



Reshuffling of the portfolio - Buy

Mutares continues its brisk acquisition strategy also in 2021. In doing so, the company also takes advantage of the market environment, which offers attractive takeover targets. We are observing that the takeover targets are becoming significantly larger, as announced. From our point of view, the risk is not significantly higher for these acquisitions, but offers significantly higher value enhancement potential if the acquired companies have been successfully restructured. We believe, it also shows that sellers, usually large groups, now have more confidence that Mutares can successfully restructure larger acquisitions. We expect a reshuffling of the current portfolio in the coming quarters, also with a series of exits. Consequently, a high dividend payout (dividend yield of c.6%) is also very likely in the future. With a new TP of EUR 30, we stick to our Buy rating.

Eventful first quarter

The year 2021 has been very eventful in terms of transactions so far. Mutares announced five acquisitions, of which two were already closed. On the exit side, the company has announced the sale of STS Group, by far its largest portfolio company in the Automotive segment. In addition, the divestment of two further portfolio companies (Nexive and Balcke Dürr Rothemühle), which had already been announced in late 2020, could be finalized in Q1. As expected, Q1 revenues were highly impacted by acquisitions and jumped by 56% yoy to EUR 494m. Further, adj. EBITDA improved significantly to EUR 0.3m from EUR -10.4m in the prior year's quarter, mainly driven by the recovery in the Automotive segment.

EURm	2019	2020	2021e	2022e	2023e
Revenues	1,016	1,584	2,761	3,026	3,056
EBITDA	79	143	288	116	117
EBIT	26	41	167	7	19
EPS	1.36	1.80	5.90	(0.26)	0.26
EPS adj	(1.91)	(6.19)	(5.22)	(0.26)	0.26
DPS	1.00	1.50	1.50	1.50	1.50
EV/EBITDA	2.7	2.3	1.4	4.0	4.1
EV/EBIT	8.3	8.1	2.5	68.7	25.6
P/E adj	-	-	-	-	-
P/B	1.05	1.24	1.55	1.74	1.90
ROE (%)	11.4	14.4	40.6	-	1.8
Div yield (%)	7.9	9.6	5.8	5.8	5.8
Net debt	(2)	80	(17)	32	48

Source: Pareto

Target price (EUR)	30
Share price (EUR)	26

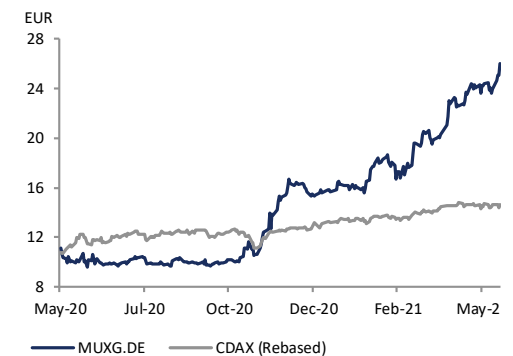
Forecast changes

%	2021e	2022e	2023e
Revenues	3	12	NM
EBITDA	71	31	NM
EBIT adj	NM	(72)	NM
EPS reported	69	NM	NM
EPS adj	(81)	NM	NM

Source: Pareto

Ticker	MUXG.DE, MUX GY
Sector	Diversified Small Caps
Shares fully diluted (m)	15.0
Market cap (EURm)	391
Net debt (EURm)	-17
Minority interests (EURm)	32
Enterprise value 21e (EURm)	417
Free float (%)	41

Performance



Source: Factset

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Analysts

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Large acquisition in Automotive

Mutares announced to acquire three plants in Germany from the automotive supplier Magna. The business, which generates revenues of around EUR 360m, consists of the production of plastic components such as bumper and exterior trim, radiator grilles and other trim components. According to Mutares, all major German automotive OEMs are among the customers. As usual for Mutares' platform acquisitions, the business should be loss-making and should be acquired without a significant purchase price. We believe, the equity commitment by Mutares to the acquisition should be quite manageable in the mid-single digit EURm range. Given the relatively large size of the business, we expect the acquisition related one-time gain (bargain purchase) to be in the range of EUR 50-70m.

In view of the size of the acquisition and the potential for value enhancement (EBITDA 2023e PAsE: around EUR 25-30m), we view the acquisition very positively. The acquisition also fits in with the company's announcement of larger acquisitions (revenue size EUR 100-500m). In our view, the risk and the restructuring efforts are not significantly higher for larger acquisitions, but the leverage for a value increase is significantly higher than with smaller acquisitions. With this acquisition, Mutares more than closes the gap in its automotive related business, which is created by the exit of the STS Group.

With that announcement, Mutares has signed already five acquisitions in 2021, of which two were closed. The company is thus consistently implementing its announcement of a lively transaction strategy ("at least one transaction per month"). The annualized revenue volume of the acquired companies is close to EUR 600m.

Mutares is also very active on the exit side. In addition to the two portfolio companies exited (Nexive and Balcke-Dürr Rothemühle), the company also signed the sale of STS Group, for which the closing is expected in Q2e. According to some press reports, Mutares intends to sell the Scandinavian business of its portfolio company Donges. The related business generates revenues of EUR 200m and an EBITDA of around EUR 10m, with no financial debt. The expected proceeds of the exit (PAsE EUR 60-80m) could provide Mutares with significant scope for new investments as well as for a higher dividend payout (current dividend yield of c.6%).

Updated estimates

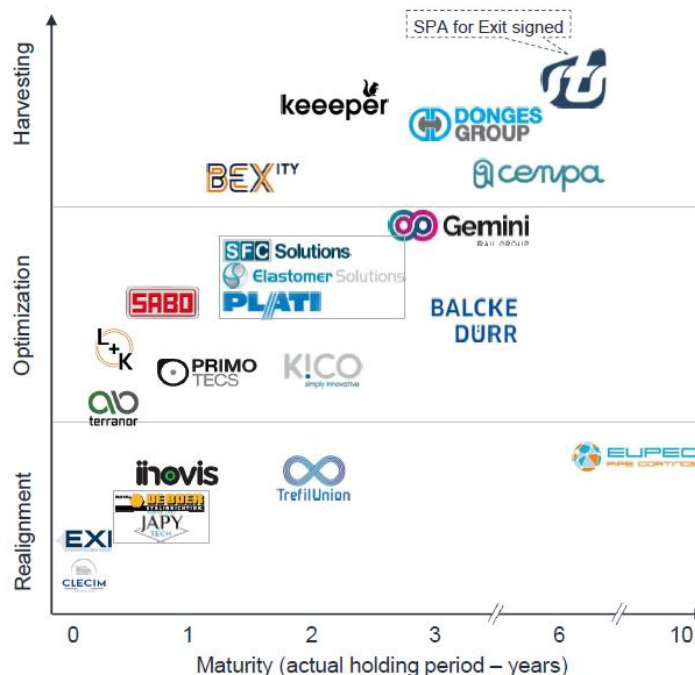
In order to reflect the recent transactions, we have updated our estimates. We have included all announced acquisitions, even if they are not yet closed (e.g. Lapeyre and Magna plans). However, the announced but not yet closed exits (e.g. STS Group closing in Q2e) are still included in our FY 2021e estimates but are excluded for the following years. On the other hand, the exit of Nexive and Balcke-Dürr Rothemühle (both closed in Q1) had a negative effect on our estimates.

We now forecast group revenues in FY 2021e of EUR 2.76bn (prev. EUR 2.68bn) and an adj. EBITDA of EUR 43m (prev. EUR 28m). Our reported EBITDA of EUR 288m (prev. EUR 168m) considers acquisition related one-time gains (bargain purchase) in the amount of EUR 250m and restructuring costs of EUR 40m and exit gains of EUR 35m. However, it should be taken into account that in particular the bargain purchase depends very much on the number and the size of acquisitions made in the fiscal year and is therefore hardly to predict precisely.

Valuation

Mutares has a mixed portfolio of companies with regard to profitability level and holding period. To provide a transparent insight about the different development of the portfolio companies, Mutares categorizes its portfolio into following three stages, depicted in the graph below:

Lifecycle status of portfolio companies



Source: Mutares

In Q1, we saw that a number of portfolio companies made significant progress in their development and thus moved up in Mutares' portfolio allocation. As the number of portfolio companies towards the Harvesting phase increases, the probability of further exits also increases. The share of portfolio companies in the Realignment phase (c.9% of group revenues) was at the lowest level since Q4 2019. We expect this segment to be filled by further acquisitions on the course of the year.

Valuation model

EURm

Adj. EBITDA of "Harvesting" companies in FY 2021e, adj. for IFRS 16	27	ex. STS Group
EV of "Harvesting" companies	192	x7
STS Group EV as of 05/20/2021	51	73% stake
Adj. EBITDA of "Optimization" companies in FY 2021e, adj. for IFRS 16	20	
EV of "Optimization" companies	100	x5
Rest of portfolio		
Revenues of "Realignment" companies	784	
EV of "Realignment" companies	165	x0.2
Consolidated EV	508	
Net debt as of 31/12/2021, adj. for dividend payments and STS stake	45	
Equity Value	463	
# shares in m	15.4	
Fair value per share	30.05	

Source: Pareto Securities Research

Given the fact, that the sale of the STS Group is not yet closed, we take into account the portfolio company with the agreed selling price (EUR 7 per share, implying an EV of EUR 70m). The net debt is deducted by the estimates cash proceeds for Nexive and Balcke-Dürr Rothemühle in the amount of around EUR 20m.

Consequently, we derive a new target price of EUR 30 per share (prev. EUR 19.50). We stick to our Buy rating.

PROFIT & LOSS (fiscal year) (EURm)	2016	2017	2018	2019	2020	2021e	2022e	2023e
Revenues	648	900	865	1,016	1,584	2,761	3,026	3,056
EBITDA	3	67	49	79	143	288	116	117
Depreciation & amortisation	-	(27)	(30)	(53)	(102)	(121)	(109)	(98)
EBIT	3	40	19	26	41	167	7	19
Net interest	(5)	(5)	(5)	(10)	(24)	(15)	(14)	(12)
Other financial items	-	-	-	-	-	-	-	-
Profit before taxes	(2)	36	15	17	17	152	(7)	7
Taxes	(3)	8	(3)	-	3	(45)	2	(2)
Minority interest	(0)	0	3	4	7	(15)	1	(1)
Net profit	(5)	44	15	21	27	91	(4)	4
EPS reported	(0.35)	2.85	0.96	1.36	1.80	5.90	(0.26)	0.26
EPS adjusted	(0.35)	2.85	0.96	(1.91)	(6.19)	(5.22)	(0.26)	0.26
DPS	-	-	1.00	1.00	1.50	1.50	1.50	1.50
BALANCE SHEET (EURm)	2016	2017	2018	2019	2020	2021e	2022e	2023e
Tangible non current assets	110	171	133	176	243	429	411	404
Other non-current assets	11	56	67	234	261	231	201	171
Other current assets	289	347	323	358	678	1,127	1,214	1,224
Cash & equivalents	63	99	108	80	145	247	203	192
Total assets	473	673	631	849	1,327	2,035	2,029	1,991
Total equity	57	166	208	208	207	290	262	244
Interest-bearing non-current debt	10	124	93	78	226	231	236	241
Interest-bearing current debt	40	-	-	-	-	-	-	-
Other Debt	367	384	330	562	895	1,514	1,531	1,507
Total liabilities & equity	473	673	631	849	1,327	2,035	2,029	1,991
CASH FLOW (EURm)	2016	2017	2018	2019	2020	2021e	2022e	2023e
Cash earnings	(45)	(72)	26	6	(134)	(29)	(5)	64
Change in working capital	5	39	(39)	(17)	91	204	40	5
Cash flow from investments	24	24	(3)	44	51	(55)	(61)	(61)
Cash flow from financing	(9)	35	23	(63)	58	(18)	(18)	(18)
Net cash flow	(6)	36	9	(28)	66	102	(44)	(11)
CAPITALIZATION & VALUATION (EURm)	2016	2017	2018	2019	2020	2021e	2022e	2023e
Share price (EUR end)	11.4	16.0	9.0	12.7	15.7	26.1	26.1	26.1
Number of shares end period	15	15	15	15	15	15	15	15
Net interest bearing debt	(14)	25	(16)	(2)	80	(17)	32	48
Enterprise value	163	272	151	216	333	417	465	482
EV/Sales	0.3	0.3	0.2	0.2	0.2	0.2	0.2	0.2
EV/EBITDA	54.5	4.0	3.1	2.7	2.3	1.4	4.0	4.1
EV/EBIT	54.5	6.8	7.8	8.3	8.1	2.5	68.7	25.6
P/E reported	-	5.6	9.4	9.4	8.7	4.4	-	-
P/E adjusted	-	5.6	9.4	-	-	-	-	-
P/B	3.1	1.5	0.8	1.1	1.2	1.6	1.7	1.9
FINANCIAL ANALYSIS & CREDIT METRICS	2016	2017	2018	2019	2020	2021e	2022e	2023e
ROE adjusted (%)	-	39.8	7.9	-	-	-	-	1.6
Dividend yield (%)	-	-	11.1	7.9	9.6	5.8	5.8	5.8
EBITDA margin (%)	0.5	7.5	5.7	7.8	9.0	10.4	3.8	3.8
EBIT margin (%)	0.5	4.4	2.2	2.6	2.6	6.0	0.2	0.6
NIBD/EBITDA	(4.57)	0.37	(0.32)	(0.02)	0.56	(0.06)	0.28	0.41
EBITDA/Net interest	0.56	-	0.98	0.80	-	2.85	8.55	9.59

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Bonheur	241,145	0.57%	Sparebank 1 SMN	1,875,442	1.44%
DOF	2,366,346	0.75%	Sparebank 1 SR-Bank	1,849,922	0.72%
Pareto Bank	16,235,886	23.38%	SpareBank 1 Østfold Akershus	1,205,116	9.73%
Quantafuel	1,119,887	0.89%	SpareBank 1 Østlandet	3,825,292	3.60%
Sandnes Sparebank	126,013	0.55%	Sparebanken Møre	305,239	3.09%
Selvaag Bolig	2,951,618	3.15%	Sparebanken Sør	433,744	2.77%
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Aker BP	0	25,281	Frontline	0	82,308	PGS	0	11,676
Aker Carbon Capture	0	190,956	Gjensidige Forsikring	0	7,723	Protector Forsikring	0	12,000
Aker Horizons	0	2,082	Golden Ocean Group	0	1,433	Quantafuel	0	1,119,887
Aker Offshore Wind	0	168,028	Grieg Seafood	0	12,213	REC Silicon	0	35,551
American Shipping Co.	0	13,300	Hafnia Ltd.	0	16,300	SailMar	0	105
Aprila Bank ASA	0	22,675	Huddly	0	899,442	Sandnes Sparebank	0	126,013
Archer	0	30,170	Hunter Group ASA	0	308,500	Scatec	0	20,324
ArcticZymes Technologies	0	598,575	HydrogenPro	0	37,151	Selvaag Bolig	0	51,900
Atlantic Sapphire	0	13,610	ice Group ASA	0	200,000	Skitude	0	12,695
Austevoll Seafood	0	29,235	Kalera	0	53,027	Sparebank 1 Nord-Norge	0	3,350
Avance Gas	0	3,362	Kitron	0	6,986	Sparebank 1 SMN	0	12,740
B2Holding AS	0	14,075	Komplett Bank	0	99,300	Sparebank 1 SR-Bank	0	8,413
Bank Norwegian	0	3,210	Kongsberg Gruppen	0	35,453	SpareBank 1 Østfold Akershus	0	1,252
BASF	270	270	KWS	75	75	SpareBank 1 Østlandet	0	8,621
Bonheur	0	32,275	Lerøy Seafood Group	0	41,478	Sparebanken Sør	0	16,435
Borregaard ASA	0	650	Mercell	0	23,038	Sparebanken Vest	0	16,735
Bouvet	0	294	Mowi	0	4,614	Sparebanken Øst	0	1,500
BRABank	0	74,607	MPC Container Ships	0	44,624	Stolt-Nielsen	0	1,817
BW Energy	0	55,050	Nordic Semiconductor	0	5,491	Storebrand	0	25,178
BW Offshore	0	16,076	Noreco	0	790	Subsea 7	0	9,226
Cloudberry Clean Energy	0	50,000	Norsk Hydro	0	107,219	Telenor	0	9,782
DNB	0	30,055	Norske Skog	0	98,225	Vow	0	7,081
DNO	0	151,978	NTS	0	2,272	Wallenius Wilhelmsen	0	61,450
DOF	0	2,366,346	Ocean Yield	0	104,370	XXL	0	17,423
Elkem	0	35,426	OHT	0	6,650	Yara	0	14,788
Entra	0	10,377	Okeanis Eco Tankers	0	22,000	Zaptec	0	4,000
Equinor	0	2,678	Orkla	0	19,852			
Europpris	0	11,621	Panoro Energy	0	28,204			

This overview is updated monthly (last updated 12.05.2021).

*Analyst holdings refers to positions held by the Pareto Securities AS analyst covering the company.

Appendix B

Disclosure requirements in accordance with Article 6(1)(c)(iii) of Commission Delegated Regulation (EU) 2016/958

Overview over issuers of financial instruments where Pareto Securities AS have prepared or distributed investment recommendation, where Pareto Securities AS have been lead manager/co-lead manager or have rendered publicly known not immaterial investment banking services over the

24SevenOffice Scandinavia	DigiPlex	Klaveness Combination Carriers ASA	Pryme
2G Energy	DLT	KLP	Quantafuel
Acconer AB	DOF	Komplett Bank	REC Silicon
Avanzia Bank S.A.	DOF Subsea AS	Kongsberg Automotive	Saga Robotics
Africa Energy Corp Corp	EcoOnline	Kraft Bank	Salmon Evolution
Aker ASA	ELOP	Maha Energy	Scorpio Bulkers
Aker Clean Hydrogen	Endur ASA	Meltwater	Seafire AB
Aker Horizons	Energean Israel Finance Ltd.	Mercell	SFL Corporation Ltd
Akershus Energi	Fertiberia S.A.R.L.	Mintra Group	SGL TransGroup International A/S
Akva Group	Fjordkraft Holding	Modex AS	Siccar Point Energy
Alussa Energy Acquisition Corp (Freyr)	Flexistore AS	MPC Container Ships	Skitude
American Tanker, Inc.	Genel Energy	Mutares SE & Co. KGaA	Sparebanken Vest
Aprila Bank ASA	Gjensidige Forsikring	Müller Medien GmbH (United Vertical Med	Strandline Resources Limited
Arctic Fish	Golden Ocean Group	Navigator Holdings Ltd.	Talos Energy Inc
Arendals Fossekompani	Goliath Offshore	Navios	Tise AS
Attensi	Hafnia Ltd.	Next Biometrics Group	Trønderenergi AS
Belships	Heimdall Power	Nordic Halibut	Vow
BioInvent	HKN Energy Ltd	Norse Atlantic	Watercircles Forsikring
Boreal Holding AS	Hofseth BioCare	Norske Skog	West Coast Salmon
Borr Drilling Limited	House of Control	Norwegian Block Exchange	Wheel.me
Brooge Energy Limited	Huddly	Odfjell SE	Ørn Software
Bulk Infrastructure Holding	HydrogenPro	OHT	
BW Energy	Ice Group Scandinavia Holdings AS	Panoro Energy	
CentralNic Group PLC	Idavang A/S	Pelagia Holding AS	
Cibus Nordic Real Estate	Instabank ASA	PetroNor E&P	
Circa Group	Kalera	PetroTal	
Cloudberry Clean Energy	Keppel FELS Limited	Pexip Holding	
CrayoNano AS	Kistos plc.	Proximar Seafood	

This overview is updated monthly (this overview is for the period 31.04.2020 – 31.04.2021).

Appendix C

Disclosure requirements in accordance with Article 6(3) of Commission Delegated Regulation (EU) 2016/958

Distribution of recommendations

Recommendation	% distribution
Buy	67%
Hold	30%
Sell	3%

Distribution of recommendations (transactions*)

Recommendation	% distribution
Buy	96%
Hold	4%
Sell	0%

* Companies under coverage with which Pareto Securities Group has on-going or completed public investment banking services in the previous 12 months.

This overview is updated monthly (last updated 12.05.2021).

Appendix D

This section applies to research reports prepared by Pareto Securities AB.

Disclosure of positions in financial instruments

The beneficial holding of the Pareto Group is 1 % or more of the total share capital of the following companies included in Pareto Securities AB's research coverage universe: None

The Pareto Group has material holdings of other financial instruments than shares issued by the following companies included in Pareto Securities AB's research coverage universe: None

Disclosure of assignments and mandates

Overview over issuers of financial instruments where Pareto Securities AB has prepared or distributed investment recommendation, where Pareto Securities AB has been lead manager or

24SevenOffice Scandinavia AB	Cibus Nordic Real Estate AB	Isfol Medical AB	Surgical Science
Azelio	Climeon AB	LMK Group	Swedencare AB
Bionvent	Egetis Therapeutics	Media & Games Invest plc.	Vicore Pharma
Biovica International	Implantica	Re:NewCell	VNV Global

Members of the Pareto Group provide market making or other liquidity providing services to the following companies included in Pareto Securities AB's research coverage universe:

Africa Energy Corp.	Logistri Fastighets AB	Minesto	Shamaran Petroleum
ByggPartner i Dalarna Holding	Magnolia Bostad	Saltängen Property Invest	Surgical Science
Cibus Nordic Real Estate	Media & Games Invest plc.	SciBase Holding	Tethys Oil
Isfol Medical	Mentice AB	Sedana Medical	Vostok Emerging Finance

Members of the Pareto Group have entered into agreements concerning the inclusion of the company in question in Pareto Securities AB's research coverage universe with the following companies: None

Member of the Pareto Group is providing Business Management services to the following companies:

Bosjö Fastigheter AB	Bråviken Logistik	Halmslätten	Mälåråsen
Bonäsudden	Delarka	Logistri	Sydsvenska Hem

Members of the Pareto Group have entered into agreements concerning the inclusion of the company in question in Pareto Securities AB's research coverage universe with the following companies: None
This overview is updated monthly (last updated 10.05.2021).

Appendix E

Disclosure requirements in accordance with Article 6(1)(c)(i) of Commission Delegated Regulation (EU) 2016/958

Designated Sponsor

Pareto Securities acts as a designated sponsor for the following companies, including the provision of bid and ask offers. Therefore, we regularly possess shares of the company in our proprietary trading books. Pareto Securities receives a commission from the company for the provision of the designated sponsor services.

2G Energy *	GFT Technologies *	Merkur Bank	SMT Scharf AG *
Biotest *	Gigaset *	MLP *	Surteco Group *
CORESTATE Capital Holding S.A.	Heidelberg Pharma *	mutares	Szygy AG *
Daldrup & Söhne	Intershop Communications AG	OVB Holding AG	TAKKT AG
Demire	Leifheit	Procredit Holding *	Viscom *
Epigenomics AG*	Logwin *	PSI SOFTWARE AG *	
Gesco *	Manz AG *	PWO *	
Gerry Weber	MAX Automation SE	S&T AG *	

* The designated sponsor services include a contractually agreed provision of research services.

Appendix F

Disclosure requirements in accordance with Article 6(1)(c)(iv) of Commission Delegated Regulation (EU) 2016/958

Sponsored Research

Pareto Securities has entered into an agreement with these companies about the preparation of research reports and –in return – receives compensation.

Adler Modemaerkte	Dermapharm Holding SE	Intershop Communications AG	mutares
Baywa	Expres2ion Biotechnologies	Leifheit	OHB SE
BB Biotech	Gerry Weber	MAX Automation SE	OVB Holding AG
Daldrup & Söhne	Hypoport AG	Merkur Bank	Siegfried Holding AG

This overview is updated monthly (last updated 18.05.2021).