



Christian Billinger

Investor, Billinger Förvaltning



BILLINGER

FÖRVALTNING

BEST IDEAS 2021 HOSTED BY MOI GLOBAL

‘A look at 3 clusters of high quality businesses’

Christian Billinger, Billinger Förvaltnings AB

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Agenda

- 1) A background on Billinger Förvaltning
- 2) Introducing 3 clusters of high quality businesses
- 3) Resilient top-lines
- 4) Flexible cost structures
- 5) Attractive market structures
- 6) Conclusion

A background on Billinger Förvaltning

A background on Billinger Förvaltning

- We are a privately held investment company with permanent capital
- We are long-term, long-only equity investors
- We invest in around 15 high quality listed businesses in Europe and the US
- Our priority is capital preservation; “Worry about the downside...”

Putting our 'best idea' in context

- “Don’t just do something, sit there”
- We invested heavily in spring 2020 but have made no purchases since then
- Therefore, we think it is more consistent for us to present 3 clusters of high quality businesses
- Hopefully these are relevant as part of the investable universe of other quality-focused investors

3 clusters of high quality businesses

Introducing 3 clusters of high quality businesses

These clusters made up 37 % of our NAV at the end of q3

- 1) Elevators and Escalators (KONE and Schindler)
- 2) TIC (Intertek and SGS)
- 3) Aircraft engines (MTU Aero Engines)

Resilient top-lines

Resilient top-lines

- Providing a critical product or service
- Low to moderate technology risk
- Diverse customer base
- High share of recurring revenues

Organic growth

	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005	Average
KONE	1,7%	8,2%	6,3%	4,2%	3,9%	8,3%	6,7%	12,6%	15,2%	5,4%	0,6%	3,7%	17,0%	16,0%			7,8%
Schindler	-0,7%	5,6%	7,3%	4,6%	3,6%	6,7%	7,3%	8,4%	5,0%	6,9%	2,4%	-5,9%	6,5%			6,3%	4,6%
Cluster 1	0,5%	6,9%	6,8%	4,4%	3,8%	7,5%	7,0%	10,5%	10,1%	6,2%	1,5%	-1,1%	11,8%	16,0%		6,3%	6,5%
Intertek	-7,3%	3,3%	3,7%	2,1%	0,1%	1,6%	-0,6%	4,3%	8,6%	8,3%	7,7%	3,5%	12,3%	13,0%	8,1%	12,2%	5,1%
SGS	-10,4%	2,6%	5,3%	4,2%	2,5%	2,0%	4,0%	4,4%	10,2%	10,5%	3,2%	1,3%	15,0%	12,0%	10,3%	11,4%	5,5%
Cluster 2	-8,9%	3,0%	4,5%	3,2%	1,3%	1,8%	1,7%	4,4%	9,4%	9,4%	5,5%	2,4%	13,7%	12,5%	9,2%	11,8%	5,3%
MTU	-13,1%	1,3%	17,2%	6,4%	6,7%	13,3%	9,5%	10,7%	15,2%	8,3%	3,7%	-4,2%	5,8%	6,6%	10,7%	12,0%	6,9%
Average	-6,0%	4,2%	8,0%	4,3%	3,4%	6,4%	5,4%	8,1%	10,8%	7,9%	3,5%	-0,3%	11,3%	11,9%	9,7%	10,5%	6,2%

Flexible cost structures

Flexible cost structures

- We are looking for limited operating leverage
- High proportion of outsourced components
- Flexible or semi-fixed cost base
- Low capital intensity

Operating margin

	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005	Average
KONE	11,9%	12,4%	12,3%	13,8%	14,7%	14,4%	14,1%	13,8%	13,1%	13,9%	14,0%	12,7%	12,1%	11,6%	10,0%		13,0%
Schindler	10,9%	11,7%	11,9%	12,0%	11,5%	10,7%	10,1%	10,2%	12,5%	10,5%	12,0%	11,6%	10,2%	9,2%	9,2%	9,2%	10,8%
Cluster 1	11,4%	12,1%	12,1%	12,9%	13,1%	12,6%	12,1%	12,0%	12,8%	12,2%	13,0%	12,2%	11,2%	10,4%	9,6%	9,2%	11,9%
Intertek	12,6%	17,2%	17,2%	16,9%	16,0%	15,9%	15,5%	15,7%	16,3%	16,1%	16,6%	16,9%	16,4%	15,7%	15,4%	16,0%	16,0%
SGS	12,5%	16,1%	15,7%	15,3%	15,4%	16,1%	16,1%	16,8%	16,9%	17,0%	17,8%	17,3%	16,8%	16,3%	16,3%	15,2%	16,1%
Cluster 2	12,6%	16,7%	16,5%	16,1%	15,7%	16,0%	15,8%	16,3%	16,6%	16,6%	17,2%	17,1%	16,6%	16,0%	15,9%	15,6%	16,1%
MTU	10,5%	16,4%	14,7%	12,0%	10,6%	9,9%	9,8%	10,1%	11,1%	11,2%	11,5%	11,2%	12,1%	12,1%	9,8%	7,4%	11,3%
Average	11,7%	14,8%	14,4%	14,0%	13,6%	13,4%	13,1%	13,3%	14,0%	13,7%	14,4%	13,9%	13,5%	13,0%	12,1%	12,0%	13,4%

Attractive market structures

Attractive market structures

- Stable and concentrated market structures reduce complexity
- Easier to map the competitive environment
- Greater pricing power
- Higher barriers to entry

Conclusion

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- Thinking in clusters is similar to 'mental models'
- Helpful when it comes to resourcing
- Enables read-across
- Opportunities for replication between industries

Thank you!

Q&A

christian.billinger@billingerforvaltning.se