

# **A C T I V E** **B R A N D S**

**2019 CASE MATERIAL**



CBS FINANCE  
COMPETITION





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# Introduction/Storyline

In April 2017, FSN Capital Partners (“FSN”), represented by Investment Director Eskil Koffeld and Principal Kenneth Haavet, acquired 69.5% of Active Brands AS (“Active Brands” or “the Company”), a leading Nordic supplier of premium branded sporting goods, from Holta Invest (“Holta”).

Seven years prior, in 2010, Holta had taken the initiative to consolidate the Norwegian sporting goods industry by establishing Active Brands, based primarily on the mega trend of Scandinavians spending more time and money on sportive lifestyles.

On the basis of a talented and dedicated workforce, Active Brands has – through the creation of a strong industrial platform and successful execution of a buy and build strategy – consistently outperformed the Nordic market for sporting goods by generating organic annual top-line growth of 30% since 2013. From a strong Norwegian base, the Company has gradually expanded into new geographies, and in 2018 approximately 43% of net sales were generated outside of the home market.

In collaboration with FSN, Active Brands has reinforced its strong position in the Nordics and further accelerated international growth.

Still, numerous avenues of growth exist, and with it a strong possibility for further value creation.

FSN, cognizant of the strong current M&A interest in attractive sporting brands, knows that it must continuously weigh the benefits of extracting further value from their investment against the rewards of monetizing it early to lock in an attractive return. With the Company structured as a house of brands, a key question also revolves around whether it will be most prudent to divest individual brands or sell the house in its entirety.

Two years into their journey with Active Brands, the current FSN deal team Adeline Jennische & Kenneth Haavet believe that they have arrived at a key inflection point, and that they must now carefully consider and review a number of fundamental questions associated with the investment, including (i) the optimal remaining holding period, (ii) the ideal commercial strategy to be implemented within this holding period, and (iii) the pros and cons of divestments of individual brands versus a complete change of ownership of Active Brands.

To best inform their decision-making with regards to the above points, FSN has invited a list of qualified candidates to pitch for the role of sell-side advisor in the process.

# Objectives/Request for Proposal

FSN hereby invites you to pitch for an exit mandate in the sale of Active Brands or divestment of individual constituent brands. The presentation is expected to include considerations on the following areas, in whatever order is deemed most appropriate

## Strategic/Commercial Considerations

- A detailed multi–year commercial strategy for Active Brands, including:
  - A recommendation on how to most appropriately grow the brand platform going forward
  - An international expansion strategy
  - A commercial value maximization plan for current and potential future markets

## Investment Thesis & Exit Considerations

- The advisor’s view on Active Brands as an investment case, including in-depth analyses of the investment attractions of the Company as well as of the constituent brands with the largest potential
- The advisors’ stance on the current exit climate, ideal holding horizon, and most likely exit route for FSN including an analysis of most likely strategic and financial buyers
- An analysis of the pros and cons of a divestment of Active Brands as a whole versus individual brand divestments

## Valuation Considerations

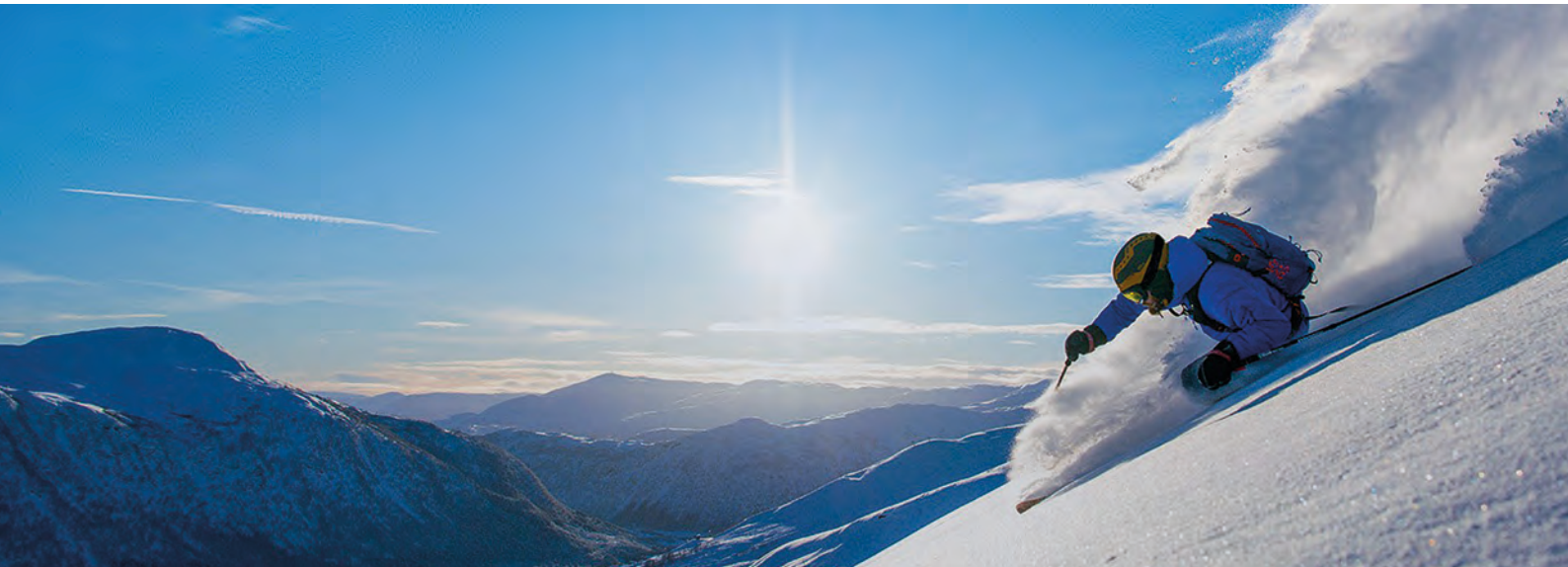
- A comprehensive valuation of the entire Active Brands platform, and constituent brands if relevant, based on suitable methodologies that factor in the proposed commercial strategy

## Process, Legal & Risk Considerations

- The advisors’ view on the key success factors and critical issues in the suggested exit process
- A time plan with main work streams and responsibilities for the exit process
- Considerations of legal and regulatory issues related to your strategy of choice

In deciding which bidders will be invited to present in the final round, the proposals will be evaluated along five criteria with the following illustrative weights:

- Commercial Strategy (25%)
- Valuation (25%)
- Investment Thesis & Exit (15%)
- Quality of Solution (20%)
  - The visual appeal of the presentation
  - A convincing, clear-cut, and to-the-point storyline
- Process, Legal and Risk Considerations (15%)





# Time Table

Step	Deadline
Delivery of tender material (case launch)	September 27, 2019, at 3 pm
Delivery of proposal	September 29, 2019, at 4 pm
Declaration of the bidders that have been chosen to proceed to the semi-finals	September 30, 2019
Semi-finals presentations	October 3, 2019, at 8.30 am
Declaration of the bidders that have been chosen to proceed to the grand final (3 teams)	October 3, 2019, at 2 pm
Grand Final	October 3, 2019, at 6 pm
Appointment of Advisor (winning team)	October 3, 2019, at 9 pm







# History of Active Brands



# Nordic Consolidation & Entry in Europe

In 2010, Holta established Active Brands AS through an acquisition of 60% of Skigutane AS (“Skigutane”), a Norwegian sports apparel company controlling a portfolio of attractive brands, including KARI TRAA. The Nordic sports apparel and equipment sector was growing healthily, driven by strong underlying megatrends. Holta saw an opportunity to take leadership in the consolidation of the industry, by creating a synergistic platform for strong niche brands and helping them grow internationally.

The investment immediately created a new key player in the space with a broad brand portfolio, turnover of NOK 300m, and 140 employees.

*“[The acquisition of Skigutane] ... will create a new brand structure that will be well-positioned for further growth in the Norwegian and international sports market. We want to become the most professional supplier to the Scandinavian sports industry.”*

**- Kjetil Holta, CEO of Holta Invest, 2010**

Two trends in particular had been the driving force behind Holta's initiative to create the Active Brands platform through the purchase of Skigutane.

Firstly, Holta had spotted an attractive underlying megatrend in the Nordic countries: Not only were its people living increasingly sportive and active lifestyles, but there was also a growing phenomenon of people wishing to feel more sportive and to be perceived as such by others – whether they were actually being physically active or not.

Secondly, the Norwegian sporting goods industry was consolidating on the retail side, with the industry's dominant players, XXL and Gresvig (which controls G-Max, G-Sport and Intersport in Norway), aggressively increasing their market shares. Suppliers of single brands were correspondingly being squeezed due to lack of negotiation power in the value chain, and Holta saw an opportunity to address this imbalance by creating a platform for Nordic premium brands. This platform would set a new standard among suppliers in order to keep up with retailers on scale economics and professionalism. Holta immediately got to work on its build-and-buy strategy in Scandinavia, acquiring DÆHLIE through BJ Sport AS in 2011, SWEET PROTECTION in 2014, and JOHAUG in 2015, all niche leaders with global commercial potential.

*“The acquisition of Sweet Protection is part of our strategy to build a leading brand house within sports and leisure. Sweet Protection has unique competence on helmet technology and has recently launched a mountain bike collection. This acquisition will broaden the reach for Active Brands when it comes to products, seasons as well as geographically”*

**- Espen Krogstad, Active Brands CEO**

*“The [Dæhlie] brand had the right associations and big potential. It was solid and genuine. Many organizations and personalities have their own brands. However, not many can measure up to Dæhlie. He's extremely dedicated and goal-oriented. A winner who demands the best from himself and everyone around him, both in sports and business.”*

**- Øystein Bråta, Managing Director Nordic of Active Brands**

Until 2012, KARI TRAA – the star of the portfolio – was mainly a Norwegian brand, but after a breakthrough in the rest of Scandinavia, with recognition as Brand of the Year in Sweden in 2016, it started to become firmly established in other European countries with consistent growth in every market.





# North American Expansion

Building on the momentum of the Nordic buy-and-build strategy as well as the early European success, KARI TRAA reached a new milestone as it launched in the US in 2015 to capitalize on the soaring growth in women's activewear as well as their increasing participation in action sports. DÆHLIE and SWEET PROTECTION had an existing presence in the US marketplace before joining the Active Brands platform, but a major push for further expansion in the region was made for these constituent brands in connection with the KARI TRAA entry.

*“We believe we have a relevant and compelling story that is missing in the American market... while the product line is the pinnacle of performance and quality, the brand culture is all about having fun and being playful.”*

**- Sissel Himle, Marketing Manager KARI TRAA, 2015**

There was an acute awareness of the importance of sticking to the premium and high-quality image that the brands had earned in their Nordic home market, and Active Brands was therefore determined to sell through specialty shop channels rather than generalist retailers who might have looked to discount prices and undermine the brand vision.

*“We’re not going to cheapen the brands in the U.S. in any way. We’re very focused on maintaining the brands.”*

**- Henrik Lumboldt, NA GM, 2015**

The drive into North America happened somewhat shakily in connection with the 2015 Snowsports Industries America (SIA) Snow Show, an annual sports trade show in Denver,

Colorado that showcases sports apparel, equipment, accessories, and footwear. Active Brands had decided to enter the US only months before the show, and its late application meant that it was relegated to one of the last booths available – right next to the bathroom. This turned out to be a stroke of luck, as the brands, and in particular KARI TRAA, attracted keen interest and attention from the steady traffic past the booth. Fortuitously, this provided the brand with invaluable exposure, and partnerships with specialty retail doors soon followed.

In following years, KARI TRAA stood out as it made rapid head-way in the region, gaining both mind- and market share – a success that can be largely attributed to the “rock star” story of the brands’ founder, Olympian gold medalist Kari Traa, as well as how the female DNA of the brand resonated with the consumers in the region. DÆHLIE and SWEET PROTECTION also gained important traction in the market, albeit at a slower pace than the portfolio star, KARI TRAA.

*“The show opened at 9 a.m. and at 9:05 a.m., the head buyer for Title Nine out of San Francisco was in the booth. She looked at everything and said, ‘I need this brand. Where do I start, who do I contact, how do we do this?’ I thought, ‘Wow, we barely opened the door and we’re already doing business with Title Nine... The brand really stood out’.”*

**- Henrik Lumboldt, NA GM, 2019**

Active Brands selected Denver, Colorado as the location of its North American headquarter due to the authenticity of having an office in a mountainous region as well as the variety of retail shops in the area that would allow the Company to keep a pulse on the market.

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# FSN Partnership & Active Brands Today

In 2017, FSN acquired a majority share in Active Brands with the aim of leveraging the strong momentum in the Nordic countries and continuing the international brand expansion in North America and Europe. Holta was still a believer in the Company and re-invested alongside FSN.

*"We are proud of the development of Active Brands and we are honored to get FSN Capital on board as a new majority owner. We believe in a promising future for the company and we are excited to continue our ownership of Active Brands together with FSN Capital."*

**- Dag Teigland, Holta Invest CEO & Active Brands Chairman**

*"We have admired Active Brands for a long time and have been impressed by the platform created by Holta Invest and the management team's ability to develop truly unique brands with significant international growth potential. Our ambition is to build on Active Brands' leading position in the Nordics and support further growth in North America and Central Europe together with our new partners."*

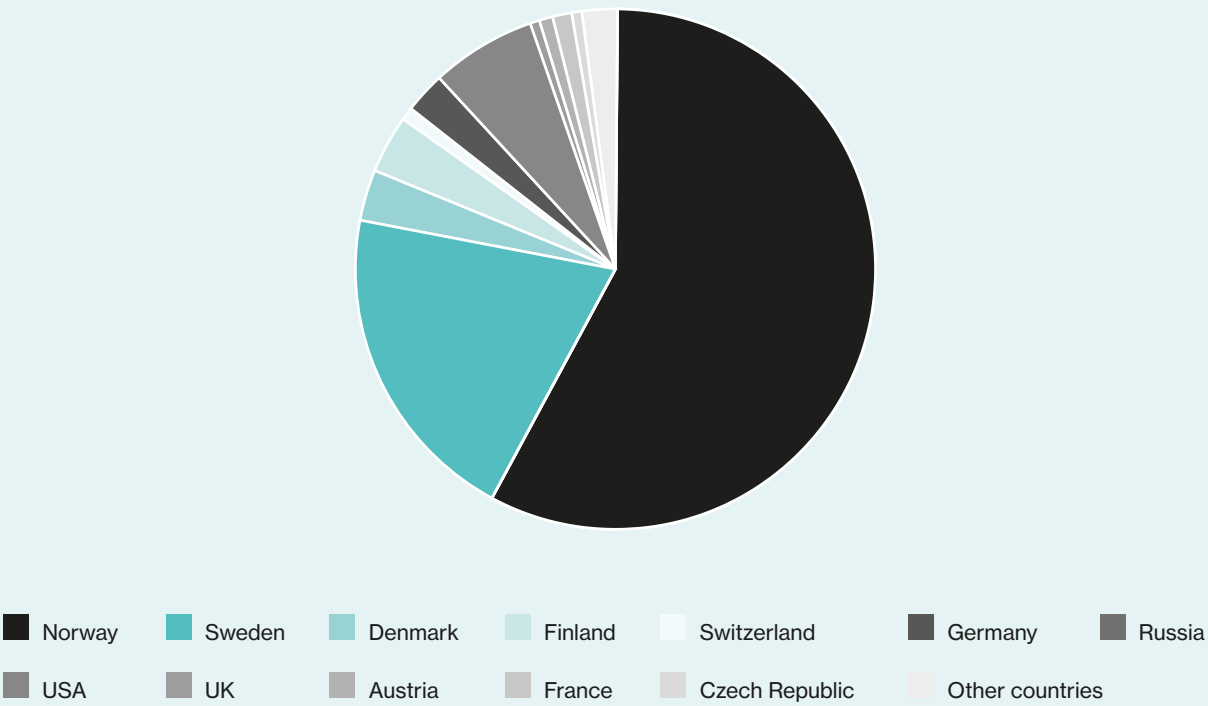
**- Erik Nelson, Partner at FSN**

Today, Active Brands holds a total of seven brands in its portfolio, employing 200 employees on a FY 2018 turnover of roughly 1 billion NOK. KARI TRAA remains the largest brand, accounting for roughly half of the platform's total turnover.

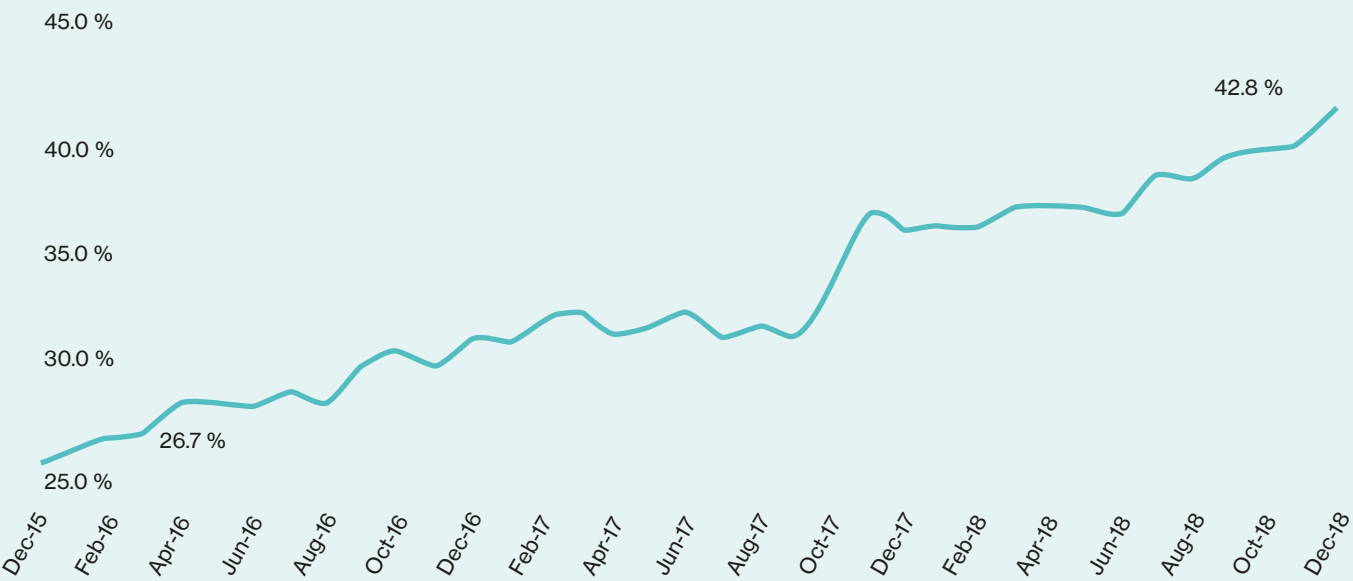
The mission remains largely the same:  
To develop and build strong brands with Nordic heritage into global leaders within their niche. The Nordics continue to be the most important market, with 95% of Norwegians being familiar with KARI TRAA, but the strongest constituent brands are increasingly exported to both the USA and Europe – now with the support of FSN.

Currently, KARI TRAA, SWEET PROTECTION, and DÆHLIE are sold in the Nordics, the US, and much of Europe. KARI TRAA is the fastest growing female sports brand in all of Europe and the remaining four brands are sold exclusively in the Nordics and Europe.

Active Brands, sales by country



LTM net sales outside Norway % of total







# Internal Analysis






# Brand Portfolio & Marketing

## Overview

Inherent to the Active Brands concept is the idea of developing strong brands with Nordic heritage into global leaders in their respective niches. The house of brands arrangement allows for the sharing of functional resources and assets across brands, giving rise to synergies and efficiencies in the value chain.

The Company operates seven distinct brands across the sporting goods industry, with products ranging from training and activewear to outdoor winter clothing and equipment.



	KARITRAA®	 Sweet Protection	 D/EHLIE		BULA	johaug	 åsnæs	vossatassar™
Product portfolio	Functional skiing and gym wear	Helmets, clothing and protective gear	Cross-country skiing clothes and gear		Colorful hats, beanies, base layers, gloves, socks and sweaters	Sportswear (winter gear, training wear, tights, casual wear, accessories)	Variety of skis (BC ski, alpine touring, cross country, ski poles) and climbing equipment	Colorful base layers, gloves, socks and sweaters for children
Brand focus	Focus on comfort and style combined with technical fabric	Protective gear with a focus on functionality and performance	Focus on an innovative, functional and effective design		Variety of relaxed and colorful clothing with a brand focus on “good life, health and happiness”	Technical and innovative materials with a premium sporty/casual selling proposition	High-quality rugged skis for winter hiking and mountaineering	Clothing for children with focus on colors, practicality and playfulness
Target customers	Active, urban women with an active lifestyle	Young to middle-aged active men and women looking for best-in-class protection	Sporty men with an active lifestyle		Unisex, lifestyle-oriented travelers	Social and positive young women	Unisex explorers	Quality-oriented parents



Common Brand Themes

All product categories are positioned in various subsegments of the sporting goods industry as both high quality and premium.

Key elements common across all the constituent brands are credible origin stories and relatable, well-defined value propositions. While KARI TRAA, DÆHLIE and JOHAUG were all established by successful former Nordic athletes whose stories were intrinsically tied to the brands initially, a disassociation of the founders from the brands have occurred over time. Today, few are buying KARI TRAA, DÆHLIE and JOHAUG because of the athletes that founded the brands. Instead, customers engage with the brands and their respective products because of what they continue to represent and offer at both a conceptual and tangible level: A relatable value proposition of activity, health, and liberation from societal beauty pressures, coupled with good designs and high product quality.

*“Kari is a real person and has done some amazing things in her life, not just in terms of products but also a lot of things that she stands for as a woman in a very male-dominated world...We’re not just another brand in a store, but [there is] a cause behind the brand.”*

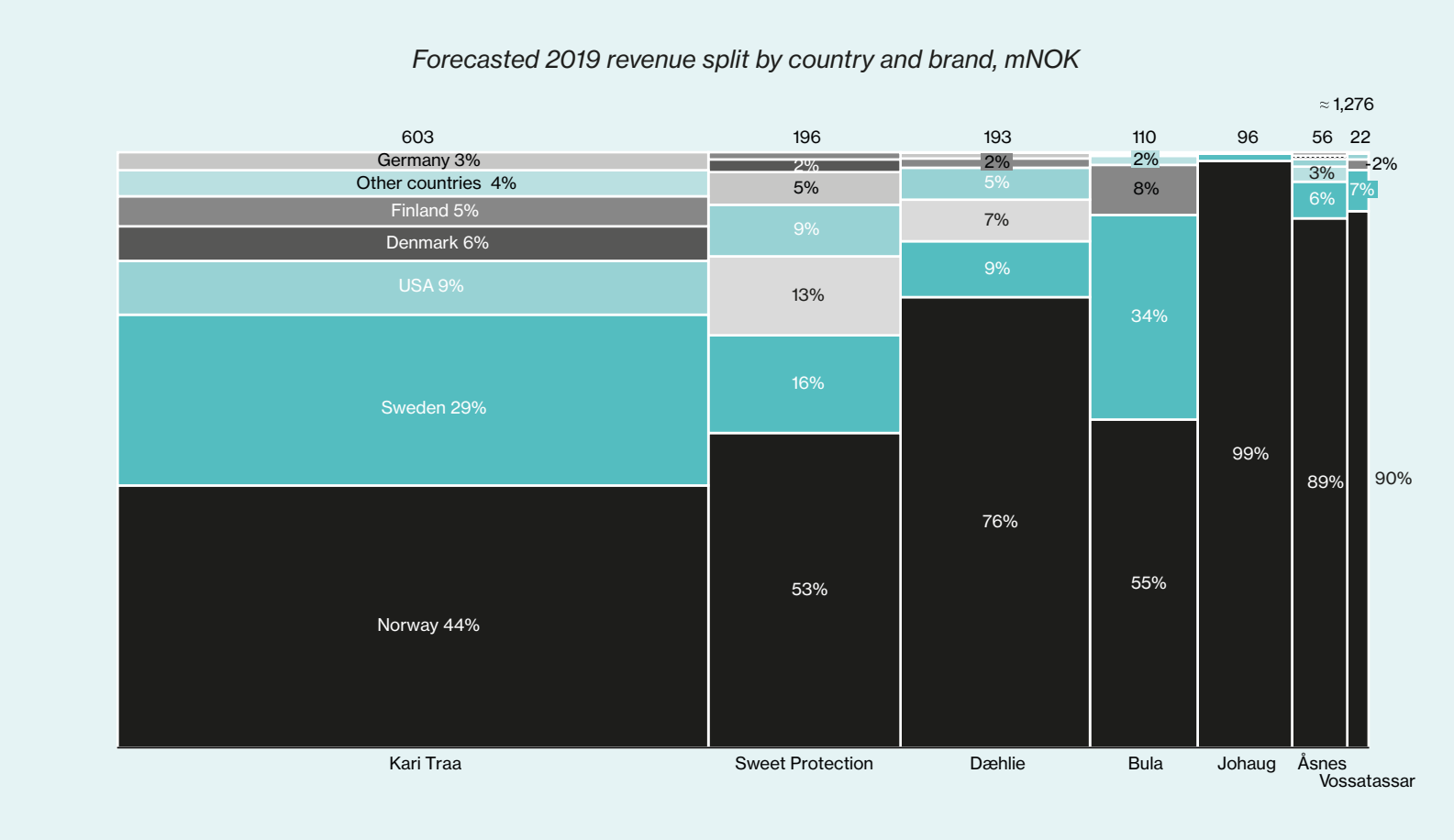
- Henrik Lumholdt, Active Brands North America General Manager

*“Today’s women are constantly exposed to unreasonable pressures, expectations and standard coming from a variety of sources... We want women to liberate themselves from all of this and know that they are beautiful and worthy of celebration, regardless of their body type, diet or exercise routine.”*

- Sissel Himle, KARI TRAA Marketing Manager

Brand Revenue Contributions

KARI TRAA contributes the lion’s share (c. 48%) to expected revenues in 2019 while SWEET PROTECTION (c. 16%) and DÆHLIE (c. 14%) also constitute significant shares.





# KARI TRAA

Snippet

KARI TRAA's story began in Voss, a small town nestled between Norwegian fjords and mountains, where Kari Traa herself was born and raised. Her Norwegian heritage afforded her not only a penchant and talent for skiing, but also an eye for design and a unique passion for creativity. Even in her heyday, Kari would be customizing ski wear and knitting beanies, and the popularity of her designs amongst friends and fellow skiers convinced her to turn the hobby into a real business.

The KARI TRAA brand, founded in 2002 and brought onto the Active Brands platform in connection with the acquisition of Skigutane in 2010, rests on cardinal values of activity, health, liberation from societal pressures, and a stronger lifestyle. The central message of "FOR GIRLS, BY GIRLS" is carried out by sporty and daring brand ambassadors, and is aimed at the KARI TRAA Girl, a young, urban girl with an active lifestyle. She is an early adopter of new ideas and a follower of fashion, uses sports as a means to hang with her friends and socialize, and is not interested in too much technical information, taking it for granted that garments will work at a functional level.

*"We have a mantra when we design clothing: We've got to make the women healthier, stronger and happier. We're really thinking about how they will feel wearing our styles and therefore in life. We want to empower all the women out there, not just selling them clothing."*

**- Kari Traa, on empowering women through the brand**

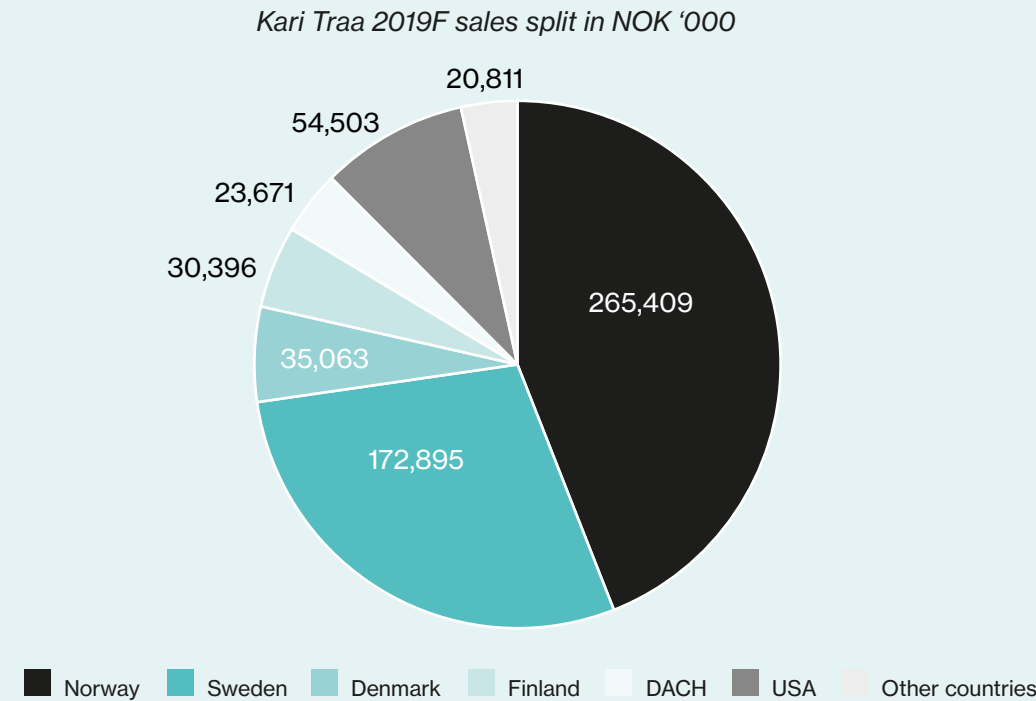
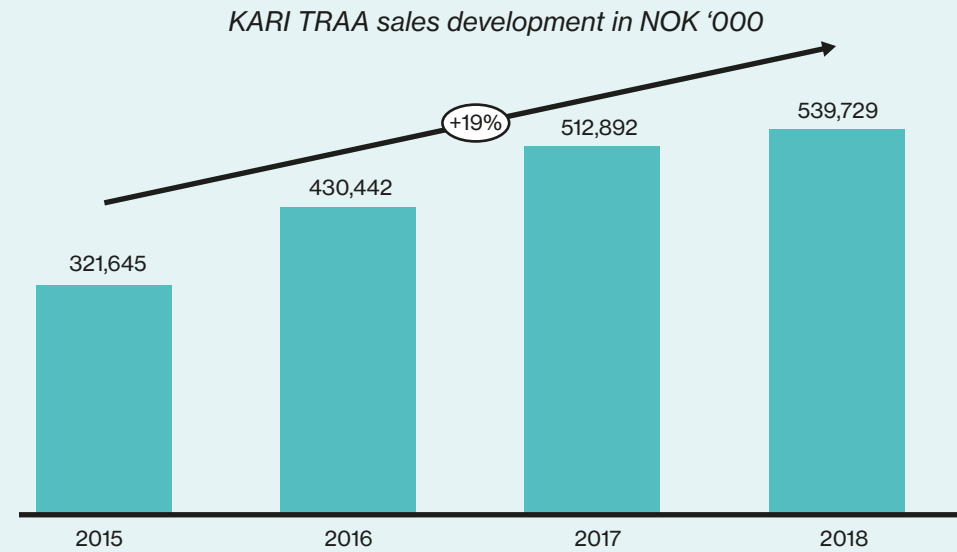
Since its founding, the KARI TRAA collection has grown from a small selection of feminine head-gear into a complete, extensive brand for active girls worldwide.

Today, a strong color palette, the highest technical quality, and a unique design is found in every product, from base- and midlayers to accessories and footwear. The rugged Norwegian nature, harsh weather conditions, and strong sense of Scandinavian traditions also remain key sources of inspiration for the brand.



*"From a design point of view, it's the colors and silhouettes we have been using since the very beginning. We actually used colors. That was something outstanding in the sporting goods industry 15 years ago. Everything was pretty masculine at that time. So for Kari Traa it was a perfect start and we changed the industry."*

**- Kari Traa, on the difference between KARI TRAA and competitors**





# SWEET PROTECTION

Snippet

The SWEET PROTECTION story began in 1988 with a group of adventurous friends from Trysil, a town situated in the middle of the Norwegian mountain- and forest wilderness.

The tight-knit group – a mix of skiers, boarders, bikers and kayakers, led by pioneering industrial designer Ståle N. Møller, felt they were missing proper protection to push further in their respective sports. They shared a common mission of allowing sport enthusiasts to benefit from higher quality products and manufacturing processes.

The mission drew inspiration from and was fueled by the core philosophy of California's unique board cultures, where functionality and performance are not enough but a distinctive design and attitude also has to be reflected in the product.

Throughout the 1990's, Ståle and the team developed individual pieces of protective equipment for friends that slowly but surely caught the attention of opinion leaders in the core action sports scene.

The SWEET PROTECTION brand, officially founded in 2000 as we know it today and bolted onto the Active Brands platform in 2014, continues to blend industry-leading innovation with the finest craftsmanship available to create the safest and most advanced helmets, protective gear and apparel for snow-, bike- and paddle sports.

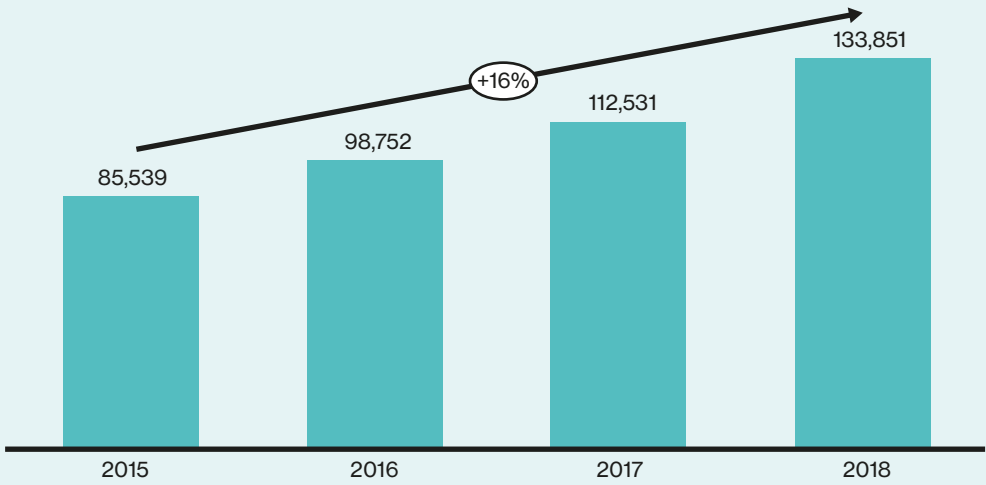
The central brand themes, those same foundational ideas scribbled down on paper by Ståle and his friends in 1988, are still to inspire every outdoor enthusiast – from World Cup ski racers to the weekend warriors out with their kids – and give them the confidence to go further and faster. The core customer is the active person between 20 and 45 years looking for best-in-class protection that makes him/her feel good and safe.

With a core design philosophy of *Stronger, Lighter, Better* having guided all brand decisions, a mantra has also developed over the years that neatly encapsulates the brand vision – both as it stands today and as it was originally envisaged by the tight-knit group of friends from Trysil:

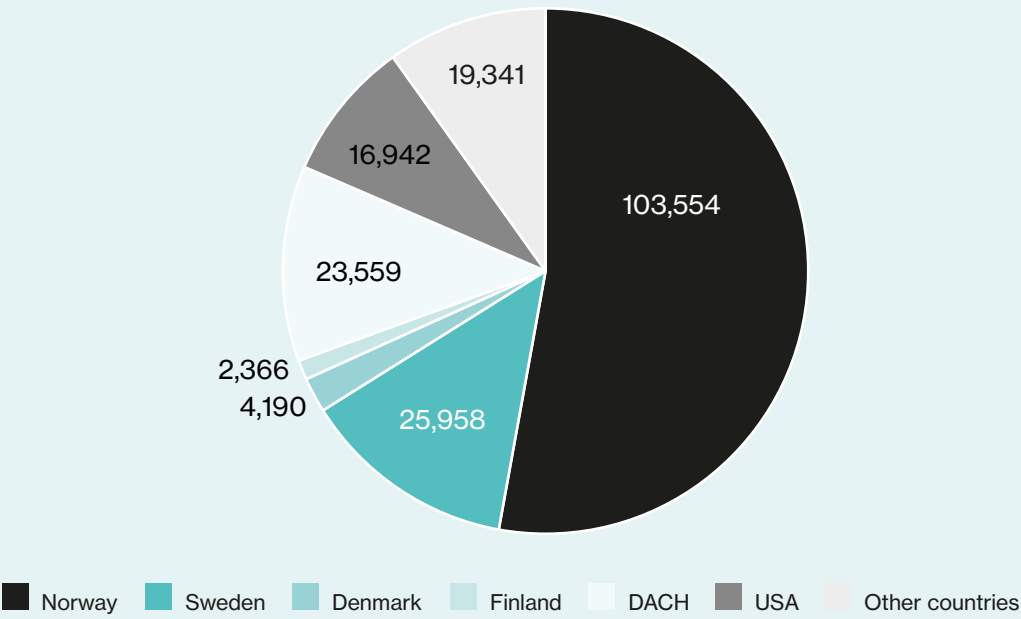
*“We create superior protection inspiring people to push boundaries.”*



SWEET PROTECTION, sales development in NOK ‘000



Sweet Protection 2019F sales split in NOK ‘000





DÆHLIE

Snippet

Norwegian cross-country legend Bjørn Dæhlie pushed the limits of his sport in the 1990s, raking in Olympic and world championship medals, and established his own clothing company BJ SPORTS in 1996 at the very height of his career.

In the ensuing years, the brand developed innovative and iconic clothing for cross-country skiers, and it was added to the Active Brands platform in 2011 on the back of this success.

On its 20th anniversary, however, the brand was ready to enter the next phase and adopt a new identity to take DÆHLIE into new arenas.

*“We [want to] take advantage of our unique market position and long experience with cross-country clothing to develop innovative apparel for endurance activities. At this point we are taking DÆHLIE into new arenas. To everyone’s arena.”*

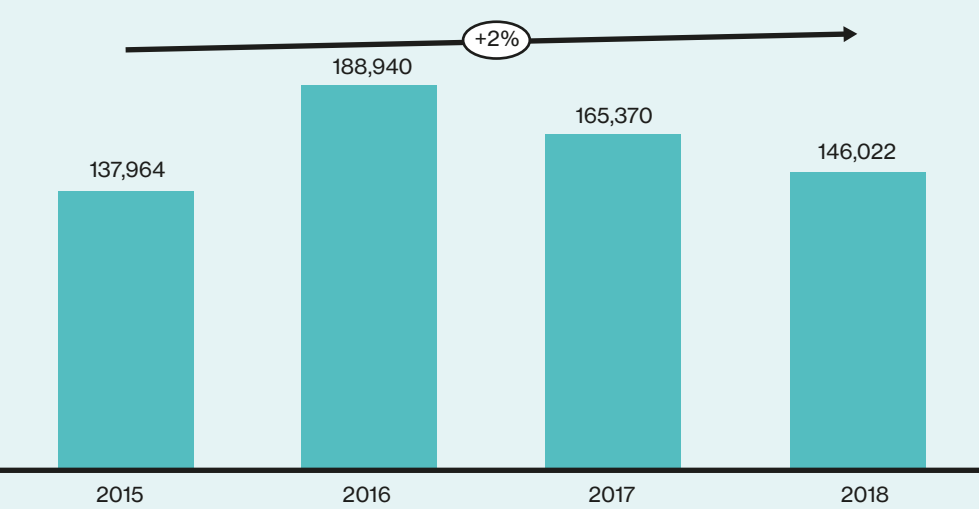
- Linda Linnebo, Marketing Director, DÆHLIE Sportswear

The signature logo was replaced by a new, bold symbol and the old brand name BJ SPORTS was simplified to the DÆHLIE we know today. The new logo, customized for the digital era, is largely aimed at a younger demographic, with the diagonal shape and pattern symbolizing a proactive attitude and focus on performance.

The new brand identity also emphasizes the brand’s goals for the future: To pursue perfection and maximize performance.

However, the DÆHLIE brand very much continues to represent the rawness and authenticity of its founder, Bjørn Dæhlie, and the brand’s value proposition remains deeply rooted in the champion’s attitude, ideals, and Norwegian skiing heritage.

DÆHLIE sales development in NOK ‘000

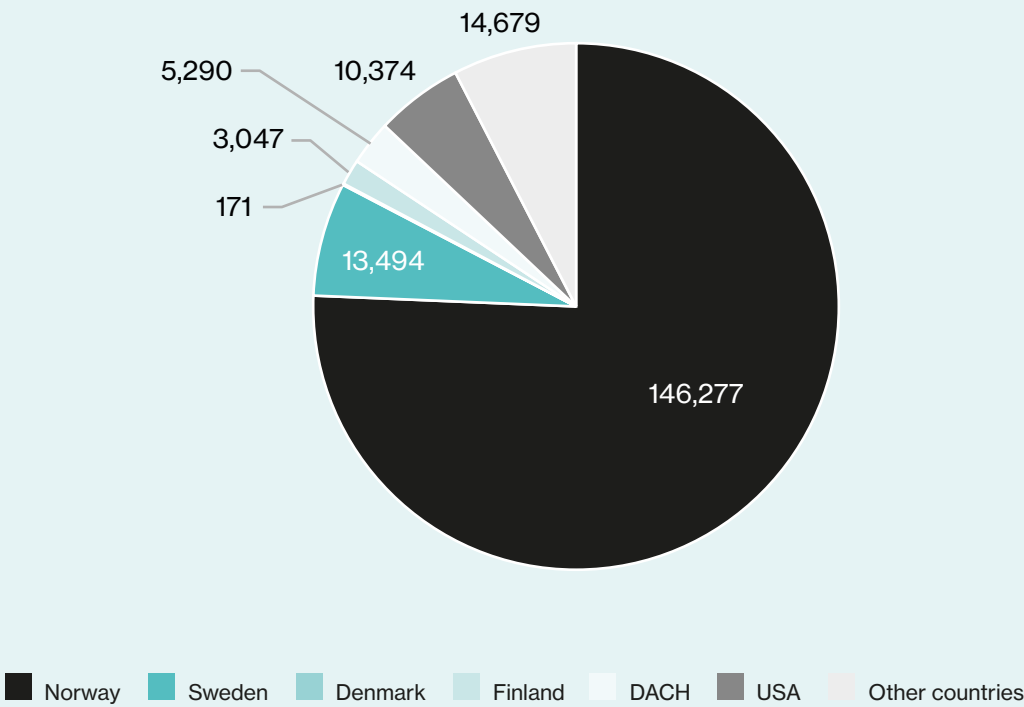


*“Bjørn Dæhlie’s guts, integrity, and focus on results made him one of the most successful winter Olympians of all times. It is this passion that enables us to dress up a new generation of winning athletes.”*

- Linda Linnebo, Marketing Director, DÆHLIE

Today, DÆHLIE offers a wide range of sporting wear products that provide technical innovation, functional materials, and a clean design. Its largest product categories are ski jackets and ski pants which make up roughly half of the brand’s turnover, with the remainder of turnover coming from layer subsegments, running apparel, and accessories.

Dæhlie 2019F sales split in NOK ‘000



DÆHLIE has experienced a broadly stable turnover development from 2015 to 2018, with a CAGR of c. 2 percent. In 2016, however, turnover was highly inflated due to a re-positioning of the brand that included a change in the design of the brand logo, as DÆHLIE sold out its old inventory in its entirety at high discounts to expedite the re-positioning.



# JOHAUG

Snippet

In addition to being one of the world's best winter athletes, Therese Johaug always had a passion for sportswear and fashion. In the midst of tremendous success, she first launched an accessories line in 2012 which gained great early momentum, while a sportswear collection followed in 2015 as the brand joined the Active Brands platform in the same year.

All JOHAUG collections draw inspiration from Therese's unique duality as an athlete and person where raw willpower meets sophisticated femininity. The brand is defined by a modern Scandinavian take on women's sportswear; mixing functionality and lifestyle through innovative fabrics, clean feminine flattering cuts, and thought-through sport details.

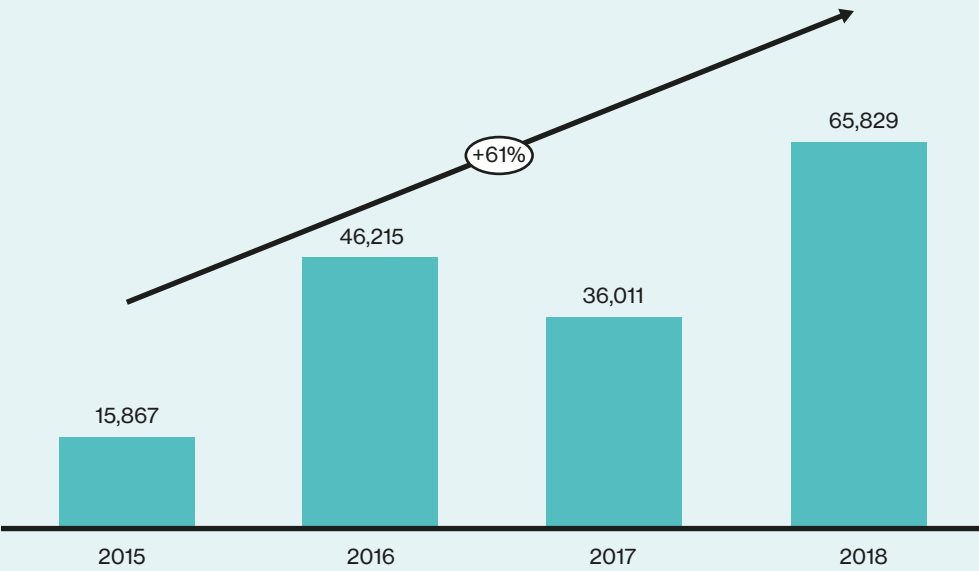
The brand's mission is to be the world's most feminine hardcore sportswear brand, ensuring that women can feel their best while giving their all.

The concept of duality is pervasive in all JOHAUG products, with the juxtaposition between sweet and tough, athlete and model, feminine and raw defining the brand's core value proposition.

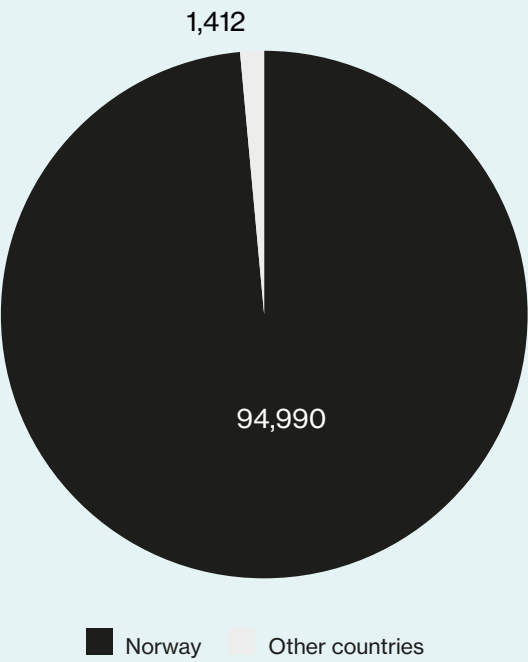
The typical customer is the social and positive young woman who loves to push her limits. She is open-minded, loves exercising in nature, and buys sportswear primarily for its looks, taking functionality for granted as she knows Therese only wears the best.

Today, JOHAUG's collection covers women's sportswear 365 days a year within the categories of training wear, baselayers, outerwear, activewear and accessories. Therese continues to take part in the whole design process, from discussing sketches, garments, fit and color palettes to testing the functionality personally – ensuring that every product is of the highest quality.

JOHAUG sales development in NOK '000



Johaug 2019F sales split in NOK '000





# ÅSNES

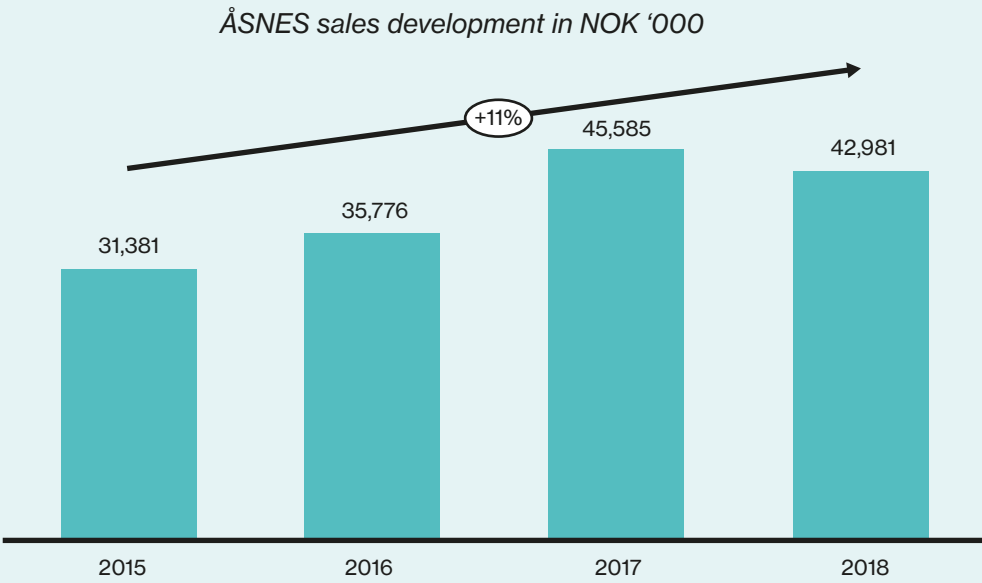
Snippet

The ÅSNES brand has been producing rugged skis for mountaineering and winter hiking for over 95 years, tracing its origins all the way to 1910 in Christiania in Norway where the oldest of the Åsnes brothers began working at the Hagen ski factory.

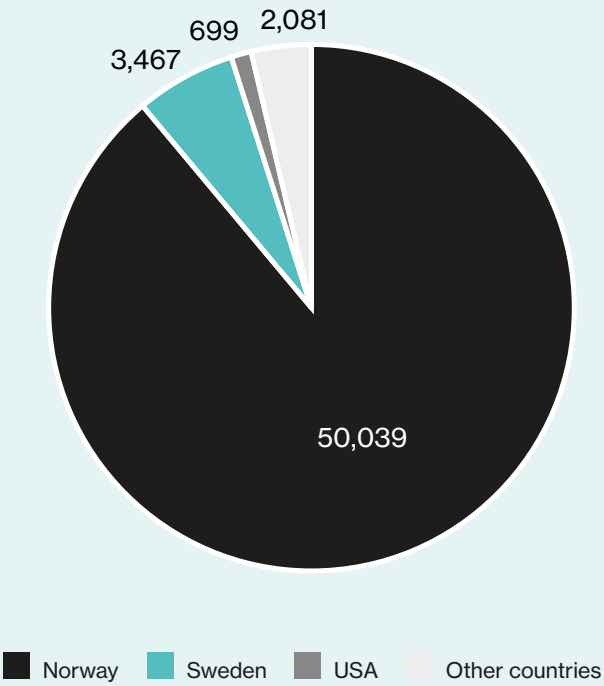
ÅSNES has a long and rich history marked by both great successes and tough setbacks, with the brand having its absolute heyday in the late 1970's before declaring bankruptcy in 1998 on the back of intensifying competition and innovation in the ski equipment industry.

The Åsnes brother's iron will and the culture of perseverance in the organization, however, meant that the company was destined to bounce back stronger than ever. Regional investors stepped in to save the company in the late 1990's, and Skigutane acquired its assets years later before Active Brands took ownership in 2010.

Today, ÅSNES is a market leader within the niche segment of mountain skis and poles, but also focuses on playful skis intended for mountain touring, producing c. 30,000 pairs of skis annually. The brand is still known for high quality skis and the innovative climbing skin insert system that it introduced in 2003, with design and development still carried out by the Åsnes family alongside the brand's ambassadors.



Åsnes 2019F sales split in NOK '000





BULA

Snippet

Since its inception in 1983, BULA has been living the good life. The brand was originally founded when two US Ski Team members stopped by Fiji during a break from Summer Ski Training on the glaciers of New Zealand. Amazed by the casual attitude and fun colors and prints worn by locals, they decided to start making hats and headbands inspired by the Fijian way of life.

In the years since then, BULA has grown into an international leader within winter headwear, with the initial offering of hats and beanies expanded to encompass base layers, gloves, socks, and sweaters. In addition to the winter categories, the brand has extended its product range to include activewear for the summer season through its BULA Beach line.

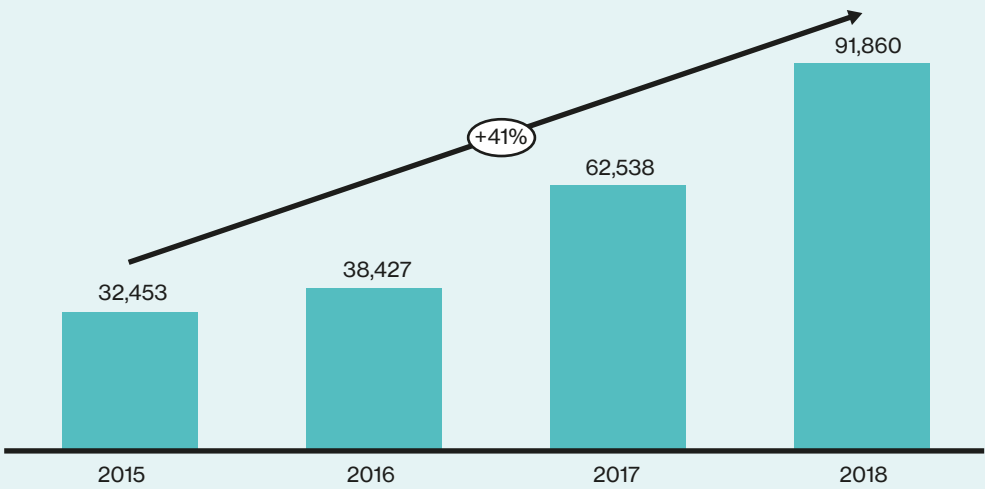
The BULA brand was attached to Active Brands in 2010 in connection with the Skigutane acquisition. Before 2016, however, Active Brands was only a distributor of BULA in Europe and Russia.

Today it holds distribution rights in all geographies where BULA is present, with the exception of the US where distribution is handled in partnership with Mr. Leonard Marcovitch, President of BULA Canada, who owns the rights for the North American market.

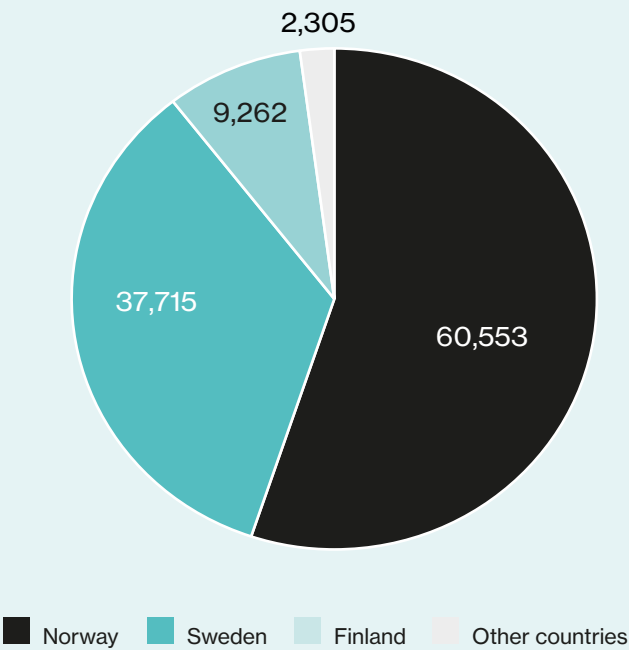
The BULA brand's core message is about living the good life by hanging out with family and friends, traveling, and having fun. Life is short and needs to be lived to the fullest, and BULA has been living the good life for over 30 years. The core customer is the BULA person; an optimistic and unpretentious individual, urban or rural, who lives an active yet relaxed lifestyle. He or she is not a lone wolf but participates in the social scene and is up to date with the latest trends without having the urge to necessarily be an early adopter.

“Bula Bula” is a Fijian greeting that stands for “good life, health and happiness.”

BULA sales development in NOK '000



Bula 2019F sales split in NOK '000





# VOSSATASSAR

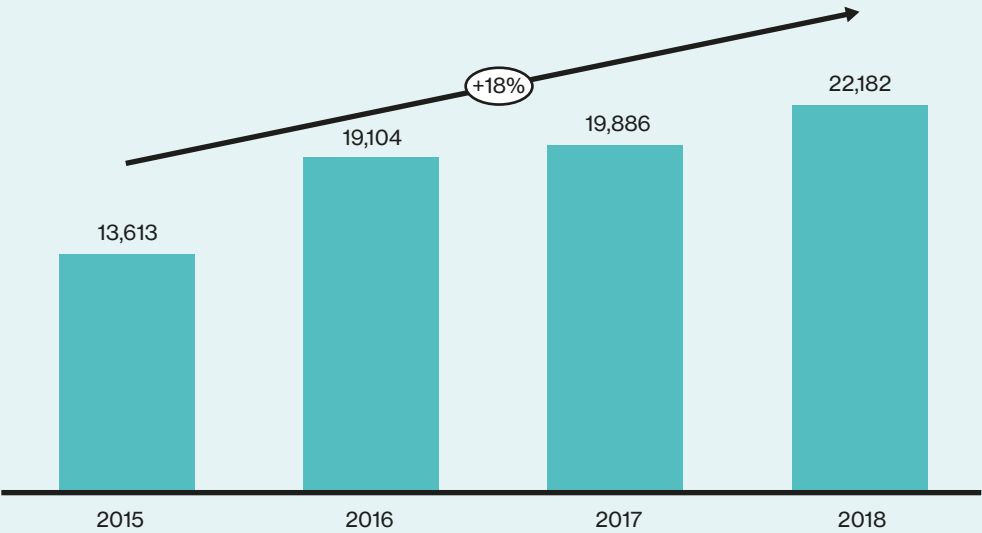
Snippet

VOSSATASSAR was founded on the mission of encouraging play and physical activity in children up to seven years of age, with products meant to withstand the wild and messy games that children play in the forest, playground or on the beach.

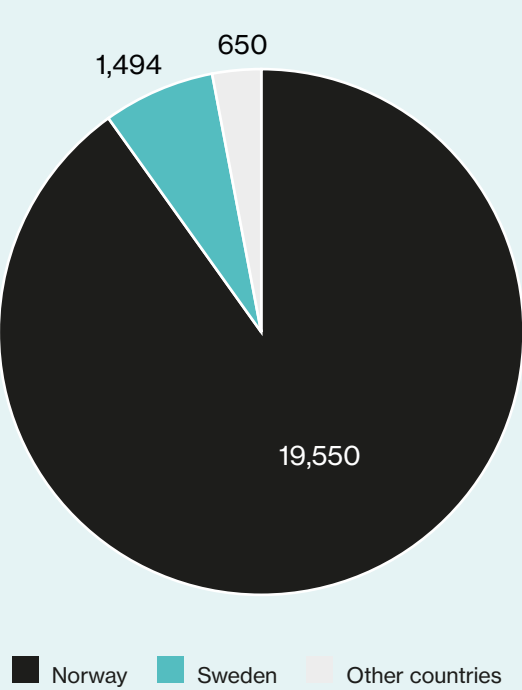
The brand is actively moving against the increasingly prevalent phenomenon of division along gender lines in the children's clothing industry, producing colorful and imaginative unisex collections that appeal to princesses and pirates alike.

VOSSATASSAR was added to the Active Brands platform through the acquisition of Skigutane in 2010, and today the brand is engaged in the design and sale of most categories within active children's wear, with the same core message of children needing to live, learn and grow through the joy of playing. Playing games that are restricted only by the imagination is a language all children understand, and VOSSATASSAR is facilitating and encouraging this through colorful, practical, and fun clothing.

VOSSATASSAR sales development in NOK '000



Vossatassar 2019F sales split in NOK '000





# KARI TRAA Deep-Dive

## Marketing Campaigns

Apart from its regular branding efforts and use of ambassadors and influencers, KARI TRAA actively speaks up for women's rights through various marketing campaigns, such as Trollfighters and Celebrate Yourself – in line with its motto of “FOR GIRLS, BY GIRLS”.

In Trollfighters, KARI TRAA's first ever commercial, the brand took an active stand against internet “trolls” and negative body images. With cyber bullying becoming an increasingly global issue through the advent of social media, KARI TRAA let eight brave girls tell their true stories about online harassment and confront their internet “trolls” by exposing their identities to the world.

The campaign went viral and reached 20 million views, with an estimated media value of EUR 1.2 million and 41% increased brand liking in the target group. On the back of the campaign, the #NoTrollCanBreakMe hashtag became a symbol of strength and attitude for women around the world.

In recent years, the female sports brands have unhappily inherited the unrealistic body ideals of the fashion industry, while a general performance obsessed culture is becoming more and more pervasive.

In Celebrate Yourself, KARI TRAA sought to relieve societal and social pressures for women who simply want to enjoy sports by celebrating “the serious, the silly, and the seriously silly”. When others say that only victory matters, KARI TRAA says that every mile counts, and when others say push yourself, KARI TRAA says Celebrate Yourself.

The campaign was launched with a film that showcased what happens in a girl's locker room after training, when the endorphins kick in and a care-free attitude takes over.

As a direct result of the commercial, KARI TRAA brand awareness increased +148% with an estimated media value of EUR 0.8 million.





Product Categories

The KARI TRAA brand is made up of numerous product categories that belong to various subsegments within the broader sporting goods industry. Two noteworthy examples are the baselayer and footwear segments.

Baselayer Segment

KARI TRAA's core competency and principal heritage is the baselayer segment, and the brand is the clear leader in Scandinavia – and particularly Norway – within this niche. The brand is penetrating the US market fast, with its focus on baselayers and emphasis on its central brand messages having paid early dividends in the region.

The baselayer subsegment can be broadly split into wool and synthetics, with KARI TRAA historically focusing mostly on the wool side. In 2018, KARI TRAA had a 4.0% and 0.2% market share of the wool and synthetic subsegments, respectively.

KARI TRAA has launched multiple profitable lines within baselayers, but the award-winning Svala and bestselling Rose series stand out as exceptional success stories.

The Svala line features a quick-drying stretch synthetic fabric, a unique mixture of dry-release polyester and wool, that provides warmth and breathability when hitting the slopes or taking a run in the neighborhood.

The Rose series is KARI TRAA's premium, best-selling wool base layer, made up of 100% merino wool that makes it soft on the skin, breathable, and naturally odor resistant. Its feminine cut and Scandinavian-inspired design are unlike anything else on the market and is the perfect garment when bundling up for cold winter days – in the mountains or at home.



Footwear

In August of 2018, KARI TRAA launched its own collection of footwear, underpinned by focused distribution and a significant marketing spend to incorporate the footwear into the broader KARI TRAA seasonal brand campaign. The catchphrase adopted by the collection is “RUN THE SHOW”, with the core brand message revolving around inter-linked themes of physical activity, playfulness, not caring about what others think, and being proud, strong, and confident.

The marketing campaign utilizes the influencer channel, online advertisements on sites such as YouTube and Facebook, as well as short-form films with a dancing theme.

A positive initial consumer response to the quality as well as a marketing campaign resonating well with the target demographic has meant that the footwear category has gotten off to an explosive start. However, KARI TRAA still faces an uphill battle in terms gaining real traction in the category, with only 4 out of 10 Norwegians having knowledge of the KARI TRAA sports shoe.



# Current Business Model

## Platform Value Proposition

The key value proposition of Active Brands' house of brands platform structure relates to the potential of synergies in the value chain along both cost and revenue dimensions, stemming from a strengthened bargaining position and the sharing of functional resources and assets across brands.

On the cost side, synergies are realized both through the increased bargaining power vis-à-vis manufacturers and sourcing agents as well as the combination of production, administrative, marketing, and sourcing functions of the platform's various brands. Lower shipment rates can be negotiated by pooling order volumes, while ancillary spend is reduced and common data analytics teams are leveraged.

On the revenue side, the increased negotiation power in relation to retailers and wholesalers together with the potential for cross-selling and leveraging brand complementarities also yield significant synergies. Consolidating sales teams enhances the retail presentation across the constituent brands, while the stronger bargaining position allows for higher product and bundle pricing.

## Order Streams

The order flow occurs in two streams. In the primary stream, customers pre-order product volumes for the winter and summer seasons six to nine months in advance of delivery, while the secondary stream affords customers the option to order-as-you-go where products are ordered when and as needed.

Key accounts are served under multi-year agreements spanning both pre-orders and order-as-you-go, with pre-orders accounting for roughly ¾ of total turnover. This allows for the reduction of substantial amounts of uncertainty related to Active Brands' short-term future cash flows.

However, this order model is by no means unique to Active Brands but has de facto become the standard in the apparel industry. If retailers and customers alike do not adopt this *modus operandi*, where the lion's share of products are subject to multi-year agreements that specify a certain amount of pre-orders, they are cut off from distribution.

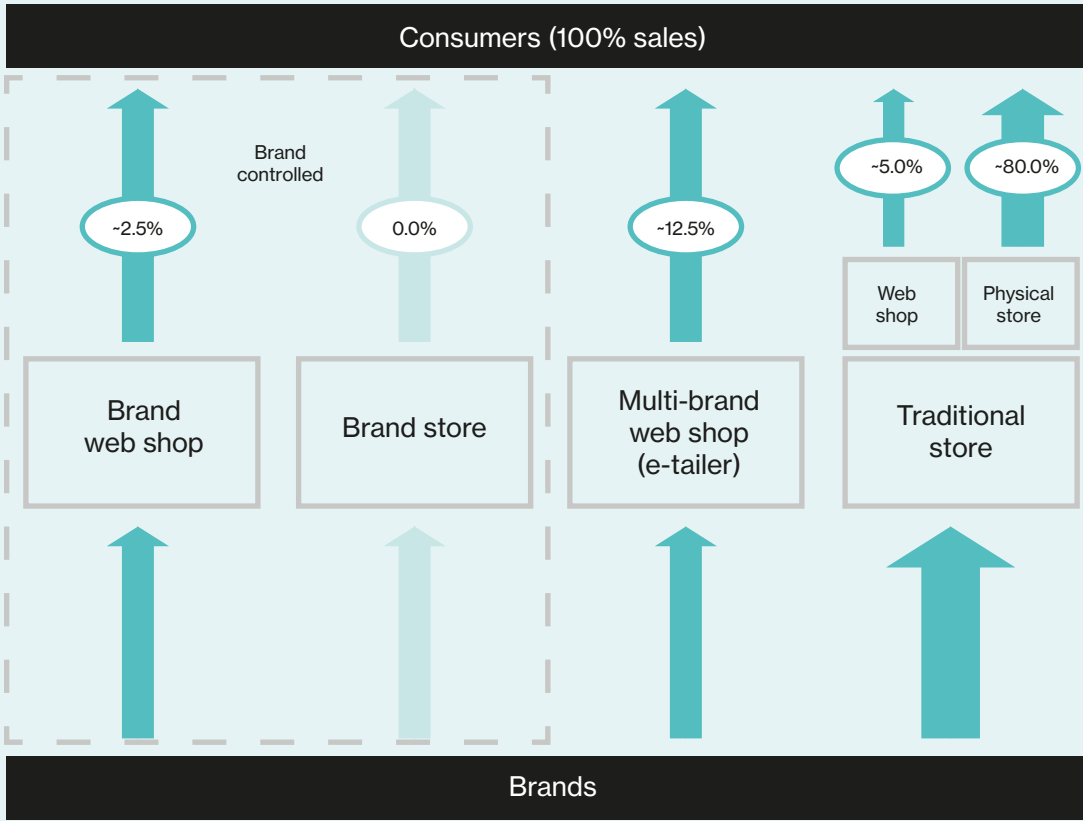
The benefits for Active Brands of pre-orders is the improvement to production planning stemming from the greater demand visibility, with uncertainty and volatility in cash flows reduced as a derivative effect hereof.

## Distribution

Active Brands sells its products through three main distribution channels. In established, directly-managed markets such as the Nordics and North America, the Company employs a mix of all three distribution channels, while agents and regional distributors are used in less established, indirectly-managed regions in the rest of Europe and Russia.

The company's customer reach across the channels can be broken down as follows: ~80% of customers are reached in traditional brick and mortar specialty stores, ~17.5% of customers are reached online via third-party web-stores, and ~2.5% of customers are reached through own brand web-shops.

Active Brands' route to consumers, 2018



Wholesale channel	Regular sports retailers, specialty stores, fashion stores
Retail channel	Outlet stores, pop-up stores and brand stores
E-trade channel	Own brand web-stores and multi-brand web-stores





Organizing Production and Logistics

For KARI TRAA, as much as 98% of business is currently generated through the wholesale channel, specifically via specialty vendors.  
In the US, the main specialty store partner is REI, a private membership co-op with 17 million members and a critical retailer for every outdoor brand due to its reputation and ability to move substantial volumes.

The turnover share of the outlet store segment is currently insignificant, as shifting from the wholesale model entails the creation of a more complex supply chain and requires long-term lease agreements. However, the outlet channel is currently outgrowing all other retail businesses and offers clear benefits within areas of inventory management and brand control.

*”We launched e-commerce in December, but the plan is not so much to drive e-commerce from our site. Instead, we’re really trying to make it a place to showcase the brand. Our website should be almost like a magazine where you can opt in to content about Kari. Obviously, there will be options where you can buy online or be directed to our store locator, and pricing-wise, we’re always going to be at MAP (minimum advertised price). Our thought with the site is to offer products that our consumers won’t find elsewhere or products you can’t find at REI or other retail doors.”*

– General Manager North America, Active Brands

While there are clear benefits to the current distribution setup in terms of brand protection and ideal product placement, the optimality of the configuration with respect to scalability and key account development is less evident.



Production is outsourced to factories in different Asian countries, with manufacturing levels dependent on purchase orders from customers that are placed by Active Brands’ Shanghai sourcing office. After placement orders are cleared, the finished products are shipped to Active Brands’ central warehouses in Borås, Sweden and/or Los Angeles, USA, or directly to customers’ central warehouses.

From the central warehouses, the final product delivery is made to the retailers’ brick and mortar shelves or e-commerce inventory spaces.

Complete control of internal processes contributes to higher margins, as each constituent brand within the larger house cooperates seamlessly with central buying and production teams of the platform.





A photograph of two women standing on a modern bridge with a complex metal lattice structure. The woman on the left is wearing a colorful floral-patterned jacket over a pink top and black leggings, with her arms crossed. The woman on the right is wearing a light blue windbreaker jacket over a dark top. In the background, a modern building with a large glass facade is visible under a clear blue sky.

# External Analysis



# Trends

Increasing awareness of health and fitness is a secular global trend that has sparked significant changes in almost all industries and facets of people's lives, impacting how companies operate and the way in which consumers eat, live, and clothe themselves.

As an underlying and structural trend in society, it has fostered numerous specific market sub-trends that directly impact consumers and their purchasing behavior. The trend of people living increasingly active lifestyles as well as the growing societal wish to feel more sportive and be perceived as such by others have been particularly important catalysts for change in the sporting goods industry. The first trend is the principal source of growth in the broader sporting goods market, while the latter phenomenon is the key driver – alongside shifting views on style versus practicality in clothing – of growth in the athleisure sports apparel subsegmen

## Athleisure



Many of today's men and women are trading in their favorite denim jeans and tried and tested summer shirts for sweat pants and mesh tees, in a fashion and sociological phenomenon described as the athleisure movement. Athleisure, a composite of 'athletics' and 'leisure', refers to casual clothing which is designed to be worn for exercise and general use.

As a fashion trend, it refers to the way in which sports apparel – clothes designed for athletic activities – are worn for purposes other than exercise, such as work, school, or social occasions. The most common athleisure outfits are leggings, sweatpants, sports bras, hoodies, tights, shorts, and sneakers. The upgrade cycle of both new designs and improved materials – a page torn from the technology industry – also keeps consumers engaged and coming back for more.

The segment has grown rapidly on the basis of two key drivers, as demand for multi-functional apparel has increased in parallel with the psychological trend of society wanting to feel sportive and active and be perceived as such by others.

*“There’s one word that explains the continued growth of athleisure: well-ness. Wellness isn’t about your health in a strictly medical way, although it’s related. Wellness is more about your state of mind. Wellness products like yoga pants give the wearer an association with a healthy activity, whether they’re actually doing the activity or not. It’s a look that expresses an aspiration for health and positive thinking.”*

**- Kim Karmitz, Triangle Capital**

*“The generational and societal shift toward less formal fashion styles over the past few decades haven’t hurt. Wearing sneakers and jeans to work was once frowned upon, but many professionals now arrive at the office in flashy, multihued trainers and exercise gear... People buying clothes, shoes and gear that helps them stay healthy, fitter and feeling good? Why would that ever go out of style?”*

**- Morgan Stanley Research**





Active Lifestyles



Consumers, driven by a greater awareness of health and rising per capita income, are living more active and sportive lives, and spending a correspondingly larger amount on sports apparel. One of the fastest growing activity areas is action sports, which includes skiing, snowboarding, and BMX biking – sports which many of the constituent brands are highly exposed to through various product categories, such as SWEET PROTECTION's helmet segment and KARI TRAA's base-layer category.

Female participation within action sports is also increasing rapidly, which further plays into the female DNA of a number of the platform's brands, such as JOHAUG and KARI TRAA.

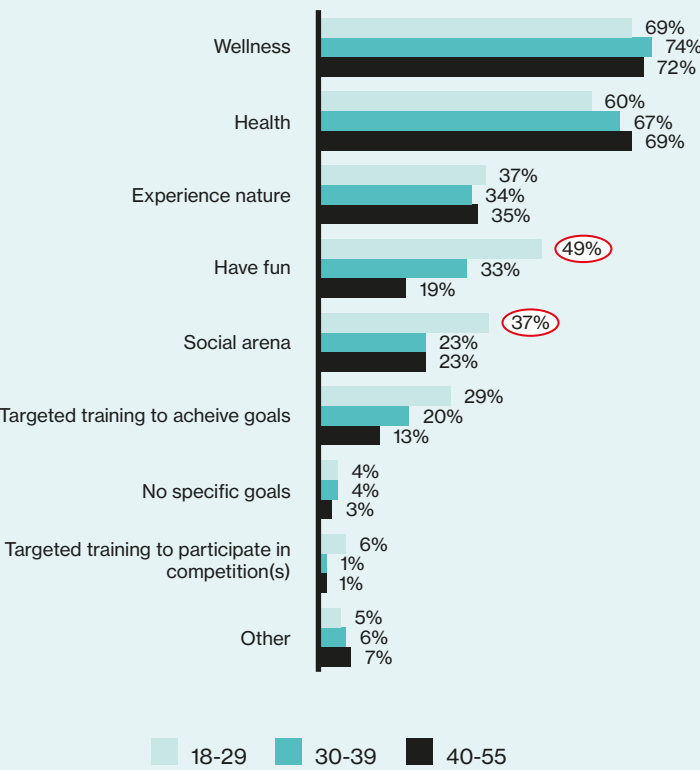
In Europe, Scandinavian countries are the most active with 65-69% of the population being physically active, whereas Southern European countries such as Portugal and Italy are among the least active with less than 1/3 of the population engaging in physical activities.

In a recent Norwegian survey, the majority of respondents said they engaged in 2-4 hours of physical activity per week, with most doing so for wellness and health reasons.

*“The sports we play (or watch) can shape what we wear—and buy. A focus on fitness and healthy living has translated in more active lifestyles, especially among youth. In North America, for example, sports participation among high-schoolers overall has jumped from 25% to more than 35% over the past 35 years, led by a near doubling among girls, from 17% to 32% over that period.”*

- Morgan Stanley Research

Reasons to work out. Sorted by total percentage



In addition to the underlying health trend, the consumer composition within the sporting goods market is also shifting as millennials become an increasingly important share of the total wallet. This trend has important implications for industry players, as millennials differ from previous generations along key search and purchasing behavior dimensions in ways that require a revaluation of branding, pricing, and marketing approaches.



Millennial Consumer Behavior



Millennial consumers seek newer brands that are innovative and authentic in their brand message.

They prefer shopping at independent and specialty vendors over generalist retailers, and frequently review products online before making final purchasing decisions.

In spite of earning less than older generations, they are willing to pay a larger premium to get products that are exactly aligned with their preferences in terms of sustainability, quality, brand message, and looks.

“One of the largest generations in history is about to move into its prime spending years. Millennials are poised to reshape the economy; their unique experiences will change the ways we buy and sell, forcing companies to examine how they do business for decades to come...their active lifestyle influences trends in everything from food and drink to fashion.”

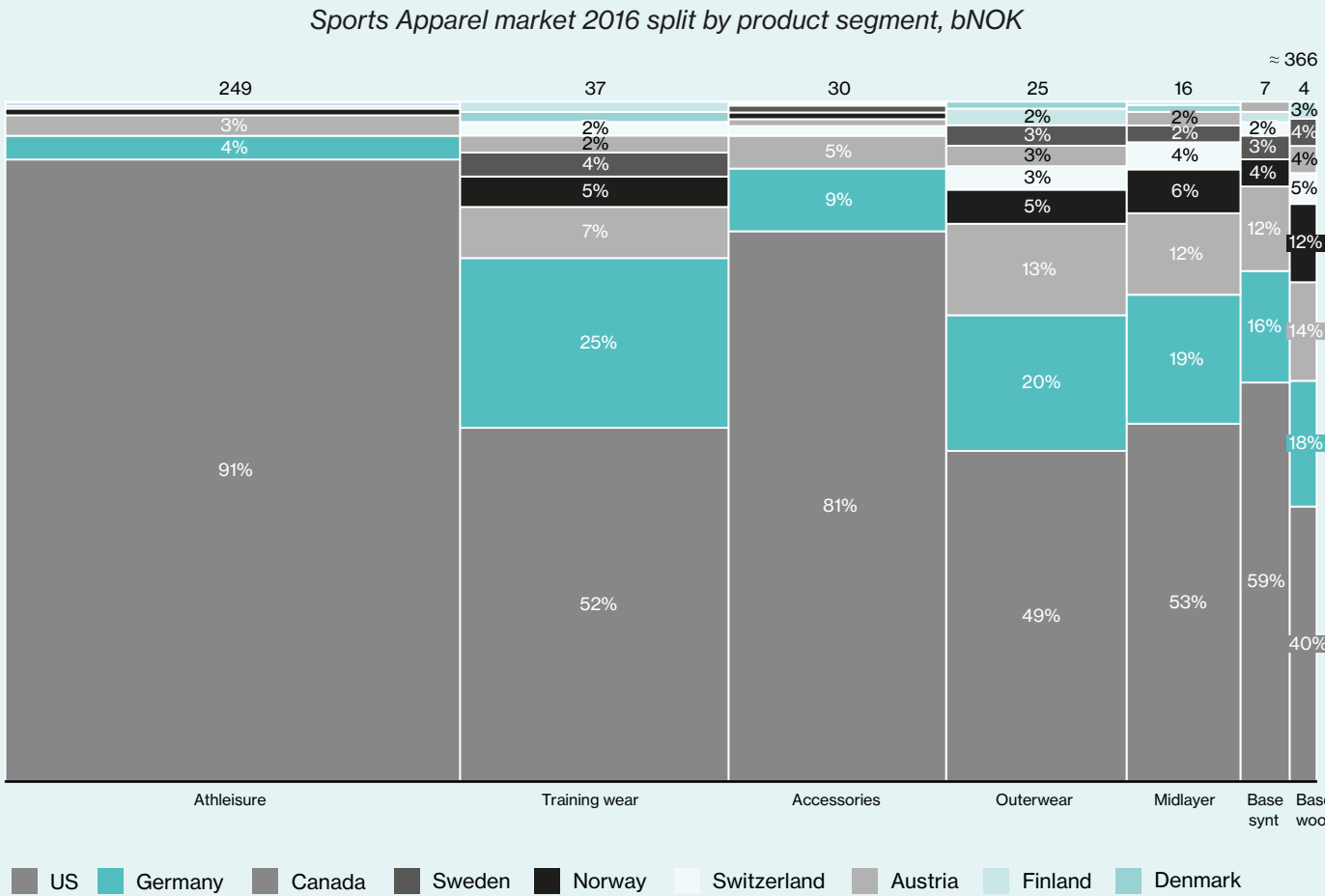
- Goldman Sachs Research

Segments

All of the constituent brands within the Active Brands house can be viewed as operating within the broad sporting goods market. Within this market, Active Brands is primarily exposed to the sports apparel segment – containing subsegments such as athleisure and baselayers – through its brands KARI TRAA, DÆHLIE and BULA.

Sports Apparel Market

The sports apparel market has an estimated size of ~366 bNOK with athleisure being the largest segment at ~249 bNOK.



Note: The segment “Nordic” is excluded

The baselayer subsegment is of great importance to the Active Brands platform as it makes up the lion's share of KARI TRAA's turnover, which in turn constitutes the majority of the platform's consolidated revenue.



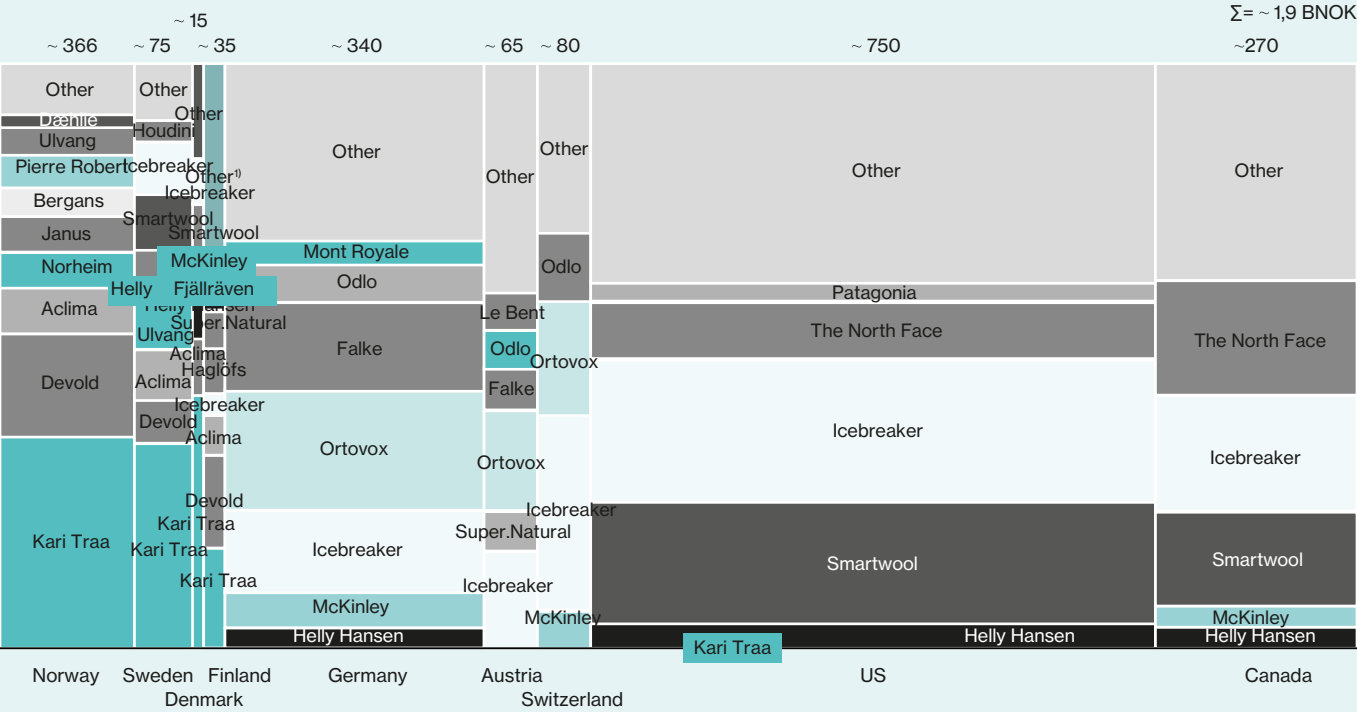
Baselayers

KARI TRAA's exclusive focus on female consumers means that the female market within base-layers is of particular interest. The baselayers subsegment can be split into wool and synthetics along material lines.

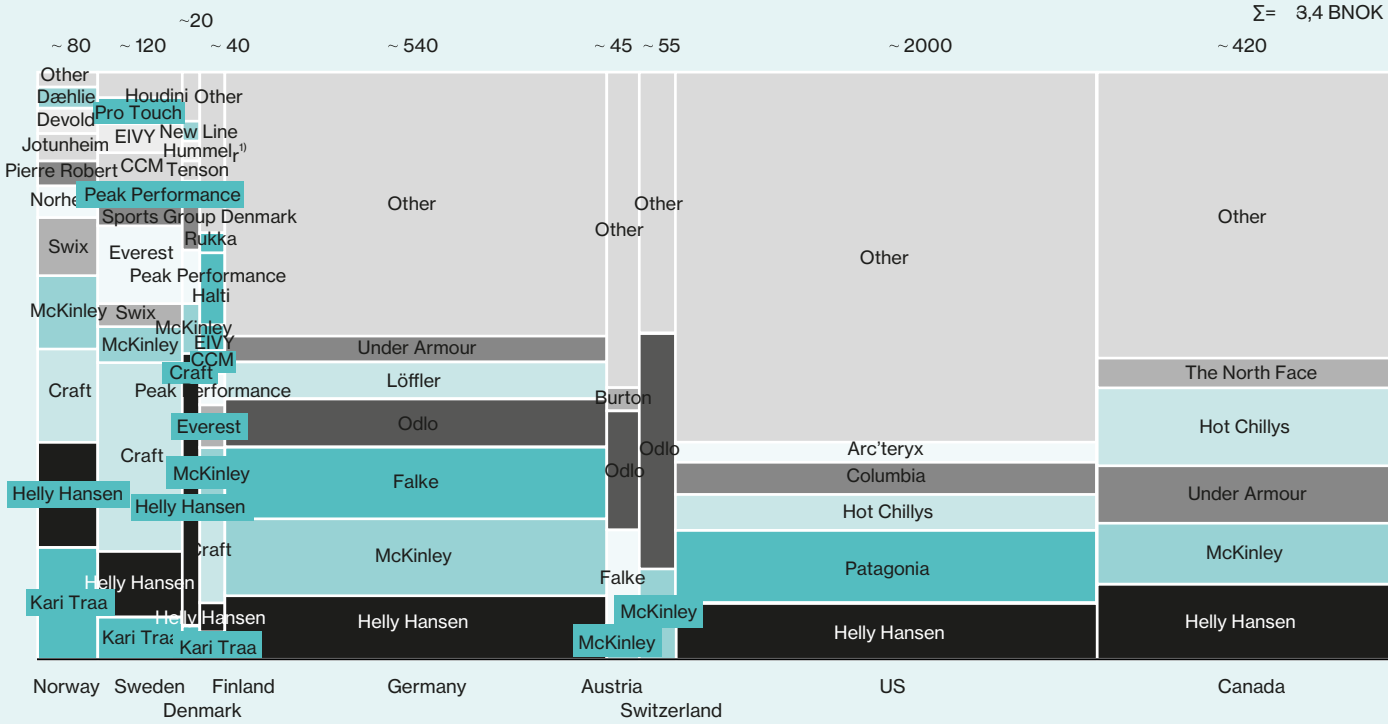
The market for female wool baselayers is estimated to be ~1.9 bNOK, and KARI TRAA has a strong position in the Nordic region with leading shares in both Norway and Sweden.

The market for female synthetic baselayers is significantly larger than the wool segment, at an estimated ~3.4 bNOK, but KARI TRAA enjoys a less dominant market share in this space.

Market shares in female baselayer wool market by region  
Wholesale value excl. VAT, 2016 figures in MNOK



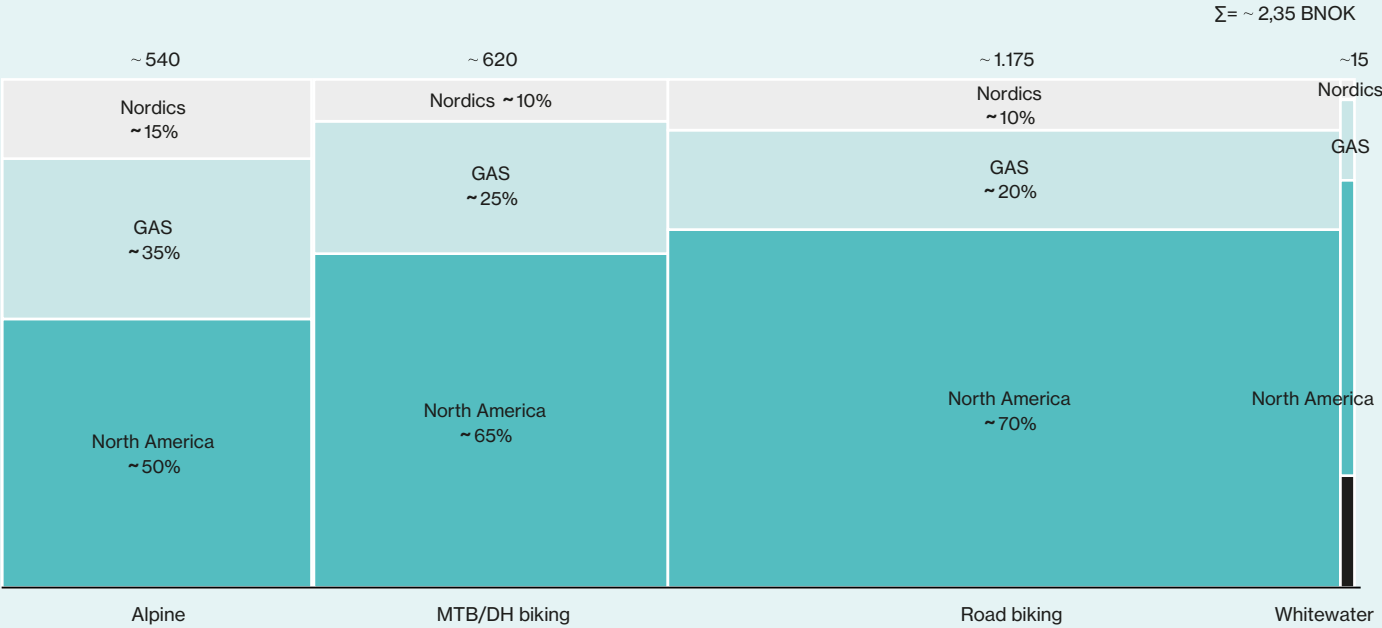
Market shares in female baselayer synthetic market by region  
Wholesale value excl. VAT, 2016 figures in MNOK





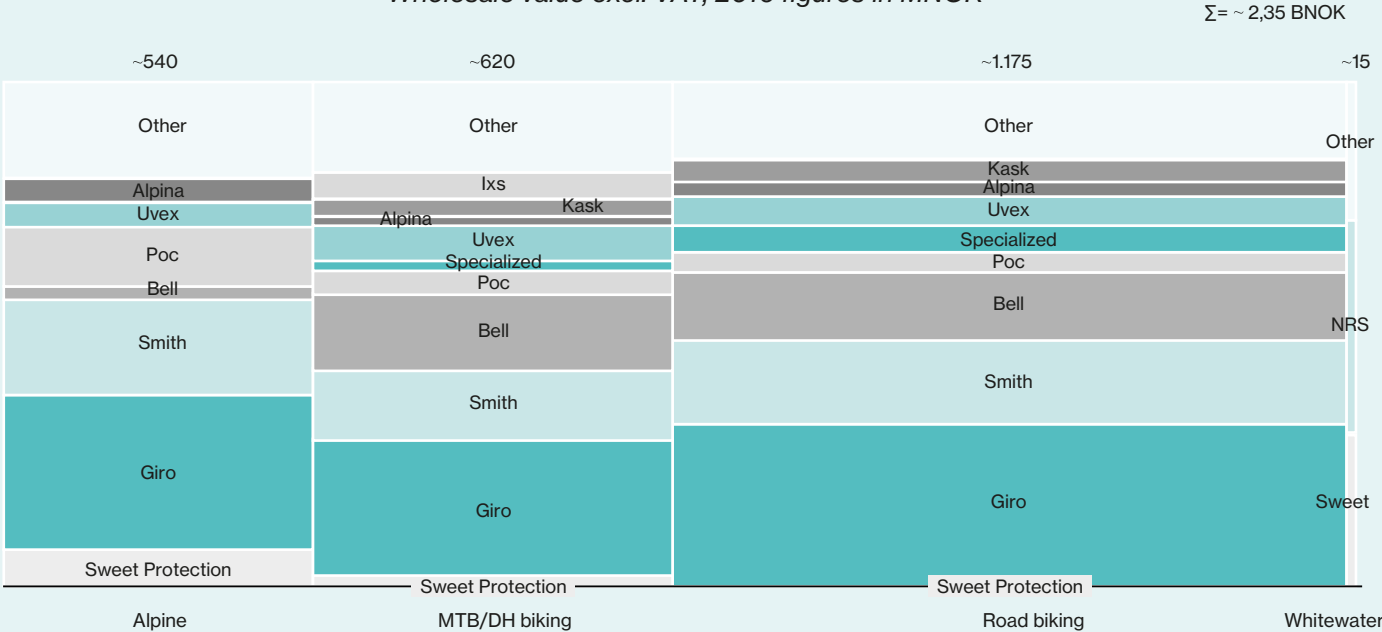
The SWEET PROTECTION brand is primarily exposed to the market for premium helmets. North America constitutes approximately 65% of this ~2.4bNOK market.

Distribution of premium helmet market by region  
Wholesale value excl. VAT, 2016 figures in MNOK



Giro and Smith are the leading players across Alpine, Mountain Biking, and Road Biking, while SWEET PROTECTION is a key player in the small but growing Whitewater subsegment.

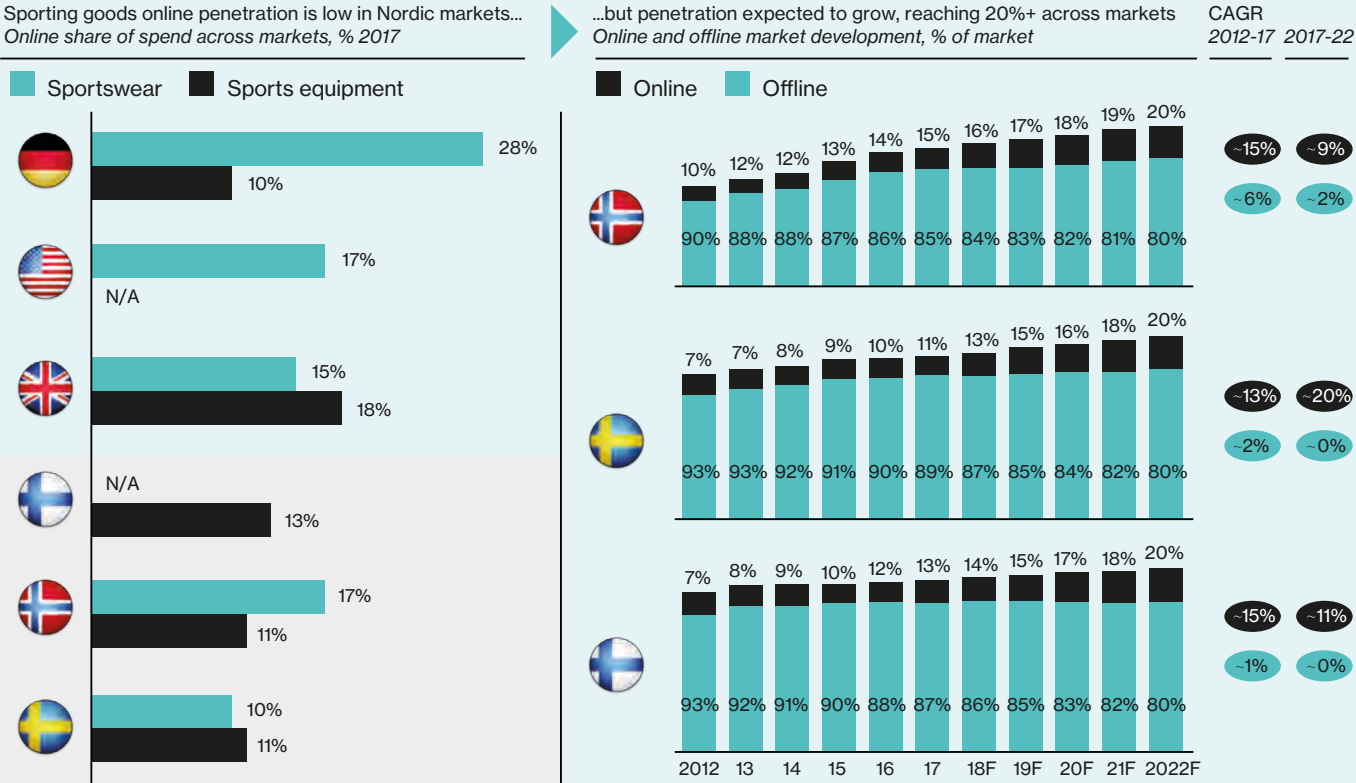
Market shares in premium helmet market by product category: Nordics, GAS & North America  
Wholesale value excl. VAT, 2016 figures in MNOK



## Market Developments








Of Active Brands' key markets, the US has the highest spend per capita on sports apparel, closely followed by Norway and Sweden. The newly entered German market is sizeable but is set to experience the lowest market growth. Of the sports apparel subsegments, athleisure is expected to grow the fastest.

Online maturity in Active Brands' key regions is behind leading markets such as the UK, underlining the continued important role of brick and mortar stores. Nonetheless, penetration is expected to increase in all regions, and is projected to reach +20% across key markets by 2022.





Competition

	Active Brands AS	Prominent competitor examples	Latest annual sales figure of competitor in mNOK
Pure-play Platforms			26,578 (FY 2018)
Non pure-play Platforms		BESTSELLER	898 (FY 2018)
Base wool/synthetic	KARI TRAA		1,398 (FY 2018)
Training wear	KARI TRAA		331,039 (FY 2018)
Helmets			6.665 (FY 2018)

Competitive Landscape

There exist only few players that are directly or semi-directly comparable to Active Brands in terms of both the platform structure and constituent brand categories.

An example of a pure-play competitor along both dimensions is Finnish-based Amer Sports, a sporting goods company with internationally recognized brands such as Salomon, Arc'teryx, Peak Performance, and Wilson in its portfolio.

Amer Sports sells its products directly to consumers through brand stores, factory outlets, and e-commerce, as well as through retailers such as sporting goods chains, specialty retailers, mass merchants, fitness clubs (comma) and distributors. Amer Sports was acquired by Chinese Anta Sports in the spring of 2019.

A semi pure-play competitive house of brands is VF Corporation, an American leader in branded lifestyle apparel, footwear and accessories.

VF Corporation controls a large portfolio of sporting goods brands, including Icebreaker and The North Face, supporting them with its powerful business platform that affords leverage in operations and distribution.

Players also exist with a comparable platform structure, but with no constituent brands directly engaged in the sporting goods industry. An example is Danish-based Bestseller, a house of more than 20 individual fashion brands that sells its products online and in more than 17,000 branded and multi-branded chain stores across the world.

Due to the relative scarcity of pure-play peers vis-à-vis both the platform structure and focus on the sporting goods industry, it may be prudent to also view the competitive landscape along simply brand product category dimensions. Through this lens, the Norwegian brand Helly Hansen is a key competitor within the baselayers segment, while Nike dominates the training wear space.

Competitive Dynamics

- Active Brands' competitive landscape is characterized by increasing platform rivalry attributable to – amongst a range of dynamic trends – growing sporting goods brand platforms, converging brand themes, and increased focus on similar target groups.
- 1. Growing sporting goods brand platforms**  
In 2018, VF Corporation acquired both Icebreaker, a New Zealand-based merino wool outdoor clothing brand, and Altra Running, an American company engaged in the design and development of footwear, highlighting the expansion of key sporting goods competitor platforms.
  - 2. Converging Brand Themes**  
Direct competitors on key product categories such as Norwegian baselayer company Devold is placing similar product designs and brand messages to KARI TRAA's in the marketplace to gain momentum.
  - 3. Similar Target Groups**  
Large household brands are dedicating more resources and effort into building strong female brands, amplifying the competition surrounding Active Brands' female brands in particular.





A full-page background image showing a mountain biker in a red long-sleeved shirt, black shorts, and a white helmet standing on a dirt trail. The biker is looking out over a vast mountain landscape with a lake and a town in the distance. The sky is blue with scattered clouds. A dark grey semi-transparent rectangle is overlaid on the right side of the image, containing the text 'New Strategy Request' in white.

# New Strategy Request



Having successfully penetrated and established a physical presence within the US market while reinforcing the strong Nordic position, FSN is now looking to sharpen its commercial strategy to unlock maximum value in the remainder of the holding period – in preparation of a divestment of the Active Brands as a whole or individual constituent brands. The strategy, in the context of market trends and competitive dynamics, should include the Advisor’s view on how to address the following three key areas of concern:

I. **How to best capture organic growth opportunities and drive potential M&A activities.**

How should Active Brands allocate available resources among its different constituent brands and geographies to take advantage of the most attractive organic growth opportunities? Should it consider inorganic initiatives to supplement this organic growth? If so, what targets would be most attractive and realistic, and how should potential acquisitions be financed?

II. **Where, how, and if to continue the international expansion.**

Should Active Brands – having already established a strong physical presence in the Nordics and US markets – seek to enter its indirectly-managed regions with own personnel and replace agents/regional distributors? If so, which regions should it look to first, and what brand(s) and product categories should lead the charge?

III. **How distribution, brand positioning, and product category prioritization should be handled in both current and potential new markets outlined in (II).**

Active Brands has several possibilities – in both current and future markets – regarding its distribution strategy, brand positioning, and product category prioritization.

Should it continue to drive sales primarily through the specialty store doors via the wholesale channel, or is e-commerce the ideal channel moving forward? Will the positioning of the key brands as exclusively premium be optimal in the future, or should a lower-end positioning be considered? What product categories should be prioritized within the respective brands?

FSN expects KARI TRAA, as the star constituent of the platform, to be the focal point of your analysis. However, it also hopes to receive analyses and explicit views on the attractiveness of other brands with the highest commercial potential in either current or future markets.





A high-angle, wide shot of a snowboarder descending a steep, pristine snow-covered mountain. The snowboarder, wearing a bright yellow-green jacket and dark pants, is positioned in the lower-left quadrant of the frame, leaving a trail of white powder behind them. The mountain's surface is marked by long, soft shadows and scattered dark rocks. The sky above is a pale, hazy blue. A semi-transparent dark grey rectangle is overlaid on the right side of the image, containing the title text in white.

# Financials & Ownership Structure



# Financial Performance & Overview

## Group Developments

The Group refers to the entire Active Brands platform, including the seven brands and all platform activities separate from these.

Active Brands has realized a strong top-line CAGR of c. 10% from 2016 to 2018, fueled by both organic and inorganic growth initiatives. Notably, KARI TRAA's relatively lower FY2018 growth came on the back of a deliberate choice to cut back on KARI TRAA distribution in the Norwegian home market to preserve brand value.

Norway continues to be the most important market across all brands, making up c. 57% of total turnover.

The gross margin increased from 44.5% to 46.1% over the period from 2016 to 2018, while the group EBITDA margin contracted half a percentage point since 2016, reaching a ~12% margin in FY 2018.



Group P&L (in NOK '000)	2016A	2017A	2018A	2019F
Net sales	874,011	971,899	1,054,692	1,244,463
Cost of sales	484,392	514,987	568,953	679,558
Gross profit	389,618	456,911	485,739	564,904
Personnel	114,216	131,671	144,067	161,932
Sales- and marketing	78,153	92,321	98,054	105,843
Agent commission	3,780	8,104	9,108	14,198
Other operating expenses	80,869	93,475	104,936	114,470
Bad debts	2,758	1,997	2,350	4,100
EBITDA	109,843	129,344	127,223	164,361
Additional items				
Accounts receivable	159,766	247,109	226,186	
Other receivables	14,393	19,794	21,786	
Inventory	125,544	111,289	165,166	
Bank	3,280	3,629	3,818	
Accounts payable	78,364	86,771	53,479	
Short-term debt	42,696	49,178	57,736	
Taxes payable	4,792	59,535	42,164	
Depreciation	n.a.	8,400	15,900	
Amortization	n.a.	89,700	72,000	
Capex	n.a.	20,700	33,300	



Cost Structure

Given the platform nature of Active Brands, two cost streams – group-level costs and brand-level costs – make up the total cost basis.

**Group-level costs** are labelled “shared services” and represents group functions that are not directly linked to any specific brand, such as personnel, logistics and administrative costs.

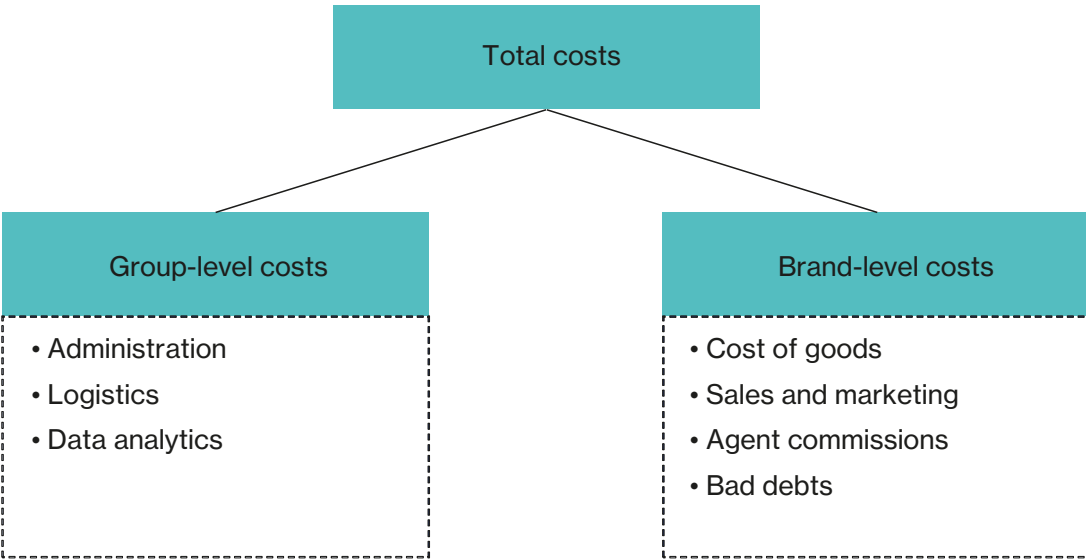
**Brand-level costs** constitutes the lion’s share of total costs and is directly allocable to separate brands, representing line-items such as cost of goods sold, sales and marketing, and agent commissions.

Both *group-level* and *brand-level* costs are grouped under the same cost line-items such as personnel and other operating expenses in the Group P&L.

Active Brands’ most important cost line-items lie within brand-level costs relates to cost of goods sold, personnel and sales & marketing.

With no in-house production, the majority of cost of goods sold stems from the products purchased by the production facilities in Asia and are thus driven by the underlying purchase prices and volume. In FY2018, the gross profit margin was 46.1% and 44.5% for the group and KARI TRAA, respectively.

Sales & marketing is a key driver of organic growth, comprising 9.3% of group revenue and 7.5% of KARI TRAA turnover in FY 2018.



Brand P&L Contributions

Revenue

The vast majority of consolidated group turnover, 98.5% in FY2018, stems from the sale of branded Active Brands products, with the remainder coming from owned outlet stores, the Shanghai sourcing office, and other shared group functions.

Of the revenue contribution from brands, KARI TRAA has been stable around 50% over the last three years, while DÆHLIE’s share has decreased from 22% in 2016 to 14% in 2018. The shares of most other brands have remained steady, thus reflecting a proportional development between constituent brand revenues and aggregate group turnover.

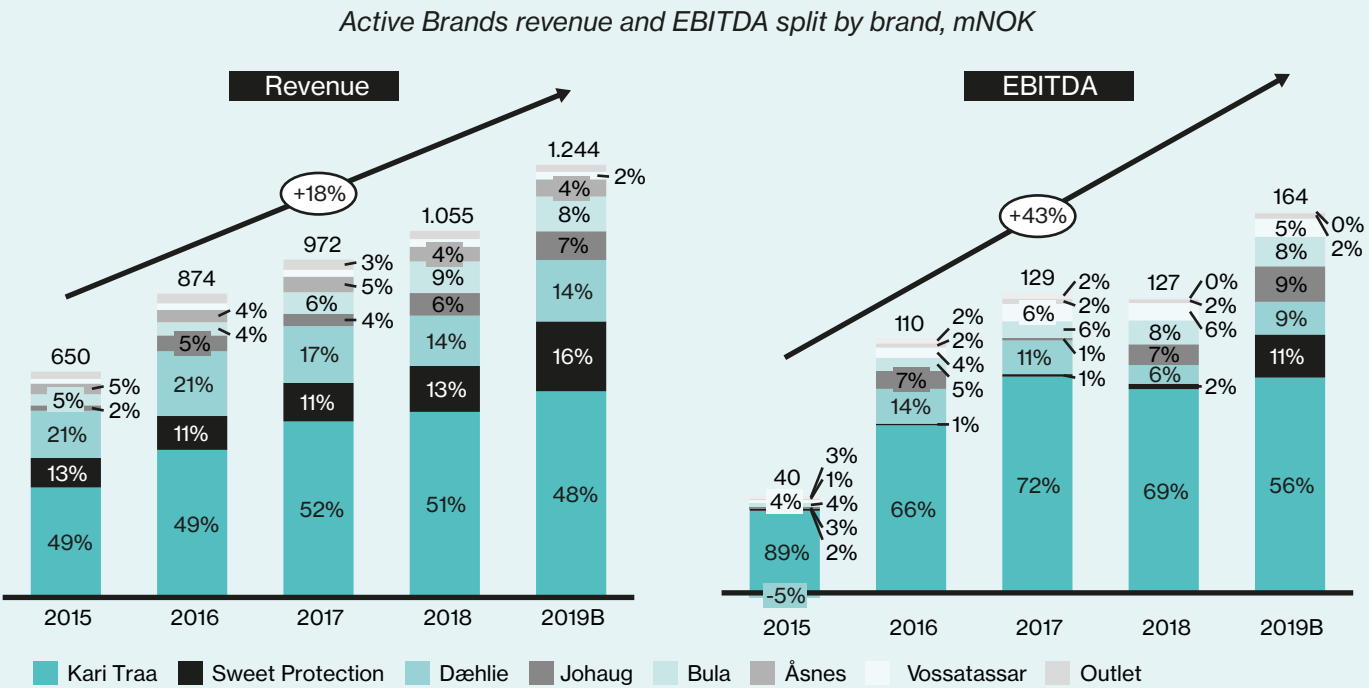
EBITDA

Total group EBITDA mainly stems from the brands, while numerous shared costs are absorbed on a group-level and not allocated directly to separate brands. That is, costs incurred on a group-level is not reflected in the stand-alone profitability of each brand.

Hence, gauging the separate brands’ profitability requires an analysis of EBITDA contributions only taking into account brand-level costs. In other words, the group-level costs can be interpreted as the difference between aggregate brand EBITDA contribution and the group EBITDA, and the relationship to stand-alone costs can be viewed as a measure of the platform’s value and how well it capitalizes on the scale and size of the platform itself.

KARI TRAA accounts for roughly 69% of the aggregate brand EBITDA contribution, while all the remaining brands have shares at less than 10%.

The cost structure carries implications in a potential sell-off of single brands, as a potential buyer could derive cost synergies from incorporating the brand in an already established platform – in contrast with operating the brand on a stand-alone basis.

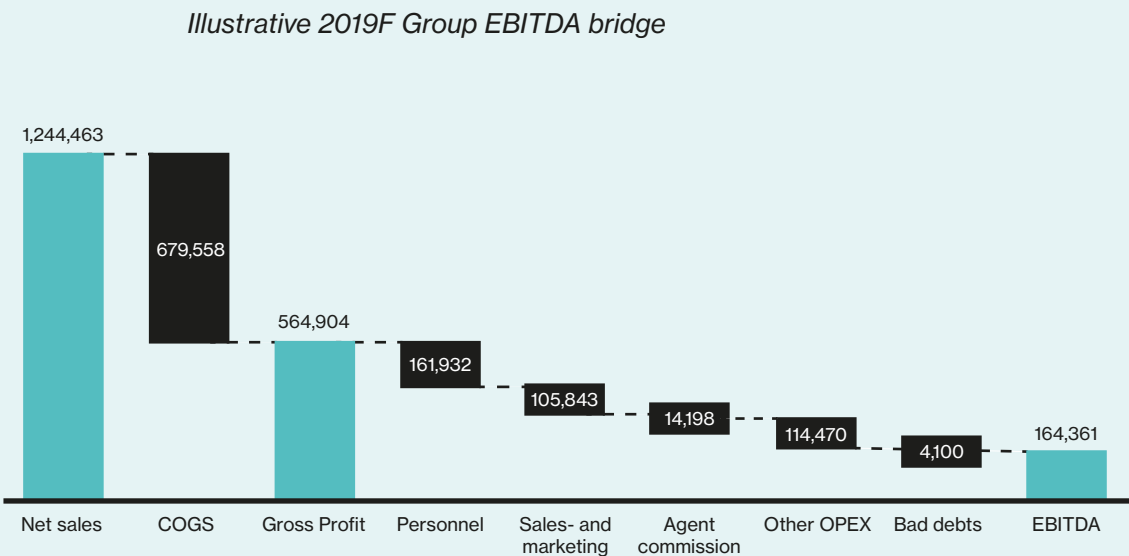




Management Projections

Management projects 2019 group turnover of 1,244m NOK, contingent on each brand's performance across present geographies. On the basis of streamlined operations and the leveraging of shared services across brands, management currently estimates an approximate 1% EBITDA margin expansion on a group level.

The Company is exposed to currency risk through the purchase of products in USD and selling of products in local currencies such as NOK, SEK, DKK and EUR.



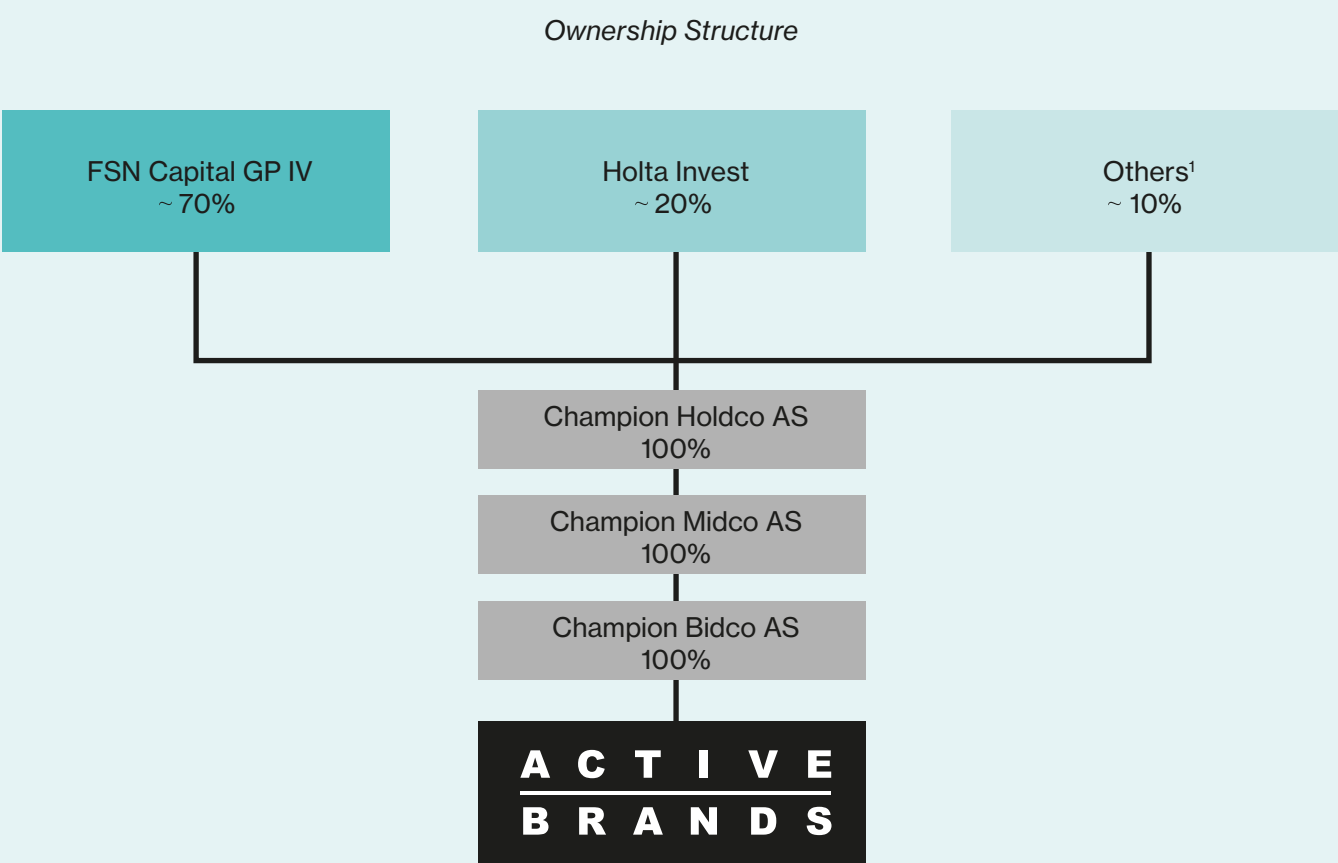
Seasonality & Working Capital

There are clear seasonal patterns in the turnover of Active Brands, as its strong focus on winter wear results in most of the yearly revenue being realized in the fall and winter months.

However, high demand visibility created from incentivizing retailers to pre-order six months in advance contribute to efficient supply chain planning and cash cycle management.

Capital Structure & Ownership

Today, the ultimate parent of Active Brands is Champion Holdco AS, which is jointly owned by FSN, Holta, and other small investors. Champion Holdco AS only has common stock of class A outstanding (~795,000 shares issued). Holta retained ~20% after its partial sell-off to FSN in 2017. The remaining 10% is primarily owned by management, with a minor allotment to brand ambassadors.



Notes: 1) Primarily management



# Epilogue





# Glossary

<b>Activewear</b>	Comfortable clothing suitable for sport or exercise
<b>Athleisure</b>	A trend in fashion in which clothing designed for workouts and other athletic activities is worn in other settings, such as at the workplace, at school, or at other casual or social occasions Compound annual growth rate
<b>CAGR</b>	Compound annual growth rate
<b>CAPEX</b>	Capital expenditures
<b>EBITDA</b>	Earnings before interest, taxes, depreciation and amortization
<b>EBIT</b>	Earnings before interest & taxes
<b>HQ</b>	Headquarter
<b>NIBD</b>	Net interest-bearing debt. Defined as short term debt + long-term debt – cash and cash equivalents
<b>NWC</b>	Net working capital. Defined as current assets – current liabilities
<b>PP&amp;E</b>	Property, plant and equipment. Defined as long-term assets vital to business operations and not easily converted into cash



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