

## MUX

### A Leading European Special Situations Investor; Initiate at Buy, €30 PT

21 April 2022

#### Key Takeaway

**Mutares offers rare listed exposure to EU special sits private equity investing. Under its ownership, Mutares aims to restore loss-making corporate carve-outs to stable and profitable growth through operational improvement as well as targeted add-on M&A. Transactions are underwritten on the basis of their potential to generate  $\geq 7\text{-}10\text{x}$  ROIC.**

**Mutares' value creation process.** Mutares acquires corporate carve-outs for immaterial sums and contributes proprietary capital to ensure it has a vested interest. This unlocks vendor financing to support the corporate realignment. Post optimisation, exits take place typically 2-5yrs post-acquisition with strategic investors the preferred buyers. Should a portfolio company fail under Mutares' ownership, the listed entity is firewalled through the use of non-recourse SPV structures.

**Demystifying the earnings model.** At first glance, Mutares' financials can seem unfamiliar versus mainstream illiquid alternative asset managers. However, we think there are also notable similarities. For instance, post-acquisition, portfolio companies upstream Mutares consulting and management fees, followed by portfolio dividends during their optimisation phase. This combined and recurring portfolio income (targeted at  $\sim 1\%$  of Group revenues) underpins a base dividend of €1 p/s. Thereafter, harvesting can potentially result in gains on exit (targeted at  $\sim 1\%$  of Group revenues), which supports a performance-based dividend top up.

**Track record of value creation and delivery against targets.** Mutares has been able to ramp up its ROIC from an average 6.4x in the 2018-20 period to  $\sim 10\text{x}$  in 2021 (ahead of its 7-10x target). This has been underpinned by the institutionalisation of its value creation process. Whilst acknowledging the ST macro climate is less than certain given spiking energy and raw material prices, we feel confident there is significant option (and, in turn, dividend) value in Mutares' portfolio, with Lapeyre and Terranor being two particularly strong examples.

**Large addressable market and getting larger.** We have observed a significant pick-up in deal volume in the special situations / turnaround PE market post-pandemic. We expect current uncertainties will only accelerate the pace of corporate spin-off activity, which should feed Mutares' growth. As with the broader European PE mid-market, there is no doubt that special sits is an intensely competitive space, but Mutares is also constantly broadening its addressable market through new office openings which brings traction with new, local counterparties.

**Scale of valuation discount vs. listed alts presents an interesting opportunity.** Mutares is trading on only  $\sim 6\text{x}$  JEFe 2022 Holding Company net profit. Our PT of €30 implies it can re-rate to just below 9x. Even at that level, the stock would be trading at a  $\sim 30\%$  discount to the lowliest of the European alts stocks. Meanwhile, the stock offers an  $>6.5\%$  DY, more than 2x the EU alts avg.

**Risks:** prolonged high energy and commodity prices; liquidity constraints at holding and/or portfolio company level could interfere with growth; Mutares may be unable to source the targeted number of portfolio companies.

#### Initiating Coverage

Germany | Diversified Finance

RATING	BUY
PRICE	€22.65 <sup>^</sup>
MARKET CAP	€467.5M / \$504.3M
PRICE TARGET (PT)	€30.00
UPSIDE SCENARIO PT	€40.00
DOWNSIDE SCENARIO PT	€12.50

<sup>^</sup>Prior trading day's closing price unless otherwise noted.

#### FY Dec

EUR	2020A	2021A	2022E	2023E
EPS	2.11	3.03	3.91	4.83
FY P/E	10.7x	7.5x	5.8x	4.7x

Mutares Holding Net Income p/s

#### Exhibit 1 - MUX Targets vs JEFe

	Guidance		JEFe	
	2022E	2023E	2022E	2023E
<b>Mutares Group</b>				
Revenues	>€4bn	>€5bn	€4.03bn	€4.98bn
EBITDA	Flat		€261m	€316m
Adj. EBITDA	Up YoY		€25m	€4m
<b>Mutares Holding</b>				
Number of consultants	135-145	200	138	179
Consulting revenues	€75m		€75m	€107m
Portfolio income (Revenues + dividends)	€80m-€100m		€94m	€130m
Exit proceeds / net holding income	50%	50%	50%	50%
Mutares Holding Net Income	€72m-€88m	€100m	€134m	€180m
Holding Net Income / Group revenues		1.8%-2.2%	2.0%	2.0%

Source: Company reports, Jefferies estimates

Tom Mills \*  
Equity Analyst  
+44 (0)20 7029 8478  
tom.mills@jefferies.com

Laura Gris Trillo \*  
Equity Associate  
+44 (0) 20 7029 8988  
lgristrillo@jefferies.com

Please see analyst certifications, important disclosure information, and information regarding the status of non-US analysts on pages 24 to 29 of this report.

\* Jefferies International Limited

## MUX (MUX GR)

Estimates				
€	2020A	2021A	2022E	2023E
Rev. (MM)	1,584.0	2,504.0	4,030.0	4,982.0
<i>Previous</i>				
DPS	1.50	1.50	1.50	2.00
<i>Previous</i>				
EPS	2.11	3.03	3.91	4.83
<i>Previous</i>				

Valuation				
	2020A	2021A	2022E	2023E
EV/Rev	0.3x	0.2x	0.1x	0.1x
P/Rev	0.3x	0.2x	0.1x	0.1x
FY P/E	10.7x	7.5x	5.8x	4.7x
Mutares Group Mutares Holding Net Income p/s				

Market Data	
52-Week Range:	€28.27 - €16.94
Total Entprs. Value	€547.5M
Avg. Daily Value MM (USD)	0.97
Float (%)	64.7%

Financial Summary	
NAV	€721.00

## The Long View

### Scenarios

#### Base Case

Revenues of €4bn in 22E and €5bn in 23E

Portfolio income around mid-point of guidance in 22E

Holding net income at mid-point of guidance in 22E and hits €100m target in 23E

Dividend held flat at €1.50 p/s in 22E

Valuation: based on target P/E multiple of 9x

Base case PT: €30

#### Upside Scenario

Revenues of €4.5bn in 22E and €6bn in 23E

Portfolio income at high end of guidance in 22E

Holding net income at high end of guidance in 22E and €120m target in 23E

Dividend increases to at €1.75 p/s in 22E

Valuation: based on DDM model

Base case PT: €40

#### Downside Scenario

Revenues of €3.0bn in 22E and €3.5bn in 23E

Portfolio income below low end of guidance in 22E

Holding net income below low end of guidance in 22E and flat in 23E

Dividend reduces to base level of €1.00 p/s in 22E

Valuation: based on 9% DY

Base case PT: €12.5

### Investment Thesis / Where We Differ

Mutares is a special situations private equity investor with a building track record of strong value creation in its investment portfolio and of delivery against its corporate targets. We think investors should focus on the business' Holding Company performance, which we view as increasingly analogous with listed

### Catalysts

10-May: 1Q22 results

Ongoing portfolio acquisitions which support earnings growth

Ongoing portfolio exits which support portfolio exit proceeds

## Key Risks

### Macro conditions could disrupt turnaround plans

Mutares buys distressed assets in industrial end markets: clearly the operational performance of these and the ability to finance them or to exit in a more difficult macro environment could come under scrutiny. We note that a large part of the portfolio was acquired in 2021 and hence is as yet unproven.

### Access to deal flow could be insufficient to support growth targets

The European M&A market for companies in special situations is highly competitive. The competitive nature of the market in which Mutares operates has led to significant pressures on finding and quickly establishing exclusivity in bid processes or assuring that Mutares places competitive bids that are more attractive than bids placed by its competitors. Mutares' competitors include other private equity firms, strategic investors, family offices and existing shareholders of a target company that may decide to restructure the company themselves. Some of these competitors may have greater financial resources, lower cost of capital, better access to funding resources or higher risk tolerances that allow them to compete in pricing more aggressively or may find attractive investment opportunities faster.

### Liquidity may not support proprietary investment commitments and growth objectives

As a private equity investor, Mutares may require additional capital in the medium to long term. Given the nature of the companies they acquire, these require funding on account of their economic difficulties. Even if Mutares manages to request funding for the portfolio companies, they also depend on their own funds. External funding may be insufficient or provided at adverse economic terms, which may force them to limit or even scale back operations, adversely affecting their business growth and market share.

### May not be able to achieve attractive outcomes on portfolio company restructurings

The failure to accurately assess the achievable market position, the earnings potential, the profitability, the growth opportunities and other success factors could affect the potential return on an investment company. In addition, the measures carried out by the operations team to improve the company's performance may prove to be incorrect, and actual developments may differ significantly from expectations. These factors could lead to Mutares not being able to divest the investment at a favourable price, or in an extreme scenario, having to hold onto a non-profitable company and selling it below the acquisition price or even filing for bankruptcy.

### Portfolio company liquidity

Mutares' business model significantly depends on the access of funds to finance the acquisitions and the financial needs of the portfolio companies. Projection errors could lead to further need of financial resources, which may, at short notice, be unavailable or not available at unfavourable terms. Moreover, portfolio companies with existing credit facilities or trade credit insurance at the time of acquisition are exposed to the risk that these facilities may be terminated on short notice due to the change in ownership or late payments and Mutares may have to finance these higher liquidity requirements itself.

## What is Mutares' business model?

### A special situations investor

Mutares is a special situations investor that buys European SMEs (increasingly medium-sized) and/or parts of groups that are in some way challenged and are frequently loss-making. Purchase prices tend to be nominal but with sizeable proprietary commitments required to unlock turnaround financing. Under its ownership, Mutares aims to lead its ~25 portfolio companies to stable and profitable growth through operational improvement.

Mutares' investment teams – across nine European locations as at the end of 2021 – identify suitable targets to acquire and, subject to successful acquisition, its operational teams work with portfolio company management to develop plans to return companies to sustainable profitability, thereby supporting value creation, and often supported by strategic add-on acquisitions.

Every time Mutares looks at a potential transaction it evaluates it against a hurdle rate of return of 7-10x Return on Invested Capital (in 2021 all exits achieved this threshold, with an average ROIC of ~10x).

## Four pillars to its business model

Mutares identifies the following key pillars to its business model:

- **An expansive European footprint:** Mutares argues that in the restructuring and turnaround market, it is essential to be local in order to see deal flow from local banks, advisors and corporates. Indeed, its broadening geographic footprint in recent years has been central to the increasing size of its transaction pipeline.
- **Three business segments:** Mutares operates across three industry verticals with 25 companies across its portfolio. It considers this important for risk diversification given the different segments are apt to perform at different stages of the business cycle.
- **Deal size of €100-500m:** smaller companies can be just as complex and time-consuming to restructure as larger ones, but typically they offer a smaller pay-off. Accordingly, Mutares is now focused on deal flow within a €100-500m turnover sweetspot.
- **Turnaround hero:** by which it means its successful track record in turning around companies and then harvesting the value created through exits.

In the section below, we look at the different stages of the value creation life cycle of Mutares.

## Value creation life cycle

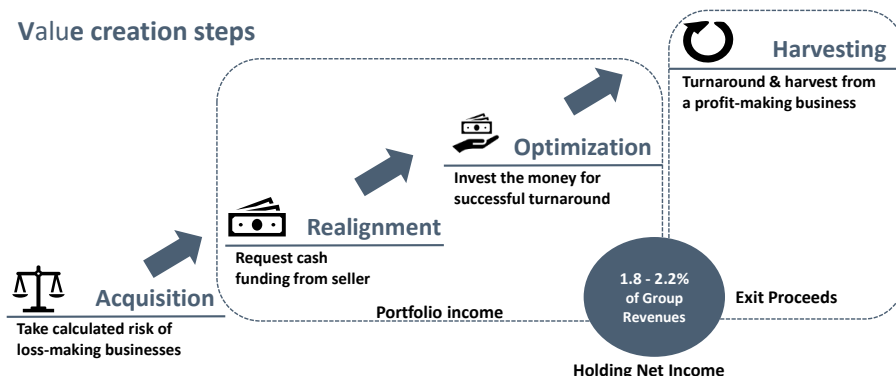
Mutares aims to add value to the companies it has acquired throughout four lifecycle stages:

1. **Acquisition:** as part of its acquisition process, Mutares defines an operational improvement program that will be implemented by its consultants in cooperation with company management.
2. **Realignment:** portfolio companies are reorganised with the support of optimisation project specialists on the ground. Investments are made to develop new products and sales practices are adapted. On completion of the improvement program, the company should be capable of running independently and profitably.
3. **Optimisation:** once the company is running independently, Mutares helps to examine, develop and implement organic growth initiatives. At this stage, it also has the option to pursue strategic acquisitions (add-ons) that bring access to one or a combination of new markets and sales channels, products or technologies.
4. **Harvesting:** portfolio company exits are usually targeted at three to five years post acquisition. The targeted return on invested capital (ROIC) is between 7 and 10x. In the interim, value can be extracted through dividends.

## Exhibit 2 - Value creation life cycle

Unique Value Creation Life Cycle with ROIC Target of 7-10x 11

Taking calculated risks and losses and turning them into opportunities and success



Source: Company reports, Jefferies Research

### 1. Acquisition / Deal sourcing

Mutares' investment focus is on European companies that already have established business models. In particular, it seeks to acquire (100% of) so-called "platform" investments that do not have direct operational links to companies already in its portfolio.

It sources its transactions through a network of M&A advisers, investment banks and agents but also through direct contact of its investment team who are located in its offices across Europe. Sometimes the latter enables Mutares to approach potential target companies and sellers at an early stage before it is presented to the market, which helps to limit the number of bidders for an asset.

Mutares is presented with ~3,000 investment opportunities p.a., of which its investment team screens ~300 together with in-house due diligence teams and local investment specialists. Post this initial analysis, a potential investment is referred to Mutares' Investment Committee (Management Board plus in-house legal team), which takes the decision whether to pursue a particular opportunity.

Through its acquisitions (at the first phase of the value creation life cycle), Mutares aims to generate bargain purchase gains (i.e. net income resulting from the difference between the acquisition costs of the acquired companies and the revalued net assets). It is recognised in the Group P&L under "other income". They are able to negotiate favourable acquisition prices and/or bargain purchase gains because the sellers typically have a need to dispose of the asset. Given that most of these assets are typically distressed or loss-making, most of Mutares' platform acquisitions see the seller agree to leave liquidity in the acquired company to fund the initial turnaround measures and where the acquired equity is higher than the purchase price. These funds usually include the working capital of the respective portfolio company and Mutares' estimated expenses for a defined period of time.

### Current deal pipeline

At the time of its FY21 results in Apr-22, Mutares has identified an M&A pipeline of 90 prospects with revenues of ~€11bn. Of those, it considers 11 of those companies – with aggregate revenues of ~€1.7bn – to be on its "hotlist", where it is at a contractual or pre-contractual stage. In 2022 YTD, it has already signed deals with associated revenues of €0.7bn and it informally targets 12 transactions (~1 per month) for the year as a whole (N.B. this includes platform and add-on acquisitions as well as exits). In 2020, Mutares completed 15 transactions and in 2021 20 transactions (plus two signed acquisitions).

## Exhibit 3 - Platform acquisition criteria

Criteria for platform acquisitions	
	Established market position
	Operational improvement potential
	Revenues €100-€500 million
	Economically challenging situation or special situation
	Focus of activities in Europe

Source: Company reports, Jefferies Research

This report is intended for Jefferies clients only. Unauthorized distribution is prohibited.

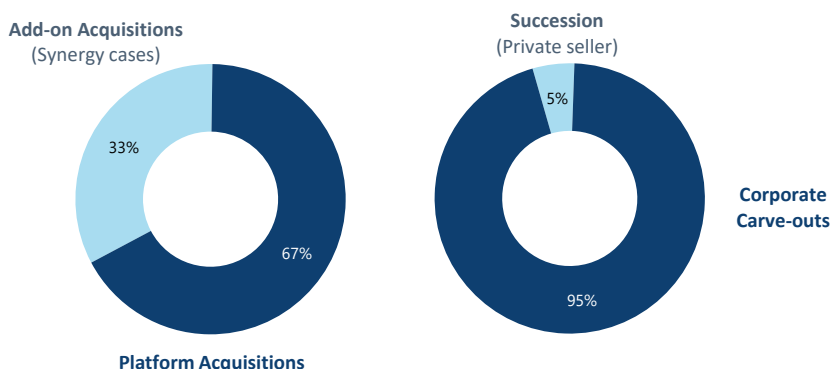
Mutares' ability to source this volume of deals is underpinned by its local investment teams on the ground across its nine European offices (set to expand to ~12 in 2022) who maintain relationships with banks, advisers and corporates. The fruits of its more recent office rollout program can be seen in its considerable Benelux deal flow in 2021 (it opened an office in Amsterdam last year) and it is set to do its second deal in Spain imminently (it also opened its Madrid office in 2021).

From an operational perspective, Mutares has a team of 95 consultants that it sends in to portfolio companies to support its turnaround plans. This number is expected to increase to ~200 by end-2023, in order to support the potential expansion of the portfolio to 30 companies. Consultants won't be spread evenly across each portfolio company at any given point in time; they are more likely to be more heavily allocated to companies in the earlier phases of their turnarounds or ones that have undertaken add-on M&A.

### Deal characteristics

Approximately two-thirds of the deals that Mutares undertakes are platform acquisitions, most often born out of corporate carve-outs, but occasionally following family successions from private vendors. The remaining one-third of acquisitions comes from add-on deals where it sees synergy potential in combining an existing portfolio company with another that brings one or a combination of new products, sales channels or geographic market exposure.

### Exhibit 4 - Deal characteristics



Source: Company reports, Jefferies Research

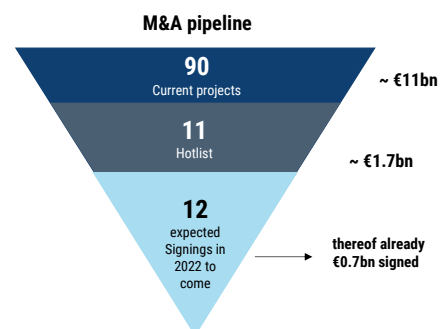
### Competitive environment

Mutares describes competition within the European M&A market as fierce, which certainly feels compatible with what we hear from other players operating in the broader space. It believes this is particularly the case in special situations investments, which is where it specialises.

In competitive auction processes for targets, it comes up against strategic investors, family offices and private equity companies, which all also lobby the vendor as to why they would be best-suited to manage a turnaround.

Specifically when it comes to competitors in special situations, Mutares highlights the following firms: AURELIUS Equity Opportunities, Deutsche Beteiligungs, Orlando Management and Quantum Global Partners. Additionally, existing shareholders of the existing target company may decide to restructure the company themselves during or at the end of an initiated sale process. One assumes the latter comes after would-be

### Exhibit 5 - Mutares Deal Sourcing



Source: Company reports, Jefferies Research

vendors have had the benefit of seeing proposed restructuring plans from firms such as the ones listed above.

The nature of the competitive environment is such that there is significant pressure to find and quickly establish exclusivity in bid processes or assuring that competitive bids are placed that are more attractive than bid placed by competitors. Competition in the French market is particularly severe with the likes of Altifort, Financiere Immobiliere Bordelais, Prudentia Capital and certain private individuals all vying for special situations investments.

Furthermore, strategic buyers, especially from China – which can have considerable financial resources, low costs of capital and better access to funding sources – are increasingly expanding their businesses through acquisitions, especially in Europe.

Different investors can also have different return thresholds and risk parameters which make them difficult to compete with. And matching them on valuation increases the risk of seeing a degradation in investment returns.

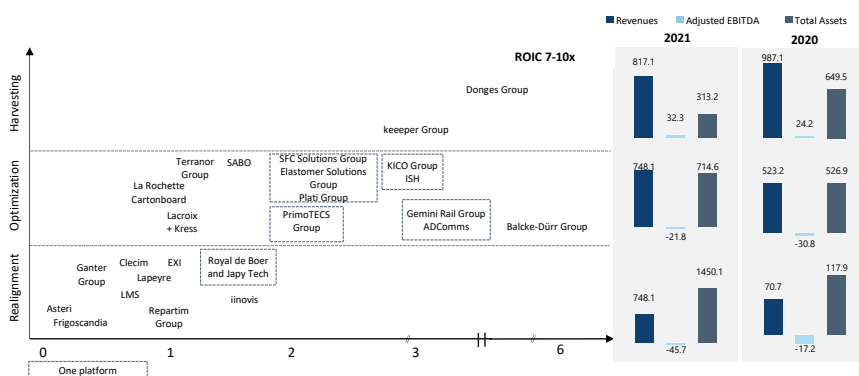
## 2. Realignment (consulting revenues and management fees)

After the acquisition of a portfolio company, Mutares initiates a turnaround program for operational improvement and a streamlining of the portfolio company's cash management system. The aim is to develop a strategically and operationally sustainable LT reorganisation. Typically the plan will involve the development of new products and adaptation of sales and production structures, which in many cases are lacking (where portfolio companies were spin-offs from larger groups).

Mutares' operations team then implements a range of further measures, which usually includes: adjusting product and customer portfolios, optimising production and work capacities, renegotiating contracts with customers and suppliers to reduce direct and indirect costs and stabilise and/or improve revenues. They will also consider pursuing strategic, potentially sizeable, add-on acquisitions to expand geographic footprint, product portfolios or extract synergies. This stage of the process is dynamic and aims to be a continuous improvement program.

In this phase of value creation, Mutares generates revenues at the Holding Company level. These consist of consulting revenues (i.e. consulting fees charged to portfolio companies on a daily basis for the day-to-day work of Mutares' operations team) as well as management fees (i.e. flat fees charged to portfolio companies on a monthly basis for general management services). These revenues are used to cover the Holding Company's fixed costs and to cover the base dividend (i.e. €1 p/s) for shareholders.

Exhibit 6 - Mutares portfolio companies by value creation profile



Source: Company reports, Jefferies Research



### 3. Optimisation

Once a portfolio company has been operationally stabilised, Mutares aims to accelerate organic growth by broadening product portfolios, developing new markets and sales channels or potentially via add-on acquisitions. In the case of the latter, Mutares may be required to make additional cash contributions to fund the transaction.

Once a company has reached this phase, it will typically be in a position where it can generate sufficient revenues to pay a certain amount of dividends to the Holding Company. These portfolio dividends are Mutares' second regular income stream at the Holding Level (after consulting and management fees) and these further support the payment of the €1 p/s base dividend. It is envisaged that these portfolio dividends together with the consulting/management fees (cumulatively referred to as portfolio income) can amount to ~1% of Group revenues.

### 4. Harvesting

Post the realignment and optimisation phases, Mutares aims to promote the increase of a portfolio company's value potential to establish the basis for a profitable exit. In this fourth phase of value creation, the exit strategy for each portfolio company is continuously evaluated.

Mutares' preferred buyers are strategic investors and the turnaround process is structured with this in mind. These investors can be competitors or portfolio companies who want to build scale, market share or acquire access to certain customers.

Typically, harvesting takes place around three-to-five years post-acquisition. Mutares' target ROIC over the holding period is 7-10x. A sample of exits over the last ten years is provided below, including five exits during 2021. In aggregate, it targets exit proceeds equivalent to ~1% of Group revenues and this forms the third income stream of Mutares at the Holding Company level. Exit proceeds contribute to the payment of a potential performance dividend (i.e. over and above the €1 p/s base dividend). In aggregate, therefore, portfolio income + exit proceeds are targeted to amount to ~2% of Group revenues in the MLT and for 2023E Mutares targets €200m.

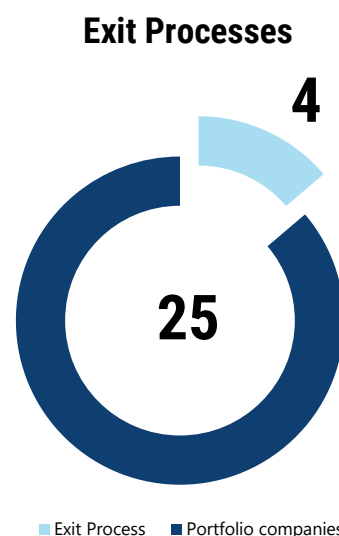
Exhibit 7 - Sample of exits

Company Name	Investment type	Acquisition Date	Exit Date	Exit Strategy	Buyer	Country	Industry
TreffUnion SASU	Platform	Apr-19	Jul-21	Strategic M&A	LiCap GmbH	France	Electrical Products
EUPEC Pipecoatings France SA	Platform	Jan-12	Jul-21	Strategic M&A	LiCap GmbH	France	Wholesale Distributors
La Meusienne	Add-on (Balcke Dürr)	Dec-19	Jul-21	Strategic M&A	LiCap GmbH	France	
CENPA SAS	Platform	May-16	Jul-21	Secondary	Accursia Capital	France	Pulp & Paper
KLANN Packaging GmbH	Platform	Jun-11	May-21	Secondary	Accursia Capital	Germany	Misc. Commercial Services
Norsilk SASU	Originally platform investment, later integrated into Donges Group	Oct-15	Jun-19	Strategic M&A	Protac (Groupe Rose)	France	Forest Products
Zanders GmbH	Platform	Apr-15	Dec-18	Strategic M&A	Zanders-paper GmbH	Germany	Pulp & Paper
BSL Pipes & Fittings SAS	Add-on (EUPEC)	Aug-15	Nov-18	Strategic M&A	-	France	Industrial Machinery
STS Group AG	Platform	Jul-13	Jun-18	IPO	-	Germany	Auto Parts: OEM
Artmadis SASU	Platform	Aug-12	May-18	Bankruptcy	-	France	Electronics/Appliances
A+F Automation + Fördertechnik GmbH	Platform	Oct-14	Dec-17	Secondary	CGS	Germany	Industrial Machinery
Suir Pharma Ireland Ltd.	Platform	Feb-12	Jun-15	Strategic M&A	Saneca Pharmaceuticals	Ireland	Pharmaceuticals: Major
Société Nouvelle Compagnie Générale de Voitures de Lyon (CGVL)	Platform	Dec-11	May-15	Strategic M&A	Management	France	Trucking
Castelli SpA	Platform	Jan-12	15 Jan '15	rown (Full Portfolio Exit)	-	Italy	Office Equipment/Supplies
Rubbens NV	Platform	Aug-11	Dec-12	Bankruptcy	-	Belgium	Industrial Machinery
Guss Komponenten GmbH	Platform	Apr-09	Dec-10	Bankruptcy	-	Austria	Steel
Ledertech GmbH	Platform	Sep-08	Oct-10	Strategic M&A	Management	Germany	Consumer Sundries

Source: Company, FactSet, Jefferies Research

The most important exit channels for Mutares are strategic investors (21%) and other investment companies (36%).

Exhibit 8 - Mutares exit processes in 2022



Source: Company reports, Jefferies estimates

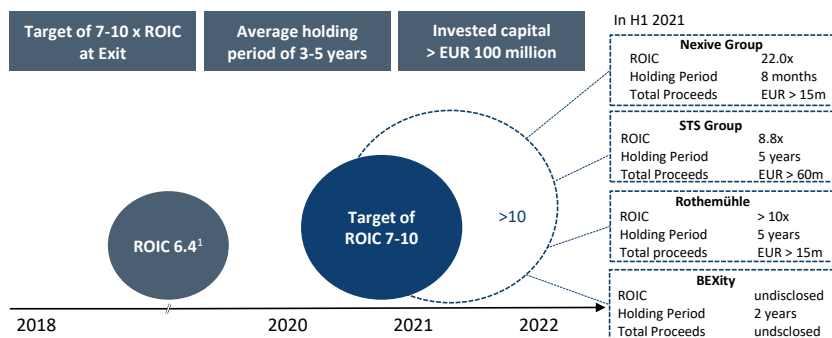


## Track record

Special situations and turnarounds is a segment of the private equity market where it is difficult to identify reliable datasets to make peer group investment performance comparisons. For instance, our usual provider of private markets data, PitchBook, does not appear to collect comprehensive data on this sub-category.

### Exhibit 9 - Mutares track record and target ROIC

Successful Track Record with High Return to Reach Target of ROIC of 7-10x  
Mutares has exceeded its ROIC target of 7-10x within the last 12 months



1) on average, based on 5 completed exits between 2018 and 2020

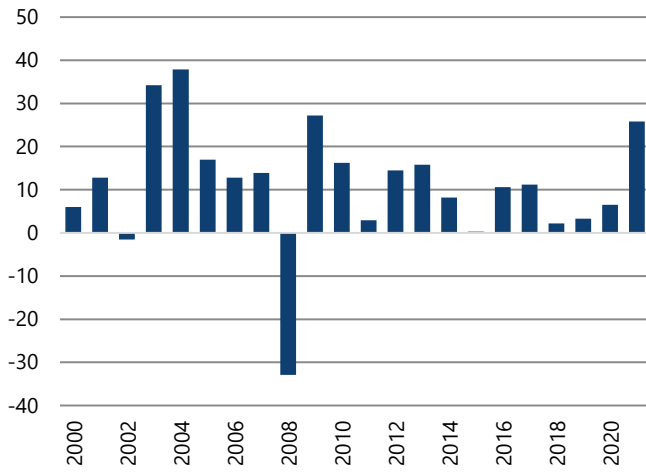
Source: Company reports, Jefferies Research

In the period 2018-20, Mutares averaged an ROIC of 6.4x on the basis of five completed exits. In 2021, with invested capital of >€100m, it was able to exceed its 7-10x ROIC target, with an average ROIC of >10x, supported in particular by Nexive Group (22x) and Rothemühle (>10x).

A 7-10x target ROIC is high versus more conventional private equity return expectations where MOICs of between 2.0-2.5x are considered competitive over broadly similar holding periods. We think this largely reflects the low "in-price" required in special situations and turnarounds, which tend to be low or may even be zero in terms of price paid, with proprietary commitments the most substantial investment made.

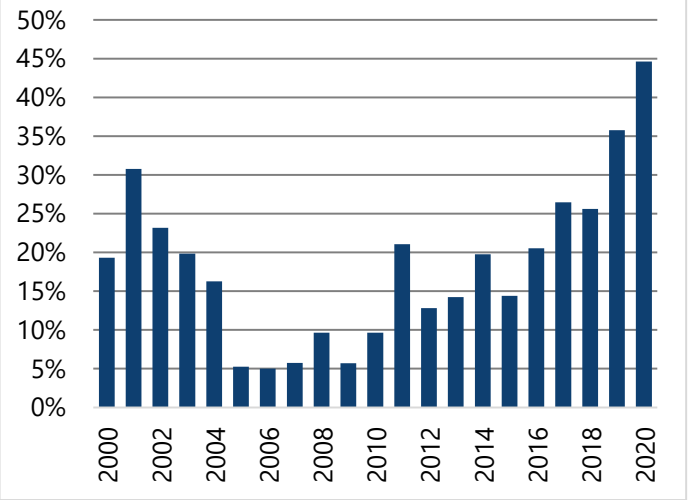
Looking at the industry data, it is notable how much higher mainstream private equity returns (~18% avg) have been than distressed private equity returns (~11% avg) over a 20-year period. Notwithstanding the impact of the GFC in 2008, it's remarkable that returns in the period since 2010 have averaged more than 2x (~22%) the level in mainstream PE than in distressed PE. We think this overwhelmingly reflects the growth premium that had been embedded into markets over the last 10 years. However, as we moved into 2022, we saw an abrupt volte-face of that multi-year trend with value-biased asset prices materially outperforming growth. Whilst there could be esoteric concerns about particular portfolio companies – especially those exposed to spiking raw material and energy prices – this instinctively feels like a market environment where a portfolio with a value bias such as Mutares' may be particularly well-positioned to outperform.

Exhibit 10 - Rolling 1Y horizon IRRs in Distressed PE



Source: Preqin, Jefferies estimates

Exhibit 11 - Rolling 1Y horizon IRRs in European PE



Source: PitchBook, Jefferies

This report is intended for Jefferies clients only. Unauthorized distribution is prohibited.

## Investment portfolio mix

We've spoken above about how Mutares identifies its investment targets, realigns, restructures and optimises them and how, it ultimately, realises value from selling them. In the section below, we provide an overview of its ~25 portfolio companies and where they sit in terms of industry segment.

In the interests of brevity, we have not provided a detailed overview of each portfolio company. Instead, we offer a brief synopsis overleaf followed by punchy case studies on four of the largest portfolio companies by revenue – Lapeyre (realignment), Donges (harvesting), LMS (realignment) and Balcke-Durr (optimisation) – and thus potentially the more impactful from a valuation perspective.

Mutares targets portfolio companies in three industry segments:

- **Automotive & Mobility** (2021 segment revenues: €720m, 29% of total). Portfolio companies operate worldwide and supply large OEMs for passenger cars and commercial vehicles;
- **Engineering & Technology** (2021 segment revenues: €872m, 35% of total). Portfolio companies serve customers from various sectors, including energy and chemical industries, public infrastructure and the rail sector, in particular in the area of plant and mechanical engineering; and
- **Goods & Services** (2021 segment revenues: €912m, 36% of total). Portfolio companies offer specialised products and services for customers in various sectors.

It does so not only because it has considerable experience in carrying out successful turnarounds in these segments, but also because they offer diversification benefits. For instance, automotive & mobility is an early-cycle sector and engineering & technology is a late-cycle sector, whilst goods & services is less cyclical, thereby giving the portfolio greater balance. This in turn helps Mutares to manage its portfolio companies from a lifecycle point of view between realignment, optimisation and harvesting.

Mutares strives to maintain a fairly stable balance between segmental revenues, with approximately one-third of total revenue in each bucket. Its target is to ultimately build the portfolio to ~30 companies, with a focus on larger deal sizes rather than on a larger number of investments. Its established track record across these three industry segments means we should not expect Mutares to start doing deals in new verticals.

## Exhibit 12 - Portfolio companies

Portfolio Company	Industry	Acquisition	HQ	Phase	Revenues (€m)		No. of employees		
					2020	2021	2020	2021	
<b>Automotive &amp; mobility</b>									
LMS	Supplier of plastic components for the automotive industry	2021	Germany	Realignment		320		1,716	
ESF Industrial Solutions Group	Automotive supplier for fluid transfer system, sealing solutions and cable harnesses. Combination of Elastomer Solution, Plati and SFC Solutions, previously run as independent holdings	2009, 2019, 2020	Poland, Portugal	Optimization		215		3,100	
KICO and ISH Group	System supplier of high-quality automotive technology	2019, 2021	Germany	Optimization	80	180	720	1,070	
PrimoTECS	Supplier of forges in the engine, transmission and driveline sectors	2020	Italy	Realignment	120	110	830	800	
Ilnovis Group	Engineering service provider for automotive engineering	2020	Germany	Realignment	40	35	600	40	
<b>Engineering &amp; Technology</b>									
Donges Group	Full-range provider of steel structures, roof and facade systems	2017	Germany	Harvesting	310	410	1,300	1,120	
Lacroix + Kress	Manufacturer of oxygen-free copper drawing	2020	Germany	Optimization	125	165	250	250	
La Rochette Cartonboard	Producer of folding boxboard	2021	France	Optimization		130		320	
Balcke-Dürr Group	Supplier and service provider for heat exchangers and reactors	2016	Germany	Optimization	140	110	500	430	
Royal de Boer and Japy Tech	Manufacturer of cooling tanks and barn equipment	2020	Netherlands / France	Realignment	45	45	230	200	
Gemini Rail and ADComms Group	Service provider for engineering, maintenance and modernization for rail vehicles. 2021 Acquired ADComms	2018, 2021	UK	Harvesting	60	40	200	270	
Clecim	Supplier of high-end steel processing line solutions	2021	France	Realignment	55	30	250	210	
ATI Sheffield's operations	Produce a range of high integrity products in low alloy steels, stainless steels and nickel-based super alloys	2022	UK		80		190		
Vallourec Bearing Tubes	Seamless high precision steel tubes manufacturer	Expected 2Q22	France		50		200		
<b>Goods &amp; Services</b>									
Lapeyre Group	Manufacturer and distributor of home equipment products	2021	France	Realignment		680		3,060	
Frigoscandia	Provider of temperature-controlled logistic services	2021	Sweden	Realignment		255		790	
Terranor Group	Provider of road operations and maintenance services	2020	Sweden, Finland, Denmark	Optimization	125	145	200	400	
Ganter Group	General contractor in interior construction and shop fitting	2021		Realignment		80		190	
keeper Group	Manufacturer of plastic and paper household products	2019	Germany	Harvesting	100	70	600	490	
FASANA	Manufacturer of innovative and high-quality paper napkins	2020	Germany	Realignment		35		210	
Repartim Group	Provider of house repair and emergency services	2021	France	Realignment		35		360	
SABO	Manufacturer of lawnmowers	2020	Germany	Optimization	20	25	100	80	
EXI	Service provider of information and communication technology	2021	Italy	Realignment	50	20	300	240	
Asteri Facility Solutions	Service provider in the Soft Facility Management industry	2021	Sweden	Realignment		20		560	

Source: Company reports, Jefferies Research

## Earnings model - focus on the Holding Company

### Context: Mutares is not a manager of third party capital (yet)

Relative to the broader alternative asset manager universe, Mutares' financials can at first require some demystifying. In terms of the positioning of its model, the obvious point to make is that it is not a manager of third-party capital, where investments are managed exclusively on behalf on LPs in closed end (or other) fund structures (albeit this could be an option for them to explore in the future).

### But it has some similarities to alts that manage proprietary permanent capital

It does have certain similarities with managers that operate proprietary investment company models (i.e. they manage their own balance sheet's permanent capital in addition to generating third-party fee income). The names that most obviously come to mind in this bucket are the likes of DBAN GY, Aurelius, ICP LN and TKO FP. In terms of size, Mutares is not dramatically different to its two German peers. In terms of investment strategy, though, there are key differences: as we have discussed, Mutares is focused on special situations investments; DBAN is generally focused on more prime investments (although it does do some turnaround deals) and Aurelius sits somewhere in between.

### Group inorganic revenue growth is akin to fund deployments at other alt managers

Perhaps the most instructive way to think about Mutares' financials is to first look at the metrics where management is providing guidance. At a group level (i.e. incl. portfolio company revenues), the key guidance is on revenues / revenue growth. As we have argued on the front page of this report, we think investors can look at Mutares' inorganic revenue growth as akin to fund deployments at a conventional alt manager (i.e. as the base against which value creation generates investment returns for the holding company).

Our Group top line estimates comprise organic revenue development assumptions as well as our placeholder assumptions on how inorganic growth is likely to flow through. In general we have tried to balance our acquisition assumptions such that Mutares maintains a similar level of diversification to present. In reality, it's quite unlikely that the existing balance of the business will be maintained consistently because the company can't predict which transactions it will win and lose. In reality, we see the vast majority of Mutares' revenue growth over the forecast period as coming from net (it also needs to replace the revenues it loses through exits) inorganic growth.

### Exhibit 13 - Mutares targets and JEFe

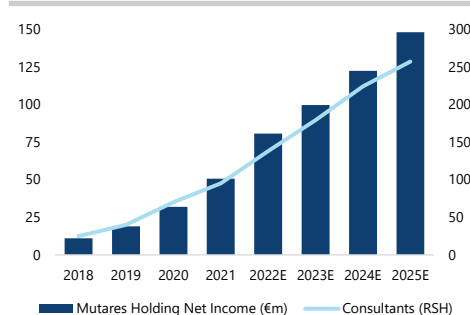
	Actuals	Guidance		JEFe	
	2021	2022E	2023E	2022E	2023E
<b>Mutares Group</b>					
Revenues	€2.5bn	>€4bn	>€5bn	€4.03bn	€4.98bn
EBITDA	€567m	Flat		€261m	€316m
Adj. EBITDA	€-41m	Up YoY		€-25m	€-4m
<b>Mutares Holding</b>					
Number of consultants	95	135-145	200	138	179
Consulting revenues	€51m	€75m		€75m	€107m
Portfolio income (Revenues + dividends)	€65m	€80m-€100m		€94m	€130m
Exit proceeds / net holding income	128%	50%	50%	50%	50%
Mutares Holding Net Income	€65m	€72m-€88m	€100m	€134m	€180m
Holding Net Income / Group revenues	2.0%	1.8%-2.2%		2.0%	2.0%

Source: Company reports, Jefferies estimates

Group revenue then provides the initial underpinnings of Mutares Holding Company level earnings, which consist of upstreamed cash flows. As we have referred to above, this comprises:

1. **Realignment phase:** the initial payment of services provided by Mutares' on-site consultants as well as management fees.
2. **Optimisation phase:** typically at this point, portfolio companies will be in sufficiently robust financial health to pay dividends to the Holding Company. These are referred to as portfolio dividends and, when combined with consulting revenues and management fees, are referred to as portfolio income. Mutares targets for portfolio income to amount to ~1% of Group revenues and that this should underpin the base dividend of €1 p/s.
3. **Harvesting phase:** this essentially comprises potential exit proceeds and, accordingly, the timing is less certain. It should also be noted that exits can come at the expense of dividend income in the ST given companies that are in a position to be harvested are, by definition, likely to also be capable of paying dividends. Mutares targets exit proceeds equivalent to ~1% of Group revenue p.a.. These potential proceeds are allocated to fund a performance-based dividend top-up. In aggregate, therefore, Mutares aims to generate Holding Company net income that is equivalent to ~2% of Group revenue.

**Exhibit 14 - Mutares holding revenue and consultants development**



Source: Company reports, Jefferies Research

## Valuation - Initiate with Buy rating, €30 PT

We think the sell side values Mutares using a SOTP approach, including a NAV-based methodology. We think this misses what the business has evolved to become, i.e. more akin to a small illiquid alternative asset manager.

When thinking about valuation, we view the Group P&L as a distraction and would urge investors to focus on Holding Company net income instead, which is the correct barometer of the firm's successful development, and also serves to underpin the Group's appreciating dividend profile.

Our preferred valuation approach is a simple one. We think – as the business continues to prove itself against its stretching targets – Mutares should be valued at 9x 22E Holding Company net profit less the €80m bond in issue. That target multiple is equivalent to the mid-point of AURELIUS and Brockhaus' 22E P/E and results in a base valuation of €31 p/s, which we round to a PT of €30 p/s (implying just over 30% upside). That is still equivalent to a generous 5.0% 22E dividend yield, still almost 2x the mainstream European alt avg.

Exhibit 15 - P/E sensitivity analysis

		Holding Net Income						
		-15%	-10%	-5%	0%	5%	10%	15%
P/E	5.0x	12.72	13.70	14.68	15.65	16.63	17.60	18.58
	6.0x	16.04	17.21	18.39	19.56	20.73	21.90	23.07
	7.0x	19.36	20.73	22.10	23.46	24.83	26.20	27.56
	8.0x	22.68	24.24	25.81	27.37	28.93	30.49	32.06
	9.0x	26.00	27.76	29.52	31.27	33.03	34.79	36.55
	10.0x	29.32	31.27	33.23	35.18	37.13	39.09	41.04
	11.0x	32.64	34.79	36.94	39.09	41.23	43.38	45.53
	12.0x	35.96	38.30	40.65	42.99	45.33	47.68	50.02

Source: Jefferies estimates

Exhibit 16 - DDM sensitivity analysis

CoE	g							
	5%	0.5%	1.5%	2.0%	2.5%	3.0%	3.5%	4.0%
6%	53.92	64.09	71.09	80.08	92.08	108.87	134.05	
7%	45.67	52.52	56.97	62.41	69.21	77.96	89.62	
8%	39.62	44.51	47.56	51.17	55.50	60.79	67.40	
9%	35.00	38.64	40.84	43.39	46.36	49.87	54.08	
10%	31.36	34.15	35.81	37.68	39.83	42.31	45.20	
11%	28.41	30.61	31.89	33.33	34.94	36.77	38.85	
12%	25.98	27.75	28.76	29.89	31.13	32.53	34.10	
13%	23.94	25.38	26.20	27.10	28.09	29.19	30.40	
14%	22.20	23.40	24.07	24.81	25.61	26.48	27.45	
15%	20.70	21.71	22.27	22.88	23.54	24.25	25.03	

Source: Jefferies estimates

Exhibit 17 - P/B sensitivity analysis

CoE	g							
	5%	0.5%	1.5%	2.0%	2.5%	3.0%	3.5%	4.0%
6%	1.82	2.01	2.13	2.29	2.51	2.81	3.26	
7%	1.54	1.64	1.71	1.78	1.88	2.01	2.18	
8%	1.34	1.39	1.42	1.46	1.51	1.56	1.63	
9%	1.18	1.20	1.22	1.24	1.25	1.28	1.31	
10%	1.06	1.06	1.07	1.07	1.08	1.08	1.09	
11%	0.96	0.95	0.95	0.94	0.94	0.94	0.93	
12%	0.87	0.86	0.85	0.85	0.84	0.83	0.82	
13%	0.80	0.79	0.78	0.76	0.75	0.74	0.73	
14%	0.74	0.72	0.71	0.70	0.68	0.67	0.65	
15%	0.69	0.67	0.66	0.64	0.63	0.61	0.59	

Source: Jefferies estimates

Ultimately, if Mutares continues to deliver against its targets, we think the market may be more willing to focus on the strong dividend paying capacity of the business, which could make a Dividend Discount Model more appropriate. Our DDM model, which applies a 10% CoE and a 2% terminal growth rate implies a PT of €36, which is 20% above our base PT.



## Exhibit 18 - Valuation comps - Multiples

	Price local	Mkt cap. LC	Mkt cap. USD	Jeff. rating	P/B			P/E			EV/EBITDA		
					2022E	2023E	2024E	2022E	2023E	2024E	2022E	2023E	2024E
Deutsche Beteiligungs AG	29.7	559	602	BUY	0.8	0.8	0.7	-23.4	6.9	5.9	7.4	5.8	5.3
AURELIUS Equity Opportunities SE & Co. KGaA	25.1	715	772	N/C	1.4	1.3	--	9.3	8.2	4.5	3.9	3.7	4.1
Brockhaus Technologies AG	18.4	201	217	BUY	0.8	0.8	--	8.2	6.5	--	2.7	2.2	--
Foresight Group Holdings Ltd.	3.9	424	550	BUY	--	5.6	4.6	18.4	14.2	12.1	13.2	10.4	8.7
Eurazeo SA	77.5	5,948	6,416	BUY	0.9	0.8	0.6	13.1	14.5	8.5	10.6	10.0	8.5
Tikehau Capital SCA	23.1	3,981	4,294	BUY	1.3	1.2	1.2	18.7	13.6	11.4	13.2	10.2	8.9
Mutares SE & Co. KGaA	22.7	467	504	BUY	0.4	0.3	0.2	3.9	4.8	5.9	1.8	1.5	1.2
<b>Mean</b>					<b>1.0</b>	<b>1.7</b>	<b>1.8</b>	<b>7.4</b>	<b>10.6</b>	<b>8.5</b>	<b>8.5</b>	<b>7.0</b>	<b>7.1</b>
<b>Mkt cap weighted average</b>					<b>1.0</b>	<b>1.2</b>	<b>0.9</b>	<b>13.2</b>	<b>13.3</b>	<b>9.1</b>	<b>10.9</b>	<b>9.4</b>	<b>8.1</b>

Source: FactSet. All estimates FactSet consensus except Mutares

## Exhibit 19 - Valuation comps - Ratios

	Price local	Mkt cap. LC	Mkt cap. USD	Jeff. rating	DY			ROE			FCF Yield		ROE CAGR	
					2021	2022E	2023E	2022E	2023E	2024E	22E	23E	19-22E	22-24E
Deutsche Beteiligungs AG	29.7	559	602	BUY	5.4	4.7	5.3	-4%	11%	12%	2%	4%	-171%	--
AURELIUS Equity Opportunities SE & Co. KGaA	25.1	715	772	N/C	6.0	6.0	6.3	15%	16%	--	10%	17%	-184%	--
Brockhaus Technologies AG	18.4	201	217	BUY	0.0	0.0	0.0	10%	12%	--	17%	--	--	--
Foresight Group Holdings Ltd.	3.9	424	550	BUY	0.4	3.2	4.2	36%	40%	50%	--	--	--	18%
Eurazeo SA	77.5	5,948	6,416	BUY	3.9	2.6	2.4	7%	6%	7%	6%	--	18%	3%
Tikehau Capital SCA	23.1	3,981	4,294	BUY	4.1	2.8	3.2	7%	9%	10%	4%	7%	7%	21%
Mutares SE & Co. KGaA	22.7	467	504	BUY	6.6	8.8	11.0	4%	4%	--	23%	--	--	--
<b>Mean</b>					<b>3.3</b>	<b>3.2</b>	<b>3.6</b>	<b>12%</b>	<b>16%</b>	<b>20%</b>	<b>8%</b>	<b>9%</b>	<b>-83%</b>	<b>14%</b>
<b>Mkt cap weighted average</b>					<b>3.9</b>	<b>2.9</b>	<b>3.1</b>	<b>8%</b>	<b>9%</b>	<b>10%</b>	<b>5%</b>	<b>3%</b>	<b>-8%</b>	<b>9%</b>

Source: FactSet. All estimates FactSet consensus.

## Exhibit 20 - Key Performance Indicators

	Revenue growth			Adj. PBT growth			Adj. PBT margin			Dividend growth			EPS growth		
	2021	2022	2023	2021	2022	2023	2021	2022	2023	2021	2022	2023	2021	2022	2023
Deutsche Beteiligungs AG	1562%	-50%	9%	-	-61%	28%	84%	66%	78%	112%	-13%	13%	-	-113%	-441%
AURELIUS Equity Opportunities SE & Co. KGaA	-19%	21%	4%	81%	-32%	8%	4%	2%	2%	50%	0%	6%	42%	-47%	14%
Brockhaus Technologies AG	21%	136%	19%	-	-	52%	-	7%	9%	-	-	-	-13%	267%	25%
Foresight Group Holdings Ltd.	15%	17%	14%	31%	30%	22%	33%	37%	40%	-	29%	17%	-	30%	17%
Eurazeo SA	8%	6%	6%	731%	-65%	71%	42%	14%	22%	103%	-34%	-6%	3335%	-64%	-10%
Tikehau Capital SCA	110%	-12%	20%	-225%	-6%	38%	47%	51%	58%	140%	-31%	13%	-	-32%	38%
<b>MUX (JEFe)*</b>	<b>58%</b>	<b>61%</b>	<b>24%</b>	<b>2436%</b>	<b>-88%</b>	<b>18%</b>	<b>0%</b>	<b>26%</b>	<b>51%</b>	<b>0%</b>	<b>0%</b>	<b>0%</b>	<b>44%</b>	<b>29%</b>	<b>24%</b>

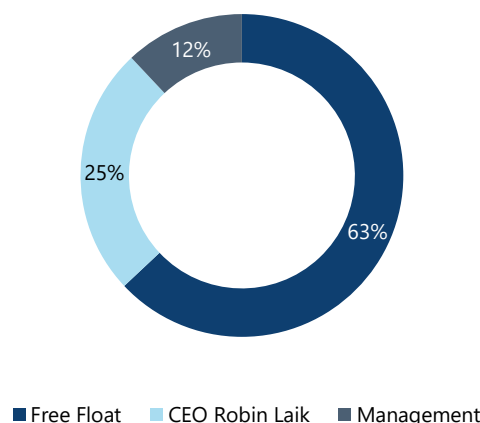
Source: FactSet, Jefferies estimates

## Appendix

### Company background

2008	Foundation of the company by Axel Geuer and Robin Laik in Munich and listing in the Regulated Unofficial Market of the Frankfurt Stock Exchange
2015	Opening of Paris office
	Opening of Milan office
2017	Mutares becomes founding member of the "Scale" segment of the Regulated Unofficial Market of the Frankfurt Stock Exchange
	Opening of London office
	Mutares AG was included in the newly launched index "Scale 30" of the German Stock Exchange (Deutsche Börse)
2018	Launch of share buyback program
	IPO of Mutares GA subsidiary STS Group AG
	€0.9bn Group Revenues
	Opening of Stockholm and Vienna offices
	First Capital Markets Day held in Frankfurt
2019	Conversion of the Company from a German stock corporation (AG) to a partnership limited by shares (KGaA)
	€1.0bn Group Revenues
	Opening of Frankfurt office
2020	€70 million bond issuance with 4-year maturity
	€1.6bn Group Revenues
	Opening of Madrid and Amsterdam offices
	Mutares sells majority stake in STS Group AG
	Mutares issued additional EUR 10 million tap issue of its existing bond issued in February 2020
2021	Mutares resolves capital increase with subscription rights
	€2.5bn Group Revenues

### Shareholder structure



### Supervisory Board

MUTARES - Supervisory Board		Biography
Chairman	Volker Rofalski	Supervisory Board member since 2008 and chairman since 2018. Volker is also managing partner of Only natural Munich GmbH and member of the supervisory board of Bio-Gate AG, Moutain Demekon AG, Paycentive AG and HELIAD Equity Partners GmbH & Co. KGaA. Previously, he was the founder and member of the board of directors of the trading platform TradeCross AG in Munich and co-founder of Webstock AG.
Vice Chairman	Axel Müller	Supervisory board member since 2018 and deputy chairman since 2019. He has been an independent consultant since 2014. Axel was previously Chief Production and Development Officer of STADA Arzneimittel AG, where he held multiple positions since 1985. Before that he was a Research assistant at the Chair of Pharmaceutical Technology at the Johannes-Gutenberg-University Mainz.
Board member	Lothar Koniarski	Supervisory board member since 2018. Lothar also serves as Chairman of the Supervisory Board of the SBF AG and is member of the Board of Administration at Alfmeier SE. Previously, he was a member of the DIHK Finance and Tax Committee in Berlin, Chairman of the finance and tax committee of the Chamber of Industry and Commerce Regensburg and member and chairman of the Supervisory Board of CANCOM SE.
Board member	Micha Bloching	Supervisory board member since 2008. Previously, he worked as a lawyer and tax advisor in different law firms in Munich. He was partner in an international law firm and now runs his own business in Munich. In addition, he lectures business law at the University of Applied Science in Augsburg.

### Executive Committee

MUTARES - Executive Committee		Biography
CEO	Robin Laik	Co-founder and CEO of Mutares since 2008. Robin began his professional career at ELA Medical GmbH and Porges GmbH (formerly L'Oreal Group). He has also held multiple positions at the Bavaria Industries Group AG, including CFO until July 2007. Prior to this, he had several management positions in finance within ESCADA AG.
CFO	Mark Friedrich	Mark joined Mutares in 2012 as Head of Finance and was later appointed CFO in 2015. Prior to Mutares, he worked at Ernst & Young GmbH and was admitted tax advisor and certified public accountant.
CIO	Johannes Laumann	Johannes Joined Mutares in 2016 and in 2019 was appointed CIO. Prior to joining Mutares SE & Co. KGaA, he held various management positions at Ernst & Young GmbH, Porsche Consulting GmbH and Atlas Copco's Oil & Gas Division.

## Management compensation

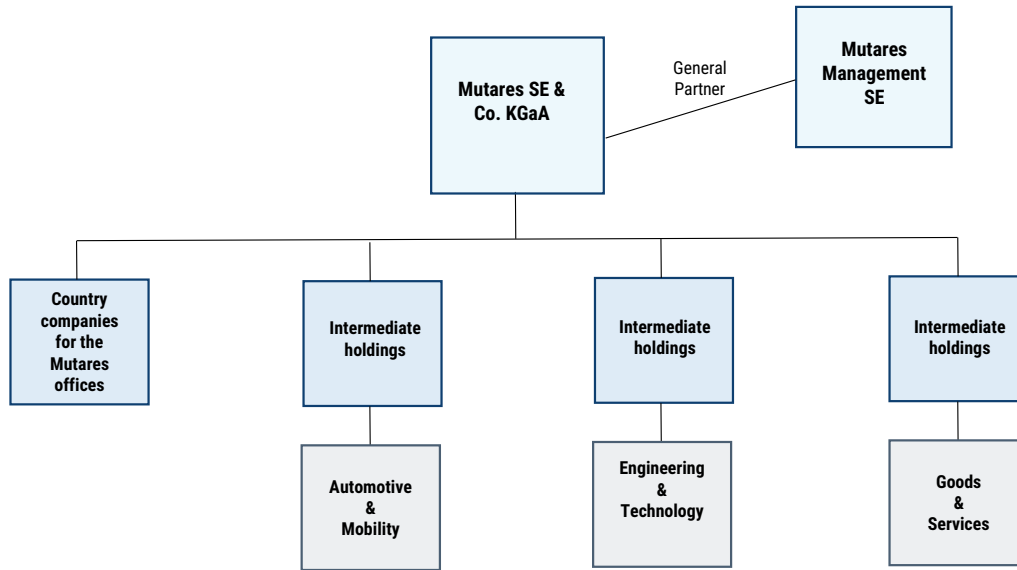
The total remuneration of the CEO is composed of a fixed salary, a one-year variable compensation, a multi-year variable remuneration as well as fringe benefits.

The CEO's annual fixed salary for 2021 was of €1,000,000, which represents a 21% increase with respect to the €800,000 received in 2020.

The one-year variable compensation bonus is calculated as a percentage of the company's audited net income. The CEO is entitled to 4% of net income for a net income of €10M, and this percentage increases on a straight-line basis up to 6% for a net income amount higher or equal to €30M, with a cap of €3M. If the company's net income for the financial year is lower than €10M, the CEO is not entitled to receive a bonus. The CEO is entitled to a bonus of €3M for the financial year 2021.

The multi-year variable compensation of the members of the management board consists of stock options, the exercise of which is linked to the achievement of a performance target (share price increase). In all stock option programs, a stock option granted to the respective management board member entitles the holder to subscribe for one share at an exercise price corresponding to 70% of the average volume-weighted closing price of the company's share in XETRA trading during the last 20 stock market trading days prior to the issue date of the stock options. The stock options can only be exercised if the average volume-weighted closing price of the company's share in XETRA trading during the last 20 stock market trading days prior to the start of the exercise period exceeds the exercise price by at least 85.7%. The vesting period for the stock options is of four years. In 2021, the CEO was allocated 54,402 stock options under 2021 stock options program.

## Exhibit 21 - Corporate structure



Source: Company reports, Jefferies research

This report is intended for Jefferies clients only. Unauthorized distribution is prohibited.

## Exhibit 22 - Case study: Balcke-Dürr

Balcke-Dürr	
HQ	Dusseldorf, Germany
Segment	Engineering & Technology
Description	The company provides highly specialized integrated services, engineering components and spare parts for innovative solutions that improve energy efficiency levels in utilities, Oil & Gas and the chemical industry. The group now offers a large patent portfolio and international manufacturing capabilities for heat exchangers, cooling towers, nuclear decommissioning etc.
Acquisition	The company, a subsidiary of SPX, was acquired through an LBO by Mutares on December 2016
Phase	Optimization
Add-ons	4
Revenues	110
Number of employees	430
Turnaround Strategy	Further existing market penetration and establishment as leader in the nuclear energy industry, expansion of nuclear power plant decommissioning as a profitable service segment as well as increased catering of existing and new clients in Oil & gas and chemicals. Turnaround measures included plant relocation and outsourcing as well as consolidation from five underutilized production facilities to two production sites.
Prospective Market opportunities	Entering new markets and areas of application for existing products and services, as well as expanding the product portfolio.
Expectations for 2022	Management expects a significant increase in sales revenue through improved utilization of manufacturing synergies. In addition, in Q2 the acquisition of Toshiba Transmissions & Distribution was completed, for which management expects further positive momentum.

Source: Company reports, Jefferies Research

## Exhibit 24 - Case study: Lapeyre

Lapeyre	
HQ	Aubervilliers, France
Segment	Goods & Services
Description	The company manufactures products for the exterior and interior of homes, such as windows, doors, kitchens, bathroom furniture and stairs at 10 manufacturing sites in France. The company distributes and installs these along with merchandise through its own network of 130 stores in France under the corporate brand.
Acquisition	The company and its subsidiaries were acquired from Compagnie Saint-Gobain in May 2021
Phase	Realignment
Add-ons	0
Revenues	680
Number of employees	3,060
Turnaround Strategy	The Mutares team is defining the overarching transformation plan for Lapeyre, while focusing on destocking activities, mitigating raw material price increases, renegotiating key contracts with suppliers, optimizing internal processes, and implementing supply chain performance measurement tools to better monitor logistics operations. Mutares anticipates its restructuring measures to boost the return to profitability of Lapeyre in 2023 and to reestablish the brand as a market leader.
Prospective Market opportunities	Within the next three years, Mutares plans to further develop Lapeyre's product range, distribution network and support systems.
Expectations for 2022	For 2022, management expects an substantial increase in profitability due to the strategic and operational measures introduced.

Source: Company reports, Jefferies Research

## Exhibit 23 - Case study: Donges Group

Donges Group	
HQ	Darmstadt, Germany
Segment	Engineering & Technology
Description	The company designs, engineers and manufactures encompassing product systems and solutions involving steel, aluminum, glass, wood and timber. The company's vision is to provide a "one-stop shop" solution for envelope and steel structures comprising frames, aluminum & glass facades, roofs etc.
Acquisition	The company, a subsidiary of Mitsubishi Hitachi Power Systems Europe, was acquired by Mutares through an LBO on November 2017.
Phase	Harvesting
Add-ons	6
Revenues	410
Number of employees	1,120
Turnaround Strategy	Expansion of the company's product portfolio, value chain and customer coverage, allowing for entry into new and further penetration of existing European and international markets.
Prospective Market opportunities	Donges employed on average 1,274 employees in FY2020 at 11 production plants, 10 in Europe and 1 in India, and is positioned to capture a promising market share in untapped overseas locations.
Expectations for 2022	For financial year 2022, management expects a visible increase in sales revenues despite the sale of the French subsidiary Norsilk in the fourth quarter of 2021. Operating profit is expected to benefit from further implementation of synergy measures and will increase substantially compared to financial year 2021.

Source: Company reports, Jefferies Research

## Exhibit 25 - Case study: LMS

LMS (Light Mobility Solutions)	
HQ	Obertshausen, Germany
Segment	Automotive & mobility
Description	LMS is a supplier of exterior elements and systems for the automotive industry, supplying all leading European OEMs with fascias, radiator grilles, sill, side and roof panels as well as spoilers and other exterior trim parts. The company manufactures at three production sites in Germany with technology focus on injection molding, surface treatment and assembly.
Acquisition	Mutares acquired three exteriors plants from MAGNA Exteriors in July 2021 and it started operating under the new name of LMS.
Phase	Realignment
Add-ons	0
Revenues	320
Number of employees	1,716
Turnaround Strategy	Mutares has undertaken staff cost reduction measures as well as variable cost cuts to improve contribution margins and enhance financial performance. The aim is to improve the product mix and customer portfolio
Prospective Market opportunities	Mutares anticipates the restructuring, paired with an intensified leveraging of sophisticated in-house engineering and extensive design expertise to capitalize on automotive megatrends such as fuel efficiency and increased demand for light weight exterior plastics in the future.
Expectations for 2022	In 2021 LMS achieved an operating result that was still materially negative but management believes that as a result of the measures undertaken as part of the transformation program the company is on track to achieve significant improvements in 2022.

Source: Company reports, Jefferies Research

## Exhibit 26 - Mutares Holding development

Mutares Holding		Company reports, Jefferies estimates						
€m	FY19	FY20	FY21	FY22E	FY23E	FY24E	FY25E	
No. of consultants	40	70	95	138	179	224	257	
Avg. No. of consultants		55	83	116	158	201	241	
Revenues per avg. consultant		1	1	1	1	1	1	
<b>Consulting Revenues</b>	<b>19</b>	<b>32</b>	<b>51</b>	<b>75</b>	<b>107</b>	<b>143</b>	<b>179</b>	
<b>Portfolio dividends</b>	<b>22</b>	<b>35</b>	<b>14</b>	<b>19</b>	<b>23</b>	<b>28</b>	<b>32</b>	
<b>Portfolio income</b>	<b>41</b>	<b>67</b>	<b>65</b>	<b>94</b>	<b>130</b>	<b>171</b>	<b>211</b>	
<b>Exit proceeds</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>40</b>	<b>50</b>	<b>61</b>	<b>74</b>	
Exit proceeds / net holding income		0	1	1	1	1	1	
<b>Total holding income</b>	<b>41</b>	<b>67</b>	<b>65</b>	<b>134</b>	<b>180</b>	<b>232</b>	<b>285</b>	
<b>Costs</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>65</b>	<b>76</b>	<b>104</b>	<b>131</b>	
CIR	0%	0%	0%	49%	42%	45%	46%	
<b>Net income</b>	<b>19</b>	<b>32</b>	<b>51</b>	<b>81</b>	<b>100</b>	<b>122</b>	<b>148</b>	
Net income / Group revenues	2%	2%	2%	2%	2%	2%	2%	

Source: Company reports, Jefferies estimates

Mutares Holding represents cash flows upstreamed from the Group

## Exhibit 27 - Mutares P&L development

MUX P&L development		Company reports, Jefferies estimates						
€m	FY19	FY20	FY21	FY22E	FY23E	FY24E	FY25E	
<b>P&amp;L</b>								
<b>Revenues</b>	<b>1016</b>	<b>1584</b>	<b>2504</b>	<b>4030</b>	<b>4982</b>	<b>6115</b>	<b>7401</b>	
o/w automotive	450	602	720	1244	1506	1851	2269	
o/w engineering & tech	482	535	872	1475	1842	2260	2720	
o/w goods & services	84	447	912	1311	1634	2003	2413	
Changes in inventories	-4	-23	7	0	0	0	0	
<b>Other income</b>	<b>119</b>	<b>241</b>	<b>770</b>	<b>560</b>	<b>644</b>	<b>741</b>	<b>852</b>	
Cost of material	-623	-975	-1580	-2540	-3116	-3794	-4553	
Personnel expenses	-292	-424	-660	-1054	-1292	-1575	-1890	
Other expenses	-138	-261	-474	-734	-902	-1097	-1316	
<b>Total expenses</b>	<b>-1052</b>	<b>-1659</b>	<b>-2715</b>	<b>-4328</b>	<b>-5310</b>	<b>-6466</b>	<b>-7759</b>	
<b>EBITDA</b>	<b>79</b>	<b>143</b>	<b>567</b>	<b>261</b>	<b>316</b>	<b>390</b>	<b>494</b>	
Income from bargain purchases	-103	-208	-693	-416	-478	-550	-632	
Restructuring & exceptional costs	31	41	81	129	158	193	231	
Deconsolidation effects	0	-5	4	0	0	0	0	
<b>Adj. EBITDA</b>	<b>8</b>	<b>-29</b>	<b>-41</b>	<b>-25</b>	<b>-4</b>	<b>33</b>	<b>93</b>	
Depreciation & Amortization	-53	-102	-119	-192	-237	-291	-352	
<b>EBIT</b>	<b>26</b>	<b>41</b>	<b>447</b>	<b>70</b>	<b>79</b>	<b>99</b>	<b>142</b>	
Financial result	-10	-24	-19	-19	-19	-19	-19	
<b>Profit before tax</b>	<b>17</b>	<b>17</b>	<b>429</b>	<b>51</b>	<b>60</b>	<b>80</b>	<b>123</b>	
Income tax	0	3	14	0	0	0	0	
<b>Net Income</b>	<b>17</b>	<b>20</b>	<b>442</b>	<b>51</b>	<b>60</b>	<b>80</b>	<b>123</b>	
of which attributable to								
Shareholders of the parent company	21	27	449	58	67	87	130	
Non-controlling interest	-4	-7	-7	-7	-7	-7	-7	
<b>EPS - Basic (€)</b>	<b>1.37</b>	<b>1.79</b>	<b>26.85</b>	<b>2.81</b>	<b>3.26</b>	<b>4.21</b>	<b>6.30</b>	
<b>EPS - Dil (€)</b>	<b>1.37</b>	<b>1.79</b>	<b>26.83</b>	<b>2.81</b>	<b>3.26</b>	<b>4.21</b>	<b>6.30</b>	
<b>DPS (€)</b>	<b>1.00</b>	<b>1.50</b>	<b>1.50</b>	<b>1.50</b>	<b>2.00</b>	<b>2.50</b>	<b>3.00</b>	

Source: Company reports, Jefferies estimates

## Mutares Balance Sheet development

Balance Sheet	Company reports, Jefferies estimates						
€m	FY19	FY20	FY21	FY22E	FY23E	FY24E	FY25E
Inventories	134	204	423	681	842	1033	1251
Trade & other rec.	143	257	286	460	569	698	845
Cash & equivalents	80	145	255	322	298	302	350
Other	93	224	476	765	946	1161	1406
<b>Current assets</b>	<b>449</b>	<b>829</b>	<b>1440</b>	<b>2229</b>	<b>2655</b>	<b>3195</b>	<b>3852</b>
Intangible assets	59	76	134	216	267	327	396
PP&E	176	243	557	896	1108	1360	1645
Right of use assets	120	147	319	513	634	778	942
Other	44	32	111	179	221	272	329
<b>Non-current assets</b>	<b>399</b>	<b>498</b>	<b>1121</b>	<b>1803</b>	<b>2229</b>	<b>2736</b>	<b>3312</b>
<b>Total Assets</b>	<b>849</b>	<b>1327</b>	<b>2560</b>	<b>4032</b>	<b>4884</b>	<b>5931</b>	<b>7164</b>
Trade payables	158	250	372	599	741	909	1100
Other financial liab.	119	143	141	141	141	141	141
Provisions	36	50	81	130	160	197	238
Other	93	271	431	693	857	1052	1273
<b>Current liabilities</b>	<b>405</b>	<b>715</b>	<b>1025</b>	<b>1563</b>	<b>1899</b>	<b>2299</b>	<b>2753</b>
Financial liabilities	118	231	146	146	146	146	146
Provisions	100	157	242	389	481	591	715
Other	18	18	412	662	819	1005	1217
<b>Non-current liabilities</b>	<b>235</b>	<b>405</b>	<b>799</b>	<b>1198</b>	<b>1446</b>	<b>1742</b>	<b>2077</b>
<b>Total Liabilities</b>	<b>640</b>	<b>1120</b>	<b>1824</b>	<b>2761</b>	<b>3345</b>	<b>4041</b>	<b>4830</b>
Share capital	15	15	21	0	0	0	0
Capital reserves	37	38	134	0	0	0	0
Retained earnings	135	144	566	0	0	0	0
Other components of equity	-2	-7	1	0	0	0	0
Equity attributable to shareholders of the par	185	190	721	1256	1524	1875	2318
Non-controlling interests	23	17	15	15	15	15	15
<b>Total Equity</b>	<b>208</b>	<b>207</b>	<b>736</b>	<b>1271</b>	<b>1539</b>	<b>1891</b>	<b>2333</b>
<b>Total Equity &amp; Liabilities</b>	<b>849</b>	<b>1327</b>	<b>2560</b>	<b>4032</b>	<b>4884</b>	<b>5931</b>	<b>7164</b>

Source: Company reports, Jefferies estimates



## Exhibit 28 - Mutares Cash Flow development

Cash Flow		Company reports, Jefferies estimates					
€m	FY19	FY20	FY21	FY22E	FY23E	FY24E	FY25E
Net income for the year	17	20	442	51	60	80	123
Bargain purchases	-103	-208	-693	-416	-478	-550	-632
Result from deconsolidations	0	-5	4	0	0	0	0
D&A	53	102	119	192	237	291	352
Gain/loss from the disposal	-1	0	0	0	0	0	0
Other non-cash expenses/income	3	10	16	0	0	0	0
Interest expenses/nterest income	10	24	19	19	19	19	19
Income tax expense/income	0	-3	-14	0	0	0	0
income tax payments	-2	-3	-7	0	0	0	0
increase/decrease in inventories	20	17	-22	0	0	0	0
increase/decrease in trade receivables	34	7	43	256	160	190	216
increase/decrease in trade payables	-2	48	38	71	44	53	60
<b>Variations in trade working capital</b>	<b>53</b>	<b>72</b>	<b>59</b>	<b>328</b>	<b>204</b>	<b>243</b>	<b>276</b>
increase/decrease in contract assets	-9	2	2	0	0	0	0
increase/decrease in other receivables	3	-54	-6	-7	-5	-5	-6
increase/decrease in provisions	-15	7	-19	-31	-19	-23	-26
increase/decrease in contract liabilities	1	25	18	0	0	0	0
increase/decrease in other liabilities	-20	-29	-41	-68	-43	-51	-57
<b>Variations in other working capital</b>	<b>-40</b>	<b>-49</b>	<b>-47</b>	<b>-107</b>	<b>-66</b>	<b>-79</b>	<b>-90</b>
Currency translation effects	-1	-3	-2	0	0	0	0
<b>Cash Flow From Operating Activities</b>	<b>-11</b>	<b>-43</b>	<b>-104</b>	<b>67</b>	<b>-24</b>	<b>4</b>	<b>48</b>

Source: Company reports, Jefferies estimates

## Company Description

**MUX**  
Mutares is a special situations investor that buys SMEs and/or parts of groups that are in some way challenged and typically loss-making. Under its ownership, it aims to lead these companies to stable and profitable growth through operational improvement.

## Company Valuation/Risks

**MUX**  
Our base case valuation for Mutares is based on a 9x target P/E multiple of JEF 22 Holding Company net profit. Risks to the achievement of that include: prolonged high energy and commodity prices (N.B. portfolio companies are held within non-recourse SPV structures); liquidity constraints at holding and/or portfolio company level could interfere with growth; Mutares may be unable to source the targeted number of portfolio companies.

For Important Disclosure information on companies recommended in this report, please visit our website at <https://javatar.bluematrix.com/sellside/Disclosures.action> or call 212.284.2300.

## Analyst Certification:

I, Tom Mills, certify that all of the views expressed in this research report accurately reflect my personal views about the subject security(ies) and subject company(ies). I also certify that no part of my compensation was, is, or will be, directly or indirectly, related to the specific recommendations or views expressed in this research report.

I, Laura Gris Trillo, certify that all of the views expressed in this research report accurately reflect my personal views about the subject security(ies) and subject company(ies). I also certify that no part of my compensation was, is, or will be, directly or indirectly, related to the specific recommendations or views expressed in this research report.

**Registration of non-US analysts:** Tom Mills is employed by Jefferies International Limited, a non-US affiliate of Jefferies LLC and is not registered/qualified as a research analyst with FINRA. This analyst(s) may not be an associated person of Jefferies LLC, a FINRA member firm, and therefore may not be subject to the FINRA Rule 2241 and restrictions on communications with a subject company, public appearances and trading securities held by a research analyst.

**Registration of non-US analysts:** Laura Gris Trillo is employed by Jefferies International Limited, a non-US affiliate of Jefferies LLC and is not registered/qualified as a research analyst with FINRA. This analyst(s) may not be an associated person of Jefferies LLC, a FINRA member firm, and therefore may not be subject to the FINRA Rule 2241 and restrictions on communications with a subject company, public appearances and trading securities held by a research analyst.

As is the case with all Jefferies employees, the analyst(s) responsible for the coverage of the financial instruments discussed in this report receives compensation based in part on the overall performance of the firm, including investment banking income. We seek to update our research as appropriate, but various regulations may prevent us from doing so. Aside from certain industry reports published on a periodic basis, the large majority of reports are published at irregular intervals as appropriate in the analyst's judgement.

## Investment Recommendation Record

(Article 3(1)e and Article 7 of MAR)

Recommendation Completion	April 20, 2022 , 14:15 ET.
Recommendation Distributed	April 20, 2022 , 19:05 ET.

## Company Specific Disclosures

Within the past 12 months, Jefferies Group LLC, its affiliates or subsidiaries has received compensation from investment banking services from Mutares SE & Co KGaA.

Within the past twelve months, Mutares SE & Co KGaA has been a client of Jefferies LLC and investment banking services are being or have been provided.

Jefferies Group LLC, its affiliates or subsidiaries has acted as a manager or co-manager in the underwriting or placement of securities for Mutares SE & Co KGaA or one of its affiliates within the past twelve months.

Jefferies International Ltd, its affiliates or subsidiaries has, or had, within the past 12 months an agreement to provide investment services to Mutares SE & Co KGaA.

Within the past 12 months, Jefferies Group LLC, its affiliates or subsidiaries has received compensation from investment banking services from Deutsche Beteiligungs AG.

Within the past twelve months, Deutsche Beteiligungs AG has been a client of Jefferies LLC and investment banking services are being or have been provided.

Jefferies Group LLC, its affiliates or subsidiaries has acted as a manager or co-manager in the underwriting or placement of securities for Deutsche Beteiligungs AG or one of its affiliates within the past twelve months.

Jefferies International Ltd, its affiliates or subsidiaries has, or had, within the past 12 months an agreement to provide investment services to Deutsche Beteiligungs AG.

Jefferies Group LLC, its affiliates or subsidiaries expect to receive or intend to seek compensation for investment banking services from Foresight Group Holdings Limited within the next three months.

Within the past 12 months, Jefferies Group LLC, its affiliates or subsidiaries has received compensation from investment banking services from Foresight Group Holdings Limited.

Within the past twelve months, Foresight Group Holdings Limited has been a client of Jefferies LLC and investment banking services are being or have been provided.

Jefferies Hoare Govett a division of Jefferies International Limited acts as a corporate broker for Foresight Group Holdings Limited.

Jefferies Group LLC, its affiliates or subsidiaries has acted as a manager or co-manager in the underwriting or placement of securities for Foresight Group Holdings Limited or one of its affiliates within the past twelve months.

Jefferies International Ltd, its affiliates or subsidiaries has, or had, within the past 12 months an agreement to provide investment services to Foresight Group Holdings Limited.

For Important Disclosure information on companies recommended in this report, please visit our website at <https://javatar.bluematrix.com/sellside/Disclosures.action> or call 212.284.2300.

## Explanation of Jefferies Ratings

**Buy** - Describes securities that we expect to provide a total return (price appreciation plus yield) of 15% or more within a 12-month period.

**Hold** - Describes securities that we expect to provide a total return (price appreciation plus yield) of plus 15% or minus 10% within a 12-month period.

**Underperform** - Describes securities that we expect to provide a total return (price appreciation plus yield) of minus 10% or less within a 12-month period.

The expected total return (price appreciation plus yield) for Buy rated securities with an average security price consistently below \$10 is 20% or more within a 12-month period as these companies are typically more volatile than the overall stock market. For Hold rated securities with an average security price consistently below \$10, the expected total return (price appreciation plus yield) is plus or minus 20% within a 12-month period. For Underperform rated securities with an average security price consistently below \$10, the expected total return (price appreciation plus yield) is minus 20% or less within a 12-month period.

**NR** - The investment rating and price target have been temporarily suspended. Such suspensions are in compliance with applicable regulations and/or Jefferies policies.

**CS** - Coverage Suspended. Jefferies has suspended coverage of this company.

**NC** - Not covered. Jefferies does not cover this company.

**Restricted** - Describes issuers where, in conjunction with Jefferies engagement in certain transactions, company policy or applicable securities regulations prohibit certain types of communications, including investment recommendations.

**Monitor** - Describes securities whose company fundamentals and financials are being monitored, and for which no financial projections or opinions on the investment merits of the company are provided.

## Valuation Methodology

Jefferies' methodology for assigning ratings may include the following: market capitalization, maturity, growth/value, volatility and expected total return over the next 12 months. The price targets are based on several methodologies, which may include, but are not restricted to, analyses of market risk, growth rate, revenue stream, discounted cash flow (DCF), EBITDA, EPS, cash flow (CF), free cash flow (FCF), EV/EBITDA, P/E, PE/growth, P/CF, P/FCF, premium (discount)/average group EV/EBITDA, premium (discount)/average group P/E, sum of the parts, net asset value, dividend returns, and return on equity (ROE) over the next 12 months.

## Jefferies Franchise Picks

Jefferies Franchise Picks include stock selections from among the best stock ideas from our equity analysts over a 12 month period. Stock selection is based on fundamental analysis and may take into account other factors such as analyst conviction, differentiated analysis, a favorable risk/reward ratio and investment themes that Jefferies analysts are recommending. Jefferies

Franchise Picks will include only Buy rated stocks and the number can vary depending on analyst recommendations for inclusion. Stocks will be added as new opportunities arise and removed when the reason for inclusion changes, the stock has met its desired return, if it is no longer rated Buy and/or if it triggers a stop loss. Stocks having 120 day volatility in the bottom quartile of S&P stocks will continue to have a 15% stop loss, and the remainder will have a 20% stop. Franchise Picks are not intended to represent a recommended portfolio of stocks and is not sector based, but we may note where we believe a Pick falls within an investment style such as growth or value.

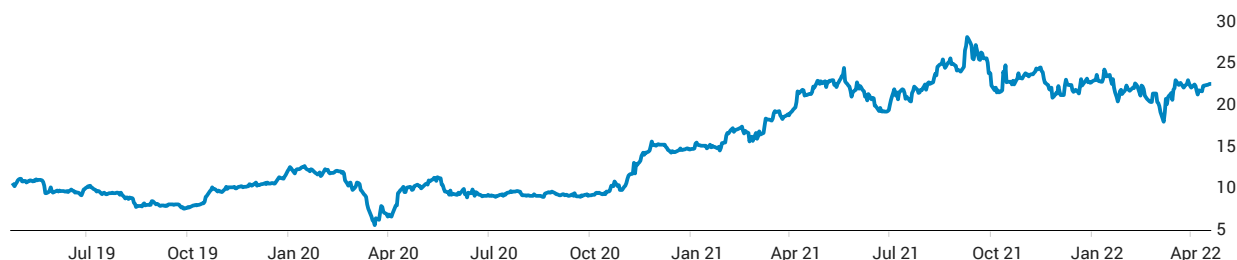
## Risks which may impede the achievement of our Price Target

This report was prepared for general circulation and does not provide investment recommendations specific to individual investors. As such, the financial instruments discussed in this report may not be suitable for all investors and investors must make their own investment decisions based upon their specific investment objectives and financial situation utilizing their own financial advisors as they deem necessary. Past performance of the financial instruments recommended in this report should not be taken as an indication or guarantee of future results. The price, value of, and income from, any of the financial instruments mentioned in this report can rise as well as fall and may be affected by changes in economic, financial and political factors. If a financial instrument is denominated in a currency other than the investor's home currency, a change in exchange rates may adversely affect the price of, value of, or income derived from the financial instrument described in this report. In addition, investors in securities such as ADRs, whose values are affected by the currency of the underlying security, effectively assume currency risk.

## Other Companies Mentioned in This Report

- Brockhaus Technologies AG (BKHT GR: €18.50, BUY)
- Deutsche Beteiligungs AG (DBAN GR: €29.55, BUY)
- Eurazeo SA (RF FP: €79.00, BUY)
- Foresight Group Holdings Limited (FSG LN: p396.50, BUY)
- Intermediate Capital Group (ICP LN: p1,668.00, BUY)
- Tikehau Capital SCA (TKO FP: €23.10, BUY)

Rating and Price Target History for: Mutares SE & Co KGaA (MUX GR) as of 04-19-2022



## Distribution of Ratings

Distribution of Ratings						
			IB Serv./Past12 Mos.		JIL Mkt Serv./Past12 Mos.	
	Count	Percent	Count	Percent	Count	Percent
BUY	1988	62.97%	133	6.69%	28	1.41%
HOLD	1040	32.94%	20	1.92%	2	0.19%
UNDERPERFORM	129	4.09%	0	0.00%	0	0.00%

## Other Important Disclosures

Jefferies does business and seeks to do business with companies covered in its research reports, and expects to receive or intends to seek compensation for investment banking services among other activities from such companies. As a result, investors should be aware that Jefferies may have a conflict of interest that could affect the objectivity of this report. Investors should consider this report as only a single factor in making their investment decision.

Jefferies Equity Research refers to research reports produced by analysts employed by one of the following Jefferies Group LLC ("Jefferies") group companies:

**United States:** Jefferies LLC which is an SEC registered broker-dealer and a member of FINRA (and distributed by Jefferies Research Services, LLC, an SEC registered Investment Adviser, to clients paying separately for such research).

**United Kingdom:** Jefferies International Limited, which is authorized and regulated by the Financial Conduct Authority; registered in England and Wales No. 1978621; registered office: 100 Bishopsgate, London EC2N 4JL; telephone +44 (0)20 7029 8000; facsimile +44 (0)20 7029 8010.

**Germany:** Jefferies GmbH, which is authorized and regulated by the Bundesanstalt fuer Finanzdienstleistungsaufsicht, BaFin-ID: 10150151; registered office: Bockenheimer Landstr. 24, 60232 Frankfurt a.M., Germany; telephone: +49 (0) 69 719 1870

**Hong Kong:** Jefferies Hong Kong Limited, which is licensed by the Securities and Futures Commission of Hong Kong with CE number ATS546; located at Suite 2201, 22nd Floor, Cheung Kong Center, 2 Queen's Road Central, Hong Kong.

**Singapore:** Jefferies Singapore Limited, which is licensed by the Monetary Authority of Singapore; located at 80 Raffles Place #15-20, UOB Plaza 2, Singapore 048624, telephone: +65 6551 3950.

**Japan:** Jefferies (Japan) Limited, Tokyo Branch, which is a securities company registered by the Financial Services Agency of Japan and is a member of the Japan Securities Dealers Association; located at Tokyo Midtown Hibiya 30F Hibiya Mitsui Tower, 1-1-2 Yurakucho, Chiyoda-ku, Tokyo 100-0006; telephone +813 5251 6100; facsimile +813 5251 6101.

**India:** Jefferies India Private Limited (CIN - U74140MH2007PTC200509), licensed by the Securities and Exchange Board of India for: Stock Broker (NSE & BSE) INZ000243033, Research Analyst INH000000701 and Merchant Banker INM000011443, located at 42/43, 2 North Avenue, Maker Maxity, Bandra-Kurla Complex, Bandra (East), Mumbai 400 051, India; Tel +91 22 4356 6000.

**Australia:** Jefferies (Australia) Securities Pty Limited (ACN 610 977 074), which holds an Australian financial services license (AFSL 487263) and is located at Level 22, 60 Martin Place, Sydney NSW 2000; telephone +61 2 9364 2800.

This report was prepared by personnel who are associated with Jefferies (Jefferies International Limited, Jefferies GmbH, Jefferies Hong Kong Limited, Jefferies Singapore Limited, Jefferies (Japan) Limited, Tokyo Branch, Jefferies India Private Limited), Jefferies (Australia) Pty Ltd; or by personnel who are associated with both Jefferies LLC and Jefferies Research Services LLC ("JRS"). Jefferies LLC is a US registered broker-dealer and is affiliated with JRS, which is a US registered investment adviser. JRS does not create tailored or personalized research and all research provided by JRS is impersonal. If you are paying separately for this research, it is being provided to you by JRS. Otherwise, it is being provided by Jefferies LLC. Jefferies LLC, JRS, and their affiliates are collectively referred to below as "Jefferies". Jefferies may seek to do business with companies covered in this research report. As a result, investors should be aware that Jefferies may have a conflict of interest that could affect the objectivity of this report. Investors should consider this report as only one of many factors in making their investment decisions. Specific conflict of interest and other disclosures that are required by FINRA and other rules are set forth in this disclosure section.

\*\*\*

If you are receiving this report from a non-US Jefferies entity, please note the following: Unless prohibited by the provisions of Regulation S of the U.S. Securities Act of 1933, as amended, this material is distributed in the United States by Jefferies LLC, which accepts responsibility for its contents in accordance with the provisions of Rule 15a-6 under the US Securities Exchange Act of 1934, as amended. Transactions by or on behalf of any US person may only be effected through Jefferies LLC. In the United Kingdom and European Economic Area this report is issued and/or approved for distribution by Jefferies International Limited ("JIL") and/or Jefferies GmbH and is intended for use only by persons who have, or have been assessed as having, suitable professional experience and expertise, or by persons to whom it can be otherwise lawfully distributed.

JIL and Jefferies GmbH allows its analysts to undertake private consultancy work. JIL and Jefferies GmbH's conflicts management policy sets out the arrangements JIL and Jefferies GmbH employs to manage any potential conflicts of interest that may arise as a result of such consultancy work. Jefferies LLC, JIL, Jefferies GmbH and their affiliates, may make a market or provide liquidity in the financial instruments referred to in this report; and where they do make a market, such activity is disclosed specifically in this report under "company specific disclosures".

For Canadian investors, this material is intended for use only by professional or institutional investors. None of the investments or investment services mentioned or described herein is available to other persons or to anyone in Canada who is not a "Designated Institution" as defined by the Securities Act (Ontario). In Singapore, Jefferies Singapore Limited ("JSL") is regulated by the Monetary

Authority of Singapore. For investors in the Republic of Singapore, this material is provided by JSL pursuant to Regulation 32C of the Financial Advisers Regulations. The material contained in this document is intended solely for accredited, expert or institutional investors, as defined under the Securities and Futures Act 2001 (Singapore). If there are any matters arising from, or in connection with this material, please contact JSL, located at 80 Raffles Place #15-20, UOB Plaza 2, Singapore 048624, telephone: +65 6551 3950. In Japan, this material is issued and distributed by Jefferies (Japan) Limited to institutional investors only. In Hong Kong, this report is issued and approved by Jefferies Hong Kong Limited and is intended for use only by professional investors as defined in the Hong Kong Securities and Futures Ordinance and its subsidiary legislation. In the Republic of China (Taiwan), this report should not be distributed. The research in relation to this report is conducted outside the People's Republic of China ("PRC"). This report does not constitute an offer to sell or the solicitation of an offer to buy any securities in the PRC. PRC investors shall have the relevant qualifications to invest in such securities and shall be responsible for obtaining all relevant approvals, licenses, verifications and/or registrations from the relevant governmental authorities themselves. In India, this report is made available by Jefferies India Private Limited. In Australia, this report is issued and/or approved for distribution by, or on behalf of, Jefferies (Australia) Securities Pty Ltd. It is directed solely at wholesale clients within the meaning of the Corporations Act 2001 of Australia (the "Corporations Act"), in connection with their consideration of any investment or investment service that is the subject of this report. This report may contain general financial product advice. Where this report refers to a particular financial product, you should obtain a copy of the relevant product disclosure statement or offer document before making any decision in relation to the product. Recipients of this document in any other jurisdictions should inform themselves about and observe any applicable legal requirements in relation to the receipt of this document.

This report is not an offer or solicitation of an offer to buy or sell any security or derivative instrument, or to make any investment. Any opinion or estimate constitutes the preparer's best judgment as of the date of preparation, and is subject to change without notice. Jefferies assumes no obligation to maintain or update this report based on subsequent information and events. Jefferies, and their respective officers, directors, and employees, may have long or short positions in, or may buy or sell any of the securities, derivative instruments or other investments mentioned or described herein, either as agent or as principal for their own account. This material is provided solely for informational purposes and is not tailored to any recipient, and is not based on, and does not take into account, the particular investment objectives, portfolio holdings, strategy, financial situation, or needs of any recipient. As such, any advice or recommendation in this report may not be suitable for a particular recipient. Jefferies assumes recipients of this report are capable of evaluating the information contained herein and of exercising independent judgment. A recipient of this report should not make any investment decision without first considering whether any advice or recommendation in this report is suitable for the recipient based on the recipient's particular circumstances and, if appropriate or otherwise needed, seeking professional advice, including tax advice. Jefferies does not perform any suitability or other analysis to check whether an investment decision made by the recipient based on this report is consistent with a recipient's investment objectives, portfolio holdings, strategy, financial situation, or needs. By providing this report, neither JRS nor any other Jefferies entity accepts any authority, discretion, or control over the management of the recipient's assets. Any action taken by the recipient of this report, based on the information in the report, is at the recipient's sole judgment and risk. The recipient must perform his or her own independent review of any prospective investment. If the recipient uses the services of Jefferies LLC (or other affiliated broker-dealers), in connection with a purchase or sale of a security that is a subject of these materials, such broker-dealer may act as principal for its own accounts or as agent for another person. Only JRS is registered with the SEC as an investment adviser; and therefore neither Jefferies LLC nor any other Jefferies affiliate has any fiduciary duty in connection with distribution of these reports.

The price and value of the investments referred to herein and the income from them may fluctuate. Past performance is not a guide to future performance, future returns are not guaranteed, and a loss of original capital may occur. Fluctuations in exchange rates could have adverse effects on the value or price of, or income derived from, certain investments.

This report may contain forward looking statements that may be affected by inaccurate assumptions or by known or unknown risks, uncertainties, and other important factors. As a result, the actual results, events, performance or achievements of the financial product may be materially different from those expressed or implied in such statements.

This report has been prepared independently of any issuer of securities mentioned herein and not as agent of any issuer of securities. No Equity Research personnel have authority whatsoever to make any representations or warranty on behalf of the issuer(s). Any comments or statements made herein are those of the Jefferies entity producing this report and may differ from the views of other Jefferies entities.

This report may contain information obtained from third parties, including ratings from credit ratings agencies such as Standard & Poor's. Reproduction and distribution of third party content in any form is prohibited except with the prior written permission of the related third party. Jefferies does not guarantee the accuracy, completeness, timeliness or availability of any information, including ratings, and is not responsible for any errors or omissions (negligent or otherwise), regardless of the cause, or for the results obtained



from the use of such content. Third-party content providers give no express or implied warranties, including, but not limited to, any warranties of merchantability or fitness for a particular purpose or use. Neither Jefferies nor any third-party content provider shall be liable for any direct, indirect, incidental, exemplary, compensatory, punitive, special or consequential damages, costs, expenses, legal fees, or losses (including lost income or profits and opportunity costs) in connection with any use of their content, including ratings. Credit ratings are statements of opinions and are not statements of fact or recommendations to purchase, hold or sell securities. They do not address the suitability of securities or the suitability of securities for investment purposes, and should not be relied on as investment advice.

Jefferies research reports are disseminated and available electronically, and, in some cases, also in printed form. Electronic research is simultaneously made available to all clients. This report or any portion hereof may not be reprinted, sold or redistributed without the written consent of Jefferies. Neither Jefferies nor any of its respective directors, officers or employees, is responsible for guaranteeing the financial success of any investment, or accepts any liability whatsoever for any direct, indirect or consequential damages or losses arising from any use of this report or its contents. Nothing herein shall be construed to waive any liability Jefferies has under applicable U.S. federal or state securities laws.

For Important Disclosure information relating to JRS, please see [https://adviserinfo.sec.gov/IAPD/Content/Common/crd\\_iapd\\_Brochure.aspx?BRCHR\\_VRSN\\_ID=483878](https://adviserinfo.sec.gov/IAPD/Content/Common/crd_iapd_Brochure.aspx?BRCHR_VRSN_ID=483878) and <https://adviserinfo.sec.gov/Firm/292142> or visit our website at <https://javatar.bluematrix.com/sellside/Disclosures.action>, or [www.jefferies.com](http://www.jefferies.com), or call 1.888.JEFFERIES.

© 2022 Jefferies Group LLC

This report is intended for Jefferies clients only. Unauthorized distribution is prohibited.