



MUTARES

Earnings call
2019Q2

Munich, 08 August 2019

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Speakers today
Executive Board



Mark Friedrich
CFO



Johannes Laumann
CIO

■
**New Board Member appointed as Chief Investment Officer
Responsible for M&A and Investor Relations**



Johannes Laumann
CIO

With Mutares since July 2016

Previously:

- Atlas Copco Oil & Gas Division
VP Operations
- Porsche Consulting
Project Manager
- Ernst & Young
Consultant International Audit

Education

- Diploma in Business Law
Pforzheim University
- International Management
Copenhagen Business School

■
Agenda

- 1 Overview**
- 2 Transactions**
- 3 Snapshot: Donges Group**
- 4 Financials & Performance**
- 5 Outlook and Q&A**

Key Financial Data of 2019H1

M&A activity visible in increased EBITDA

Group Revenues EUR	Group EBITDA EUR	Group Adjusted EBITDA EUR	Group cash & equivalents EUR	Group equity ratio
443.2m	67.1m	0.0m	80.9m	27%
2018H1	2018H1	2018H1	31 December 2018	31 December 2018
467.0m	21.6m	9.3m	108.1m	33%

Highlights 2019H1

Five acquisitions, thereof three new platforms

Operational progress

- Successful turnaround of Donges Group company Kalzip; first promising results based on sales synergies in the Group
- Balcke-Duerr Group with strong order pipeline and first uptake of dismantling business
- Elastomer Group on track again after disappointing year 2018

Record number of transactions within first months 2019








- Five closed transactions in 2019H1 and two more transactions in July 2019 represent substantial potential for further future growth.
- Each platform is a candidate for a successful buy & build strategy

Distribution of EUR 1.00 dividend per share for FY2018

- Commitment to sustainable dividend policy for the future based on dividend payments for the last two years of each EUR 1.00 per share

Seven acquisitions in first seven months of 2019

Portfolio further enhanced with three add-ons and four new platforms

	Normek	FDT	TréfilUnion	Plati	keeper	KICO	Ruukki *
Sales	EUR 65m	EUR 54m	EUR 42m	EUR 38m	EUR 65m	EUR 110m	EUR 130m
Products	Roof and facade systems	Roofing membranes	Steel ropes and wires	Cable harnesses and connectors	Household plastic products	Safety, locking & joining systems	Building systems, envelopes & bridges
Seller	Fund and private persons	Private person	Arcelor Mittal Europe	Deren Group	Wrede Holding	Family	SSAB
Type	Add-on to	Add-on to	Platform	Platform	Platform	Platform	Add-on to
Portfolio							
Segment	Engineering & Technology	Engineering & Technology	Goods & Services	Automotive & Mobility	Goods & Services	Automotive & Mobility	Engineering & Technology

* Signed, closing expected Q4/2019-Q1/2020

Our portfolio: From ten to thirteen companies

In 2019, acquisition of platforms TréfilUnion, Plati, keeper and KICO



Automotive & Mobility



Acquired in 2009 from Diehl Group
Producer of grommets



Acquired in 2013 from Autoneum Group ¹⁾
Tier1 supplier of truck composites



Acquired in 2019 from Deren Group
Supplier of cable harnesses



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



Engineering & Technology



Acquired in 2016 from SPX Group
Producer of energy efficiency components



Acquired in 2017 from Mitsubishi-Hitachi
Steel construction & engineering services



Acquired in 2018 from Knorr Bremse
Engineering services for rolling stock



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



Goods & Services



Acquired in 2017 from Aperam Group
Producer of stainless steel pipes



Acquired in 2016 from Sonoco Group
Producer of industry & hygienic coreboard



Acquired in 2011 from Huber Group
Producer of metal packaging solutions



Acquired in 2019 from ArcelorMittal
Producer of steel wire applications



Acquired in 2019 from Wrede Holding
Producer of household plastic goods






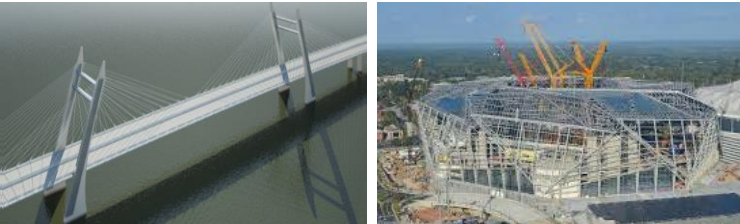
1) Majority shareholder with > 60%

Renown seller ArcelorMittal & ideal potential for Mutares operational experts

Acquisition details

- ▣ New platform investment acquired from ArcelorMittal in June 2019
- ▣ Annual sales of approx. EUR 42m
- ▣ Approx. 130 employees at 2 sites in France
- ▣ Core business comprises wire products to automotive, consumer and construction industry
- ▣ Deal rationale:
 - Typical Mutares platform deal
 - Optimization potential along value chain
 - Potential synergies with Donges regarding bridges

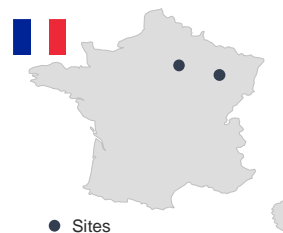
Products and markets

Products	<ul style="list-style-type: none"> ▪ Low and high carbon wire, e.g. springs ▪ Cables for pre-stressed concrete ▪ Cables for cable-stayed bridges 
Applications	    

Selected customers

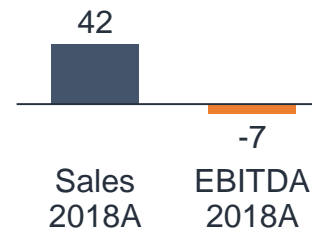


Locations



Financials

in EURm



Target for 2021

- Illustrative -



Plati Elettroforniture S.p.A.



For Mutares, ideal automotive platform complementing the portfolio

Acquisition details

- New platform, acquired from Deren Group in June 2019
- Acquisition of 80% of Plati and its subsidiaries with Deren Group retaining a 20% stake
- Annual sales of approx. EUR 38m. 850 employees at three sites in Italy, Poland and Ukraine
- Business focuses on production of cable harnesses in automotive, appliance and industry
- Deal rationale:
 - Typical Mutares deal, potential synergies with Elastomer
 - Mutares typical optimization potential along value chain

Products and markets

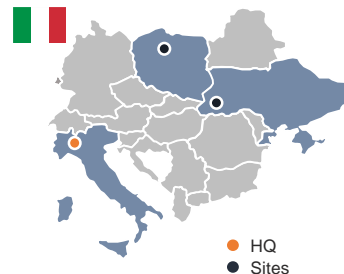
Products	<ul style="list-style-type: none"> ▪ Cable trees, internal and external cables ▪ Automotive cables ▪ Connectors, PVC extrusion ▪ Electromechanical Assemblies and LVDS/FFC
Applications	<ul style="list-style-type: none"> ▪ Products for Automotive, Consumer, Industrial, Appliances, Medical and Telecommunication sectors ▪ Ca. 80% of revenues from Appliances and Automotive



Selected customers

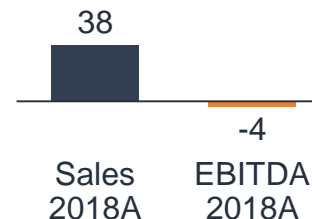


Locations



Financials

in EURm



Target for 2021

- Illustrative -



keeper Group keeper

New platform investment strengthening the Goods & Services segment

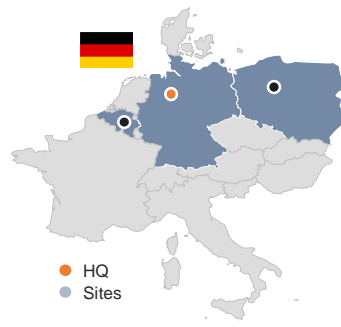
Acquisition details

- ▣ New platform investment acquired from Wrede Industrieholding in June 2019
- ▣ Total sales of EUR 64m in 2018, and approx. 500 employees. HQ in Germany
- ▣ Two production sites in Germany and Poland; one distribution hub in Belgium
- ▣ Product portfolio centers on high-quality plastic household products
- ▣ Deal rationale
 - Optimize purchasing and value chain
 - Leverage Mutares' injection molding know-how
 - Consolidate market for both in-/organic growth

Selected customers



Locations

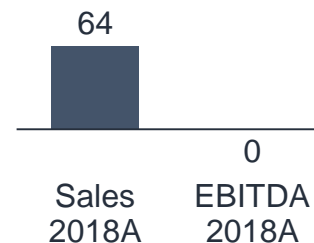


Products and markets



Financials

in EURm



Target for 2021

- Illustrative -



Kirchhoff GmbH & Co. KG (KICO)

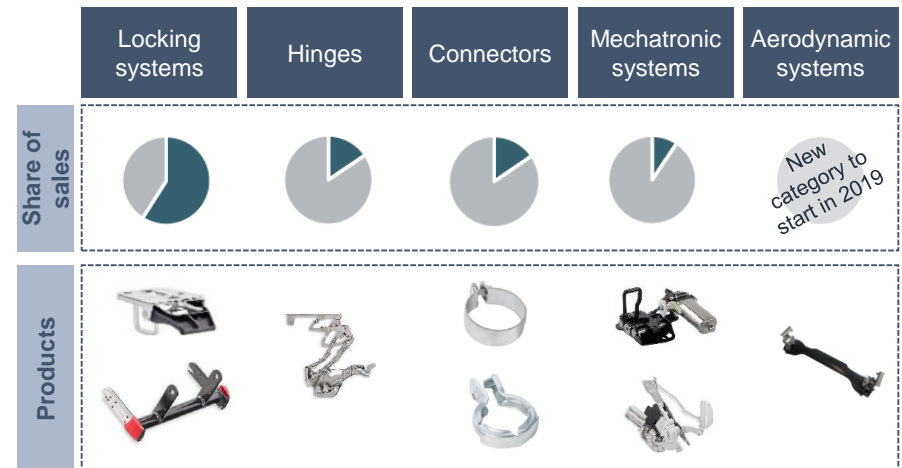


Acquisition of Tier-1 automotive supplier for high-quality systems and components

Acquisition details

- New platform investment acquired directly from the owner family in July 2019
- Total sales of EUR 101m in 2018
- Approx. 800 employees at two production sites in Germany, Poland and at a distribution hub in Mexico
- Product portfolio comprises advanced safety, locking and joining systems and components for automotive OEMs as well as Tier-1 suppliers
- Deal rationale
 - Enhance operational efficiency
 - Drive in-organic and organic growth

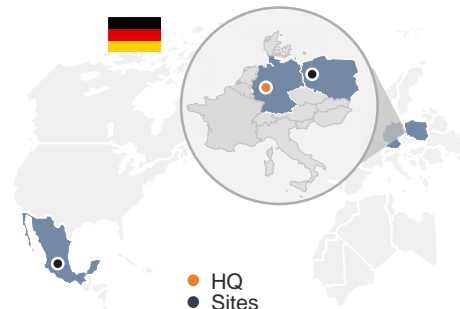
Product overview



Selected customers

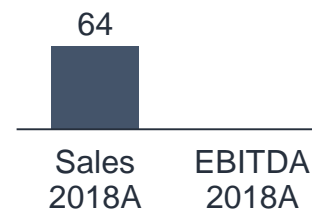


Locations



Financials

in EURm



Target for 2021

- Illustrative -



Donges Group

With organic & buy-and-build growth, a Pan-European construction group evolved



Group with sales of approx. EUR 400m

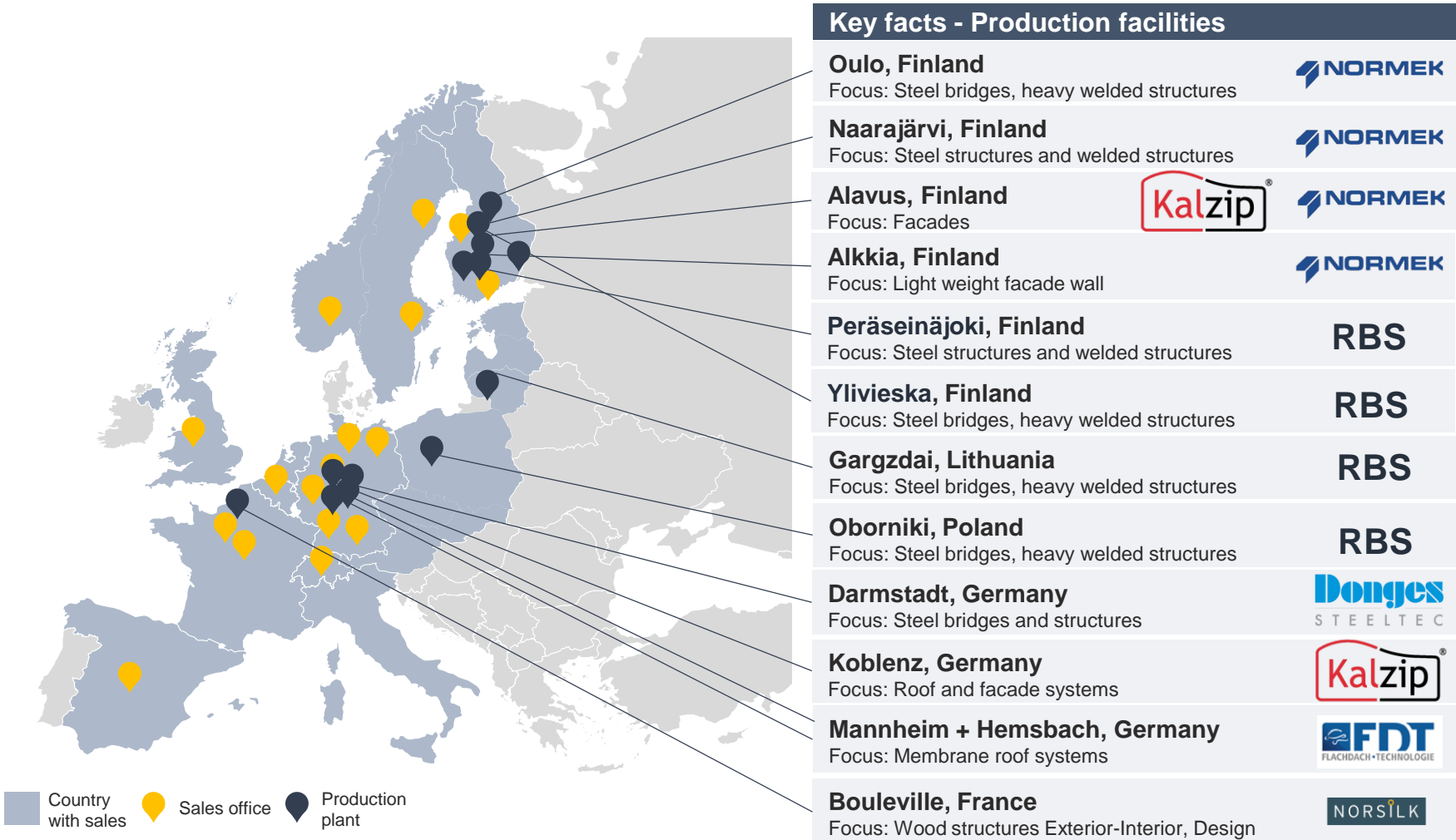
Brand						
Sales (2019)	EUR 67m	EUR 50m	EUR 51m	EUR 52m	EUR 40m	EUR 130m
Products	Steel bridges and structures	Metal roofs	Steel bridges and structures, facade systems	Flat roof	Wood structures Exterior and Interior, Design	Steel / concrete frame structures and Steel bridges
Raw material	Steel	Aluminium	Steel, glass	Plastic materials	Wood	Steel
Region	DACH region	West and South Europe, USA, India	Nordics	Continental Europe	Continental Europe	Northern Europe, CEE
Employees	180	150	245	230	110	530

Reference projects



Europeanwide footprint and market access

The new Donges Group serves European markets with 12 plants and 22 sales offices



Synergies: Complementary products and markets

Further synergies planned to enhance efficiency and to cross-use sales channels

Key projects of business plan



Comments

- 1 Normek and RBS can access new markets in western Europe through established sales network of Donges, Kalzip and FDT.
- 2 Kalzip, FDT and Norsilk can access Nordic market through established sales network of Normek and RBS.
- 3 Consolidate into Competence Centers for Steel Structures, Profiles, Façade, and Roof products.
- 4 Leverage of synergies in sales channels, territories, product mix and overhead function to deploy maximum synergies for increased profitability

Group Income Statement

Strong increase in EBITDA due to completion of transactions

mEUR	2019Q1	2019Q2	2019H1	2018H1
Revenues	203.3	239.9	443.2	467.0
Change in inventories	5.8	7.0	12.8	-6.9
Other income	6.1	71.0	77.1	53.9
Cost of material	-128.0	-149.7	-277.7	-287.3
Personnel expenses	-61.5	-72.2	-133.7	-125.9
Other expenses	-25.7	-28.9	-54.6	-79.2
EBITDA ¹⁾	0.0	67.1	67.1	21.6
Adjusted EBITDA	-3.5	3.5	0.0	9.3

1) Following the new accounting requirements of IFRS 16, lease expenses of EUR 7.3m are recorded below EBITDA in 2019H1.

Adjusted EBITDA

Improvement vs 2019Q1 with still negative impact from newly acquired companies

mEUR	2019Q1	2019Q2	2019H1	2018H1
EBITDA	0.0	67.1	67.1	21.6
Income from bargain purchases	-4.1	-66.7	-70.8	-5.8
Restructuring and other non-recurring expenses	0.6	3.1	3.7	32.9
Deconsolidation effects	0.0	0.0	0.0	-39.4
Adjusted EBITDA	-3.5	3.5	0.0	9.3

- 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
- Income from bargain purchases in 2019H1 results from add-on acquisitions of Donges Group (Normek and FDT) as well as three new platform investments ¹⁾
- Restructuring and other non-recurring expenses related mainly to costs for the implementation of social plans at Kalzip and Gemini
- Acquisitions of last twelve months contributed still with operating losses of EUR -6.0m

1) The purchase price allocations are preliminary and may change within the one-year period under IFRS 3.

Group Balance Sheet

Increase in total assets due to acquisitions and IFRS 16 accounting

mEUR	30/06/2019	31/12/2018
Intangible assets	51.8	41.4
PP&E	178.5	133.3
Right of use assets ¹⁾	87.9	0.0
Other	39.9	35.5
Non-current assets	358.1	210.2
Inventories	153.1	100.8
Trade & other receivables	183.4	147.0
Cash & cash equivalents	80.9	108.1
Other	68.0	64.7
Current assets	485.4	420.6
Total assets	843.5	630.8

mEUR	30/06/2019	31/12/2018
Total equity	229.3	208.1
Financial liabilities ¹⁾	90.9	24.8
Provisions	91.0	60.3
Other	20.0	8.0
Non-current liabilities	201.9	93.1
Trade payables	146.7	110.9
Financial liabilities ¹⁾	146.0	105.5
Provisions	28.5	33.5
Other	91.1	79.7
Current liabilities	412.3	329.6
Total equity & liabilities	843.5	630.8

1) Following the new accounting requirements of IFRS 16, (almost) all lease agreements are recorded on the balance sheet.

Segment development (I / II)

Market-related decline in revenues of A&M; E&T with revenue growth from acquisitions

Automotive & Mobility



- Weaker revenue due to challenging European passenger car market and a decreasing Chinese automotive market
- Significant increase in EBITDA mainly due to less exceptional costs and successful OPEX measures
- Adjusted EBITDA lower in connection with weaker revenues
- Newly acquired Plati contributed with only one month; new platform Kico not yet included as acquisition was signed in July

mEUR	2019H1	2018H1	YoY Δ
Revenues	214.5	237.2	-10%
EBITDA	12.5	7.8	+60%
Adjusted EBITDA	11.0	13.9	-21%

Engineering & Technology



- Growth and expansion of Donges Group visible in increased segment revenues
- Strategic development and restructuring in all entities well on track
- Especially add-ons of Donges Group and Gemini Rail Group still with negative contribution to Adjusted EBITDA of EUR 4.7m

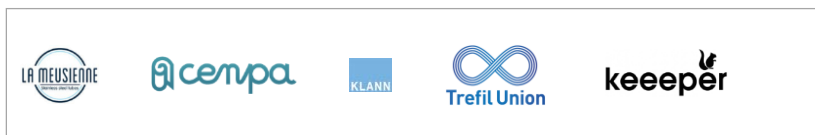
mEUR	2019H1	2018H1	YoY Δ
Revenues	184.8	98.7	+87%
EBITDA	1.9	4.7	-60%
Adjusted EBITDA	-6.9	-0.1	>-100%

1) The purchase price allocations for Normek and FDT are preliminary and may change within the one-year period under IFRS 3.

Segment development (II / II)

New platform investments for G&S

Goods & Services



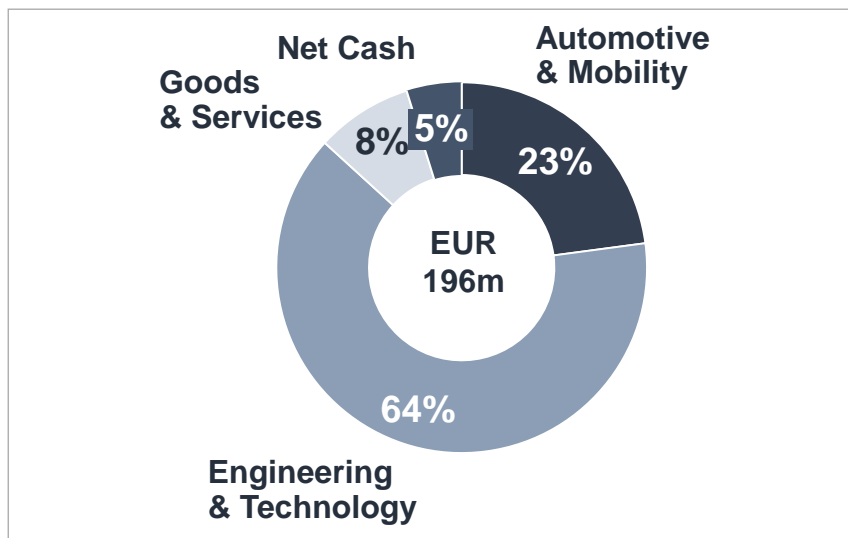
- Portfolio companies faced weakened customer demand and challenging market environment
- Lower revenues in all segment entities, partly due to optimisation measures like e.g. clean-up of product and customer portfolios
- Start in restructuring of newly acquired TréfilUnion and of optimisation program at keeper

mEUR	2019H1	2018H1	YoY Δ
Revenues	43.9	52.3	-16%
EBITDA	55.5	1.6	>+100%
Adjusted EBITDA	-2.0	1.8	>-100%

NAV driven by Engineering & Technology segment

Compared to Q1, acquisitions drive value of E&T; A&M impacted by market sentiment

NAV breakdown (%)



NAV breakdown (abs.)

Portfolio segment	mEUR
Automotive & Mobility	44.8
Engineering & Technology	125.0
Goods & Services	16.5
Net Cash Mutares Holding	9.4
Total	195.7
NAV per share	12.85 EUR

- Method of calculation: WACC ranging from 6%-11% (average 9%) and growth rate of 0.5%
- Listed STS Group valued based on Mutares stake and market cap on 30 June 2019
- Newly acquired platform investments TréfilUnion, keeper Group and Plati Group reflected at acquisition cost; KICO Group closed

We will continue our path for value-oriented growth...
...and foster the attractiveness of the Mutares share for investors

Sustain **dividend capacity and attractive dividend policy**

Targeted revenues of **> EUR 1 billion in 2019**

Achieve **more transactions in 2019**

Investor Relations



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