



Trip Report: Europe

On a recent trip to Europe, Hanna Ranstrand visited various companies who are building their businesses through acquisitions. Here, Hanna discusses these companies in more detail.

For many companies, acquisitions are an attractive way to grow. They can provide access to new markets, technologies and people. They also come with potential risks, including acquiring the wrong business or overpaying. There is a breed of listed companies, however, that consistently get acquisitions right and overcome the challenges of acquisitive growth. Some have even made acquisitions their *raison d'être*.

Call them serial acquirers, portfolio builders, roll-up companies or accumulators, the best ones have been able to create tremendous shareholder value over time. Sweden happens to be a very fertile hunting ground for these types of companies, and they share a number of common characteristics.

Many serial acquirers have a well-defined and consistent approach to acquisitions, which tends to change very little over time. They typically buy owner-led companies with structural growth drivers, a strong track record of profitability, and a dominant position in a niche market.

For example, Stockholm-based Indutrade* recently acquired German company Tecno Plast*, which sells single-tubing sets and silicone hoses to biopharma, medtech, pharma and chemical industry customers.¹ The work these customers undertake requires constant replenishment of equipment. As a result, Tecno Plast enjoys a high proportion of recurring sales and cash flow predictability. By targeting resilient franchises and well-run businesses, serial acquirers side-step many potential problems and can instead focus on building on an already stable foundation.

The consistency of their approach not only helps serial acquirers avoid poor acquisitions, but it also helps establish their reputation as an attractive home for private companies. Serial acquirers often nurture relationships with potential targets for longer than, say, private equity competitors. Trust takes time to build. It involves frequent conversations and, in Sweden, many rounds of coffee.

For instance, Addtech* took a decade to finally acquire Fey Elektronik*, a leading German player in industrial battery solutions, in 2021.

“I first met the owners ten years ago. After a decade of trusting relationship building, the owners were finally ready to sell their life’s work to Addtech. In the process, we got to know each other well, and we now know what we can expect from one another.”²

Addtech’s CEO Niklas Stenberg

Long-term relationships often make serial acquirers the first port of call when a founder-owner is ready to sell their business. Relationships also enable a deep understanding of the business, which speeds up the due diligence process for the serial acquirer and increases the likelihood of a business owner staying on to steward their acquired business through its next phase of development.

Another hallmark of the most successful portfolio builders is a decentralised business model and operating structure. Most serial acquirers take a hands-off approach to subsidiary companies’ day-to-day operations, and exert well-judged influence through company Boards. Occasionally, however, they might step in to help steer a company in the right direction, such as by encouraging the management to step away from markets in which pricing power might be compromised.

A decentralised structure is often also attractive for founder-owners who are contemplating selling their companies. Lifco*, a serial acquirer based 80 km north-west of Stockholm in a place called Enköping, believes its decentralised business model, which allows subsidiaries a high degree of autonomy, “is a key factor when we negotiate with potential acquisition candidates... to sell their life’s work to Lifco.”³ Decentralised decision-making and responsibility helps maintain an entrepreneurial spirit within operating companies, while the parent provides stable, long-term ownership, along with capital for expansion and growth.

Subsidiary companies are also able to draw on the experience and expertise of fellow subsidiary companies, and of the holding company, in areas such as digitalisation, governance, expansion into new markets, supply chain development, and improved sustainability. This can be useful for unlocking organic growth opportunities.

Listed serial acquirers enable investors to back successful entrepreneurs and gain exposure to leading private companies with proven approaches. They also offer the stability that a diversified portfolio of competitively positioned companies brings.

“Long-term competitive advantage in a stable industry is what we seek in a business. If that comes with rapid organic growth, great. But even without organic growth, such a business is rewarding. We will simply take the lush earnings of the business and use them to buy similar businesses elsewhere.”⁴

Warren Buffett

We view the highest-quality serial acquirers as having a valuable contribution to make to our portfolios because of their capacity to generate stable returns for shareholders over the long term.

Hanna Ranstrand
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¹ Source: Indutrade Annual Report 2021/2022

² Source: Addtech Annual Report 2021/2022

³ Source: Lifco Annual Report 2020

⁴ Source: [Warren Buffett: The Prototype Of A Dream Business](#)

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