

Buy EUR 30.00 Price EUR 21.75 Upside 37.9 %	Value Indicators: EUR SotP: 30.41	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: 447 No. of shares (m): 21 EV: 850 Freefloat MC: 291 Ø Trad. Vol. (30d): 785.53 th	Shareholders: Freefloat 65.1 % Robin Laik (CEO) 24.8 % Elber GmbH 10.1 %	Key Figures (WRe): 2021e Beta: 1.3 Price / Book: 0.7 x Equity Ratio: 24 % Net Fin. Debt / EBITDA: 0.1 x Net Debt / EBITDA: 0.4 x

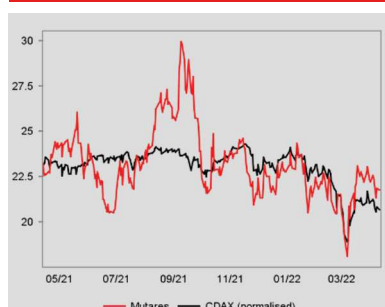
First Glance: delivering on expectations

	FY 21	Wre	delta	FY 20	yoy
Sales Holding	50,5	48,5	4%	31,9	58%
Net income Holding	50,7	49,5	2%	33,4	52%
Sales Group	2504	2499	0%	1584	58%
Adj. EBITDA Group	-41,3	24,2	n.a.	-22,7	82%
Sales Realignment	748,1			586,2	28%
Adj. EBITDA Realignment	-45,7			-39,6	15%
Sales Optimization	939			274,3	242%
Adj. EBITDA Optimization	-21,8			-13	68%
Sales Harvesting	817,3			720,5	13%
Adj. EBITDA Harvesting	32,3			29,6	9%

In FY 21, Mutares achieved holding sales of EUR 50.5m (effectively a consulting income), which was ahead of our expectation of EUR 48.5m and a level of EUR 31.9m in FY 20. Net income at holding level stood at EUR 50.7m compared to our expectations of EUR 49.5m. This is an increase of EUR 52% yoy. While sales were in line, adj. EBITDA in Q4 was weaker than we were expecting and seems mainly attributable to the Engineering & Technology segment but not to Donges. The results of companies in the harvesting phase, which includes Bexity (sold), Donges and keeper remained at a positive level. Hence, our first shot would be new consolidations and possibly the paper business.

The outlook for FY 22 forecasts consolidated group sales of at least EUR 4.0bn and a net income of the Holding of EUR 72-88m. EBITDA of the group is expected to be positive owing to bargain purchases. While the increasing input prices have the potential to lead to negative operational results, these are to be mitigated by restructuring successes. Consulting sales and dividends as well as respective equity distributions from the portfolio companies are expected to sum up to EUR 80-100m. This would compare to our forecast of EUR 99m (the EUR 73m sales of the Holding as consulting revenues and EUR 26m of portfolio equity distributions) to our understanding. Note, that our net income forecast of EUR 37m does not include any gains from exits, which we expect to be included in the EUR 72-88m forecast of Mutares.

The company has delivered on the FY 21 expectations and has provided a sound outlook for FY 22e. Transaction pipeline seems to be well filled and is leveled with a scope of EUR 11bn.



Rel. Performance vs CDAX:

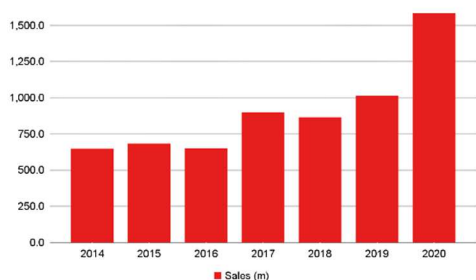
1 month:	0.5 %
6 months:	-0.5 %
Year to date:	8.0 %
Trailing 12 months:	4.1 %

Company events:

11.08.22	Q2
20.10.22	CMD
20.10.22	Q3

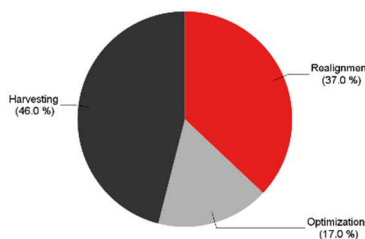
FY End: 31.12. in EUR m	CAGR (20-23e)	2017	2018	2019	2020	2021e	2022e	2023e
Sales	32.6 %	900	865	1,016	1,584	2,499	3,603	3,689
Change Sales yoy		38.4 %	-3.8 %	17.4 %	55.9 %	57.8 %	44.2 %	2.4 %
Sales Holding	47.5 %	n.a.	11	19	32	48	73	102
Chg yoy		n.a.	n.a.	83.0 %	65.0 %	51.9 %	50.0 %	40.7 %
Portfolio equity distributions		n.a.	0	3	12	15	26	32
Consulting income		n.a.	-8	-1	4	7	12	19
Exit gains		n.a.	68	0	23	29	0	0
Net income holding		n.a.	20	23	33	50	37	49
Net income margin holding		n.a.	189.9 %	116.6 %	104.7 %	102.1 %	51.1 %	48.4 %
EBITDA adj.		-28	5	7	-29	24	105	176
Net income	-25.4 %	44	15	21	27	433	-74	11
Net income adj.		n.a.	20	23	33	50	37	49
EPS adj.		n.a.	1.32	1.48	2.20	3.00	1.81	2.41
P / E adj.		n.a.	10.1 x	6.8 x	5.1 x	7.3 x	12.0 x	9.0 x
DPS	10.1 %	1.00	1.00	1.00	1.50	2.00	2.00	2.00
Dividend Yield		7.3 %	7.5 %	10.0 %	13.3 %	9.2 %	9.2 %	9.2 %
EPS		2.85	0.96	1.37	1.79	26.19	-3.62	0.55
P / E		4.8 x	13.9 x	7.3 x	6.3 x	0.8 x	n.a.	39.5 x
Guidance:		Annualized group sales above EUR 2.4bn, net income holding EUR 43-53m						

Sales development
in EUR m



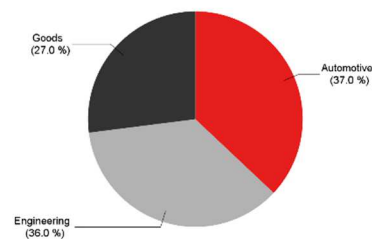
Source: Warburg Research

Sales by cycle phase
2020; in %



Source: Warburg Research

Sales by Segment
2020; %



Source: Warburg Research

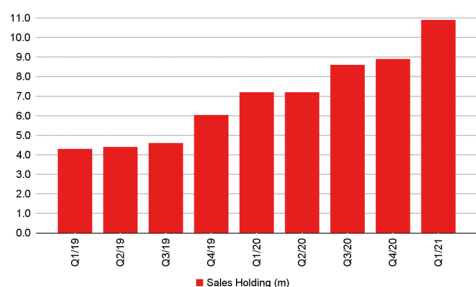
Company Background

- 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 1.6bn in 2020 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

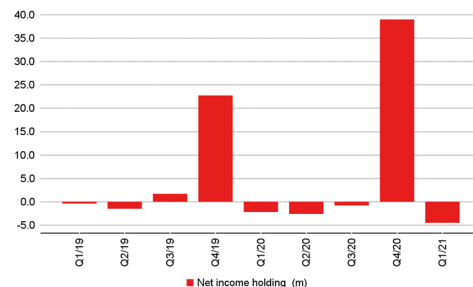
- With around 70 consultants, who are turnaround specialists, at the end of 2020, Mutares has established a European network of offices enabling the generation of synergies across its portfolio holdings.
- European small-midcap special situations management is a niche market with limited competition
- Management and board members hold significant stakes of outstanding shares
- For FY 23 Mutares targets annual consolidated sales of EUR 5bn, which translates into a holding profit of EUR 200m 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 Company	exit date	all Warburg Research estimates				EV	probability	NPV
		sales Wre	EBITDA margin	EBITDA / EBIT	Exit multiple			
Frigoscandia	2026	250	4%	10,0	7,0	70	10%	4,7
Allianceplus AB	2026	30	7%	2,1	6,0	13	10%	0,9
Balcke-Dürr Group	2024	110	6%	6,6	6,0	40	25%	7,8
BEXity	2025	200	3%	6,2	9,0	56	50%	20,4
Repartim (Carglas Maison)	2026	42	7%	2,9	7,0	21	10%	1,1
Donges Group	2023	220	8%	17,6	7,0	123	50%	52,6
Donges Group (Nordic)	2021	200	6%	11,0	6,0	66	75%	49,5
Exi (Ericsson Services Italia)	2026	45	6%	2,7	8,0	22	10%	1,5
Fasana	2026	35						
Ganter	2026	100	7%	7,0	7,0	49	10%	3,3
Gemini Rail Group	2024	110	8%	8,8	8,0	70	25%	13,9
iinovis group (Valmet Automotive)	2026	55	5%	2,8	5,0	14	10%	0,9
keeper	2024	140	10%	14,0	9,0	126	50%	49,8
Kico Group	2026	220	10%	22,0	6,0	132	35%	31,2
La Rochette	2026	120	10%	12,0	7,0	84	25%	14,2
Lacroix & Kress / Plati	2026	160	8%	13,0	7,0	91	25%	15,3
Lapyere	2026	750	8%	60,0	7,0	570	10%	38,5
LMS (Magna)	2026	450	6%	27,0	6,0	162	10%	10,9
Clecim (Primetals)	2026	55	9%	5,0	7,0	35	10%	2,3
Primo TECS (Tekfor)	2026	160	7%	11,2	6,0	67	25%	11,3
Royal de Boer / Japy Tech	2026	50	10%	5,0	7,0	35	10%	2,4
Sabo	2026	25	10%	2,5	8,0	20	25%	3,4
SFC Solutions	2024	300	8%	24,0	6,0	144	25%	28,4
Terranor (Nordic Road Services)	2026	170	9%	15,3	7,0	107	25%	18,1
								382,3

	2020	2021e	2022e	2023e
Sum of the Parts (EURm)				
Consulting revenues	31,9	48,5	72,7	102,3
Consulting profit (EBITDA)	3,7	7,1	12,4	19,2
WACC				8,2%
			TV	234
Equity distributions	12	15,0	26,0	32,0
WACC				8,2%
			TV	391
(+) NPV portfolio		382		
(-) Discounted TV equity distributions		334		
NPV portfolio surplus		48,4		

Enterprise Value / CF	70,4	38,4	624,8
Discounted values	70,4	35,5	533,8
Discounted sum EV/CF	639,8		
Debt	80		
Cash	105,3		
Other debt like items	39,8		
Equity Value	625		
Number of shares outstanding	20,6		
Fair value per share (EUR)	30,4		

▪ 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	0.7 x	0.9 x	1.0 x
Book value per share ex intangibles	8.43	8.99	8.17	7.38	25.40	19.78	18.33
EV / Sales	0.4 x	0.3 x	0.4 x	0.3 x	0.3 x	0.2 x	0.2 x
EV / EBITDA	5.6 x	5.5 x	4.6 x	3.6 x	1.2 x	8.1 x	4.8 x
EV / EBIT	9.4 x	14.0 x	14.0 x	12.5 x	1.6 x	n.a.	29.9 x
EV / EBIT adj.*	9.4 x	14.0 x	14.0 x	n.a.	n.a.	n.a.	29.9 x
P / FCF	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	7.3 x
P / E	4.8 x	13.9 x	7.3 x	6.3 x	0.8 x	n.a.	39.5 x
P / E adj.*	n.a.	10.1 x	6.8 x	5.1 x	7.3 x	12.0 x	9.0 x
Dividend Yield	7.3 %	7.5 %	10.0 %	13.3 %	9.2 %	9.2 %	9.2 %
FCF Potential Yield (on market EV)	20.1 %	17.1 %	21.5 %	28.2 %	86.2 %	12.3 %	20.8 %

*Adjustments made for: -

Company Specific Items	2017	2018	2019	2020	2021e	2022e	2023e
Sales Holding	n.a.	11	19	32	48	73	102
Portfolio equity distributions	n.a.	0	3	12	15	26	32
Exit gains	n.a.	68	0	23	29	0	0
Net income holding	n.a.	20	23	33	50	37	49
adj. EBITDA holding	n.a.	-18	1	5	10	16	22
Income investments holding	n.a.	44	22	35	44	26	32
Chg yoy	n.a.	n.a.	83.0 %	65.0 %	51.9 %	50.0 %	40.7 %
Net income margin holding	n.a.	189.9 %	116.6 %	104.7 %	102.1 %	51.1 %	48.4 %
Consulting income	n.a.	-8	-1	4	7	12	19

Consolidated profit & loss

In EUR m	2017	2018	2019	2020	2021e	2022e	2023e
Sales	900	865	1,016	1,584	2,499	3,603	3,689
Change Sales yoy	38.4 %	-3.8 %	17.4 %	55.9 %	57.8 %	44.2 %	2.4 %
Increase / decrease in inventory	-4	0	-4	-23	0	0	0
Total Sales	896	865	1,012	1,561	2,499	3,603	3,689
Material expenses	570	532	623	975	1,574	2,342	2,361
Gross profit	326	333	389	586	925	1,261	1,328
<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	725	1,081	1,070
Other operating income	156	107	119	241	293	422	432
Other operating expenses	164	146	138	261	-81	498	515
Unfrequent items	0	0	0	0	0	0	0
EBITDA	67	49	79	143	574	105	176
<i>Margin</i>	<i>7.5 %</i>	<i>5.7 %</i>	<i>7.8 %</i>	<i>9.0 %</i>	<i>23.0 %</i>	<i>2.9 %</i>	<i>4.8 %</i>
Depreciation of fixed assets	27	30	53	102	162	162	148
EBITA	40	19	26	41	412	-57	28
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	412	-57	28
<i>Margin</i>	<i>4.4 %</i>	<i>2.2 %</i>	<i>2.6 %</i>	<i>2.6 %</i>	<i>16.5 %</i>	<i>-1.6 %</i>	<i>0.8 %</i>
EBIT adj.	40	19	26	-130	-88	-57	28
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	433	-74	11
<i>Margin</i>	<i>3.9 %</i>	<i>1.7 %</i>	<i>1.6 %</i>	<i>1.1 %</i>	<i>17.3 %</i>	<i>-2.1 %</i>	<i>0.3 %</i>
Total taxes	-8	3	0	-3	0	0	0
Net income from continuing operations	44	12	17	20	433	-74	11
Income from discontinued operations (net of tax)	0	0	0	0	0	0	0
Net income before minorities	44	12	17	20	433	-74	11
Minority interest	0	-3	-4	-7	0	0	0
Net income	44	15	21	27	433	-74	11
<i>Margin</i>	<i>4.9 %</i>	<i>1.7 %</i>	<i>2.0 %</i>	<i>1.7 %</i>	<i>17.3 %</i>	<i>-2.1 %</i>	<i>0.3 %</i>
Net income adj.	n.a.	20	23	33	50	37	49
Number of shares, average	15	15	15	15	17	21	21
EPS	2.85	0.96	1.37	1.79	26.19	-3.62	0.55
EPS adj.	n.a.	1.32	1.48	2.20	3.00	1.81	2.41

*Adjustments made for:

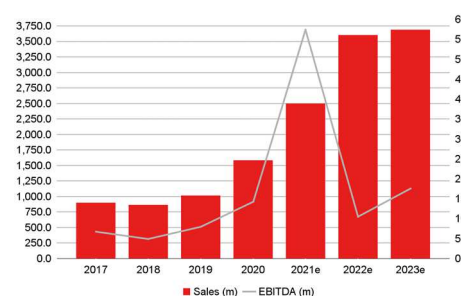
Guidance: Annualized group sales above EUR 2.4bn, net income holding EUR 43-53m

Financial Ratios

	2017	2018	2019	2020	2021e	2022e	2023e
Total Operating Costs / Sales	92.1 %	94.3 %	91.8 %	89.5 %	77.0 %	97.1 %	95.2 %
Operating Leverage	0.4 x	13.4 x	2.0 x	1.0 x	15.6 x	n.a.	n.a.
EBITDA / Interest expenses	8.5 x	9.6 x	7.2 x	5.1 x	31.9 x	5.8 x	9.8 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 %	7.6 %	n.m.	365.4 %
Sales per Employee	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.

Sales, EBITDA

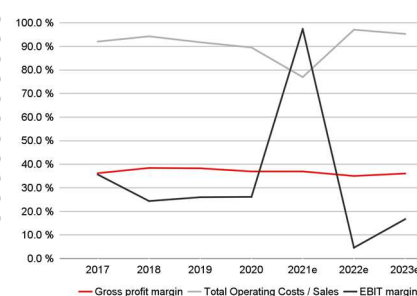
in EUR m



Source: Warburg Research

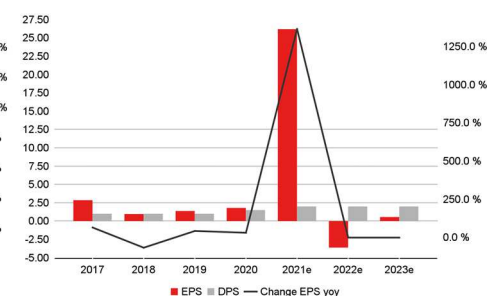
Operating Performance

in %



Source: Warburg Research

Performance per Share



Source: Warburg Research

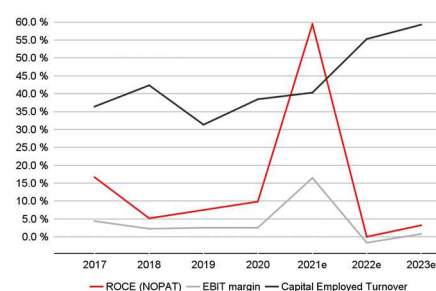
Consolidated balance sheet

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	810	678	560
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	1,245	1,113	995
Inventories	131	101	134	204	357	515	527
Accounts receivable	183	163	172	295	466	672	688
Liquid assets	99	108	80	145	331	147	153
Other short-term assets	44	62	88	206	206	206	206
Current assets	457	435	474	850	1,359	1,539	1,574
Total Assets	673	631	849	1,327	2,605	2,652	2,569
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	552	436	407
Other equity components	3	-1	-2	-7	-7	-7	-7
Shareholders' equity	166	181	185	190	598	483	453
Minority interest	-1	27	23	17	17	17	17
Total equity	166	208	208	207	615	500	470
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	503	726	743
Other liabilities	79	53	100	217	642	642	642
Liabilities	507	423	640	1,120	1,989	2,152	2,099
Total liabilities and shareholders' equity	673	631	849	1,327	2,605	2,652	2,569

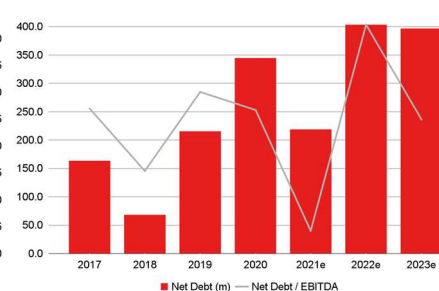
Financial Ratios

	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	2.2 x	3.2 x	3.6 x
Capital Employed Turnover	2.7 x	3.1 x	2.4 x	2.9 x	3.0 x	4.0 x	4.3 x
ROA	20.4 %	7.5 %	5.5 %	5.7 %	34.8 %	-6.7 %	1.1 %
Return on Capital							
ROCE (NOPAT)	16.6 %	5.2 %	7.5 %	9.8 %	59.4 %	n.a.	3.2 %
ROE	30.9 %	8.5 %	11.4 %	14.4 %	109.8 %	-13.8 %	2.4 %
Adj. ROE	n.a.	11.6 %	12.3 %	17.8 %	12.6 %	6.9 %	10.6 %
Balance sheet quality							
Net Debt	164	68	215	345	219	403	397
Net Financial Debt	61	21	128	228	53	237	230
Net Gearing	98.8 %	32.8 %	103.5 %	166.3 %	35.6 %	80.7 %	84.4 %
Net Fin. Debt / EBITDA	90.6 %	43.2 %	161.7 %	160.1 %	9.2 %	226.5 %	131.1 %
Book Value / Share	10.7	11.7	12.0	12.3	29.1	23.5	22.0
Book value per share ex intangibles	8.4	9.0	8.2	7.4	25.4	19.8	18.3

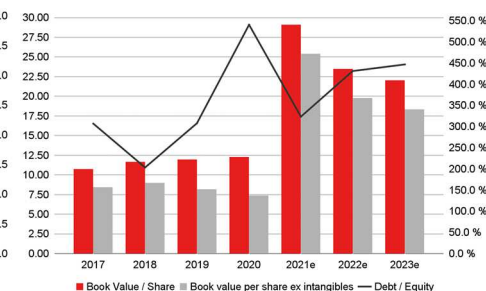
ROCE Development



Net debt in EUR m



Book Value per Share in EUR



Source: Warburg Research

Source: Warburg Research

Source: Warburg Research

Consolidated cash flow statement

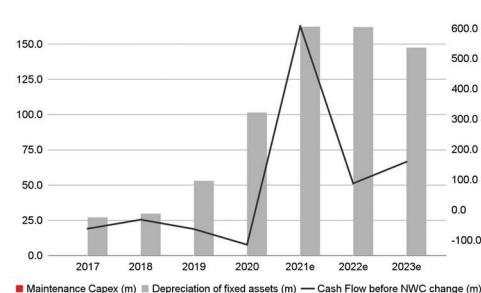
In EUR m	2017	2018	2019	2020	2021e	2022e	2023e
Net income	44	12	17	20	433	-74	11
Depreciation of fixed assets	27	30	53	102	162	162	148
Amortisation of goodwill	0	0	0	0	0	0	0
Amortisation of intangible assets	0	0	0	0	0	0	0
Increase/decrease in long-term provisions	19	-9	-15	29	50	0	0
Other non-cash income and expenses	-152	-65	-118	-265	-38	0	0
Cash Flow before NWC change	-62	-32	-63	-115	607	88	159
Increase / decrease in inventory	34	13	20	17	-154	-158	-12
Increase / decrease in accounts receivable	-2	39	34	7	-171	-206	-16
Increase / decrease in accounts payable	0	-31	-2	48	184	223	17
Increase / decrease in other working capital positions	0	0	0	0	-550	-60	-70
Increase / decrease in working capital (total)	33	21	53	72	-690	-201	-81
Net cash provided by operating activities [1]	-29	-11	-11	-43	-82	-113	78
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	-25	-41	-41
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	-15	-41	-41
Change in liquid funds [1]+[2]+[3]	29	9	-29	66	186	-185	7
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	331	147	153

Financial Ratios

	2017	2018	2019	2020	2021e	2022e	2023e
Cash Flow							
FCF	-33	-31	-21	-73	-112	-143	48
Free Cash Flow / Sales	-3.6 %	-3.6 %	-2.1 %	-4.6 %	-4.5 %	-4.0 %	1.3 %
Free Cash Flow Potential	75	46	79	146	574	105	176
Free Cash Flow / Net Profit	-74.2 %	-212.2 %	-102.9 %	-269.0 %	-26.0 %	192.6 %	424.9 %
Interest Received / Avg. Cash	4.0 %	0.5 %	1.6 %	3.5 %	0.4 %	0.4 %	0.7 %
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 %	0.8 %	0.8 %
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 %	18.5 %	18.5 %	20.3 %
Avg. Working Capital / Sales	21.6 %	18.0 %	11.4 %	9.2 %	10.0 %	10.8 %	12.6 %
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

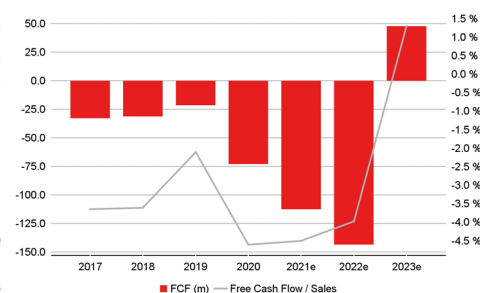
CAPEX and Cash Flow

in EUR m



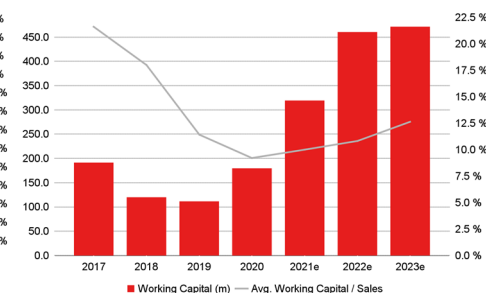
Source: Warburg Research

Free Cash Flow Generation



Source: Warburg Research

Working Capital



Source: Warburg Research

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Company	Disclosure	Link to the historical price targets and rating changes (last 12 months)
Mutares	5	http://www.mmwarburg.com/disclaimer/disclaimer_en/DE000A2NB650.htm

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Investment recommendation: expected direction of the share price development of the financial instrument up to the given price target in the opinion of the analyst who covers this financial instrument.

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-S-	Sell:	The price of the analysed financial instrument is expected to fall over the next 12 months.
“-“	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	170	81
Hold	35	17
Sell	4	2
Rating suspended	2	1
Total	211	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	52	87
Hold	5	8
Sell	1	2
Rating suspended	2	3
Total	60	100

PRICE AND RATING HISTORY MUTARES AS OF 12.04.2022


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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