

MUTARES

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Earnings Call

Q3 2020

Munich, 10 November 2020

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Speakers today
Management Board



Johannes Laumann
CIO



Mark Friedrich
CFO

Agenda for today

- 1 Business Model**
- 2 Development**
- 3 Financials**
- 4 Outlook**



Mutares is a reliable partner, entrepreneur and investor

Actively driven turnaround process in our companies through board & operations

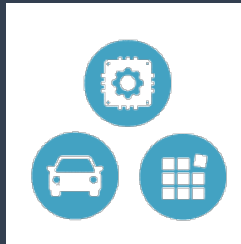
Turnaround
hero



Local
approach &
global
benefits



Function &
industry-
specific task
forces



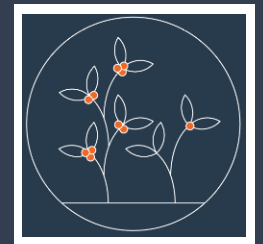
Mid-sized
companies

Sales of
EUR
50 – 500
million

Solid
dividend
capacity



Integrated
ESG criteria



Business model overview

Mutares targets sustainable risk adjusted returns with clear dividend focus



Mutares Guidance & Investment Strategy

Long term value creation across European special situations

1) Grow consolidated group revenues to EUR 3.0bn by 2023

Mutares aims to take a leading share in the EU special situations market by growing consolidated group revenues of portfolio companies to EUR 3.0bn after disposals with a diverse early, late & non-cyclical focus

2) Increase holding revenue and profit in accordance with group growth strategy

Mutares targets to increase holding revenues relevant for shareholders to EUR 100 million by 2023 with holding profit of EUR >60 million by 2023

3) Deliver uncorrelated sector leading investment returns across all cycles

Mutares aim is to deliver 7-10 x ROIC over a medium investment cycle of 3-5 years, thereby significantly outperforming the broader private equity industry with a focus on special situations in the European midmarket

4) Target long term dividend growth with base dividend of EUR 1.00

Mutares Holding confirms the EUR 1.00 dividend for FY 2020 while targeting significant additional payout potential through exit proceeds

5) Aim for the leading Private Equity turn around investor in Europe

























Mutares enables leading special situation exposure in Europe while targeting to double its operations team from 70 to 140 people by 2023 in the key business hubs

Highlights of Q3 2020

- ▮ **High transaction activity continues:** three closings and one signing in Q3 2020 and already two closings and two signings in Q4 2020, more acquisitions planned to sign until end of the year
- ▮ **Harvesting Phase:** potential for companies to being exited
- ▮ **Operational progress:** Strong recovery from negative impacts of COVID-19 in Q3 2020
- ▮ **Successful raise of tap issue of EUR 20.0 million:** capital raised to invest in add-ons and portfolio development
- ▮ **Second Capital Markets Day with new Guidance:** base dividend of EUR 1.00 for FY 2020, target for consolidated group revenues of EUR 3bn, 7 – 10 times ROIC (Return on Invested Capital) on investments

Portfolio – European transaction focus with global operational footprint

20 Companies – thereof 7 new platforms acquired in 2020

 Automotive & Mobility	 Engineering & Technology	 Goods & Services
      	      	      

1) Majority shareholder with > 60%; 2) signed in October, closing and rebranding expected in Q4 2020; 3) signed in November 2020, closing expected in Q4 2020; 4) Majority shareholder with 80%; *) Closed in Q4 2020

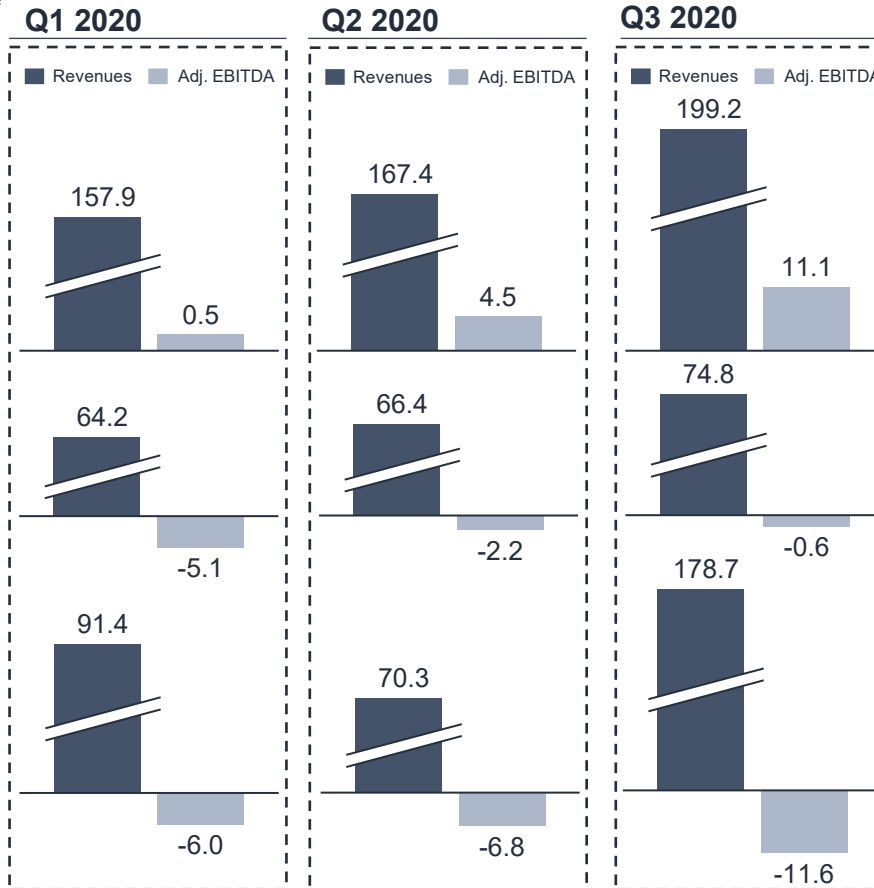
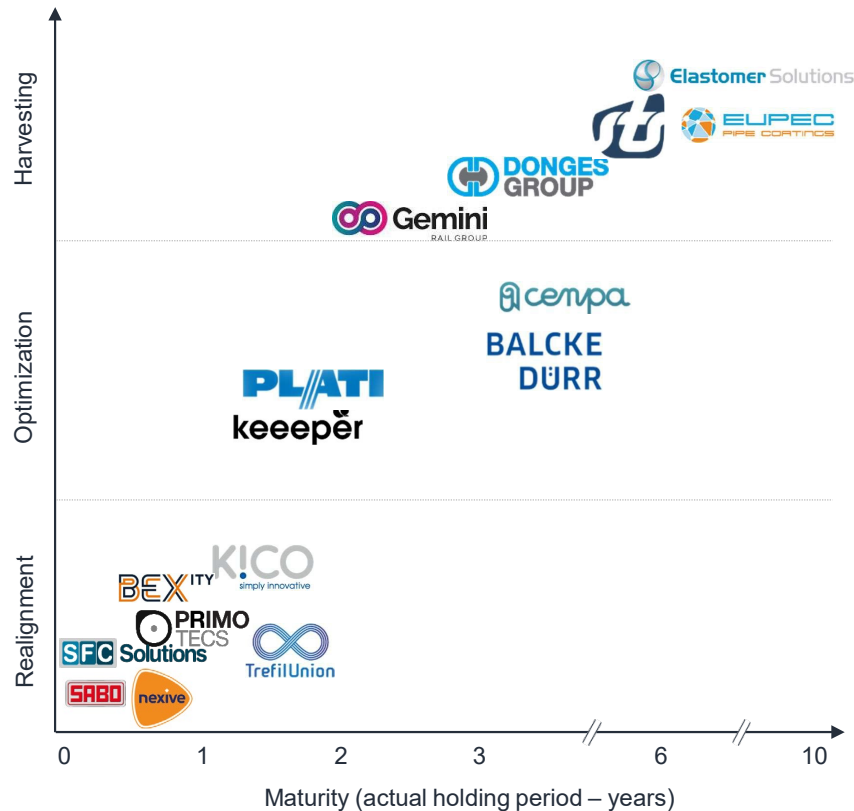
Key financial data of YTD Q3 2020

Brisk M&A activity and negative effects from COVID-19 reflected in key financials

Group Revenues EUR	Consulting Revenues EUR	Group EBITDA EUR	Group Adj. EBITDA EUR	Group cash & equivalents EUR	Group equity ratio %
1,073.3m	23.0m	134.7m	-16.6m	157.3m	17.4%
Q3 2019 YTD 728.1m	Q3 2019 YTD 13.3m	Q3 2019 YTD 73.3m	Q3 2019 YTD 5.8m	31 Dec. 2019 79.7m	31 Dec. 2019 24.5%

Lifecycle Status

Well diversified portfolio along the lifecycle

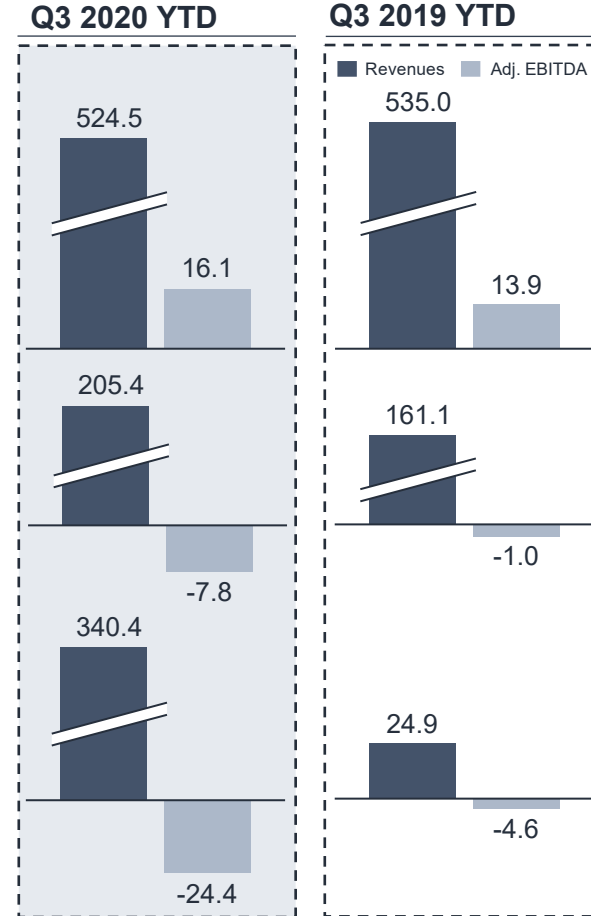
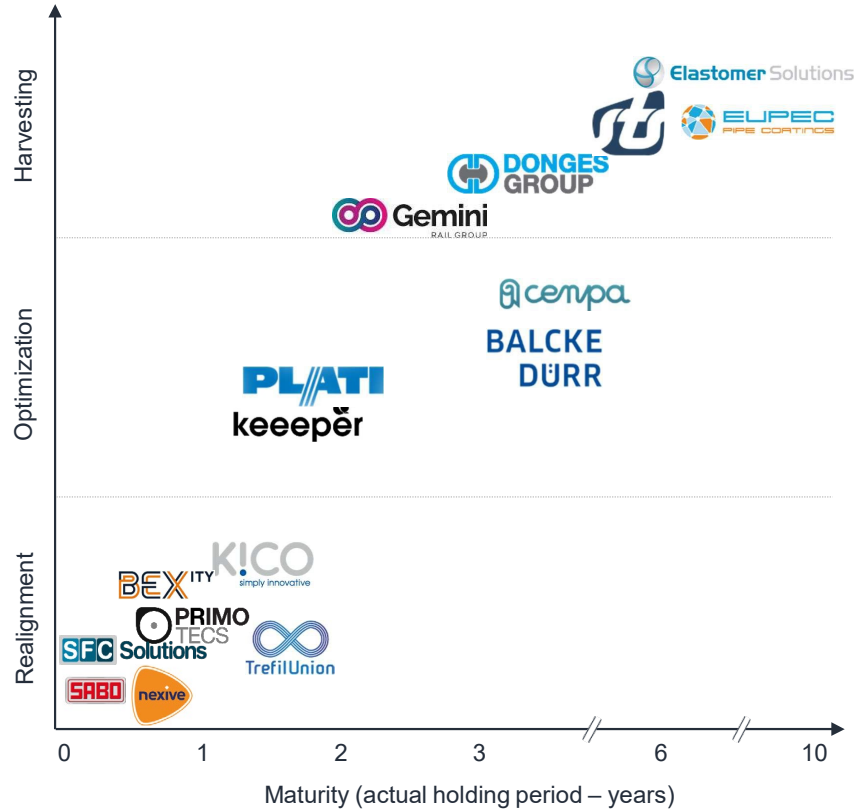


Comments

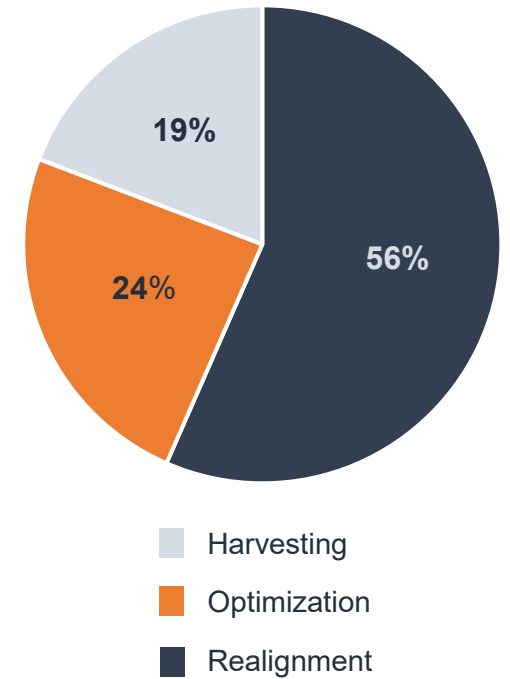
- Mutares' portfolio companies usually undergo three operational phases:
 - 1) Realignment: Executing of Restructuring plan
 - 2) Optimization: Enhancement of profitability / Add-on acquisitions
 - 3) Harvesting: Proceeds through dividends or exits
- Due to business model Adjusted EBITDA differs significantly along these three phases
- New platform acquisitions in realignment stage always contribute negatively to Adjusted EBITDA in Mutares' business model
- Re-assessment of Plati, keeper Group, Donges Group, Gemini (all up) and Balcke-Dürr Group (down) compared to YE 2019
- Restructuring progress influenced by COVID-19 but remains well on track especially in Plati, keeper, BEXity and KICO

Lifecycle Status

Well diversified portfolio along the lifecycle



Consulting Revenues Q3 2020 YTD



Adjusted EBITDA

Newly acquired entities and COVID-19 with negative impact on profitability

mEUR	H1 2020	Q3 2020	Q3 2020 YTD	Q3 2019 YTD	Δ abs.	Δ in %
EBITDA	41.5	93.3	134.7	73.3	61.4	84%
Income from bargain purchases	-65.8	-102.4	-168.2	-74.2	-94.0	>100%
Restructuring and other non-recurring expenses	9.2	9.2	18.4	6.7	11.7	>100%
Deconsolidation effects	-1.6	0.0	-1.6	0.0	-1.6	n/a
Adjusted EBITDA	-16.7	0.1	-16.6	5.8	-22.4	>-100%

- Reported EBITDA highly influenced by extraordinary effects related to transactions, restructuring and other one-off expenses; Adjusted EBITDA adjusted for these one-off effects
- Effects from COVID-19 are not eliminated and thus negatively impact Adjusted EBITDA
- Three categories of adjustments:
 - ✓ Transaction related income from bargain purchases results from platform and add-on acquisitions
 - ✓ Restructuring expenses mainly for severance payments, other non-recurring expenses mainly in relation to the acquisition of the newly acquired entities
 - ✓ Three exits so far with a total gain

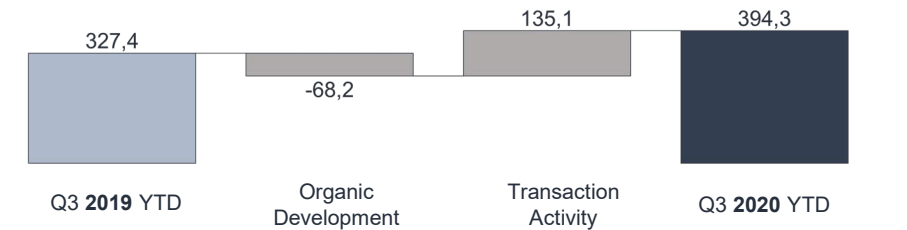
Segment Financials (1/3)

Automotive & Mobility



mEUR	H1 2020	Q3 2020	Q3 2020 YTD	Q3 2019 YTD
Revenues	216.4	177.9	394.3	327.4
Cost of material	-129.6	-107.5	-237.1	-191.1
Personnel expenses	-70.3	-48.7	-119.0	-91.6
Other expenses	-36.5	-33.5	-70.1	-42.7
EBITDA	2.4	54.4	56.8	18.0
Adjusted EBITDA	-13.8	-3.0	-16.7	15.5
in % of Revenues	-6.4%	-1.7%	-4.2%	4.7%

Revenue Bridge



Comments

- Strong decline in revenues in the context of COVID-19 especially in Q2; Q3 showing strong recovery
- EBITDA benefits from bargain purchase of SFC and PrimoTECS
- Decline in Adjusted EBITDA as a result of decreased revenues in the context of COVID-19; new acquisitions with still negative contributions
- Measures successfully implemented to secure liquidity during lockdown period and to address negative effects on profitability
- Sale of STS' Acoustics division successfully completed in Q4

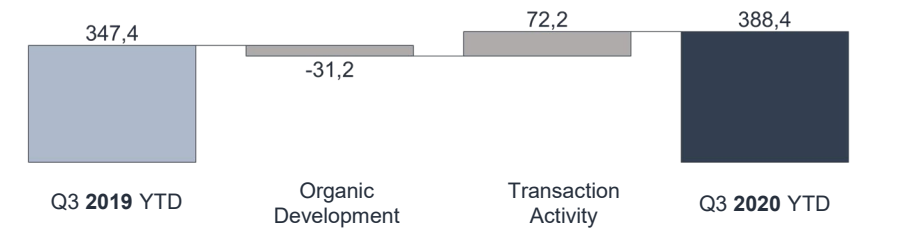
Segment Financials (2/3)

Engineering & Technology



mEUR	H1 2020	Q3 2020	Q3 2020 YTD	Q3 2019 YTD
Revenues	241.6	146.7	388.4	347.4
Cost of material	-162.4	-92.3	-254.6	-222.3
Personnel expenses	-60.3	-34.0	-94.3	-89.7
Other expenses	-27.0	-15.5	-42.6	-40.2
EBITDA	23.1	4.2	27.3	5.8
Adjusted EBITDA	0.7	6.3	7.0	-2.2
in % of Revenues	0.3%	4.3%	1.8%	-0.6%

Revenue Bridge



Comments

- Increase in revenues driven by the add-on acquisition for Donges Group
- EBITDA benefits from bargain purchase gain from add-on acquisitions as well as gain from Exit of Balcke-Dürr Polska
- Improved Adjusted EBITDA due to successful execution of restructuring measures at Donges Group and Gemini; Balcke-Dürr and EUPEC contribute negatively due to less activity

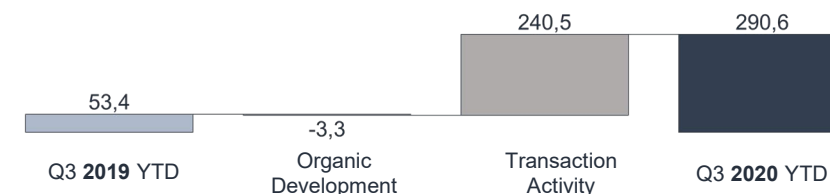
Segment Financials (3/3)

Goods & Services



mEUR	H1 2020	Q3 2020	Q3 2020 YTD	Q3 2019 YTD
Revenues	162.5	128.1	290.6	53.4
Cost of material	-96.8	-81.2	-178.0	-32.2
Personnel expenses	-33.5	-26.4	-59.8	-13.5
Other expenses	-32.0	-28.2	-60.1	-14.1
EBITDA	23.2	33.4	56.6	51.5
Adjusted EBITDA	-1.5	-4.5	-6.0	-5.2
in % of Revenues	-0.9%	-3.5%	-2.1%	-9.7%

Revenue Bridge



Comments

- Comparability to Q3 2019 not given due to high acquisition activity
- Substantial increase in revenues due to the acquisition of new platform investments and add-on acquisitions in FY 2019 (TréfilUnion, keeper Group and BEXity) and FY 2020 (keeper Tableware, Nexive, SABO)
- EBITDA benefits from bargain purchase of keeper Tableware, SABO and Nexive
- All entities besides TréfilUnion and newly acquired with positive Adjusted EBITDA contribution; impairment of fixed assets for TréfilUnion in Q1
- Restructuring program at BEXity as well as further development of keeper Group on track; promising start into restructuring especially at SABO

We will continue our path for sustainable growth...

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

Still challenging environment due to COVID-19, increase in M&A activity compared to H1 2020

Already two closings (Lacroix+Kress and Terranor) and two signings (Valmet Automotive Engineering Services* and Royal de Boer + Japy*) and one put option (Lapeyre) in October and November 2020

Targeted annualized revenue (incl. signed acquisitions) of >EUR 2.0bn in FY2020

New investment guidance communicated on CMD: sustain dividend capacity and attractive dividend policy, grow revenues to EUR 3bn by 2023



Q&A

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■ Thank you for your attention!

WE ARE THE TURNAROUND ENTREPRENEURS



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Portfolio – European transaction focus with global operational footprint

20 Companies – thereof 7 new platforms acquired in 2020



Automotive & Mobility



Tier1 supplier of truck composites
Acquired in 2013 from Autoneum Group



Sealing & fluid systems
Acquired in 2020 from Cooper Standard



Precision machine parts
Acquired in 2019 from Tekfor Group



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



VALMET AUTOMOTIVE
Engineering Services
Provider of engineering services
Acquired in 2020 from Valmet Automotive



Rubber mouldings
Acquired in 2009 from Diehl Group



Cable trees & harnesses
Acquired in 2019 from Deren Group



Engineering & Technology



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



Energy efficiency & filters
Acquired in 2016 from SPX Group



Oxygen free copper drawing manufacturer
Acquired in 2020 from Nexans



MRO services for rolling stock
Acquired in 2018 from Knorr Bremse



Leading manufacturer of barn equipment
Acquired in 2020 from GEA Group



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



Goods & Services



Mail & parcel provider
Acquired in 2020 from PostNL



Transport & cargo services
Acquired in 2019 from Austrian Railways



Road operations & maintenance
Acquired in 2020 from NCC



Household plastic & paper goods
Acquired in 2019 from Wrede Holding



Steel wire applications
Acquired in 2019 from ArcelorMittal



Industry & hygienic coreboard
Acquired in 2016 from Sonoco Group



Lawnmowers & outdoor power products
Acquired in 2020 from John Deere

1) Majority shareholder with > 60%; 2) signed in October, closing and rebranding expected in Q4 2020; 3) signed in November 2020, closing expected in Q4 2020;

4) Majority shareholder with 80%; *) Closed in Q4 2020

Portfolio I/III














Overview of Automotive & Mobility segment

	Company	HQ	Acquired	Description
Automotive & Mobility			2013	Designs and manufactures acoustic and thermal insulation, interior and exterior trim for light and heavy-duty trucks and lorries
			2020	Automotive and Industrial Specialties supplier for Sealing and rubber Fluid Transfer Systems (FTS)
			2019	Tier-1 and Tier-2 supplier of components for use in electric, hybrid and conventional powertrains for the automotive and truck industry as well as related industries
			2019	Supplier of market-ready components for passenger cars (hinges, locking systems, mechatronic systems, etc.)
	*)		2020	Service provider for the automotive industry, holistic car building on behalf of renowned OEMs
			2009	Designs, manufactures and distributes moulded rubber parts for the automotive industry, supplying to leading automotive OEMs
			2019	Supplier of cable harnesses in the automotive, consumer goods, healthcare and telecommunications sectors

*) signed in October '20, closing and rebranding expected in Q4 2020

Portfolio II/III

Overview of Engineering & Technology segment

	Company	HQ	Acquired	Description
 Engineering & Technology			2017	A leading full-service provider for bridge and steel constructions as well as roof and facade systems
			2016	A manufacturer of power station components for improving efficiency and filter systems for reducing emissions
			2020	Leading oxygen free copper drawing manufacturer for diversified industries
			2018	Offering engineering and maintenance services for rolling stock with a specialized focused on overhaul, refurbishment and modernization projects
			2020	Leading manufacturer of barn equipment
			2012	Designs, manufactures and distributes moulded rubber parts for the automotive industry, supplying to leading automotive OEMs

*) signed in November '20; closing expected in Q4 2020

Portfolio III/III

Overview of Goods & Services segment

	Company	HQ	Acquired	Description
 Goods & Services			2020	A platform for the delivery of mail and e-commerce with a network of 2,000 retail points across Italy
			2019	Logistics solutions provider operating a broad Austrian network of warehouses, servicing national and international clients
			2020	A leading provider of road operations and maintenance in the Nordics
			2019	Operates two injection moulding facilities and is a leading supplier of plastic household products
			2019	A wire drawing company covering all aspects across manufacturing, re-processing and refining as well as prestressing steel
			2016	Producer of recycled coreboard for standardized and custom products with particular emphasis in hygiene, industrial and packaging sectors
			2020	A manufacturer of high-quality lawnmowers and other outdoor power products

Consolidated Statement of Profit and Loss

M&A activity and COVID-19 impacting P&L

mEUR	H1 2020	Q3 2020	Q3 2020 YTD	Q3 2019 YTD	Δ abs.	Δ in %
Revenues	620.5	452.7	1,073.3	728.1	345.1	47%
+/- Change in inventories	-1.6	-2.0	-3.6	2.0	-5.6	>-100%
Other income	78.5	108.6	187.1	83.6	103.4	>100%
Cost of material	-390.2	-281.2	-671.4	-446.4	-225.1	50%
Personnel expenses	-174.4	-113.4	-287.8	-204.9	-82.9	40%
Other expenses	-91.3	-71.5	-162.8	-89.1	-73.7	83%
EBITDA	41.5	93.3	134.7	73.3	61.4	84%
Adjusted EBITDA	-16.7	0.1	-16.6	5.8	-22.4	>-100%
Net income	-30.2	61.3	31.1	25.7	-5.4	21%

Consolidated Balance Sheet

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

mEUR	30/09/2020	31/12/2019
Intangible assets	65.0	58.7
PP&E	218.3	176.4
Right of use assets	151.2	119.8
Other	56.0	44.3
Non-current assets	490.5	399.2
Inventories	182.5	134.0
Trade & other rec.	327.6	142.6
Cash & equivalents	157.3	79.7
Other	138.9	93.0
Current assets	806.3	449.3
Total assets	1,296.8	848.5

mEUR	30/09/2020	31/12/2019
Total equity	225.3	208.2
Financial liabilities	261.0	117.7
Provisions	127.9	99.5
Other	28.7	18.2
Non-current liab.	417.6	235.4
Trade payables	264.2	157.7
Other financial liab.	187.8	118.5
Provisions	35.7	35.7
Other	166.2	93.0
Current liabilities	653.9	404.9
Total equity & liab.	1,296.8	848.5