



# MUTARES

## Earnings call Q1 2020

Munich, 14 May 2020

## Disclaimer

This document has been prepared by Mutares SE & Co. KGaA solely for the use in this presentation.

The information contained in this document has not been independently verified. No representation or warranty - whether expressed or implied – is made as to, and no reliance should be placed on, the fairness, accuracy, completeness or correctness of the information or opinions contained therein. Neither the company nor any of its affiliates, advisors or representatives shall have any liability whatsoever (in negligence or otherwise) for any loss arising from any use of this document or its content or otherwise arising in connection with this document.

This document does not constitute an offer or invitation to purchase or subscribe for any shares and neither this document nor any part of it shall form the basis of, or be relied upon in connection with, any contract or commitment whatsoever.

This document contains forward-looking statements that are based on current estimates and assumptions made by the management of Mutares SE & Co. KGaA , and other information currently available to them. The words “anticipate,” “assume,” “believe,” “estimate,” “expect,” “intend,” “may,” “plan,” “project,” “should” and similar expressions are used to identify forward-looking statements. Various known and unknown risks, uncertainties and other factors could cause actual results to differ materially from those contained in the forward-looking statements. Mutares SE & Co. KGaA does not intend or assume any obligation to update any forward-looking statements. Any forward-looking statement speaks only as of the date on which it is made and is based on numerous assumptions which may or may not prove to be correct.

This presentation and its contents are confidential and are not for release, reproduction, publication or distribution, in whole or in part, directly or indirectly, in or into or from the United States of America, Canada, Australia, Japan or any jurisdiction where such distribution is unlawful. This presentation is not an offer or invitation to buy or sell securities in any jurisdiction.

By accepting this document, you agree with the foregoing.

## **Speakers** **Management Board**



**Mark Friedrich**  
**CFO**



**Johannes Laumann**  
**CIO**

## Agenda

**1 Business model**

**2 Summary**

**3 Financials**

**4 Outlook**

## Business model overview

Mutares targets sustainable risk adjusted returns with clear dividend focus

### Consulting Income

01

#### Acquisition

Mutares initiates an extensive operational improvement program within the portfolio companies after acquisition. The projects jointly defined with the company are implemented by Mutares consultants in close cooperation with the employees on site.

1x ROIC

### Cash Flow

02

#### Realignment

Mutares develops its companies successfully in strategic and operational terms until the long-term reorganization is achieved. Specialists support optimization projects on the ground, including investments in the development of innovative products, adapting and reorganization sales and production with a long-term perspective.

### Growth & Dividends

03

#### Optimization

Buy & build approach allows focused & strategic growth with multiple arbitrage to enter new markets or bring in new products or promising technologies. The strategic fit is crucial, therefore no pre-defined deal criteria. Positive cash flow provides upstream dividends, supported by continuous consulting income.

### Realization

04

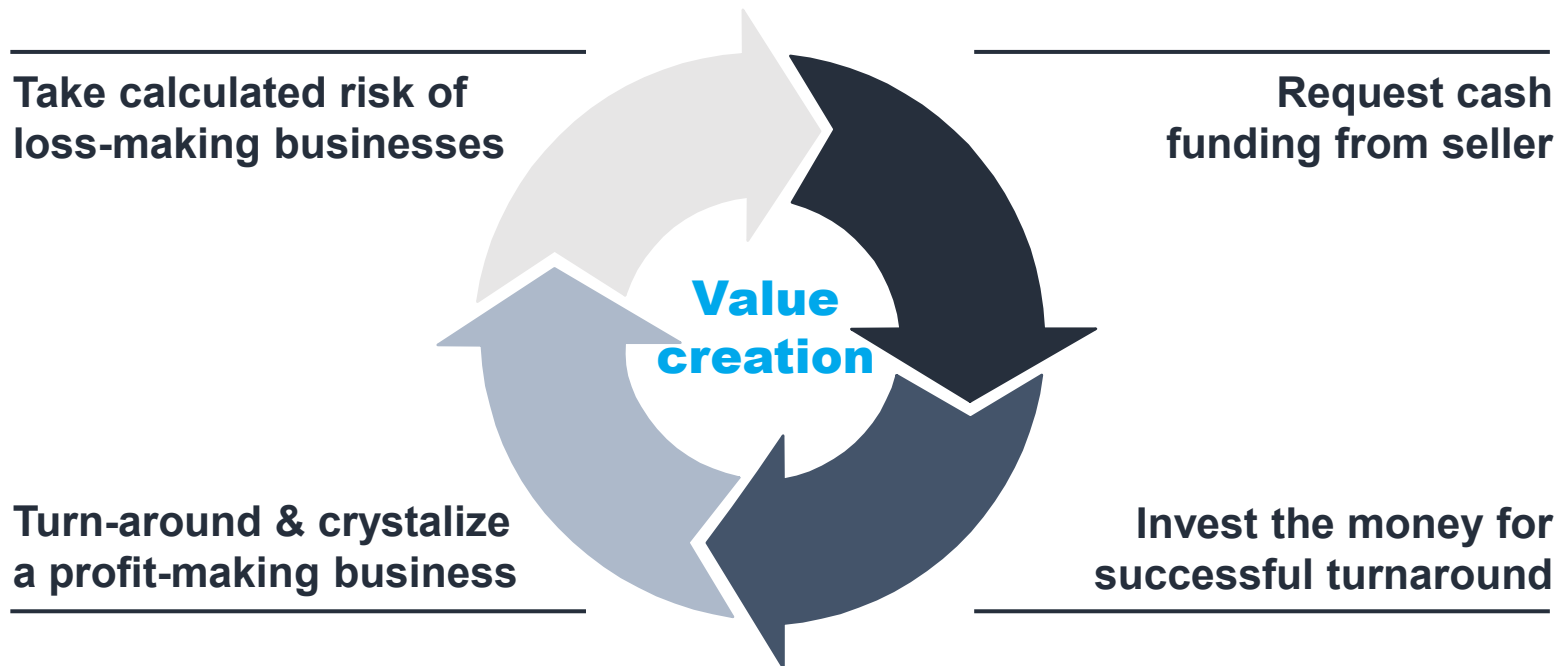
#### Harvesting

The ultimate objective of Mutares is to actively promote the realization of the company's value potential targeting 3x cash on cash over 3 years with 5-10x ROIC over the lifecycle of a company.

5-10x ROIC

## Best in class turnaround investor achieves surpreme value creation

More than 50% of value creation is non-cyclical based on special situations



Management holds >40% of the shares and is fully involved in the day-to-day value creation of Mutares

## Track record provides foundation for return outlook

Mutares targets ROIC with current Vintage<sup>1)</sup> portfolio of 5-10x, ROE of +10-20%

Category (Values in EURm except return multiples)	#	Investments (Initial + holding period)	Net proceeds (Consulting, dividends and (partial) exits)	Return on invested capital <sup>2)</sup> (x)	Return on Equity (ROE)	Net Asset Value (NAV)	Book Equity
Past investments	20	39.8	88.2	2.2x	-	-	-
Current portfolio							
<b>Vintage portfolio<sup>1)</sup></b>	8	16.5	92.8	5.6x	10.5%	EUR 220m (FY 2019)	EUR 208m (FY 2019)
<b>Portfolio outlook</b>	14	20.9	100-200	5-10x	15%	-	EUR 250m

Est. Realized

### Vintage portfolio with ROIC of 5.6x

- Return multiple of 5.6x already realised on Vintage portfolio **without full exits**
- Substantial return improvement versus historic investments underline Mutares quality growth strategy
- Net Asset Value reporting of EUR 220m (2019) will be replaced by half year reported consolidated book equity of EUR 208m (2019)

### Portfolio outlook with ROIC of 5-10x / ROE +15%

- Return multiple target led by upgraded investment strategy based on diverse & uncorrelated end market exposures
- ROIC target is driven by average holding period of 3-5 years, targeting lower holding periods with higher returns than the private equity industry
- ROE target is based on the holdings net profit vs. group equity

1) Vintage portfolio – companies which have been part of the portfolio for 12 months or more as of 30 Sept. 2019

2) Return on invested capital from the Issuer's perspective

3) NAV will be discontinued as of Q1 2020 given the distorting impact on group's value

## Highlights Q1 2020



### Successful acquisition of three companies and bond issue

- ▮ **Two successful exits:** Balcke-Dürr Group sells Balcke-Dürr Polska and BEXity sells activities in Czech Republic
- ▮ **New acquisitions:** One add-on for Balcke-Dürr Group (completed) and two new platforms (signed; expected closing in Q2 2020)
- ▮ **Operational progress:** Add-on Ruukki completes Donges Group to become 1<sup>st</sup> European player for steel constructions – new brand NORDEC combines Ruukki and Normek
- ▮ **Successful placement of EUR 50.0 million bond:** capital raised to invest in add-ons and portfolio extension
- ▮ **Distribution of dividend for FY2019 proposed:** EUR 1.00 per share proposed to AGM with outlook to sustain high level of dividend capacity



# Mutares keeps up pace with already three signed acquisitions in 2020

## Portfolio further grows with one add-ons and two new platforms

	Loterios	Nexive <sup>1</sup>	Gemini Project <sup>2</sup>
Revenues	EUR 17m	EUR 230m	EUR 180m
Products	Pressure components	Mail & parcel provider	Sealing & fluid systems
Seller	Timet UK	PostNL	Cooper Standard
Type	Add-on to	Platform	Platform
Portfolio			Gemini Project
Segment	Engineering & Technology	Goods & Services	Automotive & Mobility

1) Majority shareholder with 80%, signed in Feb 2020, closing expected in Q2 2020

2) Signed in May, closing expected in Q2 2020

## Three acquisitions successfully closed in 2020

### Two add-ons and one platform



- New platform to Automotive & Mobility
- ca. EUR 120 million
- Forging-technologies on a wide range from hot-forming to forging as well as heat-treatment, an inhouse tooling shop and assembly for finishing operations
- Two production sites close to Torino, Italy; about 670 employees and 114 years of experience



- Add-on to keeper Group (Goods & Services)
- ca. EUR 45 million
- produces and sells high-quality paper napkins
- serves renowned customers from the DIY, food retail, wholesale and furniture retail sectors
- keeper Group as leading FMCG player in central Europe



- Add-on to Donges Group (Engineering & Technology)
- ca. EUR 170 million
- new brand formed out of Normek and Ruukki Building Systems
- product ranges: frames, facade solutions and steel bridges
- Donges Group to become 1st European player for steel constructions

# Mutares portfolio grows to already 16 companies in 2020

Thereof two new platforms acquired in 2020



## Automotive & Mobility



Acquired in 2009 from Diehl Group  
Rubber mouldings



Acquired in 2013 from Autoneum Group  
Tier1 supplier of truck composites



Acquired in 2019 from Deren Group  
Cable trees & harnesses



Acquired in 2019 from a family  
Safety, locking, joining systems



Acquired in 2019 from Tekfor Group  
Precision machine parts

Gemini Project<sup>2)</sup>

Acquired in 2020 from Cooper Standard  
Sealing & fluid systems



## Engineering & Technology



Acquired in 2016 from SPX Group  
Energy efficiency & filters



Acquired in 2017 from Mitsubishi-Hitachi  
Construction, roofs & engineering



Acquired in 2018 from Knorr Bremse MRO  
services for rolling stock



Acquired in 2012 from Korindo Group  
Coatings for oil & gas pipelines



## Goods & Services



Acquired in 2016 from Sonoco Group  
Industry & hygienic coreboard



Acquired in 2019 from Wrede Holding  
Household plastic goods



Acquired in 2011 from Huber Group  
High-end metal packaging



Acquired in 2019 from ArcelorMittal  
Steel wire applications



Acquired in 2019 from Austrian Railways  
Transport & cargo services



Acquired in 2020 from PostNL  
Mail and parcel provider

1) Majority shareholder with > 60%; 2) signed in May '20, closing expected in Q2 2020; 3) Majority shareholder with 80%, signed in Feb '20, closing expected in Q2 2020

## Key financial data of Q1 2020

Significant M&A activity reflected in increased Revenues and Adjusted EBITDA

Group Revenues EUR	Group EBITDA EUR	Group Adj. EBITDA EUR	Group cash & equivalents EUR	Group equity ratio %
<b>315.7m</b>	<b>39.0m</b>	<b>-10.4m</b>	<b>141.8m</b>	<b>22.8%</b>
Q1 2019	Q1 2019	Q1 2019	31 December 2019	31 December 2019
<b>203.3m</b>	<b>0.0m</b>	<b>-3.5m</b>	<b>79.7m</b>	<b>24.5%</b>

## Consolidated Statement of Profit and Loss

Due to high acquisition activity, revenues and EBITDA at record levels in Q1 2020

mEUR	Q1 2020	Q1 2019
<b>Revenues</b>	<b>315.7</b>	<b>203.3</b>
+/- Change in inventories	-2.5	5.8
Other income	58.6	6.1
Cost of material	-199.0	-128.0
Personnel expenses	-88.4	-61.5
Other expenses	-45.4	-25.7
<b>EBITDA</b>	<b>39.0</b>	<b>0.0</b>
<b>Adjusted EBITDA</b>	<b>-10.4</b>	<b>-3.5</b>
<b>Net income</b>	<b>15.7</b>	<b>-12.1</b>

## Adjusted EBITDA

Adj. EBITDA decreases due to recently acquired companies

mEUR	Q1 2020	Q1 2019
<b>EBITDA</b>	<b>39.0</b>	<b>0.0</b>
Income from bargain purchases	-53.6	-4.1
Restructuring and other non-recurring expenses	4.1	0.6
Deconsolidation effects	0.0	0.0
<b>Adjusted EBITDA</b>	<b>-10.5</b>	<b>-3.5</b>

- ❑ Reported EBITDA highly influenced by extraordinary effects related to transactions, restructuring and other one-off expenses. Therefore, Adjusted EBITDA as KPI adjusted for these one-off effects
- ❑ Three categories of adjustments:
  - Transaction related income from bargain purchases mainly relate to PrimoTECS, keeper Tableware and Loterios
  - Restructuring and other non-recurring expenses occurred mainly for the acquisition and the restructuring at the newly acquired companies
  - Deconsolidation effects (i.e. gains/losses from disposals and deconsolidations) will result in Q2 2020 from exits of Balcke-Dürr Polska and BEXity's activities in Czech Republic

## Consolidated Balance Sheet

Cash-in from bond issue and acquisitions lead to an increase of total assets

mEUR	31/03/2020	31/12/2019
Intangible assets	59.2	58.7
PP&E	204.6	176.4
Right of use assets	149.7	119.8
Other	50.4	44.3
<b>Non-current assets</b>	<b>463.9</b>	<b>399.2</b>
Inventories	168.3	134.0
Trade & other rec.	191.6	142.6
Cash & equivalents	141.8	79.7
Other	69.8	93.0
<b>Current assets</b>	<b>571.6</b>	<b>449.3</b>
<b>Total assets</b>	<b>1,035.5</b>	<b>848.5</b>

mEUR	31/03/2020	31/12/2019
<b>Total equity</b>	<b>236.2</b>	<b>208.2</b>
Financial liabilities	183.6	117.7
Provisions	113.4	99.5
Other	26.4	18.2
<b>Non-current liab.</b>	<b>323.4</b>	<b>235.4</b>
Trade payables	183.8	157.7
Other financial liab.	148.7	118.5
Provisions	33.9	35.7
Other	109.4	93.0
<b>Current liabilities</b>	<b>475.8</b>	<b>404.9</b>
<b>Total equity &amp; liab.</b>	<b>1,035.5</b>	<b>848.5</b>

## Segment financials (1/2)

### Automotive & Mobility



- ▢ Increase in revenues due to the acquisition of new platform investments (Plati, KICO, PrimoTECS)
- ▢ EBITDA largely benefits from income from bargain purchases
- ▢ Decline in Adjusted EBITDA due to (business model driven) negative contributions of the new platform investments and the downward trend in the automotive sector especially visible at STS
- ▢ Elastomer with quite strong increase in profitability in Q1 2020, but shutdown effects will be visible starting Q2 2020
- ▢ Increasing challenges due to COVID-19

mEUR	Q1 2020	Q1 2019
<b>Revenues</b>	<b>124.8</b>	<b>104.8</b>
Cost of material	-76.3	-60.5
Personnel expenses	-38.4	-29.0
Other expenses	-19.0	-14.3
<b>EBITDA</b>	<b>34.8</b>	<b>4.8</b>
<b>Adjusted EBITDA</b>	<b>-3.3</b>	<b>4.9</b>

### Engineering & Technology



- ▢ Largest segment in the Group in terms of revenue: increase due to the full-year effect of the add-on acquisitions of Donges Group (NORDEC and FDT) as well as the add-on acquisition of Balcke-Dürr (Loterios) in Q1 2020
- ▢ Increase in EBITDA mainly attributable to gain from bargain purchase from the Loterios acquisition
- ▢ Improved Adjusted EBITDA due to successful execution of restructuring measures at Donges Group and Gemini; Balcke-Dürr negatively impacted by less activity in Q1 2020

mEUR	Q1 2020	Q1 2019 <sup>1)</sup>
<b>Revenues</b>	<b>105.9</b>	<b>90.5</b>
Cost of material	-71.1	-61.7
Personnel expenses	-29.0	-27.0
Other expenses	-12.5	-12.4
<b>EBITDA</b>	<b>2.0</b>	<b>-3.4</b>
<b>Adjusted EBITDA</b>	<b>-4.2</b>	<b>-6.9</b>

1) Including La Meusienne and Norsilk



## Segment financials (2/2)

### Goods & Services

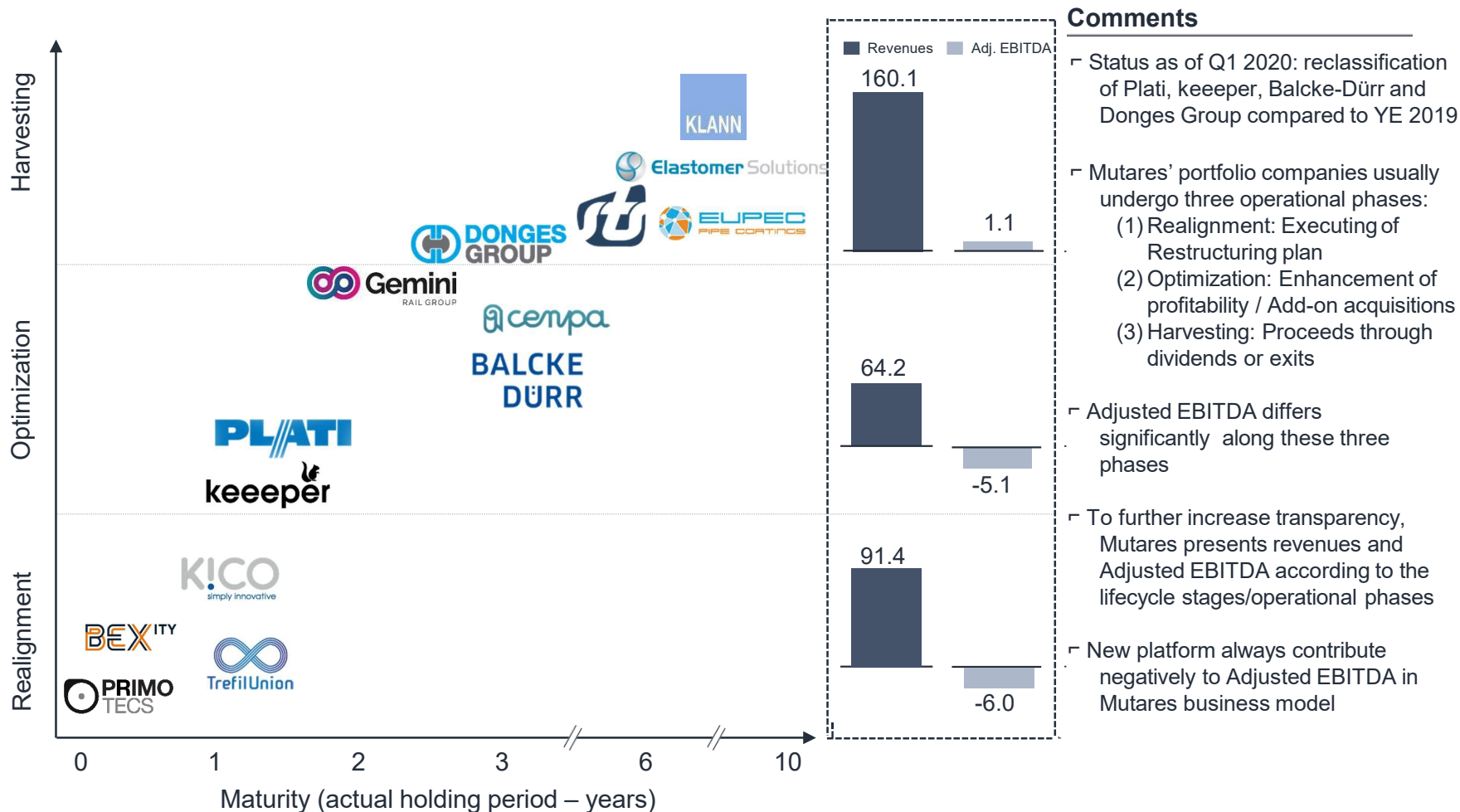


- ▢ Increase in revenues due to acquisition of new platform investments (TréfilUnion, keeper Group and BEXity)
- ▢ EBITDA benefits from bargain purchase income for the add-on to keeper Group
- ▢ Decline in Adjusted EBITDA due to (business model driven) negative contributions of new platform investments
- ▢ Development of keeper Group, which achieved important milestones, very favorable; integration of add-on acquisition (keeper Tableware) started

mEUR	Q1 2020	Q1 2019
<b>Revenues</b>	<b>84.9</b>	<b>8.0</b>
Cost of material	-51.2	-5.5
Personnel expenses	-16.4	-2.9
Other expenses	-18.6	-1.7
<b>EBITDA</b>	<b>2.6</b>	<b>-1.2</b>
<b>Adjusted EBITDA</b>	<b>-2.6</b>	<b>-1.2</b>

# Lifecycle Status

Well diversified portfolio along the lifecycle



**We will continue our path for sustainable growth...**

**...and to increase the attractiveness of the Mutares share for investors**

**Challenging environment due to COVID-19, expectation of more M&A activity in H2 2020**

**Already three transactions signed in 2020**

**Targeted revenues (incl. expectations of potential acquisitions) of > EUR 1.5b in FY2020**

**Sustain dividend capacity and attractive dividend policy**

## Capital Markets Day



## Questions & Answers



## Contact

### Investor Relations



MUTARES

#### Upcoming dates

Annual General Meeting, **Munich/Digital**, 18 May 2020

Publication of Q2 information, **Investor Call**, 11 August 2020

Capital Markets Day, **Frankfurt/M./Digital**, 20 October 2020

Publication of Q3 information, **Investor Call**, 10 Nov. 2020

Deutsches Eigenkapital Forum, **Frankfurt/M.**, 16-18 Nov. 2020

**Mutares SE & Co. KGaA**

Arnulfstraße 19

80335 Munich

+49 89 9292 7760

[ir@mutares.de](mailto:ir@mutares.de)

[www.mutares.com](http://www.mutares.com)