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MOI GLOBAL

EUROPEAN Investing Summit

EQUAM

A private equity approach to the market

Arcus

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Our Investment Process

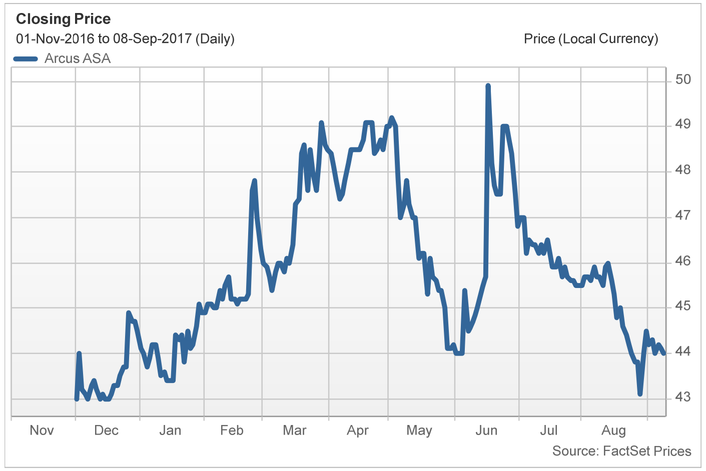
A Private Equity approach to identify the best opportunities in the European market.

	Private Equity Experience	EQUAM investment process
Idea Generation	Board of Directors experience	Interviews with managers.
Sound businesses	Focus on stable cash flow generation	We look for stable and profitable oligopolies.
Low leverage	Experienced the dangers of leverage	We exclude leveraged companies
Owner occupied	Experienced the power of entrepreneurship	We look for committed owners-managers
Low valuation	Buying well makes a good deal great	We buy when prices are 30% below our valuation
Analysis	All research is internal	We do our own research and valuations

EQUAM

Company Description

Ticker:	ARCUS:NO
Market Cap.	3,006 Mn NOK (€ 319 Mn)
Net Debt	703 Mn NOK (€ 75 Mn)
EV	3,724 Mn NOK(€ 394 Mn)
Net debt/EBITDA	2,1x



- **Based in Oslo**, Arcus is a leading wines and spirits pan-Nordic company.

- The company **produces spiritis**, in its production facility at Gjelleråsen in Norway and **imports wine** and spirits into Sweden, Norway, Finland, Denmark and Germany. It also has a distribution business in the Norwegian market (Vectura).

- Arcus was **created in 1996**, when the company was split off from Vinmonopolet (Norway State). It became fully privately owned in 2004.

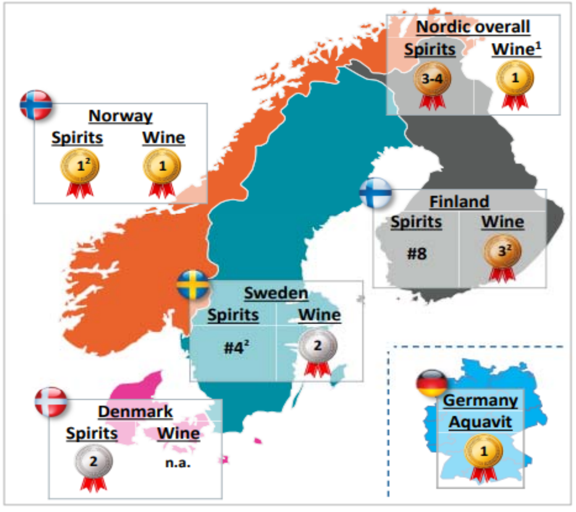
- From 2005 to 2016 the company was owned by the Nordic Private Equity Ratos. During that period, the company grew from a local player in the Norwegian market to a pan-Nordic branded consumer goods company.

- In **December 2016 the company was listed** in the Oslo Bors through an IPO which included a capital increase of NOK 775 Mn. Following the IPO, two new shareholders acquired the remaining Ratos stake.

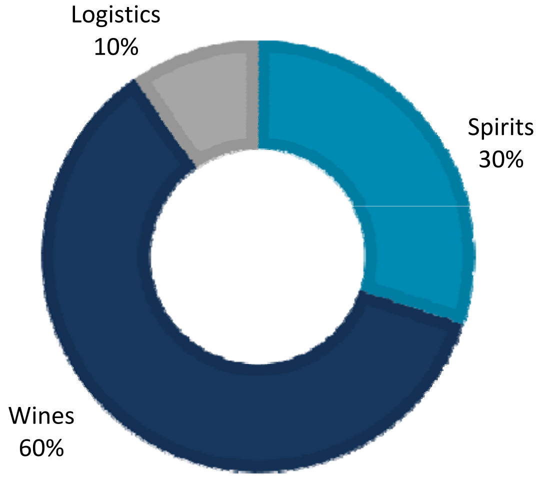
- In 2016, Arcus had **revenues and EBITDA of 2,582 Mn NOK (€ 274 Mn) and 335 Mn NOK (€35,5 Mn)** respectively. The company had **409 employees** as of the end of 2016.

Business Description

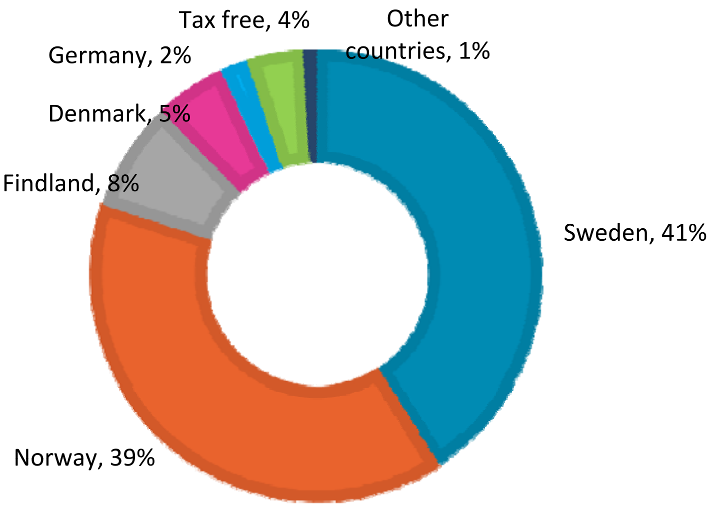
Market positions



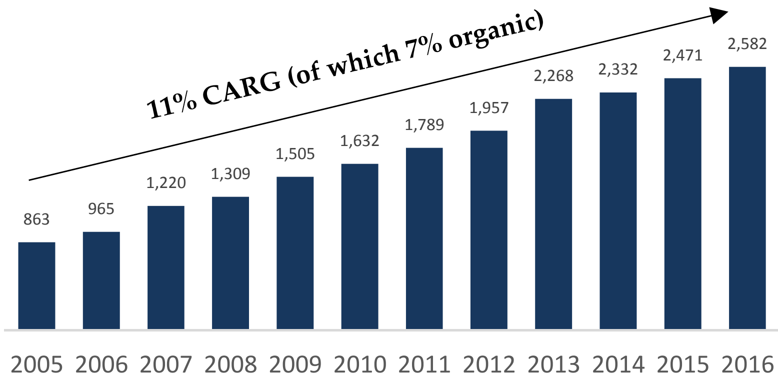
2016 Sales breakdown by segment



2016 Sales breakdown by country



Sales evolution (NOK m)



Nordic Monopolies

- Alcohol sales in Norway, Finland and Sweden are mainly done through regulated, state owned retail monopolies.

Arcus

HORECA | Retail monopolies | Duty free

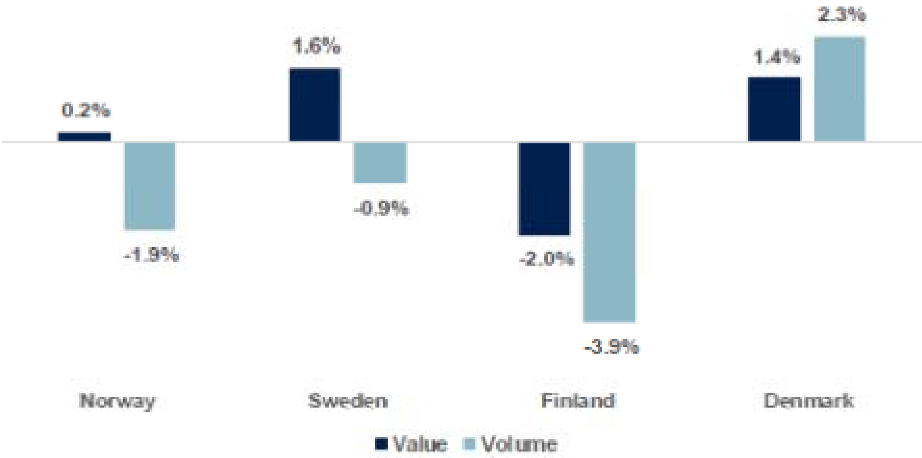
Monopoly	VINMONOPOLET	SYSTEM BOLAGET	Alko
Retail/ off trade share of market[1]	~90%	~91%	~92%
Key facts	Employees: 1.825 Suppliers: 400 Turnover: NOK 12.6bn Founded: 1922	Employees: 5.234 Suppliers: 650 Turnover: SEK 27.6bn Founded: 1955	Employees: 2.611 Suppliers: 424 Turnover: EUR 1.2bn Founded: 1932

Spirits Business

Revenue 2016 (% of spirits revenues)	NOK 302m (42%)	NOK 104m (15%)	NOK 34m (5%)	NOK 126m (18%)	NOK 55m (8%)
Key brands	1 Gammel Opland 2 Løiten 3 Braastad Cognac	Fireball Cinnamon Whisky Braastad Cognac Gammel Dansk	Braastad Cognac Inver House Distillers Fireball Cinnamon Whisky	Aalborg Akvavit Gammel Dansk Linie Aquavit	Linie Aquavit Aalborg Akvavit Malteser Aquavit
Market share (2015) – Spirits	36%	10%	2%	12%	-
Market share (2015) – Aquavit	83%	25%	60%	58%	45%
Rank – Spirits	1	#4	#8	2	n.a
Rank – Aquavit	1	2	1	1	1
Market size (2016)	€1.0 Bn	€1.4 Bn	€1.0 Bn	€0.9 Bn	-
Other players (market share)	Pernod Ricard (8%) Interbev (6%)	Altia (20%) Pernod Ricard (12%)	Altia (35%) Pernod Ricard (25%)	Diageo (20%) William Grant & Sons (11%)	

Spirits Business

Historical CAGR 2011-2015 – Spirits Sales



Recent Financial Performance-Spirits

(NOK mn)	**2013**	**2014**	**2015**	**2016**
Sales	**887**	**903**	**855**	**904**
Revenue Growth		*2%*	*-5%*	*-5%*
Adj EBITDA	**166**	**142**	**113**	**164**
EBITA Margin	*18,69%*	*15,70%*	*13,22%*	*18,14%*

Wine Business

- The Nordic wine market is characterized by local importers having a strong position.

Trend	Rationale	Example of trend
Growing per capita consumption	Adopting continental drinking patterns	+ ~40% per capita growth in Norway between '05-'14
Shorter life cycle relative to spirits	Consumers eager to try "something new"	Of top 10 sold wines in SWE in '12, 4 remained top 10 in '14
Premiumization	Consumer seeking "good life"	29% growth in red wine priced above EUR 15 between '13-15 (Finland)
Fragment supplier market	Low barriers to entry as a wine importer	Top 10 wine importers in Norway have ~50% market share

Wine Business

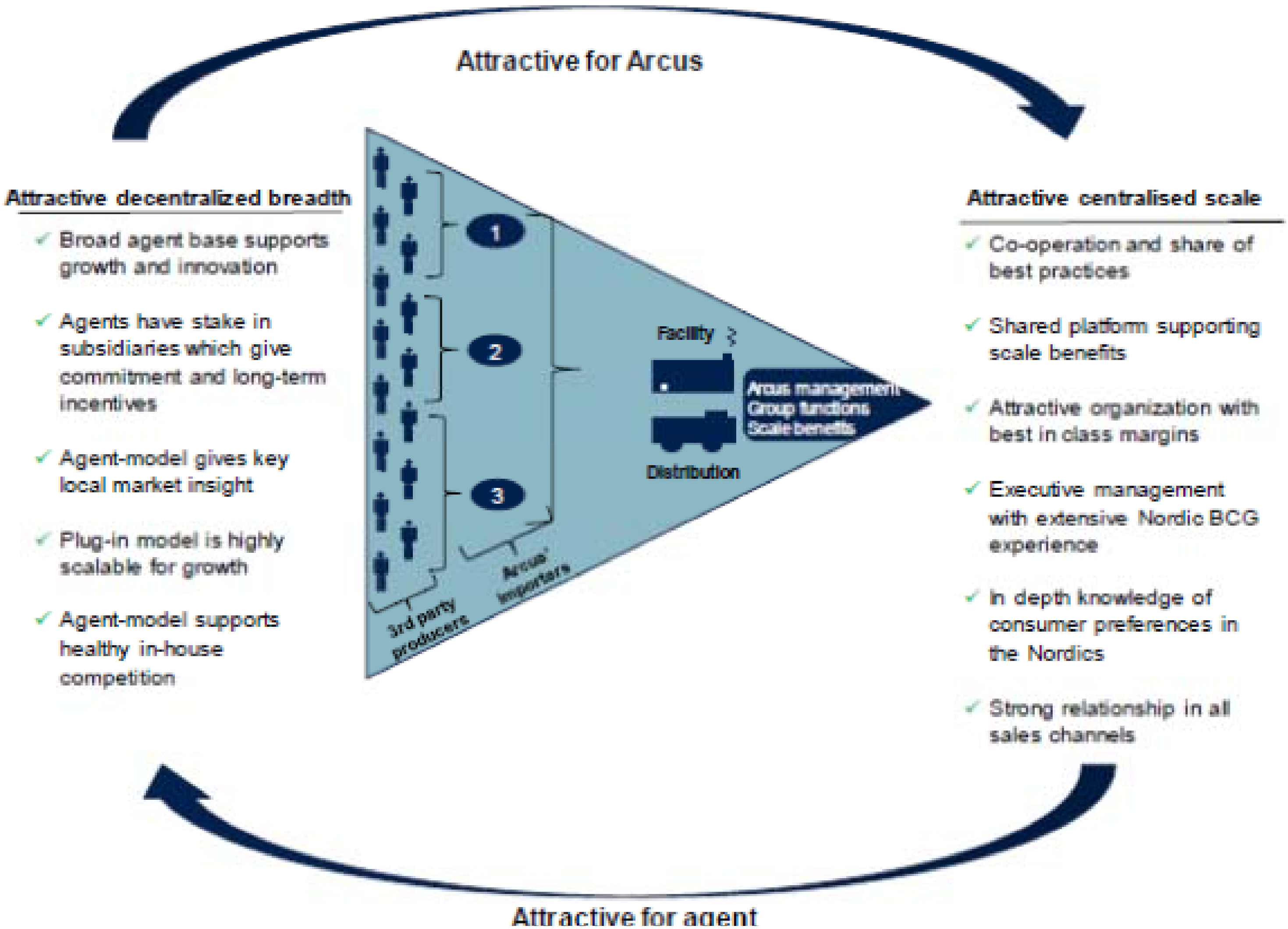
Position in each country	Arcus SOLERA ALTIA	VIVA WINE & SPIRITS Arcus oenoforos	ALTIA Pernod Ricard Arcus
Market Share	**15%**	**11%**	**8%**
Total Market	**0,3**	**1,0**	**0,2**
% of segment revenue	**31%**	**60%**	**9%**

Recent Financial Performance - Wine

	2013	2014	2015	2016
Sales	**1.178**	**1.281**	**1.466**	**1.552**
Revenue Growth		*9%*	*14%*	*6%*
Adj EBITDA	**197**	**179**	**197**	**194**
EBITA Margin	*16,68%*	*13,98%*	*13,43%*	*12,51%*

Wine Business

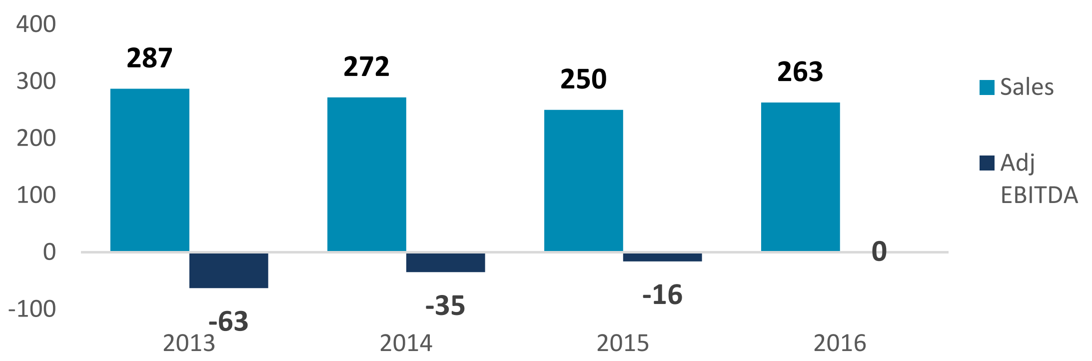
Decentralize and entrepreneurial business model



Logistics Business

- The logistics business is performed through the 100 % subsidiary Vectura.
- Vectura handles wine and spirits logistics for Arcus and for other importers in Norway. It is the market leader with a 44% market share.
- Profitability dropped significantly following certain problems after reallocating the business to Gjelleragen and losing some customers. During the last years, management has put in place a restructuring plan aim at:
  - Reducing costs.
  - It is winning back the trust of customers.
- The business reached the break even in 2016 and the objective to reach medium term 5-7% EBITDA margin for this business.

Recent Financial Performance- Logistics



Investment Thesis

Non cyclical markets

- Wine is a growing category driven by a change in Nordic drinking habits.
- Although spirits do not grow in volumes there is a trend to drink more premium products

Nordic monopoly systems benefits Arcus strong market position

- The supplier and not the retailer is the one who set the price.
- The monopoly system makes price comparison difficult for the customer.

Investment Thesis

Barriers to entry

- Spirits: leading market share and strong brand awareness. Difficult to launch new brands because marketing is forbidden.
- 90% of retail sales through monopolies. It is difficult for new entrants to be include in the assortment.
- If a product is include in the assortment it will remain on the self as long as it meets sales requirements.

Bolt-on acquisitions

- Ability to integrate production in-house.
- Scale benefits for being a pan-Nordic Company.
- Synergies could easily lower purchasing price.

Investment Thesis

Operational Leverage

- In 2012, Arcus moved to a new state of the art facility in Oslo after having invested NOK 1 Bn. It did a sale and leaseback of the plant thereafter.

- Gjellerasen facility is currently operating at 60% capacity utilization.

- Spare capacity allows Arcus to improve margins and to easily integrate small acquisitions

- Low need for CAPEX in the following years. Maintenance CAPEX is around NOK 20 Mn (vs NOK 50 Mn depreciation).

Strong cash flow generation capacity

- Strong cash flow generation due to a combination of attractive margins, low investment requirements and limited working capital needs.

Valuation

We believe Arcus is trading at a very low absolute valuation considering the attractiveness of the investment case.

Current trading multiples	
EV/EBITDA	*11,2x*
EV/ EBIT	*13,3x*
P/E	*13,5x*
FCFy	7,9%

Arcus is trading at a 2017 FCF yield of 7,9%. Valuing the Company at a more reasonable 6% FCF yield the potential upside versus the current price stands at 30%.

And it is also cheap in relative terms if we compare to its peers.

	Description	P/E	EV/EBIT	FCF yield
Nordic comparables				
Cloetta	Confectionary and chocolate products manufacturing.	19,50x	18,42x	6,9%
Orkla	Retail and consumer goods	18,92x	21,57x	3,9%
Europris	Operates retail stores in many categories.	12,60x	13,41x	4,4%
Royal Unibrew	Production, sale and distribuion of beverages.	21,22x	18,06x	4,8%
Olvi Oyj	Production, sale and distribuion of beverages.	14,34x	17,51x	-
International comparables				
Pernod Ricard	Manufacturing of wine , spirits and non-alcoholic	20,12x	15,51x	4,3%
Diageo	Production, sale an distribution of alcoholic beverages	22,09x	19,24x	4,0%

Valuation

However we believe that the upside for Arcus investment is much higher considering the future prospects of the Company with several levers to continue growing.

	Arcus Financial Targets	Historical*	Equam Assumptions
Revenue Growth	3-5%	4,4%	2,5%
Spirits EBITDA margin	17-20%	15,8%	18%
Wine EBITDA margin	11-14%	14,7%	12,5%
Distribution EBITDA margin	5-7%	-13,7%	5%
Maintenance CAPEX	NOK 20 m	-	NOK 20 m
Dividends	50-70% pay out	-	70% pay out

**2013-2016*

Even if we considered more conservative assumptions in the coming years we believe that an investment in Arcus should deliver an annual investment return in the 18-20% range for the next 3-4 years.

Investment Risks

Risk	Comments
Changes to alcohol duties or to the regulation of monopolies.	Monopolies have been working for long a long time and it is not likely to change. Arcus is actively involved in the industry organization in order to be able to influence potential changes.
Currency risk	NOK is almost in minimums of many years against €.
Key people leaving	Arcus is a market leader in the sector so it is able to retain and recruit talent.
Interruption of production	Majority of services performed from the Gjellerasen plant.
Seasonality	Strong dependence on Q4 (40-50% of EBITDA)

Summary

Arcus comfortably meets our investment checklist requirements.

Under the radar	✓✓✓	Recent quoted company. It is only covered by two local brokers.
Sound business	✓✓✓	High ROCE, stable demand, low cyclicality, barriers to entry and low capital needs.
Low Leverage	✓✓	The company's current leverage is at 2,1x ND/EBITDA. This is a reasonable level for a defensive and cash generative business.
Owner Occupied	✓✓	Largest shareholder (33,33% interest) is a long term oriented investor with a large entrepreneurial background (Stein Erik Hagen).
Low valuation	✓✓✓	It is trading at a high FCFy (7,9%) considering the attractiveness of the investment case.

Muchas Gracias

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