



**MUTARES**

**Earnings Call**  
H1 2020

Munich, 11 August 2020

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## 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

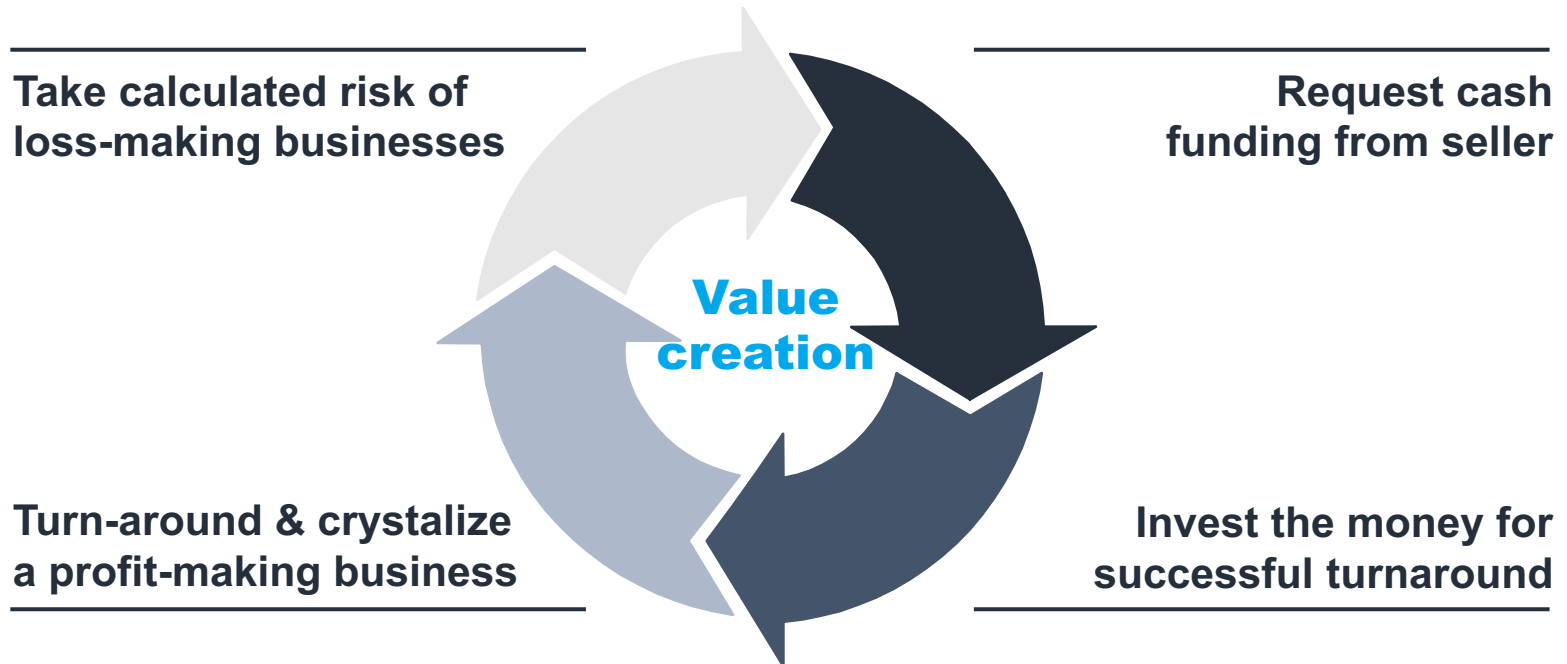
#### Harvesting

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 7-10x ROIC over the lifecycle of a company.

7-10x ROIC

## Best in class turnaround investor achieves supreme 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

## Successful track record

### Mutarees targets ROIC with current Vintage<sup>1)</sup> portfolio of 7-10x

	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)
	Past investments	21	46.2	89.7	1.9x
Realized	<b>Vintage portfolio<sup>1)</sup></b>	10	21.3	102.8	<b>4.8x</b>
Est.	<b>Portfolio outlook<sup>3)</sup></b>	14	23.7	200.0	<b>7-10x</b>

#### Vintage portfolio with ROIC of 4.8x

- Return multiple of 4.8x already realized on Vintage portfolio **without full exits**
- Substantial return improvement versus historic investments underline Mutares' quality growth strategy

#### Portfolio outlook with ROIC of 7-10x

- 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

1) Vintage portfolio – companies which have been part of the portfolio for 12 months or more as of 30 June 2020;

2) Return on invested capital from the holding perspective (Average estimate over time and may vary on individual cases);

3) Does not include the acquisitions of SFC Solutions and Nexive as they first closed in July 2020

## Highlights of the first half of 2020

### Brisk transaction activity, COVID-19 with negative impact on profitability

- ▮ **High frequency of acquisitions continues:** five new platforms acquired in H1 2020, one additional in H2 2020 already; three add-on acquisitions strengthening existing platforms
- ▮ **Three exits:** Balcke-Dürr Group sells Balcke-Dürr Polska, BEXity sells activities in Czech Republic and divestment of portfolio company KLANN Packaging
- ▮ **Operational progress:** Restructuring efforts heavily impacted by COVID-19; measures to maintain liquidity and to stabilize business activities successfully implemented
- ▮ **Successful placement of EUR 50.0 million bond:** capital raised to invest in add-ons and portfolio development
- ▮ **First virtual General Annual Meeting:** dividend of EUR 1.00 again approved



# Mutares portfolio grows to currently 18 platforms

Five new platforms acquired in H1 2020, one already in H2 2020



## Automotive & Mobility



Rubber mouldings  
Acquired in 2009 from Diehl Group



Tier1 supplier of truck composites  
Acquired in 2013 from Autoneum Group



Cable trees & harnesses  
Acquired in 2019 from Deren Group



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



Precision machine parts  
Acquired in 2019 from Tekfor Group



Sealing & fluid systems  
Acquired in 2020 from Cooper Standard



## Engineering & Technology



Energy efficiency & filters  
Acquired in 2016 from SPX Group



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



MRO services for rolling stock  
Acquired in 2018 from Knorr Bremse



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



Oxygen free copper drawing manufacturer  
Acquired in 2020 from Nexans



## Goods & Services



Industry & hygienic coreboard  
Acquired in 2016 from Sonoco Group



Household plastic & paper goods  
Acquired in 2019 from Wrede Holding



Steel wire applications  
Acquired in 2019 from ArcelorMittal



Transport & cargo services  
Acquired in 2019 from Austrian Railways



Mail & parcel provider  
Acquired in 2020 from PostNL



Lawnmowers & outdoor power products  
Acquired in 2020 from John Deere



Road operations & maintenance  
Acquired in 2020 from NCC

1) Majority shareholder with > 60%; 2) signed in June 2020, closing and rebranding expected in Q3 2020

3) Majority shareholder with 80%; 4) signed in June 2020, closing expected in Q3 2020;

5) signed in July 2020, closing and rebranding expected in Q3 2020; \*) Acquisitions closed in July 2020

## Key financial data of the first half of 2020

Revenue growth of 40% due to significant M&A activity compensating negative effects from COVID-19

Group Revenues EUR	Group EBITDA EUR	Group Adj. EBITDA EUR	Group cash & equivalents EUR	Group equity ratio %
<b>620.5m</b>	<b>41.5m</b>	<b>-16.7m</b>	<b>109.3m</b>	<b>16.3%</b>
H1 2019 <b>443.2m</b>	H1 2019 <b>67.1m</b>	H1 2019 <b>0.0m</b>	31 Dec. 2019 <b>79.7m</b>	31 Dec. 2019 <b>24.5%</b>

## Consolidated Statement of Profit and Loss

### M&A activity and COVID-19 driving P&L

mEUR	H1 2020	H1 2019	Δ abs.	Δ in %
<b>Revenues</b>	<b>620.5</b>	<b>443.2</b>	<b>177.3</b>	<b>40.0%</b>
+/- Change in inventories	-1.6	12.8	-14.4	>-100%
Other income	78.5	77.1	1.4	1.8%
Cost of material	-390.2	-277.7	-112.5	40.5%
Personnel expenses	-174.4	-133.7	-40.7	30.4%
Other expenses	-91.3	-54.6	-36.7	67.2%
<b>EBITDA</b>	<b>41.5</b>	<b>67.1</b>	<b>-25.6</b>	<b>-38.2%</b>
<b>Adjusted EBITDA</b>	<b>-16.7</b>	<b>0.0</b>	<b>-16.7</b>	<i>n/a</i>
<b>Net income</b>	<b>-30.2</b>	<b>36.6</b>	<b>-66.8</b>	<b>&gt;-100%</b>

## Adjusted EBITDA

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

mEUR	H1 2020	H1 2019	Δ abs.	Δ in %
<b>EBITDA</b>	<b>41.5</b>	<b>67.1</b>	<b>-25.6</b>	<b>-38.2%</b>
Income from bargain purchases	-65.8	-70.8	-5.0	-7.1%
Restructuring and other non-recurring expenses	9.2	3.7	5.5	>100%
Deconsolidation effects	-1.6	0.0	-1.6	<i>n/a</i>
<b>Adjusted EBITDA</b>	<b>-16.7</b>	<b>0.0</b>	<b>-16.7</b>	<b><i>n/a</i></b>

- ❏ 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 acquisition of PrimoTECS and in total three add-ons (keeper Tableware, Ruukki and Loterios)
  - Restructuring expenses mainly for severance payments, other non-recurring expenses mainly in relation to the acquisition of the newly acquired entities
  - Three exits (Balcke-Dürr Polska, Klann Packaging and BEXity's activities in Czech Republic) led to a total gain

## Consolidated Balance Sheet

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

mEUR	30/06/2020	31/12/2019
Intangible assets	65.8	58.7
PP&E	184.0	176.4
Right of use assets	141.8	119.8
Other	38.2	44.3
<b>Non-current assets</b>	<b>429.8</b>	<b>399.2</b>
Inventories	161.2	134.0
Trade & other rec.	195.0	142.6
Cash & equivalents	109.3	79.7
Other	92.3	93.0
<b>Current assets</b>	<b>557.8</b>	<b>449.3</b>
<b>Total assets</b>	<b>987.6</b>	<b>848.5</b>

mEUR	30/06/2020	31/12/2019
<b>Total equity</b>	<b>160.6</b>	<b>208.2</b>
Financial liabilities	196.5	117.7
Provisions	111.6	99.5
Other	20.5	18.2
<b>Non-current liab.</b>	<b>328.6</b>	<b>235.4</b>
Trade payables	164.8	157.7
Other financial liab.	160.2	118.5
Provisions	30.5	35.7
Other	142.9	93.0
<b>Current liabilities</b>	<b>498.4</b>	<b>404.9</b>
<b>Total equity &amp; liab.</b>	<b>987.6</b>	<b>848.5</b>

## Segment Financials (1/2)

### Automotive & Mobility



- Due to COVID-19 and despite new platform investments, revenue only at level of H1 2019
- EBITDA benefits from bargain purchase of PrimoTECS
- Decline in Adjusted EBITDA as a result of decreased revenues in the context of COVID-19; further, new acquisitions with still negative contributions
- Focus on securing liquidity; measures successfully implemented
- Reorganization of STS has been initiated, impairment on fixed assets of BU Acoustics

mEUR	H1 2020	H1 2019	Δ abs.	Δ in %
<b>Revenues</b>	<b>216.4</b>	<b>214.5</b>	<b>1.9</b>	<b>0.9%</b>
Cost of material	-129.6	-124.1	-5.5	4.4%
Personnel expenses	-70.3	-60.5	-9.8	16.2%
Other expenses	-36.5	-27.8	-8.7	31.3%
<b>EBITDA</b>	<b>2.4</b>	<b>12.5</b>	<b>-10.1</b>	<b>-80.8%</b>
<b>Adjusted EBITDA</b>	<b>-13.8</b>	<b>11.0</b>	<b>-24.8</b>	<b>&gt;-100%</b>
in % of Revenues	-6.4%	5.1%		

### Engineering & Technology



- Now the largest segment in the Group in terms of revenue: increase mainly due to the add-on acquisitions of Donges Group
- EBITDA driven by bargain purchase gains from the 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 contributes negatively due to less activity in H1 2020

mEUR	H1 2020	H1 2019	Δ abs.	Δ in %
<b>Revenues</b>	<b>241.6</b>	<b>208.2</b>	<b>33.4</b>	<b>16.0%</b>
Cost of material	-162.4	-139.7	-22.7	16.3%
Personnel expenses	-60.3	-59.6	-0.7	1.2%
Other expenses	-27.0	-27.6	0.6	-2.2%
<b>EBITDA</b>	<b>23.1</b>	<b>1.5</b>	<b>21.6</b>	<b>&gt;100%</b>
<b>Adjusted EBITDA</b>	<b>0.7</b>	<b>-7.2</b>	<b>7.9</b>	<b>&gt;100%</b>
in % of Revenues	0.3%	-3.5%		

## Segment Financials (2/2)

### Goods & Services

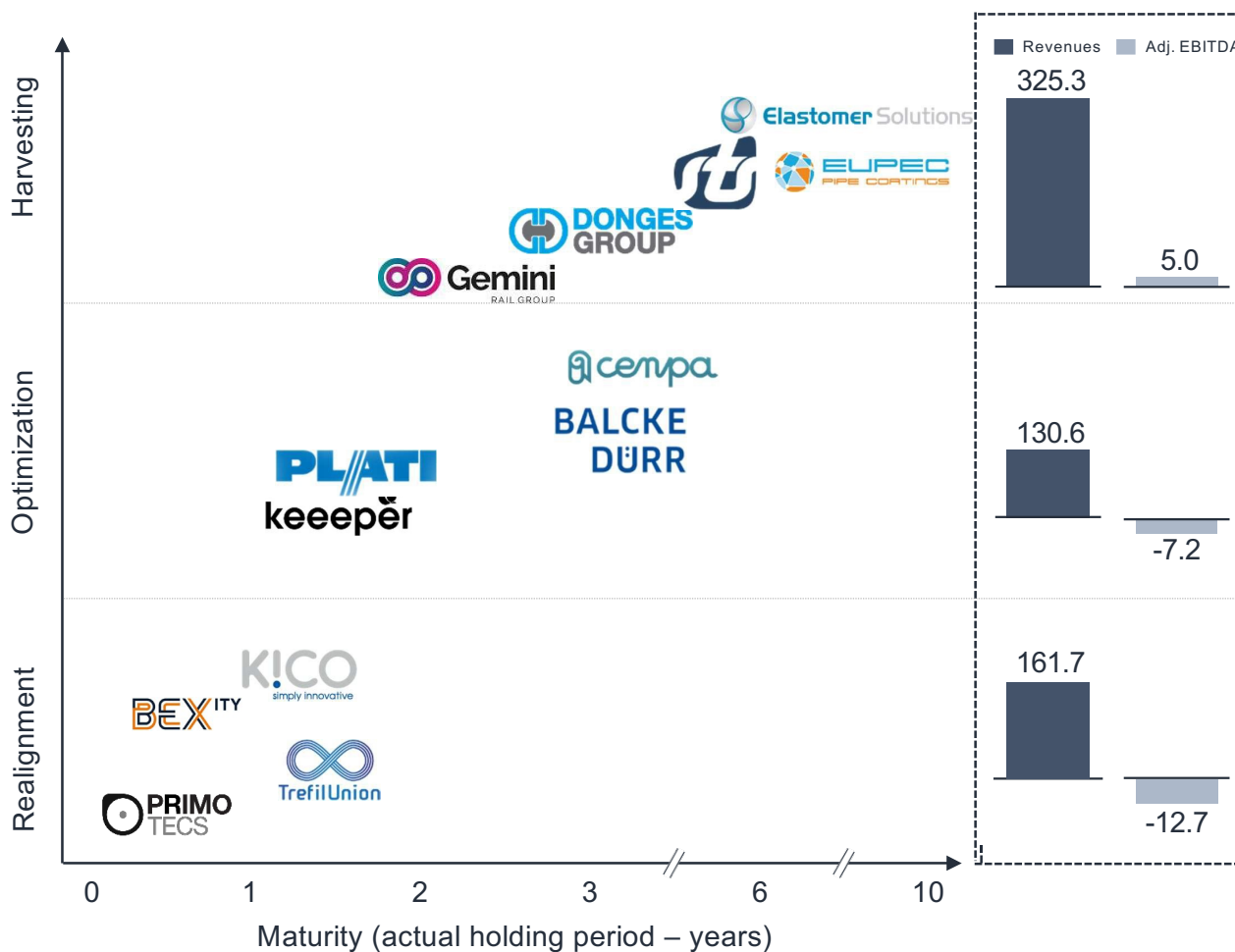


- Sharp increase in revenues due to the acquisition of new platform investments (TréfilUnion, keeper Group and BEXity)
- EBITDA benefits from bargain purchase of keeper Tableware
- All entities except TréfilUnion with positive Adjusted EBITDA contribution; impairment of fixed assets for TréfilUnion
- Restructuring program at BEXity as well as further development of keeper Group (integration of keeper Tableware) well on track

mEUR	H1 2020	H1 2019	Δ abs.	Δ in %
<b>Revenues</b>	<b>162.5</b>	<b>20.5</b>	<b>142.0</b>	<b>&gt;100%</b>
Cost of material	-96.8	-13.3	-83,5	>100%
Personnel expenses	-33.5	-6.3	-27.2	>100%
Other expenses	-32.0	-4.3	-27.7	>100%
<b>EBITDA</b>	<b>23.2</b>	<b>55.9</b>	<b>-32.7</b>	<b>-58.5%</b>
<b>Adjusted EBITDA</b>	<b>-1.5</b>	<b>-1.7</b>	<b>0.2</b>	<b>11.8%</b>
in % of Revenues	-0.9%	-8.2%		

# Lifecycle Status

Well diversified portfolio along the lifecycle



## Comments

- Re-assessment of Plati, keeper, Balcke-Dürr, Donges Group and Gemini compared to YE 2019
- 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
- Adjusted EBITDA differs significantly along these three phases
- New platform acquisitions in realignment stage always contribute negatively to Adjusted EBITDA in Mutares' business model
- Restructuring progress influenced by COVID-19 but remains well on track especially in Plati, keeper, BEXity and KICO



**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 two closings and one signing in July 2020**

**Targeted revenue (incl. signed acquisitions) of > EUR 1.5b in FY2020**

**Sustain dividend capacity and attractive dividend policy**

# Capital Markets Day – Save the Date!

2020  
20  
10

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## Questions & Answers



## Contact

### Investor Relations



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#### **Upcoming dates**

Baader Investment Conference, **Munich**, 25 September 2020

Capital Markets Day, **Frankfurt/Main**, 20 October 2020

Publication of Q3 information, **Investor Call**, 10 November 2020

Deutsches Eigenkapital Forum, **Frankfurt/Main**, 16-18 November 2020

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