

# **KAP AG**

## **We build market leaders!**

**M.M. Warburg Investment Conference (virtual)**

**16. Februar 2022**

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Eckehard Forberich  
CEO



- Responsibilities: strategy, business development, M&A, Human Resources
- Overall, >25 years relevant experience as CEO, consultant, and investment banker

Marten Julius  
CFO



- Responsibilities: Finance, Controlling, Investor Relations, Internal Audit
- Overall, >25 years relevant experience in Finance & Controlling, thereof c.15 years as CFO

# Company Overview

# KAP at a glance

## Focus on attractive niche markets in selected industrial sectors

### Industrial holding focused on midsize niche markets

- Long-term segment strategy for developing market leaders with sustainable growth potential
- Clear focus on profitable industrial sectors in attractive niche markets
- Experienced solution specialist serving individual and complex customer needs
- Global presence with 28 locations in 12 countries
- Listed on Regulatory Market of Frankfurt Stock Exchange (Prime Standard)

Revenue 2020<sup>(1)</sup>  
**€338.7m**

EBITDA 2020<sup>(2)</sup>  
(normalised)  
**€32.5m**

Employees  
Dec-2021  
**2,436**

Market Cap<sup>(3)</sup>  
**€175.5m**

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

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

(3) Calculation with XETRA closing price on 30 Dec, 2021

# KAP Group – Segment overview

We develop industrial products and technological solutions for international clients

Flexible films	Engineered products	Surface technologies	Precision components
<p><b>One of the leading specialists for extrusion coatings in Europe</b></p> <ul style="list-style-type: none"><li>Market leading in membranes, covers, swimming pool liners as well as special floors and high-end projection screens</li><li>Broad range of applications in roofing, building construction, civil engineering, gardening and landscaping, agriculture, packaging and swimming pool linings</li></ul>	<p><b>Leading manufacturer of technical textiles with global presence</b></p> <ul style="list-style-type: none"><li>Application in the areas of mobility, industry, mining, pharmaceuticals, consumer goods, aviation and oil &amp; gas</li><li>Special threads and fabrics improve stability and reduce weight in the end products</li><li>Great potential for the future through new developments and improved recyclability</li></ul>	<p><b>Leading market position in surface technology</b></p> <ul style="list-style-type: none"><li>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</li><li>Customised process adaptations for corrosion protection and durability as well for decorative purpose</li></ul>	<p><b>European leading manufacturer of precision components</b></p> <ul style="list-style-type: none"><li>Development and production of highly complex plastic and plastic-metal composite parts in large quantities and low tolerance</li><li>Application in electro- and electromechanical special drives such as electric motors and e-bikes, wipers and washing machines</li></ul>

Building materials



Pool liners



Engineered yarns



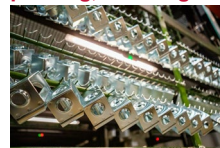
Engineered Fabrics



Cathodic dip coating



Decapping, passivation, pickling, cleaning



Composite metal-plastic parts







Plastic parts



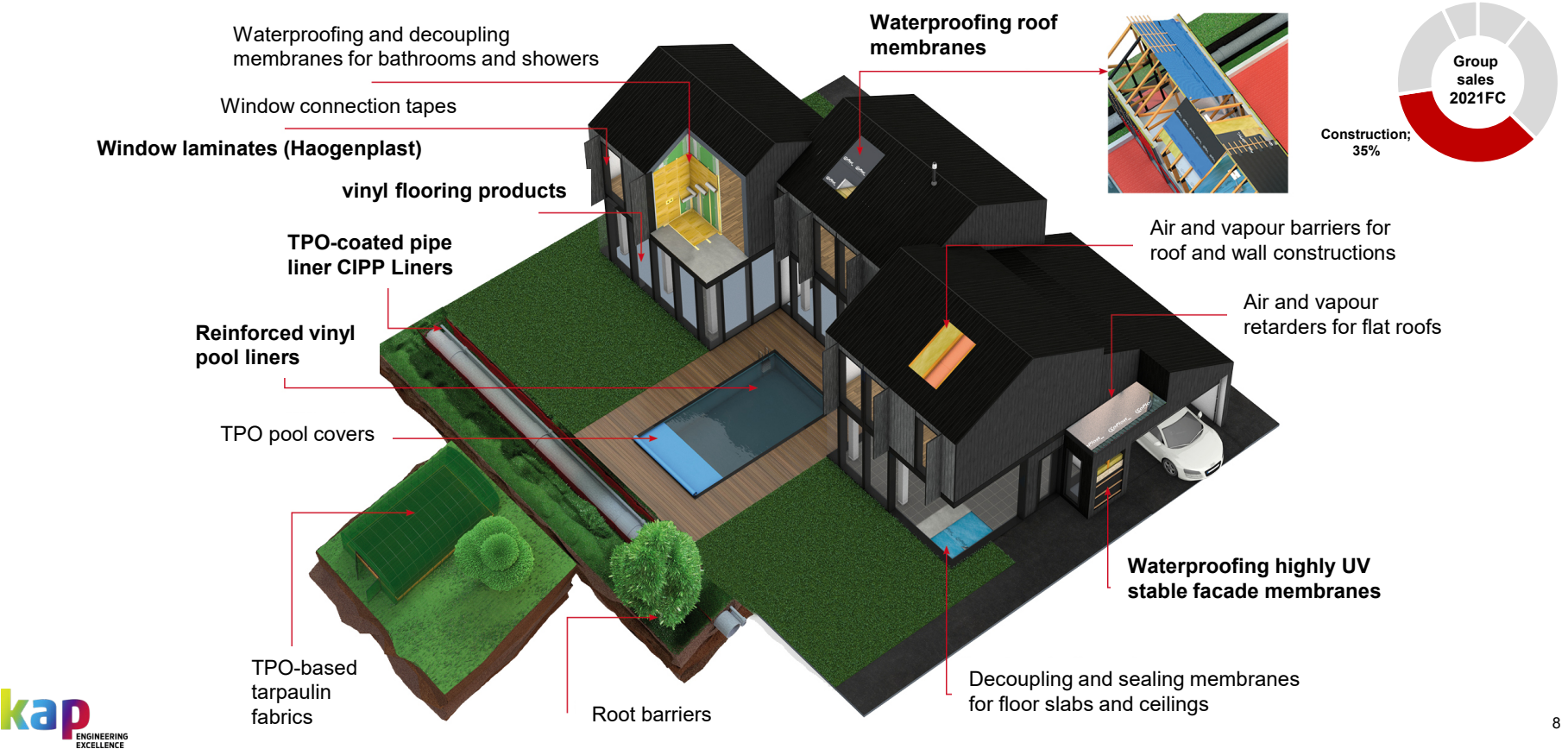
# Segment attractiveness...

....underpinned by mega trends, defensible barriers to entry, and strong customer base

	Flexible films	Engineered products	Surface technology	Precision components
Segment attractiveness	<ul style="list-style-type: none"> <li>▪ <b>Mega trends</b> such as <b>cocooning</b> and <b>sustainability</b> drive business</li> <li>▪ Strong <b>footprint in construction sector</b> in new build and energy efficient refurbishment</li> <li>▪ <b>High entry barriers due to:</b> <ul style="list-style-type: none"> <li>– Strong customer relationships with <b>customer-specific product and system development</b></li> <li>– High <b>expertise</b> in the functionality of <b>thermoplastics</b> from <b>standard to biodegradable</b></li> <li>– Capital intensity of production machinery</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>▪ <b>Mega trends</b> support significant growth in high-end applications such as <b>light-weight manufacturing</b> and <b>sustainability</b></li> <li>▪ <b>Sustainable demand</b> for power transmission belts in several industries. Continued development from automotive to industrial applications and from original equipment to replacement markets</li> <li>▪ <b>Entry barriers are high</b> due to significant initial investments, customer certification requirements, and extensive need for chemical and production technology experience</li> </ul>	<ul style="list-style-type: none"> <li>▪ <b>Light-weight trend and electrification in mobility/automotive business</b> support significant growth in specific solutions for corrosion protection of a variety of metal applications</li> <li>▪ <b>Entry barriers are high</b> due to significant asset-heavy production and customer specifications. Additionally, customer proximity, and access to qualified staff is critical. KAP ST runs several training and development programmes also as part of university cooperations</li> <li>▪ <b>Critical company size</b> in the field of surface technology to win large scale projects internationally</li> </ul>	<ul style="list-style-type: none"> <li>▪ Growth of the group is supported by <b>automotive mega trends</b> such as <b>autonomous driving, electrification</b> as well as <b>light-weight manufacturing</b></li> <li>▪ <b>Entry barriers are high</b> due to significant capex, specific technological customer requirements, and customer approval processes</li> <li>▪ Proven track-record to also run low cost production sites</li> <li>▪ <b>Long lasting and resilient relationship</b> to a highly reputable customer base support organic growth</li> </ul>
Top customers				

# Selected products

KAP's products are mission-critical in the insulation and in waterproofing of buildings

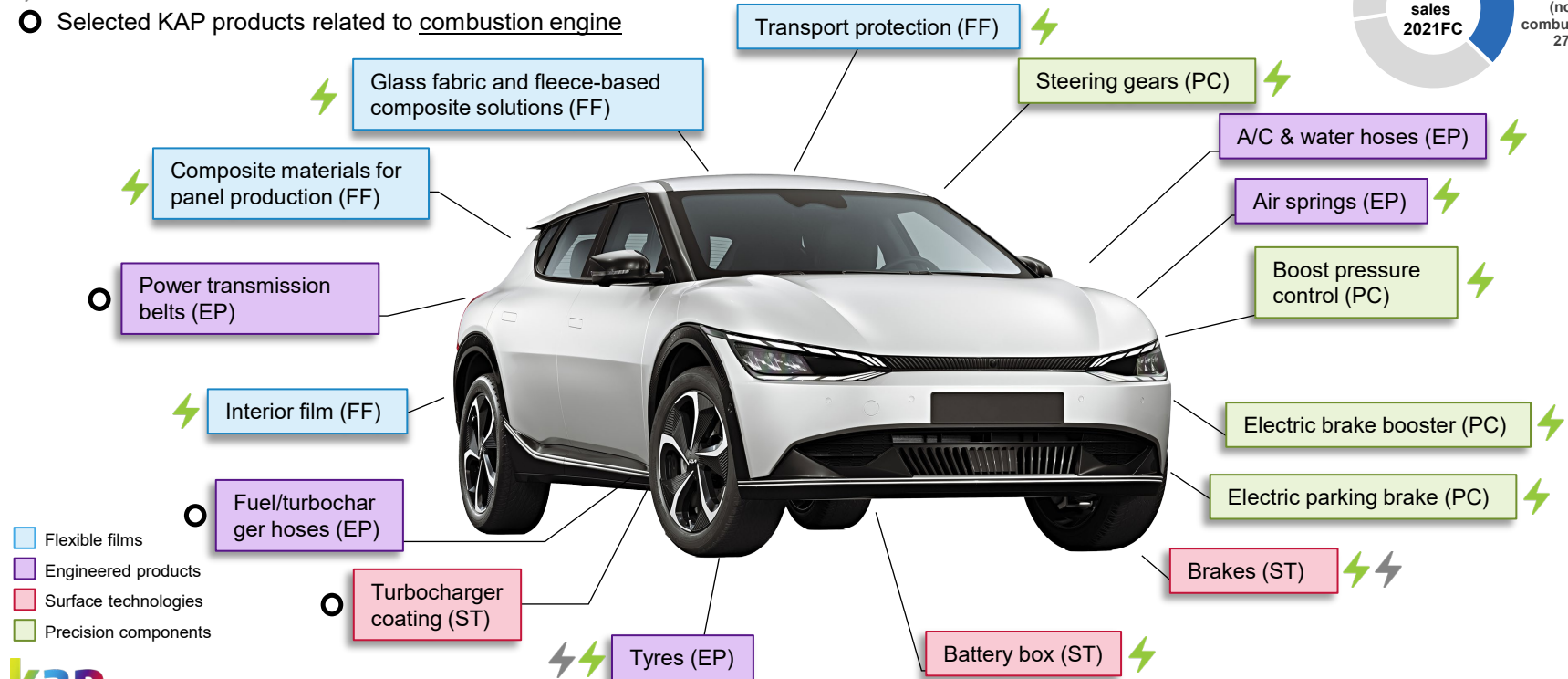
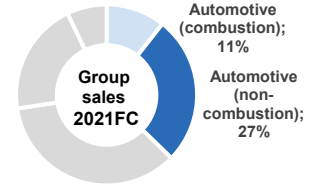




# Selected products





## KAP provides integrated solutions for the cars of today and tomorrow

- ⚡ Selected KAP products independent from combustion engine
- ⚡ Selected KAP products with a high share of replacement parts sales
- Selected KAP products related to combustion engine



# Mega trends

## Longer term market outlook for KAP underpinned by structural mega trends

Mega trends	engineered products	flexible films	surface technologies	precision components	kap Group
 <b>Mobility</b> The future of passengers and goods transport	+	+	+	+	+
 <b>Cocooning</b> Renovation and embellishment of homes	+	++	○	○	+
 <b>Electrification</b> Hybrid or electric powertrains and batteries	+	+	+	+	+
 <b>Sustainability</b> Consideration of environmental, economic and social aspects	+	+	+	+	+

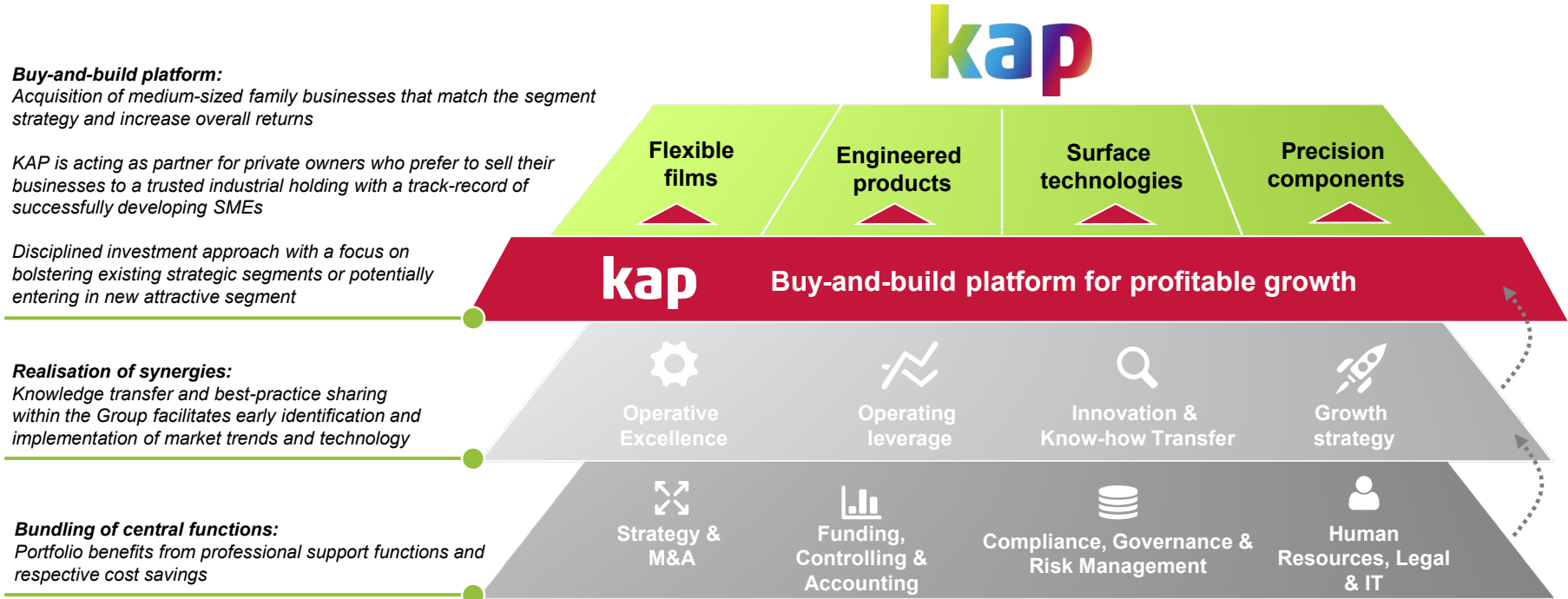
KAP's future growth path is supported by multiple long-term mega trends

# Business Modell & ACCELERATE programme

# Business model

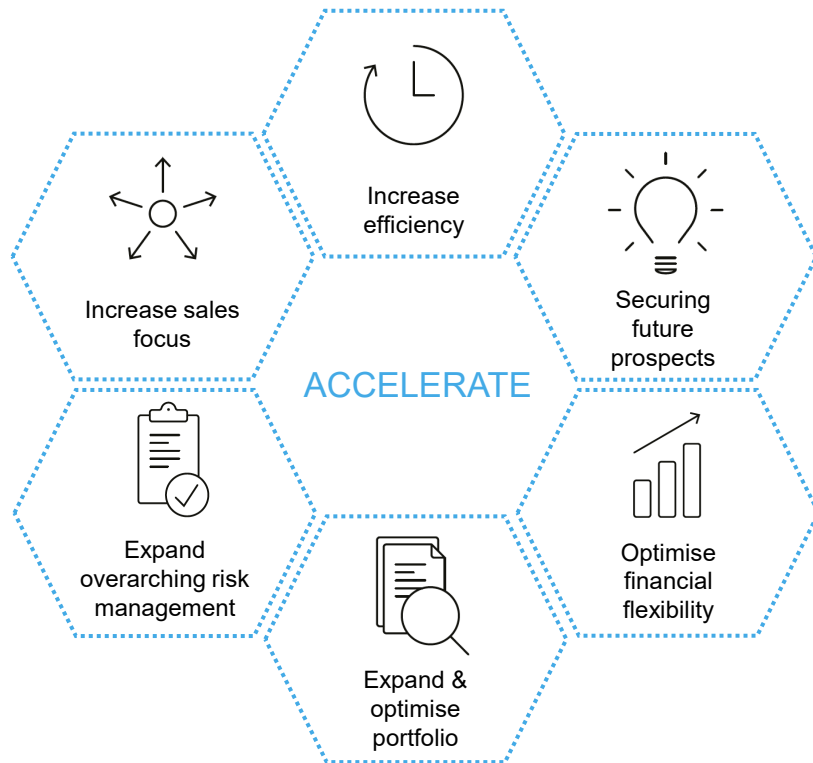
## Synergistic buy-and-build platform with active portfolio management and value creation

**KAP operates a professional holding structure that enables its portfolio companies to seize attractive market opportunities**



# ACCELERATE – Strategy programme of the KAP Group

KAP has completed several milestones during the past year



- Expansion of stake in assembly specialist NOW Contec to 100%
- Acquisition of AerO Coated Fabrics B.V. („AerO“) to strengthen extrusion coating expertise in the flexible films segment
- Start of construction of the world's most efficient and most modern passivation factory for light metal components in Jasper, US
- Sale of non-core MEHLER Engineering & Services and it-novum as well as sale of commercial property in Fulda
- Start of construction of new production hall with new state-of-the-art production plant and laboratory in Hessisch Lichtenau, Germany
- Acquisition of Haogenplast, Israel, to strengthen vinyl expertise in the flexible films segment
- Strengthened footprint in ebike market (PC)

ACCELERATE  
2021



# Latest M&A Deal - Haogenplast

## Signed acquisition fits perfectly with the Flexible Films segment



- Located in Israel and sales focus in Middle East, Southern and Eastern Europe
- Leading manufacturer and developer of premium Vinyl products used in a wide range of applications such as:
  - Waterproofing membranes as well as decorative and technical films for swimming pools, reservoirs, roofs, windows, doors, amongst others
- Employees: 150 (Dec 2020)

### Financial Data and purchase price

- Disciplined M&A approach
- Haogenplast is expected to generate of around €50m in the 2021 financial year
- Upon closing **purchase price** (enterprise value) is expected to be roughly **€43m**
- Purchase price corresponding to a **multiple on expected EBITDA** for 2021 of approximately **4.5-5.0x**
- **Clear post-merger integration plan agreed with senior Haogen management**

### Transaction rationale

- Haogenplast will complement KAP's product portfolio in the Flexible Films segment and further diversify sales by region, customers, and product portfolio, implying great synergy potential
- Acquisition will create **global leading position for reinforced pool membranes**. Generating **economics of scale & scope** in all other product segments.
- **Excellent** trained and **highly motivated staff** and **management resources** with profound process, development and market knowledge
- **Technical capabilities enhancement**, high knowledge of **laminating/printing as well as 3-D design processes** in the German plant of Elbtal will result in **accelerated roll out of new products** and will **solve capacity bottlenecks**

### Selected products



# Financials 9M 2021

# KAP Group – Highlights 9M 2021

## Robust business development despite global supply chain disruptions thanks to diversified portfolio

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- Proven crisis resistance: Significantly lower demand in the automotive sector in Q3 2021 due to supply chain constraints were largely cushioned thanks to strong development in H1 2021 and heterogenous segment development
- Revenue development above previous year (+9%) with improved operating result (+12.8%)
- flexible films segment continues on strong growth course
- Slightly higher operating margins of 11.3% (0.4 pp): Efficiency measures and higher-value product mix could fully compensate the sharp increase in procurement costs
- Investment focus strengthened on manufacturing industrial companies by completion of it/services segment sale
- Consistent implementation of ACCELERATE measures despite challenging market environment
- CAPEX programme launched: Expansion and development of production sites, attractive acquisitions and investments in plant and machinery

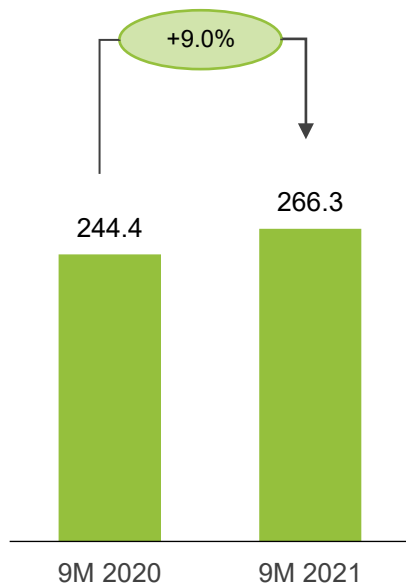


# 9M 2021 – Earnings position KAP Group

## Robust business development despite pandemic effects and supply chain disruptions

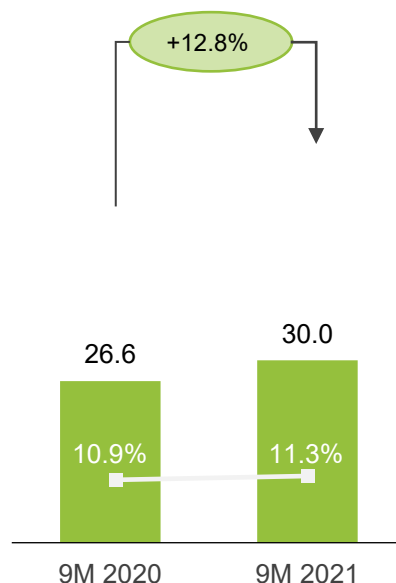
### Revenue<sup>(1)</sup>

(in €m)



### Normalised EBITDA<sup>(1)</sup>

(in €m / margin in %)



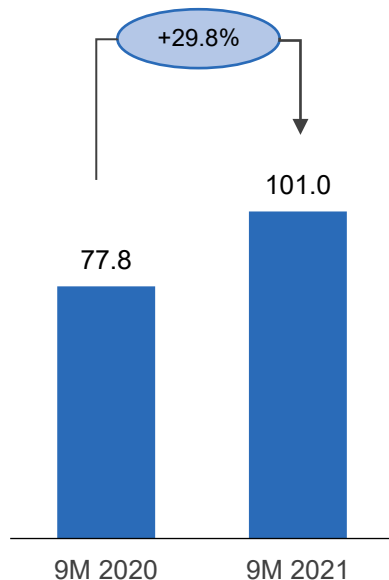
- Cushioned overall effect of pandemic and bottlenecks in supply chain on group level thanks to diversification
- Operative earnings growth in all 4 segments
- Normalised EBITDA-margin still above minimum target of 10%
- EBITDA normalisations of € 1.4 m mainly transaction-related consulting costs

# 9M 2021 – Flexible films

Remains on its growth path with strong top- and bottom-line results

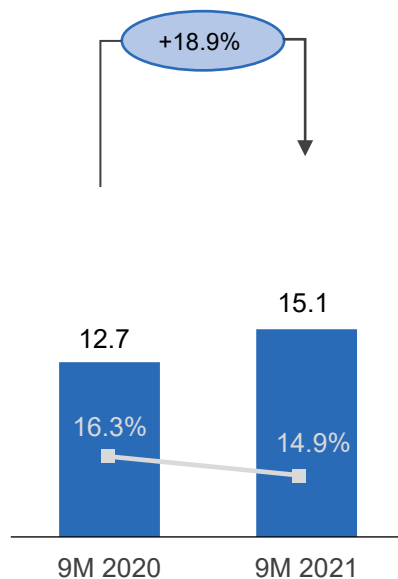
## Revenue

(in €m)



## EBITDA

(in €m / margin in %)



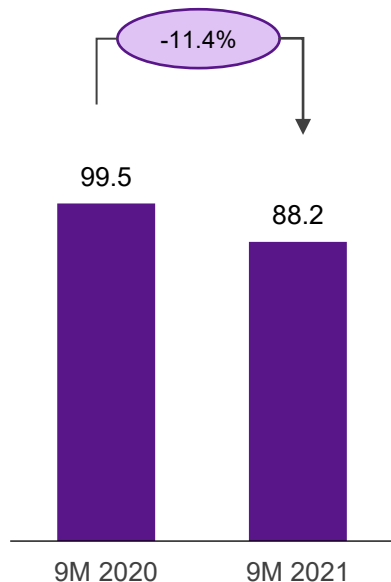
- Increased revenue due to high demand of swimming pool liners and acquisition of the extrusion specialist AerO Coated Fabrics
- Affected by price increases on the global commodity markets
- Successful implementation of ACCELERATE measures, e.g.:
  - Further professionalisation of purchasing and sales
  - Optimisation of raw material use
  - Improvement of product quality and productivity
  - Further expansion of international procurement and sales structures

# 9M 2021 – Engineered products

## Segment burdened by automotive demand decline and plant closures

### Revenue

(in €m)



### Normalised EBITDA

(in €m / margin in %)



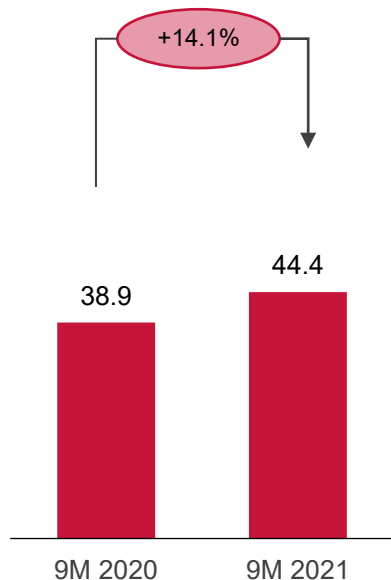
- Revenue decline mainly due to lower production capacities resulting from the closure of two plants end of 2020
- Negative impact from significant supply chain disruptions in the automotive industry
- EBITDA increase despite revenue decline due to positive impact from restructuring
- High investments in new production hall and textile laboratory at Hessisch Lichtenau site with a highly efficient state-of-the-art production plant for technical fabrics

# 9M 2021 – Surface technologies

Strong development in the first six months, but slowdown in the 3rd quarter

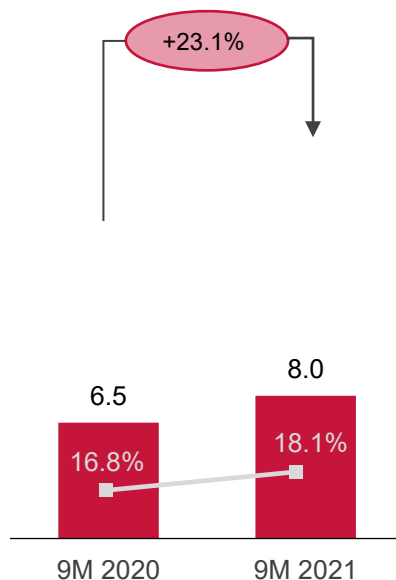
## Revenue

(in €m)



## Normalised EBITDA

(in €m / margin in %)



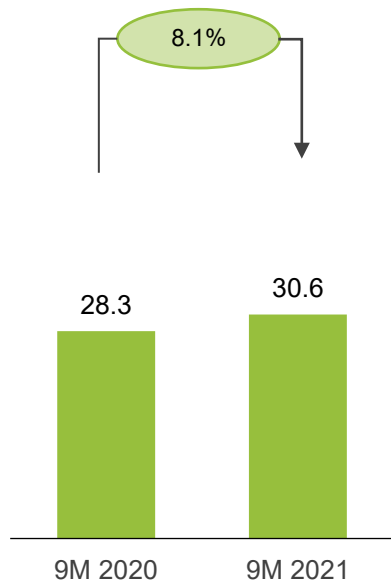
- General recovery in the automotive sector with a positive impact after a pandemic-related weak performance in the previous year
- Slowdown in Q3 due to global supply bottlenecks and postponement of orders by major customers
- Focusing on the setup of a new site in Alabama, USA, for the Tier-1 customer Daimler (production start scheduled for the end of 2021)

# 9M 2021 – Precision components

## Significantly improved operating margins despite challenging environment

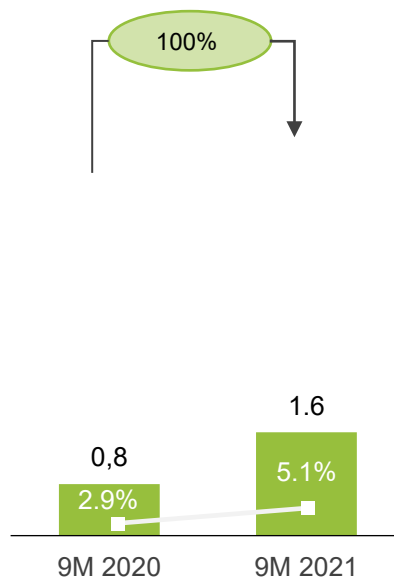
### Revenue

(in €m)



### Normalised EBITDA

(in €m / margin in %)



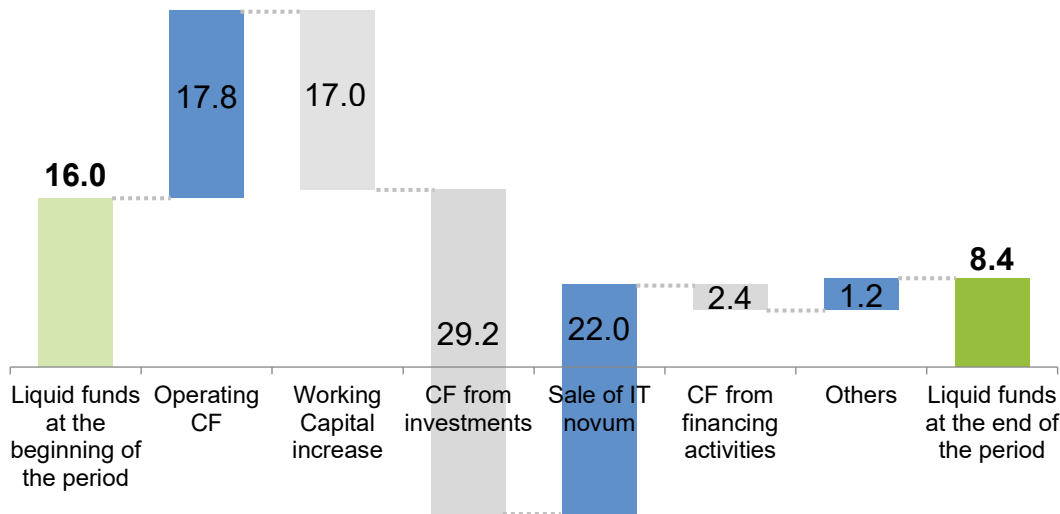
- Revenue increase mainly due to recovery of the automotive sector in first six month
- Shifts in client demand in Q3 due to supply chain disruptions
- Strong impact of efficiency measures implemented under ACCELERATE
- Various sales offensive launched in the e-bike segment

# 9M 2021 – Consolidated statement of cash flows

## Strong investments despite challenging market environment

### Cash flow items 9M 2021

(in €m)



- € 22 m: Cash in from sale of it-novum
- € 29 m: Significant investments in property, plant, and equipment according to current CAPEX programme focusing on:
  - Jasper, Alabama, US (ST)
  - Hessisch Lichtenau, Germany (EP)
  - Aero Extrusion (FF)
  - E-bike segment capacities (PC)
- € 18 m: Positive Operating Cash Flow
- Growth related increase in working capital, also includes working capital swing in Q1

# Outlook

# Outlook

We expect the continuing operations to generate revenues of between €320 and €350 million

## Guidance 2021

(excl. it/services)

## COVID-19

### Previous Guidance

- Revenues: €300 – 330 million
- Normalised EBITDA: €27 – 33 million

### Revised guidance (26 Aug 2021)

- Revenues: €320 – 350 million
- Normalised EBITDA: €32 – 38 million

The revised forecast was based on the assumption that the recovery of the target markets continues unchanged, that there are no additional negative effects on raw material prices and supply chains, e.g. for semiconductors, and that there are no more severe restrictions due to the Corona pandemic in the further course of the fiscal year.



# 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>Construction technology</p> <p>Automotive</p> <p>General Industrials</p> <p>Health</p>

# 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

Proven crisis resilience

**Diversified  
business  
model.**

**Attractive  
shareholder  
returns.**

Attractive margins through  
operational excellence

High value realisation on the sale  
of developed companies

High potential for synergies

Attractive dividend

**We are looking forward to your questions**

# 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

# Selected key figures on the financial position

Good financial situation enables debt reduction

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

## 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

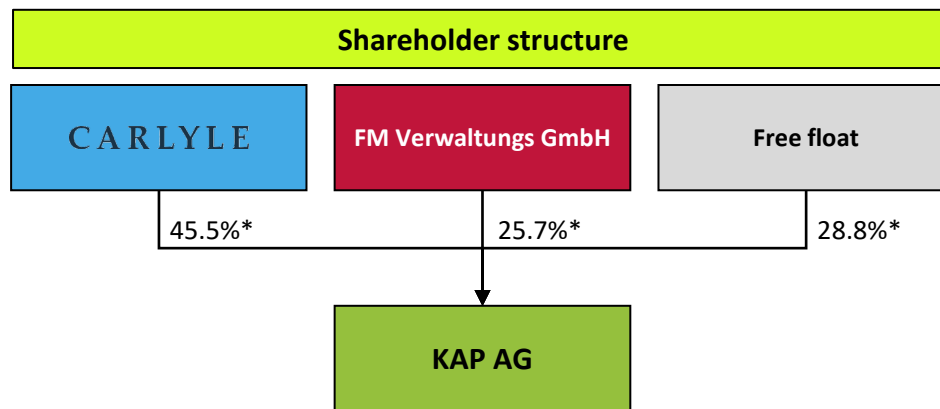
# Share price development

## Significantly outperformed SDAX in 2021





# Shareholder structure



## CARLYLE

- Founded 1987 in Washington D.C., United States
- Assets under management of currently USD 293bn
- 26 offices across 5 continents and >1,800 employees globally
- Broad network and relevant sector experience
- Initial investment in KAP AG in December 2016: Carlyle Strategic Partners IV L.P., Carlyle's Special Situations & Corporate Opportunities fund
- Chairman of the supervisory board (Christian Schmitz)

## FM Verwaltungs GmbH - Fried Möller

- Former CEO of KAP (until 2017)
- Supervisory board member from 2017 until 2020
- Long-term investor due to detailed knowledge about KAP and relevant markets
- Anchor shareholder since 2009

\* Source(s): Voting right notifications, Shareholder ID as of April 2021

# IR contact

## **KAP AG**

### **Kai Knitter**

Head of Investor Relations & Corporate Communications

Edelzeller Str. 44

36043 Fulda

P +49 661 103 327

E [investorrelations@kap.de](mailto:investorrelations@kap.de)

Please feel free to visit our Investor Relations website: [www.kap.de/investor-relations](http://www.kap.de/investor-relations)