



## CEO letter May 2012

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LINQ CAPITAL



May 7th, 2012

To:

The Shareholders in Linq Capital Sweden AB (publ).

Hi all!

As I write this letter I want to welcome the spring and also to share a little about what is happening in the company and our portfolio holdings. As we move towards a brighter future and the spring blossoms are in full swing, we can also recognize similar signs of growth in our two most recent investments, with more to come!

As you already know, in addition to our investment in Nitro Food we have also been involved as an active investor in building the company. Nitro Foods' mission is to provide frozen portions of readymade food to restaurants, where the cooked portions are frozen using liquid nitrogen at -196 degrees, which minimizes the difference between frozen and fresh. Production takes place in Thailand which improves the flavor from the use of sun-ripened produce and herbs which we as Swedes only get to experience when we are enjoying the sun abroad on holiday. Nitro Food's dishes also cut wastage in the kitchen while helping to reduce labor costs as the need for chef skills are minimized, and the finished portions of food can be cooked in 4 minutes.

### **What has been achieved in each company since last time I wrote?**

**Nitro Food AB** (where Linq Capital has 20% of the shares). At the end of last year the company received its first 40 foot container loaded with portioned food blocks, from vegetarian spring rolls to soups and wok dishes in simple packages ready to be thawed and served. In February the company finally signed a contract with Martin & Servera, Sweden's largest restaurant and food service wholesaler. As the company's interim CEO, I have ensured that we also hired a sales representative, who previously worked as a chef at the Opera Källaren and then ran his own catering business. He also has valuable prior experience working with suppliers. As Nitro Food only distributes its food through wholesalers, we have also signed agreements with two other major wholesalers. On Gotland, we welcome Keges Wholesale and nationwide wholesaler Svensk Cater. We have now also welcomed our first volume customer in the form of a passenger ferry, and more shipping companies, cafe chains and restaurants are including our food dishes on their menus. The response from customers has far exceeded our expectations, and customers who have tasted our dishes have trouble understanding that what they have just eaten was actually made in Thailand and thawed in Sweden to be served in just under four minutes. Now we are pressing on so we can process as many summer customers as possible while continuing to work through wholesalers to obtain more high volume customers. It is my conviction that before the autumn, Nitro Food will have established itself among the nation's premier restaurants and that we will become an important partner in many kitchens through our Nitro frozen dishes.

**Videofyme** (where Linq has a more passive role with approximately 1.5% of the shares): The company has recently received coverage in several news services internationally focusing on hot IT companies for investors. In my view, if the company can continue to grow their traffic through bloggers who use their video service, while also managing to sell advertising in these video clips, the company could very well achieve a valuation of a several hundred million in the near future. Videofyme is also in a unique position to take advantage of the fact that the market for mobile Internet content is now red hot as well as many other scenarios where the major players will be bidding for the different companies that operate in the segment. Videofyme is currently in a strong position if they just need to boost their

revenues. During the first quarter of 2012, the company has not lived up to its revenue forecast and the challenge is to boost ad sales by expanding the sales force.

**Bahnhof** performance has been disappointing in the first quarter of 2012. The stock has lost all its recent gains and is now back at its 2010 valuation, which is a decline of around 35%. Bahnhof has an impressive history that is free from losses, but despite a high level of organic growth, strong cash flows, long term customer agreements and a good dividend yield the company was forced to announce that they had to slow their growth rate. The reason was that they had taken on too many new business ventures which consumed money and resources and they have been forced to refocus on their core business. Personally, I hold the company in high regard, but the challenge lies not in what Bahnhof is capable of, but rather in the company's ability to acquire and retain the right skills to succeed. Bahnhof comes from a small entrepreneurial culture and it is my opinion that the company will not be able to gear up unless it reshapes its organization to bring in a new type of management. Linq Capital is Bahnhof's fourth-largest shareholder with 2.3% of the shares.



In summary, I am convinced that our new investment philosophy, which looks for companies where we can both invest and engage at the management level, is a key to success. In Bridge, we learned that companies often find it difficult to slow down if revenues are deferred and they can therefore easily run out of the capital they received in order to build. I therefore feel very pleased that we are now in a position to evaluate more and smaller companies in industries with strong cash flows, unique business ideas and stable markets.

Linq Capital's long term mission is to build greater shareholder value by expanding its portfolio of companies in which we, as management of Linq, can be involved by actively supporting them in building and growing and then reducing our holding fully or in part, to get the best possible return.

If we can succeed, we will have more opportunity to list the company's own shares and thereby obtain new shareholders and above all, a liquid share.

Have a wonderful spring - as I said we can see signs of spring all over the place!

Best regards,

Handwritten signature of Mats Jäderberg in blue ink.

Mats Jäderberg

CEO Linq Capital Sweden AB (publ.)