

Buy EUR 33.00 Price EUR 26.20 Upside 26.0 %	Value Indicators: EUR SotP: 32.80	Warburg ESG Risk Score: 2.8 ESG Score (MSCI based): 3.0 Balance Sheet Score: 3.3 Market Liquidity Score: 2.0	Description: Mutares is a PE group which specializes on turnaround and restructuring cases
	Market Snapshot: EUR m Market cap: 404 No. of shares (m): 15 EV: 409 Freefloat MC: 247 Ø Trad. Vol. (30d): 410.64 th	Shareholders: Freefloat 61.1 % Robin Laik (CEO) 28.8 % Elber GmbH 10.1 %	Key Figures (WRe): 2021e Beta: 1.3 Price / Book: 0.8 x Equity Ratio: 21 % Net Debt / EBITDA: 0.0 x

Increase in mid-term guidance

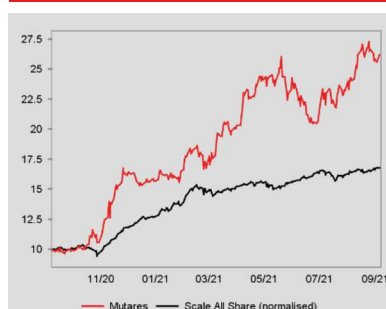
Stated Figures Q2/2021:	Q2 21 A	Q1 21 A	qoq	Q2 20 A	yoy	Comment on Figures:
Sales Holding	11,9	10,9	9%	7,2	65%	■ Lapeyre consolidated since July in realignment
Net income Holding	24,4	-4,5	n.m.	-2,6	n.m.	
Sales Group	600,1	493,8	22%	304,4	97%	
Adj. EBITDA Group	-4,5	0,1	n.m.	-0,3	n.m.	
Sales Realignment	98,4	43,9	124%	70,3	40%	
Adj. EBITDA Realignment	-7,8	-11,7	n.m.	-6,7	16%	
Sales Optimization	235,3	215,2	9%	66,4	254%	
Adj. EBITDA Optimization	-9,6	1,1	n.m.	-2,1	n.m.	
Sales Harvesting	266,5	234,6	14%	167,4	59%	
Adj. EBITDA Harvesting	11,2	10,7	5%	4,5	n.m.	

Mutares has increased its mid-term guidance and is now targeting group sales of EUR 5bn in FY 23e and expects a net income at holding level of 1.8%-2.2%, which translates into EUR 100m at the midpoint. This compares to its current target of EUR 60m. For the current year, Mutares expects an increase in group sales of more than 50% compared to FY 20, which is a level north of EUR 2.4bn. Holding net income is forecast at between EUR 43-53m. Pressure on supply chain is mentioned as having a possible negative impact on the business of selected portfolio companies. The dividend guidance is to at least meet market expectations, which we would interpret as EUR 1.50.

Mutares H1 / Q2 figures are roughly in line with our expectations and significantly impacted by the high transaction activity. Holding sales (consulting fees) stood at EUR 11.9m in Q2, which represents 10% sequential growth and a 65% yoy-increase. In this context, we see the company as being fully on track for our FY 21e estimate of EUR 48m. Holding net income of EUR 24.4m in Q2 is mainly impacted by the sale of the majority stake in STS Group but trailed our forecast of EUR 29m. Group sales in Q2 increased 22% compared to Q1 thanks to the acquisitions. Group EBITDA reached a level of EUR 404m in Q2, which is mainly impacted by the bargain purchase of Lapeyre, which is in the range of EUR 400m.

The cash position of the company stands at EUR 246m versus EUR 145m, with Lapeyre contributing EUR 265m at closing

Mutares holds a capital market day on September 15.

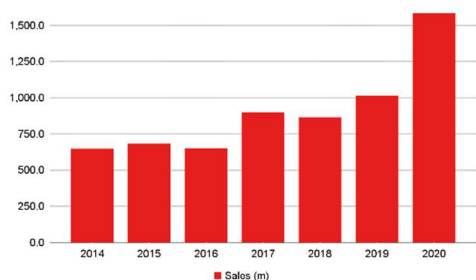


Rel. Performance vs Scale All	
1 month:	6.5 %
6 months:	32.6 %
Year to date:	34.5 %
Trailing 12 months:	91.9 %

Company events:
09.11.21 Q3

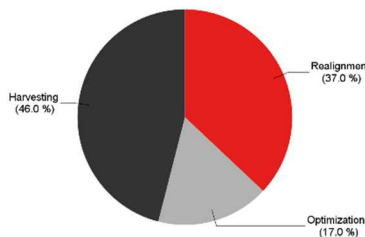
FY End: 31.12. in EUR m	CAGR (20-23e)	2017	2018	2019	2020	2021e	2022e	2023e
Sales	23.1 %	900	865	1,016	1,584	2,485	2,906	2,955
Change Sales yoy		38.4 %	-3.8 %	17.4 %	55.9 %	56.9 %	17.0 %	1.7 %
Sales Holding	38.1 %	n.a.	11	19	32	48	64	84
Chg yoy		n.a.	n.a.	83.0 %	65.0 %	49.1 %	35.3 %	30.4 %
Portfolio equity distributions		n.a.	0	3	12	12	18	20
Consulting income		n.a.	-8	-1	4	8	14	20
Exit gains		-	n.a.	68	0	23	30	0
Net income holding		n.a.	20	23	33	49	30	38
Net income margin holding		n.a.	189.9 %	116.6 %	104.7 %	102.2 %	47.3 %	45.3 %
EBITDA adj.		-28	5	7	-29	-15	55	125
Net income		-	44	15	21	27	344	-10
Net inc. adj.		n.a.	20	23	33	49	30	38
EPS adj.		n.a.	1.32	1.48	2.20	3.15	1.97	2.46
P / E adj.		n.a.	10.1 x	6.8 x	5.1 x	8.3 x	13.3 x	10.7 x
DPS	0.0 %	1.00	1.00	1.00	1.50	1.50	1.50	1.50
Dividend Yield		7.3 %	7.5 %	10.0 %	13.3 %	5.7 %	5.7 %	5.7 %
EPS		2.85	0.96	1.37	1.79	22.33	-6.01	-0.65
P / E		4.8 x	13.9 x	7.3 x	6.3 x	1.2 x	n.a.	n.a.
Guidance:	Annualized group sales above EUR 2.2bn (including signed acquisitions)							

Sales development
in EUR m



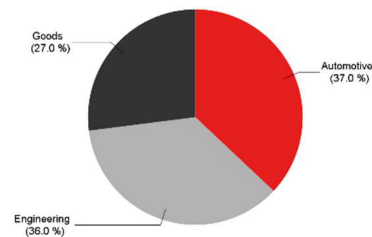
Source: Warburg Research

Sales by cycle phase
2020; in %



Source: Warburg Research

Sales by Segment
2020; %



Source: Warburg Research

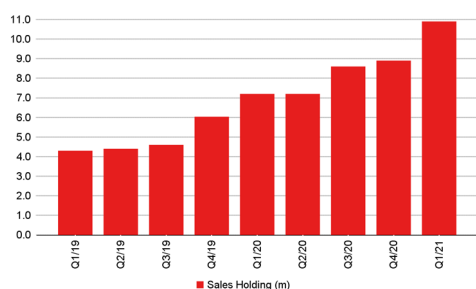
Company Background

- Mutares was co-founded in 2008 by CEO Robin Laik.
- Mutares invests in small/midcap (sales 50-500m) companies in special situations and manages the turnaround with its own consultants
- Consolidated sales increased from EUR 60m in 2010 to above EUR 1bn in 2019 as the company made more than 70 transactions
- Mutares has consistently paid a dividend and targets a base dividend of EUR 1.0. The dividend yield has exceeded 5% over the past five years.
- The company issued a bond in 2020 with a nominal value of EUR 80m to accelerate growth as the Covid pandemic gave rise to unique investment opportunities

Competitive Quality

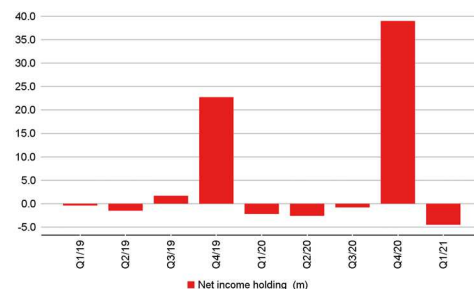
- With around 70 consultants, who are turnaround specialists, at the end of 2020, Mutares has established a European network of offices enabling the generation of synergies across its portfolio holdings.
- European small-midcap special situations management is a niche market with limited competition
- Management and board members hold significant stakes of outstanding shares
- For FY 23 Mutares targets annual consolidated sales of EUR 3bn, which translates into EUR 100m sales at Mutares holding level and a holding profit above EUR 60m including exit gains.

Sales Mutares Holding
in EUR m



Source: Warburg Research

Net income development
in EUR m



Source: Warburg Research

Sum of the parts

Net Asset Value	all Warburg Research estimates							
Company	exit date	sales Wre	EBITDA margin	EBITDA / EBIT	Exit mutiple	EV	probability	NPV
Balcke-Dürr Group	2024	70	6%	4,2	6,0	25	25%	4,9
BEXity	2025	200	3%	6,2	9,0	56	35%	14,2
Carglas Maison (CGM)	2026	42	7%	2,9	7,0	21	10%	1,1
Cenpa	2024	27	7%	1,9	6,0	11	25%	2,2
Donges Group	2023	220	8%	17,6	7,0	123	60%	62,9
Donges Group (Nordic)	2021	200	6%	11,0	6,0	66	75%	49,5
Elastomer Solutions Group	2023	36	7%	2,5	6,0	15	35%	4,5
Exi (Ericsson Services Italia)	2026	45	6%	2,7	8,0	22	10%	1,4
EUPEC	2021	12	0%	0,0	6,0	0	80%	0,0
Gemini Rail Group	2024	110	8%	8,8	8,0	70	25%	13,8
iinovis group (Valmet Automotive)	2026	55	5%	2,8	5,0	14	10%	0,9
keeper	2024	140	12%	16,8	9,0	151	35%	41,6
Kico Group	2026	100	8%	8,0	6,0	48	25%	8,0
La Rochette	2026	120	10%	12,0	7,0	84	10%	5,6
Lacroix & Kress / Plati	2026	160	8%	13,0	7,0	91	25%	15,2
Lapyere	2026	600	8%	48,0	6,0	288	10%	19,3
Magna	2026	360	6%	21,6	6,0	130	10%	8,7
Clecim (Primetals)	2026	55	9%	5,0	7,0	35	10%	2,3
Primo TECS (Tekfor)	2026	120	7%	8,4	6,0	50	25%	8,4
Royal de Boer / Japy Tech	2026	50	10%	5,0	7,0	35	10%	2,3
Sabo	2026	25	10%	2,5	8,0	20	25%	3,3
SFC Solutions	2026	180	8%	14,4	6,0	86	25%	14,4
Terranor (Nordic Road Services)	2026	140	8%	11,2	6,0	67	25%	11,2
Trefil Union	2021	30	0%	0,0	7,0	0	80%	0,0
								329,3

	2020	2021e	2022e	2023e
Sum of the Parts (EURm)				
Consulting revenues	31,9	47,6	64,4	83,9
Consulting profit (EBITDA)	3,7	8,2	13,8	19,7
WACC				8,4%
			TV	235
Equity distributions	12	12,0	18,0	20,0
WACC				8,4%
			TV	239
(+) NPV portfolio		329		
(-) Discounted TV equity distributions		203		
NPV portfolio surplus		126,3		
Exits				
Balcke Dürr Rothemühle	5,6			
Nexive	17			
Enterprise Value / CF	22,6	146,4	31,8	473,7
Discounted values	22,6	146,4	29,3	403,3
Discounted sum EV/CF		601,6		
Debt		80		
Cash		26,5		
Other debt like items		39,8		
Equity Value		508		
Number of shares outstanding		15,5		
Fair value per share (EUR)		32,8		

▪ As debt we deduct the outstanding bond and given guarantees

Valuation	2017	2018	2019	2020	2021e	2022e	2023e
Price / Book	1.3 x	1.1 x	0.8 x	0.9 x	0.8 x	1.0 x	1.1 x
Book value per share ex intangibles	8.43	8.99	8.17	7.38	28.10	20.59	18.45
EV / Sales	0.4 x	0.3 x	0.4 x	0.3 x	0.2 x	0.2 x	0.2 x
EV / EBITDA	5.6 x	5.5 x	4.6 x	3.6 x	0.8 x	9.9 x	4.5 x
EV / EBIT	9.4 x	14.0 x	14.0 x	12.5 x	1.3 x	n.a.	80.8 x
EV / EBIT adj.*	9.4 x	14.0 x	14.0 x	n.a.	n.a.	n.a.	80.8 x
P / FCF	n.a.	n.a.	n.a.	n.a.	4.2 x	n.a.	215.0 x
P / E	4.8 x	13.9 x	7.3 x	6.3 x	1.2 x	n.a.	n.a.
P / E adj.*	n.a.	10.1 x	6.8 x	5.1 x	8.3 x	13.3 x	10.7 x
Dividend Yield	7.3 %	7.5 %	10.0 %	13.3 %	5.7 %	5.7 %	5.7 %
FCF Potential Yield (on market EV)	20.1 %	17.1 %	21.5 %	28.2 %	118.1 %	10.1 %	22.3 %

*Adjustments made for: -

Company Specific Items	2017	2018	2019	2020	2021e	2022e	2023e
Sales Holding	n.a.	11	19	32	48	64	84
Portfolio equity distributions	n.a.	0	3	12	12	18	20
Exit gains	n.a.	68	0	23	30	0	0
Net income holding	n.a.	20	23	33	49	30	38
adj. EBITDA holding	n.a.	-18	1	5	11	17	23
Income investments holding	n.a.	44	22	35	42	18	20
Chg yoy	n.a.	n.a.	83.0 %	65.0 %	49.1 %	35.3 %	30.4 %
Net income margin holding	n.a.	189.9 %	116.6 %	104.7 %	102.2 %	47.3 %	45.3 %
Consulting income	n.a.	-8	-1	4	8	14	20

Consolidated profit & loss

In EUR m	2017	2018	2019	2020	2021e	2022e	2023e
Sales	900	865	1,016	1,584	2,485	2,906	2,955
Change Sales yoy	38.4 %	-3.8 %	17.4 %	55.9 %	56.9 %	17.0 %	1.7 %
Increase / decrease in inventory	-4	0	-4	-23	0	0	0
Own work capitalised	0	0	0	0	0	0	0
Total Sales	896	865	1,012	1,561	2,485	2,906	2,955
Material expenses	570	532	623	975	1,565	1,889	1,891
Gross profit	326	333	389	586	919	1,017	1,064
<i>Gross profit margin</i>	<i>36.2 %</i>	<i>38.5 %</i>	<i>38.3 %</i>	<i>37.0 %</i>	<i>37.0 %</i>	<i>35.0 %</i>	<i>36.0 %</i>
Personnel expenses	252	245	292	424	721	872	857
Other operating income	156	107	119	241	291	341	346
Other operating expenses	164	146	138	261	5	431	428
Unfrequent items	0	0	0	0	0	0	0
EBITDA	67	49	79	143	485	55	125
<i>Margin</i>	<i>7.5 %</i>	<i>5.7 %</i>	<i>7.8 %</i>	<i>9.0 %</i>	<i>19.5 %</i>	<i>1.9 %</i>	<i>4.2 %</i>
Depreciation of fixed assets	27	30	53	102	162	131	118
EBITA	40	19	26	41	323	-76	7
Amortisation of intangible assets	0	0	0	0	0	0	0
Goodwill amortisation	0	0	0	0	0	0	0
EBIT	40	19	26	41	323	-76	7
<i>Margin</i>	<i>4.4 %</i>	<i>2.2 %</i>	<i>2.6 %</i>	<i>2.6 %</i>	<i>13.0 %</i>	<i>-2.6 %</i>	<i>0.2 %</i>
EBIT adj.	40	19	26	-130	-77	-76	7
Interest income	3	1	2	4	1	1	1
Interest expenses	8	5	11	28	18	18	18
Other financial income (loss)	0	0	0	0	38	0	0
EBT	35	15	17	17	344	-93	-10
<i>Margin</i>	<i>3.9 %</i>	<i>1.7 %</i>	<i>1.6 %</i>	<i>1.1 %</i>	<i>13.9 %</i>	<i>-3.2 %</i>	<i>-0.3 %</i>
Total taxes	-8	3	0	-3	0	0	0
Net income from continuing operations	44	12	17	20	344	-93	-10
Income from discontinued operations (net of tax)	0	0	0	0	0	0	0
Net income before minorities	44	12	17	20	344	-93	-10
Minority interest	0	-3	-4	-7	0	0	0
Net income	44	15	21	27	344	-93	-10
<i>Margin</i>	<i>4.9 %</i>	<i>1.7 %</i>	<i>2.0 %</i>	<i>1.7 %</i>	<i>13.9 %</i>	<i>-3.2 %</i>	<i>-0.3 %</i>
Number of shares, average	15	15	15	15	15	15	15
EPS	2.85	0.96	1.37	1.79	22.33	-6.01	-0.65
EPS adj.	n.a.	1.32	1.48	2.20	3.15	1.97	2.46

*Adjustments made for:

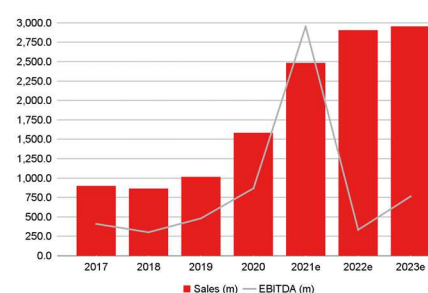
Guidance: Annualized group sales above EUR 2.2bn (including signed acquisitions)

Financial Ratios

	2017	2018	2019	2020	2021e	2022e	2023e
Total Operating Costs / Sales	92.1 %	94.3 %	91.8 %	89.5 %	80.5 %	98.1 %	95.8 %
Operating Leverage	0.4 x	13.4 x	2.0 x	1.0 x	12.0 x	n.a.	n.a.
EBITDA / Interest expenses	8.5 x	9.6 x	7.2 x	5.1 x	26.9 x	3.0 x	7.0 x
Tax rate (EBT)	-23.7 %	18.9 %	0.0 %	-16.6 %	0.0 %	0.0 %	0.0 %
Dividend Payout Ratio	35.3 %	127.0 %	91.2 %	115.6 %	6.7 %	n.m.	n.m.
Sales per Employee	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.

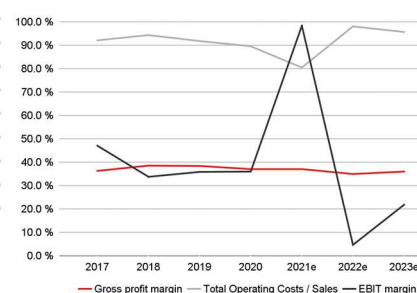
Sales, EBITDA

in EUR m

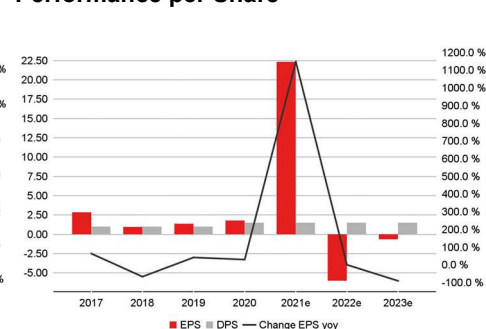


Operating Performance

in %



Performance per Share



Source: Warburg Research

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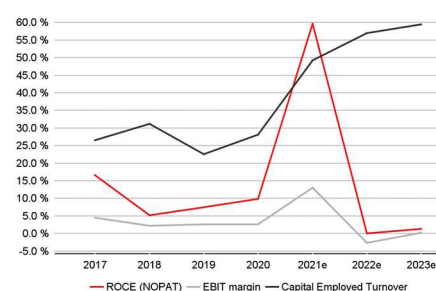
Consolidated balance sheet

In EUR m	2017	2018	2019	2020	2021e	2022e	2023e
Assets							
Goodwill and other intangible assets	36	41	59	76	76	76	76
thereof other intangible assets	36	41	59	76	76	76	76
thereof Goodwill	0	0	0	0	0	0	0
Property, plant and equipment	171	133	176	243	511	410	322
Financial assets	6	17	17	9	9	9	9
Other long-term assets	4	5	123	150	350	350	350
Fixed assets	216	196	375	478	946	845	757
Inventories	131	101	134	204	355	415	422
Accounts receivable	183	163	172	295	463	542	551
Liquid assets	99	108	80	145	545	416	394
Other short-term assets	44	62	88	206	206	206	206
Current assets	457	435	474	850	1,569	1,578	1,573
Total Assets	673	631	849	1,327	2,515	2,423	2,330
Liabilities and shareholders' equity							
Subscribed capital	16	15	15	15	15	15	15
Capital reserve	37	37	37	38	38	38	38
Retained earnings	111	129	135	144	465	349	316
Other equity components	3	-1	-2	-7	-7	-7	-7
Shareholders' equity	166	181	185	190	512	395	362
Minority interest	-1	27	23	17	17	17	17
Total equity	166	208	208	207	528	412	379
Provisions	147	97	138	210	460	400	330
thereof provisions for pensions and similar obligations	103	47	87	116	166	166	166
Financial liabilities (total)	160	129	208	374	384	384	384
Short-term financial liabilities	36	26	41	57	57	57	57
Accounts payable	122	144	195	319	501	586	595
Other liabilities	79	53	100	217	642	642	642
Liabilities	507	423	640	1,120	1,987	2,011	1,951
Total liabilities and shareholders' equity	673	631	849	1,327	2,515	2,423	2,330

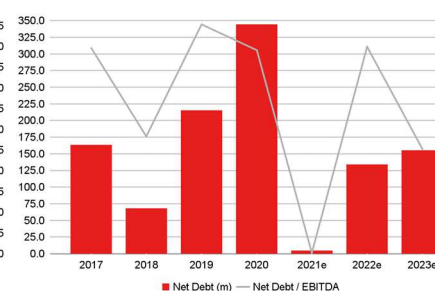
Financial Ratios

	2017	2018	2019	2020	2021e	2022e	2023e
Efficiency of Capital Employment							
Operating Assets Turnover	2.5 x	3.4 x	3.5 x	3.8 x	3.0 x	3.7 x	4.2 x
Capital Employed Turnover	2.7 x	3.1 x	2.4 x	2.9 x	4.7 x	5.3 x	5.5 x
ROA	20.4 %	7.5 %	5.5 %	5.7 %	36.4 %	-11.0 %	-1.3 %
Return on Capital							
ROCE (NOPAT)	16.6 %	5.2 %	7.5 %	9.8 %	59.6 %	n.a.	1.3 %
ROE	30.9 %	8.5 %	11.4 %	14.4 %	98.1 %	-20.5 %	-2.7 %
Adj. ROE	n.a.	11.6 %	12.3 %	17.8 %	13.9 %	6.7 %	10.1 %
Balance sheet quality							
Net Debt	164	68	215	345	5	134	155
Net Financial Debt	61	21	128	228	-161	-32	-11
Net Gearing	98.8 %	32.8 %	103.5 %	166.3 %	0.9 %	32.5 %	41.0 %
Net Fin. Debt / EBITDA	90.6 %	43.2 %	161.7 %	160.1 %	n.a.	n.a.	n.a.
Book Value / Share	10.7	11.7	12.0	12.3	33.0	25.5	23.3
Book value per share ex intangibles	8.4	9.0	8.2	7.4	28.1	20.6	18.4

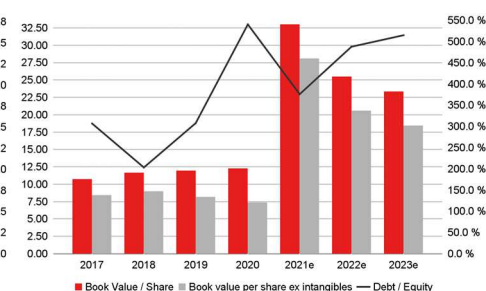
ROCE Development



Net debt in EUR m



Book Value per Share in EUR



Source: Warburg Research

Source: Warburg Research

Source: Warburg Research

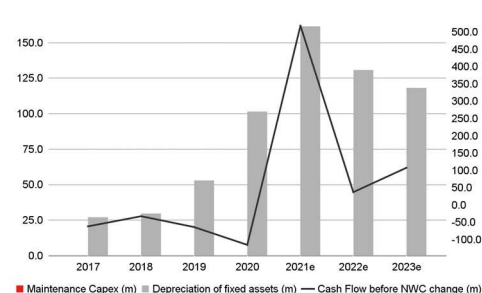
Consolidated cash flow statement

In EUR m	2017	2018	2019	2020	2021e	2022e	2023e
Net income	44	12	17	20	344	-93	-10
Depreciation of fixed assets	27	30	53	102	162	131	118
Amortisation of goodwill	0	0	0	0	0	0	0
Amortisation of intangible assets	0	0	0	0	0	0	0
Increase/decrease in long-term provisions	19	-9	-15	29	50	0	0
Other non-cash income and expenses	-152	-65	-118	-265	-38	0	0
Cash Flow before NWC change	-62	-32	-63	-115	518	38	108
Increase / decrease in inventory	34	13	20	17	-152	-60	-7
Increase / decrease in accounts receivable	-2	39	34	7	-168	-79	-9
Increase / decrease in accounts payable	0	-31	-2	48	182	85	10
Increase / decrease in other working capital positions	0	0	0	0	-250	-60	-70
Increase / decrease in working capital (total)	33	21	53	72	-388	-114	-76
Net cash provided by operating activities [1]	-29	-11	-11	-43	130	-76	32
Investments in intangible assets	0	0	0	0	0	0	0
Investments in property, plant and equipment	0	0	0	-29	-30	-30	-30
Payments for acquisitions	2	19	33	79	275	0	0
Financial investments	0	0	0	1	0	0	0
Income from asset disposals	25	-3	23	1	38	0	0
Net cash provided by investing activities [2]	24	-3	44	51	283	-30	-30
Change in financial liabilities	12	0	0	104	10	0	0
Dividends paid	-5	-15	-15	-15	-23	-23	-23
Purchase of own shares	0	-3	0	-3	0	0	0
Capital measures	0	0	0	0	0	0	0
Other	28	42	-47	-29	0	0	0
Net cash provided by financing activities [3]	35	23	-62	58	-13	-23	-23
Change in liquid funds [1]+[2]+[3]	29	9	-29	66	400	-129	-21
Effects of exchange-rate changes on cash	0	0	0	-1	0	0	0
Cash and cash equivalent at end of period	99	108	80	145	545	416	394

Financial Ratios

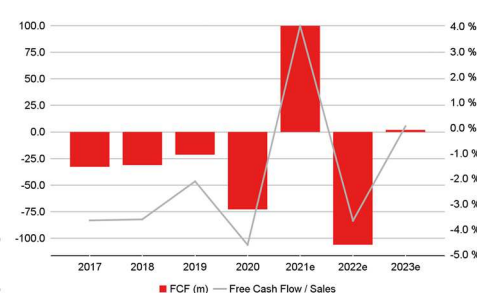
	2017	2018	2019	2020	2021e	2022e	2023e
Cash Flow							
FCF	-33	-31	-21	-73	100	-106	2
Free Cash Flow / Sales	-3.6 %	-3.6 %	-2.1 %	-4.6 %	4.0 %	-3.7 %	0.1 %
Free Cash Flow Potential	75	46	79	146	485	55	125
Free Cash Flow / Net Profit	-74.2 %	-212.2 %	-102.9 %	-269.0 %	29.0 %	114.0 %	-19.4 %
Interest Received / Avg. Cash	4.0 %	0.5 %	1.6 %	3.5 %	0.3 %	0.2 %	0.2 %
Interest Paid / Avg. Debt	5.9 %	3.5 %	6.5 %	9.7 %	4.8 %	4.7 %	4.7 %
Management of Funds							
Investment ratio	0.0 %	0.0 %	0.0 %	1.8 %	1.2 %	1.0 %	1.0 %
Maint. Capex / Sales	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %
Capex / Dep	0.0 %	0.0 %	0.0 %	28.3 %	18.6 %	22.9 %	25.4 %
Avg. Working Capital / Sales	21.6 %	18.0 %	11.4 %	9.2 %	10.0 %	11.9 %	12.7 %
Trade Debtors / Trade Creditors	149.4 %	113.3 %	88.5 %	92.5 %	92.5 %	92.5 %	92.5 %
Inventory Turnover	4.3 x	5.3 x	4.6 x	4.8 x	4.4 x	4.5 x	4.5 x
Receivables collection period (days)	74	69	62	68	68	68	68
Payables payment period (days)	78	99	114	119	117	113	115
Cash conversion cycle (Days)	80	39	26	25	34	35	35

CAPEX and Cash Flow in EUR m



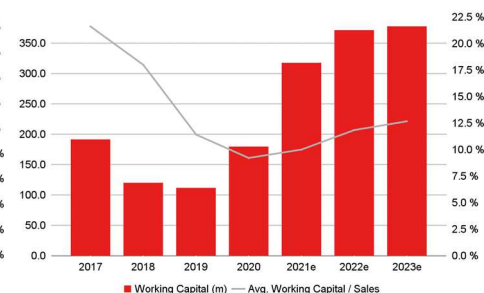
Source: Warburg Research

Free Cash Flow Generation



Source: Warburg Research

Working Capital



Source: Warburg Research

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Mutares	5	http://www.mmwarburg.com/disclaimer/disclaimer_en/DE000A2NB650.htm

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“-“	Rating suspended:	The available information currently does not permit an evaluation of the company.

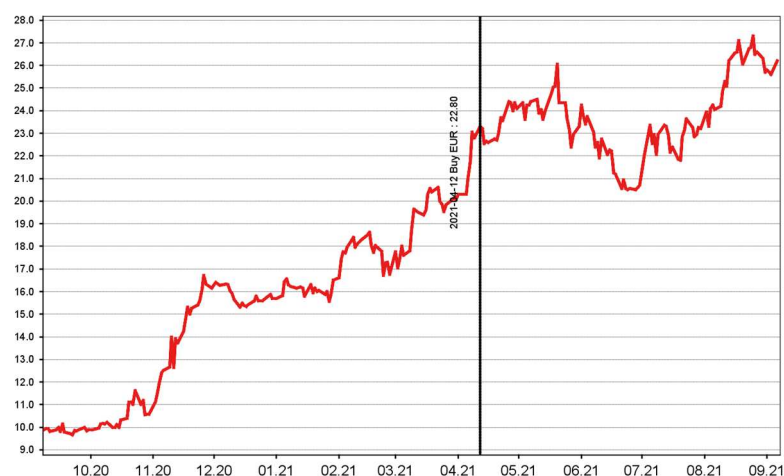
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Rating	Number of stocks	% of Universe
Buy	145	68
Hold	61	29
Sell	6	3
Rating suspended	2	1
Total	214	100

WARBURG RESEARCH GMBH – ANALYSED RESEARCH UNIVERSE BY RATING ...

... taking into account only those companies which were provided with major investment services in the last twelve months.

Rating	Number of stocks	% of Universe
Buy	42	76
Hold	11	20
Sell	0	0
Rating suspended	2	4
Total	55	100

PRICE AND RATING HISTORY MUTARES AS OF 07.09.2021


Markings in the chart show rating changes by Warburg Research GmbH in the last 12 months. Every marking details the date and closing price on the day of the rating change.

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