

KAP AG

We build market leaders!

33. Münchner Kapitalmarktkonferenz
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Table of contents

- 1 Company overview
- 2 Business model & ACCELERATE programme
- 3 Financials 2021
- 4 Outlook
- 5 Appendix

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 2021⁽¹⁾
€345.6m

EBITDA 2021⁽²⁾
(normalised)
€35.0m

Employees
Dec-2021
2,632

Market Cap⁽³⁾
€177.1m

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

(2) Excluding discontinued operations and normalised for one-off gains from the sale of the commercial property in Fulda and other assets, write-up to property, plant and equipment, 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>One of the leading specialists for extrusion coatings in Europe</p> <ul style="list-style-type: none">Market leading in membranes, covers, swimming pool liners as well as special floors and high-end projection screensBroad range of applications in roofing, building construction, civil engineering, gardening and landscaping, agriculture, packaging and swimming pool linings | <p>Leading manufacturer of technical textiles with global presence</p> <ul style="list-style-type: none">Application in the areas of mobility, industry, mining, pharmaceuticals, consumer goods, aviation and oil & gasSpecial threads and fabrics improve stability and reduce weight in the end productsGreat potential for the future through new developments and improved recyclability | <p>Leading market position in surface technology</p> <ul style="list-style-type: none">Diverse surface processes in refinement of metal surfaces for customers from the furniture, machinery and electrical industries as well as food, automotive and e-mobilityCustomised process adaptations for corrosion protection and durability as well for decorative purpose | <p>European leading manufacturer of precision components</p> <ul style="list-style-type: none">Development and production of highly complex plastic and plastic-metal composite parts in large quantities and low toleranceApplication in electro- and electromechanical special drives such as electric motors and e-bikes, wipers and washing machines |

Building materials



Pool liners



Engineered yarns



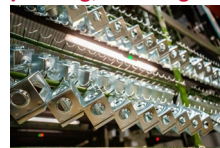
Engineered Fabrics



Cathodic dip coating



Decapping, passivation, pickling, cleaning



Composite metal-plastic parts







Plastic parts



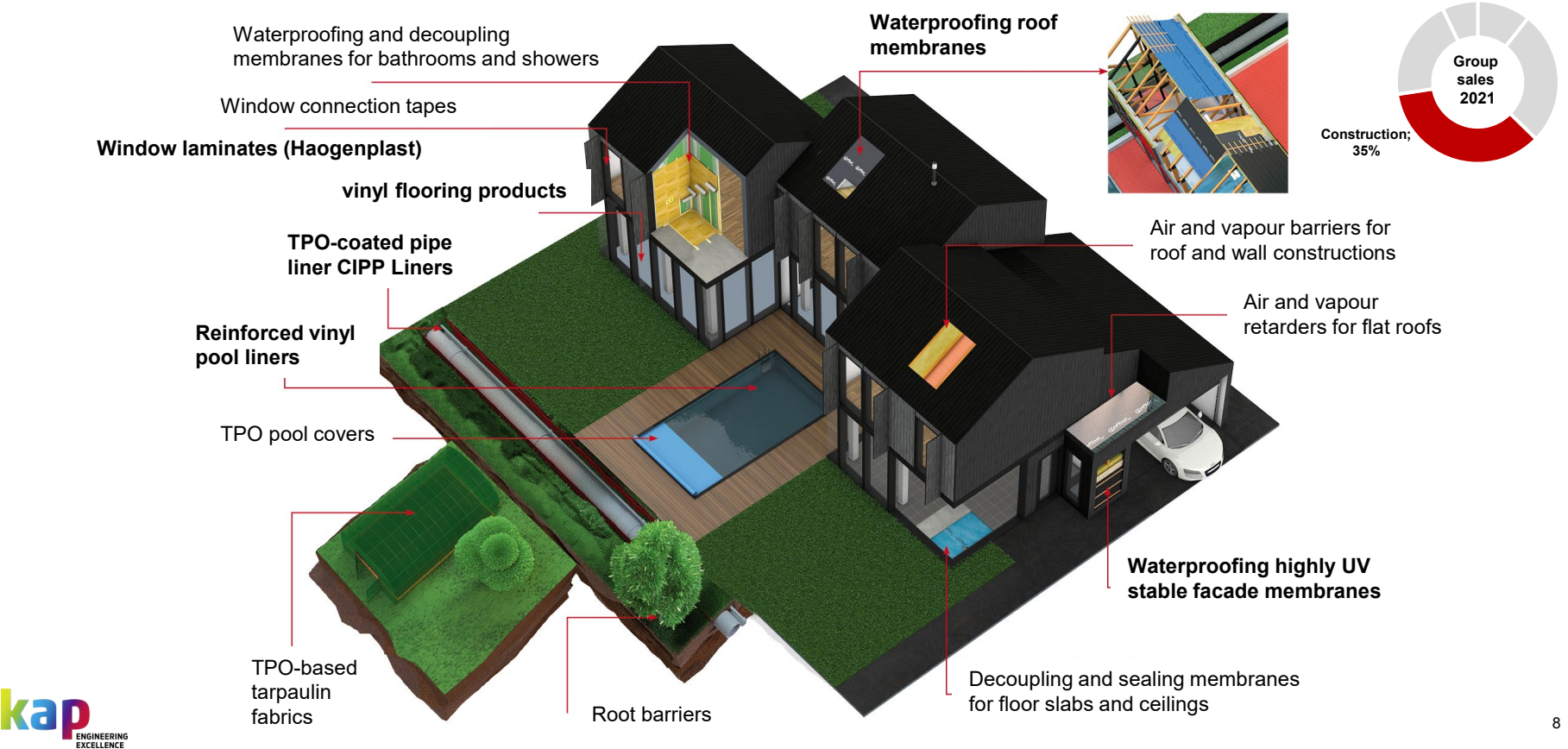
Segment attractiveness...

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

Selected products

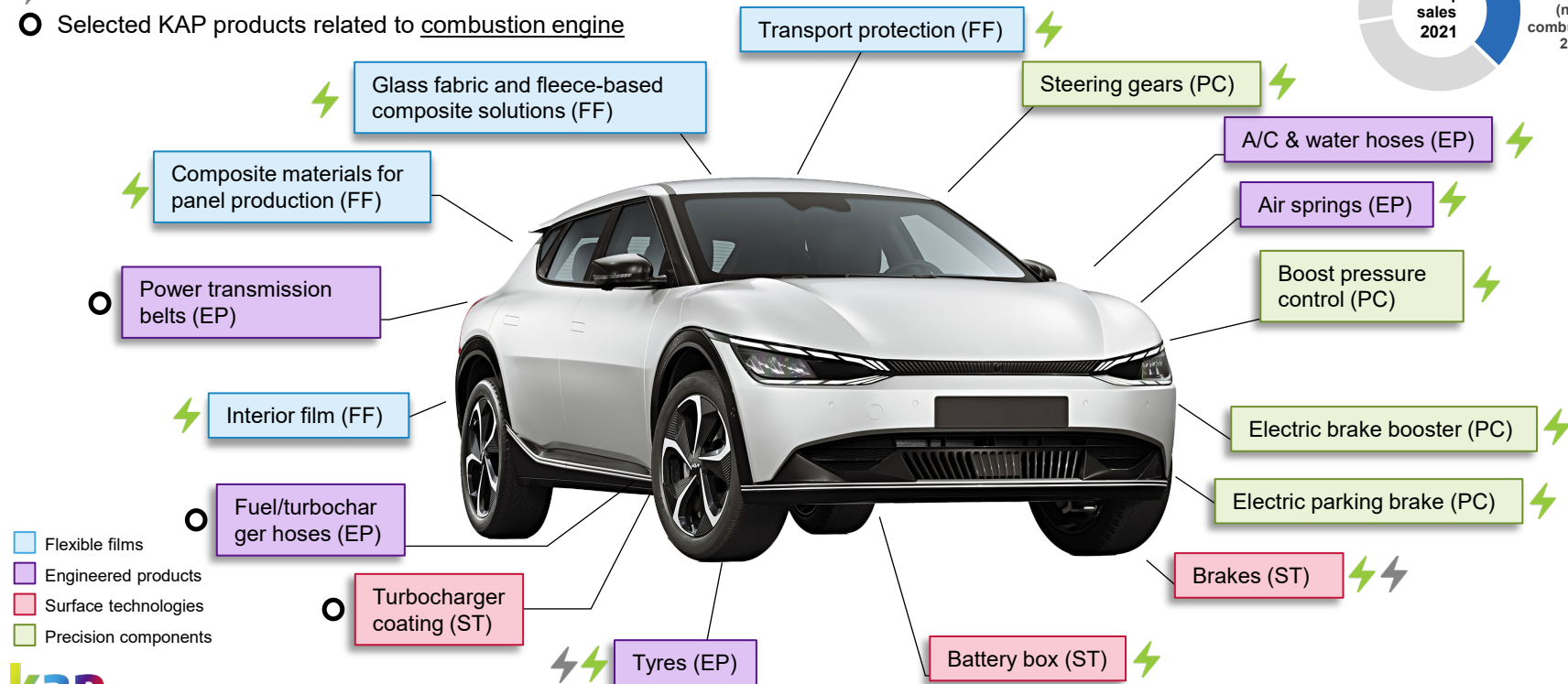
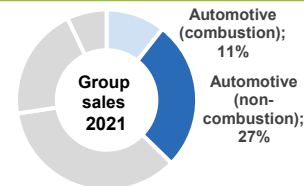
KAP's products are mission-critical in the insulation and in waterproofing of buildings



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 |
|---|---------------------|----------------|----------------------|----------------------|-----------|
|  Mobility The future of passengers and goods transport | + | + | + | + | + |
|  Cocooning Renovation and embellishment of homes | + | ++ | ○ | ○ | + |
|  Electrification Hybrid or electric powertrains and batteries | + | + | + | + | + |
|  Sustainability Consideration of environmental, economic and social aspects | + | + | + | + | + |

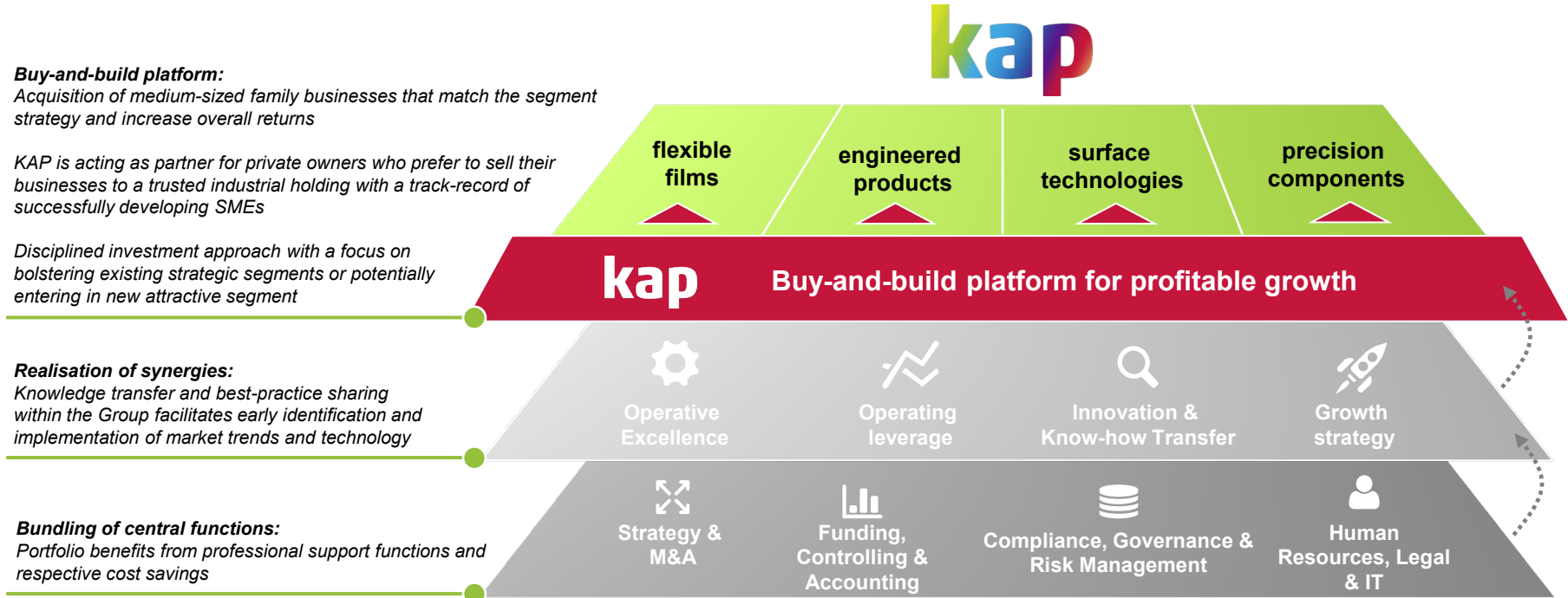
KAP's future growth path is supported by multiple long-term mega trends

Business model & ACCELERATE programme

Business model

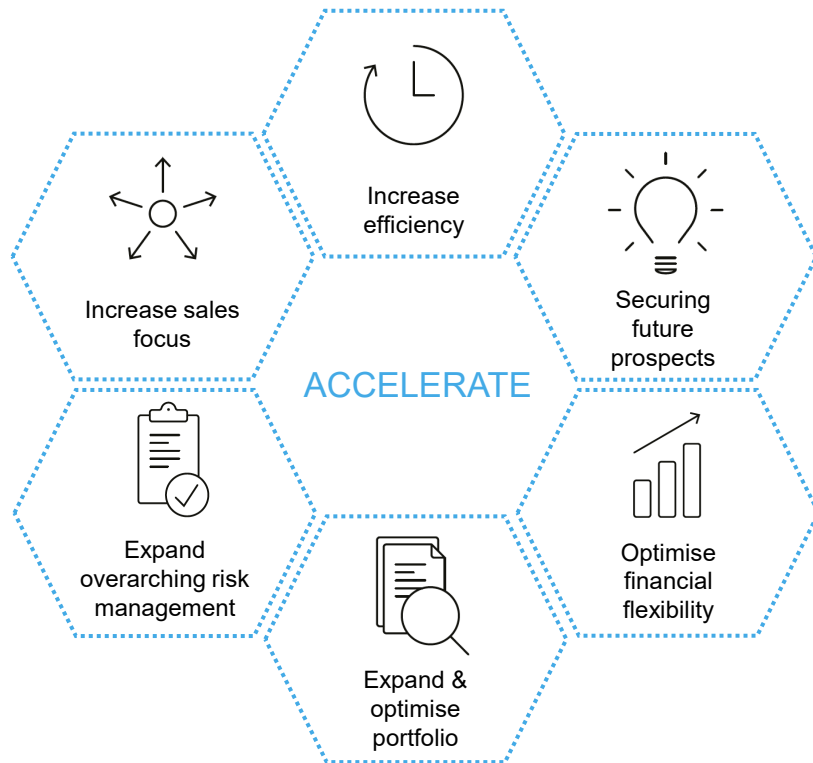
Synergistic buy-and-build platform with active portfolio management and value creation

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

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 generate of around €47m in the 2021 financial year
- Upon closing **purchase price** (enterprise value) is expected to be roughly **€43m**
- Purchase price corresponding to a **multiple on EBITDA** for 2021 of approximately **5.0x**
- **Agreed post-merger integration plan with senior Haogen management on track**

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.
- **Excellently** 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 2021

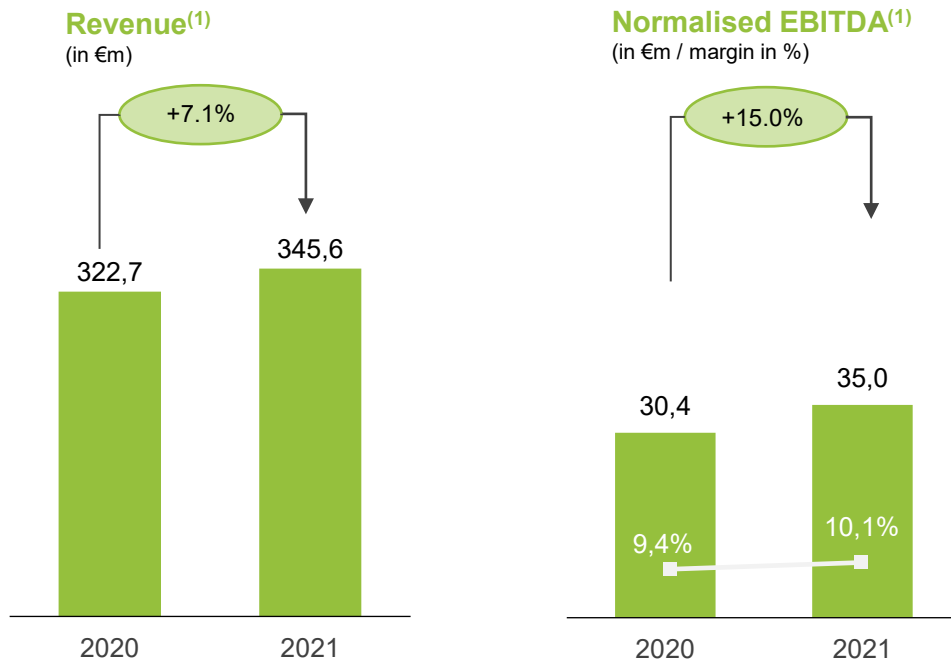
KAP Group – Highlights FY 2021

Revenue and earnings growth despite challenging market conditions

- Proven crisis resistance: Significantly lower demand in the automotive sector in H2 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 (+7.1%) with significantly improved operating result (+15.0%)
- flexible films continues on strong growth course with 2 successful add-on acquisitions (AerO + Haogenplast)
- Higher operating margins of 10.1% (+0.7 pp): Efficiency measures and higher-value product mix could fully compensate the sharp increase in procurement costs
- Portfolio focus strengthened on manufacturing industrial companies by completion of it/services sale, sale of Fulda premises and acquisitions
- Consistent implementation of ACCELERATE measures despite challenging market environment
- CAPEX programme fully on track: Expansion and development of production sites, attractive acquisitions and investments in plant and machinery

FY 2021 – Earnings position KAP Group

Revenue and earnings growth despite pandemic effects and supply chain disruptions



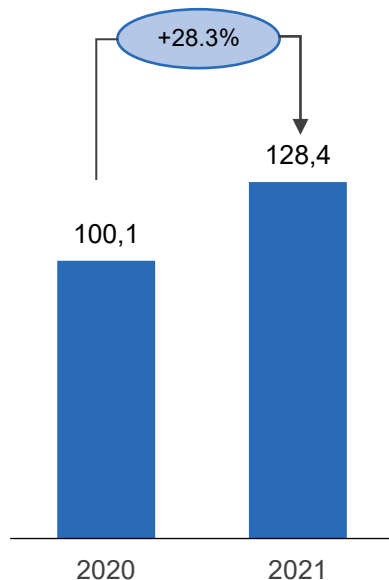
- Cushioned overall effect of pandemic and bottlenecks in supply chain on group level thanks to diversification
- Operative earnings growth in 3 of 4 segments
- Significantly increased normalised EBITDA-margin above 10% target
- EBITDA normalisations of € 21.5m mainly result from sale of its commercial property in Fulda, sale of other assets and transaction-related consulting costs

FY 2021 – flexible films

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

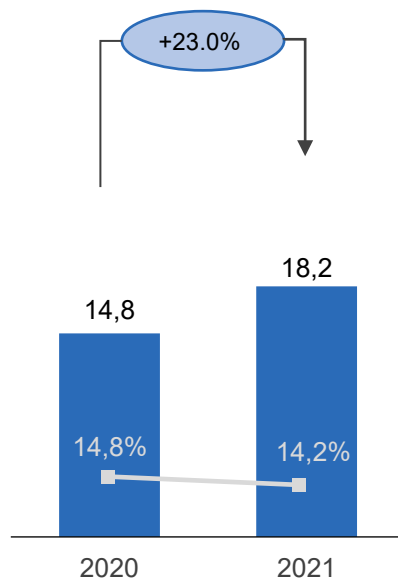
Revenue

(in €m)



Normalised EBITDA

(in €m / margin in %)



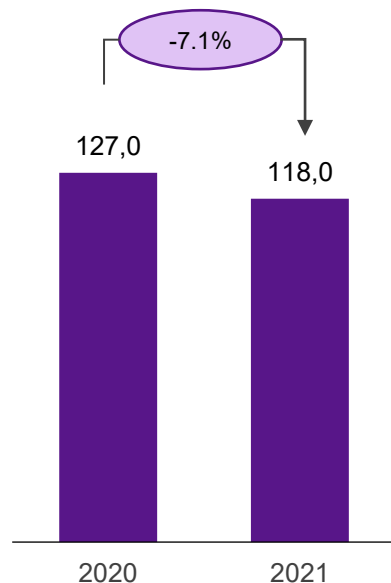
- Increased revenue due to high demand of swimming pool liners and acquisition of the extrusion specialist AerO Coated Fabrics
- Affected by price increases on the global commodity markets
- Successful implementation of ACCELERATE measures, e.g.:
 - Further professionalisation of purchasing and sales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

FY 2021 – engineered products

Segment burdened by automotive demand decline and plant closures

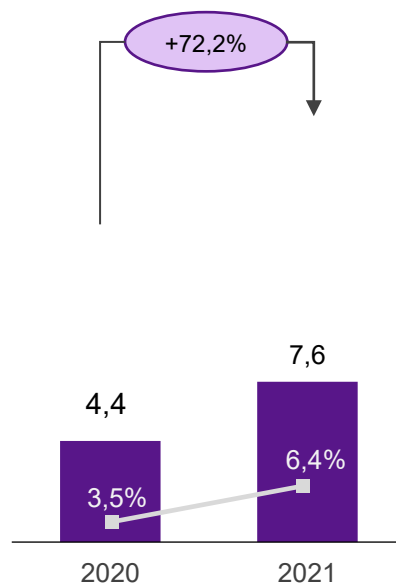
Revenue

(in €m)



Normalised EBITDA

(in €m / margin in %)



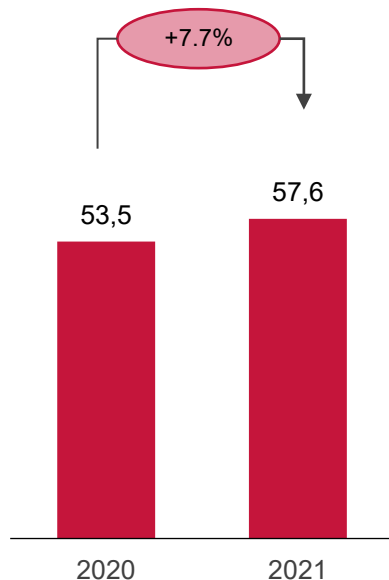
- Revenue decline mainly due to lower production capacities resulting from the closure of two plants end of 2020
- Negative impact from significant supply chain disruptions in the automotive industry
- EBITDA increase despite revenue decline due to positive impact from restructuring
- High investments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

FY 2021 – surface technologies

Robust performance despite global supply bottlenecks and postponed customer orders

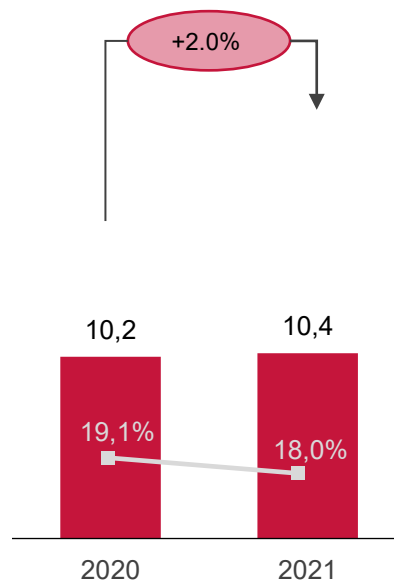
Revenue

(in €m)



Normalised EBITDA

(in €m / margin in %)



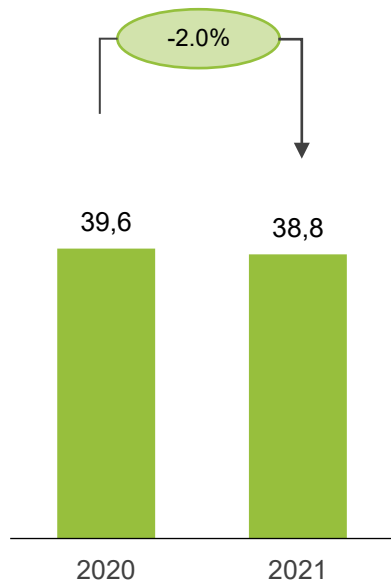
- General recovery in the automotive sector with positive impact on business development in the first half of 2021
- Slowdown in H2 due to global supply bottlenecks and postponement of orders by major customers
- Setup of a new production site in Alabama, USA, for Tier-1 customer Mercedes Benz (production start in H1 2022)

FY 2021 – precision components

Customer demand shift due to supply chain disruptions led to decreasing revenue and earnings

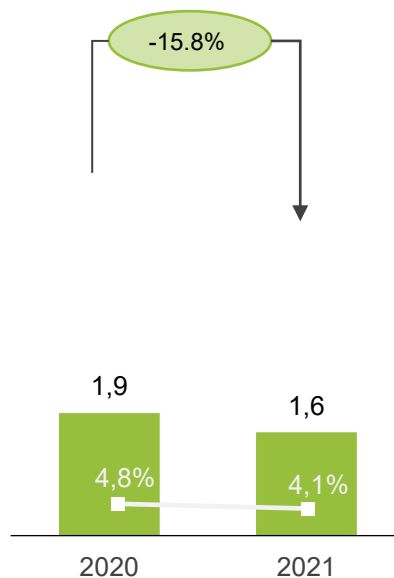
Revenue

(in €m)



Normalised EBITDA

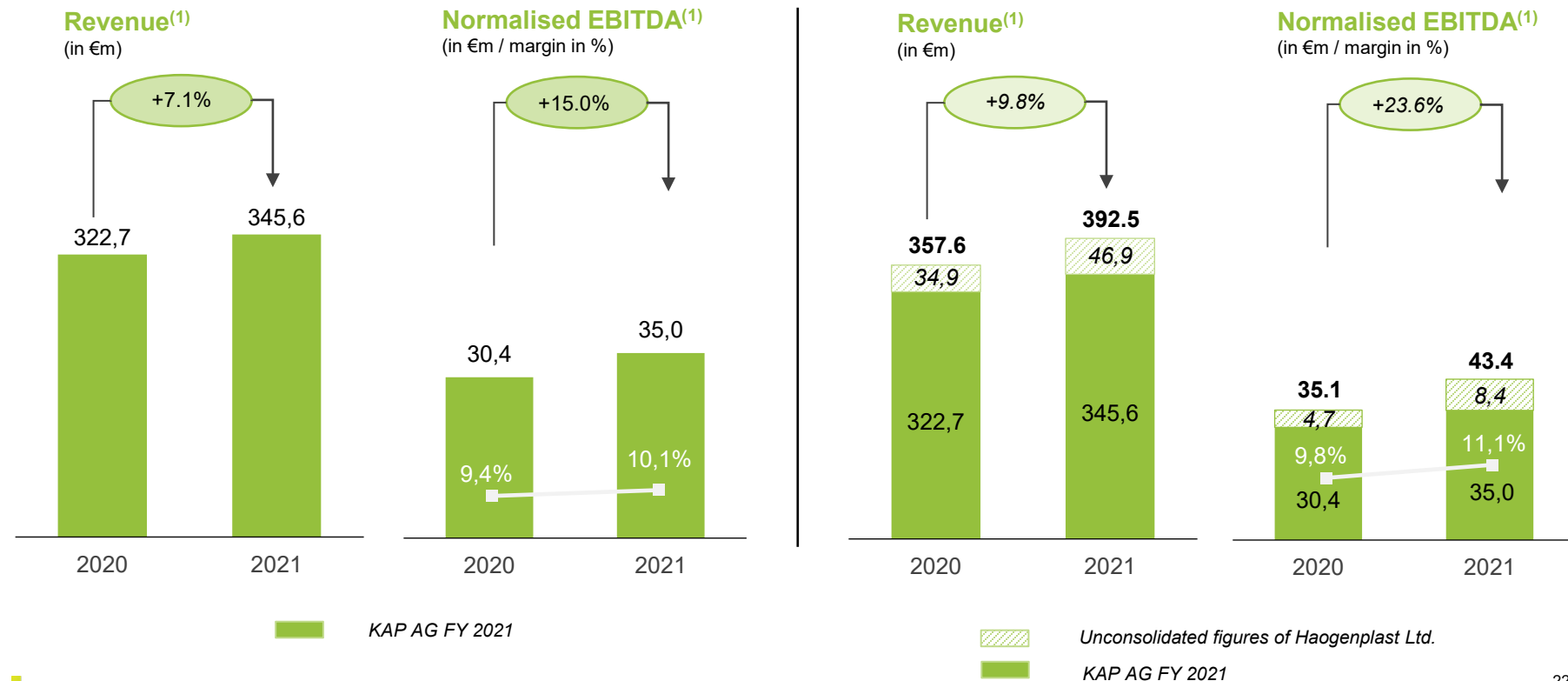
(in €m / margin in %)



- Recovery phase in first six month followed by a strong slowdown in H2
- Shifts in client demand in H2 due to supply chain disruptions
- Soft Q4 due to semiconductor shortages
- Various sales offensive launched in the e-bike segment

FY 2021 – M&A ,Haogenplast‘ (flexible films)

Perfect fit for our core industrial business with an outstanding financial performance



Outlook

Outlook

High forecast uncertainty due to Russia-/Ukraine war and ongoing COVID-19 pandemic

Forecast 2022

Results FY 21

- Revenues: € 346 million
- Normalised EBITDA: € 35 million

Guidance 2022

- Revenues: significantly above FY 21
- Normalised EBITDA: slightly above FY 21

Assumption

Our overall assessment takes into account the foreseeable effects on the KAP Group's business development at the time the annual report was completed, resulting from the Russia-Ukraine war and the ongoing coronavirus pandemic. Additional effects resulting from the ongoing coronavirus pandemic and the Russia-Ukraine war, which could not be specifically assessed at the time of the completion of the annual report, may subsequently change the forecast.

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 / Pharma</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

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