(CDAX, Financial Services, MUX GR)



Buy EUR 22.50	(EUR 30.00)	Value Indicators: SotP:		Warburg ESG Risk Score: ESG Score (MSCI based): Balance Sheet Score: Market Liquidity Score:	2.8 3.0 3.3 2.0	Description: Mutares is a PE group which specializes on turnaround and restructuring cases	
		Market Snapshot:	EUR m	Shareholders:		Key Figures (WRe):	2022e
		Market cap:	303	Freefloat	65.10 %	Beta:	1.3
Price	EUR 14.72	No. of shares (m):	21	Robin Laik (CEO)	24.80 %	Price / Book:	0.4 x
Upside	52.9 %	EV:	684	Elber GmbH	10.10 %	Equity Ratio:	26 %
- point	0_10 /0	Freefloat MC:	197			Net Fin. Debt / EBITDA:	1.0 x
		Ø Trad. Vol. (30d):	763.57 th			Net Debt / EBITDA:	1.6 x

IPO cancelled and refinancing postponed

Mutares has cancelled the IPO of Nordics Group, a subsidiary of its portfolio company Donges, which is estimated to generate sales of EUR 250-280m and EBITDA of EUR 12-15m, due to adverse market conditions. We estimate that proceeds in the range of EUR 30m will not materialise, but Mutares could pursue a trade sale, as the company had indicated in the past that there was also other interest in the Nordic part of the Donges business. Furthermore, Mutares has postponed the refinancing and redemption of its currently outstanding EUR 80m bond due 2024 by issuing a new EUR 175m bond, citing the disruptive market conditions and unfavourable interest offers.

Both points together limit, in our view, the future acquisition potential of Mutares, which announced in its Q1 conference call that it is working on an offer list with a total sales volume of EUR 11bn. So far in 2022, Mutares has signed seven buy-side transactions with an annual sales volume of more than EUR 1bn. We estimate that the deals will require a combined cash contribution of EUR 30-35m. This is because the holding company had cash of EUR 30m at the end of March 2022 and paid out a similar amount as a dividend in May. The sale of Olano, a subsidiary of Frigoscandia, should generate proceeds of around EUR 15m. It should be noted that Mutares has more than EUR 200m in cash and other assets at group level that could be liquidated. However, without a sizable amount of cash at hand, the timing of disposals and acquisitions becomes more critical.

We consider our FY 22e forecast for holding net income to be comparatively safe as it does not contain any exit gains, which we still believe are possible but are becoming more difficult. We now consider our reduced equity distribution forecast to be comparatively safe, as it only includes upstreaming from Terranor and Donges, which to our knowledge did not make distributions last year and should therefore have a buffer for this. Mutares itself stated during its Q1 call that its estimates that roughly half of its current holding net income guidance of EUR 72m, which is the lower end of the initial range of EUR 72-88m, will stem from exit gains.

The current environment of recession fears, the closure of some exit channels and the dwindling of easy and lower-cost financing is a mix that is likely to continue to curb investor interest in the stock. While we acknowledge that transactions require more work, we still see possibilities for Mutares to work with the portfolio. It should be kept in mind that we generally do not forecast exit gains from unannounced deals. Our PT drops from EUR 30.0 to EUR 22.50, with the main driver being our universe-wide increase in the risk-free rate of 125bps in our discount rates. We maintain our Buy rating as even without further exits in FY 22e, the EUR 1 basis dividend looks secure, implying a 6% yield.

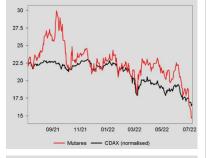
Changes in E	stimates:					
FY End: 31.12. in EUR m	2022e (old)	+/-	2023e (old)	+/-	2024e (old)	+/-
Sales EBITDA adj.	3,603 105	-0.1 %	3,689 176	14.0 % -30.6 %	n.a. n.a.	n.m.
Sales Holding	73	n.m. -1.1 %	102	-1.1 %	n.a.	n.m. n.m.
Portfolio Net income	n.a. 37	n.m. -16.0 %	n.a. 49	n.m. -13.1 %	n.a. n.a.	n.m. n.m.

CMD

Q3

Comment on Changes:

- Model update includes the acquisitions from Mann & Hummel, Cimos, ATI, Vallourec and Siemens Energy.
- Cut in net income is due to lower portfolio equity distributions from automotive.



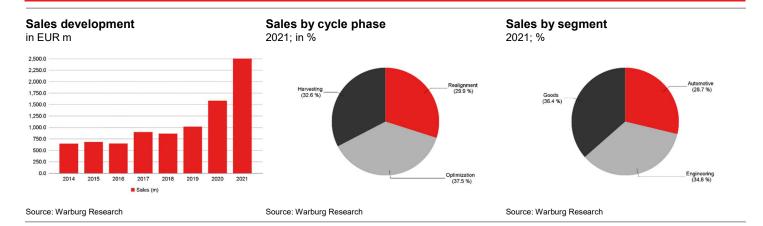
Rel. Performance vs CDAX: 1 month: -18.0 % 6 months: -9.9 % Year to date: -9.7 % Trailing 12 months: -9.9 % Company events: 11.08.22 Q2

FY End: 31.12. in EUR m	CAGR (21-24e)	2018	2019	2020	2021	2022e	2023e	2024e
Sales Change Sales yoy	19.4 %	865 -3.8 %	1,016 17.4 %	1,584 55.9 %	2,504 58.1 %	3,600 43.8 %	4,204 16.8 %	4,262 1.4 %
Sales Holding	36.3 %	11	19	32	50	72	101	128
Chg yoy		n.a.	83.0 %	65.0 %	58.2 %	42.5 %	40.7 %	26.3 %
Portfolio equity distributions		0	22	35	14	19	26	30
Portfolio income		11	41	66	65	91	127	158
Exit gains	-	68	0	0	58	5	0	0
Net income holding		20	23	33	50	31	43	60
Net income margin holding		189.9 %	116.6 %	104.7 %	98.2 %	43.4 %	42.5 %	47.1 %
EBITDA adj.		5	7	-29	-41	-12	122	162
Net income	-	15	21	27	449	59	-63	-25
Net income adj.		20	23	33	50	31	43	60
EPS adj.		1.32	1.48	2.20	3.00	1.51	2.08	2.92
P / E adj.		10.1 x	6.8 x	5.1 x	7.4 x	9.7 x	7.1 x	5.0 x
DPS	10.1 %	1.00	1.00	1.50	1.50	1.00	1.50	2.00
Dividend Yield		7.5 %	10.0 %	13.3 %	6.8 %	6.8 %	10.2 %	13.6 %
EPS		0.96	1.37	1.79	27.18	2.84	-3.06	-1.23
P/E		13.9 x	7.3 x	6.3 x	0.8 x	5.2 x	n.a.	n.a.
Guidance:	Annualized gr	oup sales ab	ove EUR 4b	n, net income	holding EUF	R 72m		

20.10.22

20.10.22



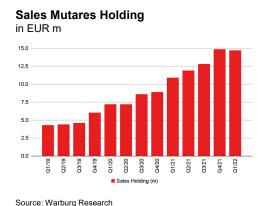


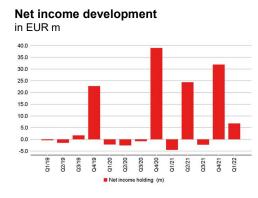
Company Background

- Mutares was co-founded in 2008 by CEO Robin Laik.
- Mutares invests in small/midcap (sales 50-500m) companies in special situations and manages the turnaround with its own consultants
- Consolidated sales increased from EUR 60m in 2010 to above EUR 2.5bn in 2021 as the company made more than 80 transactions
- Mutares has consistently paid a dividend and targets a base dividend of EUR 1.0. The dividend yield has exceeded 5% over the past five years.
- The company issued a bond and raised equity of combind 180m in the last two years to accelerate growth as the Covid pandemic gave rise to unique investment opportunities

Competitive Quality

- With more than 100consultants, who are turnaround specialists, at the end of 2020, Mutares has established a European network of offices enabling the generation of synergies across its portfolio holdings.
- European small-midcap special situations management is a niche market with limited competition
- Management and board members hold significant stakes of outstanding shares
- For FY 23 Mutares targets annual consolidated sales of EUR 5bn, which translates into a holding profit of EUR 100m respectively a net margin of 1.8-2.2%





Source: Warburg Research



Sum of the parts								
Net Asset Value			all Warburg R	esearch estimat	es			
Company	exit date	sales Wre	EBITDA margin	EBITDA / EBIT	Exit mutiple	EV	probability	NPV
Asteri	2026	30	5%	1,5	6,0	9	10%	0,6
ATI (Special melted products)	2027	80	9%	7,2	7,0	50	10%	3,1
Balcke-Dürr Group	2024	110	6%	6,6	6,0	40	25%	8,2
Celcim	2026	35	8%	2,8	7,0	20	35%	4,7
Cimos	2027	200	8%	16,0	7,0	112	35%	24,4
Repartim (Carglas Maison)	2026	42	7%	2,9	7,0	21	25%	2,8
Donges Group	2023	200	8%	16,0	7,0	112	35%	35,7
Oonges Group (Nordic)	2022	265	5%	13,5	6,0	81	50%	40,5
Exi (Ericcson Services Italia)	2026	45	6%	2,7	8,0	22	25%	3,7
-asana	2026	35	7%	2,5	8,0	20	10%	1,3
Frigoscandia	2026	250	4%	10,0	7,0	70	25%	12,0
Ganter	2026	100	7%	7,0	7,0	49	25%	8,4
Gemini Rail Group	2024	110	8%	8,8	8,0	70	10%	5,8
inovis group (Valmet Automotive)	2026	55	5%	2,8	5,0	14	10%	0,9
reeeper	2024	100	11%	11,0	9,0	99	25%	20,5
Kico Group	2026	220	10%	22,0	6,0	132	25%	22,6
a Rochette	2026	130	10%	13,0	7,0	91	35%	21,8
acroix & Kress / Plati	2026	160	8%	13,0	7,0	91	25%	15,6
apyere	2026	750	8%	60,0	7,0	570	10%	39,1
.MS (Magna)	2026	450	6%	27,0	6,0	162	10%	11,1
Mann & Hummel	2027	500	8%	40,0	7,0	280	10%	17,5
Clecim (Primetals)	2026	55	9%	5,0	7,0	35	35%	8,3
Plati	2026	50	8%	4,0	7,0	28	25%	4,8
Primo TECS (Tekfor)	2026	160	7%	11,2	6,0	67	10%	4,6
Royal de Boer / Japy Tech	2026	50	10%	5,0	7,0	35	35%	8,4
Sabo	2026	25	10%	2,5	8,0	20	50%	6,9
SFC Solutions	2024	300	8%	24,0	6,0	144	25%	29,8
Siemens Energy	2027	110	8%	8,8	7,0	62	10%	3,8
Terranor (Nordic Road Services)	2026	170	9%	15,3	7,0	107	35%	25,7
VALTI (Vallourec Bearing Tubes)	2027	50	7%	3,5	7,0	25	10%	1,5
							_	345,

	2021	2022e	2023e	2024e
Sum of the Parts (EURm)				
Consulting revenues	50,463	71,9	101,2	127,8
Consulting profit (BITDA)	7,131	13,3	18,2	23,0
WACC				9,9%
			TV	232
Equity distributions	14	19,0	26,0	30,0
WACC				9,9%
			TV	303
(+) NPV portfolio		345		
(-) Discounted TV equity distributions		251		
NPV portfolio surplus		94,7	•	

127,0	44,2	535,1
127,0	40,2	443,0
610,2		
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22,5	1	
	127,0 610,2 80,0 30,8 98,3 463 20,6	127,0 40,2 610,2 80,0 30,8 98,3 463 20,6

As debt we deduct the outstanding bond and given guarantees

Mutares



Valuation							
	2018	2019	2020	2021	2022e	2023e	2024e
Price / Book	1.1 x	0.8 x	0.9 x	0.5 x	0.4 x	0.5 x	0.5 x
Book value per share ex intangibles	8.99	8.17	7.38	28.56	25.92	21.86	19.13
EV / Sales	0.3 x	0.4 x	0.3 x	0.3 x	0.2 x	0.2 x	0.2 x
EV / EBITDA	5.5 x	4.6 x	3.6 x	1.5 x	2.9 x	6.3 x	4.8 x
EV / EBIT	14.0 x	14.0 x	12.5 x	2.0 x	9.1 x	n.a.	n.a.
EV / EBIT adj.*	14.0 x	14.0 x	n.a.	n.a.	9.1 x	n.a.	n.a.
P / FCF	n.a.	n.a.	n.a.	n.a.	4.2 x	n.a.	13.3 x
P/E	13.9 x	7.3 x	6.3 x	0.8 x	5.2 x	n.a.	n.a.
P / E adj.*	10.1 x	6.8 x	5.1 x	7.4 x	9.7 x	7.1 x	5.0 x
Dividend Yield	7.5 %	10.0 %	13.3 %	6.8 %	6.8 %	10.2 %	13.6 %
FCF Potential Yield (on market EV)	17.1 %	21.5 %	28.2 %	66.4 %	34.7 %	15.9 %	21.0 %
*Adjustments made for: -							

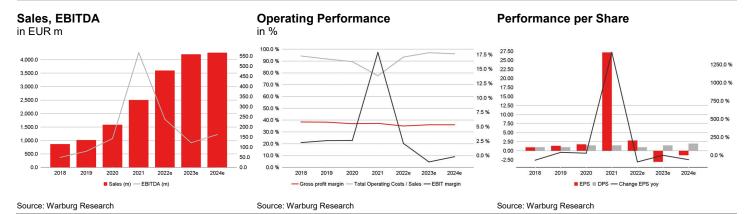
Company Specific Items							
	2018	2019	2020	2021	2022e	2023e	2024e
Sales Holding	11	19	32	50	72	101	128
Portfolio equity distributions	0	22	35	14	19	26	30
Exit gains	68	0	0	58	5	0	0
Net income holding	20	23	33	50	31	43	60
adj. EBITDA holding	-18	1	5	-18	11	21	34
Income investments holding	44	22	35	71	24	26	30
Chg yoy	n.a.	83.0 %	65.0 %	58.2 %	42.5 %	40.7 %	26.3 %
Net income margin holding	189.9 %	116.6 %	104.7 %	98.2 %	43.4 %	42.5 %	47.1 %
Consulting income	-8	-1	4	7	13	18	23
Portfolio income	11	41	66	65	91	127	158



Consolidated profit & loss							
In EUR m	2018	2019	2020	2021	2022e	2023e	2024
Sales	865	1,016	1,584	2,504	3,600	4,204	4,262
Change Sales yoy	-3.8 %	17.4 %	55.9 %	58.1 %	43.8 %	16.8 %	1.4 %
Increase / decrease in inventory	0	-4	-23	7	0	0	C
Total Sales	865	1,012	1,561	2,511	3,600	4,204	4,262
Material expenses	532	623	975	1,580	2,340	2,690	2,728
Gross profit	333	389	586	931	1,260	1,513	1,534
Gross profit margin	38.5 %	38.3 %	37.0 %	37.2 %	35.0 %	36.0 %	36.0 %
Personnel expenses	245	292	424	660	1,080	1,219	1,236
Other operating income	107	119	241	770	422	493	500
Other operating expenses	146	138	261	474	364	665	636
Infrequent items	0	0	0	0	0	0	(
BITDA	49	79	143	567	238	122	162
Margin	5.7 %	7.8 %	9.0 %	22.6 %	6.6 %	2.9 %	3.8 %
Depreciation of fixed assets	30	53	102	119	162	168	170
BITA	19	26	41	448	76	-46	-8
Amortisation of intangible assets	0	0	0	0	0	0	(
Goodwill amortisation	0	0	0	0	0	0	C
BIT	19	26	41	448	76	-46	-8
Margin	2.2 %	2.6 %	2.6 %	17.9 %	2.1 %	-1.1 %	-0.2 %
BIT adj.	19	26	-130	-160	76	-46	-8
nterest income	1	2	4	9	1	1	1
nterest expenses	5	11	28	27	18	18	18
Other financial income (loss)	0	0	0	0	0	0	C
BT	15	17	17	429	59	-63	-25
Margin	1.7 %	1.6 %	1.1 %	17.1 %	1.6 %	-1.5 %	-0.6 %
Fotal taxes	3	0	-3	-14	0	0	C
Net income from continuing operations	12	17	20	443	59	-63	-25
ncome from discontinued operations (net of tax)	0	0	0	0	0	0	(
Net income before minorities	12	17	20	443	59	-63	-25
/linority interest	-3	-4	-7	-7	0	0	C
Net income	15	21	27	449	59	-63	-25
Margin	1.7 %	2.0 %	1.7 %	17.9 %	1.6 %	-1.5 %	-0.6 %
Net income adj.	20	23	33	50	31	43	60
Number of shares, average	15	15	15	17	21	21	21
EPS	0.96	1.37	1.79	27.18	2.84	-3.06	-1.23
EPS adj.	1.32	1.48	2.20	3.00	1.51	2.08	2.92
Adjustments made for:							

Guidance: Annualized group sales above EUR 4bn, net income holding EUR 72m

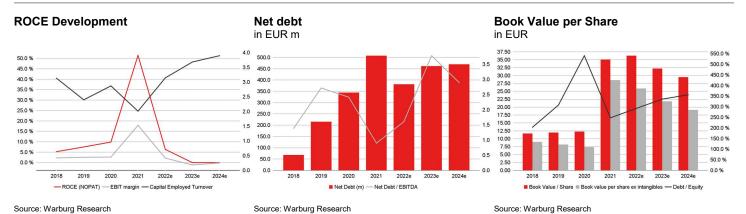
Financial Ratios							
	2018	2019	2020	2021	2022e	2023e	2024e
Total Operating Costs / Sales	94.3 %	91.8 %	89.5 %	77.6 %	93.4 %	97.1 %	96.2 %
Operating Leverage	13.4 x	2.0 x	1.0 x	17.0 x	-1.9 x	n.a.	-58.8 x
EBITDA / Interest expenses	9.6 x	7.2 x	5.1 x	20.8 x	13.2 x	6.8 x	9.0 x
Tax rate (EBT)	18.9 %	0.0 %	-16.6 %	-3.2 %	0.0 %	0.0 %	0.0 %
Dividend Payout Ratio	127.0 %	91.2 %	115.6 %	5.6 %	35.2 %	n.m.	n.m.
Sales per Employee	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.





Consolidated balance sheet							
In EUR m	2018	2019	2020	2021	2022e	2023e	2024
Assets							
Goodwill and other intangible assets	41	59	76	134	214	214	214
thereof other intangible assets	41	59	76	134	214	214	214
thereof Goodwill	0	0	0	0	0	0	(
Property, plant and equipment	133	176	243	557	542	422	299
Financial assets	17	17	9	74	74	74	74
Other long-term assets	5	123	150	324	324	324	324
Fixed assets	196	375	478	1,088	1,154	1,033	910
Inventories	101	134	204	423	514	601	609
Accounts receivable	163	172	295	342	491	574	582
Liquid assets	108	80	145	255	382	301	293
Other short-term assets	62	88	206	452	452	452	452
Current assets	435	474	850	1,472	1,839	1,928	1,936
Total Assets	631	849	1,327	2,560	2,993	2,961	2,846
Liabilities and shareholders' equity							
Subscribed capital	15	15	15	21	21	21	21
Capital reserve	37	37	38	134	134	134	134
Retained earnings	129	135	144	566	593	510	453
Other equity components	-1	-2	-7	1	1	1	1
Shareholders' equity	181	185	190	721	749	665	609
Minority interest	27	23	17	15	15	15	15
Total equity	208	208	207	736	764	680	624
Provisions	97	138	210	326	266	196	126
thereof provisions for pensions and similar obligations	47	87	116	153	153	153	153
Financial liabilities (total)	129	208	374	610	610	610	610
Short-term financial liabilities	26	41	57	69	69	69	69
Accounts payable	144	195	319	525	725	847	859
Other liabilities	53	100	217	363	628	628	628
Liabilities	423	640	1,120	1,824	2,229	2,281	2,222
Total liabilities and shareholders' equity	631	849	1,327	2,560	2,993	2,961	2,846

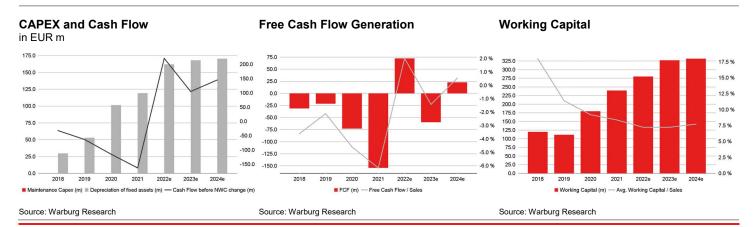
Financial Ratios							
	2018	2019	2020	2021	2022e	2023e	2024e
Efficiency of Capital Employment							
Operating Assets Turnover	3.4 x	3.5 x	3.8 x	3.1 x	4.4 x	5.6 x	6.8 x
Capital Employed Turnover	3.1 x	2.4 x	2.9 x	2.0 x	3.1 x	3.7 x	3.9 x
ROA	7.5 %	5.5 %	5.7 %	41.3 %	5.1 %	-6.1 %	-2.8 %
Return on Capital							
ROCE (NOPAT)	5.2 %	7.5 %	9.8 %	51.4 %	6.3 %	n.a.	n.a.
ROE	8.5 %	11.4 %	14.4 %	98.6 %	8.0 %	-8.9 %	-4.0 %
Adj. ROE	11.6 %	12.3 %	17.8 %	10.9 %	4.2 %	6.1 %	9.4 %
Balance sheet quality							
Net Debt	68	215	345	508	381	462	470
Net Financial Debt	21	128	228	355	228	309	317
Net Gearing	32.8 %	103.5 %	166.3 %	69.0 %	49.9 %	67.9 %	75.3 %
Net Fin. Debt / EBITDA	43.2 %	161.7 %	160.1 %	62.6 %	96.1 %	253.0 %	195.3 %
Book Value / Share	11.7	12.0	12.3	35.1	36.3	32.2	29.5
Book value per share ex intangibles	9.0	8.2	7.4	28.6	25.9	21.9	19.1





Consolidated cash flow statement							
In EUR m	2018	2019	2020	2021	2022e	2023e	2024e
Net income	12	17	20	443	59	-63	-25
Depreciation of fixed assets	30	53	102	119	162	168	170
Amortisation of goodwill	0	0	0	0	0	0	0
Amortisation of intangible assets	0	0	0	0	0	0	0
Increase/decrease in long-term provisions	-9	-15	7	-19	0	0	0
Other non-cash income and expenses	-65	-118	-243	-705	0	0	0
Cash Flow before NWC change	-32	-63	-115	-163	221	105	145
Increase / decrease in inventory	13	20	17	-22	-91	-86	-8
Increase / decrease in accounts receivable	39	34	7	43	-150	-82	-8
Increase / decrease in accounts payable	-31	-2	48	38	200	122	12
Increase / decrease in other working capital positions	0	0	0	0	-60	-70	-70
Increase / decrease in working capital (total)	21	53	72	59	-101	-117	-75
Net cash provided by operating activities [1]	-11	-11	-43	-104	120	-12	71
Investments in intangible assets	0	0	0	0	0	0	0
Investments in property, plant and equipment	0	0	-29	-48	-48	-48	-48
Payments for acquisitions	19	33	79	189	70	0	0
Financial investments	0	0	1	1	0	0	0
Income from asset disposals	-3	23	1	33	15	0	0
Net cash provided by investing activities [2]	-3	44	51	172	37	-48	-48
Change in financial liabilities	0	0	104	236	0	0	0
Dividends paid	-15	-15	-15	-25	-31	-21	-31
Purchase of own shares	-3	0	-3	0	0	0	0
Capital measures	0	0	0	0	0	0	0
Other	42	-47	-29	0	0	0	0
Net cash provided by financing activities [3]	23	-62	58	211	-31	-21	-31
Change in liquid funds [1]+[2]+[3]	9	-29	66	280	126	-80	-8
Effects of exchange-rate changes on cash	0	0	-1	0	0	0	0
Cash and cash equivalent at end of period	108	80	145	425	382	301	293

Financial Ratios							
	2018	2019	2020	2021	2022e	2023e	2024e
Cash Flow							
FCF	-31	-21	-73	-154	72	-60	23
Free Cash Flow / Sales	-3.6 %	-2.1 %	-4.6 %	-6.2 %	2.0 %	-1.4 %	0.5 %
Free Cash Flow Potential	46	79	146	580	238	122	162
Free Cash Flow / Net Profit	-212.2 %	-102.9 %	-269.0 %	-34.3 %	123.6 %	94.5 %	-90.5 %
Interest Received / Avg. Cash	0.5 %	1.6 %	3.5 %	4.2 %	0.3 %	0.3 %	0.3 %
Interest Paid / Avg. Debt	3.5 %	6.5 %	9.7 %	5.5 %	3.0 %	3.0 %	3.0 %
Management of Funds							
Investment ratio	0.0 %	0.0 %	1.8 %	1.9 %	1.3 %	1.1 %	1.1 %
Maint. Capex / Sales	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %
Capex / Dep	0.0 %	0.0 %	28.3 %	40.0 %	29.4 %	28.4 %	28.0 %
Avg. Working Capital / Sales	18.0 %	11.4 %	9.2 %	8.4 %	7.2 %	7.2 %	7.7 %
Trade Debtors / Trade Creditors	113.3 %	88.5 %	92.5 %	65.0 %	67.7 %	67.7 %	67.7 %
Inventory Turnover	5.3 x	4.6 x	4.8 x	3.7 x	4.5 x	4.5 x	4.5 x
Receivables collection period (days)	69	62	68	50	50	50	50
Payables payment period (days)	99	114	119	121	113	115	115
Cash conversion cycle (Days)	39	26	25	26	17	16	16





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-B-	Buy:	The price of the analysed financial instrument is expected to rise over the next 12 months.		
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Rating	Number of stocks	% of Universe
Buy	170	79
Hold	39	18
Sell	3	1
Rating suspended	3	1
Total	215	100

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

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

Rating	Number of stocks	% of Universe
Buy	50	85
Hold	6	10
Sell	1	2
Rating suspended	2	3
Total	59	100

PRICE AND RATING HISTORY MUTARES AS OF 07.07.2022



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