



KAP AG

We build market leaders!

Company presentation

1. September 2021

Agenda

- 1 About the KAP Group
- 2 ACCELERATE – Strategy programme of the KAP Group
- 3 Business development 2020
- 4 Outlook

Appendix



About the KAP Group

KAP at a glance

Focus on attractive niche markets in selected industrial sectors

‘Mittelstand’ industrial holding

- Focus on attractive special markets with sustainable growth potential
- Long-term segment strategy for building and developing high-margin industrial sectors into market-leading companies
- Clear focus on high-growth and profitable segments in industry and technology
- Worldwide presence with 29 locations in 13 countries
- Listed in Prime Standard

Revenue 2020⁽¹⁾

€338.7m

EBITDA 2020⁽²⁾
(normalised)

€32.5m

Employees 2020

2,736

Market
Cap⁽³⁾

€158.5m

(1) Including discontinued operations from the it/services segment

(2) Including discontinued operations and normalised for insurance claims from 2019, charges from the fire in the USA, restructuring and severance costs as well as transaction-related consulting fees.

(3) Calculation with XETRA closing price on 14 April 2021

Segments of the KAP Group

We develop innovative industrial products and technological solutions for international industrial and trading companies.

engineered products

World's leading manufacturer of technical textiles

- Application in the areas of mobility, industry, pharmaceuticals, consumer goods, aviation and oil & gas
- Special threads and fabrics improve stability and reduce weight in the end products
- Great potential for the future through new developments

flexible films

One of the leading specialists for extrusion coatings in Europe

- Market leader in membranes, covers, swimming pool liners as well as special floors and high-end projection screens
- Application in roofing, building construction, civil engineering, gardening and landscaping, agriculture, packaging and swimming pool linings

surface technologies

Leading market position in surface technology

- Diverse surface processes in Refinement of metal surfaces for customers from the furniture, machinery and electrical industries as well as food, automotive and e-mobility
- Customised process adaptations

precision components

Europe's high-tech manufacturer of precision components

- Development and production of highly complex plastic and plastic-metal composite parts in large quantities
- Application in electro- and electromechanical special drives such as electric motors and e-bikes

KAP – Investment Case

What matters to us in the interest of our shareholders.

Value-adding buy & build platform
for scalable mid-market
businesses

Benefiting from mega trends in
attractive niche markets

International expansion

Excellent M&A network

**Sustainable
growth.**

**Technological
leadership.**

TOP 1-3 market positions in all
relevant target markets

Recognised quality and innovation
leader

Excellent customer base

High investment in the future

Diversified industry portfolio in
attractive niche markets

Reliable partner for small and
medium-sized enterprises

Solid financing

Stable dividend

**Stable
management.**

**Generate high
returns.**

Attractive margins through
operational excellence

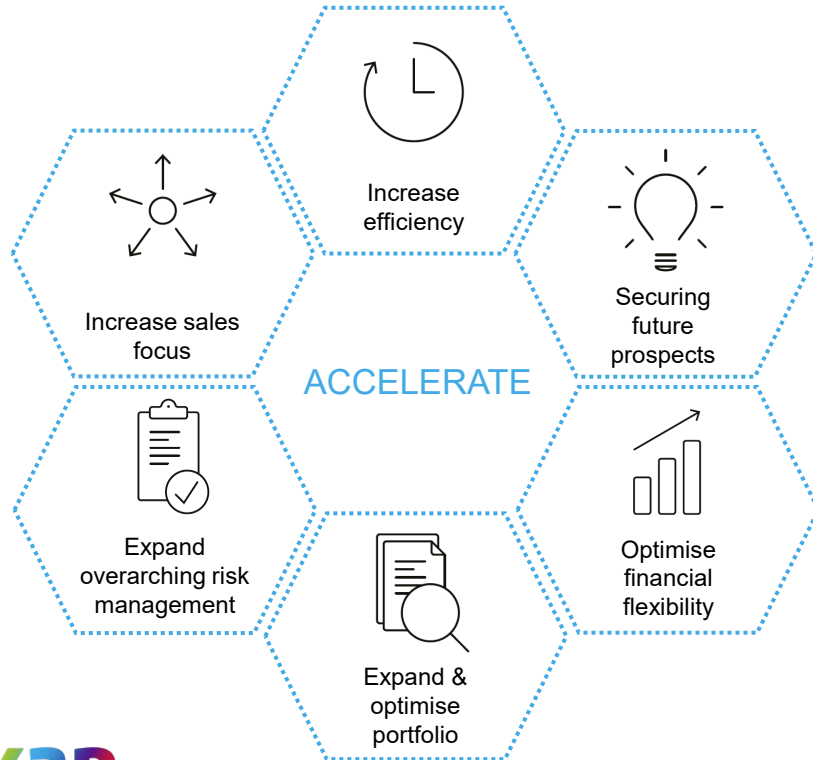
High value realisation on the sale
of developed companies

High potential for synergies

ACCELERATE – Strategy programme of the KAP Group

Strategy programme of the KAP Group – ACCELERATE

KAP accelerates the realignment until the end of 2023 with a coordinated strategy programme



Goals and key points of the strategy programme:

- **Increase sales focus** to drive organic growth
- **Increasing efficiency** in production processes
- **Optimising financial flexibility** through effective working capital management and increasing liquidity
- **Expansion and optimisation of the portfolio** through targeted acquisitions or withdrawal from locations with sustainably low gross profit margins
- **Expansion of the overarching risk management system** and further development of the future-oriented ERP and KPI landscape

Strategic vision of the KAP Group 2023

KAP AG as a buy & build platform for scalable medium-sized businesses



Strategic vision of the KAP Group 2023		
Regions	Segments	Customer industries
<p>Basis: Industrial holdings in Germany</p> <p>Orientation towards customers' global manufacturing footprints in selected markets in Southern and Eastern Europe, Asia and the USA</p>	<p>Focus on medium-sized manufacturing companies in attractive niche markets</p> <p>Diversified industry segments with different technology focuses</p>	<p>General Industrials</p> <p>Automotive</p> <p>Health</p> <p>Construction technology</p>

Business development 2020

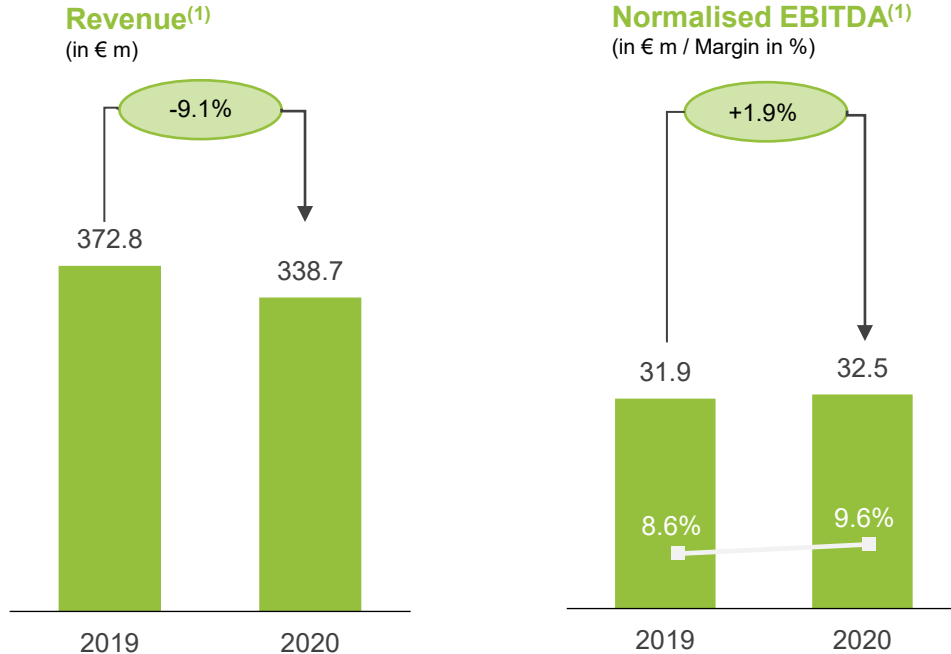
Development of the KAP Group in the 2020 financial year

Resilient performance in pandemic year thanks to diversified investment portfolio

- **Crisis resistance:** COVID 19 burdens and significantly lower demand in the automotive sector were largely cushioned by diversified investment portfolio and heterogeneous segment development
- **Revenue development** only slightly below previous year with improved operating result despite COVID-19
- Efficiency measures and higher-value product mix show effect: **improvement in adjusted operating profit margin** from 8.6% to 9.6%
- **Dividend proposal** of € 1.75 per share
- Strengthening the investment focus on manufacturing industrial companies by **initiating the sale of the subsidiaries of the it/services segment** as well as non-operating properties
- Bundling of improvement initiatives in the **ACCELERATE strategy programme** to support the Group strategy and as a basis for long-term and profitable growth
- **Employee safety:** Corona-compliant organisation of work through protective masks, home office, reduction of face-to-face meetings and other individual protective measures -> Only 30 COVID-19 infections in the entire Group by the end of 2020

Financial Year 2020 – Earnings position KAP Group

Despite COVID 19 pandemic, only around 9 per cent decline in revenue with improved normalised EBITDA



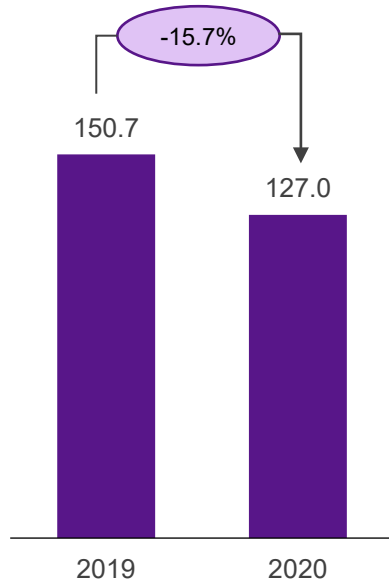
- Despite pandemic effects, only 9.1 % decline in revenue compared to previous year
- Overall heterogeneous effects of COVID-19 on the segments of the KAP Group
- Normalisations from special and one-off effects of € -2.8 million net:
 - Insurance compensation
 - One-off burdens from fires at production sites
 - Restructuring and severance costs
 - Transaction-related advisory fees
- Improvement of the normalised EBITDA margin to 9.6 %

Earnings position KAP Group 2020 – engineered products

Segment burdened by production shutdowns, automotive demand decline and one-off effects

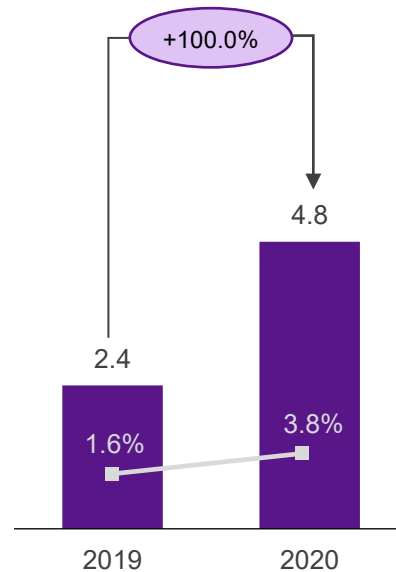
Revenue

(in € m)



Normalised EBITDA

(in € m / Margin in %)



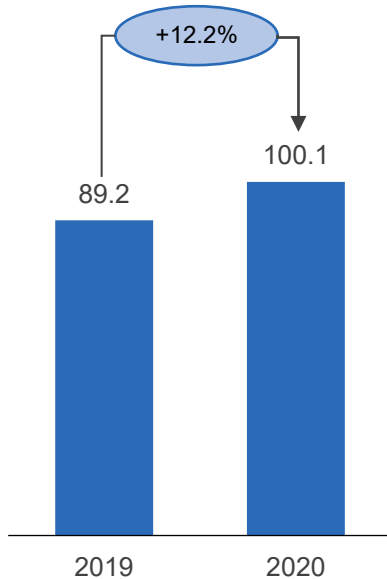
- Negative impact from Corona-related temporary production shutdowns in China, India and USA
- Increased decline in demand in the automotive sector and temporary plant closures at automotive customers
- Consistent continuation of the restructuring of the segment to sustainably improve profitability
 - Completion of the closure of the sites in Fulda and Jilemnice (Czech Republic) in Q4 2020
- Focus on high-margin special fabrics instead of commodities
- Investments in machinery and innovative product categories such as soft cords for air spring applications

Earnings position KAP Group 2020 - flexible films

Segment exploits new sales opportunities and improves earnings and profitability

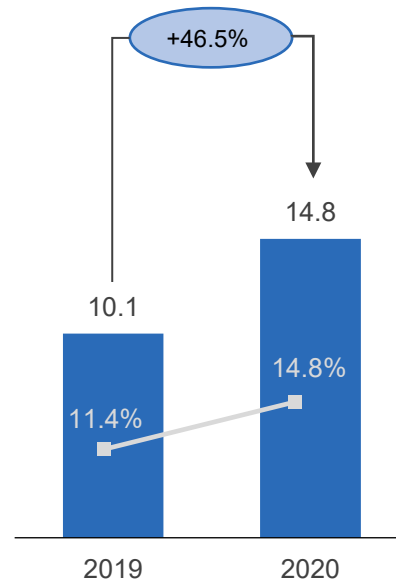
Revenue

(in € m)



EBITDA

(in € m / Margin in %)



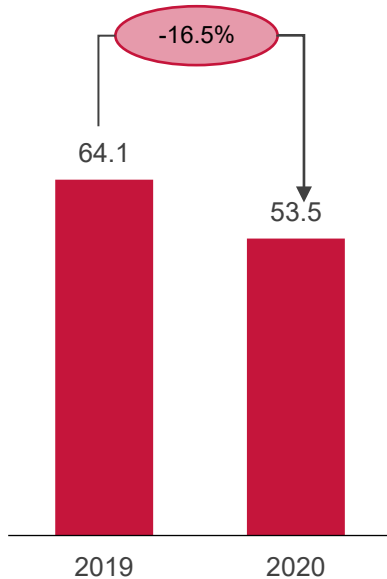
- Impact of pandemic only partially felt at sales level and COVID-19 affected shops recovered faster than expected
- Exploiting new sales opportunities in the field of protective clothing in medical applications
- Increased sales of swimming pool liners
- Expansion of international sales structures
- Focus on highly specific niche applications

Earnings position KAP Group 2020 - surface technologies

Intensified decline in demand in the automotive sector leads to drop in revenue and earnings

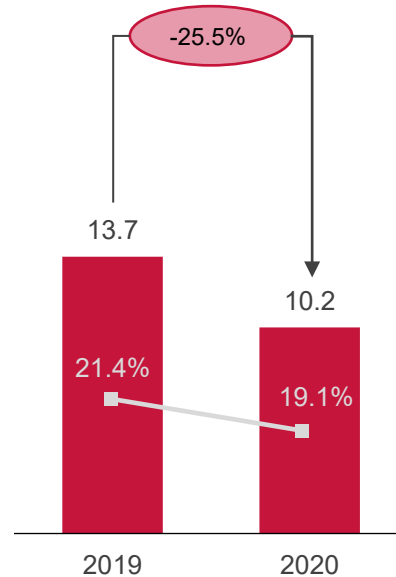
Revenue

(in € m)



Normalised EBITDA

(in € m / Margin in %)



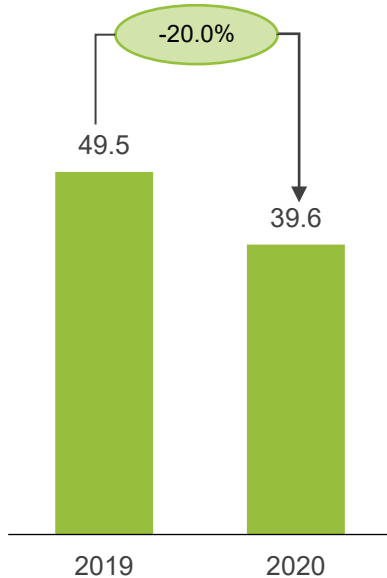
- Decline in demand in the automotive sector exacerbated by COVID-19
- Faster overall recovery of the segment than expected in the second half of the year
- Earnings normalised for one-off effects in connection with the fire damage from 2019
- Expansion of the process portfolio for mechanical and plant engineering geared to the automotive and furniture industries

Earnings position KAP Group 2020 - precision components

Segment strongly affected by the effects of the pandemic due to high dependence on the automotive industry

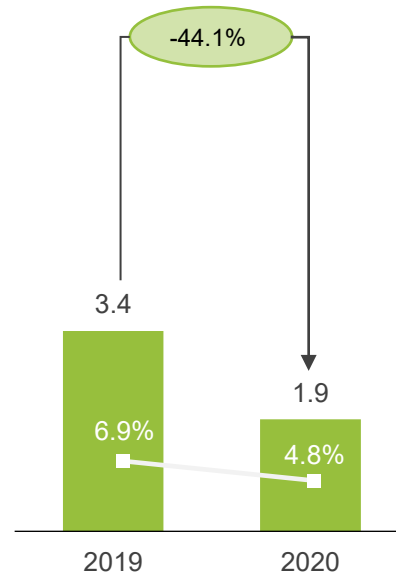
Revenue

(in € m)



Normalised EBITDA

(in € m / Margin in %)



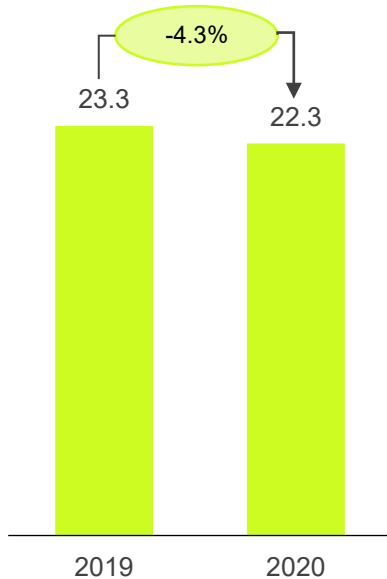
- Turnover and operating result burdened by significant decline in demand in the automotive sector
- Transformation processes initiated with focus on sales offensive in the areas of e-bikes and electromechanical special drives
- Increased use of low-wage locations in Belarus and Hungary

Earnings position KAP Group 2020 - it/services

Revenue down, earnings and profitability up

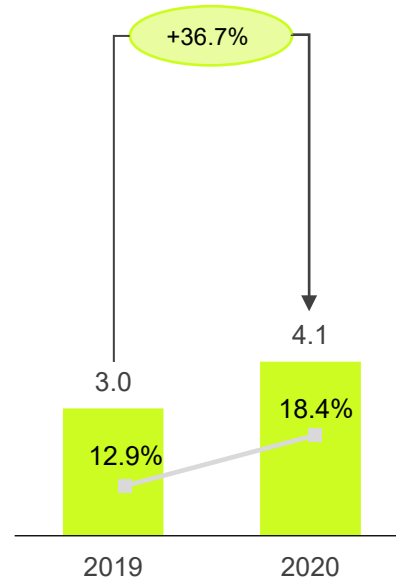
Revenue

(in € m)



Normalised EBITDA

(in € m / Margin in %)



- Apart from a few project delays, no significant impact of the pandemic noticeable
- Improvement of the operating profit margin through successful implementation of measures to increase efficiency as well as margin improvement in high-revenue areas
- Sale process of the segment initiated

Selected key figures on the financial position

Good financial situation enables debt reduction

	2019 in € m	2020 in € m	Change in € m
Assets			
Non-current asstes	208.4	185.2	-23.2
Current assets	138.3	112.7	-25.6
Liabilities			
Equity	161.0	154.4	-6.6
Non-current liabilities	106.8	84.0	-22.8
Current liabilities	78.8	69.8	-9.0
Total liabilities and equity	346.6	313.1	-33.5

Selected key figures on the financial position

Improved working capital management leads to significant increase in operating cash flow

	2019 in € m	2020 in € m	Change in %
Cash and cash equivalents at beginning of period	11.7	5.1	-56.4
Cash flow from operation activities	35.5	55.2	55.5
Cash flow from investing activities	-16.1	-21.0	-30.4
Cash flow from financing activities	-26.0	-23.1	11.2
Net change in cash and cash equivalents	-6.6	11.1	<>100
Cash and cash equivalents at end of period	5.1	16.0	<>100
Working Capital	95.1	68.1	-27.0
Net debt	88.9	54.6	-38.6

Outlook

Outlook

We expect revenues of € 300 to 330 million in the continuing operations.

Guidance 2021

(excl. it/services)

COVID-19

- Revenue: € 320 to 350 million (before € 300 to 330 million)
- Normalised EBITDA: € 32 to 38 million (before € 27 to 33 million)

- Economic uncertainties remain in the 2021 financial year.
- This forecast does not take any renewed tightening or extension of the existing infection control measures beyond the first half of 2021 into account.

Target by the end of 2023: Significantly increased operating profit margin

Contact

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Appendix

Selected Group key figures on the earnings situation 2020

Normalised EBITDA margin improved by 1.0 percentage points

	2019 in € m	2020 in € m	Change in %
Revenue	372.8	338.7	-9.1
EBITDA	36.2	35.2	-2.8
in %	9.7	10.4	0,7 pp
Normalisations	-4.3	-2.8	<> 100
Normalised EBITDA	31.9	32.5	1.9
in %	8.6	9.6	1.0 pp
Consolidated result after taxes	-14.1	-2.7	+80.9

Strategic vision – engineered products

Holistic revitalisation of the segment through experienced and agile management and streamlining of structures

- Focus on high-margin special fabrics with footprints in Europe, USA and Asia
- Anchors in automotive and mining - targeted expansion towards special fabrics for ready-to-use applications
- Strategic innovation and development partner for customers
- Positioning in innovative future markets and dissemination of customer portfolio
- Streamlining management structures

Strategic vision – flexible films

Opening up new markets through acquisitions and strengthening R&D activities

- Leading supplier in highly attractive niche markets through innovative process competencies
- Strategic development partner in attractive market segments
- International quality leader with a focus on Europe and, in the medium term, the USA
- High product diversity due to product longevity and reliable delivery capability
- Growth in existing geographic markets and in new application industries

Strategic vision – surface technologies

Growth in new regions, processes and application industries

- Complete product portfolio and high competitiveness in the field of aluminium treatment, chrome and zinc/zinc-nickel processes
- Positioning as an attractive and integrated problem solver with broad technological competence with a footprint in Europe and the USA
- Expansion of the process portfolio geared to the automotive and furniture industry to other sectors (e.g. mechanical engineering, agricultural and rail technology, medical technology and GreenTechnology)

Strategic vision – precision components

Active pipeline building through sales initiative beyond the automotive industry

- Flexible and technologically experienced problem solver and supplier of precision components, especially in combination with steel and plastics
- Actively reduce dependence on the automotive industry by expanding the customer base in other application industries (e.g. sanitary, medical technology and household appliances)
- Expanded customer base and development of cost-effective locations
- Attractive location portfolio for competitive special components

Many thanks.