0
Dividend yield (%)	1,0%	1,2%	1,0%
Sales CAGR 1Y	17 %	18 %	19 %
Sales CAGR 3Y	15 %	19 %	18 %
Sales CAGR 5Y	11 %	13 %	14 %
Sales CAGR 10Y	9 %	12 %	12 %
Organic growth 3Y	4 %	12 %	11 %
Organic growth 5Y	2 %	4 %	5 %
EBIT CAGR 1Y	26 %	30 %	28 %
EBIT CAGR 3Y	21 %	27 %	26 %
EBIT CAGR 5Y	15 %	18 %	18 %
EBIT CAGR 10Y	12 %	16 %	16 %
Shares outstanding 3Y CAGR	0,7 %	1,2 %	0,3 %
EBIT-margin	15,1%	14,4%	15,8%
EBIT-margin delta 1Y	0,1%	0,1%	0,0%
EBIT-margin delta 3Y	1,7%	2,1%	1,6%
EBIT-margin delta 5Y	1,9%	2,3%	1,6%
EBIT-margin min.	3,2%		
EBIT-margin max.	29,3%		
Cash conversion 3Y (FCF/net income)	106 %	115 %	107 %
Cash conversion 5Y (FCF/net income)	111 %	123 %	117 %
Cash conversion 10Y (FCF/net income)	111 %	122 %	121 %

REQ Global Compounders	Portfolio - WA	Average	Median
Insider Ownership Board (%)	14,5%	11,6%	2,9%
Insider Ownership families/other insiders (%)	2,3%	2,9%	0,0%
Insider Ownership CEO (%)	1,7%	1,5%	0,2%
CEO Base Salary (USDm)	1,0	0,9	0,7
CEO Ownership (times base salary)	358,7x	245,0x	18,9x
Company foundation (Years)	38	42	35
CEO Tenure (Years)	13	12	7
Average # of acquisitions / year - LY	4	8	8
Average # of acquisitions / year - L 3Y	4	9	7
Average # of acquisitions / year - L 5Y	3	8	7
Average # of acquisitions / year - L 10Y	3	7	7
Average deal size - LY (USDm)	4	14	13
Average deal size L 3Y (USDm)	5	13	13
Average deal size L 5Y (USDm)	4	11	10
Average deal size L 10Y (USDm)	3	9	8
Europe % of sales	51 %	53 %	42 %
North America % of sales	34 %	38 %	33 %
Asia % of sales	10 %	12 %	9 %
RoW % of sales	4 %	4 %	3 %
Total shareholder return 1Y	27 %	27 %	29 %
Total shareholder return 3Y	59 %	68 %	50 %
Total shareholder return 5Y	180 %	222 %	191 %
Total shareholder return 10Y	593 %	869 %	644 %
Active share	99 %		
Number of stocks	23		

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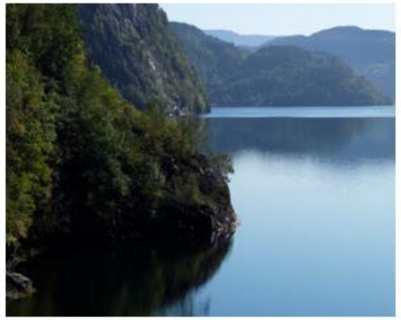
Examples of Publications

https://req.no/investments-listed-equities/

When are they running out of companies to buy

November 27th, 2023



The Value of Great Capital Allocation

October 2nd, 2023

Half year investment report 2023

July 5th, 2023

A different kind of quality

June 7th, 2023

Finding Entrepreneurial Energy

May 11th, 2023

Hidden Champions

May 3rd, 2023

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Podcasts

Far from the Finishing Post (Troy Asset Management)

Investing by the Books (Redeye)

Far from the fishing post - transcript

Far from the Finishing Post - Spotify

Investing by the books - Spotify

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Fund information

REQ Capital fund information

Sub-fund	Class	Currency	ISIN	SEDOL	Bloomberg
REQ Global Compounders	A (Dist)	NOK	IE0007QGNF13		RGCADNK ID
REQ Global Compounders	A (Acc)	NOK	IE00BMWPZH81	BMWPZH8	RGCAANK ID
REQ Global Compounders	A (Acc)	EUR	IE00BMWPZJ06	BMWPZJ0	RGCAEAE ID
REQ Global Compounders	A (Acc)	USD	IE00BMWPZM35	BMWPZM3	RGCAUAD ID
REQ Global Compounders	Perf (Acc)	USD	IE000YOXA359		RGCOMPU ID
REQ Global Compounders	A (Acc)	SEK	IE00BMWPZK11	BMWPZK1	
REQ Global Compounders	A (Acc)	GBP	IE00BMWPZL28	BMWPZL2	
REQ Global Compounders	Inst (Acc)	NOK	IE00BMWPZB20	BMWPZB2	RGCINAN ID
REQ Global Compounders	Inst (Acc)	EUR	IE00BMWPZC37	BMWPZC3	
REQ Global Compounders	Inst (Acc)	USD	IE00BMWPZG74	BMWPZG7	RGIUAD ID
REQ Global Compounders	Inst (Acc)	SEK	IE00BMWPZD44	BMWPZD4	RGCIASK ID
REQ Global Compounders	Inst (Acc)	GBP	IE00BMWPZF67	BMWPZF6	
REQ Global Compounders	Perf (Acc)	NOK	IE00BMWPZN42	BMWPZN4	RGCNAPN ID

Fund information
Fund structure: Irish UCITS ICAV global long only
Fund manager: Oddbjørn Dybvad, Kjetil Nyland & Adnan Hadziefendic
Currencies: NOK, SEK, USD, EUR, GBP
Launch date: 15th of June 2021
ESG classification: Article 8
Fund classes: Insitutional (I) (0,6%), High Net Worth (A) (1,0%), and Performance (P) (0,5% + 15% above 8% annually)
Daily pricing at noon
Fund administrator and depository: RBC (Royal Bank of Canada)
Auditor: Grant Thornton (Ire) and KPMG (Norway)
Regulators: Central Bank of Ireland (CBI) and Norwegian Financial Authority

Risk and reward profile

Charges	
Entry Charge	None
Exit Charge	None
Ongoing Charges	See relevant fund class for information

Sub-fund	Class	Currency	ISIN	SEDOL	Bloomberg
REQ Nordic Compounders	A (Acc)	NOK	IE000KVLPUB4	BRXGMG3	RNCNANK ID
REQ Nordic Compounders	A (Acc)	SEK	IE0002T403A4	BRXGMH4	
REQ Nordic Compounders	Inst (Acc)	NOK	IE000KSZPSG3	BRXGMJ6	RNCIANK ID
REQ Nordic Compounders	Inst (Acc)	SEK	IE0009MTA5P0	BRXGMK7	
REQ Nordic Compounders	Perf (Acc)	NOK	IE000ODUDU11	BRXGML8	
REQ Nordic Compounders	Perf (Acc)	SEK	IE0004N383F1	BRXGMM9	
REQ Nordic Compounders	A (Acc)	EUR	IE000DIJL5B8	BRXGMN0	RNCAEAG ID
REQ Nordic Compounders	Inst (Acc)	EUR	IE000UYT24Y8	BRXGMP2	RNCIEAZ ID
REQ Nordic Compounders	A (Acc)	USD	IE000FCQEEN6	BRXGMQ3	RNCAUAY ID
REQ Nordic Compounders	Inst (Acc)	USD	IE000WR09HE6	BRXGMR4	RNCIUAL ID
REQ Nordic Compounders	Perf (Acc)	EUR	IE000BTXAED4	BRXGMS5	RNCIPAE ID
REQ Nordic Compounders	A (Acc)	GBP	IE000VQVY2L1	BRXGMT6	

Fund information
Fund structure: Irish UCITS ICAV Nordic long only
Fund manager: Oddbjørn Dybvad, Kjetil Nyland & Adnan Hadziefendic
Currencies: NOK, SEK, USD, EUR
Launch date: 25th of January 2022
ESG classification: Article 8
Fund classes: Insitutional (I) (0,6%), High Net Worth (A) (1,0%), and Performance (P) (0,5% + 15% above 8% annually)
Daily pricing at noon
Fund administrator and depository: RBC (Royal Bank of Canada)
Auditor: Grant Thornton (Ire) and KPMG (Norway)
Regulators: Central Bank of Ireland (CBI) and Norwegian Financial Authority

Risk and reward profile

Charges	
Entry Charge	None
Exit Charge	None
Ongoing Charges	See relevant fund class for information

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