

### Buy

PT: €30.00

#### Key data

Ticker	MUX GY
Price (10 November 2021)	€24.10
Upside to Price Target (%)	24.5
Market Cap (m)	417
Free Float (%)	50.0
Daily Value Traded (m)	0.4
No. of Shares (m)	20.04
1mth perf (%)	11.1
3mth perf (%)	2.5
12mth perf (%)	82.2
12mth high-low (€)	28 - 12

#### Key financials

(In EUR M)

Year to Dec	2020A	2021E	2022E
Group revenue	1,584	2,530	4,439
EBITDA (rep.)	143	(21.8)	8.3
EBIT (rep.)	41.2	(246.98)	(377.92)
DPS (c)	1.50	1.75	2.40
Net debt/(cash)	406.4	164.6	117.3
ROCE (NOPAT) (%)	11.4	24.7	23.3
EPS (adj.) y/y (%)	--	--	--
Net debt/EBITDA	(14.1)	(9.8)	8.83
EV/Sales	0.5	0.2	0.1
EV/EBITDA (adj.)	(26.9)	(33.2)	45.1
EV/EBIT (adj.)	10.6	2.7	1.5
P/E (adj.)	--	--	--
Dividend yield (%)	6.2	7.3	10.0
Free CF yield (%)	(11.7)	109.9	273.3
EV/ICE	1.2	0.7	0.3

Price reflects the close of 10 November 2021.

Completed: 10 November 2021 13:17EST  
Disseminated: 11 November 2021 01:00EST

All sources unless otherwise stated: Company data, FactSet, Stifel estimates

#### Share price performance (indexed)



## Deal activity set to remain on high levels

### Key Points

Overall, 3Q21 results confirm our investment case. Consulting revenues grew by ~55% yoy to €35.6m, fully in-line with our forecasts. This implies a 3Q21 top-line contribution from consulting services of €12.8m, an increase of ~59% yoy. Net income of the holding came in at €17.6m. MUX continues to execute on its growth strategy as it announced portfolio acquisition number 11 on 9 Nov, which brings the total number of portfolio companies to 20. The guidance was confirmed on all levels, i.e. FY21E group revenues of >€2.4bn and FY21E holding net income of €43-53m. Our forecasts stand at €2.53bn and €45.7m, respectively. MUX also continues to target a dividend on at least the level of FY20, i.e. a DPS of at least €1.50. In our view, this reads conservative. We estimate that the financial performance of the holding should cover a base DPS of €1.75. Beyond that, the company is well capitalized post the recent cap increase and six successful exits since the beginning of the year. Moreover, according to the CIO, MUX is in advanced negotiations to sell another two portfolio companies. Hence, we are of the view that the vast majority of exit gains should be distributed to shareholders, which may leave room for upside surprise on total dividend pay-outs. Our FY21E DPS forecast stands at €1.75, which compares to Refinitiv consensus of €1.62.

- MUX M&A teams continue to fire on all cylinders. On 9 November, the company announced the acquisition of Allianceplus AB, based in Sweden, a new platform investment in its Goods & Services segment. The company generated ~€27m in revenue in FY20 and, in our view, shows that MUX has established itself as leading private equity provider for special sits transaction in the Nordics. This marks the company's 11<sup>th</sup> acquisition YTD, which shows the strong momentum in the private equity market for special sits.
- The deal pipeline for the remainder of the year appears to be well filled. In the results CC, MUX' CIO indicated that the company is in the final stage of closing an add-on acquisition for SFC Solutions in the Automotive segment, which could potentially catapult EBITDA margins of the business from ~2% to 8% by FY24. Moreover, MUX' CIO indicated that parts of the cash injection from the cap increase could potentially be invested "before Christmas", which may signal the execution of a larger deal until year end.
- The success on the M&A front continues to be reflected in the financial performance on the holding level. Consulting revenues came in at €35.6m, which implies €12.8m in Q3, fully in-line with our forecast, which stood at €13.0m. This implies growth in what we believe is the most important part of MUX' business as it is largely of recurring nature and as it offers the highest degree of visibility. The number of consultants increased to 82 FTEs, up from 70 at the end of December 2020.
- While the overall portfolio is expanding, it is important to note, that management continues to deliver on its promise to reduce the overall holding period of its investments. This is reflected in six exits since the beginning of the year, of which the sale of STS Group has the biggest impact on the group's financial performance. Going forward, we understand that MUX is in advanced negotiations to sell two of its portfolio companies, Brexity and keeper, which generated sales of ~185m and ~€100m in FY20, respectively. We also note that Donges Group, a company, which we estimate will generate ~€400m in sales and €25-30m in EBITDA in FY21E, may be sold within the next 12 months, an event, which, in our view, would trigger significant exit gains and subsequent payments of extra dividends.
- Holding net income amounted to €17.6m in Q3, which significantly exceeded our forecast of €11.1m, largely driven by the gains from the sale of STS Group, which contributed ~€25m to the bottom line. This leaves ~€5m of net income in Q4 to reach the lower end of the company's guidance or ~€8m to reach our forecast of €46m, which we find very feasible.

Benjamin Kohnke | +49 (69) 78808 226 | benjamin.kohnke@stifel.com

Stifel does and seeks to do business with companies covered in its research reports. As a result, investors should be aware that the firm may have a conflict of interest that could affect the objectivity of this report. Investors should consider this report as only a single factor in making their investment decision.

All relevant disclosures and certifications appear on pages 3 - 6 of this report.

## Company Snapshot

### Investment case summary

The Mutares equity story is based on the company's transformation from an investment holding to a private equity firm in the niche area of special situations. As a result, earnings streams should become much more transparent and, as such, easier to value for analysts and investors alike. Moreover, management decided to leverage MUX's strong market position by targeting larger acquisitions. Consequently, we expect a continued rerating of the shares over the next 12 months. Recurring revenue from consulting services to and dividends from its portfolio companies should cover management's ambitions for attractive dividend payouts to shareholders. Mutares also plans to reduce significantly the holding period of portfolio companies. Hence, a higher exit frequency over the next few years should not only strengthen investor trust in the quality of the portfolio companies, but also result in potential performance dividends.

### Target price methodology

Mutares has decided to provide more transparency on the revenue and profit streams at the holding level, which form the basis for our valuation framework. We also take into account that management is highly committed to dividend payments. Our financial forecasts therefore flow into a private equity peer group analysis (FY22E P/E target multiple of 14x, applying a 15% discount to the median P/E peer group multiple to reflect differences in the business model) as well as a dividend discount model (DDM). The average of the two implied equity values, results in our price target of €30.00.

### Risk to our valuation and rating

While a larger portfolio is the prerequisite for growth, it will naturally be more complex to manage. This requires more investment professionals, consultants and, as a consequence, higher fixed costs. We could argue that Mutares's holdings are in a restructuring mode for a reason and a longer-than-expected optimisation phase would postpone dividend income. In some cases, the turnaround does not materialise and potentially results in insolvency procedures. This would naturally lead to either a low or even negative selling price, or trigger a costly liquidation process. That said, we note that Mutares has a strong track record since inception and, in addition, has baked in such, probability-weighted, scenarios in its financial guidance.

### Key dates

- FY21 results: March / Feb 2022

### Company description

Mutares is a leading private equity company with a focus on special situations, headquartered in Munich, Germany. It was founded in 2008 and went public in the same year. It is listed in the PRIME standard segment of the Frankfurt stock exchange.

### Key products, clients and end markets

Mutares's investments are focused on medium-sized companies located throughout continental Europe. Management claims to have a particular expertise in investing in and managing special situations or turnaround cases, facilitated by its ~100 consultants FTEs. With offices in Munich, Frankfurt am Main, Vienna, Paris, Madrid, Milan, Stockholm, Helsinki, as well as London, and investment activities in Europe, North Africa, North and South America and Asia, Mutares has a global footprint. The current portfolio comprises more than 20 equity investments. The firm focuses on companies that operate in the sectors of automotive, engineering or goods & services.

### Key shareholders

- Robin Laik (founder and CEO): 29%
- Mutares management: 11%
- Treasury shares: 3%

### Senior management

- Robin Laik: CEO
- Johannes Laumann: CIO
- Mark Friedrich: CFO
- Dr. Kristian Schleede is CRO

## Important Disclosures and Certifications

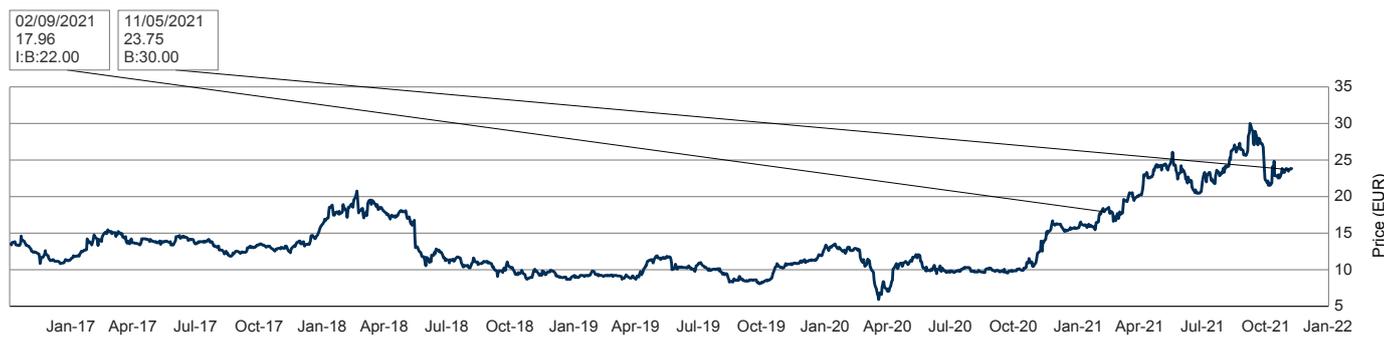
I, Benjamin Kohnke, certify that the views expressed in this research report accurately reflect my personal views about the subject securities or issuers; and I, Benjamin Kohnke, certify that no part of my compensation was, is, or will be directly or indirectly related to the specific recommendations or views contained in this research report.

Our European Policy for Managing Research Conflicts of Interest is available at [www.stifel.com/institutional/ImportantDisclosures](http://www.stifel.com/institutional/ImportantDisclosures).

Completed: 10 November 2021 13:17EST

Disseminated: 11 November 2021 01:00EST

### Mutares SE & Co KGaA (MUX GY) as of November 09, 2021 (in EUR)



\*Represents the value(s) that changed.

Buy=B; Hold=H; Sell=S; Discontinued=D; Suspended=SU; Discontinued=D; Initiation=I

For a price chart with our ratings and any applicable target price changes for MUX GY go to [http://stifel2.bluematrix.com/sellside/Disclosures.action?ticker=MUX\\_GY](http://stifel2.bluematrix.com/sellside/Disclosures.action?ticker=MUX_GY)

Stifel is party to an agreement with Mutares SE & Co KGaA relating to the production of the research (this includes agreements concerning the production of company sponsored research).

Mutares SE & Co KGaA is a client of Stifel or an affiliate was a client of Stifel or an affiliate within the past 12 months.

Stifel or an affiliate expects to receive or intends to seek compensation for investment banking services from Mutares SE & Co KGaA in the next 3 months.

Stifel or an affiliate is a market maker or liquidity provider in the securities of Mutares SE & Co KGaA.

Mutares SE & Co KGaA is provided with non-investment banking, securities related services by Stifel or an affiliate or was provided with non-investment banking, securities related services by Stifel or an affiliate within the past 12 months.

The research analyst(s) responsible for the preparation of this report viewed the material operations of Mutares SE & Co KGaA.

Stifel or an affiliate has received compensation for non-investment banking, securities related services from Mutares SE & Co KGaA in the past 12 months.

The equity research analyst(s) responsible for the preparation of this report receive(s) compensation based on various factors, including Stifel's overall revenue, which includes investment banking revenue.

### Investment Rating System

Our investment rating system is defined as follows:

**Buy** - We expect a total return of greater than 10% over the next 12 months with total return equal to the percentage price change plus dividend yield.

**Speculative Buy**<sup>1</sup> - We expect a total return of greater than 30% over the next 12 months, with total return equal to the percentage price change plus dividend yield, accompanied by substantially higher than normal risk including the possibility of a binary outcome.

**Hold** - We expect a total return between -5% and 10% over the next 12 months with total return equal to the percentage price change plus dividend yield.

**Sell** - We expect a total return below -5% over the next 12 months with total return equal to the percentage price change plus dividend yield.

Occasionally, we use the ancillary rating of **Suspended (SU)** to indicate a long-term suspension in rating and/or target price, and/or coverage due to applicable regulations or Stifel policies. Alternatively, **Suspended** may indicate the analyst is unable to determine a “reasonable basis” for rating/target price or estimates due to lack of publicly available information or the inability to quantify the publicly available information provided by the company and it is unknown when the outlook will be clarified. **Suspended** may also be used when an analyst has left the firm.

<sup>1</sup> This rating is only utilised by Stifel Canada.

Of the securities we rate, 55% are rated Buy, 1% are rated Speculative Buy, 26% are rated Hold, 2% are rated Sell and 16% are rated Suspended.

Within the last 12 months, Stifel or an affiliate has provided investment banking services for 17%, 18%, 12% and 22% of the companies whose shares are rated Buy (includes Speculative Buy), Hold, Sell and Suspended respectively.

Within the last 12 months, Stifel or an affiliate has provided material services for 40%, 64%, 19%, 29% and 16% of the companies whose shares are rated Buy, Speculative Buy, Hold, Sell and Suspended respectively.

### Additional Disclosures

Please visit the Research Page at [www.stifel.com](http://www.stifel.com) for the current research disclosures and respective target price methodology applicable to the companies mentioned in this publication that are within the Stifel coverage universe. For a discussion of risks and changes to target price including basis of valuation or methodology please see our stand-alone company reports and notes for all stocks.

The information contained herein has been prepared from sources believed to be reliable but is not guaranteed by us and is not a complete summary or statement of all available data, nor is it considered an offer to buy or sell any securities referred to herein. Opinions expressed are as of the date of this publication and are subject to change without notice. These opinions do not constitute a personal recommendation and do not take into account the particular investment objectives, financial situation or needs of individual investors. Employees of Stifel, or its affiliates may, at times, release written or oral commentary, technical analysis or trading strategies that differ from the opinions expressed within. Stifel or any of its affiliates may have positions in the securities mentioned and may make purchases or sales of such securities from time to time in the open market or otherwise and may sell to or buy from customers such securities on a principal basis; such transactions may be contrary to recommendations in this report. Past performance should not and cannot be viewed as an indicator of future performance. Unless otherwise noted, the financial instruments mentioned in this report are priced as of market close on the previous trading day and presumed performance is calculated always over the next 12 months.

As a multi-disciplined financial services firm, Stifel regularly seeks investment banking assignments and compensation from issuers for services including, but not limited to, acting as an underwriter in an offering or financial advisor in a merger or acquisition, or serving as a placement agent in private transactions.

### Affiliate Disclosures

References to “**Stifel**” (collectively “Stifel”) refer to SFC and other associated affiliated subsidiaries including (i) Stifel, Nicolaus & Company, Incorporated (“**SNC**”); (ii) Keefe, Bruyette & Woods, Incorporated (“**KBWI**”), which are both U.S. broker-dealers registered with the United States Securities and Exchange Commission (“**SEC**”) and members of the Financial Industry National Regulatory Authority (“**FINRA**”), respectively; (iii) Stifel Nicolaus Canada, Incorporated. (“**Stifel Canada**”), which is authorised and regulated by Investment Industry Regulatory Organization of Canada (“**IIROC**”), and also trades under the names “**Stifel GMP**” and/or “**Stifel FirstEnergy**”; (iv) Stifel Nicolaus Europe Limited (“**SNEL**”), which is authorised and regulated by the Financial Conduct Authority (“**FCA**”) (FRN 190412) and is a member of the London Stock Exchange and also trades under the name Keefe, Bruyette & Woods Europe (“**KBW Europe**”); and (v) Stifel Europe Bank AG (“**SEBA**”), which is regulated by the German Federal Financial Supervisory Authority (Bundesanstalt für Finanzdienstleistungsaufsicht; “**BaFin**”) and is a member of Deutsche Boerse and SIX Swiss Exchange and (vi) Stifel Schweiz AG (“**STSA**”), which is representative of SEBA in Switzerland and regulated by the Eidgenössische Finanzmarktaufsicht (“**FINMA**”). SNEL, SEBA and STSA are collectively referred to as **Stifel Europe**.

**Registration of non-US Analysts:** Any non-US research analyst employed by Stifel contributing to this report is not registered/qualified as a research analyst with FINRA and is not an associated person of the US broker-dealer and

therefore may not be subject to FINRA Rule 2241 restrictions on communications with a subject company, public appearances, and trading securities held by a research analyst account.

**Global Research Notes:** Stifel Global Research (Cross-Border Research) notes are intended for use only by Institutional or Professional Clients. Research analysts contributing content to these reports are subject to different regulatory requirements based on the jurisdiction in which they operate. Clients seeking additional information should contact the Stifel entity through which they conduct business.

**SEBA & STSA Sponsored research:** At SEBA & STSA, analysts may produce issuer paid research ('sponsored research'). This research is produced by analysts in accordance with local regulatory requirements relating to such research. In certain jurisdictions, this issuer paid research may be deemed to be independent research albeit not produced to the same conflicts of interest standards required by all jurisdictions for independent research. Where research has been paid for by an issuer, this will be clearly labelled. Please see our [European Policy for Managing Research Conflicts of Interest](#) for additional information.

### Country Specific and Jurisdictional Disclosures

**United States:** Research produced and distributed by Stifel Europe is distributed by Stifel Europe to "Major US Institutional Investors" as defined in Rule 15a-6 under the US Securities Exchange Act of 1934, as amended. SNC may also distribute research prepared by Stifel Europe directly to US clients, including US clients that are not Major US Institutional Investors. In these instances, SNC accepts responsibility for the content. Stifel Europe is a non-US broker-dealer and accordingly, any transaction by a US client in the securities discussed in the document must be effected by SNC. US clients wishing to place an order should contact their SNC representative.

**UK:** This report is distributed in the UK by SNEL, which is authorised and regulated by the Financial Conduct Authority (FCA). In these instances, SNEL accepts responsibility for the content. Research produced by Stifel Europe is not intended for use by and should not be made available to retail clients as defined by the FCA.

**European Economic Area (EEA):** This report is distributed in the EEA by SEBA, which is authorized and regulated by the German Federal Financial Supervisory Authority (Bundesanstalt für Finanzdienstleistungsaufsicht; "BaFin"). In these instances, SEBA accepts responsibility for the content. Research produced by Stifel Europe is not intended for use by and should not be made available to retail clients as defined under MiFID II.

The complete preceding 12-month recommendations history related to recommendation(s) in this research report is available at <https://stifel2.bluematrix.com/sellside/MAR.action>

**Australia:** Research produced by Stifel is distributed by SNEL under the Australian Securities and Investments Commission ("ASIC") Class Order [CO 03/1099] exemption from the requirement to hold an Australian Financial Services Licence ("AFSL"). This research may only be distributed to a "Wholesale Client" within the meaning of section 761G of the Corporations Act 2001 (Cth).

**Brunei:** This document has not been delivered to, registered with or approved by the Brunei Darussalam Registrar of Companies, Registrar of International Business Companies, the Brunei Darussalam Ministry of Finance or the Autoriti Monetari Brunei Darussalam. This document and the information contained within will not be registered with any relevant Brunei Authorities under the relevant securities laws of Brunei Darussalam. The interests in the document have not been and will not be offered, transferred, delivered or sold in or from any part of Brunei Darussalam. This document and the information contained within is strictly private and confidential and is being distributed to a limited number of accredited investors, expert investors and institutional investors under the Securities Markets Order, 2013 ("Relevant Persons") upon their request and confirmation that they fully understand that neither the document nor the information contained within have been approved or licensed by or registered with the Brunei Darussalam Registrar of Companies, Registrar of International Business Companies, the Brunei Darussalam Ministry of Finance, the Autoriti Monetari Brunei Darussalam or any other relevant governmental agencies within Brunei Darussalam. This document and the information contained within must not be acted on or relied on by persons who are not Relevant Persons. Any investment or investment activity to which the document or information contained within is only available to, and will be engaged in only with Relevant Persons.

**Canadian Distribution:** Research produced by Stifel Europe is distributed in Canada by SNC in reliance on the international dealer exemption. This material is intended for use only by professional or institutional investors. None of the investments or investment services mentioned or described herein is available to other persons or to anyone in Canada who is not a "permitted client" as defined under applicable Canadian securities laws.

**Republic of South Africa:** Research produced by Stifel is distributed by SNEL to "Clients" as defined in FSCA FAIS Notice 20 of 2018 (the "FAIS Notice") issued by the Financial Services Conduct Authority. Research distributed by SNEL

is pursuant to an exemption from the licensing requirements under Section 7(1) of the Financial Advisory and Intermediary Services Act, 2002.

In jurisdictions where Stifel is not already licensed or registered to trade securities, transactions will only be affected in accordance with local securities legislation which will vary from jurisdiction to jurisdiction and may require that a transaction is carried out in accordance with applicable exemptions from registration and licensing requirements. Non-US customers wishing to effect transactions should contact a representative of the Stifel entity in their regional jurisdiction except where governing law permits otherwise. US customers wishing to effect transactions should contact their US salesperson.

The securities discussed in this report may not be available for sale in all jurisdictions and may have adverse tax implications for investors. Clients are advised to speak with their legal or tax advisor prior to making an investment decision.

#### **Additional Information Is Available Upon Request**

© 2021 Stifel. This report is produced for the use of Stifel customers and may not be reproduced, re-distributed or passed to any other person or published in whole or in part for any purpose without the prior consent of Stifel.