

**Investor Presentation  
„Back to Double Digit“ (B2DD)  
September 2019**

# Agenda

- 1. What do we do?**
- 2. Where do we stand?**
- 3. Where do we want to go? And how do we want to achieve that?**
- 4. Why Masterflex?**



**What do we do?  
Business Model**

**NOVOPLAST**  
SCHLAUCHTECHNIK

# What do we do?

## Application examples



# What do we do?

## Application examples

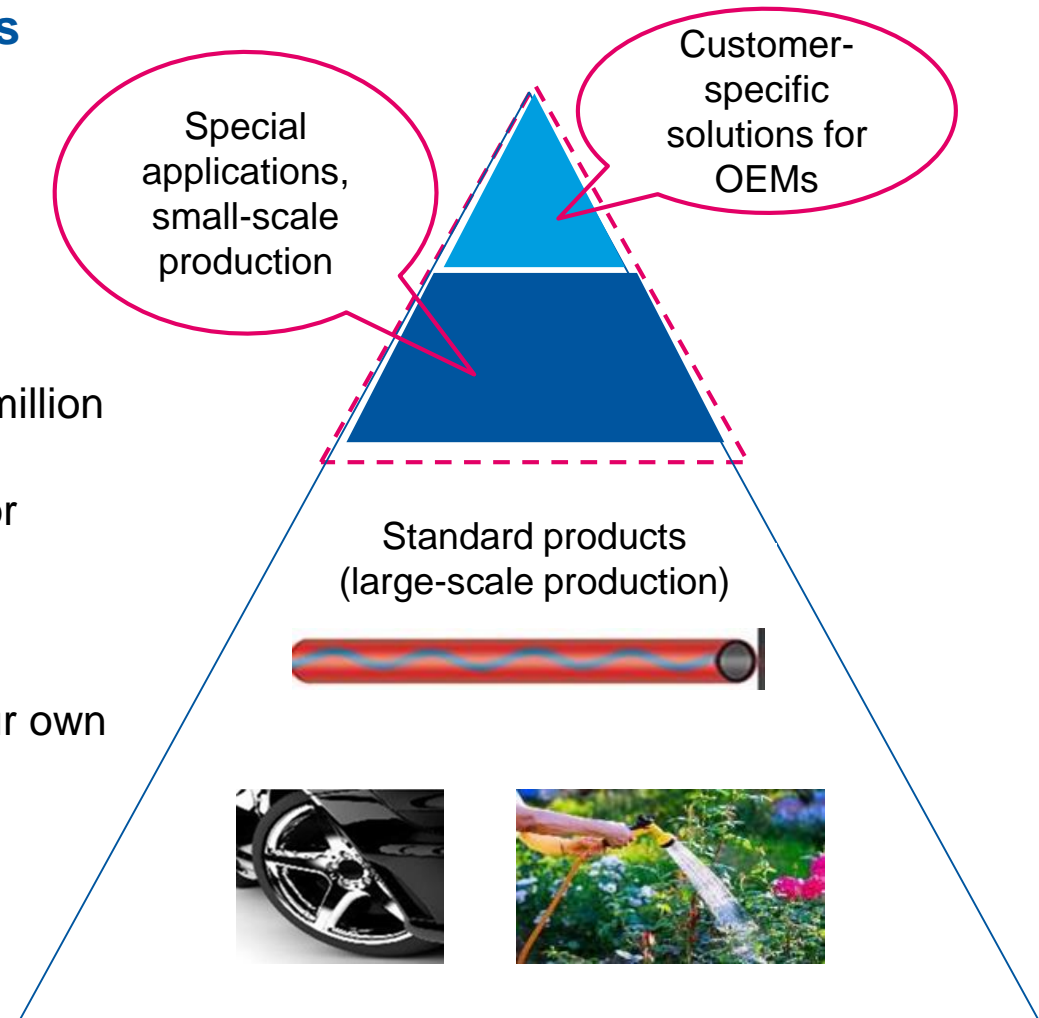


# What do we do?

## Our market

### Segments by products and lot sizes

- **Total** market volume: € 21 billion (Europe, America, Asia)
- Market for **special hoses**: € 2 billion
- **Our** long-term **goal**: revenue of € 200 million
- **Our solutions: durable** connections for gases, liquids and solids under **special** requirements
- **Our consulting-oriented** sales with our own development service



# What do we do?

## Our customer industries



# What do we do?

## Our competitive strengths

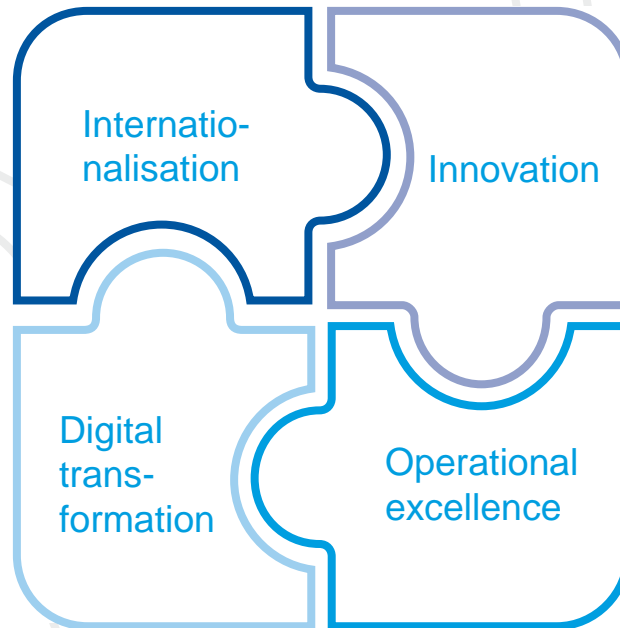


# What do we do?

## Our growth strategy

- Development of the disproportionately high potential in America and Asia
- Stronger revenue balance between Europe and America/Asia

- Further automation of internal value chains
- Creation of innovative service offers based on real-time data from the use of hoses with AMPIUS (smart hoses)



- Expansion of technology leadership
- Highest customer proximity in development work
- Leading solutions for flexible connection systems with demanding plastics

- Basis for very profitable growth
- Greater focus on scaling and increasing efficiency

**Where do we stand?  
Financial figures**



# Where do we stand?

## Long-term financial figures

### Long-term development

- Continuous revenue growth since 2009 resulted in a doubling to € 77.2 million
- During this period consistently profitable with an average EBIT margin of 10.8% (range from 7.6% to 14.2%)
- Active dividend policy since 2017
- Cumulative revenue growth of € 38.8 million has been achieved since 2009
  - to 19 % via the young target industry of medical technology
  - to 74 % in the current core market of Europe

# Where do we stand?

## H1/2019: Development in line with forecast

### Key figures 1st half-year

in € million

	2018	2019
Revenue	39.7	<b>41.9</b>
EBITDA	5.2	<b>5.6</b>
EBIT (operating)	3.6	<b>3.6</b>
Consolidated net income	2.1	<b>2.1</b>
EPS (in €)	0.21	<b>0.22</b>

#### Pleasing revenue growth of 5.7%

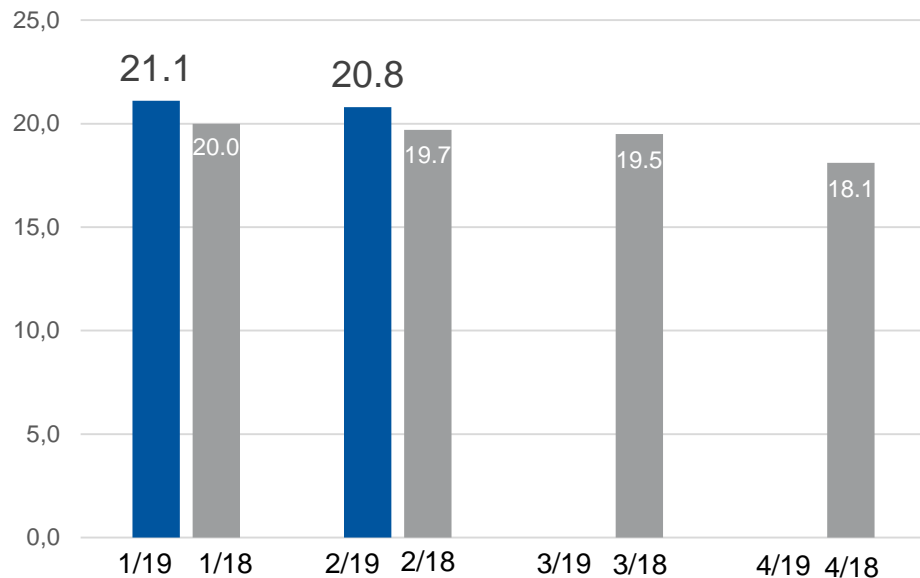
- Good revenue growth from strong incoming orders 2018/2019
- Stable development of operating earnings
- EBIT margin at 8.6%

# Where do we stand?

## Quarters 2019: intact revenue momentum

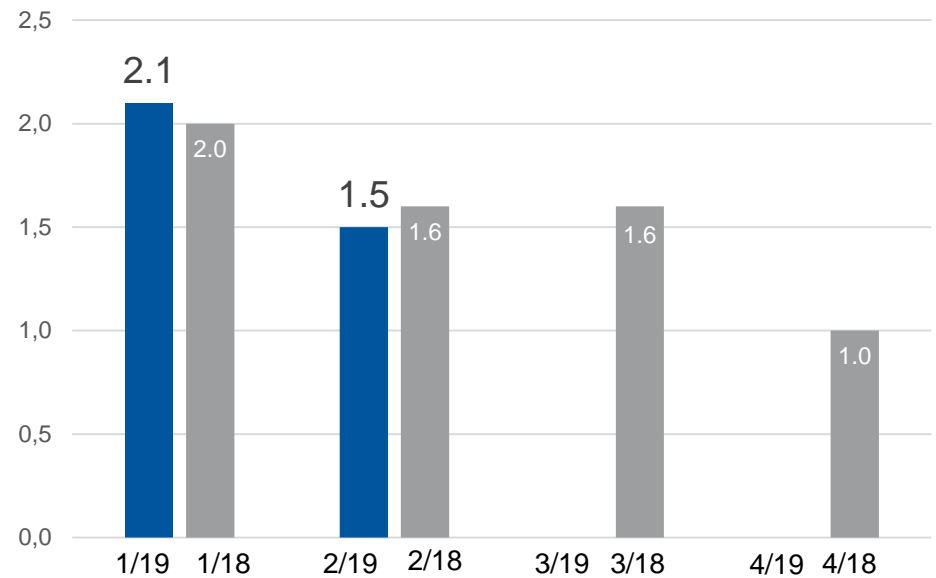
### Revenue by quarter

in € million



### EBIT by quarter

in € million



#### Intact growth with partial slowdown by automotive

- The dampening effects on revenue momentum in 2018 have largely been eliminated
- Q1/2019 with catch-up effects, Q2/2019 with slightly higher momentum and good order intake
- Some target industries show slowdown

# Where do we stand?

## Our outlook

### Forecast for 2019

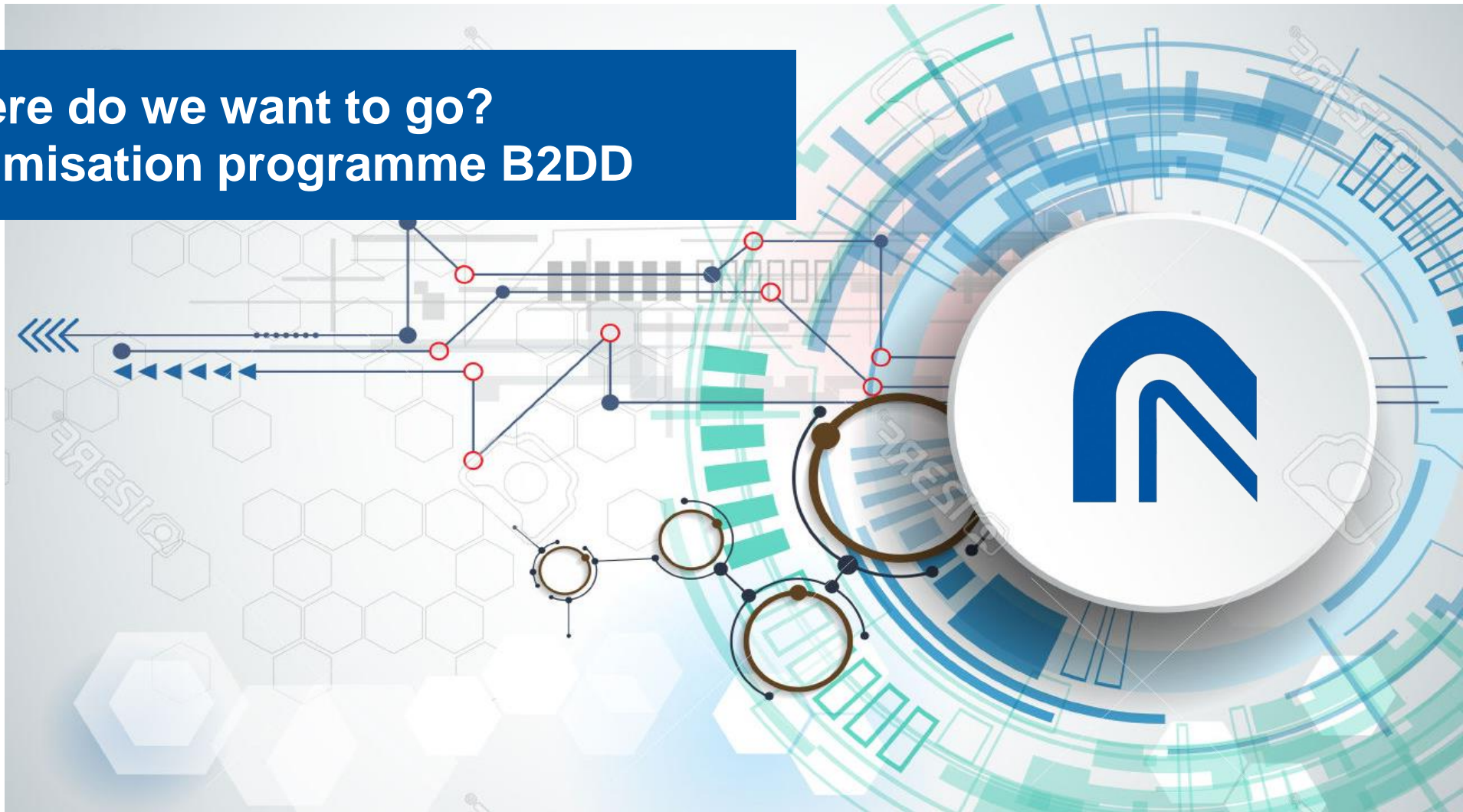
- **Revenue growth** between 3 % and 6  
(i.e. revenue between € 79.5 million and € 81.8 million)
- **Operating EBIT** to grow again through 2018/2019  
measures and increase slightly compared to 2018

### Mid- and long-term perspective

- **Market leader** in all addressed markets
- **Sustained increase** in operating EBIT due,  
among other things, to optimisation programme  
“Back to Double Digit” (B2DD)
- Double-digit EBIT margin
- Growth also through further acquisitions on the market

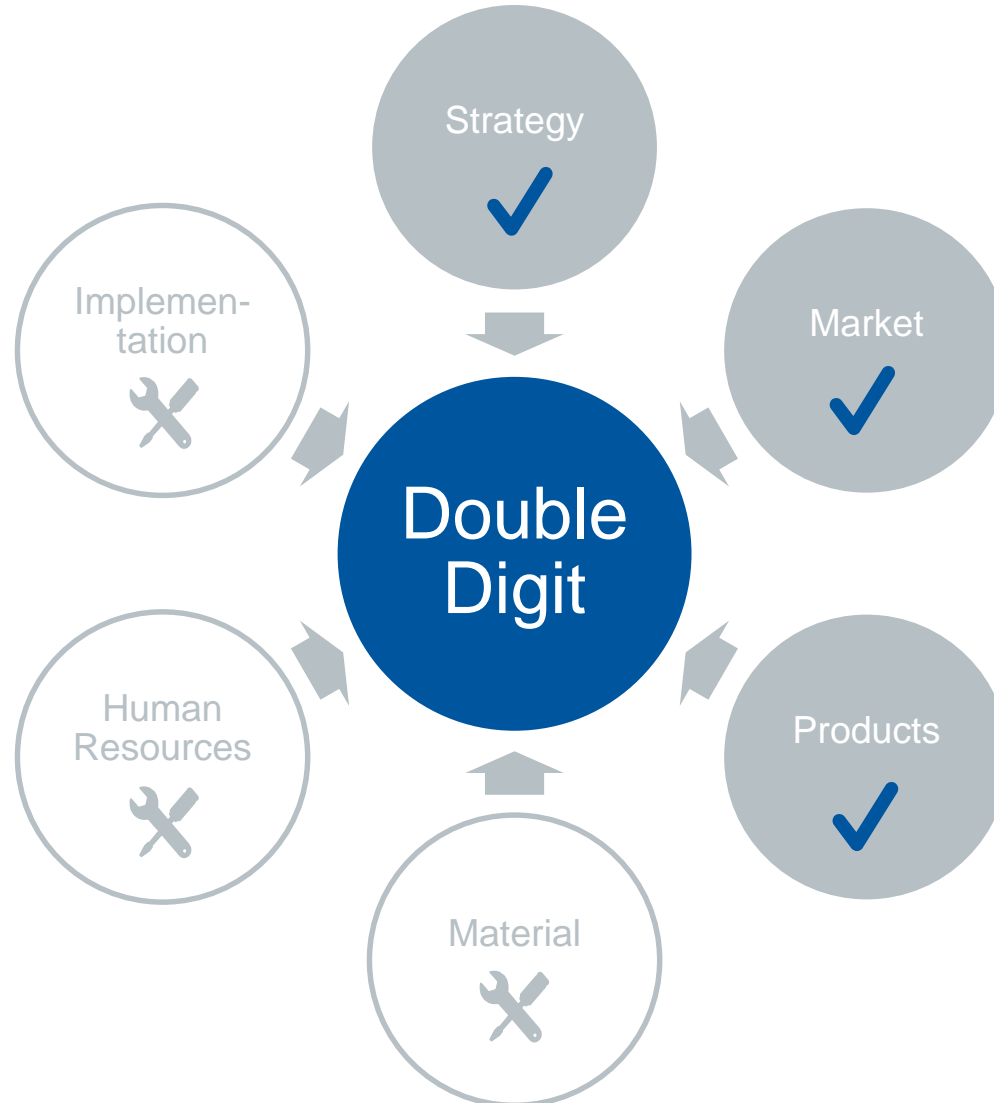


**Where do we want to go?**  
**Optimisation programme B2DD**



# Where do we want to go?

## Optimisation



# Where do we want to go?

## Potential in operational excellence



# Where do we want to go?

## Our targets

### Target definition

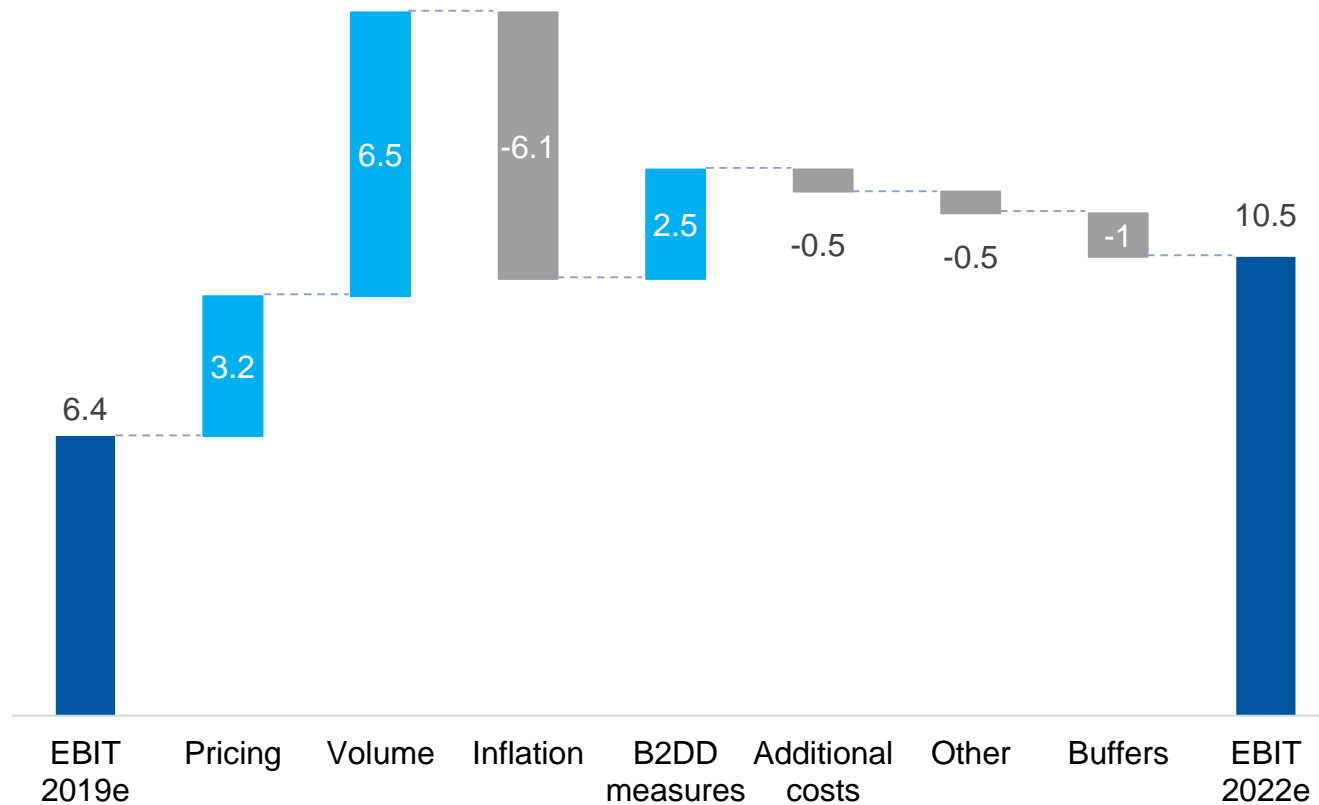
- Revenue of € 100 million in 2023 – through entirely organic growth
- Double-digit EBIT margin from 2022 at the latest
- Improvement of operating cash flow
- Additional growth through acquisitions with the target of € 200 million revenue by 2030

### Targets for the operating EBIT margin

- 2019: 8%
- 2020: 8% to 9%
- 2021: 9% to 10%
- 2022: 10% to 11%

# How do we want to achieve that? Our additional earnings potential

## EBIT bridge from 2019 to 2022 in € million



# How do we want to achieve that?

## Our additional earnings potential

### EBIT effects of B2DD measures

■ Staff reduction:	€ 1.4 million
■ Innovation:	€ 0.6 million
■ Material:	€ 0.5 million
<b>Total</b>	<b>€ 2.5 million</b>

### One-time costs

- One-time expenses of € 0.5 to 1.0 million

### Running costs

- The annual cost base is expected to increase by € 0.5 million.

# How do we want to achieve that?

## Our additional earnings potential

### B2DD measures in detail

#### Human Resources

- Focus is on 2 companies
- Increase in personnel productivity
- Socially compatible optimisation of personnel capacity
- Changed management approach and expansion of key positions: operations, sales, CEO assistance (project management), controlling

#### Implementation

- Clear yield focus
- Improved implementation controlling through higher transparency and faster decisions
- Building lean competence
- Building project management competence to support the Executive Board (programme office)
- Stronger focus on disruptive innovations
- Communication: New website and stronger capital market presence

# How do we want to achieve that? Our additional earnings potential

## B2DD measures in detail

### Material

- Process optimisations: restructuring of central purchasing, use of materials for process- and production-related rejects
- Continuous inventory
- Savings targets for production material and other operating expenses

### Signing of a new loan agreement

- New loan agreement with considerably lower annual repayment volume than old agreement (effect: around € 10 million additional liquidity over five years)
- Higher working capital line (effect: around € 8 million additional liquidity)
- Reduction of the number of covenants
- Lower interest rate level → interest savings (depending on utilisation: approx. € 130 thousand per year)



## Why Masterflex?

### Sustainable reasons for the Masterflex share

1. Masterflex is a medium-sized global market leader and a clear growth stock.
2. Masterflex is closely linked to its customers – but thanks to its broad positioning it is largely independent of customers and industries.
3. Masterflex is an established B2B brand and is perceived by customers and competitors as technology leader.
4. Especially the already developed markets in the USA and Asia still offer disproportionately high development potential.
5. Acquisitions in line with the strategic guideline offer additional growth potential.
6. Masterflex is a clear pioneer in the digitisation of hoses and connection solutions.
7. Masterflex is addressing structural weaknesses and will increase earnings more strongly than revenue:
  - Approx. € 100 million revenue in 2023 through entirely organic growth
  - Double-digit EBIT margin from 2022 at the latest
  - Improvement of operating cash flow
  - Additional growth through acquisitions with the target of € 200 million revenue by 2030

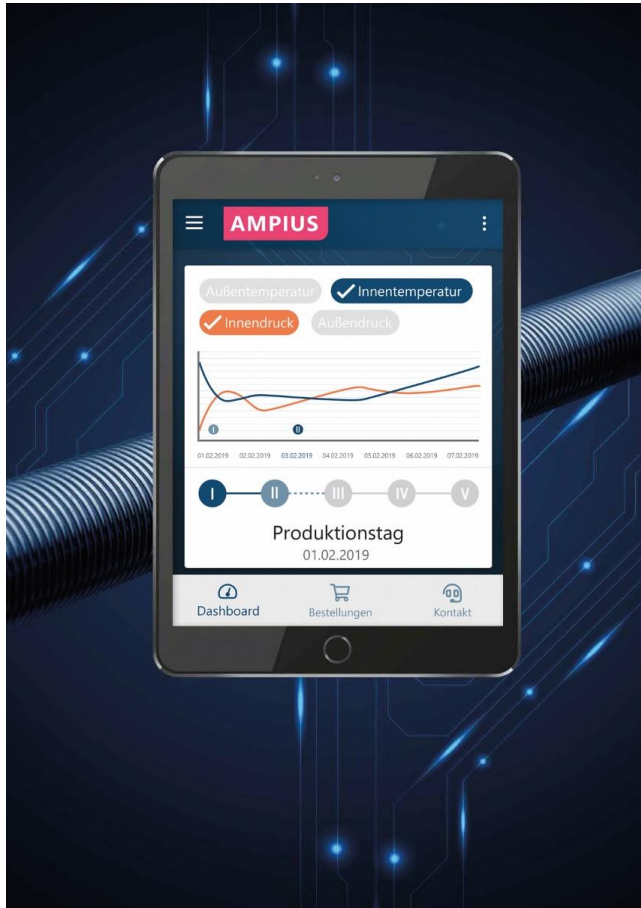


## Appendix

## M&A strategy

- Clear strategy and target criteria for potential acquisitions in place
  - Unique and comprehensive market list of potential target companies and market participants available
  - Expertise in successful acquisition and integration already proven
  - Financing structure and management competencies focused and capable of acting
  - Current market situation complicates implementation
- ➔ Masterflex will continue to acquire in the long-term on an entrepreneurial basis and after critical consideration of opportunities and risks

## Example: AMPIUS® – intelligent hoses

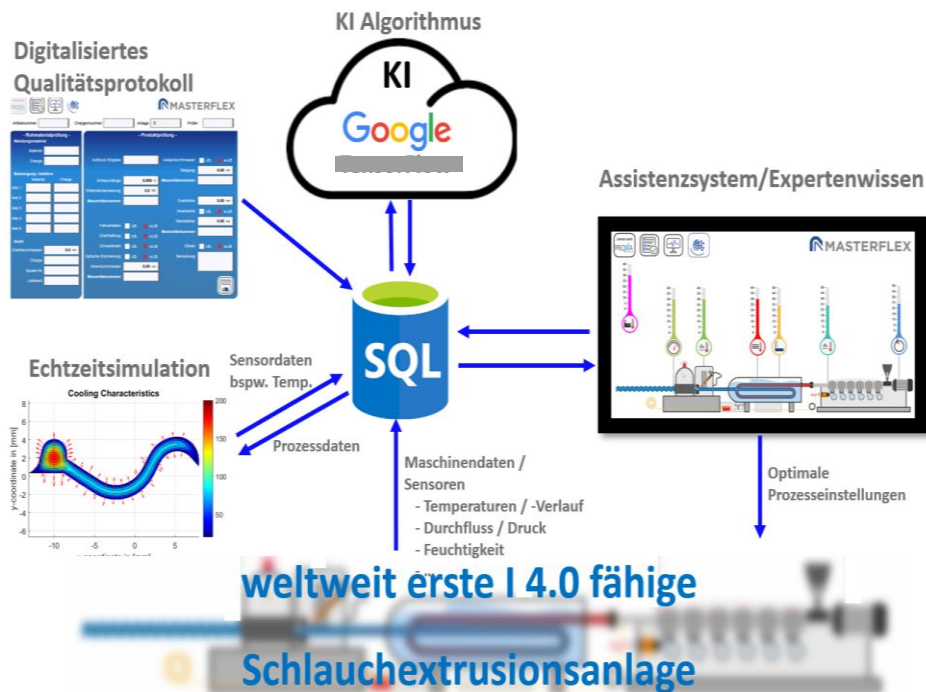


### Network-compatible and intelligent hoses

- Real-time data from hose operation (in daily operation/contact with thousands of machines and systems)
- Implementation of additional digital functions, such as life-cycle transparency and wear monitoring
- Customer- and application-specific added value
- Nucleus for smart services – with potential for innovative business models
- Pilot projects since 2018, first intelligent series hose since July 2019

## Example: industry-4.0-capable production

### Realisierte Systemstruktur



### Assistance system for production plants

- Continuous support of the plant operator through intuitive communication
- Live simulation
- Automated recommendation of optimal process settings

### Next targets

- Autonomous intervention
- Transfer to other production lines and plants