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OHR PERSPECTIVES

CAPITAL / TECHNOLOGY / HUMANITY

01 / CAPITAL OUTLOOK

Europe's next *capital cycle.*

Power, industrial capability and a more selective route into private markets.



GLOBAL CAPITAL / EUROPEAN CAPABILITY

R.J. Dalin

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Nordics to the world.

01 / THE VIEW

Europe is not one investment.

The strongest European case begins where a necessary investment meets a solvable constraint. In this cycle, that may be a power connection, an industrial business ready for new ownership, or an investor who needs liquidity.

01

Follow expenditure, not the slogan

Grid equipment, industrial services and secure supply chains deserve attention when there is a budget, a customer and an achievable delivery date.

02

Separate a good company from a good structure

A healthy operation can become fragile under the wrong refinancing schedule. Look for resilience in cash flow and in the terms of ownership.

03

Make the entry price do some work

A popular theme offers little protection when the price already assumes flawless execution. Build the case without relying on an expanding exit multiple.

THE IDEA BEHIND THE VIEW

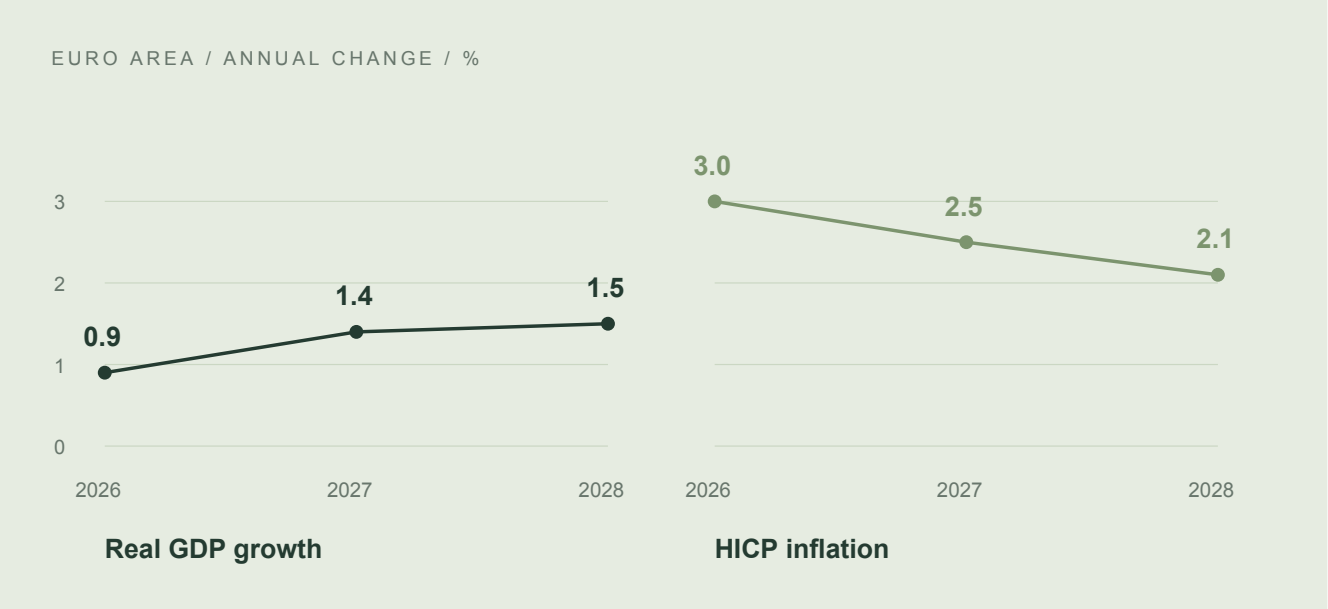
KKR emphasises operational improvement and the flexibility of capital structures in a more uneven economy. [4] Our inference is to examine specific operating advantages before taking a broad regional view. John Kay’s work on distinctive corporate capabilities offers a useful companion: understand what a team can do that a competitor cannot easily reproduce. [7]

The question is not whether Europe needs capital. It is where capital can earn its place.

02 / THE EVIDENCE

A recovery with a financing hurdle.

The ECB’s September baseline projects modest growth alongside inflation above 2% through 2028. The timing matters: companies must fund the transition before a stronger economy reaches their order books. [1]



ECB staff projections, September 2026. [1] Baseline forecasts; euro area. Both panels use the same 0-3.5% scale.

The operating consequence

Treat delayed orders, wage pressure and working capital as connected risks. A project may have attractive long-run economics and still need more cash during construction or customer qualification than its model allows.

A fragmented market is an execution task

The EIB reports that 62% of EU firms encounter difficulties exporting inside the EU because of fragmented rules. [2] Expansion requires documentation, distribution and local service capacity. Geographic reach is earned, not assumed.

Watch conversion from orders to cash. That will usually tell us more than an improving regional headline.

03 / THE FRAMEWORK

Three lanes worth doing the work on.

These are OHR research priorities, chosen for identifiable needs and testable economics. Each points to a different reason for a customer or owner to commit capital.

Where to look	How value is earned	What breaks the case
Power + grid services	Delivery, maintenance and availability	Unfunded customers or late connections
Industrial carve-outs	Focus, service revenue and better operations	Lost capabilities or stranded costs
Secondary liquidity	Price, asset quality and a realistic exit	Stale valuations or hidden liabilities

OHR research map. Assess each company, contract and ownership structure on its own terms.

Build around the bottleneck

BlackRock's Q4 outlook treats infrastructure as exposure that spans public and private markets. [3] The Commission's grid proposals target planning and permitting constraints. [5] Our preference is to ask which supplier solves a paid problem rather than attach an infrastructure label to every asset.

Liquidity has an underlying asset

BlackRock identifies small and mid-sized continuation transactions as one private-market opportunity. [6] A discount alone is insufficient. Rebuild value from the assets, unfunded commitments, fees and exit choices; then examine whose interests the transaction serves.

04 / IN PRACTICE

The same company. Less room for error.

Take a hypothetical industrial business with €10m of EBITDA and €50m of debt. Refinancing at 7% instead of 5% adds €1m of annual cash interest. The product has not changed; the ownership economics have.

01

Identify

Separate recurring earnings from adjustments.

→

02

Map

Locate maturities, security and cash needs.

→

03

Stress

Hold sales flat; delay expected savings.

→

04

Price

Pay a value that survives that slower case.

Illustrative arithmetic: €50m × interest rate. No principal, fees, tax, capex or working capital included.

WHAT TO OBSERVE

Annual interest at 5%	Annual interest at 7%	Extra annual cash cost
€2.5m	**€3.5m**	**€1.0m**

An operational route to value

A carve-out might improve by restoring sales focus, service management or purchasing discipline. The first diligence task is to identify what the parent currently provides, what replacement costs and which relationships must survive the separation.

The overlooked investment

Haskel and Westlake's work on intangible capital points to capabilities that are harder to finance than equipment. [8] Training, data and customer trust can be decisive. Protect the budget for those improvements before using every spare euro to support leverage.

05 / THE OWNERSHIP LENS

A thesis should come with a stop rule.

Turn the opportunity into a short set of observable tests. Review these before increasing exposure, rather than writing a new story after the original assumptions fail.

DEMAND

Are orders becoming funded commitments?

Track cancellations, buyer concentration and the difference between backlog and collectable revenue.

DELIVERY

Is the bottleneck actually being removed?

Require evidence on permits, connections, equipment lead times and the people responsible for execution.

PRICE

Does the return survive a less helpful exit?

Stress refinancing costs, slower cash conversion and an unchanged or lower exit valuation.

What would strengthen the view

Customers commit, projects move from approval to delivery, and improvements become visible in cash. Better access to funding helps, but it should follow operating evidence rather than replace it.

What would weaken it

Margins depend on temporary scarcity, the seller retains critical capabilities, or returns require cheaper debt and a generous future buyer. A necessary sector can still contain an overpriced investment.

Nordics to the world means local understanding with a wider set of partners, customers and capital options.

FROM THE EDITOR / READING NOTES

A letter, and the reading behind it.

I am most interested in the point where an ambitious European project becomes practical. A capable company, a clear customer need and the right ownership can do more than a broad market slogan. The task is to distinguish useful scarcity from temporary excitement, and patient capital from simply waiting. These pages set out where I would begin the work and which evidence would make me reconsider. I hope they help a founder, operator or allocator ask a more precise question before the next commitment.

R.J. Dalin

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SOURCES & FURTHER READING

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18 July 2025; author-published book introduction. Distributed capabilities and collective problem-solving.

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17 March 2022; author essay about the Haskel-Westlake book. Intangible assets and financing institutions.

RESEARCH & EDITORIAL NOTE

Research cut-off: 20 October 2026. Original commentary by R.J. Dalin for OHR. Sources are independent; no endorsement or affiliation is implied. Historical books and essays are conceptual references. Research priorities are not rankings of expected returns. Hypothetical examples are not holdings or available transactions. General information, not personalised advice or an offer. Forecasts are uncertain; capital and liquidity are at risk. Charts distinguish observations, forecasts and illustrations. Cover artwork is illustrative and AI-generated.