

Our investments continued

## Industrials



### JOST

[www.jost-world.com](http://www.jost-world.com)

<b>Activity</b>	Truck component manufacturer
<b>Location</b>	Germany
<b>Acquired</b>	August 2008
<b>Transaction value</b>	Undisclosed
<b>Sales*</b>	€383.6 million
<b>Employees</b>	Approximately 2,100
<b>Cinven representatives</b>	Guy Davison, Bruno Schick
<b>Senior management</b>	<i>Chairman</i> Dr Klaus Bleyer <i>CEO</i> Lars Brorsen <i>COO</i> Dr Ralf Eichler <i>CFO</i> Alexander Kleinke

### Company description

JOST is a leading manufacturer of components for the articulated truck and trailer industry, including fifth wheels, landing gear and kingpins. JOST is the only truly global player in the market, operating 16 production facilities and numerous sales, logistics and engineering sites around the world. Based on its solid track record and strong reputation, its key products have achieved market share of 70% in the truck markets; it has also obtained single supplier status with certain key customers.

### Cinven origination

Cinven's Industrials sector team, alongside the firm's German team, identified JOST as a high-quality company with a sustainable global market-leading position. As a result of the extensive due diligence that it had already performed, Cinven was well positioned to submit a competitive offer with a high probability of success. Cinven gained exclusivity (although it was not the highest bidder at that stage) and secured the transaction in August 2008.

\*to end December 2010 (unaudited)

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# JOST

### Investment rationale and strategy

JOST is considered the standard-setter in quality, safety and innovation by clients who are increasingly focused on brands. The company enjoys a market share of up to 70% in key markets and products. It has exceptionally loyal customers, a strong brand and a good reputation and has built a diversified customer-base. The company's long-term growth is underpinned by growing demand for trucking, driven by increased trade and globalisation, particularly in faster growing economies in emerging markets such as China, Brazil, Russia and India. JOST's management is highly respected in the industry, with a strong track record of delivering profitable growth, and is extremely committed to JOST's future.

In the summer of 2008, Cinven saw a decline in valuation multiples and judged the timing opportune to acquire this high-quality company. Cinven's original business plan took cyclicality in key geographies into account; however, it did not foresee the effect the collapse of Lehman Brothers would have on the financing markets, which correspondingly had a materially adverse effect on the truck industry as a whole. Since the change in the economic climate, Cinven's strategy for JOST has comprised the following:

- working with management to restructure the company to weather the economic downturn and position the company for growth;
- continuing to build JOST's market position and expand into underpenetrated, high-growth geographies (for example, China, India, and Eastern Europe);
- making improvements in the company's operations and financial systems, which lagged its design and manufacturing processes; and
- realising operational and working capital efficiencies through raw material cost savings; optimising the manufacturing footprint; tighter cash management; and improved management reporting systems.

### Cinven value creation

The unexpected collapse of Lehman Brothers in September 2008 had a material impact on the financing markets, which are critical for truck sales. In 2009, demand for heavy trucks fell by around 45% in Western Europe. Manufacturers closed their plants for extended periods of time, destocked and reduced 2009 production activity by around 67%. Correspondingly, demand for JOST's products reached unprecedentedly low levels.

Cinven and the management team swiftly addressed the changed environment by implementing a series of rigorous and wide-ranging initiatives to preserve and protect value, including:

- reducing manufacturing costs, yielding substantial benefits on a 'run rate' basis;
- reducing the manufacturing workforce, including agreeing shortened work shifts with workers' councils;
- developing an inventory reduction programme that has generated significant sums of cash;
- creating a purchasing task-force to reduce sourcing costs;
- reducing non-critical headcount, personnel costs, expenses and consolidating head office;
- eliminating or deferring non-critical R&D projects and trade fair attendance; and
- re-negotiating financing agreements in January 2011.

JOST's sales and profits rose significantly in 2010 as the market recovered across the world, led by Asia and Brazil.