

A Work Project, presented as part of the requirements for the Award of a Master's degree in  
Finance from the Nova School of Business and Economics.

PRIVATE EQUITY CHALLENGE – LEVERAGED BUYOUT OF KRONES –  
OPERATING MODEL

STEFAN CHRISTIAN LAUFFER  
(55830)

Work project carried out under the supervision of:

Luis Mota Duarte

20/12/2023

## **Abstract**

This document assesses the leveraged buyout (LBO) of Kronos AG, a publicly traded beverage equipment manufacturer and service provider, serving as a supplementary resource to the investment committee paper (ICP). Utilizing publicly available information from sources like Bloomberg, Capital IQ, and Refinitiv, both quantitative and qualitative analyses were conducted. These include a comprehensive valuation of Kronos AG, LBO modelling, and analyzing the competition landscape. Based on our analysis, the potential return on investment for the Kronos AG LBO, spanning 5 years, could reach up to 3.5x the initial investment, contingent upon financial model assumptions and the success of value-creation strategies.

## **Keywords**

Private Equity, Corporate Finance, Leveraged Buyout, Value Creation, Operating Model, Kronos AG, Valuation, Returns Analysis

This work used infrastructure and resources funded by Fundação para a Ciência e a Tecnologia (UID/ECO/00124/2013, UID/ECO/00124/2019 and Social Sciences DataLab, Project 22209), POR Lisboa (LISBOA-01-0145-FEDER-007722 and Social Sciences DataLab, Project 22209) and POR Norte (Social Sciences DataLab, Project 22209).

## **Table of Contents:**

### **1. Group Part**

<b>1.1   Company Overview .....</b>	<b>4</b>
1.1.1   Business Model.....	4
1.1.2   Key Financials .....	6
1.1.3   Competitive Advantages.....	7
<b>1.2   Market Overview .....</b>	<b>8</b>
1.2.1   Competitive Landscape .....	9
<b>1.3   Investment Highlights and Value Creation.....</b>	<b>10</b>
1.3.1   Value Creation Strategies .....	11
<b>1.4   Business Plan.....</b>	<b>12</b>
<b>1.5   Valuation, Sources &amp; Uses and Returns .....</b>	<b>14</b>
<b>1.6   Exit.....</b>	<b>16</b>

### **2. Individual Part – Stefan Christian Lauffer**

<b>2.1   Introduction .....</b>	<b>18</b>
<b>2.2   Revenue Forecast.....</b>	<b>19</b>
<b>2.3   Cost Forecast.....</b>	<b>21</b>
<b>2.4   Cash Flow Statement.....</b>	<b>23</b>
<b>2.5   Strategic Acquisitions.....</b>	<b>24</b>
<b>2.6   Bank Case.....</b>	<b>26</b>
<b>2.7   Conclusion.....</b>	<b>27</b>
<b>2.8   References .....</b>	<b>29</b>

### **3. Appendix**

## **1. Group Part**

### **1.1 Company Overview**

Krones AG, founded in 1951, is one of the largest equipment and machinery manufacturers for filling and packaging, process and intralogistics solutions for the beverage and liquid food industry. Krones' significance in the beverage industry is underscored by the fact that every 4<sup>th</sup> beverage container runs through Krones' ecosystem. Headquartered in Neutraubling, Germany, Krones operates across over 150 countries worldwide, employing over 17.000 individuals. The company is present globally with 24 production sites, 48 production sites, and 15 service centers. In 2023 Krones generated EUR 4,922m in total revenues and recorded a gross margin of 51.7% and an EBIT Margin of 6.2%.

Within its primary operations of filling and packaging, Krones holds the global market and technology leadership position. This segment accounts for roughly 80% of the total revenue, making it the most substantial segment, while the process technology and intralogistics units are significantly smaller.

The product portfolio ranges from individual machines to turnkey lines up to holistic production facilities. Thus, Krones positions itself as a one-stop shop for beverage production facilities and additionally offers extensive consulting services on planning entire beverage plants or optimizing existing ones and lifecycle services (LCS).

Krones' customer base primarily ranges from the beverage and liquid food industry to a few customers in the pharmaceutical and chemical industries. Moreover, Krones extends its expertise to the plastics industry, offering machinery for producing PET bottles and systems for PET recycling. In terms of size, global accounts, regional accounts, and SME enterprises account for 30%, 40%, and 30%, respectively.

#### **1.1.1 Business Model**

As a One-Stop-Shop for the beverage and liquid food industry, Krones' modular product

portfolio allows customers to select from a wide range of machinery (individual machines, turnkey lines and holistic beverage plants) and services (digital services and lifecycle services) that can be tailored to their specific needs. This modular approach enables Krones to address the diverse requirements of various industries ranging from beverage production to pharmaceuticals.

The business model of Krones revolves around three major business segments: filling and packaging technology, process technology and intralogistics. Each segment earns revenues by offering new machinery and after-sales services (clustered into lifecycle services and digital services), whereas for every segment the sale of new machinery equipment accounts for the majority of segment revenues.

The biggest business segment filling and packaging technology comprises technology like filling, capping, tempering and labelling solutions. In 2021, the process technology division including the intralogistics division was split into two autonomous business segments.

The product portfolio of the process technology division consists of cutting-edge solutions for processing and treatment (mixing, heating, cooling, sterilization etc.) mainly for beverages and liquid food. The intralogistics division provides comprehensive solutions for streamlining processes within production facilities like material flow optimization, automated warehousing or picking and loading systems.

By adding intralogistics services to the portfolio in recent years, Krones is at an excellent position to be pioneer in the increasing digitalization of the beverage industry, since Krones knows all of the processes involved in beverage production to the smallest detail.

Additional services like digital and lifecycle services complement Krones' product offering. Digital solutions like data analytics, process automation, digital monitoring and predictive maintenance enable customers to increase operational efficiency. Instead, lifecycle services (LCS) provide ongoing support throughout the lifespan of Krones' machinery, ranging from

maintenance, spare parts, technical support and training. Krones' digital solutions and lifecycle services (LCS) are provided within the framework of a service level agreement (SLA) and grants Krones a substantial share of recurring revenues each year.

The global footprint of Krones is a crucial factor in the expansion of its service-based business segment, allowing for tailored, localized support and services and facilitating adapting to regional market dynamics.

### **1.1.2 Key financials**

In 2023, Krones generated a total of EUR 4.922m revenues, which has been growing at a CAGR of 4.5% since 2019. The core business segment of Krones, Filling and Packaging Technology, accounts for 78% of group's total revenues while Process Technology and Intralogistics account for 9% each.

The Covid-19 pandemic notably impacted revenue growth in 2020, but there was a subsequent increase in revenues from 2021 onwards. Krones is heavily export-oriented, generating 90% of sales outside of their home market Germany, while 55% of revenues are generated in advanced economies and 45% in emerging markets. The revenue growth is mainly demand-driven, as price increases can only be passed on to customers with a delay due to long lead times, however, the management increased prices recently, which will have an effect in the upcoming years. While in terms of absolute numbers, the core business filling and packaging technology is most attributable to sales revenue growth, the remaining two business segments process technology and intralogistics noticed higher percentage growth. They grew after their split in 2021 with CAGRs of 23.3% and 18.4% respectively, whereas filling and packaging technology grew with a CAGR of 4.1% from 2019 to 2023, but with 12.3% after 2021. As Krones has not recorded high levels of M&A activity in recent years, revenue growth was primarily organic rather than inorganic.

Krones AG recorded an EBIT margin of 6.2% in 2023 and an EBITDA margin of 9.3%,

while the group segments filling and packaging technology, process technology and intralogistics recorded an EBITDA margin of 10.3%, 7.0% and 7.5%, respectively. Filling and Packaging present a higher margin because Krones can enforce higher prices for this segment, as it holds market and technology leadership. Krones' strategic transformation from a plain manufacturer of beverage plants to a manufacturer and manager of beverage plants may have further margin improvement potential as the profitable service business gains in importance.

Operating cash flow is mainly driven by fluctuations in EBIT and working capital. NWC was reduced in times of high order intake due to an increase in advanced payments and trade payables but increased in 2023 due to higher inventory. Another important aspect in the cashflow statement is the high CAPEX as Krones is operating in the asset-heavy machinery business. Therefore, NWC and Capex contributed to a lower Free Cash Flow in 2023 after very high free cash flows in 2021 and 2022.

### **1.1.3 Competitive advantages**

As the only one-stop shop in the beverage equipment manufacturing industry, Krones stands out for its extensive global presence and customer proximity, operating in over 150 countries through more than 100 engineering locations, production sites, service centers, and sales offices. Their operations are strategically divided across five key regions: Asia Pacific, Africa, Europe, South America, and North America, each with a flagship service center or production facility. This geographical spread not only ensures close customer relationships but also contributes to Krones' strong export orientation, with approximately 89% of its total revenues in 2023 generated outside its home market of Germany. This international diversification, with revenues nearly evenly split between advanced economies and emerging markets, underscores Krones' ability to adapt and respond to diverse market needs, enhancing its reputation and benefiting from the word-of-mouth effect.

## 1.2 Market Overview

As a manufacturer of equipment for the beverage industry, Krones' market is mainly driven by the consumption of beverages. Krones' total addressable market can be clustered by packaging material and by region. In 2022 over 1,500 billion beverage containers were filled and this is expected to grow at 3.2% per annum. The focus areas of Krones glass, cans and PET bottles are expected to grow by 2%, 2.9% and 3.6% respectively. Based on container type, Krones is the market leader in PET lines, glass lines and can lines while for Aseptic PET solutions Krones is the second biggest equipment provider.

The global consumption of packaged beverages in North America, South America, Europe, Africa and APAC is growing at 2.2%, 2%, 2.3%, 3.4% and 4.4% respectively.

The two regions of Europe and the USA differ from the emerging markets in terms of customer preferences, market trends, competition, risks, and winning strategy.

The addressable market of Krones' core segment, Filling and Packaging technology, is valued at EUR 48b and is expected to grow at a CAGR of 4.7% to EUR 60b in 2028. The overall beverage industry is driven by technological progress, increased awareness for sustainability, global population growth and changing customer behavior. The integration of automation and Industry 4.0 technologies in production facilities of beverage producers increase efficiency and production capacity, while simultaneously help to lower operating costs. Another key topic in the beverage industry is the growing awareness of sustainable beverage container solutions and recycling solutions with the primary goal of waste and CO2 reduction. As an overarching megatrend of global population growth, the growing global middle class and the continuous urbanization fuels the demand for bottled beverages, especially in Asia Pacific and Africa. Shifting customer preferences to increased health and consumer awareness also lead to higher demand for packaged beverages.

### **1.2.1 Competitive Landscape**

KHS is one of two main competitors of Kronos. KHS is a subsidiary of the German steel manufacturer Salzgitter AG, belongs to its technology business unit, and accounts for 90% of its sales. KHS is one of the world's three leading suppliers in filling and packaging machinery equipment. Its product portfolio focuses on high-performance systems and solutions for lower output rates. Like Kronos AG, KHS offers processing technology for a wide variety of beverages and liquid food products and Intralogistics.

The other main competitor of Kronos is Sidel, a subsidiary of privately held Tetra Laval group. Sidel is a leading supplier of equipment for filling and packaging of beverages and liquid food. The product offering of Sidel is complemented by another subsidiary of Tetra Laval, Tetra Pak, with processing equipment solutions. Sidel generated EUR 1,440m in revenues and has a workforce of roughly 5,000 FTE in over 90 countries in 2022.

Coesia is a privately held conglomerate of companies operating in multiple sectors and offering a range of products and services that cater to various industries like packaging, beverage filling equipment and automation systems for production lines. Coesia specializes in packaging technology. As Coesia stopped publishing annual reports in 2020 and is not obliged to publicly disclose financial information in the same manner that publicly traded companies are, the most recent financial information is from 2020.

Another competitor of Kronos is German-based GEA Group AG. GEA focuses on systems supply for the food, beverage, and pharmaceutical industries. In contrast to Kronos, GEA focuses on components rather than whole beverage plants.

SIG group is a prominent player in the packaging industry for beverages and liquid food, focusing on aseptic packaging. The product portfolio also includes filling machines, processing equipment and intralogistics solutions. SIG group is the only system provider that offers stand-up pouches, carton packaging and bag-in-box packaging.

### **1.3 Investment Highlights and Value Creation**

Krones AG, a leading player in the filling and packaging equipment sector, offers a strong investment opportunity characterized by four key factors:

Firstly, Krones' attractiveness is anchored in its market leadership and defensible position within the vital beverage end market. The company has established itself as a leader by consistently offering innovative products that set new industry standards, thus securing competitive advantages and pricing power. Additionally, the specialized nature of its equipment manufacturing creates significant barriers to entry and helps Krones maintain its market position and protect its market share from new competitors.

Secondly, Krones' geographical footprint underpins its robust market position and builds the foundation for its best-in-class service portfolio. The global presence serves a well-diversified customer base that can benefit from flexibility, speed, and proximity, which are critical in today's dynamic market environment. This customer-centric approach has led to a track record of innovation and cutting-edge advancements in sustainability and digitalization that meet the ever-evolving demands of the market.

Thirdly, as a one-stop shop within the beverage industry, Krones offers comprehensive solutions beyond its core business filling and packaging. Delivering the full value chain for beverage producers, the company offers a range of additional solutions including process technology, intralogistics, and recycling. Krones' modular and turnkey solutions are tailored to meet diverse customer requirements and enable quick and efficient system deployment after delivery. This holistic approach solidifies Krones AG's status as a key player in the industry, simplifying client operations and fostering strong customer loyalty.

Lastly, Krones AG's financial solidity is reflected in its high cash conversion, which enables leverage and growth and allows for prompt deleveraging. This financial strength, supported by a significant asset base, consistent revenue streams, and stable cash flows, allows Krones

to strategically leverage debt financing. The deployment of debt financing for financing the transaction, its service business expansion, and a buy-and-build strategy is intended to guarantee long-lasting value and ultimately boost returns (IRR and MoM) for the private equity sponsor.

### **1.3.1 Value Creation Strategies**

Based on the investment rationale outlined above, Krones AG is pursuing four distinct value-creation strategies to strengthen its global leadership and sustainable revenue growth while improving its EBIT margin:

1. **Strategic Growth in APAC and North America:** Krones aims to expand its market presence in the Asia-Pacific (APAC) region, particularly in countries like China, India, and the Philippines, where the demand for packaged beverages and machines is growing. The strategy involves focusing on key accounts, offering cost-efficient machinery, and leveraging existing product portfolios and infrastructure. Additionally, Krones seeks to strengthen its operations in North America by capitalizing on technological advancements, digitalization, and sustainability trends in the beverage industry. Moreover, Krones plans to engage with major US clients regarding the new packaging legislation, encouraging them to invest in eco-friendly packaging and recycling solutions.
2. **Enhancing service-based business model:** Krones plans to shift from being a traditional machinery manufacturer to a holistic manager of beverage plants, offering comprehensive service packages. This transition involves the development of digital services, such as data collection, cloud-based services, and predictive maintenance. Krones aims to increase the share of machinery under service-level agreements (SLAs) and enhance customer engagement through value-added services.
3. **End Market Optimization:** Krones aims to diversify and expand its market presence

beyond the core beverage sector by strategically acquiring companies with expertise in the pharmaceutical and cosmetics machinery markets. This strategy leverages Krones' existing knowledge in liquid filling and packaging and process technologies, allowing it to enter related industries.

4. **Operational Improvements:** Krones plans to employ best cost country sourcing strategies to reduce raw material and component costs. Alongside this, the company is focused on operational improvements, including restructuring, expanding globally, optimizing its workforce, and launching digital initiatives. These actions aim to improve profitability, increase competitiveness, and create a more resilient supply chain, ultimately positioning Krones for significant earnings growth.

These strategies collectively aim to solidify Krones' position as a global leader in the packaging and beverage industry while diversifying its revenue streams and enhancing its profitability.

#### **1.4 Business Plan**

The business plan builds the bridge between value creation and the return analysis as it quantifies the different strategies and is forecasted over the entire holding period. There are three different scenarios, the base case, the investment case, and the bank case, all with different purposes and assumptions. First, the base case includes all organic value creation strategies but excludes the strategic acquisitions. The four acquired targets are forecasted separately and the combination with the base case equals the investment case. This case is therefore the most sophisticated and detailed forecast and will be used to assess the returns. In contrast, the bank case is more conservative and simplified with less detailed assumptions because the main purpose of this approach is to ensure the debt repayment if the targeted value creation strategies are unsuccessful.

The most crucial element of the base case is the revenue forecast as organic growth is one of

the main drivers itself and correlated with other drivers as well. Revenues are calculated by dividing order intake with the book-to-bill ratio, where order intake is expected to be in line with the market growth of each segment. Moreover, price increases and additional revenues due to service business expansion are added on top. The most relevant cost positions are cost of materials and personnel expenses. Both are forecasted as percentage of revenue with a declining tendency based on the operational improvement strategy. Another important aspect is the relationship between capital expenditure and depreciation and amortization. Capex is expected to constantly increase over time as investments into the machinery business are necessary in this asset-heavy industry. D&A is expected to be equal to the average capex of the previous and the current year, leading to significant difference between EBITDA and EBIT. The last major element is the net working capital forecast, where all five line items, namely inventories, trade receivables, contract assets, trade payables, and contract liabilities are forecasted separately with their respective cash conversion cycle metric. The different dynamics lead to an increase in NWC over time. However, growing at a slower rate than revenues, is in the line with the operational improvement strategy and the investment highlight cash generation.

In the investment case, all four targets are forecasted rather conservative without any revenue synergies but growing constantly with the market rate. However, cost synergies are expected to be implemented due to higher bargaining power with suppliers and by consolidating administrative functions. This leads to an EBIT margin improvement of 0.5% per company per year. The acquisition cost for the target companies is based on the EV/EBIT valuation multiples as these firms have a very similar business model compared to Kronos and is considered as M&A Capex.

The bank case assumes the value creation strategies are ineffective and is therefore mainly used for the credit statistics to indicate the credit risk for lenders. This is why, revenues are forecasted

only with the market growth rates of each segment and margin improvement are barely existing. NWC is also growing in line with the cash conversion cycle without expecting significant improvement. Therefore, all relevant numbers such as revenues, EBIT, and free cash flow are lower in the bank case in the base case. The investment case includes the strategic acquisitions on top to the base case and has the best results.

### **1.5 Valuation, Sources & Uses and Returns**

The valuation of Kronos AG is an important aspect of our LBO for estimating the correct purchase price and determining the total uses needed for financing, which includes the purchase price, companies' pre-LBO debt, financing costs, and transaction expenses.

Our valuation employed both intrinsic and relative methods. The intrinsic valuation was done through the Discounted Cash Flow (DCF) method that focuses on the present value of future cash flows. For the relative valuation, we used Precedent Transactions and Public Trading Comparables to compare Kronos with similar publicly listed companies and recent transactions on the market.

For the relative valuation, we first identified a peer group for Kronos based on the three segments: Filling and Packaging, Process Technology, and Intralogistics. The segments were separated due to their different operational and financial characteristics. Our peer group selection was based on databases like S&P Capital IQ, equity research papers, and the provided information from Kronos' website.

The trading comparables are based on the principle that similar companies represent an important reference for the valuation of a target company due to common business and financial characteristics and risk factors. The value of a company or its EV/EBIT multiple is therefore measured by its competitors. For the trading comparables, we benchmarked Kronos against the selected peer companies and analyzed key financial statistics and ratios. We calculated EV/EBIT and EV/EBITDA multiples for 2023E and 2024E while we mainly focused on the

EV/EBIT multiple given the importance of D&A resp. CAPEX, which can be partly approximated by D&A, in the machinery industry. The median EV/EBIT multiples for Krones' segments are as follows: 9.80x for Filling and Packaging in 2023, 13.94x for Process Technology in 2023, and 13.77x for Intralogistics in 2023. For 2024, the multiples are 9.43x for Filling and Packaging, 12.38x for Process Technology, and 12.22x for Intralogistics.

In the precedent transactions analysis, we included deals from the past 10 years given the limited number of relevant transactions due to the uniqueness of Krones' business model. We looked at transaction multiples and focused on transactions that were similar to Krones' operational and financial profile of the three different business segments. After an in-depth analysis, we selected 13 previous transactions in the Filling and Packaging Technology segment, 8 in the Process Technology segment and 7 in the Intralogistics segment for the valuation of Krones. For these segments, we calculated various EV/EBIT multiples, including minimum, 25th percentile, median, average, 75th percentile and maximum. This analysis resulted in a median EV/EBIT multiple of 11.11x for Filling and Packaging Technology, 17.12x for Process Technology and 18.40x for Intralogistics.

In addition to the relative valuation methods, we also used the intrinsic valuation method DCF. This was done with two different methods: one based on our forecast assumptions, and another based on consensus data from brokers. Starting with the 2023 EBIT, we projected the Free Cash Flows (FCFs) up to 2033, assuming that a steady state would be achieved by that year. The terminal value was calculated using the Gordon growth model, assuming a long-term growth rate of 1.67% based on the historical and future GDP growth of OECD countries.

For the discount rate, the Weighted Average Cost of Capital (WACC) was estimated at 10.13% for both approaches. The discounted FCFs and terminal value of Krones AG resulted in an EV of EUR 3,427.3m based on broker data and EUR 3,466.4m using our base case assumptions. These calculations resulted in EV/EBIT multiples of 11.28x and 11.41x, respectively, which

relate to Kronos' forecast EBIT of EUR 303.8m for 2023.

To determine the right entry multiple for Kronos AG, we used two different approaches. The first approach is solely based on a sum-of-the-parts (SOTP) valuation method while the second approach is a combination of a SOTP valuation and the two DCF results. Combining all factors, the implied entry multiple for Kronos, based on a pure SOTP valuation, is estimated at 10.73x. This leads to an entry EV of approximately EUR 3,260.1m. For the second approach, the company-level entry EV/EBIT multiple for Kronos derived from the different relative and intrinsic valuation methods, was estimated at 11.28x. This resulted in an EV of EUR 3,427.3m. By integrating the outcomes of both valuation methods and averaging the EVs of EUR 3,427.3m and EUR 3,260.1m, and then dividing by the total EBIT, the resulting entry multiple for Kronos is calculated to be approximately 11.01x, corresponding to an associated EV of EUR 3,343.7m. Finally, the purchase price was calculated by adjusting the EV for bridge items like financial debt, unfunded pension liabilities, non-operating assets, and cash. After these adjustments, the final purchase price was calculated to be EUR 3,513.5m

To finance the total uses for the acquisition of Kronos AG, the total funds are derived from debt financing of EUR 1,597.1m, equating to 3.5x EBITDA (EUR 456.3m), and equity amounting to EUR 1,868.7m resp. 4.1x EBITDA.

The debt structure consists only of a single first-lien term loan. This loan is provided by a select group of private lenders and includes a super senior Revolving Credit Facility (RCF) of EUR 250m. This approach ensures a simplified debt structure while complying with the covenants in the bank case. Moreover, it utilizes the advantages of private lending, which enables faster execution, looser covenants and simpler negotiations.

On the equity side, the funding includes a subordinated shareholder loan of EUR 1,735.1m. This loan carries a payment-in-kind (PIK) interest rate of 9.0% per annum. In addition to this, ordinary shares amount to EUR 1336m. The ordinary shares are distributed such that the

management holds a minor stake of 6.7m shares (representing 5% ownership), while the sponsor holds the majority with 126.9m shares.

## **1.6 Exit**

The exit of the investment in Kronos is planned after a holding period of five years. Due to Kronos' large size and therefore potential lack of financial and strategic investors, the proposed exit strategy is an initial public offering. At exit Kronos is expected to generate an EBIT of EUR 642m, leading to an enterprise value of EUR 7,109m and an equity value of EUR 6,731m. The exit multiple marginally increases to 11.07x. In 2028, the sponsors anticipate proceeds of EUR 6,524m with a 3.5x money multiple and a 28.5% IRR, while management expects EUR 207m, achieving a 31.0x money multiple and 98.7% IRR. In equity value creation for Kronos AG, EUR 4,801m is generated over five years. Deleveraging accounts for 21.6% due to strong cash generation, organic revenue growth contributes 29,8% and organic margin expansion adds 29.4%. The total equity value creation from organic growth initiatives is 3.09x, which increases to 3.57x with strategic acquisitions.

## **2. Individual Part – Stefan Christian Lauffer**

### **2.1 Introduction**

The operating model is a crucial aspect of this work project as it includes information from company and market overview, considers the value creation strategy and establishes the groundwork for the leveraged buyout model and return analysis. It links qualitative research information with the complex LBO model by quantifying the value creation. The ultimate goal of the operating model is to forecast the free cash flows of Krones over the next 7 years to create a Discounted Cash Flow model for the valuation, identify the ideal debt schedule and to calculate returns of the investment. This requires a forecast of the income statement, divided into two parts, top-line and bottom-line. The top-line forecast focuses solely on revenues, while the bottom-line forecast encompasses all cost positions. The third part is the forecast of relevant balance sheet positions necessary for inclusion in the cash flow statement. The outcome represents the base case strategy but excludes strategic acquisitions. However, the value creation strategy includes four acquisitions and therefore acquired targets will be forecasted as well. Combining Krones with these targets constitutes the investment case: This case is the most sophisticated forecast and most relevant for the return analysis. Furthermore, there is the more conservative bank case, reflecting a scenario where financial performance falls below expectations and is primarily relevant for the financing structure as lenders need to ensure debt repayments also in challenging circumstances.

Detailed assumptions and exact values for the operating model are available in the attached excel file, primarily in the first three tabs “forecast bank case”, “forecast base case”, and “Add-Ons” (acquired targets). All three scenarios are represented in a more concise format, excluding assumptions in the “operating model” tab. The most relevant information can be found in Chapter 4 of the attached presentation.

## 2.2 Revenue Forecast

The first part of the operating model is the top line development in which the revenues are forecasted. The revenues are highly relevant since organic revenue growth is one of the main drivers in the value creation and has to be forecasted properly to obtain the correct returns. Therefore, the goal was to consider geographical development, the difference between machinery and service revenue and include the sector-specific key metrics order intake and book-to-bill ratio. However, it is not possible to combine all these aspects at the same time and created a challenge in identifying the optimal choice. The split between machinery and service business would be highly relevant for the value creation strategy and aligns with the approach from “built by Krones” to “managed by Krones”, but unfortunately, there is no public information available in the annual report and Thomas Wolter, Head of Controlling at Krones, confirmed in our conversation that this figure is not publicly available. Without knowledge of the revenue share and the growth rates, forecasting revenues based on this information is impossible. Forecasting revenues based on the geographical areas is challenging due to the complexity of identifying all relevant drivers in each market, including demand, competition, political risks, and currency translation. Hence, forecasting revenue based on order intake and the book-to-bill ratio appeared to be the most accurate and feasible approach.

Order intake includes the incoming orders from customers for new machinery per year and is calculated by aggregating the price for each project. This metric provides a strong indication of demand. Therefore, order intake was forecasted by the expected market growth for each segment based on the growth rates from the market research. Order intake was forecasted separately for each segment due to varying growth rates. In the next step, the book-to-bill-ratio indicates how the orders can be converted into revenues. In recent years, this ratio was always above 1.00, indicating a higher order intake than revenues, resulting in an increased order backlog. Over the long term, a ratio of 1.00 is anticipated but in the short term, a transitional

period is expected from the exceptionally high ratio in 2022 due to robust intake. The result of multiplying these factors is sales revenue based on market growth.

Additionally, the revenue forecast includes two special effects based on our strategy. First, the strong market position and high order backlog, allow Krones to increase prices in the upcoming years. In 2024 there will be a price increase of 2%, with an annual decline of 0.5% over the next years. The price increase is multiplied with the sales that were determined in the previous step. The other specific component is the increase of service level agreements (SLA) derived from the strategy to boost service revenues. As mentioned before, there was not much information on the composition of service revenue. However, in the annual report of 2019, there was information indicating that roughly 60% of Krones machinery had an SLA, with an increase of 1% equaling EUR 12m of recurring revenue. In the Q3 2023 conference call, the service share was reported to be at 70%, indicating a yearly increase of 2.5% increase. Therefore, it is assumed that this share can be increased to 80% over the next 5 years. A 2.5% increase is expected to generate additional revenues of EUR 30m p.a. (1% = EUR 12m -> 2.5% = EUR 30m). Since these are recurring revenues, they are accumulated every year, leading to EUR 60m in 2025 and so on. Adding the price increase and the revenues by increase of service share on the revenues by market growth gives the total sales revenue. The additional revenues are multiplied by their share of sales and added to the segments accordingly.

After obtaining sales revenue, three minor revenue positions from the income statement of Krones need to be added to derive at total revenue. These positions include changes in inventories of finished goods and work in progress, other own work capitalized and other operating income. Since none of them has a strong impact on total revenues, the average of the last three years is taken and expected to remain constant over time.

In the last step, total revenues are divided into the geographical areas from the Krones annual report. The shares of the different markets are available for the previous years, and it is expected

that North America, Asia-Pacific and Latin America continue their above-average growth and increase their share of total revenue, whereas the shares of Germany and Europe decrease.

### **2.3 Cost Forecast**

After the top line is forecasted, the bottom line including all cost positions needs to be forecasted in the next step. The first and most relevant position is cost of material because Krones is publishing its income statement in the cost of sales method. This position mainly consists of material cost from suppliers but also includes other positions such as R&D. As there is no detailed split available, the best way to forecast cost of material is as percentage of revenue. The share increased in the last two years due to supply chain issues leading to higher prices. However, Krones expects these issues to be solved in 2024, leading to decrease of cost materials in the next year (48.3% to 47.8%). In the upcoming years, two effects from the value creation strategy will lead to further reduction of this share. First, the price increases improve the margin, because if there are no price increases above 2% from Krones' suppliers, costs grow at a lower rate than revenues. Second, the service business has higher margins than the machinery business, leading to margin improvement as this share is expected to improve. This is why a reduction of 0.3% in 2025 and 0.2% afterwards is assumed.

The second largest cost position of Krones are personnel expenses. This cost position is also tied to revenues as there are more employees required if the machinery production increases. However, Krones restructured its personnel structure in 2021 to improve the scalability of its business. By looking at the share of personnel expenses in the past, Krones was able to reduce this number constantly over the last two years (32.4% in 2021 to 29.7% in 2023). Therefore, a reduction of 0.5% p.a. is assumed over the next four years, and 0.3% afterwards. On the other hand, one part of the service business expansion is the hiring of additional service employees. The assumption is to hire 50 additional employees every year with an average cost of 100k, this equals to 0.1% of total revenue in 2024. This figure increases by 0.1% annually and is

incorporated into the personnel expenses.

The third largest cost position is other operating expenses which includes mainly freight cost, currency translation losses, travel cost, maintenance cost and other. Some positions such as currency risk are difficult to assess because Krones is operating all over the world. Travel cost might slightly increase due to faster growth in APAC and North America, but freight cost could decrease due to improved supply chain. None of these positions is part of a value creation strategy and this is why it is expected that all positions grow constantly with total revenues over time.

EBITDA (Earnings Before Interest Tax Depreciation and Amortization) is obtained after subtracting cost of materials, personnel expenses and other operating expenses from total revenues. EBITDA split explanation. In the next step depreciation and amortization (D&A) need to be deducted to derive at EBIT (Earnings Before Interest Tax) the most important metric since the company valuation is based on an EV/EBIT multiple. D&A are correlated to capital expenditures (CAPEX) because all new assets need to be depreciated over time. For Krones as a machinery company, CAPEX and D&A are rather high as it is an asset heavy business. In the previous years, D&A was even higher than CAPEX, but this was, according to Thomas Wolter, due to impairments. The assumption of D&A is therefore the average of CAPEX from the current and the previous year.

After receiving the EBIT, the last required position for the bottom-line forecast are taxes. Since this forecast is also used for the Discounted Cash Flow valuation method, where the capital structure is only considered in the cost of capital, it is assumed EBIT has to be taxed with the nominal tax rate. This tax rate is 27.6% according to the annual report of Krones. However, these figures do not represent the actual taxes paid by Krones, and the leveraged buyout model calculates taxes accurately based on the debt schedule. Deducting the notional taxes from EBIT leads to the fictional NOPLAT (Net Operating Profit/Loss After Taxes)

## 2.4 Cash Flow Statement

After forecasting the income statement, the relevant balance sheet positions need to be forecasted to derive at the free cash flow. The free cash flow is highly relevant for the leverage buyout model as it determines the leverage ratio in the debt schedule and the cash generation over the holding period of the investment. The cash flow statement begins with EBIT, and D&A is added back as a non-cash expense to derive EBITDA. In the next step, all changes between the current and previous period of relevant core assets from the balance sheet are considered in the cash flow statement.

The first position is the change in Net Working Capital (NWC). NWC is calculated as the sum of inventory, trade receivables, contract assets but deducts trade payables and contract liabilities. Inventories are forecasted with Days Inventory Held (DIH) which is obtained by dividing inventories by cost of materials and multiplying this number with 360 days. The result is the average duration inventory is held on the balance sheet before it is materialized. Trade payables and contract liabilities are forecasted by Days Payables Outstanding (DPO) and use the same formula as for DIH. Trade receivables and Contract Assets are forecasted by Days Sales Outstanding (DSO) and use a similar formula but with revenues instead of cost of materials. The analysis of DIH, DSO, and DPO trends over the past years was conducted to determine reasonable assumptions for the forecast. However, for 2024, the expectations of the Kronos management are used since they can accurately assess the impact on Net Working Capital with their understanding of the company and market. DIH is anticipated to decrease due to the resolution of supply chain issues and inventory was built up in previous years as a precautionary measure. DSO and DPO are expected to be reduced by 5% and 3% respectively because order intake should be lower as in the record years 2022 and 2023. For the following years, the average growth rate of the ratios over the last four years, excluding outliers, is used for the forecast. Besides trade receivables all numbers are expected to increase slightly in the

long run. After obtaining the ratios, the actual net working capital values are calculated by reversing the original formula, leading to an increase of all positions since revenues and cost of materials grow over time. The change of net working capital is then calculated by subtracting the previous year from the current year. If net working capital increases, there is a negative cash flow in the cash flow statement because more capital is tied to the business. As a result, net working capital increases over time but grows slower than revenues, confirming the operational improvement from the value creation strategy.

The next position in the cash flow statement is other net working capital which includes tax receivables, tax liabilities and other assets. All values are forecasted by taking the average percentage of revenue from the last three periods and keeping this ratio constant over time. Provisions and accruals also develop in percentage of revenues but there is a transition period over two years to smoothen the fluctuations. Other non-cash expenses are a very small value and expected to stay constant over time as they are not material for the cash flow development. The last position in the cash flow statement is the capital expenditures (CAPEX) for tangible and intangible assets. CAPEX is expected to grow as the value creation requires investments into intangible assets to improve digital services but also into property, plant, and equipment to increase capacity for higher production volume. The investments in intangible assets were 1.1% of revenue in previous years and are expected to grow 0.05% per year, whereas investments into tangible assets were 1.7% and are expected to grow by 0.05% as well. CAPEX is combined total of both components, expected to increase by 13% annually over the upcoming five years. Adding together all these positions lead to the free cash flow for the LBO model.

## **2.5 Strategic Acquisitions**

As described in the introduction, the investment case combines the organic value creation strategy with the inorganic strategic acquisitions. Four pharmaceutical machinery companies will be acquired in the first two years to boost revenues and diversify the end markets. The goal

is to make the acquisitions rather early to maximize cash generation, to have sufficient time for operational improvement and to increase cash generation in the holding period. In 2024, the Spanish firm Maquinaria Industrial Dara SL (“Dara”) and the Germany company Romaco Holding GmbH (“Romaco”) will be acquired. The targets for the year after are the two German companies Pester pac automation GmbH (“Pester”) and ProXES GmbH (“ProXES”). For all companies, the latest public financial information is from 2021 which requires a forecast from 2022 onwards as the expected EBIT determines the entry valuation.

The forecast of the acquired companies is less detailed than for Kronos itself, as the companies are significantly smaller. Additionally, there are no additional revenue synergies forecasted, as they are more speculative than cost synergies. However, it is likely that combining the four companies into a pharmaceutical machinery one stop shop creates additional sales as the four companies have complementary offerings, covering the entire process from processing over filling to packaging. Connecting all new machinery with the Kronos Ecosystem and agreeing on service level agreements would create additional recurring service revenues, but since the technological feasibility of this approach is difficult to assess in advance, no revenue synergies are considered. Therefore, the expected growth rate of the pharma machinery market of 6.3% p.a. is used for the annual revenue growth of all four companies.

Compared to the detailed bottom line forecast of Kronos, for the acquired companies only the EBITDA margin is forecasted to determine EBITDA for each year. The financial statements are less detailed with fewer explanations as none of these companies is listed on the stock market. The main focus in the value creation is EBIT margin improvement and EBIT is also for the exit valuation. Therefore, D&A is forecasted separately based on revenue growth as it is not directly linked to the operational improvement. The average EBITDA margin of the previous three periods (2019-2021) is assumed to be constant to be constant until the entry. After the acquisition, an annual EBITDA margin improvement of 0.5% is anticipated. This can

be explained by enhanced bargaining power with suppliers and ordering in larger volumes, leading to a reduction in the cost of goods sold. Consolidating administrative functions such as IT, Finance and HR allows further cost reduction due to the concentration of three acquired firms in Germany. The integration into Kronos.world and using the after-sales service also eliminates the need to maintain their own service offerings. Multiplying the EBITDA margin with revenues leads to EBITDA and subtracting D&A leads to EBIT.

The obtain net working capital for the acquired firms, the three balance sheet positions inventory, trade receivables, and trade payables are forecasted in the same as for Kronos, based on revenues and cost of materials. CAPEX grows, like D&A as well, in line with revenues, leading to the same growth rates but without being linked to each other directly. The free cash flows of the acquired firms are calculated in the same way as for Kronos.

There is another important consideration for the investment case since the CAPEX of Kronos only includes investment in tangible and intangible assets but not the acquisition cost of these targets. Therefore, an additional line item called M&A CAPEX is added in the investment case. The enterprise value of the firms is calculated by multiplying EBIT from the previous financial year with the lower end EBIT multiples from the valuation model. ProXES is valued with the Process technology multiple, whereas the other three firms are valued with the Filling & Packaging technology multiple. For the acquisitions the lower end of the valuation range is assumed as the companies are significantly smaller. After calculating the acquisition price, 2% transaction fees for investment bankers, legal advisers and consultants are added on top. For the following year, post-merger integration costs of 3%, mostly for external consultants, are expected to achieve a successful integration with Kronos and the other firms.

## **2.6 Bank Case**

The bank case is another scenario, independent from the base case and investment case, with a more conservative approach. This case is more simplified with less sophisticated assumptions

because the main purpose of this approach is to ensure the debt repayment if the targeted value creation strategies are unsuccessful. This is why it is mainly used for the credit statistics and covenants, but not for the return analysis.

The revenues are assumed to grow consistently with the market growth rates and exclude price increases, increase of service business, and order intake. Cost of materials will be reduced only by 0.1%, indicating ongoing supply chain issues and less successful operational improvements. Personnel expenses are also more conservative but the additional cost of hiring more service employees is still fully included. Other operating expenses remain the same percentage of revenues over time. CAPEX grows consistently with revenues and is therefore below the base case because there would be less investments if the financial performance is inferior as expected. The relationship between CAPEX and D&A remains the same as for the base case, where D&A is the average of the current and previous year. Net Working Capital is forecasted in the same logic as before but without any improvements in the cash conversion. Therefore, all relevant numbers such as revenues, EBIT, and free cash flow are lower than in the base case and since the bank case also excludes the strategic acquisitions, even further below the investment case.

## **2.7 Conclusion**

The operating model contains all revenue, costs, and cash flow line items for three scenarios investment case, base case, and bank case. These figures are then directly linked to the LBO model and calculate in combination with the debt schedule the three financial statements income statement, balance sheet and cash flow statements. In particular, EBIT in 2028 is a relevant figure as it is used for the exit valuation. This determines how high the proceeds of this investment in Kronos are which is the most relevant aspect for the determination of attractiveness of this investment. Additionally, the value creation waterfall is also dependent on the revenue growth, EBIT margin and free cash flow assumption of the operating model. The

value creation figures calculated by each strategic initiative depend also on this forecast.

## 2.8 References

- Krones AG. "Home." Krones AG. Accessed December 17, 2023.  
<https://www.krones.com/en/>.
- Krones Group. 2022. "Annual Report 2022". Accessed December 18, 2023.  
<https://www.krones.com/en/company/investor-relations/presentations.php>
- Krones Group. 2021. "Annual Report 2021". Accessed December 18, 2023.  
<https://www.krones.com/en/company/investor-relations/presentations.php>
- Krones Group. 2020. "Annual Report 2020". Accessed December 18, 2023.  
<https://www.krones.com/en/company/investor-relations/presentations.php>
- Krones Group. 2019. "Annual Report 2019". Accessed December 18, 2023.  
<https://www.krones.com/en/company/investor-relations/presentations.php>
- Krones Group. 2018. "Annual Report 2018". Accessed December 18, 2023.  
<https://www.krones.com/en/company/investor-relations/presentations.php>
- ProXES. "Home." ProXES. Accessed December 17, 2023.  
<https://www.proxes.com/en/>.
- Dara Pharma. "Home." Dara Pharma. Accessed December 17, 2023.  
<https://www.dara-pharma.com/en/>.
- Romaco. "Home." Romaco. Accessed December 17, 2023.  
<https://www.romaco.com/>.
- Pester. "Home." Pester. Accessed December 17, 2023.  
<https://www.pester.com/en/>.

## 3. Appendix



## Investment Committee Paper

Krones AG

Stefan Christian Lauffer (55830), Jean-Pierre Vincon (53207), Yannic Bindel (55431), Filipe Luca Iller (54457)

December 20, 2023



# Table of Contents

- 1** Company Overview
- 2** Market Overview
- 3** Investment Rationale & Value Creation
- 4** Business Plan
- 5** Valuation, Capital Structure & Returns
- 6** Exit Strategy
- 7** Key Risks & Due Diligence
- 8** Appendix



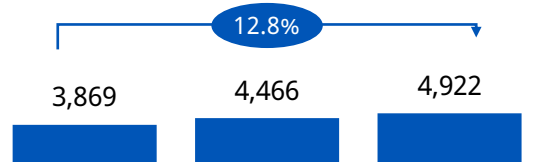
# Krones AG, a worldwide operating technology group and service provider at the heart of the beverage and the liquid-food industry

## EXECUTIVE SUMMARY – KRONES AT A GLANCE

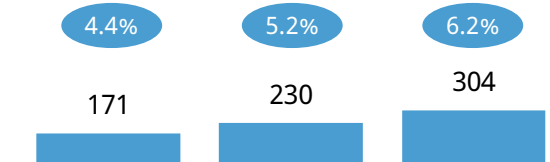
### Company Snapshot

- **Krones Group**, founded in 1951 and headquartered in Neutraubling, Germany, plans, develops and **manufactures machines** and **turnkey lines** for the **production, filling and packaging of liquid food and beverages**
- Besides manufacturing individual machines, lines and holistic production facilities, Krones offers **extensive consulting services** on **planning or optimizing existing lines** as well as **lifecycle services (LCS)**

#### Total Revenues 2021-2023 in EUR m



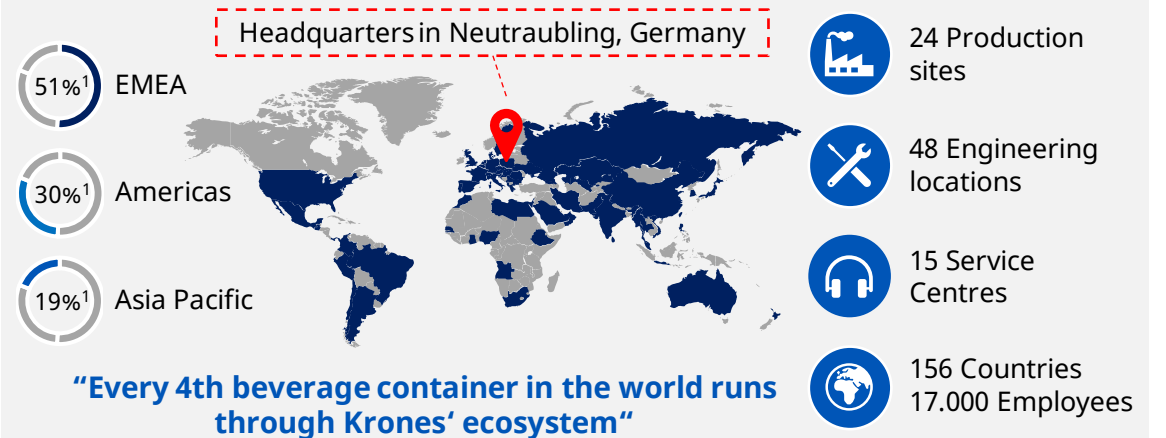
#### EBIT 2021-2023 in EUR m



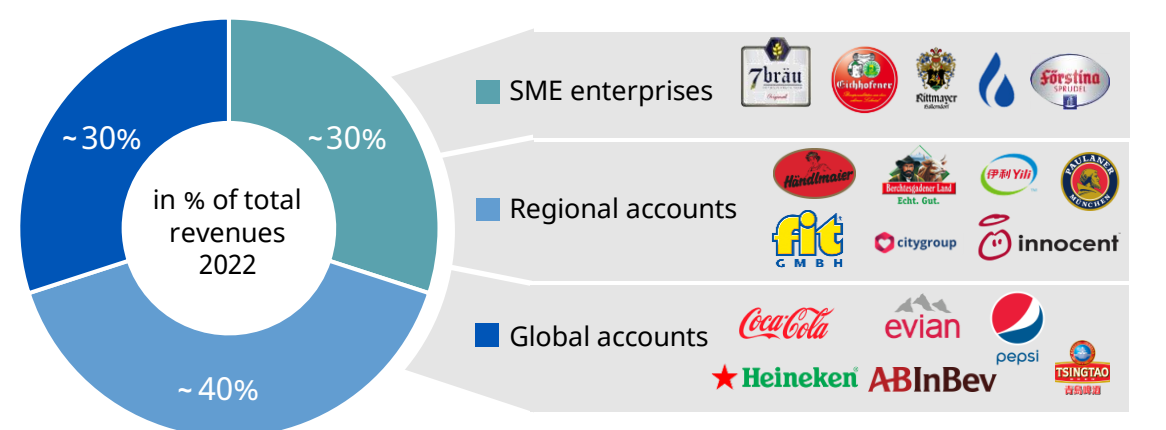
### Business Model

Filling and Packaging	Process Technology	Intralogistics
<p>EUR 3,841m<sup>1</sup></p> <p>6.8%<sup>2</sup></p> <p>78%<sup>3</sup></p> <ul style="list-style-type: none"> <li>• The largest segment comprises solutions for <b>filling and packaging of beverages</b></li> </ul>	<p>EUR 451m<sup>1</sup></p> <p>4.7%<sup>2</sup></p> <p>9%<sup>3</sup></p> <ul style="list-style-type: none"> <li>• Process Technology comprises solutions to <b>produce own beverages and liquids</b></li> </ul>	<p>EUR 410m<sup>1</sup></p> <p>5.0%<sup>2</sup></p> <p>9%<sup>3</sup></p> <ul style="list-style-type: none"> <li>• Intralogistics comprises inhouse <b>logistics solutions</b> along the entire value chain</li> </ul>
<ul style="list-style-type: none"> <li>• Revenues in each segment are generated via <b>new machinery sales</b> and <b>recurring service revenues</b>, including digital services and lifecycle services</li> <li>• <b>Sustainability and digitalisation</b> initiatives act as <b>overarching guiding principles</b></li> </ul>		

### International Presence and Key Facts



### Customer Segments and References



Notes: Rounding differences may occur; ● CAGR; ● EBIT margin; (1) Segment revenues amount to EUR 4,702m, resulting in 96% of total revenues; (2) EBIT margin; (3) Percentage of total revenues  
Sources: Annual Report, Company Website, Capital Markets Presentation

# The proposed transaction yields a MM of 3.5x at an IRR of 28.5% over a 5-year holding period – An exit via IPO seems the most appealing option

## EXECUTIVE SUMMARY – PROPOSED TRANSACTION

Investment Highlights		Proposed Transaction		Value Creation Strategies																					
<b>One-stop shop and central point of contact</b> <ul style="list-style-type: none"> <li>Modular solutions of machines and services can be deployed according to the customer's wishes</li> <li>Turnkey solutions can be used immediately after handover</li> <li>Central contact point within the beverage industry</li> </ul>	1	<div style="border: 2px dashed red; padding: 5px; display: inline-block;"> <b>MoM<sup>1</sup></b>      <b>3.5x</b>      <b>IRR<sup>1</sup></b>      <b>28.5%</b> </div>		<b>Value Creation by Lever (in EUR m)</b> 																					
		<b>Geographical presence and customer focus</b> <ul style="list-style-type: none"> <li>Extensive global presence ensures resilience to local market fluctuations and access to regional customers and customer proximity</li> <li>Well-positioned to capture growth potentials in emerging markets</li> </ul>	2			<b>Value Creation by Strategy (in EUR m)</b> <table border="1"> <tr> <td><b>Entry</b></td> <td><b>+1.00x</b></td> </tr> <tr> <td><b>A - Global Leadership</b></td> <td><b>+0.43x</b></td> </tr> <tr> <td><b>B - Service Business</b></td> <td><b>+0.22x</b></td> </tr> <tr> <td><b>D - Operational improvement</b></td> <td><b>+0.76x</b></td> </tr> <tr> <td><b>Deleveraging</b></td> <td><b>+0.55x</b></td> </tr> <tr> <td><b>Other<sup>4</sup></b></td> <td><b>+0.13x</b></td> </tr> <tr> <td><b>Organic Value Creation</b></td> <td><b>=3.09x</b></td> </tr> <tr> <td><b>C - End Market Optimization (Inorganic)</b></td> <td><b>+0.48x</b></td> </tr> <tr> <td><b>Total Value Creation</b></td> <td><b>=3.57x</b></td> </tr> </table>		<b>Entry</b>	<b>+1.00x</b>	<b>A - Global Leadership</b>	<b>+0.43x</b>	<b>B - Service Business</b>	<b>+0.22x</b>	<b>D - Operational improvement</b>	<b>+0.76x</b>	<b>Deleveraging</b>	<b>+0.55x</b>	<b>Other<sup>4</sup></b>	<b>+0.13x</b>	<b>Organic Value Creation</b>	<b>=3.09x</b>	<b>C - End Market Optimization (Inorganic)</b>	<b>+0.48x</b>	<b>Total Value Creation</b>	<b>=3.57x</b>
								<b>Entry</b>	<b>+1.00x</b>																
								<b>A - Global Leadership</b>	<b>+0.43x</b>																
<b>B - Service Business</b>	<b>+0.22x</b>																								
<b>D - Operational improvement</b>	<b>+0.76x</b>																								
<b>Deleveraging</b>	<b>+0.55x</b>																								
<b>Other<sup>4</sup></b>	<b>+0.13x</b>																								
<b>Organic Value Creation</b>	<b>=3.09x</b>																								
<b>C - End Market Optimization (Inorganic)</b>	<b>+0.48x</b>																								
<b>Total Value Creation</b>	<b>=3.57x</b>																								
<b>Market Leadership</b> <ul style="list-style-type: none"> <li>Innovative strength and technological leadership help to redefine industry benchmarks ensuring market leadership in critical end market</li> <li>High entry barriers in special equipment manufacturing to secure defensible market position</li> </ul>	3	<b>Value Creation Strategies</b> <b>A</b> <b>Strengthen global leadership – Revenue growth</b> <ul style="list-style-type: none"> <li>Sustain global leadership by focusing on key accounts in important regions (APAC and North America)</li> <li>Diversify operations to counteract possibly emerging supply chain bottlenecks and gain cash flow stability</li> <li>Awareness and reputation for successful exit via IPO</li> </ul>																							
				<b>Strong cash generation and leverageable BS</b> <ul style="list-style-type: none"> <li>Substantial asset base, solid revenue growth, and stable cash flows allow for higher use of debt financing</li> <li>Debt financing will be used for growth opportunities (Service business, M&amp;A) and the leverage increases IRR and MoM</li> </ul>	4	<b>B</b> <b>Service-based Business Model – Revenue growth</b> <ul style="list-style-type: none"> <li>Superior services as competitive edge</li> <li>Increasing share of recurring revenue and additional potential for increasing revenue streams, fueled by incremental machinery sales</li> <li>Servicing of third-party and/or add-on machines</li> </ul>																			
<b>C</b> <b>End Market Optimization (Buy-and-Build) – Revenue growth and EBITDA growth</b> <ul style="list-style-type: none"> <li>Leverage market growth potential in fast growing industries (Pharmaceutical, Cosmetics, Alternative Proteins)</li> <li>Diversification of customer base and reduction of dependency on beverage sector</li> </ul>																									
		<b>D</b> <b>Operational Improvements – EBITDA growth</b> <ul style="list-style-type: none"> <li>Utilize margin improvement opportunities until upper bound of peer group</li> <li>Tapping on restructuring plan already in motion</li> <li>Strong cash generation enables fast debt paydowns</li> </ul>																							

Notes: (1) Sponsor returns, assumed exit after a 5-year holding period; (2) Including transaction and financing costs, net debt and bridge items; (3) Other includes multiple expansion effects arising from SOTP valuation of Krones and lower entry multiples of add-ons; (4) Other includes organic revenue growth that is not part of service business and global leadership strategy, as well as multiple expansion effects from SOTP valuation of Krones;

# 01

---

## Krones AG Company Overview



# Revenues are primarily generated in Kronos' core business Filling and Packaging Technology, which is also the most profitable segment

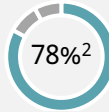
## SEGMENTATION AND PROFITABILITY MIX

### Filling and Packaging Technology

The largest segment comprises machinery and systems for the **filling and packaging of beverages**.

EUR 3,841m

10.3%<sup>1</sup>



#### Solutions

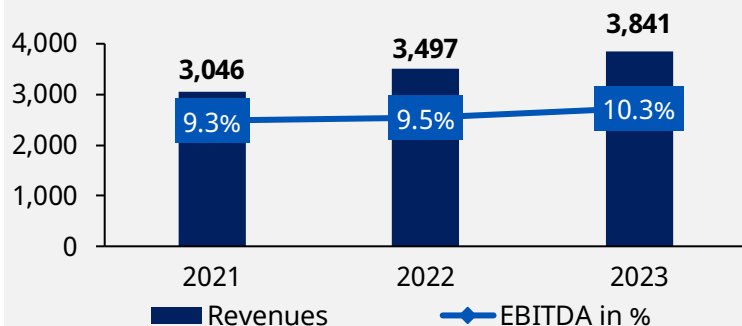
- Filling
- Capping
- Tempering
- Packing
- Palletizing
- Labelling
- etc.



#### Revenue Generation

- Sale of new machinery (modular or turnkey)
- Recurring revenue from digital or lifecycle services

#### Profitability

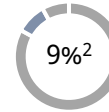


### Process Technology

Process Technology comprises machinery and systems to **produce own beverages/liquids**.

EUR 451m

7.0%<sup>1</sup>



#### Solutions

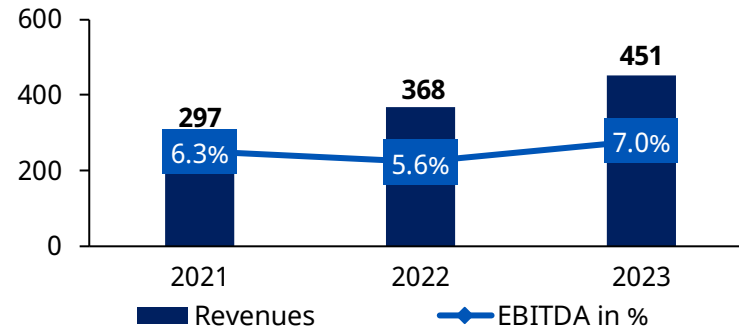
- Mixing and production equipment for:
- Beer
  - Water
  - Soft drinks
  - etc.



#### Revenue Generation

- Sale of new machinery (modular or turnkey)
- Recurring revenue from digital or lifecycle services

#### Profitability

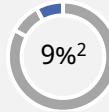


### Intralogistics

**Digitalization and intralogistics solutions** offers innovative solutions along the entire value chain.

EUR 410m

7.5%<sup>1</sup>



#### Solutions

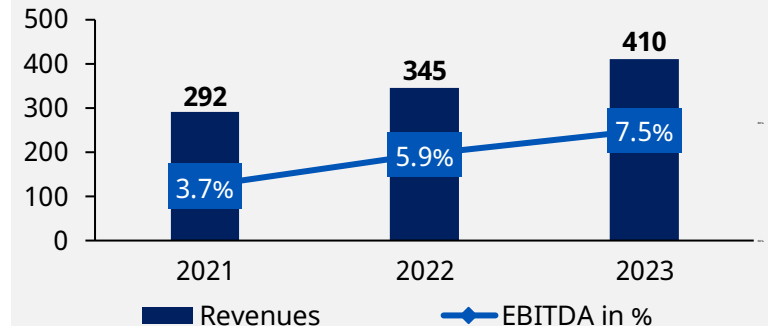
- Automated warehouses
- Picking and Loading systems
- Material flow optimization



#### Revenue Generation

- Sale of new machinery (modular or turnkey)
- Recurring revenue from digital or lifecycle services

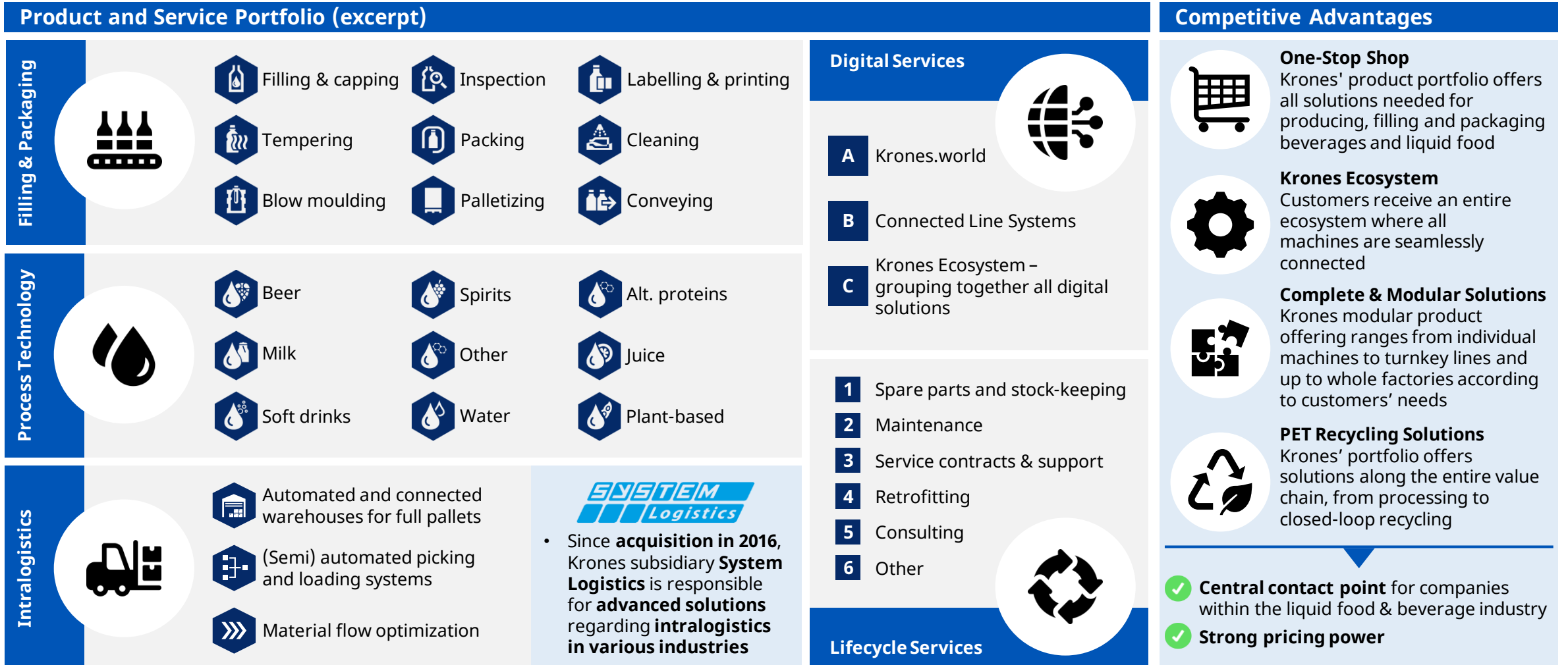
#### Profitability



Notes: (1) EBITDA margin in 2023; (2) Percentage of total revenues  
Sources: Annual Reports

# Krones' comprehensive product and service portfolio offers all solutions needed for the production, filling and packaging of beverages and liquid foods

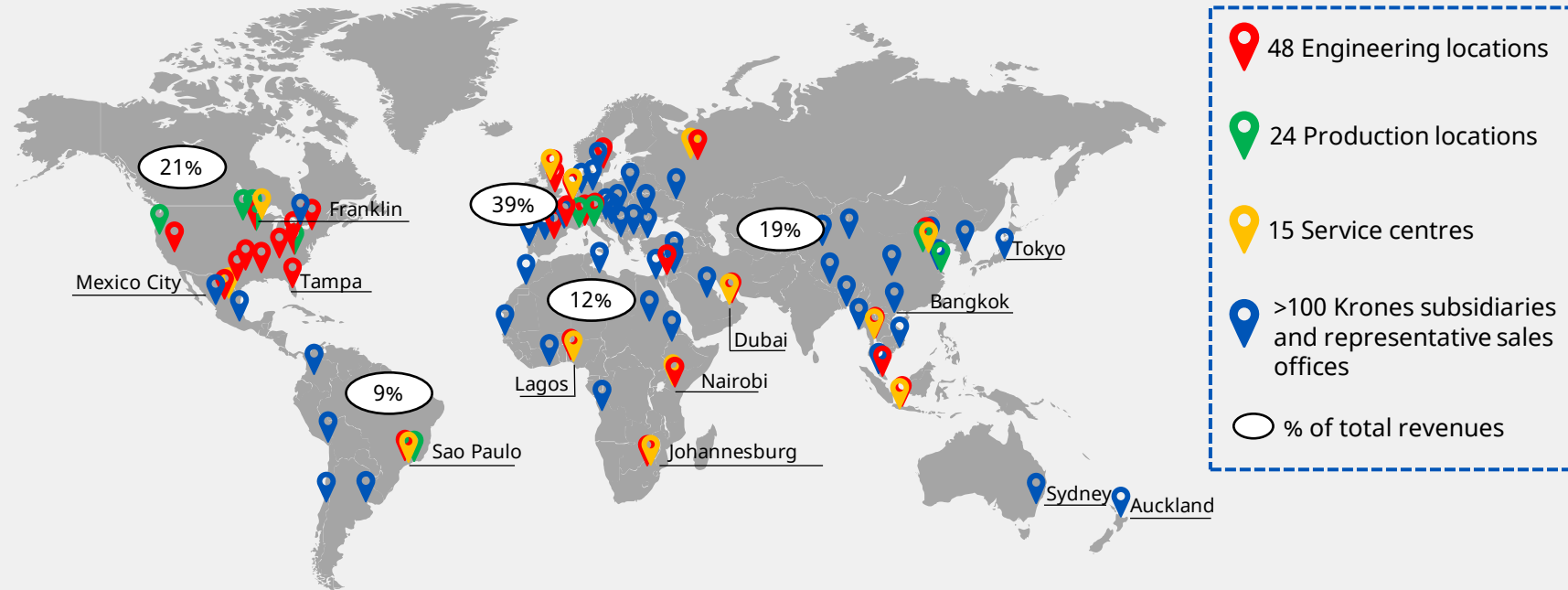
## BUSINESS MODEL & COMPETITIVE ADVANTAGES



# Krones' geographical infrastructure and best-in-class service portfolio cover the whole world and guarantee customer proximity

## GEOGRAPHICAL PRESENCE


### Geographical Presence and Revenues per Region




### Comments

- Krones is **operating more than 100 engineering locations, production locations, service centers, sales offices and other subsidiaries**, serving >150 countries
- Geographically, operations are divided across **five regions**, namely **Asia Pacific, Africa, Europe, South America, and North America**
- Each **region is covered via a flagship service center or production facility** that reports directly to their **headquarters**:
  - Bangkok (Asia Pacific)
  - Johannesburg (Africa)
  - Franklin, Wisconsin (North America and Mexico)
  - Sao Paulo (South America)
- Krones is **heavily export-oriented** with ca. 89% of total revenues being generated outside their home market Germany. However, **Germany still remains the biggest country by revenues**, with revenues of EUR 1,087m in 2023
- As of 2023, ca. **55% of total revenues were generated in advanced economies** while 45% of total revenues were generated in emerging markets, underlining their broad international diversification

### Competitive Advantages


 Krones' **unique and broad geographical presence** enables fast and efficient customer access; crucial in the high-maintenance machinery business


 Broad geographical footprint enables **flexible procurement, best-cost-country-sourcing**, as well as resilience to regional crises, enhancing the **bargaining position** of Krones


 The strategic positioning of service centers around the world creates customer proximity and brand awareness, laying the **foundation for a best-in-class service offering**

# A broadly diversified customer base comprising SME enterprises, global and regional accounts can be addressed with a multi-channel sales approach

## CUSTOMERS AND SALES CHANNELS

### Sales Channels and Sales Approach



**Regional Trade Fairs (BraUBeviale, DrinkTec, etc.)**

- Strong presence at industry events and trade fairs
- Large booths, showrooms and sales staff



**Sales Personnel & Key Account Management**

- Big clients have their own key accounts
- Sales and service locations in >150 countries



**Online shop (Krones.shop, Virtual Configurator)**

- Online shop with all solutions and brands available
- Mainly for service offerings and existing customers

- ✓ Focus on **key accounts/ high volume projects**
- ✓ Binding the customer with service-level agreements ensures **high customer retention** and **recurring revenue** generation
- ✓ Providing the customer with full ecosystems and turnkey lines ensures **high switching costs**



### Customer Stories

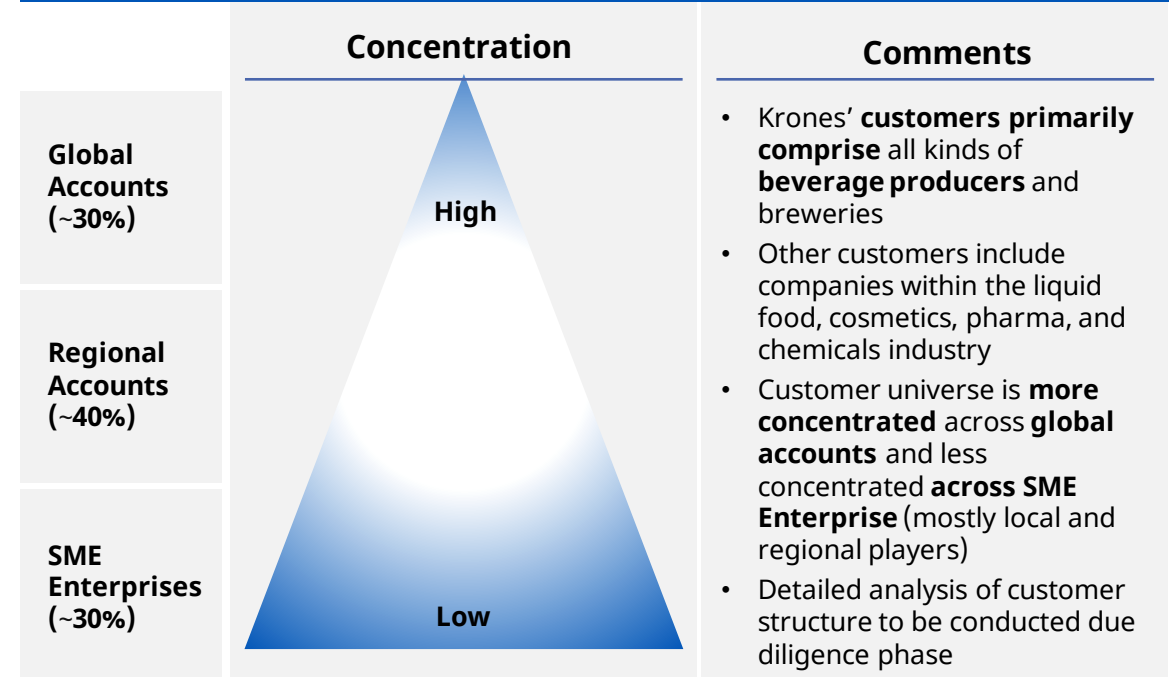
#### First aseptic line for Coca-Cola in India (21 June 2023)

Krones provides Khandari Beverages, Coca-Cola bottler in India, confirming its long business partnership over the past 30 years. Besides the extraordinary product quality, Krones' machine grants Khandari Beverages efficiency and ecological footprint improvements

#### Krones key factor in establishing world's first climate neutral juice factory (2nd February 2023)

Europe's leading smoothie manufacturer Innocent acquires 4 PET lines with corresponding IT infrastructure. The high flexibility and production speed of Krones' lines convinced Innocent over competitor's products

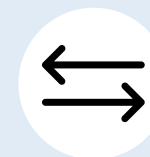
### Diversified Customer Base<sup>1</sup>



### Competitive Advantages



**Word-of-mouth** effect due to size and industry reputation reduces need for direct solicitation or active marketing efforts



Catching the customer in Krones' ecosystem and connecting all machines seamlessly leads to **high switching costs when converting to other systems.**

# Krones' well-experienced top management has continuously repositioned the company and shows a significant track record of strategic acquisitions

## MANAGEMENT AND COMPANY HISTORY

### Key Management



**Christoph Klenk | CEO | 1994**

- Process Tech & Intralogistics
- Exec. Board positions at Krones
- Mechanical Engineering

Company Knowledge Experience Specific Knowhow



**Uta Anders | CFO | 2020**

- Global Finance & HR
- CFO at ThyssenKrupp Systems Eng.
- Business Administration



**Thomas Ricker | CSO | 1994**

- Bottling & Packaging, Project Mgmt.
- Technical senior roles at Krones
- Mechanical Engineering



**Markus Tischer | Intl. Services | 1993**

- Intl. Operations, R&D, Digitalization
- R&D and Finance roles at Krones
- Electrical Engineering & IT



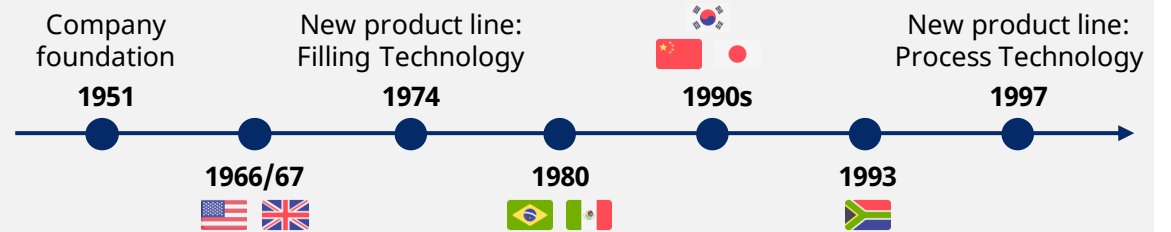
**Ralf Goldbrunner | Operations | 1999**

- Operations, Manufact., Procurement
- Manufacturing roles at Krones
- Mechanical & Industrial Engineering



### Historic Milestones

- Since 1951, Krones has grown from a label manufacturer to a **global leader** of machinery and equipment for the **liquid food and beverage industry**
- The company has demonstrated a **high awareness of emerging trends** and a **proactive approach** to embracing topics like technology and sustainability very early
- Krones **continuously expanded** its **product portfolio** and **geographical presence** (see M&A strategy below)



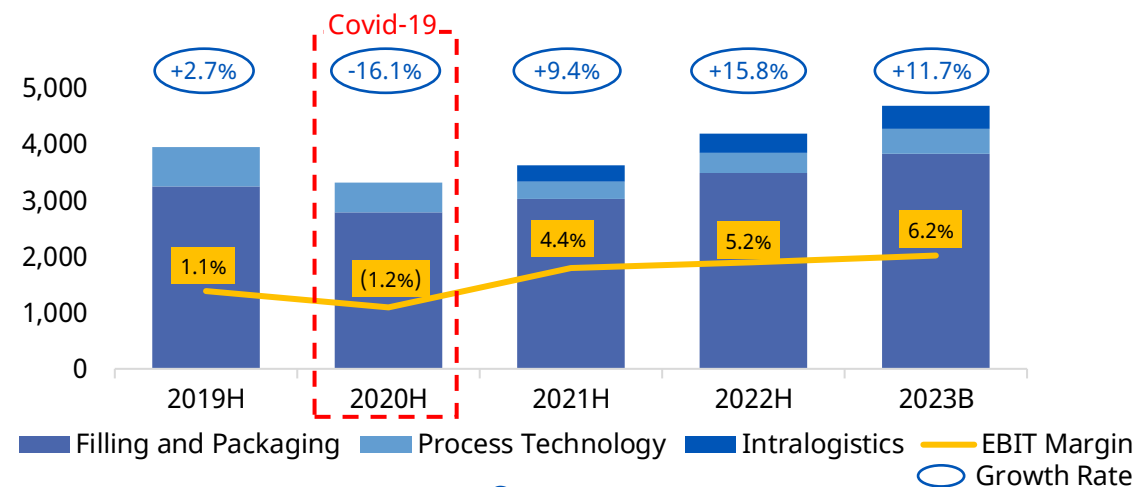
Target	Rationale	Date
<b>Ampco Pumps (90%)</b>	• Key player for sanitary pumps in the US food and beverage market	Apr-2023
<b>R&amp;D Custom (80.5%)</b>	• Supplies machinery and equipment for the production and filling of containers in the pharmaceutical industry	Nov-2022
<b>Xiantong Equip. (100%)</b>	• Production site for brewing equipment and other process technology in Shanghai, China	Sep-2018
<b>System Logistics (60%)</b>	• International service provider for intralogistics solutions, material flow technology, and warehousing	Mar-2016

# Krones' historical revenue development was primarily demand driven – by Filling and Packaging Technology in the Americas

## HISTORICAL FINANCIALS – INCOME STATEMENT – TOPLINE

Income Statement (in EUR m)	2019H	2020H	2021H	2022H	2023B
Germany	468.4	328.7	375.5	424.0	452.7
Europe (excl. Germany)	1,066.5	846.1	901.8	1,158.2	1,087.1
Middle East / Africa	451.4	477.4	421.9	486.1	443.5
Russia, APAC	969.2	810.3	863.2	862.5	1,011.6
America	1,003.3	860.2	1,072.0	1,278.6	1,707.1
Export Share	88.1%	90.1%	89.6%	89.9%	90.4%
<b>Filling and Packaging Technology</b>	<b>3,265.4</b>	<b>2,797.3</b>	<b>3,045.6</b>	<b>3,497.3</b>	<b>3,841.1</b>
<i>In % of Total Revenue</i>	<i>82.5%</i>	<i>84.2%</i>	<i>83.8%</i>	<i>83.1%</i>	<i>81.7%</i>
<b>Process Technology</b>	<b>693.5</b>	<b>525.4</b>	<b>296.6</b>	<b>367.5</b>	<b>451.2</b>
<i>In % of Total Revenue</i>	<i>17.5%</i>	<i>15.8%</i>	<i>8.2%</i>	<i>8.7%</i>	<i>9.6%</i>
<b>Intralogistics</b>	<b>-</b>	<b>-</b>	<b>292.3</b>	<b>344.5</b>	<b>409.8</b>
<i>In % of Total Revenue</i>	<i>-</i>	<i>-</i>	<i>8.0%</i>	<i>8.2%</i>	<i>8.7%</i>
<b>Sales Revenue</b>	<b>3,959.9</b>	<b>3,323.7</b>	<b>3,635.4</b>	<b>4,210.3</b>	<b>4,702.1</b>
Plus: Other Operating Income	171.6	196.3	234.9	256.8	220.0
<b>Total Revenues</b>	<b>4,131.5</b>	<b>3,520.1</b>	<b>3,870.3</b>	<b>4,467.1</b>	<b>4,922.1</b>
Less: Cost of Materials	(2,041.8)	(1,694.7)	(1,807.4)	(2,113.8)	(2,376.9)
<b>Gross Profit</b>	<b>2,089.7</b>	<b>1,825.4</b>	<b>2,062.8</b>	<b>2,353.2</b>	<b>2,545.2</b>
Less: Personnel Expenses	(1,275.5)	(1,175.2)	(1,176.7)	(1,269.7)	(1,394.9)
Less: Other Operating Expenses	(585.9)	(516.0)	(572.6)	(709.3)	(694.0)
<b>EBITDA</b>	<b>228.3</b>	<b>134.2</b>	<b>313.6</b>	<b>374.2</b>	<b>456.3</b>
Less: Depreciation and amortisation	(183.3)	(174.0)	(141.7)	(142.9)	(152.5)
<b>EBIT</b>	<b>43.9</b>	<b>(40.8)</b>	<b>170.9</b>	<b>230.4</b>	<b>303.8</b>
<b>Profitability</b>	<b>2019H</b>	<b>2020H</b>	<b>2021H</b>	<b>2022H</b>	<b>2023B</b>
Gross margin	50.6%	51.9%	53.3%	52.7%	51.7%
EBITDA margin	5.5%	3.8%	8.1%	8.4%	9.3%
EBIT margin	1.1%	(1.2%)	4.4%	5.2%	6.2%
<b>Organic vs inorganic growth</b>	<b>2019H</b>	<b>2020H</b>	<b>2021H</b>	<b>2022H</b>	<b>2023B</b>
Organic growth	-	(16.1%)	9.4%	14.9%	10.7%
Inorganic growth	-	-	-	0.9%	1.0%
<b>Total growth (Sales Revenues)</b>	<b>-</b>	<b>(16.1%)</b>	<b>9.4%</b>	<b>15.8%</b>	<b>11.7%</b>

Sources: Company Press, Annual Reports



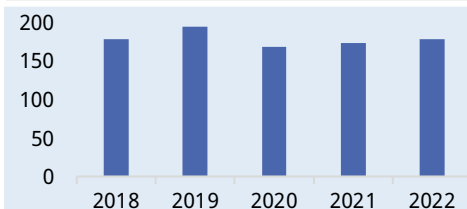
### Comments

- Due to **long projects and delivery times of 60-75 weeks on average**, Krones' revenue recognition takes place on a time-period basis and Krones **receives payments depending on milestones** (production status) of the project (=contract assets)
- **Revenues are split by segment and region with no further detail on product mix** between new machinery business and service business
- Generally, Management states that **revenue growth is mainly demand-driven**, as price increases can only be passed on to customers with a delay due to long delivery times. Nevertheless, management **increased prices constantly over time**
- Considering **revenues by segment, the largest part of revenues is generated within core segment** Filling and Packaging, accounting for 81.7% of revenues in 2023 (CAGR of 4.1% since 2019)
- **Until 2019, Intralogistics was part of Process Technology**. The segments got split in 2020 due to different natures of business and to focus more on the specific customers
- **Revenues in America grew strongly since 2019** (CAGR of 14.2%), mainly due to the highest density of major international customers and the world's highest consumption of soft drinks and beer

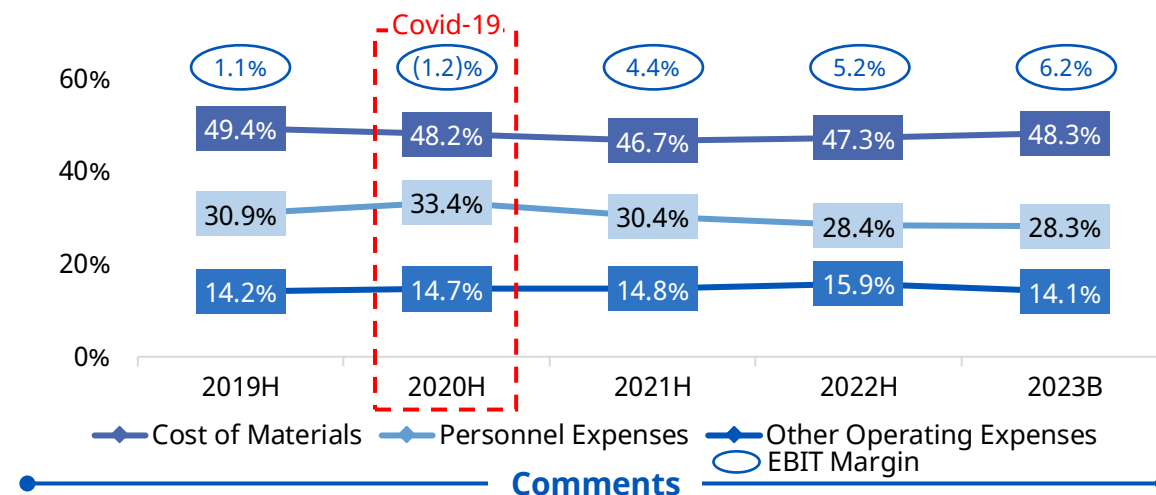
# By implementing restructuring measures and an increasing focus on cost-cutting, Kronos was able to increase its EBIT-margin up to 6.2% in 2022

## HISTORICAL FINANCIALS – INCOME STATEMENT – BOTTOM LINE

Income Statement (in EUR m)	2019H	2020H	2021H	2022H	2023B
<b>Sales Revenue</b>	<b>3,958.9</b>	<b>3,322.7</b>	<b>3,634.5</b>	<b>4,209.3</b>	<b>4,702.1</b>
Less: Other Operating Income	171.6	196.3	234.9	256.8	220.0
<b>Total Revenues</b>	<b>4,130.5</b>	<b>3,519.1</b>	<b>3,869.3</b>	<b>4,466.1</b>	<b>4,922.1</b>
Less: Cost of Purchased Service <sup>1</sup>	(516.2)	(378.4)	(434.2)	(503.0)	-
Less: Cost of Raw Materials <sup>1</sup>	(1,525.6)	(1,316.2)	(1,373.2)	(1,610.9)	-
<b>Cost of Materials</b>	<b>(2,041.8)</b>	<b>(1,694.7)</b>	<b>(1,807.4)</b>	<b>(2,113.8)</b>	<b>(2,376.9)</b>
<i>In % of Total Revenue</i>	<i>49.4%</i>	<i>48.2%</i>	<i>46.7%</i>	<i>47.3%</i>	<i>48.3%</i>
<b>Gross Profit</b>	<b>2,088.7</b>	<b>1,824.4</b>	<b>2,061.9</b>	<b>2,352.3</b>	<b>2,545.2</b>
Less: Wages and Salaries <sup>1</sup>	(1,065.1)	(983.4)	(983.5)	(1,055.6)	-
Less: Social Security Contributions <sup>1</sup>	(210.5)	(191.8)	(193.2)	(214.1)	-
<b>Personnel Expenses</b>	<b>(1,275.5)</b>	<b>(1,175.2)</b>	<b>(1,176.7)</b>	<b>(1,269.7)</b>	<b>(1,394.9)</b>
<i>In % of Total Revenue</i>	<i>30.9%</i>	<i>33.4%</i>	<i>30.4%</i>	<i>28.4%</i>	<i>28.3%</i>
Less: Freight Costs <sup>1</sup>	(121.0)	(106.9)	(130.0)	(156.2)	(152.8)
Less: Currency Translation Losses <sup>1</sup>	(45.9)	(75.2)	(75.3)	(130.8)	(128.0)
Less: Travel Costs <sup>1</sup>	(115.0)	(71.1)	(90.6)	(114.8)	(112.3)
Less: Maintenance Costs <sup>1</sup>	(39.0)	(34.1)	(35.2)	(43.6)	(42.7)
Less: Other <sup>1</sup>	(264.9)	(228.7)	(241.5)	(263.8)	(258.1)
<b>Less: Other Operating Expenses</b>	<b>(585.9)</b>	<b>(516.0)</b>	<b>(572.6)</b>	<b>(709.3)</b>	<b>(694.0)</b>
<i>In % of Total Revenue</i>	<i>14.2%</i>	<i>14.7%</i>	<i>14.8%</i>	<i>15.9%</i>	<i>14.1%</i>
<b>EBITDA</b>	<b>227.3</b>	<b>133.2</b>	<b>312.6</b>	<b>373.3</b>	<b>456.3</b>
Less: D&A	(183.3)	(174.0)	(141.7)	(142.9)	(152.5)
<b>EBIT</b>	<b>43.9</b>	<b>(40.8)</b>	<b>170.9</b>	<b>230.4</b>	<b>303.8</b>



- Deep Dive: Research and Development**
- Kronos invests ca. 5% of total revenues in R&D
  - Focus on sustainability and digitalisation as key innovation driver
  - Strong patent portfolio secures technological lead



- Comments**
- Due to the nature of its business, **costs** are **primarily driven** by **cost of materials** and **personnel costs**, ultimately resulting in an EBITDA margin of 8.4% in 2022
  - Cost of materials are divided into expenses for raw materials and supplies as well as purchased services
  - Due to a **high level of vertical integration**, raw materials include both finished products such as electronic components and raw materials such as iron and steel
  - **Despite price increases and bottlenecks** in material procurement (especially steel and electrical components), Kronos was able to **reduce** its **material cost ratio** by 3.3 ppt during the historical period under review, thanks to **intelligent production and procurement management**. Accordingly, gross profit now stands at 52.7%
  - **Restructuring measures, staff reductions** and **digitalization efforts** led Kronos to massive efficiency improvements: Since 2021, the personnel cost ratio has been reduced by a strong 5 ppt with a simultaneous increase in output per employee (210k vs. 280k)
  - The increase in other operating expenses is mainly due to increased freight costs and currency effects

Notes: (1) The individual values of personnel expenses, cost of materials and other operating expenses in 2023 are based on the weights of 2022  
Sources: Annual Report

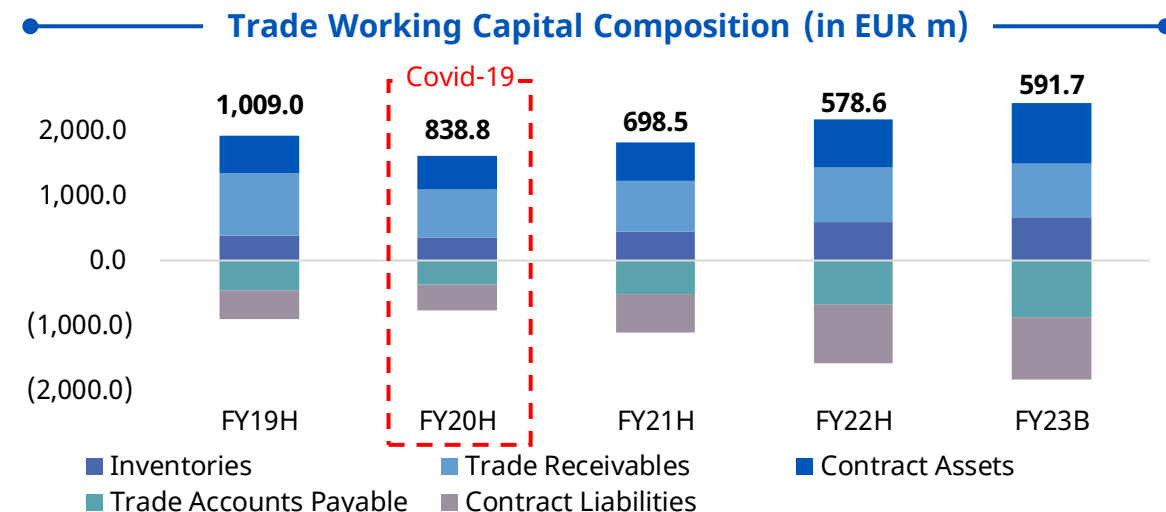
# Due to instalment payments for long-term projects, Krones' net working capital includes contract assets and liabilities

## HISTORICAL FINANCIALS – BALANCE SHEET

Balance Sheet (in EUR m)	2019H	2020H	2021H	2022H	2023B
Cash and Cash Equivalents	110.4	217.0	383.4	674.5	612.9
Current Assets (excl. Cash)	2,055.0	1,740.0	1,978.7	2,332.5	2,644.3
PPE and Right-of-use Assets	693.2	656.1	667.0	693.7	701.6
Intangible Assets	345.2	300.6	303.2	349.3	460.2
Other Noncurrent Assets	115.7	135.8	162.6	121.2	90.1
<b>Total Assets</b>	<b>3,319.4</b>	<b>3,049.5</b>	<b>3,494.8</b>	<b>4,171.2</b>	<b>4,509.1</b>
Return on assets (%)	0.3%	(2.6%)	4.0%	4.5%	5.5%

1	Net Debt (Cash)	361.9	221.9	(4.4)	(231.9)	(143.7)
	Inventories	382.5	355.1	433.6	589.4	656.6
	Trade Receivables	961.8	740.4	786.3	847.2	838.1
	Contract Asset	571.3	518.8	594.0	727.6	930.8
	Accounts Payable	(463.7)	(370.4)	(515.1)	(684.2)	(876.9)
2	Contract Liabilities	(442.9)	(405.1)	(600.2)	(901.4)	(957.0)
	<b>(=) Net Working Capital</b>	<b>1,009.0</b>	<b>838.8</b>	<b>698.5</b>	<b>578.6</b>	<b>591.7</b>

- **Total Assets increased** by roughly **28%** until 2023
- Krones was **able to increase cash by a factor of 2.5** due to its recent **extraordinary high operating cash flow**, resulting in a cash ratio of 0.31 in 2022. These funds primarily serve to finance working capital and capex
- **PPE** increased mainly as a result of **site expansion investments** in Germany and **site establishment** in Hungary. Right-of-use assets amount to 17% of PPE in 2022.
- **Other intangible assets** mainly consists of **IP rights, customer bases** and capitalized development expenditure
- **Other noncurrent assets** are mainly comprised of noncurrent financial assets and trade receivables and advance payments



### Comments

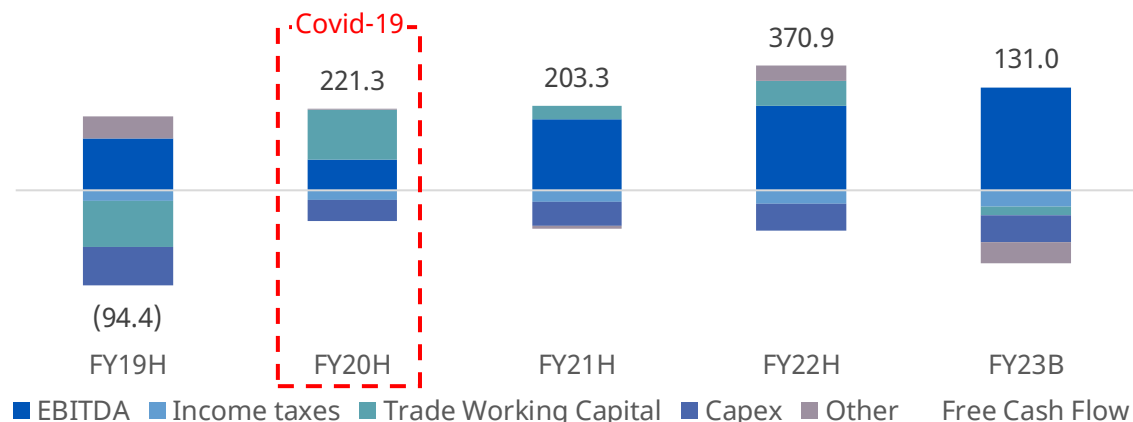
- 1 Krones extraordinary stable financial position is undermined by its **continuous negative debt levels** and ensures Krones' **strategic flexibility** and **enables further investments** in the future. Additionally, this creates scope for future borrowings in order to increase return on equity
- 2 Krones has made the **optimization of net working capital** a paramount goal to improve FCF. The **greatest impact on the reduction of NWC was a change in payment terms towards advance payments** on long-term projects and the resulting doubling of advance payments received (=contract liabilities)<sup>1</sup>. Additionally, Krones engages in **non-recourse factoring** and **reverse factoring agreements**. **Inventories increased** mainly due to high sales volume and to counteract strained supply chains

# Strong conversion from EBITDA to FCF due to reduction of net working capital in recent years, however high capex because of machinery business

## HISTORICAL FINANCIALS – CASH FLOW STATEMENT

Cash Flow Statement (in EUR m)	2019H	2020H	2021H	2022H	2023B
<b>EBIT</b>	<b>43,9</b>	<b>(40,8)</b>	<b>170,9</b>	<b>230,4</b>	<b>303,8</b>
Plus: Depreciation and amortisation	183,3	174,0	141,7	142,9	152,5
<b>EBITDA</b>	<b>227,3</b>	<b>133,2</b>	<b>312,6</b>	<b>373,3</b>	<b>456,3</b>
Less: Taxes	(49,8)	(44,1)	(54,3)	(61,7)	(73,6)
Less: Change in Trade Working Capital	(203,5)	221,3	62,0	110,5	(40,1)
Less: Other Operating Activities	119,5	11,4	15,5	56,6	21,9
<b>1 Cash Flow from Operating Activities</b>	<b>93,5</b>	<b>321,8</b>	<b>335,9</b>	<b>478,7</b>	<b>364,6</b>
<b>2 Less: Capex</b>	<b>(168,9)</b>	<b>(93,8)</b>	<b>(104,9)</b>	<b>(118,2)</b>	<b>(116,9)</b>
Less: M&A Capex	(40,6)	(16,1)	(41,6)	(34,7)	(155,2)
Less: Other Investing Activities	21,6	9,4	13,9	45,1	38,5
<b>Cash Flow from Investing Activities</b>	<b>(187,9)</b>	<b>(100,5)</b>	<b>(132,6)</b>	<b>(107,8)</b>	<b>(233,6)</b>
<b>3 Free Cash Flow</b>	<b>(94,4)</b>	<b>221,3</b>	<b>203,3</b>	<b>370,9</b>	<b>131,0</b>
Cash Flow from Financing Activities	(19,3)	(99,0)	(60,9)	(79,8)	(111,1)
Other	5,2	(15,6)	24,0	(0,0)	(21,8)
<b>Net Change in Cash and Equivalents<sup>1</sup></b>	<b>(108,4)</b>	<b>106,6</b>	<b>166,4</b>	<b>291,1</b>	<b>(1,9)</b>

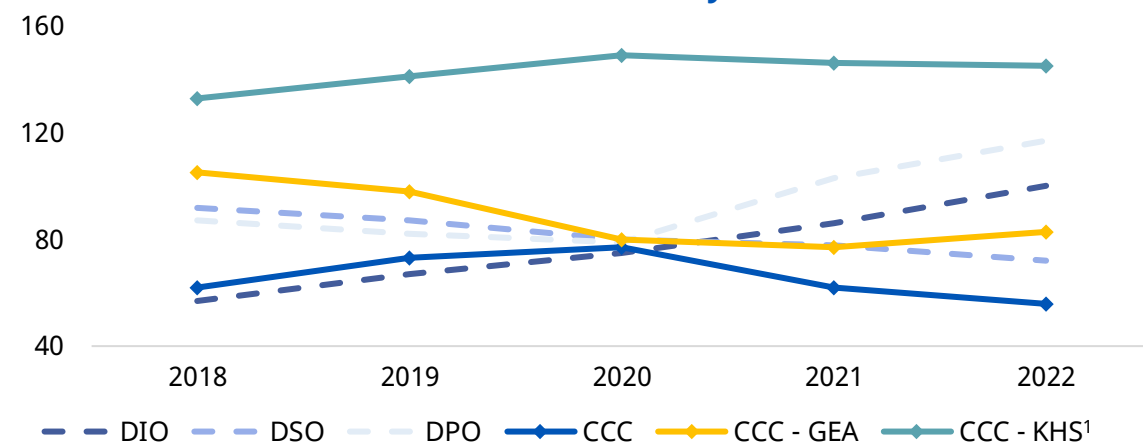
## Free Cash Flow Composition (in EUR m)



## Comments

- Operating cash flow** is mainly driven by **fluctuations in EBIT** and **working capital**. NWC was reduced in times of high order intake due to an increase in advanced payments and trade payables but increased in 2023 due to higher inventory
- Heightened values of capex** in 2019 refer to **site expansions** at German sites and the **establishment of a new production site** in Hungary. Krones plans to invest 2.5% to 3.5% of sales p.a., primarily for the expansion of international locations and enhancing IT systems
- The **exceptionally high FCF** of EUR 371m in 2022 predominantly stemmed from the substantial order intake and the associated upfront payments
  - Cash conversion ratio** increased in 2020 due to weak operating performance as a result of the Covid-19 pandemic and strong working capital depletion
  - Krones' **comparatively low CCC** showcases lower pressure on liquidity through **efficient working capital management** supported by factoring as well as reverse factoring

## Cash Conversion Cycle



Notes: As the figures for 2023B are projections of the last available Q3 figures from September 2023, some analyses within this slide were based on 2022H. The slightly negative operating cash flow margin in 2023 is primarily due to one-off effects in working capital from the acquisition of Ampco pumps and stockpiling of inventory due to material shortages. (1) For the purpose of completeness, the cash conversion cycle of Salzgitter AG, the parent company of Krones' main competitor KHS, is shown

# 02

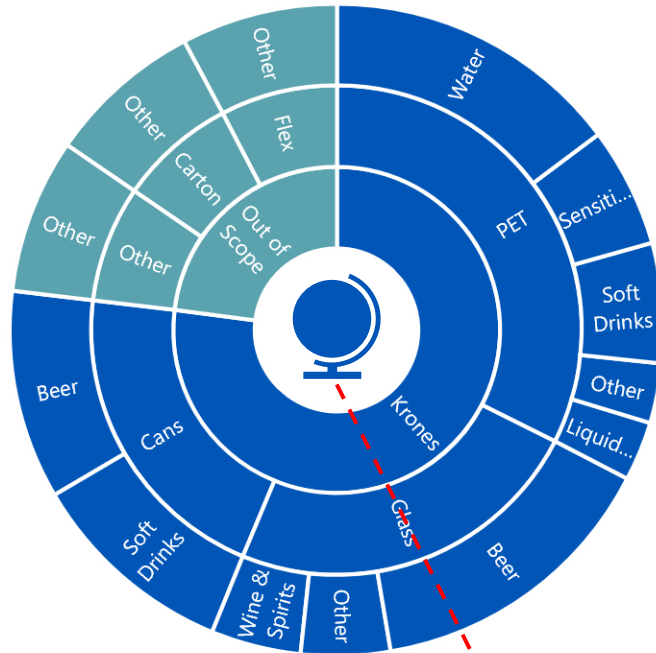
## Market Overview



# Krones' addressable market is tied to the correlation between demand for packaged beverages and machines – Packaging Material and Trends

## MARKET OVERVIEW – TOTAL ADDRESSABLE MARKET

### Total Addressable Market by Packaging Material



■ Krones products

■ Out of scope

Field size proportionately to containers

#### Addressable Market:

- Over 1,500 billion containers filled in 2022
- Expected growth by 3.2% p.a.

#### PET Lines

**Focus Industries:** Water, Soft Drinks, and Sensitive Beverages  
**Solution Highlights:** High-speed PET Line, Flexible Filling Systems

🏆 #1 globally

#### Glass Lines

**Focus Industries:** Beer, Soft Drinks, and Wine & Spirits  
**Solution Highlights:** Hygienic filling, AI-based inspection

🏆 #1 globally

#### Can Lines

**Focus Industries:** Beer and Soft Drinks  
**Solution Highlights:** New filler generation, sustainability

🏆 #1 globally

#### Aseptic PET

**Focus Industries:** Sensitive Beverages and Dairy  
**Solution Highlights:** Dairy alternative, better performance

🏆 #2 globally

### Technology

- The **integration of automation and Industry 4.0** technologies in production facilities increases efficiency and production capacity
- While, at the same time, **digitalized efficient production technologies** help to reduce operating costs
- Furthermore, **e-commerce sales** of beverages is on the rise and beverage manufacturers and packers are adapting their solutions

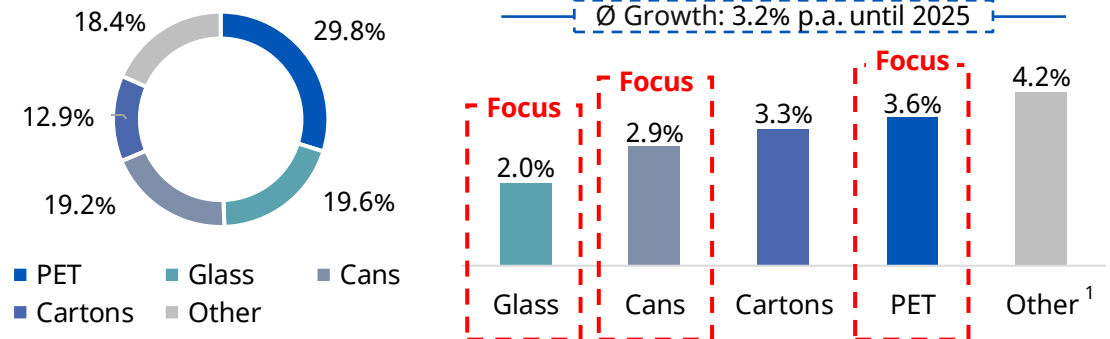
**Focus Areas:**  
 Digitalization, Automation, Efficiency

### Sustainability

- **Overarching trend of sustainability**, conserving resources, shrinking carbon footprints and recycling materials, offers huge market potential
- **Growing demand for PET packaging and PET recycling solutions** due to its small carbon footprint and versatility in producing various packaging shapes and designs is closely tied to its use in a circular economy
- Driven by increasing regulation

**Focus Areas:**  
 Waste and CO2 reduction, Recycling

### Global Consumption of packaged Beverages by Packaging Material

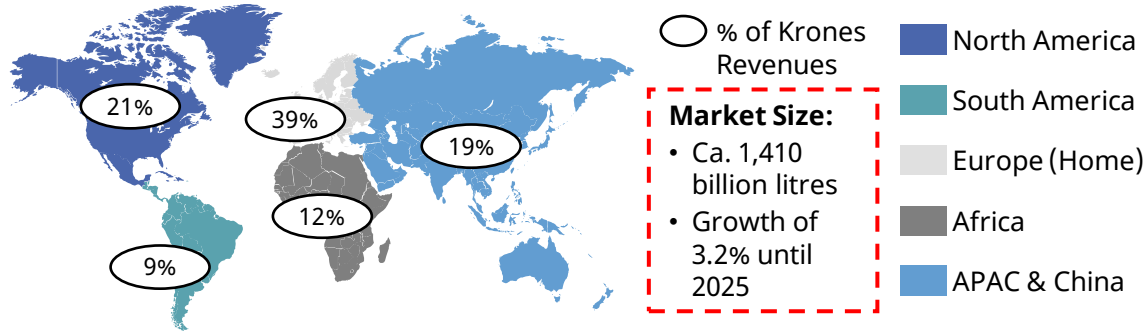


Notes: As the figures for 2023B; (1) Other refers to niche products such as plastic film bags and other packaging  
 Sources: Annual Report, Krones Insights, Capital markets presentation 2022

# Krones' addressable market is tied to the correlation between demand for packaged beverages and machines – Regional Split and Trends

## MARKET OVERVIEW – TOTAL ADDRESSABLE MARKET

### Total Addressable Market by Region



Category	Europe & North America	Emerging Markets (APAC, Africa)
<b>Customer Preferences</b>	Beverage companies prefer to focus on their beverage production and reduce cost and effort for filling & packaging	Affordability and cost-efficient machinery
<b>Market Trends</b>	Recycling, Circular Economy, Automation, Digitization	Growing population, improved access to clean water
<b>Competition</b>	Only few global beverage machinery companies are the main competitors	Same global firms but also local machinery companies with better access but lack the ability to manufacture entire beverage plants
<b>Risks</b>	Customers might purchase other machinery to maintain market balance	Political instability, uncertainty for foreign firms, currency risk
<b>Winning Strategy</b>	<b>Provide top-tier digital services and emphasize recycling for product leadership</b>	<b>Focus on few large projects and aim to win them by offering the best local service and cost efficiency</b>

### Global Population Growth

- **Global population growth** (+6.25% until 2030) as overarching megatrend, as all these people need to eat and drink
- **Growing global middle-class** of expected 4.9b people in 2030 (+53.1%), leads to increasing consumer income and spending
- **Urbanization:** City dwellers are consuming more packaged beverages than people living in rural areas (67% in 2030 vs. 50% in 2020)

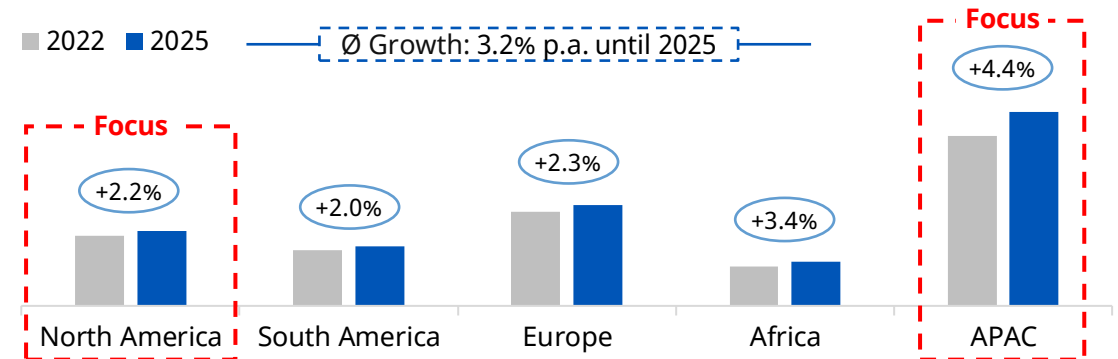
**Focus Areas:**  
Asia Pacific

### Customer Behavior

- **Increased health awareness** drives demand for healthy alternatives and water in packaged beverages (+4.9% and +3.3% until 2030)
- **Rising consumer awareness** regarding personal well-being and grooming drives pharma and cosmetics
- **Convenience of consumption** of packaged beverages in different packaging materials drives demand in developing countries

**Focus Areas:**  
Health, Convenience

### Global Consumption of packaged Beverages by Region



# Krones purchases raw materials and components from its customers, produces machines, and supplies them to beverage producers and distributors

## VALUE CHAIN OF THE BEVERAGE INDUSTRY

### Value Chain – Beverage Industry



### Description of Krones' Value Chain, Customers and Suppliers

#### Supplier

- Suppliers can be divided according to the type of product: Raw materials and finished goods
- As a manufacturer of machinery and plants, a substantial amount of iron, steel and other building material is needed. Krones uses its global presence to use best cost country sourcing of these materials
- To be able to offer best-in-class beverage equipment solutions, Krones sources components primarily from **market and technology leaders**, for example in electronic components or chips for digital infrastructure

#### Beverage producer

- Production of beverages such as beer, soft drinks, and juices
- Beverage companies use **processing machinery** and ingredients to produce on large scale

#### Intralogistics and Recycling

- Additional solutions complement service offerings along the value chain

#### Filling & Labelling

- Produced beverages are **filled in bottles or cans**
- **Bottles receive label** of the beverage brand

#### Packaging

- Finished bottles/cans are **packed together in boxes**
- Boxes are **bundled in pallets** to enhance beverage transport


















#### Customer

- Customers within Filling and Packaging Technology and Process Technology primarily comprise all kinds of beverage producers, breweries including all the major beverage producers
- Customers from recycling are mostly located in the waste management sector, as recycling is usually not part of the core business of beverage producers
- Customers within Intralogistics comprise all kinds of industrial companies operating with liquid goods or filling and packaging


# Krones mainly competes with two players that are smaller in size and less profitable – Further advantages through global presence and product portfolio

## COMPETITIVE LANDSCAPE- MARKET OVERVIEW

### Overview of Main Competitors (Peer Group)

	 KRONES 	 KHS   Sidel   SIG 			 GEA 	 COESIA 
Foundation	1951	1993	1965	1853	1881	1923
Revenue (EURm)	4.922	1.408	1.440	2.780	5.165	1.761 <sup>3</sup>
EBIT margin	6.2%	<  KRONES *	<  KRONES *	14% <sup>1</sup> 	10.2% <sup>2</sup> 	7.3% <sup>3</sup> 
FTE	~ 17.000	~ 5.000	~ 5.000	~ 9.000	~ 18.000	~9.000
Global presence	> 150 countries	> 60 countries	> 90 countries	> 100 countries	> 60 countries	> 36 countries
Main markets	Beverage	Beverage	Beverage	Food, Beverage	Diversified	Pharma
Processing	★★★	★★	★★	★★	★★★	★★
Filling	★★★	★★★	★★★	★★★	★★	★★
Packaging	★★★	★★	★★★	★★★	★★	★★★
Labelling	★★★	★★★	★★	★	★★	★★★
Palletizing	★★	★★	★★	★	★	★
Intralogistics	★★	★★	★	★	★★	★
Recycling	★★	★	★	★	★	★
Digital Services	★★★	★★	★★	★	★★	★★
One stop shop	Yes	No	No	No	No	No

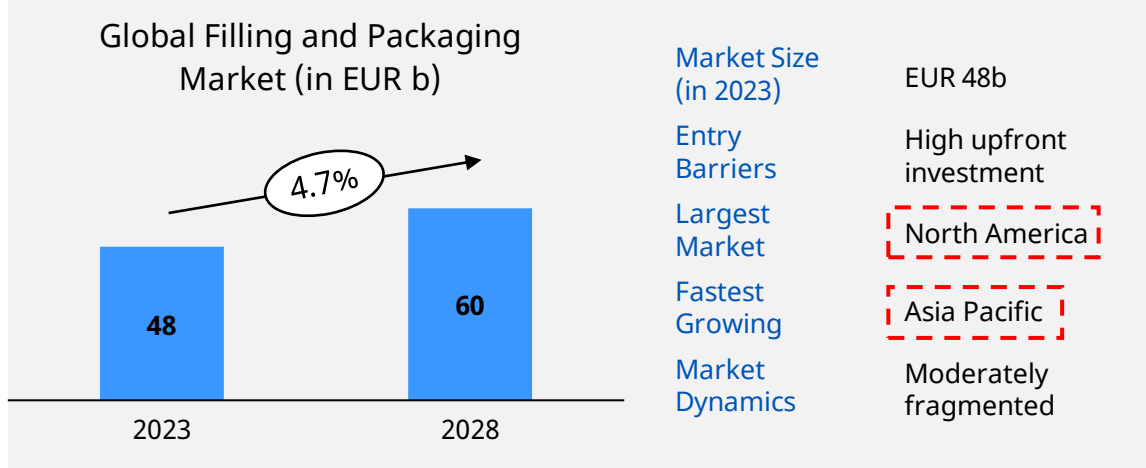
Krones stands out as the sole competitor **encompassing the entire beverage industry value chain**, spanning from processing to intralogistics. While primary rivals like KHS and Sidel also target the beverage industry, they are comparatively smaller and lack Krones' global reach. However, other competitors are more **diversified in their end markets**, offering Krones opportunities for further enhancement

Notes:  Upside potential for Krones; (1) SIG focuses on packaging; (2) Gea focuses on components and more profitable end markets; (3) Financials refer to 2020, Coesia focuses on more profitable end markets; \*Management Indications

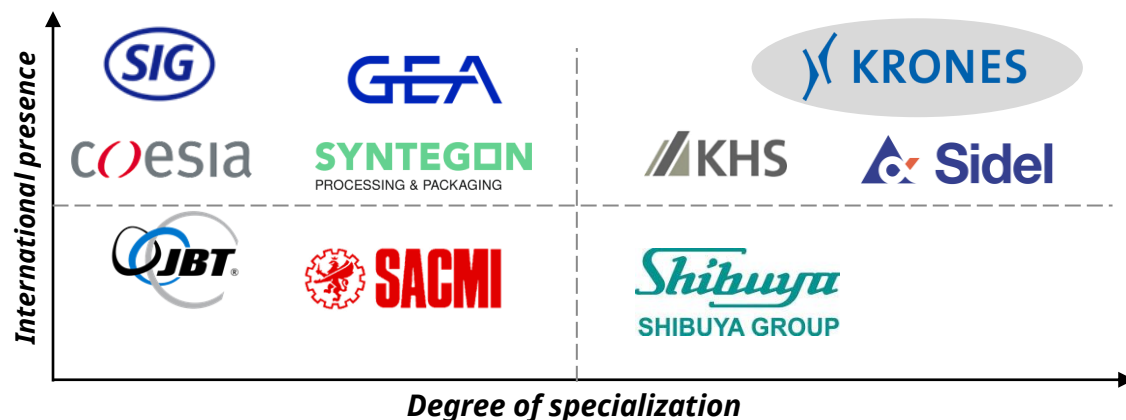
# Advancing technology and regulatory mandates propel packaging machinery market amid surging demand for packaged food and beverage

DEEP DIVE: FILLING AND PACKAGING MACHINERY MARKET AT A GLANCE

## Total Addressable Market and Key Facts



## Competitive Landscape



## Market Drivers

Driver	Description	Impact
<b>New Technology &amp; Automation</b>	<ul style="list-style-type: none"> <li>Growing demand for efficient packaging systems, boosted by technology advancements and robotics</li> <li>Automation to minimize human intervention and costs</li> </ul>	High
<b>Sustainability &amp; Regulatory Standards</b>	<ul style="list-style-type: none"> <li>Environmental concerns and regulations fuel market growth for eco-friendly solutions</li> <li>Advancements drive the adoption of renewable and lightweight materials in packaging</li> <li>Increased government regulation for safety of production</li> </ul>	High
<b>Changing Customer Preferences</b>	<ul style="list-style-type: none"> <li>Growing presence of millennials and Gen-Z consumers is expected to drive the demand for convenience products</li> <li>Rising consumption of healthy and organic food products, which require a special type of packaging</li> </ul>	Medium

## Market Trends

<b>Short</b>	<ul style="list-style-type: none"> <li><b>Sustainability</b> drives the adoption of eco-friendly practices like recyclable materials, waste reduction, and energy-efficient machinery</li> <li><b>Automation and digitalisation</b></li> </ul>
<b>Mid</b>	<ul style="list-style-type: none"> <li>Asia-Pacific's market growth is driven by a <b>growing population, increased disposable income</b>, and the expansion of the food and beverage industry</li> <li>Increasing demand for <b>healthy beverages</b>, significant industry players, and strict government regulations for food safety and hygiene</li> </ul>
<b>Long</b>	<ul style="list-style-type: none"> <li><b>Sustainability and circular economy</b>, including energy and carbon footprint reduction, water and food waste reduction, resource savings and increased overall equipment effectiveness</li> </ul>

# 03

---

## Investment Rationale & Value Creation



# Market leadership, global infrastructure and best-in-class product and service portfolio leave room for optimization and intertwined value creation

## INVESTMENT HIGHLIGHTS

### Investment Highlights



#### One-stop shop and central point of contact

- All solutions needed for production, filling and packaging
- Modular solutions of machines and services can be deployed according to the customer's wishes
  - Turnkey solutions can be used immediately after handover
  - Central contact point within the beverage industry



#### Geographical presence and customer focus

- Track record of continuous innovation and customer centricity
- Cutting-edge innovations in sustainability and digitalization
  - Strong geographical presence builds the foundation of well-diversified customer base that profits from flexibility, speed and customer proximity



#### Market Leadership

- Leadership and defendable position in critical end market
- Innovative and technological leadership and redefining industry benchmarks ensure pricing power
  - High entry barriers in special equipment manufacturing secure defensible market position



#### Strong cash generation and leverageable balance sheet

- Strong cash conversion enables for leverage and growth
- Substantial asset base, solid revenue growth, and stable cash flows allow for higher use of debt financing
  - Debt financing will be used for growth opportunities (service business, M&A) and the leverage increases IRR and MoM

### Value Creation

A

#### Strengthen global Leadership – Revenue growth

- Sustain global leadership by focusing on key accounts in important regions (Asia Pacific and North America)
- Diversify operations to counteract supply chain bottlenecks and increase resilience to local crises
- Increase brand awareness worldwide for successful exit via IPO

0.43x<sup>1</sup>  
802m

B

#### Transition to service-based Business Model – Revenue growth

- Superior services as competitive edge
- Increasing share of recurring revenue and additional potential for increasing revenue streams, fueled by incremental machinery sales
- Assessment of servicing of third-party and/or add-on machines

0.22x<sup>2</sup>  
413m

C

#### End Market Optimization (Buy-and-Build) – EBIT growth

- Leverage market growth potential in fast growing industries (Pharmaceutical, Cosmetics, Alternative Proteins)
- Diversification of customer base and reduce dependence on beverage sector

0.48x<sup>3</sup>  
888m



D

#### Operational Improvements – EBITDA margin expansion

- Leverage market power to increase prices
- Use best cost country sourcing to enforce lower purchase prices for raw materials and sourced components
- Make use of high-margin business areas like pharmaceuticals and service business

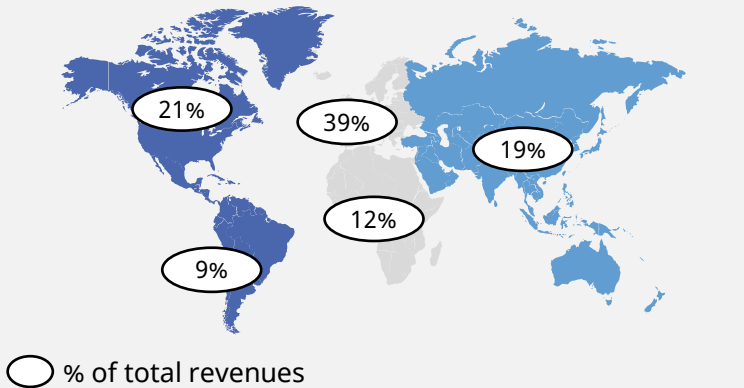
0.76x<sup>4</sup>  
1,412m

Notes: (1) Strengthening global leadership includes entire revenue growth in North America, APAC, China (2) Assuming service revenue share of 25% (not public information) and additional revenue and cost according to business plan; (3) Add-ons growth, add-ons margin expansion, multiple expansion according to value creation; (4) Organic Margin expansion according to Value Creation

# Krones' geographic leadership will be further strengthened by actively addressing industry trends in promising regions APAC and North America

## STRATEGY A – STRENGTHEN GLOBAL LEADERSHIP

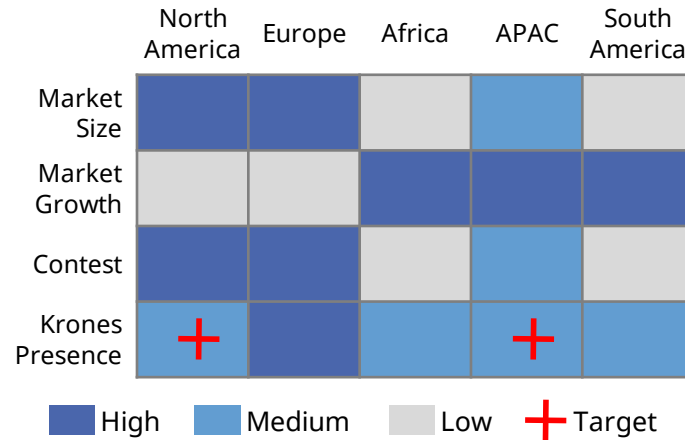
### Status Quo



### Comments

- Krones is heavily export-oriented, generating 90% of revenues outside their home market Germany, underlining their **high degree of internationalization**
- At Entry, approx. **59%** of revenues are generated in **advanced economies** (vs. **41%** in **emerging markets**)
- Thereof, only **19%** of revenues are generated in **APAC** and **21%** in **North America**, respectively
- **Industry trends suggest markets** in APAC **grow the fastest** due to increased exposure to megatrends such as population growth, rising income, opening **possibilities to grow at above-market rates**
- In **North America**, Krones already benefitted from **megatrends such as sustainability and automation**, which are already deeply embedded in its product portfolio (see appendix 1 p. 50)

### Strategy

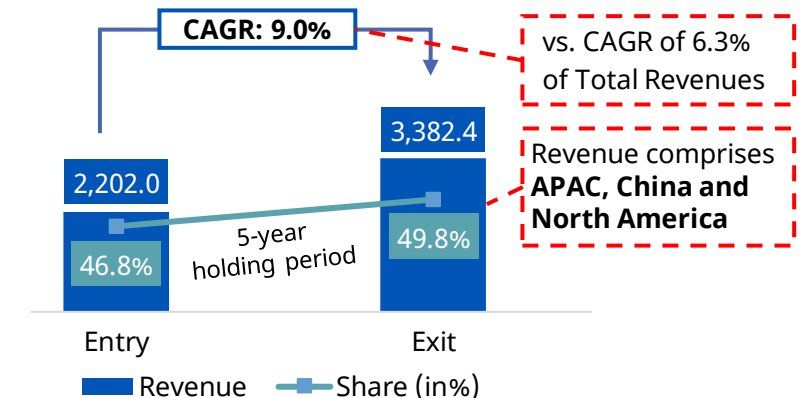


- The strategy to strengthen global leadership centres on two key areas, each presenting distinct challenges
- First, continue **strong market growth in the US** and profit from two favourable trends: The implementation of **sustainable product regulations<sup>1</sup>** and anticipated **cost-saving initiatives** by major American beverage companies
- The second part focuses on key APAC markets, specifically China, India, and the Philippines, known for their above-average CAGRs. The goal is to identify and win key accounts in these markets
- **Build upon winning strategies identified for each target market** (see p. 17)

### Action Plan

- 🇨🇳 **Focus on key accounts** with large order volume and long-term growth potential in identified APAC key markets without local competition
- 🇨🇳 **Win these projects** by being cheaper, cost-efficient in the production and offering the best service
- 🇺🇸 Approach current US blue-chip customers regarding new packaging law and convince them to invest in **sustainable packaging and recycling solutions**
- 🇺🇸 Reach out to current customers and **highlight the cost-saving potential** of Krones machinery, emphasizing the advantages, including SLA offerings.

### Impact



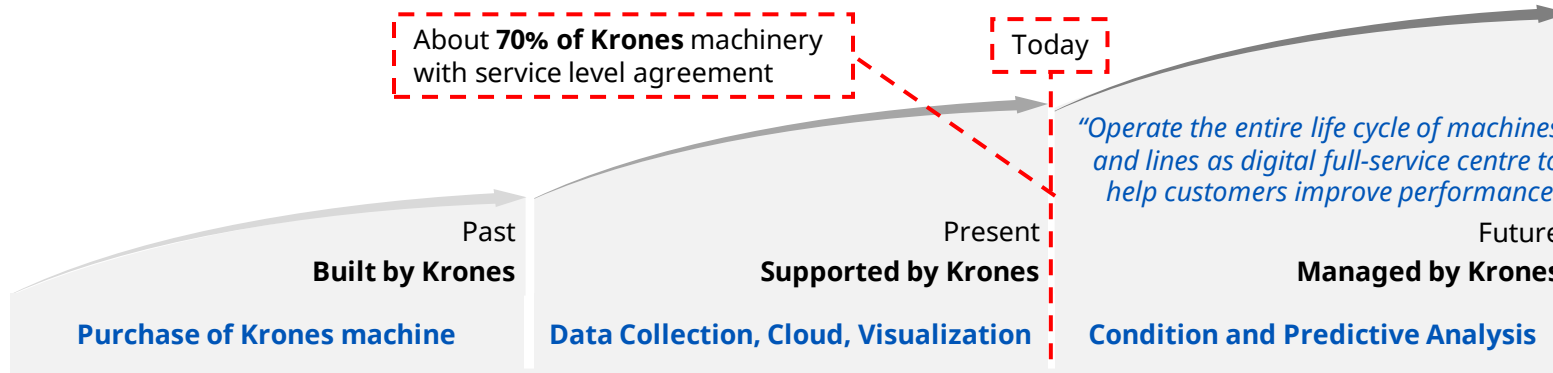
Notes: (1) Revenue equals to sales revenue in North America, APAC and China and share (in %) is the percentage of these markets of total revenues

Source: Company Press, Krones Website

# Taking advantage of the best-in-class service network – Implementing new features to further enhance service business

STRATEGY B – SERVICE-BASED BUSINESS MODELS

## Evolving from Machine and Line Manufacturer to Holistic Manager of Beverage Plants



## Action Plan

- ✓ Improve share of machinery with **SLA agreement** from **70% to 80%** by retrofitting edge device and better service offering
- ✓ Hire **50 employees** p.a. to handle higher demand of digital service centre
- ✓ Implement **Connected Line** into machines from acquired firms to win their customers for service
- ✓ Introduce new function **Condition analysis** and **Prediction** into **Krones Ecosystem** to boost customer experience

## Service-based Business Model

### Existing Digital Services:

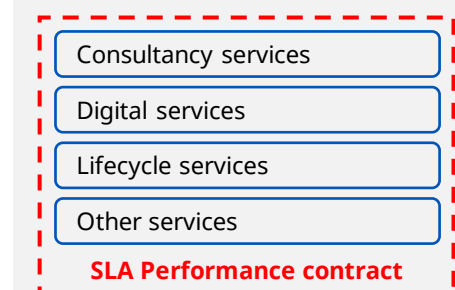
- **I. Connected Line:** All Krones machines can be upgraded with edge device and ether network to collect data and upload to cloud
- **II. Krones.World:** Industrial IoT Platform with Advanced Analytics Functions and Cloud Services that allow to analyse data, optimize production, and reduce downtimes
- **III. Digital Service Centre:** Krones employee supports with analysis, identifies improvement potential, and creates an action plan for customer.

### New Functions

- **I. Condition Analysis:** Anticipate production output by conducting What-If Analyses, using various input parameters.
- **II. Predictive Maintenance:** Through data generated by multiple sensors, AI identifies patterns and alerts the customer about potential issues before they arise.
- **Implementation:** After setting up data collection and IT infrastructure, the next phase focuses on developing in-house data expertise and collaboration with service providers.

### Service Level Agreements (SLAs)

- Krones' SLA performance contracts guarantee a predetermined performance over the contracts' lifetime for monthly or annual service fee



## Impact

- Higher share of recurring revenue leads to more **predictable revenues**
- Services offer greater scope for pricing, enabling **higher profit margins**
- Improved **customer retention** through the Lock-in-effect
- **Strong value proposition** for customers due to lower production cost, data efficiency, and support by service team

**Value Creation + 413m**

**Value Creation + 0.22x**

# Existing solutions and know-how can be leveraged to expand Krones' target markets beyond beverage industry due to strategic acquisitions

STRATEGY C – END MARKET OPTIMIZATION / PORTFOLIO OPTIMIZATION

## Status Quo<sup>1</sup>



Dynafill combines **the filling and capping process** in one solution.



Contipure covers the **whole aseptic processing chain**.



Modulfill combines **filling with modular expendable solutions**.

## Comments

- Krones primarily generates its revenue streams by selling **machines and lines for the production, filling and packaging of liquid goods** as well as additional services to customers within the beverage industry
- Currently **rather low exposure to alternative markets** with more promising market growth potential
- Krones can **leverage technology** to expand these solutions to **other end markets and packaging types/sizes** such as alternative proteins, chemicals, pharmaceuticals or cosmetics
- There are **no technological or production-specific differences**, but rather processual deviations, stricter regulatory and hygiene and documentation guidelines
- The first step into expanding their end markets was done with the **acquisition of R+D Custom Automation**, a US-based company specialized in process and manufacturing automation for the **pharmaceutical industry, in 2022**

## Strategy<sup>2</sup>

Company	Country	End Market	Revenues
pester pac automation		<ul style="list-style-type: none"> <li>Pharma</li> <li>Beverage</li> </ul>	EUR 118m
ROMACO <small>beyond technology</small>		<ul style="list-style-type: none"> <li>Pharma</li> <li>Cosmetics</li> </ul>	EUR 200m
Dara <small>Pharmaceutical Equipment</small>		<ul style="list-style-type: none"> <li>Pharma</li> </ul>	EUR 52m
ProXES <small>your processing partner</small>		<ul style="list-style-type: none"> <li>Pharma</li> <li>Beverage</li> <li>Chemicals</li> </ul>	EUR 114m

- Expansion via **strategic acquisitions** enables entry into the **highly regulated pharmaceutical market**, requiring **specialized knowledge** and certifications.
- All targets are located in the EU but operate globally to reach **international pharmaceutical companies**. The **higher volume and better capabilities** in these markets support this entry strategy.
- The **pharmaceutical equipment market**, (see p. 60), offers **strong potential for Krones** with market size of **USD 14.5b** and a projected **CAGR of 6.3%** until 2028.
- Underlying **growth drivers are in line with Krones' core competencies**, i.e. increasing automation and digitalization of the machinery but **rising demand for injectables** offers new opportunities.

## Action Plan

- ✓ **Acquire 4 targets** in the first two years to enter pharmaceutical and cosmetics machinery market
- ✓ Hire experienced executive with sector knowledge and operational improvement team to **identify cost synergies and improve margins**
- ✓ Include all acquired companies into **Krones.world** and convince **pharmaceutical firms of SLA**
- ✓ Create **One-Stop-Shop for pharmaceutical machinery** industry including processing, filling, and packaging

## Impact

**Revenue** + 752m

**EBIT** + 80m

**Value Creation** + 0.48x

**One-Stop-Shop in Pharma**




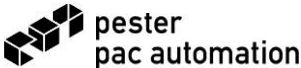
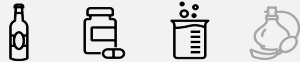



**End Market Diversification**

Notes: (1) For a comprehensive overview of Krones' productions and solutions, see p. 7; (2) Comprehensive Overview on the following page

Sources: Bundesanzeiger, Orbis, Company Website, Annual Reports and Krones Insights

# Through strategic acquisitions as part of a buy-and-build strategy, Kronos will become a one-stop shop within the more profitable pharmaceutical industry

## STRATEGY C – END MARKET OPTIMIZATION – BUY & BUILD TARGET OVERVIEW

	 your processing partner	 Pharmaceutical Equipment	 beyond technology	 automation																																								
	Processing	Filling	Liquids & Non-Liquids	Packaging																																								
Business Description	<ul style="list-style-type: none"> <li>Manufacturer of machinery for food processing, pharmaceutical filling and chemical processing</li> <li>Broader industry focus in relation to other targets</li> </ul> 	<ul style="list-style-type: none"> <li>Manufacturer of <b>cleaning and filling machinery</b> primarily catering to the <b>pharmaceutical</b> industry</li> <li>Design and production of sterile filling and closing machines</li> <li>Operates in +80 countries around the globe</li> </ul> 	<ul style="list-style-type: none"> <li>Leading provider of <b>packaging and processing solutions</b> for pharmaceutical, cosmetics and food industries</li> <li>Primarily offers machinery and systems for <b>powders and liquids</b></li> </ul> 	<ul style="list-style-type: none"> <li>Leading provider of high-quality packaging machinery and solutions for the pharmaceutical industry</li> <li><b>Specialized in end-of-line packaging</b></li> <li>Supplies 80% of top-tier pharmaceutical companies</li> </ul> 																																								
Key Financials EUR m <sup>1</sup>	<table border="1"> <tr><td>Revenue (FY23)</td><td>132.6m</td></tr> <tr><td>EBIT (FY23)</td><td>1.0m</td></tr> <tr><td>EBIT Margin</td><td>0.7%</td></tr> <tr><td>Entry multiple</td><td>11.2x</td></tr> <tr><td>Ticket size (2025)</td><td>29.3m</td></tr> </table>	Revenue (FY23)	132.6m	EBIT (FY23)	1.0m	EBIT Margin	0.7%	Entry multiple	11.2x	Ticket size (2025)	29.3m	<table border="1"> <tr><td>Revenue (FY23)</td><td>58.3m</td></tr> <tr><td>EBIT (FY23)</td><td>9.7m</td></tr> <tr><td>EBIT Margin</td><td>16.6%</td></tr> <tr><td>Entry multiple</td><td>8.0x</td></tr> <tr><td>Ticket size (2024)</td><td>86.0m</td></tr> </table>	Revenue (FY23)	58.3m	EBIT (FY23)	9.7m	EBIT Margin	16.6%	Entry multiple	8.0x	Ticket size (2024)	86.0m	<table border="1"> <tr><td>Revenue (FY23)</td><td>226.6m</td></tr> <tr><td>EBIT (FY23)</td><td>19.3m</td></tr> <tr><td>EBIT Margin</td><td>8.5%</td></tr> <tr><td>Entry multiple</td><td>8.0x</td></tr> <tr><td>Ticket size (2024)</td><td>175.3m</td></tr> </table>	Revenue (FY23)	226.6m	EBIT (FY23)	19.3m	EBIT Margin	8.5%	Entry multiple	8.0x	Ticket size (2024)	175.3m	<table border="1"> <tr><td>Revenue (FY23)</td><td>136.5m</td></tr> <tr><td>EBIT (FY23)</td><td>15.3m</td></tr> <tr><td>EBIT Margin</td><td>11.2%</td></tr> <tr><td>Entry multiple</td><td>8.0x</td></tr> <tr><td>Ticket size (2025)</td><td>151.8m</td></tr> </table>	Revenue (FY23)	136.5m	EBIT (FY23)	15.3m	EBIT Margin	11.2%	Entry multiple	8.0x	Ticket size (2025)	151.8m
Revenue (FY23)	132.6m																																											
EBIT (FY23)	1.0m																																											
EBIT Margin	0.7%																																											
Entry multiple	11.2x																																											
Ticket size (2025)	29.3m																																											
Revenue (FY23)	58.3m																																											
EBIT (FY23)	9.7m																																											
EBIT Margin	16.6%																																											
Entry multiple	8.0x																																											
Ticket size (2024)	86.0m																																											
Revenue (FY23)	226.6m																																											
EBIT (FY23)	19.3m																																											
EBIT Margin	8.5%																																											
Entry multiple	8.0x																																											
Ticket size (2024)	175.3m																																											
Revenue (FY23)	136.5m																																											
EBIT (FY23)	15.3m																																											
EBIT Margin	11.2%																																											
Entry multiple	8.0x																																											
Ticket size (2025)	151.8m																																											
Rationale <sup>2</sup>	<ul style="list-style-type: none"> <li>Further expansion into the pharmaceutical processing industry</li> <li>Margin improvement potential</li> <li>Cost synergies and cross-selling opportunities</li> </ul>	<ul style="list-style-type: none"> <li>Further expansion into the pharmaceutical industry (sterile filling and closing machines)</li> <li>Leveraging Kronos' global footprint to facilitate international expansion</li> </ul>	<ul style="list-style-type: none"> <li>Further expansion into the pharmaceutical and cosmetics industry</li> <li>Comprehensive end-to-end-solutions for liquids and non-liquids</li> </ul>	<ul style="list-style-type: none"> <li>Further expansion into the pharmaceutical packaging industry</li> <li>Cost synergies and cross-selling opportunities</li> </ul>																																								
Fit	<table border="1"> <tr><td>Strategic Fit</td><td>●●●●○</td></tr> <tr><td>Financial Fit</td><td>●●○○○</td></tr> </table>	Strategic Fit	●●●●○	Financial Fit	●●○○○	<table border="1"> <tr><td>Strategic Fit</td><td>●●●●●</td></tr> <tr><td>Financial Fit</td><td>●●●●●</td></tr> </table>	Strategic Fit	●●●●●	Financial Fit	●●●●●	<table border="1"> <tr><td>Strategic Fit</td><td>●●●○○</td></tr> <tr><td>Financial Fit</td><td>●●●○○</td></tr> </table>	Strategic Fit	●●●○○	Financial Fit	●●●○○	<table border="1"> <tr><td>Strategic Fit</td><td>●●●●●</td></tr> <tr><td>Financial Fit</td><td>●●●●○</td></tr> </table>	Strategic Fit	●●●●●	Financial Fit	●●●●○																								
Strategic Fit	●●●●○																																											
Financial Fit	●●○○○																																											
Strategic Fit	●●●●●																																											
Financial Fit	●●●●●																																											
Strategic Fit	●●●○○																																											
Financial Fit	●●●○○																																											
Strategic Fit	●●●●●																																											
Financial Fit	●●●●○																																											

Notes: (1) Key financials are based on historic financials from Bundesanzeiger/Orbis and are forecasted in the operating model; (2) More detailed overview about one-stop shop strategy on p.60 in Appendix 4  
Sources: Bundesanzeiger, Orbis, Company Website, Annual Reports and Kronos Insights

# Advancing global footprint, NWC optimizations and efficiency improvements pave way for profitability enhancements

## STRATEGY D – OPERATIONAL IMPROVEMENTS

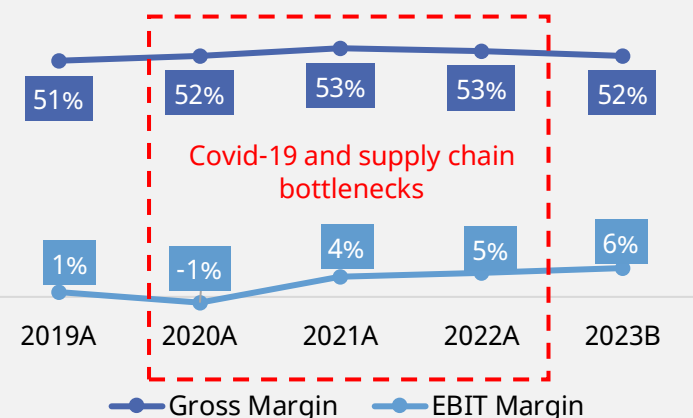
### Status Quo

- In 2019 comprehensive restructuring measures were implemented to retain Krones competitive position
- Efficiency improvements are already noticeable, but the management expects these to have a **positive impact for years to come**

### Main Objectives

- ✓ Higher flexibility of Krones
- ✓ Reduction of fixed cost base
- ✓ Cost-cutting and efficiency gains group-wide
- ✓ Expand global footprint

### Impact of Restructuring



### Strategic Measures already Implemented

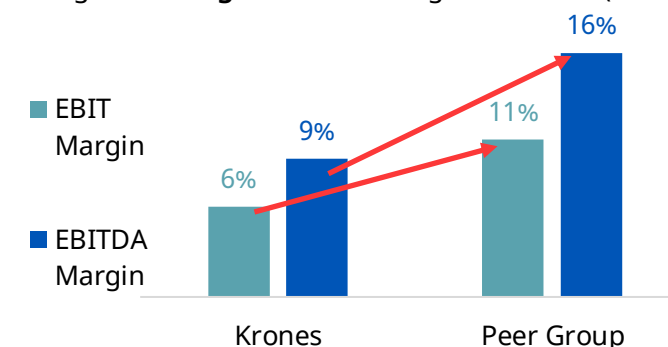
- 1 Establishment of production facilities** in China and Hungary to improve customer proximity, reduce wage expenses and set up supply chains in cheaper countries
- 2 Workforce lay-offs** in Germany and shift workforce into cheaper countries to support growth strategies
- 3 Streamlining of product offering and legal structure**
  - Focus on sustainable solutions and pooling of intralogistics activities into SystemLogistics
- 4 Digitalization initiatives** for filling and packaging equipment and lifecycle services (LCS)
- 5 Best-cost-country sourcing** to reduce cost of materials

### Action Plan

- ✓ Leverage Krones' extraordinarily strong market position and technological leadership to enforce **price increases**
- ✓ **Flattening of supply-chain bottlenecks** reduces need to stockpile inventories and leverage Krones' bargaining power over suppliers, raising possibility of favourable contract renegotiations
- ✓ Tapping into **profitable markets** (pharmaceutical, service business) resulting in **margin improvements**
- ✓ Additional margin improvement through **strategic acquisitions**, leveraging operational synergies (lower material cost due to higher order volume etc.)

### Upside Potential

- **Margin improvement** to upper range of peer group (see Slide 19)
- Management **target**: EBITDA margin of 10-13% (2025)



### Impact

<b>EBIT margin</b>	<b>+ 2.1%</b>
<b>EBIT</b>	<b>+ 258m</b>
<b>Value Creation</b>	<b>+ 0.76x</b>
<b>Value Creation</b>	<b>+ 1,412m</b>

04

Business Plan



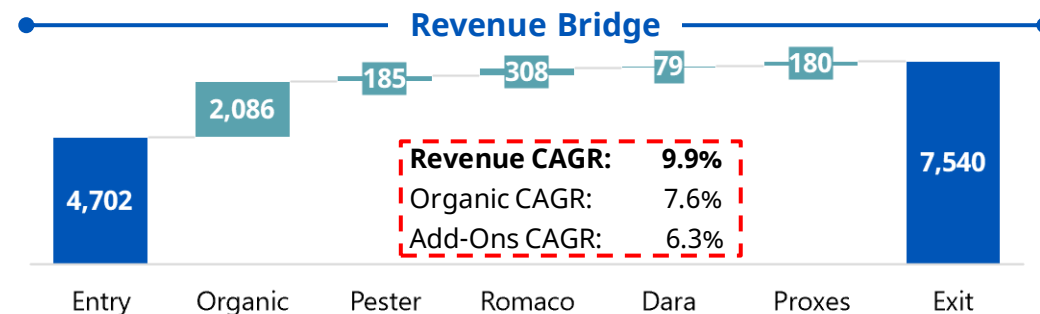
# Revenue CAGR of 9.9% is anticipated over five years, fuelled by organic growth and four add-on acquisitions

## TOP LINE DEVELOPMENT

Income Statement (in EUR m)	FY23	FY24	FY25	FY26	FY27	FY28	CAGR
Filling & Packaging Technology	4,340.6	4,233.0	4,431.9	4,640.2	4,858.3	5,086.7	3,2%
Process Technology	509.9	529.5	565.0	602.8	643.2	686.3	6,1%
Intralogistics	463.1	493.1	567.6	653.3	752.0	865.5	13,3%
<b>1 Order intake</b>	<b>5,313.6</b>	<b>5,255.6</b>	<b>5,564.5</b>	<b>5,896.3</b>	<b>6,253.5</b>	<b>6,638.5</b>	<b>4,6%</b>
<i>y-o-y growth in %</i>	<i>(8.1%)</i>	<i>(1.1%)</i>	<i>5.9%</i>	<i>6.0%</i>	<i>6.1%</i>	<i>6.2%</i>	
<b>2 Book-to-bill ratio</b>	<b>1.13</b>	<b>1.04</b>	<b>1.02</b>	<b>1.01</b>	<b>1.00</b>	<b>1.00</b>	
Revenue due to market growth		5,055.2	5,461.5	5,845.7	6,262.4	6,647.9	<b>7,1%</b>
<b>3 Plus: Revenue growth due to SLA</b>		<b>30.0</b>	<b>60.0</b>	<b>90.0</b>	<b>108.0</b>	<b>120.0</b>	
<i>Share of machines with SLA</i>	<i>70.0%</i>	<i>72.5%</i>	<i>75.0%</i>	<i>77.5%</i>	<i>79.0%</i>	<i>80.0%</i>	
<b>4 Plus: Price increase</b>		<b>101.1</b>	<b>81.9</b>	<b>58.5</b>	<b>31.3</b>	<b>19.9</b>	
<i>Percentage of total revenue</i>		<i>2.0%</i>	<i>1.5%</i>	<i>1.0%</i>	<i>0.5%</i>	<i>0.3%</i>	
<b>Sales Revenue (Krones only)</b>	<b>4,702.1</b>	<b>5,186.3</b>	<b>5,603.5</b>	<b>5,994.2</b>	<b>6,401.7</b>	<b>6,787.9</b>	<b>7,6%</b>
<i>y-o-y growth in %</i>	<i>11.7%</i>	<i>10.3%</i>	<i>8.0%</i>	<i>7.0%</i>	<i>6.8%</i>	<i>6.0%</i>	
Add-On 1: Pester automation			154.3	164.0	174.3	185.3	6,3%
Add-On 2: Romaco		240.9	256.1	272.2	289.4	307.6	6,3%
Add-On 3: Dara		62.0	65.9	70.1	74.5	79.2	6,3%
Add-On 4: ProXES			149.8	159.2	169.3	179.9	6,3%
<b>Total Sales Revenue</b>	<b>4,702.1</b>	<b>5,489.2</b>	<b>6,229.6</b>	<b>6,659.7</b>	<b>7,109.2</b>	<b>7,539.9</b>	<b>9,9%</b>
<i>y-o-y growth in %</i>	<i>11.7%</i>	<i>16.7%</i>	<i>13.5%</i>	<i>6.9%</i>	<i>6.7%</i>	<i>6.1%</i>	

### Inorganic Growth Drivers: Add-Ons

- Revenues are expected to grow over the next few years with the pharma machinery market (CAGR of 6.3%). The inorganic revenue growth assumptions are rather conservative without effects from integration of acquired firms in Krones Ecosystem and without synergies from building a one-stop-shop for pharma solutions



### Comments

#### Organic Growth Drivers:

- Order intake
  - Book-to-Bill Ratio
  - Service level agreements (SLA)
  - Price increase
- Market-driven (Order intake, Book-to-Bill Ratio)  
Company-specific (Service level agreements (SLA), Price increase)

**1 Order intake** is expected to be equal to the forecasted market growth rates according to the market overview from 2025 onwards (2024 transition year)

- Filling & Packaging Technology 4.7%
- Process Technology 6.7%
- Intralogistics 15.1%

**2 Book-to-bill ratio** indicates how much of the incoming orders can be billed as revenues in this period. If the ratio is above 1.00, the order intake is higher than revenues and the difference goes into the order backlog<sup>1</sup>

**3 SLA:** Prior purchasers of Krones machinery will be convinced to enter an SLA. In 2023, 70% of all customers consented to the SLA, and this share is projected to increase annually by 2.5%. (1% equals to add. EUR 12m)

**4 Price increases:** High order backlog and strong market position increased bargaining power with customers and will be used to drive revenues in the upcoming years<sup>2</sup>

Notes: (1) Order backlog = Order intake - Sales Revenue + order backlog from previous year; (2) Price increase: 2% in 2024, decreasing by 0.5% p.a. for 3 years and 0.2% afterwards

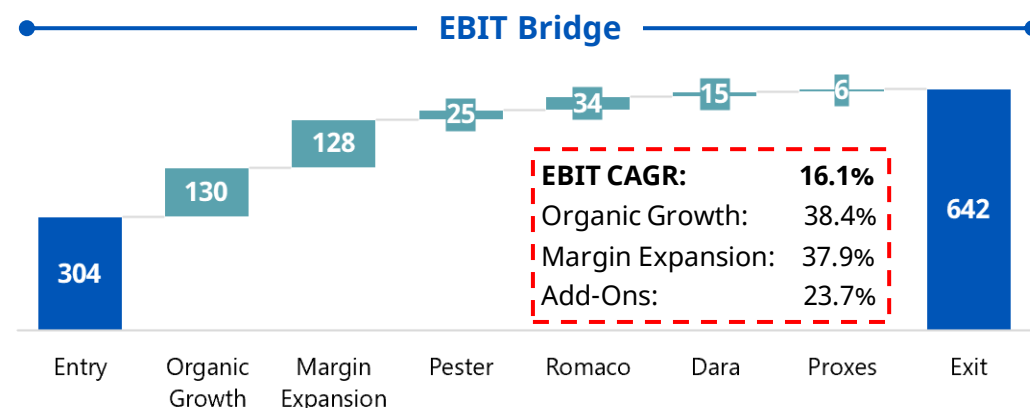
# An EBIT CAGR of 16.1% can be achieved through revenue growth and margin improvements of 2.1% over the five-year holding period

## BOTTOM LINE DEVELOPMENT

Income Statement (in EUR m)	FY23	FY24	FY25	FY26	FY27	FY28	CAGR
<b>Total Revenue</b>	<b>4,922.1</b>	<b>5,423.5</b>	<b>5,840.7</b>	<b>6,231.4</b>	<b>6,638.9</b>	<b>7,025.1</b>	<b>7,4%</b>
1 Less: Goods and services purchased	(2,376.9)	(2,593.0)	(2,775.0)	(2,948.1)	(3,127.7)	(3,295.5)	6,8%
<b>Gross Profit</b>	<b>2,545.2</b>	<b>2,830.5</b>	<b>3,065.7</b>	<b>3,283.3</b>	<b>3,511.3</b>	<b>3,729.6</b>	<b>7,9%</b>
Gross margin (%)	51.7%	52.2%	52.5%	52.7%	52.9%	53.1%	
Personnel expenses	(1,394.9)	(1,512.6)	(1,606.2)	(1,688.2)	(1,771.0)	(1,857.5)	5,9%
Add. Pers. expenses due to SLA		(5.2)	(11.2)	(18.0)	(25.6)	(33.9)	59,9%
2 Less: Personnel expenses	(1,394.9)	(1,517.8)	(1,617.4)	(1,706.2)	(1,796.6)	(1,891.4)	6,3%
As of Revenue in %	29.7%	29.3%	28.9%	28.5%	28.1%	27.9%	
3 Less: Other operating expenses	(694.0)	(818.8)	(884.7)	(946.4)	(1,010.7)	(1,071.7)	9,1%
Less: D&A	(152.5)	(129.8)	(151.2)	(168.3)	(186.1)	(204.6)	6,0%
<b>EBIT (Krones only)</b>	<b>303.8</b>	<b>364.1</b>	<b>412.4</b>	<b>462.4</b>	<b>517.9</b>	<b>561.9</b>	<b>13,1%</b>
EBIT margin %	6.2%	6.7%	7.1%	7.4%	7.8%	8.0%	
Add-On 1: Pester automation			18.8	20.8	23.0	25.3	10,5%
Add-On 2: Romaco		21.7	24.3	27.2	30.4	33.8	11,8%
Add-On 3: Dara		10.6	11.6	12.7	13.9	15.2	9,3%
Add-On 4: ProXES			2.6	3.6	4.6	5.8	30,7%
<b>EBIT</b>	<b>303.8</b>	<b>396.4</b>	<b>469.8</b>	<b>526.7</b>	<b>589.7</b>	<b>642.1</b>	<b>16,1%</b>
EBIT margin %	6.2%	6.9%	7.3%	7.6%	8.0%	8.3%	

### Margin Improvements: Add-Ons

- **EBITDA margin:** Enhanced **bargaining power** with suppliers and leveraging the **larger network** allows for ordering in larger volumes, leading to a reduction in the cost of goods sold. **Consolidation of administrative functions**<sup>2</sup> due to the concentration of three acquired firms in Germany. Over time, there will be a **reduction in sales and marketing expenses** as their individual brands decrease in relevance after Krones became well-known for its offerings in the pharmaceutical and cosmetics industry. Integration into Krones.world and after-sales service **eliminates the need to maintain their own digital services**. This is why an annual assumed **EBITDA margin improvement of 0.5%** is projected for each acquired company



## Comments

### Margin Improvements: Krones AG

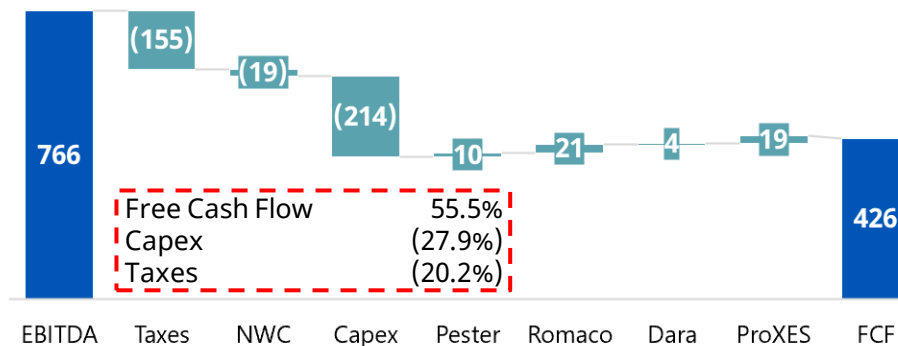
- 1 **Goods and services purchased:** Anticipated **resolution of supply chain** issues by 2024 is expected to lower material costs. **Increased volume** allows for larger quantity orders, supported by a high order backlog ensuring greater certainty. Furthermore, significant **pricing power** with suppliers leads to smaller increase of cost of goods sold compared to revenues
- 2 **Personnel expenses:** Following **restructuring** in 2021, the personnel structure was **optimized for scalability** and ongoing margin improvement. This trend is projected to continue because higher share of service revenue is expected to further increase margin. However, part of the value creation involves ramping up service revenues, requiring the **hiring of additional employees**<sup>1</sup> over the next five years
- 3 **Other operating expenses & D&A:** Other operating expenses are expected to grow as a percentage of revenue, including freight, currency translation, travel, maintenance, and other costs. **D&A** is expected to be **in line with CAPEX**<sup>3</sup> because machinery business requires **high-maintenance CAPEX**

# Despite the pressure of high CAPEX on cash conversion from EBITDA, overall cash generation is still expected to be strong

## CASH FLOW DEVELOPMENT

Cashflow Statement (in EUR m)	FY23 <sup>1</sup>	FY24	FY25	FY26	FY27	FY28	CAGR
<b>EBIT</b>	<b>303,8</b>	<b>364,1</b>	<b>412,4</b>	<b>462,4</b>	<b>517,9</b>	<b>561,9</b>	<b>13,1%</b>
Plus: Depreciation and amortisation	152,5	129,8	151,2	168,3	186,1	204,6	6,0%
<b>EBITDA</b>	<b>456,3</b>	<b>493,9</b>	<b>563,6</b>	<b>630,7</b>	<b>703,9</b>	<b>766,5</b>	<b>10,9%</b>
Less: Taxes	(83,8)	(100,5)	(113,8)	(127,6)	(142,9)	(155,1)	13,1%
Less: Change in Trade Working Capital	(13,1)	34,0	(13,4)	(11,0)	(16,6)	(18,8)	7,5%
Inventories	(67,1)	11,9	(71,8)	(70,3)	(72,0)	(67,9)	
Trade Receivables	9,1	(40,1)	(23,6)	(21,0)	(26,1)	(26,1)	
Contract Assets	(203,2)	(44,5)	(114,4)	(110,7)	(114,4)	(109,0)	
Trade Accounts Payable	192,7	51,0	82,5	79,5	81,5	76,4	
Contract Liabilities	55,5	55,7	113,9	111,7	114,4	107,8	
Less: Other	(3,8)	(20,7)	(8,9)	(7,6)	(8,4)	(7,4)	14,1%
Less: Capex	(116,9)	(142,7)	(159,7)	(176,9)	(195,3)	(213,9)	12,8%
<b>Free Cash Flow (Krones only) <sup>1</sup></b>	<b>238,6</b>	<b>264,1</b>	<b>267,8</b>	<b>307,6</b>	<b>340,7</b>	<b>371,3</b>	<b>9,2%</b>
Add-On 1: Pester automation			6,9	7,9	9,0	10,3	14,3%
Add-On 2: Romaco		9,7	12,2	15,0	17,9	21,2	21,5%
Add-On 3: Dara		2,2	2,6	3,0	3,5	4,0	16,1%
Add-On 4: ProXES			14,2	15,7	17,3	19,0	10,2%
<b>Free Cash Flow (before M&amp;A)</b>	<b>238,6</b>	<b>276,1</b>	<b>303,7</b>	<b>349,2</b>	<b>388,4</b>	<b>425,8</b>	<b>12,3%</b>
M&A Capex		(266,5)	(192,6)	(5,4)	0,0	0,0	
<b>Free Cash Flow</b>		<b>9,6</b>	<b>111,1</b>	<b>343,7</b>	<b>388,4</b>	<b>425,8</b>	
Tax Shields		44,5	44,8	40,2	33,4	26,2	
<b>Free Cash Flow (for financing) <sup>2</sup></b>		<b>320,6</b>	<b>348,6</b>	<b>389,4</b>	<b>421,8</b>	<b>451,9</b>	<b>9,0%</b>

## EBITDA to FCF – Bridge (at exit)



## Comments

- **Inventory** levels increased as a precautionary measure due to supply chain issues and are projected to decrease in 2024, although not returning to previous levels
- **Net Working Capital:** Focus on cash collection in 2024 and then continue the trend of recent years where contract assets increase while trade receivables reduce over time. **Contract liabilities/trade payables** are expected to have minor decrease in 2024 and continue previous trend without outliers
- **CAPEX** rises in relation to revenues due to high maintenance CAPEX of machinery business and additional investments in new projects to sustain market dominance. (Expansion CAPEX)
- **Add-Ons:** NWC and CAPEX of acquired companies are anticipated to grow in line with Revenues/COGS over time. Despite potential improvements, the **forecast remains conservative**
- **Taxes** are first calculated with nominal tax rate of 27.6%. Tax shields are the difference between nominal and actual taxes from the LBO model

Notes: (1) Free Cash Flow in 2023 differs from historical cashflow statement (p.14), as it includes only positions that are forecasted in the business plan. The actual free cash flow is lower mainly due to M&A Capex, which is forecasted independently from historic values based on the four strategic acquisitions. Additionally, NWC differs due to inconsistency between the difference of the balance sheet values and cash flow statement numbers; (2) Around Free Cash Flow for financing includes the actual tax paid according to the LBO model but excludes M&A Capex.

# 05

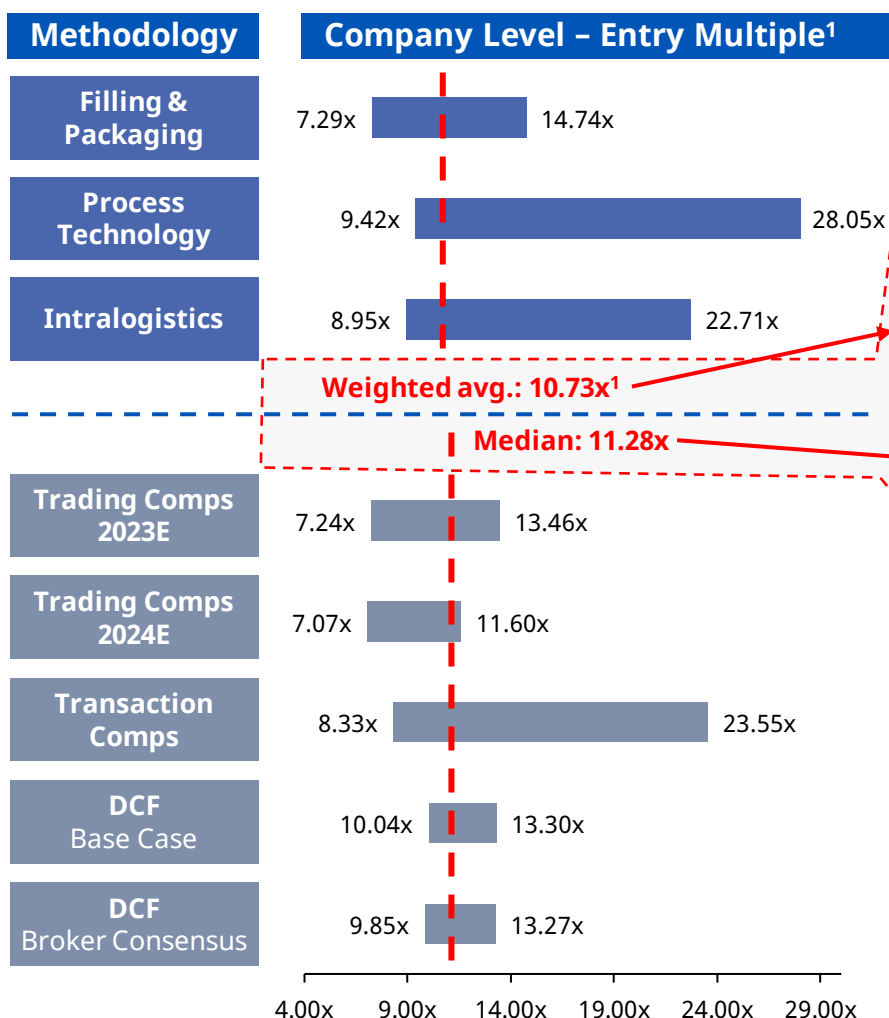
---

## Valuation, Capital Structure & Returns



# Selected valuation methodologies indicate an enterprise value of EUR 3.34b and an EV/EBIT multiple of 11.01x at entry

## ENTRY VALUATION - SOTP



1. Approach: SOTP Valuation (EURm)	
Filling and Packaging - EBIT	262.2
Process Technology - EBIT	21.0
Intralogistics - EBIT	20.5
<b>Total EBIT</b>	<b>303.8</b>
Entry multiple - Filling and Packaging	10.11x
Entry multiple - Process Technology	14.48x
Entry multiple - Intralogistics	14.80x
<b>Weighted segment multiple<sup>2</sup></b>	<b>10.73x</b>
Total EV (SOTP Valuation)	3,260.1

2. Approach: SOTP + Company DCF (EURm)	
<b>Segment multiples + Company DCF</b>	<b>11.28x</b>
Total EV (SOTP & Company DCF)	3,427.3

Average Result of 1+2 (EURm)	
<b>Implied entry multiple</b>	<b>11.01x</b>
Implied entry EV	3,343.7

Entry Valuation	
• The straightforward <b>SOTP valuation</b> , considering trading and transaction comps for each segment, <b>implies a weighted multiple of 10.73x</b>	
• Furthermore, incorporating the <b>two DCF approaches with the SOTP valuation</b> results in an <b>EV/ EBIT entry multiple of 11.28x</b>	
• The <b>average of these valuation methods</b> yields an <b>entry multiple of 11.01x</b>	













## Methodology

- The chosen **peer group** for precedent transactions (max. 7 years) and trading comps, in each operating segment, was identified by **considering similarities in industry, end markets, business model, financial profile** (including size, margins, and growth), and **geography**
- For both methods, the **EV/EBIT multiple** was considered due to the **asset-heavy business model**
- The DCF, based on our base case assumptions, was performed using the **Gordon growth method for the terminal value** with an assumed **terminal value growth of 1.67%** (long-term real GDP growth), while the **discount factor (WACC)** was calculated at **10.14%**
- For the **second DCF** approach, based on **broker consensus data**, the same methodology for the terminal value was used while the **WACC was estimated at 10.13%**
- To determine the **entry multiple**, the **SOTP valuation utilized a weighted EV/EBIT multiple** derived from the **average multiples** for each segment based on trading and transactions comps, along **with the EBIT** in year 2023
- For the **2<sup>nd</sup> approach**, the company's median EV/EBIT was determined by **combining the derived (company-level) EV from the segment multiples based on the relative valuation methods** with the results from the two DCF approaches







# Private lending's attractiveness lies in its tailored financial solutions, looser covenants, and faster execution without extensive investor syndication

## DEBT MARKET AND DEAL FINANCING

### Credit Risk Assessment

Driver	Status quo	Impact
 <b>Company size</b>	<ul style="list-style-type: none"> <li>Relatively large size with an entry enterprise value of EUR 3.5b</li> <li>Entry EBITDA amounts to EUR 456m</li> </ul>	
 <b>Assets</b>	<ul style="list-style-type: none"> <li>Krones has substantial assets and strategically well-positioned facilities that could attract competitors, thereby can be easily sold in the event of default</li> </ul>	
 <b>Robustness</b>	<ul style="list-style-type: none"> <li>High order backlog secures future revenues</li> <li>Increasing share of recurring revenues</li> <li>Large and diversified blue-chip customer base and geographic markets</li> </ul>	
 <b>Financial strength</b>	<ul style="list-style-type: none"> <li>Strong cash conversion in recent years together with an increasing share of recurring service revenues</li> <li>Solid financial forecasts with expected EBITDA margin improvements</li> </ul>	
 <b>Expansion</b>	<ul style="list-style-type: none"> <li>A substantial rise in M&amp;A capital expenditure, driven by the strategic expansion into new end-market</li> </ul>	
 <b>End market</b>	<ul style="list-style-type: none"> <li>Beverage industry is mission-critical, shows a relatively small cyclical and profits from favorable global megatrends</li> </ul>	

### Private Debt vs. Bank Debt

Syndicated Bank Debt	Driver	Private Debt
☆☆☆ 12+	 <b>Lenders</b>	☆☆☆ 1-6+
☆☆☆ 200m-5b+	 <b>Deal size</b>	☆☆☆ 20m-2b+
☆☆☆ Rather strict	 <b>Covenants</b>	☆☆☆ More flexible
☆☆☆ ~ 1% cheaper	 <b>Costs</b>	☆☆☆ Premium
☆☆☆ ~ 2 months	 <b>Execution</b>	☆☆☆ Typically faster
☆☆☆ Complex	 <b>Negotiations</b>	☆☆☆ More simplified

### Financing Rationale

- Funding will be provided by a group of selected private credit lenders through a **first-lien facility** consisting of a **term loan and an additional revolver**
- With **enhanced structural flexibility** and a **closer relationship with lenders**, we observe substantial potential in **private lending**. This is particularly notable in the use of excess cash for **early debt repayment** and the benefit of **less stringent covenants**
- Based on recent private debt market conditions and similar transactions, direct lending costs are expected to be at **500 bps + 3M EURIBOR of ~395 bps**
- The funding includes an additional **revolver** priced at **375 bps** (if drawn) and financing fees of **150 bps** to ensure liquidity to the lenders or finance add-ons if needed

### Potential Lenders



# Debt financing comprises a single senior loan strategy with 3.5x leverage at EURIBOR + 500 bps including an EUR 250m RCF

## SOURCES AND USES

Sources of Funds			
	EUR m	x EBITDA	% of sources
First lien term loan	1,597.1	3.5x	41.0%
<b>Total debt</b>	<b>1,597.1</b>	<b>3.5x</b>	<b>41.0%</b>
Subordinated shl. Loan	1,735.1	3.8x	44.5%
Share capital	133.6	0.3x	3.4%
Sponsor share capital	126.9	-	95.0%
Mgmt. sweet equity	6.7	-	5.0%
<b>Total Equity</b>	<b>1,868.7</b>	<b>4.1x</b>	<b>48.0%</b>
<i>Operating cash</i>	183.9		
<b>Excess cash on balance sheet</b>	<b>429.1</b>	<b>0.9x</b>	<b>11.0%</b>
<i>Super Senior RCF</i>	250.0	n/a	n/a
<b>Total sources</b>	<b>3,894.9</b>	<b>8.5x</b>	<b>100.0%</b>

Uses of Funds		EUR m
EBITDA - 2023B		456.3
EBIT - 2023B		303.8
Entry EBIT multiple		11.0x
<b>Enterprise Value</b>		<b>3,343.7</b>
Financial debt		(297.8)
Unfunded pensions liability		(167.6)
Non-operating assets		22.2
Cash on hand		612.9
<b>Total purchase price</b>	<b>90.2%</b>	<b>3,513.5</b>
Refinancing of existing debt	7.6%	297.8
Transaction costs	1.3%	50.2
Financing costs	0.9%	33.4
<b>Total Uses</b>		<b>3,894.9</b>

- ### Comments
- The **entry valuation** based on an **EV/EBIT** multiple of **11.0x** results in an **EV of EUR 3,344m**
  - Total uses** of funds amount to **EUR 3,895m** comprising of **EUR 3,514m** purchase price, **EUR 298m** for refinancing existing debt, **EUR 50m** and **EUR 33m** allocated for transaction and financing costs
  - The **total funds** are sourced by **debt of EUR 1,597m** (3.5x EBITDA) and **equity of EUR 1,869m** (4.1x EBITDA)
  - Debt only consists of **one single first-lien term loan**, provided by selected **private lenders** including a super senior **RCF of EUR 250m**
  - The equity consists of a **subordinated shareholder loan of EUR 1,735m** with **accruing PIK interest at 9.0% p.a.** and **ordinary shares of EUR 134m**
  - The ordinary shares are separated into of **6.7m** (5%) owned by the management and **126.9m by the sponsor**

## Optimal Capital Structure

Sources	Scenario 1	Scenario 2	Scenario 3	Scenario 4
<b>Senior debt</b>				
First lien term loan	1,368.9	684.5	1,597.1	912.6
Senior secured tranche B	0.0	684.5	0.0	684.5
<b>Total debt</b>	<b>1,368.9</b>	<b>1,368.9</b>	<b>1,597.1</b>	<b>1,597.1</b>
<b>Total Equity</b>	<b>2,096.9</b>	<b>2,096.9</b>	<b>1,868.7</b>	<b>1,868.7</b>
<i>Total leverage</i>	3.0x	3.0x	3.5x	3.5x
<i>IRR at EXIT</i>	26.74%	26.76%	28.50%	28.55%
<i>MoM at EXIT</i>	3.27x	3.27x	3.50x	3.51x
<i>Total interest expenses</i>	1,458.3	1,451.8	1,453.7	1,434.9

- Scenario 3** emerges as the **optimal choice** as it maximizes the fund's returns (together with scenario 4) while complying with **covenants** and it leverages the advantages of **private lending**, ensuring both **faster execution** and **easier negotiation** despite higher cumulated interest expenses compared to scenario 4, using a mix of both private lending and syndicated bank debt
- We see **no possibility** of **increasing** the leverage **above 3.5x** given the current less aggressive debt market

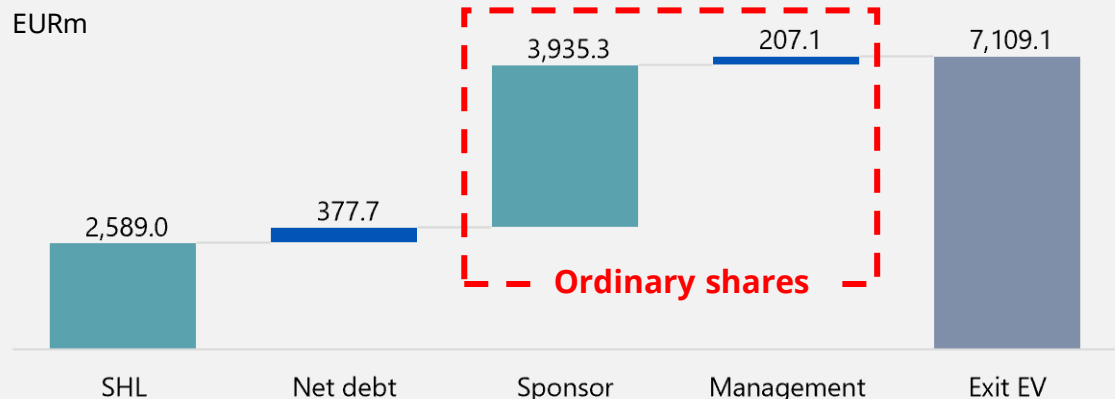
### Management Package

- Management's total proceeds in the investment case are set to be around **EUR 200m at exit**, providing a substantial incentive
- This incentive structure results in a **5% sweet equity stake** as a reward for management **at entry**
- To secure this stake, the **five C-level executives involved** (see p. 10) will contribute a sum equal to twice their annual base salaries, totalling **EUR 6.68m at entry**

# The expected exit EV of EUR 7.1b in the investment case results in an IRR of 28.5% and MoM of 3.5x after a holding period of 5 years

## RETURNS - INVESTMENT CASE

### Exit Waterfall



- After a five-year holding period, exit **EBIT of EUR 642m** leads to a **total EV of EUR 7,109m** and a **total equity value of EUR 6,731m** due to a **net debt position of EUR 378m**
- The **exit multiple increases slightly to 11.07x** (entry: 11.01x), driven by **favourable SOTP valuation** and higher segment growth in process technology and intralogistics

### Change in Exit Multiple and Year

Exit Multiple	Exit Year				
	Year 3	Year 4	Year 5	Year 6	Year 7
10.07x	30.1%	28.1%	25.9%	24.5%	22.9%
10.57x	32.9%	30.0%	27.2%	25.5%	23.7%
11.07x	35.5%	31.7%	28.5%	26.5%	24.5%
11.57x	38.0%	33.4%	29.7%	27.5%	25.3%
12.07x	40.4%	35.1%	30.9%	28.4%	26.0%

Exit Multiple	Exit Year				
	Year 3	Year 4	Year 5	Year 6	Year 7
10.07x	2.2x	2.7x	3.2x	3.7x	4.2x
10.57x	2.3x	2.9x	3.3x	3.9x	4.4x
11.07x	2.5x	3.0x	3.5x	4.1x	4.6x
11.57x	2.6x	3.2x	3.7x	4.3x	4.8x
12.07x	2.8x	3.3x	3.8x	4.5x	5.0x

### Sponsor and Management Returns

	Sponsor proceeds	Management proceeds
Total invested:	1,862.0	6.7
<i>t/o SHL</i>	1,735.1	93.2%
<i>t/o Ordinary shares</i>	126.9	6.8%
Total Proceeds:	6,524.3	207.1
<i>t/o SHL</i>	2,589.0	39.7%
<i>t/o Ordinary shares</i>	3,935.3	60.3%
<b>MoM</b>	<b>3.5x</b>	<b>31.0x</b>
<b>IRR</b>	<b>28.5%</b>	<b>98.7%</b>

- The **exit is planned for 2028**, marking a **five-year holding period**. This decision is underpinned by an **optimal mix of high IRR and MoM**, coupled with an anticipated **timeframe of the buy-and-build** strategy. Moreover, in the more conservative case, a MoM over 3.0x will only be achieved after five years (see appendix 5 p. 71)
- In the assumed exit year 2028, the **sponsor's proceeds amount to EUR 6,524m** resulting in a **MoM of 3.5x** and an **IRR of 28.5%**
- **Management receives EUR 207m** while achieving an **MoM of 31.0x** and **IRR of 98.7%**

### Marginal change in EBIT Margin and Revenue growth

Exit EBIT mrg.	Exit Year				
	Year 3	Year 4	Year 5	Year 6	Year 7
7.3%	32.4%	27.8%	24.9%	23.0%	21.6%
7.8%	36.2%	30.3%	26.8%	24.4%	22.7%
8.3%	39.7%	32.7%	28.5%	25.7%	23.8%
8.8%	43.2%	35.0%	30.2%	27.0%	24.8%
9.3%	46.4%	37.2%	31.7%	28.2%	25.7%

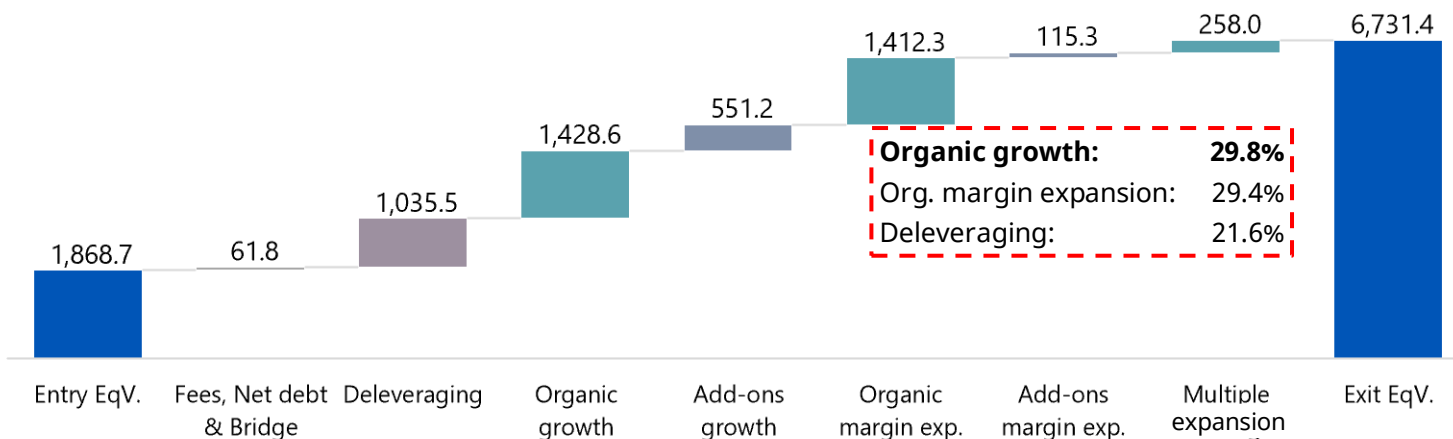
Rev. Growth	Exit Year				
	Year 3	Year 4	Year 5	Year 6	Year 7
8.6%	30.2%	28.9%	27.2%	26.1%	24.6%
9.1%	31.0%	29.6%	27.9%	26.7%	25.1%
9.6%	31.7%	30.3%	28.5%	27.3%	25.7%
10.1%	32.5%	31.0%	29.1%	27.9%	26.3%
10.6%	33.3%	31.7%	29.8%	28.5%	26.8%

# The total value creation of EUR 4.8b is mainly driven by organic revenue growth, cash generation and EBITDA margin expansion

M&A IMPACT, SCENARIO ANALYSIS AND SENSITIVITIES – INVESTMENT CASE

## Total Equity Value Creation

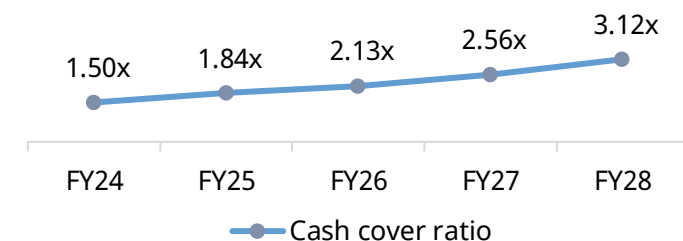
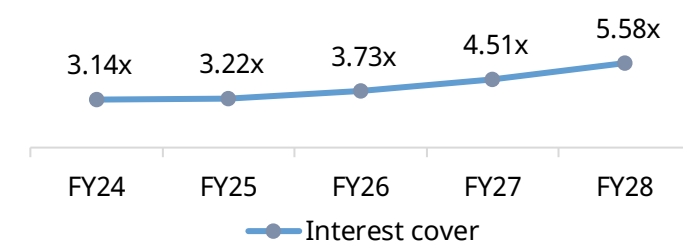
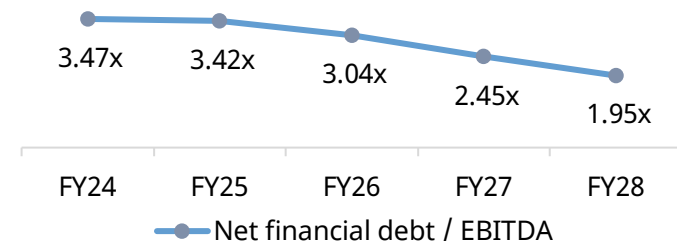
EURm



## Comments

- **Total equity value creation of EUR 4,801m** after a five-year holding period
- Due to high cash generation, the **deleveraging reaches EUR 1,036m, constituting 21.6%** of the equity value creation, providing downside protection for the investor
- **Organic and inorganic sales growth** contributes to a value surplus of **EUR 1,429m (29.8%)** and **551m (11.5%)**, respectively, in the overall creation of equity value
- Enhancements in **organic EBIT margin** result in a **EUR 1,412m** increase (29.4%), whereas the **margin expansion from add-ons** contributes an **additional surplus of EUR 115m (2.4%)**
- **Multiple expansion added EUR 258m (5.4%)** to the total equity value creation

## Credit Statistics (Bank Case<sup>1</sup>)



- Senior **Debt and total financial debt align closely** due to **the first-lien term loan**
- Repayment in the initial two years remains modest, with an increase from year three onwards

- **EBITDA exceeds cash interest by more than 3x in the first year**
- EBITDA is expected to grow over time

- Cash cover is the most difficult covenant to comply with, but cash generation increases over time
- **M&A Capex is not included** but could be financed with **RCF of EUR 250m**

Notes: Please refer to the LBO model for detailed calculations; (1) Credit statistics are calculated on the most conservative case (bank case)

# 06

---

## Exit Strategy



# Given Kronen's exit valuation and competitive positioning, an IPO exit seems the most appealing option – Upside opportunity through sale in parts

## OVERVIEW OF EXIT STRATEGIES

### Initial Public Offering

- Sale of position in Kronen to public investors by listing it on a stock exchange through an Initial Public Offering
- Given **Kronen's size at exit and its competitive positioning**, an IPO seems the most likely scenario
- **Timing** and **market environment** are crucial since the exit valuation at IPO date is heavily dependent on potential investor circle as well as macro- and microeconomic conditions

#### Advantages

- Biggest upside potential
- Increased public awareness
- Being publicly listed before, Kronen knows the process and requirements

#### Disadvantages

- High effort, high costs
- High levels of uncertainty
- Re-listing might send confusing message to shareholders

### Secondary Sale

- Sale of position in Kronen to another single private equity firm or consortium
- Private equity firms show a **strong track record in the packaging industry** with many big deals in recent years, i.e.. CVC's acquisition of Syntegon, Blackstone's acquisition of Graham Packaging, etc.
- **Only large-cap PE firms** focusing on industrials, food & beverage, and/or packaging come into consideration

#### Advantages

- Fast process and execution
- Supported by management through incentive packages

#### Disadvantages

- Huge deal size limits interest from small and medium sized players
- Extensive due diligence
- Risk of lower valuation

### Strategic Sale

- Sale of position in Kronen to a strategic player in a relevant market, including the **opportunity of selling in parts**
- Potential buyers include: **Food and beverage manufacturers** as well as conglomerates could expand their value chain vertically; **Large machine builders and packaging manufacturers** to expand their portfolio horizontally (end markets)

#### Advantages

- Higher exit valuation due to synergies
- Multiple upside opportunity in case of sale in parts

#### Disadvantages

- Large EV at exit makes Kronen hard to sell
- Limited selection of potential buyers
- Slow and heavy process

### Potential Stock Exchange

#### Probability



#### Valuation



### Potential Buyers

#### Probability



#### Valuation



### Potential Buyers

#### Probability



#### Valuation



Sources: Kronen Website, Companies Websites from potential buyers

# Thorough preparation, and compelling equity story propel Krones towards IPO readiness, captivating investor interest and maximizing valuation potential

## IPO STRATEGY

### IPO Readiness and Evaluation

10 questions for determination of IPO Readiness:			
Large addressable market?	<span style="color: green;">■</span>	Favorable financial prospects?	<span style="color: green;">■</span>
Differentiated business model?	<span style="color: green;">■</span>	Focused business plan?	<span style="color: green;">■</span>
Competitive advantages?	<span style="color: orange;">■</span>	Favorable ESG profile?	<span style="color: green;">■</span>
Track-record of innovation?	<span style="color: green;">■</span>	Compliance controls?	<span style="color: green;">■</span>
Experienced management?	<span style="color: green;">■</span>	General infrastructure?	<span style="color: green;">■</span>

■ High ■ Medium ■ Low

- General assessment of readiness suggests **Krones is ready for IPO at exit**
- Key Reasons for IPO include:
  - With an EV of EUR 7.35b at exit, Krones' might be **too big for sale** to private equity or strategic players and private funding
  - **Synergies** between existing geographical infrastructure and increased public awareness open up growth opportunities
  - Long holding period gives a pre-selected, experienced team of advisors **sufficient time to optimally prepare an IPO**



Advised by:

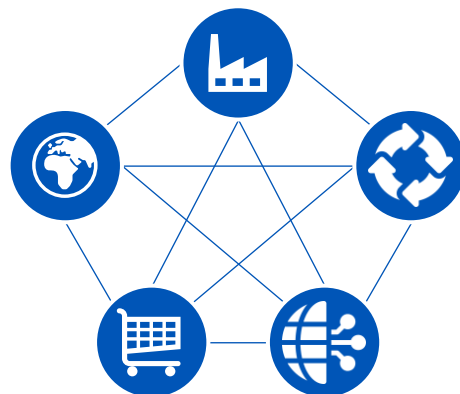
Morgan Stanley



**BÖRSE**  
**FRANKFURT**

### Equity Story and Success Factors

- The importance of an appealing equity story is key for **building investor interest** and **securing the largest valuation possible** during the roadshow
- Krones' **equity story** centres around its **core competencies, competitive advantages and strategic initiatives**
- IPO success factors go in hand with IPO readiness factors and **further include soft factors** such as **timing, good storytelling, sufficient preparation, credibility, and effective communication** by Management



- Managed by Krones
- Sustainability
- Digitalisation
- One-Stop-Shop
- Geographical Presence

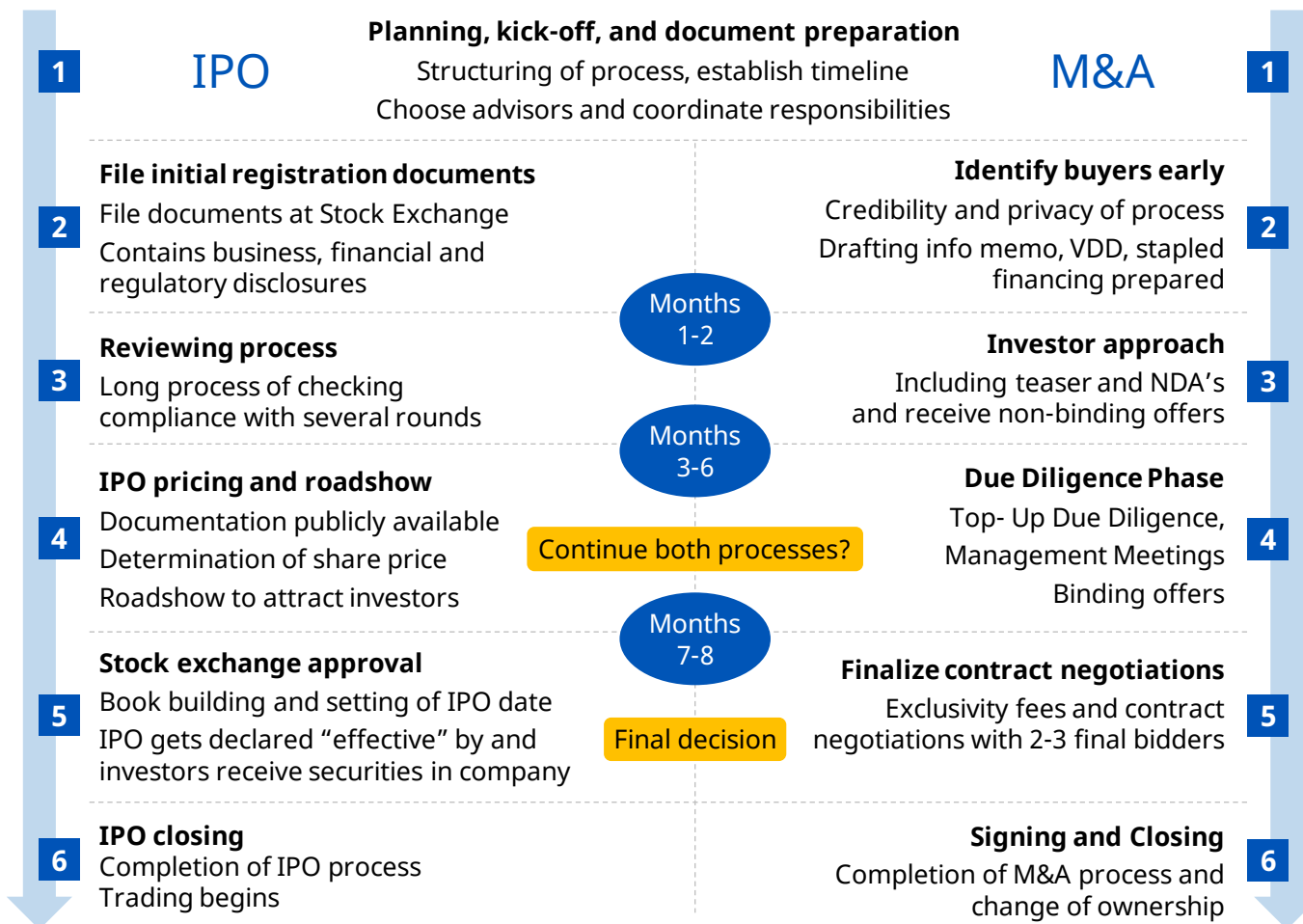
### Case Study: Kion AG's success story

- **2006:** PE consortium of KKR and Goldman Sachs acquire Kion Group, a German machinery and materials handling services company GmbH from Linde Group for EUR 3,600 m
- **2009:** Geographical Expansion into China via joint venture Kion Jiangsu Forklift
- **2011:** Geographical expansion into the Indian market via joint venture Voltas material handling
- **2012:** Partial exit (25%) by PE consortium to Weichai Power
- **2013:** After a 7-year holding period, the investment gets exited via IPO in June 2013

# To mitigate risk and uncertainty, a dual-track strategy is being pursued to ensure the highest possible exit multiple

## DUAL-TRACK EXIT ROADMAP

### Krones' Dual-Track Roadmap



### M&A Strategy

- Due to the planned IPO, a broad market approach will be omitted, and **only selected buyers will be addressed**
- Due to the large deal volume, **only large-cap PE funds or international conglomerates** will be considered, which limits the range of potential buyers
- A selection of potential focus candidates can be found below:

Secondary Sale

Strategic Sale

KKR

SIEMENS

#### Description

- One of the world's largest investment firms, specialized in Private Equity
- Pioneer of large-cap LBO transactions
- USD 528 billion AUM

- Global powerhouse in automation solutions and machinery for a variety of end markets
- USD 78 billions of consolidated revenues in 2022

#### Rationale

- KKR focuses on market leaders
- Packaging and food-related portfolio companies such as Bettcher Industries or CMC Packaging Automation offer synergy potential

- Strengthen market position in industrial automation and manufacturing
- Technological advancements
- Synergy potentials with existing business

# 07

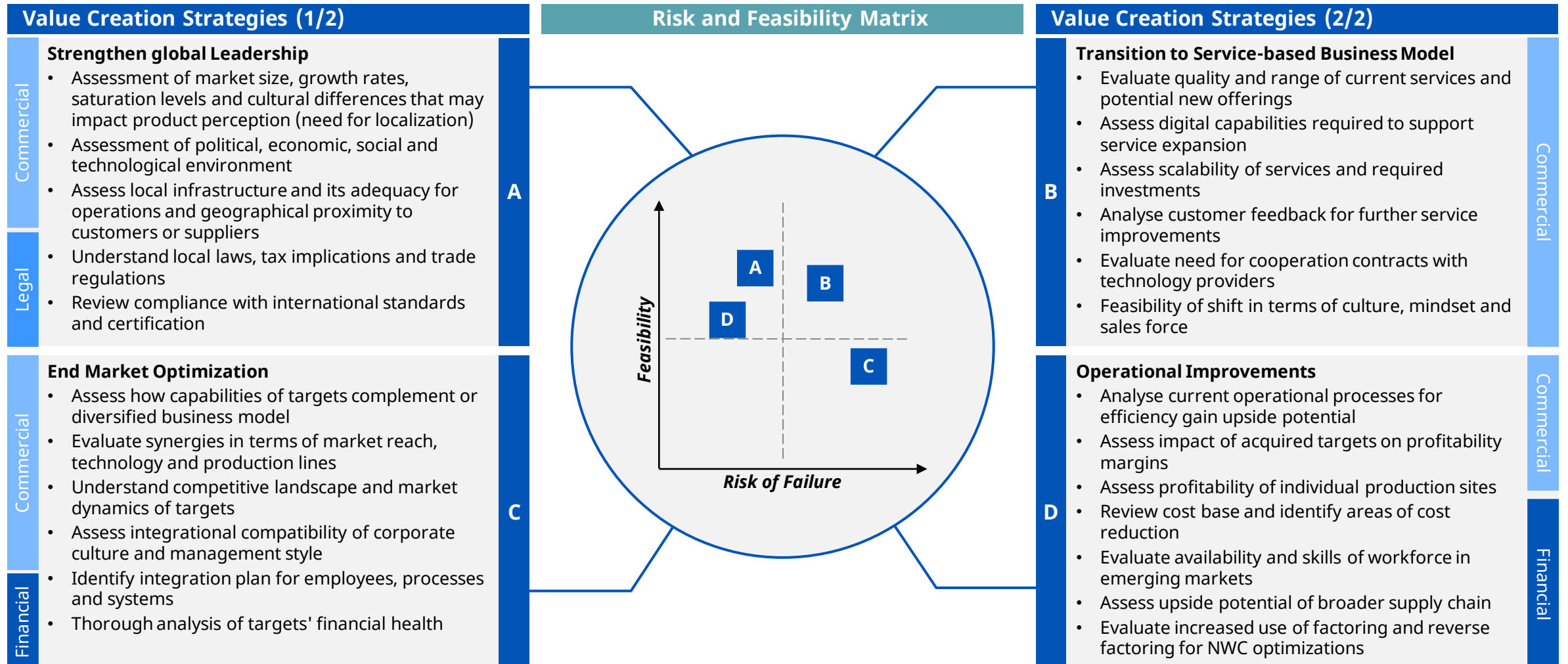
---

## Key Risks & Due Diligence



# Feasibility and risks of the value creation strategies in the investment cases are primary concerns of further commercial, financial and legal due diligence

## DUE DILIGENCE – RISK FACTORS OF VALUE CREATION STRATEGIES



# CDD as most important diligence area, since the limited information on market environment, regions and competition makes it difficult to assess

## DUE DILIGENCE - COMMERCIAL

Topic	Scope	Risk Factors	Relevance
<b>Macroeconomic Conditions</b>	<ul style="list-style-type: none"> <li>Review of macroeconomic risks, despite low dependency on economic cycles as manufacturer for food/beverage industry</li> <li>Verify growth drivers as well as the growth rates and market sizes for all markets Krones operates in geographically</li> </ul>	<ul style="list-style-type: none"> <li>Lower willingness to invest by customers due to interest rate hikes, increased consumer price index, geopolitical tensions, or weakening of significant global economies (property market in China)</li> </ul>	●○○○○
<b>Supply chain / Suppliers</b>	<ul style="list-style-type: none"> <li>Evaluate negotiation power of Krones relative to key suppliers</li> <li>Evaluate risk of further potential supply chain bottlenecks</li> <li>Evaluation of geopolitical risk (Chinese suppliers)</li> </ul>	<ul style="list-style-type: none"> <li>Strong dependence on one/few major suppliers</li> <li>Supply chain bottlenecks leading to even higher lead times (Procurement risk)</li> </ul>	●●●○○
<b>Competitive Landscape</b>	<ul style="list-style-type: none"> <li>Deep dive into competitive landscape, their product portfolio (especially differences in technological capabilities) and their pricing strategies</li> </ul>	<ul style="list-style-type: none"> <li>Price pressure possibly results in loss of market share</li> <li>Technological leadership of Krones not sustainable</li> </ul>	●●○○○
<b>Customers</b>	<ul style="list-style-type: none"> <li>Comprehensive analysis of customers (especially top 5 customers)</li> <li>Review of customer dependency and review of contracts</li> <li>Deeper understanding of customer loyalty for Krones</li> </ul>	<ul style="list-style-type: none"> <li>Strong dependence on one/few major customers</li> <li>Unfavorably negotiated contracts that cannot be renegotiated</li> <li>Dissatisfaction of customers and thus low loyalty rate</li> </ul>	●●●●○
<b>M&amp;A Targets</b>	<ul style="list-style-type: none"> <li>Conduct in-depth analysis and due diligence on potential targets, assessing growth factors, profit margins, and their impact on Krones</li> <li>Gain deep market insights into target markets, covering entry barriers, regulations, customer proximity, and key factors</li> </ul>	<ul style="list-style-type: none"> <li>Overestimation of upside potential relative to risks</li> <li>Challenging integration due to low operational fit</li> <li>Limited profit margins and weak operational performance</li> </ul>	●●●●●

### Risk mitigation

- Access to **virtual data room** with documents and worksheets grants sensitive, non-public information (customer lists, contracts etc.) to gain deeper understanding of Krones
- **Market analysis** to verify market trends, growth prospects, competitive position and industry dynamics
- **Engaging external DD consulting firms** to source, review and analyze documents is highly recommended to verify opportunities and to determine any possibilities of threats

### Advisor circle



# The composition of net working capital needs to be assessed to ensure operational stability and cash generation

## DUE DILIGENCE – TAX & FINANCIAL

Topic	Scope	Risk Factors	Relevance
<b>Working Capital</b>	<ul style="list-style-type: none"> <li>Evaluate quality of trade receivables and contract assets as well as trade payables and contract liabilities</li> <li>Thorough examination of financial statements, particularly focusing on Net Working Capital requirements and Cash Conversion Cycle</li> </ul>	<ul style="list-style-type: none"> <li>Large proportion of receivables are at risk of default</li> <li>Short-term cash availability relies heavily on contract liabilities</li> <li>Overestimation of cash flow forecasts</li> <li>Inability to repay debt</li> </ul>	●●●●●
<b>Cost Structure</b>	<ul style="list-style-type: none"> <li>Deeper understanding of cost structure to identify further cost-cutting potentials, especially composition of other operating costs, Cost structure (fixed costs vs. variable costs)</li> </ul>	<ul style="list-style-type: none"> <li>No further room for cost-cutting measures limiting operational improvement possibilities</li> <li>Overestimation of margin improvement forecasts</li> </ul>	●●●○○
<b>Revenue Composition</b>	<ul style="list-style-type: none"> <li>Evaluate share of recurring revenues and upside potential</li> <li>Assess expected order intake and book-to-bill ratio</li> </ul>	<ul style="list-style-type: none"> <li>Overestimation of revenue forecasts</li> </ul>	●●○○○○
<b>Foreign Tax</b>	<ul style="list-style-type: none"> <li>Conducting detailed reviews to ensure compliance with tax laws and regulations in each foreign jurisdiction it operates in</li> </ul>	<ul style="list-style-type: none"> <li>Inaccurate tax fillings, returns or tax payments</li> <li>Transfer pricing risks (risk of penalties)</li> <li>Different and changing tax jurisdiction</li> </ul>	●●○○○○

## DUE DILIGENCE - LEGAL

Topic	Scope	Risk Factors	Relevance
<b>Stricter PET regulations</b>	<ul style="list-style-type: none"> <li>Assessment of possibility of stricter PET regulations due to growing negative perception of PET bottles among the global population</li> </ul>	<ul style="list-style-type: none"> <li>Elimination of most (or part) of the PET business of Kronos</li> </ul>	●●●○○
<b>Legal Structure</b>	<ul style="list-style-type: none"> <li>Examining local laws and complex structure, including subsidiaries and affiliated entities in different jurisdictions</li> </ul>	<ul style="list-style-type: none"> <li>Challenge of maintaining transparency, accountability and operational control across multiple entities</li> </ul>	●●○○○○

- Risk mitigation**
- Access to a **virtual data room** with documents and worksheets grants sensitive, non-public information (customer lists, contracts etc.) to gain deeper understanding of Kronos
  - Market analysis** to verify market trends, growth prospects, competitive position and industry dynamics
  - Engaging external DD consulting firms** to source, review and analyze documents is highly recommended to verify opportunities and to determine any possibilities of threats



# 08

Appendix



# Krones is the only supplier of complete beverage plants in the world

## APPENDIX 1 – COMPANY OVERVIEW

### Illustration of Complete Beverage Plant supplied by Krones



- 1 Filling and packaging technology
- 2 Highbay warehouse
- 3 Process technology
- 4 Utilities / wastewater plant
- 5 Raw material warehouse
- 6 Dispatch areas

### One-Stop shop of the Beverage Industry



#### Krones USP as a holistic provider for the beverage industry

Krones supplies all machines and lines needed for producing, filling and packaging beverages. Additionally, Krones provides complete logistic systems and custom digital solutions that optimise all production processes



#### Krones Ecosystem: Krones.world

From “built by Krones” to “managed by Krones”: Krones promises data-induced production optimisation and concrete performance



#### Consultancy services along the entire value chain












Krones offers extensive consulting services for either establishing new (Greenfield projects) or optimizing existing (Brownfield projects) beverage plants

### Complete Solutions

- 1 Filling and packaging technology**
  - Bottling lines for various beverages (Bottle fillers, labeling machines, packaging solutions)
- 2 High-Bay Warehouses**
  - Automated storage and retrieval systems (AS/RS) for efficient storage and space utilization optimization using robotic handling
- 3 Process technology**
  - Equipment for beverage production (mixing, blending, pasteurization, and sterilization)
- 4 Utilities / wastewater plant**
  - Watertreatment, air compressors, energy management systems
- 5 Raw material warehouse**
  - Proper inventory management to support continuous production
- 6 Dispatch areas**
  - Equipped with conveyor systems, automated sorting, and loading/unloading facilities

# Selected Filling and Packaging Lines

## APPENDIX 1 – COMPANY OVERVIEW

Product	Product Description	Market and Main Competitors
 <p><b>Krones Dynafill</b></p>	<p>The Krones Dynafill is characterized by a revolutionary filling technology that combines the filling and capping process for the first time with lower CO2 emissions and a higher output rate than its predecessors.</p> <p><b>Output:</b> up to 80.000 bph  <b>Containers:</b> Glass, returnable glass, cans</p>	<p><b>Market:</b>            - Beverage</p> <p><b>Competitors:</b>    </p>
 <p><b>Krones Contipure AseptBloc</b></p>	<p>Krones aseptic systems cover the whole aseptic processing chain from preform sterilisation, to blow moulding and to filling and capping.</p> <p><b>Output:</b> up to 72.000 bph  <b>Containers:</b> Round, square and rectangular PET, returnable PET</p>	<p><b>Market:</b>            - Beverage            - Liquid Foods</p> <p><b>Competitors:</b>      </p>
 <p><b>Modulfill Bloc FS-C</b></p>	<p>This blocktechnology combines individual can filler and seamer machines. Fills and caps up to 135k cph. Optionally this system can be extended by a small cleanroom for improved hygiene standards (mandatory for tea/juices)</p> <p><b>Output:</b> up to 135.000 cph  <b>Containers:</b> Cans</p>	<p><b>Market:</b>            - Beverage</p> <p><b>Competitors:</b>      </p>

# Krones extensive service network around the globe

APPENDIX 1 – COMPANY OVERVIEW

## Overview of Global Service Center Network



Source: Company website

## Key Facts Service Network



15 Service centers worldwide



> 3000 service employees



70% of installed base serviced by Krones (2023)

### Lifecycle services:

- Technical support
- Spare parts management
- Training and Education
- Modernization/Upgrades
- Data-based analysis
- Lifecycle planning
- Maintenance programs,
- Performance optimizations,
- LCS stock-keeping package

## Promising Transition to Service-based Business Model

- **Installed Base:** New machinery sales lead to expansion of installed base creating a larger customer pool requiring ongoing service and maintenance
- **New customer base:** Catering customers looking to optimize their existing machinery rather than invest in new equipment
- **Krones ecosystem:** Closed ecosystem and compatibility of Krones systems require specialized experts and ensures long-term customer loyalty
- **Remote monitoring and diagnostics:** Krones tracks machine performance in real-time and proactively addresses them increasing efficiency for customers
- **SLA agreements:** Krones provide assurances for concrete performances of its systems

# Sustainability and digitalization initiatives complement Krones' business model and act as overarching guiding principles for products and services within the segments

## APPENDIX 1 – COMPANY OVERVIEW

### Strategic Initiatives



#### Superior Services

- Implementing SLAs will continuously increase levels of service and automation
- Transitioning to a technology and service provider, Krones' goal is to operate the entire lifecycle of machines and lines as a digital full-service centre

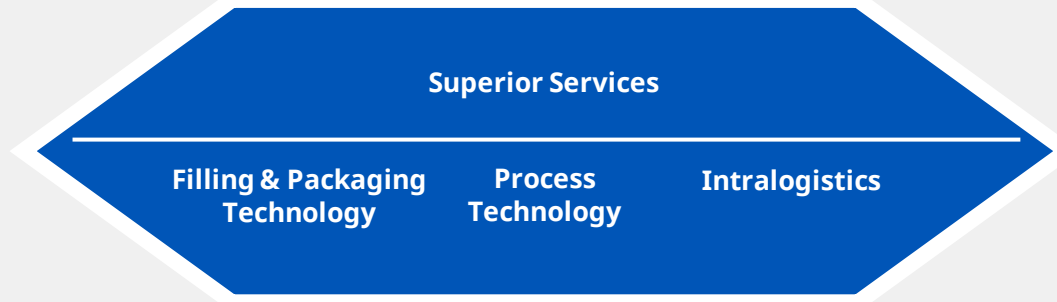


#### Sustainability

- Sustainable products as biggest innovation and growth driver in the next decade
- Surging customer demand for resource saving machines, systems, and entire lines that simultaneously reduce carbon emissions
- Krones positioned with enviro sustainability program and various other initiatives

#### Krones' enviro sustainability program

- Krones launched the enviro sustainability certification program in 2008 for machines and entire systems
- In 2019, the program expanded to minimize the environmental impact of packaging
- Demand for enviro certified machines is constantly growing

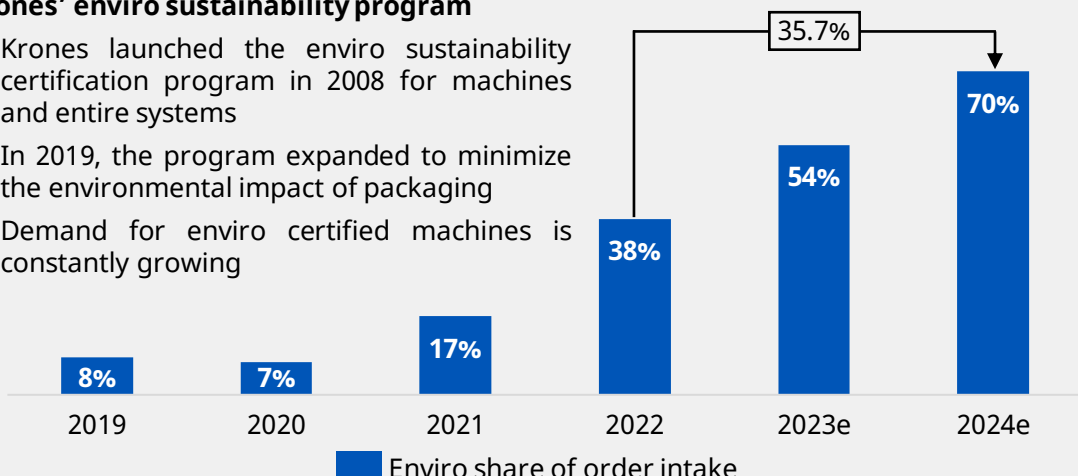
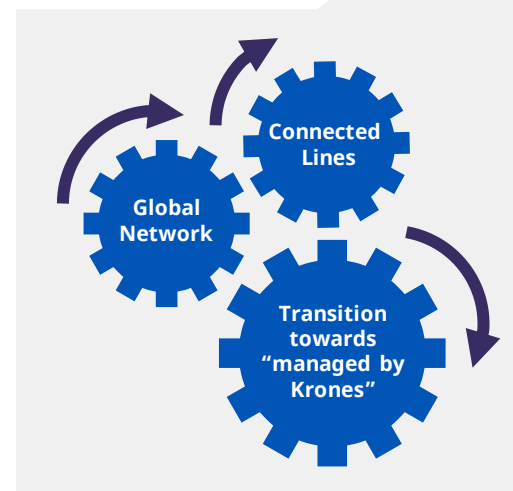


#### Digitalization

- Digitalization as crucial component for service quality and sustainable production
- Krones.world and Krones Ecosystem provides a single comprehensive digital platform for production and logistics data
- Further smart data analysis tools will help customers optimizing production and saving

#### Digitalization for superior service














- All new Krones lines are supplied with the Connected Lines system since 2021, so all data generated can be accessed online
- This enables continuously monitored and analysed production data, allowing plant managers to identify weak spots
- Krones' customer proximity and global service network then provides the customer with fast and flexible support and service
- Krones' goal to transition towards service-based business models gets implemented by means of service level agreements, to continuously generate recurring revenues



# The Krones Group contains multiple subsidiaries focusing on specific stages of the entire value chain - developed through continuous buy-and-build

## APPENDIX 1 – COMPANY OVERVIEW

### Krones Subsidiaries 2023 (excerpt)

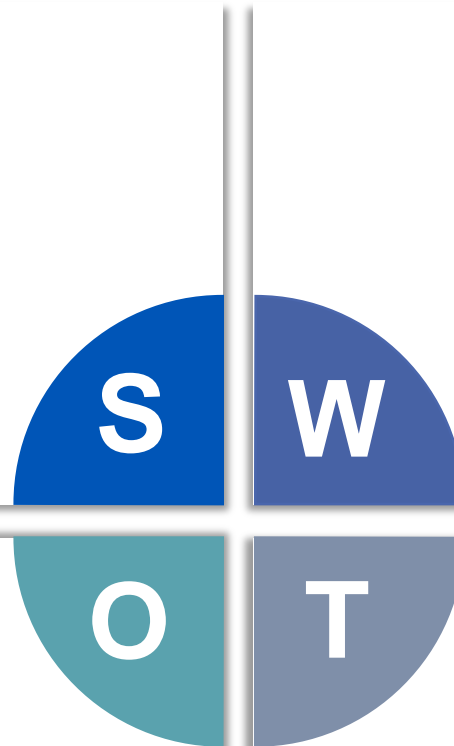
		<ul style="list-style-type: none"> <li>Steinecker GmbH was founded in 2021 as spin-off and wholly owned subsidiary of <b>Krones' brewery business</b></li> <li>Steinecker offers new machinery as well as lifecycle services</li> </ul>	<p><b>From a label producer to one-stop-shop and technology company at the heart of the liquid food and beverage industry through continuous buy-and-build activities:</b></p> <ul style="list-style-type: none"> <li><b>1951:</b> Company was founded as label manufacturer</li> <li><b>1958:</b> Initiation of customer support services</li> <li><b>1974:</b> New segment Filling Technology</li> <li><b>1982:</b> Acquisition of brewhouse manufacturer</li> <li><b>1997:</b> Acquisition of packing and palletizing service provider</li> <li><b>2003:</b> Introduction of entire maintenance and repair system within Lifecycle Services division</li> <li><b>2012:</b> Introduction of SitePilot – a modularized software package for integrated production and logistics</li> <li><b>2016:</b> Acquisition of System Logistics strengthens intralogistics segment</li> <li><b>2021:</b> Introduction of Krones-world – the comprehensive digital Krones ecosystem</li> </ul>
		<ul style="list-style-type: none"> <li>KIC Krones is a <b>full-range provider specialising in operating supplies</b> for the beverage and liquid food industry</li> <li>KIC offers adhesives, lubricants, and detergents &amp; disinfection</li> </ul>	
		<ul style="list-style-type: none"> <li>Milkron produces <b>specialized machines for the dairy industry</b></li> <li>Its solutions range from drinking milk over creamy products to cleaning systems</li> </ul>	
		<ul style="list-style-type: none"> <li>Kosme is specialized in <b>designing and constructing of complete lines</b> with customized solutions</li> <li>Operating in Italy and Austria, ranging trough all end markets</li> </ul>	
		<ul style="list-style-type: none"> <li>Integrated Plastic Systems AG is a Switzerland-based <b>systems integrator for PET and CAP injection moulding</b></li> <li>Its end-to-end solutions range from preform design to service</li> </ul>	
		<ul style="list-style-type: none"> <li>MHT designs and builds <b>high output PET preform moulds</b> and offers additional services throughout the entire life cycle</li> <li>The solutions range from high cavity moulds to cooling</li> </ul>	
		<ul style="list-style-type: none"> <li>Ecomac offers a <b>platform for buying and selling used machines and lines</b> for the beverage and liquid food industry</li> <li>According to utilisation, the products are recovered or recycled</li> </ul>	

# Krones' strengths and opportunities outweighs its weaknesses and threats

## APPENDIX 1 – COMPANY OVERVIEW

### Strengths

- **Market and technology leadership** in the beverage and liquid food industry
- **Global regional presence** ensures customer proximity and builds the foundation of the **aspired serviced-based business model** due to long-term customer
- Krones serves as a **one-stop shop**, offering comprehensive solutions and services across the entire beverage and liquid food processing value chain
- **Strong cash generation** building the foundation for buy-and-build opportunities
- **Proven procurement system** stabilized margins despite of supply chain bottleneck in recent times



### Weaknesses

- **Highly dependent on beverage packaging** industry developments
- Already **established global presence** limits opportunities for further international expansion value creations strategies
- **Rising plastic ban** could hamper beverage packaging lines manufacturing
- **Ongoing investments in R&D** to defend technological leadership might strain financial resources

### Opportunities

- **Untapped revenue growth potential** in fast growing economies such as Asia Pacific and Africa
- **Urbanization fuels long-term demand** for packaged foods and beverage
- Higher **sustainability awareness of humanity** fuels demand for sustainable packaging solutions
- **Expansion into adjacent sectors** or product diversification beyond beverages / liquid food

### Threats

- **Intense competition** from global and regional players within the industry
- **Changes in regulations** or standards impacting packaging solutions (PET ban)
- **Potential disruptions** in the supply chain, affecting production and lead times

# Krones' business model is subject to considerable internal and external risk factors, mitigated by their comprehensive risk management system

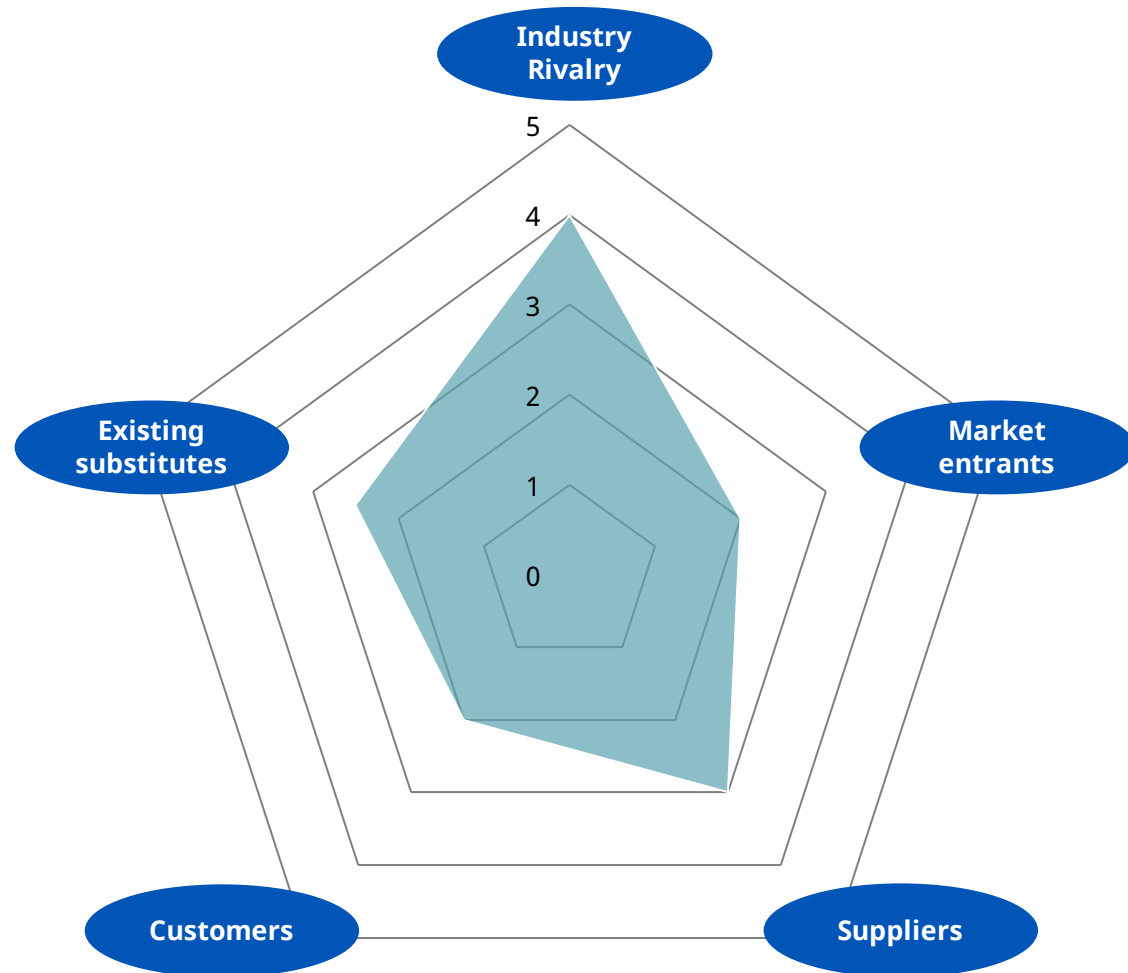
## APPENDIX 1 – COMPANY OVERVIEW

Risk Factors and Mitigation Strategies		
Risk Factor	Mitigation	Risk Assessment
<b>1 General economic risk</b> <ul style="list-style-type: none"> <li>Economic downturn</li> <li>Macroeconomic uncertainties</li> <li>Geopolitical tensions</li> </ul>	<ul style="list-style-type: none"> <li>Non-cyclical end markets make Krones less dependent on economic cycle</li> <li>Strong geographical infrastructure ensures diversification and flexibility</li> </ul>	Likelihood ●●● Impact ●○○
<b>2 Competition and loss of market share</b> <ul style="list-style-type: none"> <li>Highly competitive market</li> <li>Competitor might sell at lower prices</li> <li>Long product life prolong repurchases</li> </ul>	<ul style="list-style-type: none"> <li>Expansion of technological leadership</li> <li>Diverse product mix (machinery vs. service)</li> <li>Strategic initiatives for digitalisation and sustainability</li> </ul>	Likelihood ●●○ Impact ●●●
<b>3 Environmental risk and PET debate</b> <ul style="list-style-type: none"> <li>Heavy production implying need for raw materials, energy and gas</li> <li>Regulatory tightening and plastic ban</li> </ul>	<ul style="list-style-type: none"> <li>Sustainable plastics solutions</li> <li>PET-Recycling machinery and lines</li> <li>Continuous development of other sustainable packaging materials</li> </ul>	Likelihood ●●○ Impact ●○○
<b>4 Currency risk of geographical exposure</b> <ul style="list-style-type: none"> <li>Ca. 90% of export revenue</li> <li>Operations in 156 different countries</li> <li>Trade conflicts and currency fluctuation</li> </ul>	<ul style="list-style-type: none"> <li>Exchange rate hedges</li> <li>Most purchasing and sales transactions are executed in Euro</li> <li>Regional sourcing</li> </ul>	Likelihood ●○○ Impact ●●○
<b>5 Price risk</b> <ul style="list-style-type: none"> <li>Highly competitive market</li> <li>High order backlog and long-term projects with fixed-price contracts</li> </ul>	<ul style="list-style-type: none"> <li>Individual risk assessment prior to order acceptance</li> <li>Project monitoring with status reports</li> <li>Continuous price increases</li> </ul>	Likelihood ●●○ Impact ●●○
<b>6 Procurement risk</b> <ul style="list-style-type: none"> <li>Global supply chain bottlenecks</li> <li>Dependence on parts and raw materials</li> <li>Rising energy and gas prices</li> </ul>	<ul style="list-style-type: none"> <li>Targeted procurement management system</li> <li>Supply contracts to mitigate commodity and raw material price risk</li> <li>Rigorous process of supplier selection</li> </ul>	Likelihood ●●○ Impact ●●●

Multi-Stage Risk Management System
<b>Risk Analysis – Comprehensive Risk Inventory</b> <ul style="list-style-type: none"> <li>Continuously monitor all business activities</li> <li>Individual record of financing risks, tax and legal risks, technological risks, market and competition risks, and geographical risks</li> <li>Profitability analysis prior to order acceptance</li> </ul>
<b>Risk Monitoring – Interlinked Controlling Processes</b> <ul style="list-style-type: none"> <li>Regular status reporting from business segments to Executive Board and other key decision-makers</li> <li>Individual assessment reports of special projects or projects with a high contract value</li> <li>Employee hotline within internal reporting system</li> </ul>
<b>Risk Planning and Control</b> <ul style="list-style-type: none"> <li>Continuous monitoring with risk inventory for developing respective mitigation strategies</li> <li>Ongoing process including planning, information and control</li> </ul> <ul style="list-style-type: none"> <li>✓ <b>Same risks apply to all segments</b> due to comparable selling and procurement markets</li> <li>✓ Krones actively <b>addresses potential risks early</b></li> <li>✓ The risk management organisation is governed by <b>clear areas of responsibility and accountability</b></li> <li>✓ Involvement of <b>Audit and Risk Management Committees</b></li> </ul>

# As a manufacturer of mainly beverage processing equipment, Krones competes with a few global players as well as regional players

## APPENDIX 2 – MARKET OVERVIEW



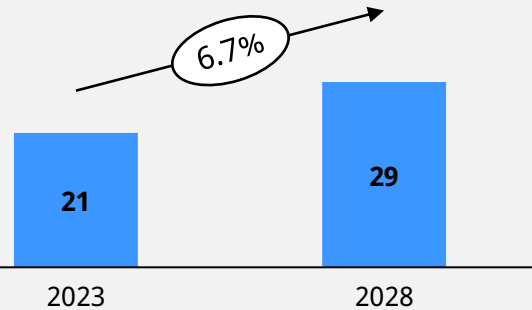
1	<p><b>Industry rivalry: Rather high (Level 4)</b></p> <ul style="list-style-type: none"> <li>• Krones faces competition from numerous competitors; some established companies (Sidel, KHS, GEA etc.) and smaller regional players</li> <li>• Price competition arising from aggressive pricing strategies of competitors is common</li> <li>• Technological leadership is mandatory for a market leading position and thus requires high R&amp;D expenses</li> </ul>
2	<p><b>New market entrants: Rather low (Level 2)</b></p> <ul style="list-style-type: none"> <li>• Technological know-how and manufacturing facilities are mandatory for success in the market indicating high market entrance barriers</li> <li>• Established and dominant players have strong relationships with beverage producers; Customer loyalty makes it more difficult for entrants to penetrate the market</li> </ul>
3	<p><b>Bargaining power of suppliers: Moderate (Level 3)</b></p> <ul style="list-style-type: none"> <li>• Krones' product portfolio is highly dependent on specialized components, which shifts a certain amount of negotiation power to suppliers</li> <li>• Krones' reputation and relative size facilitates negotiation, possibly leading to favorable terms with suppliers. However, supplier power could fluctuate based on market conditions (supply-chain bottlenecks)</li> </ul>
4	<p><b>Bargaining power of customers: Rather low (Level 2)</b></p> <ul style="list-style-type: none"> <li>• Krones product portfolio consists of capital intensive, highly compatible systems, reducing customers' incentive to switch supplier</li> <li>• Krones' systems guarantees customers most efficient operations (technological leadership)</li> <li>• Global accounts have high bargaining power due to their high share of Krones' income</li> </ul>
5	<p><b>Threat of existing substitutes: Rather low to moderate (Level 2,5)</b></p> <ul style="list-style-type: none"> <li>• Alternative offerings by competitors might have some advantage over Krones' systems</li> <li>• Krones is the sole provider of a fully digital ecosystem, which opens new optimization potentials for beverage producers</li> </ul>

# Realizing growth and efficiency: customization, digitalization, and regional opportunities in the global beverage processing equipment market

## APPENDIX 2 – MARKET OVERVIEW

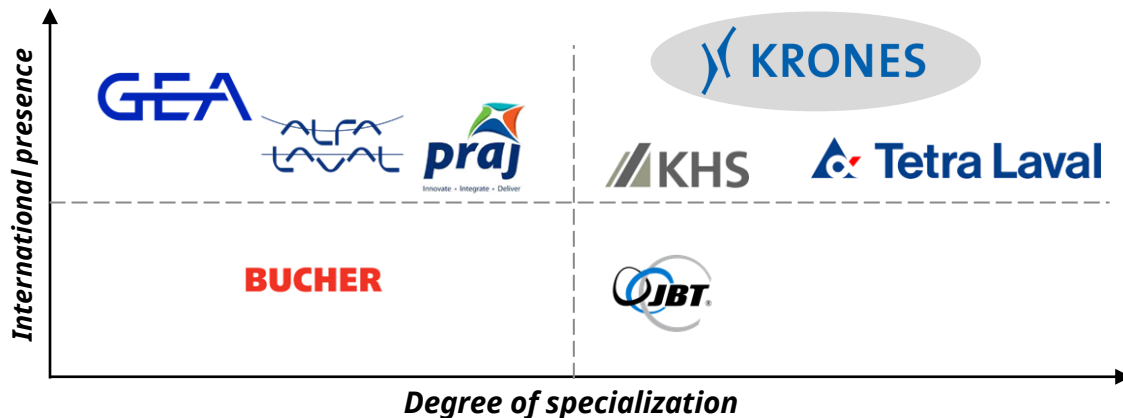
### Total Addressable Market and Key Facts

Global Beverage Processing Equipment Market (in EUR b)



Market Size (in 2023)	EUR 21 b
Entry Barriers	High upfront investment
Largest Market	North America
Fastest Growing	Asia Pacific
Market Dynamics	Highly fragmented

### Competitive Landscape



### Market Drivers

Driver	Description	Impact
Demand for Healthy Beverages	<ul style="list-style-type: none"> <li>Changing consumer preferences for low-fat, low-cholesterol, low-sugar and functional beverages</li> <li>Alternative (plant-based) proteins into beverages</li> <li>Rising demand for ready-to-drink (RTD) beverages</li> </ul>	
New Technology & Sustainability	<ul style="list-style-type: none"> <li>Energy-efficient equipment, reducing production costs and environmental impact</li> <li>Automated processing machinery, growing use of IoT and smart sensors</li> </ul>	
Regulatory Standards	<ul style="list-style-type: none"> <li>Tightening governmental regulations regarding hygiene</li> </ul>	

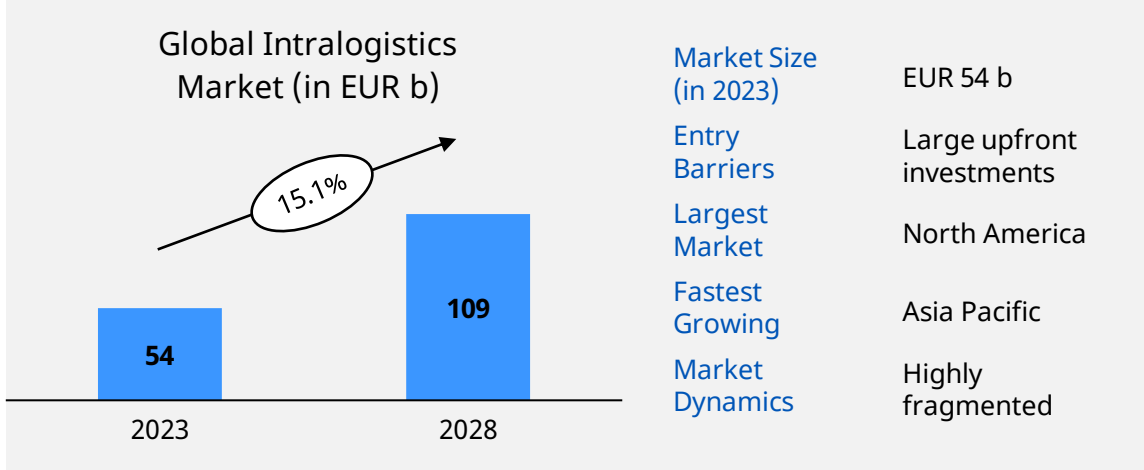
### Market Trends

Short	<ul style="list-style-type: none"> <li>Asset heaviness and low digitalization of machinery and plant engineering industry <b>enable significant growth and cost-saving potentials</b></li> <li>Trend toward <b>customization and individual client requirements</b>, including options for both small-scale and large-scale production</li> </ul>
Mid	<ul style="list-style-type: none"> <li>Asia Pacific region is expected to grow the fastest, driven by <b>rising middle-class incomes and demand for ready-to-drink beverages</b></li> <li>North America's market trends to advanced processing methods to meet the demand for healthy beverages, and strict government regulations for food safety</li> </ul>
Long	<ul style="list-style-type: none"> <li><b>Sustainability and circular economy</b>, including energy and carbon footprint reduction, water and food waste reduction, resource savings and increased overall equipment effectiveness</li> </ul>

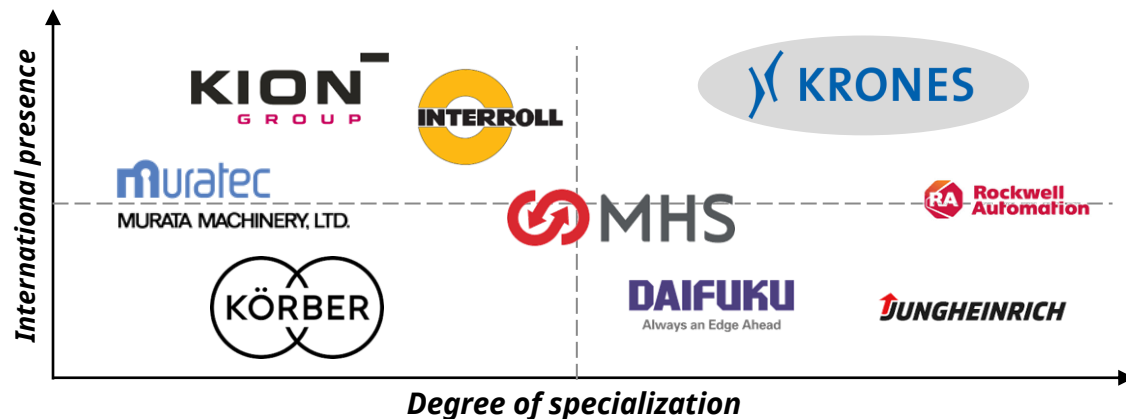
# Optimizing efficiency, safety and automation: A decade of expansion in the global intralogistics market

## APPENDIX 2 – MARKET OVERVIEW

### Total Addressable Market and Key Facts



### Competitive Landscape



### Market Drivers

Driver	Description	Impact
<b>Automation and Technology</b>	<ul style="list-style-type: none"> <li>Advancements in robotics, artificial intelligence, and the Internet of Things (IoT) are reshaping intralogistics</li> <li>Cloud-based solutions are becoming increasingly popular for intralogistics as they offer scalability and cost savings</li> </ul>	
<b>E-Commerce</b>	<ul style="list-style-type: none"> <li>Surge in e-commerce is fuelling demand for intralogistics systems for material flow, warehousing, and packing</li> </ul>	
<b>Safety and health</b>	<ul style="list-style-type: none"> <li>Automation can lead up to 50% fewer workplace accidents</li> </ul>	
<b>Smart Logistics</b>	<ul style="list-style-type: none"> <li>Enhanced supply chain tracking and management is driving a shift towards smart logistics adoption, with technologies like sensors and RFID</li> </ul>	

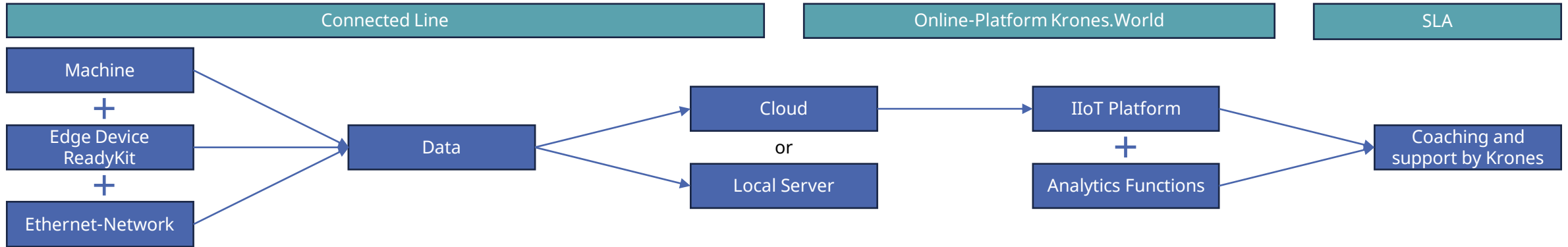
### Market Trends

<b>Short</b>	<ul style="list-style-type: none"> <li><b>Sustainability Megatrends:</b> Intralogistics processes are getting increasingly automated to improve efficiency, reduce cost and improve accuracy</li> </ul>
<b>Mid</b>	<ul style="list-style-type: none"> <li>High demand for intralogistics in the U.S. and China driven by <b>digitalization</b> and the rising trend towards <b>industrial automation</b> and advancement in <b>smart manufacturing technologies</b></li> </ul>
<b>Long</b>	<ul style="list-style-type: none"> <li><b>Automation of Intralogistics</b>, including advancements in <b>services and software</b> components, is expected to drive sustained demand over time</li> </ul>

# Taking advantage of the best-in-class service network – Implementing strategic measures for transformation into service-based business models

## APPENDIX 3 – INVESTMENT THESIS & VALUE CREATION

### Krones Ecosystem



### Hardware



#### Edge Device Ready Kit:

- The ReadyKit device collects raw data of the machines with the help of sensors
- Data is sent to the IoT platform
- **Combines operational machine technology with IoT technology**

### IT Infrastructure



#### AWS:

- Krones collaborates with AWS for **cloud infrastructure** and **storage**
- This gives Krones customers to have **24/7 data availability**, a high degree of **data security** and the option of a **centralized software rollout**

### Online-Platform



#### Krones.World

- Krones customers can access and analyse their machine data
- **Share2 Act, Digital Service Centre**
- Covers entire lifecycle from configuration over operator training to improve operation

### Service Business



#### Service Level Agreement (SLA):

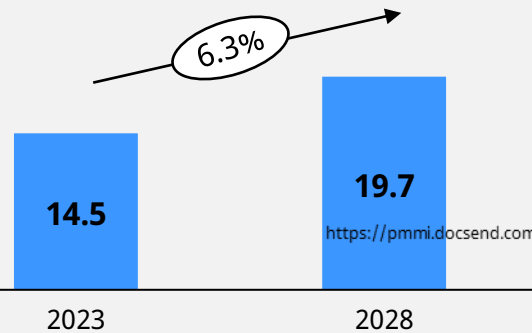
- If Krones customers prefer not to handle **data analysis** and **machine optimization**, they can allow Krones to manage these tasks on their behalf
- The services includes **action plans** for improvement, **maintenance** and **material management**

# The expansion of injectable medications required the pharma industry to rethink their filling and packaging strategies

## APPENDIX 3 – INVESTMENT THESIS & VALUE CREATION

### Total Addressable Market and Key Facts

Global Pharmaceutical Manufacturing Equipment Market (in \$b)



**Market Size (in 2023)** \$ 14.5 b

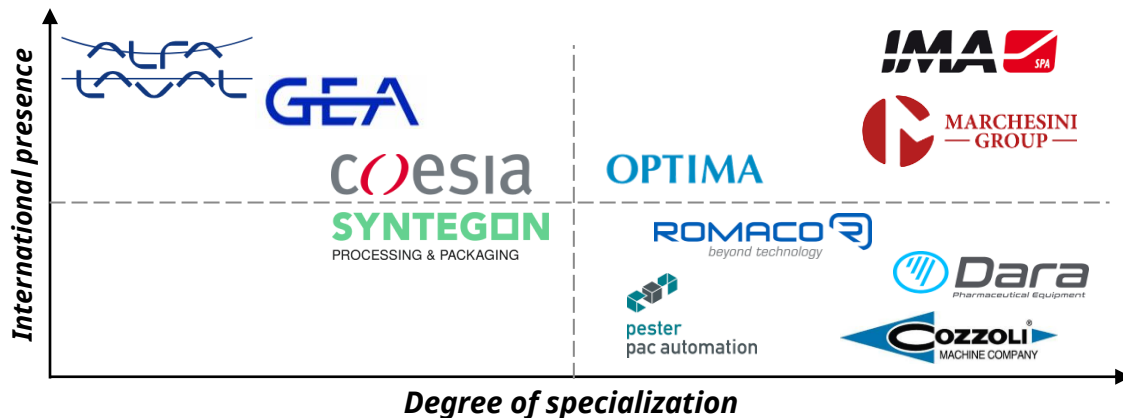
**Risks** Rising costs and expenditures

**Largest Market** Asia-Pacific

**Fastest Growing Market** Asia Pacific

**Market Dynamics** Moderately fragmented

### Competitive Landscape



### Market Drivers

Driver	Description	Impact
<b>Automation</b>	Increased throughput needs at pharmaceutical plants is one of the factors driving the expansion of automation in the production space.	High
<b>Digitalization</b>	Manufacturers are looking to harness the power of digitized data to drive efficiency improvements across operations.	High
<b>Change of product mix</b>	Fundamental shift in product formats with the growth of injectables and customized medicines requires rethinking of production and packaging strategies.	High

### Market Trends

<b>Short</b>	The COVID-19 pandemic has thrown a wrench into many pharmaceutical manufacturers' short-term goals as they struggle with ongoing ingredient, material, and machine shortages.
<b>Mid</b>	Growing consumer focus on sustainability and the expanding use of e-commerce ordering for DTC shipping is pushing pharmaceutical manufacturers to reevaluate the basic components of their packaging.
<b>Long</b>	The pharmaceutical industry is undergoing a fundamental shift in product formats with the growth of injectables and customized medicines, requiring manufacturers to rethink their production and packaging strategies.

# Recent PE-backed transactions of comparable companies with similar value creation strategies underpin the viability of a leveraged buyout of Kronos AG

## APPENDIX 3 – INVESTMENT THESIS & VALUE CREATION

### CVC's Acquisition of Bosch Packaging (Syntegon)

#### Acquisition via Carve-Out

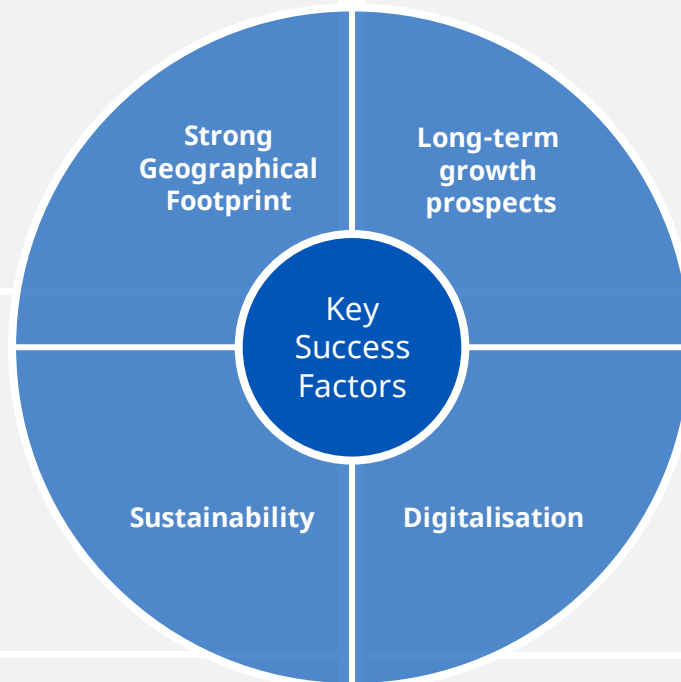
- In July 2019, **CVC Capital Partners** announced the **acquisition (100%) of the packaging machinery business** of Robert Bosch Group. The purchase price and other details of the acquisition have not been disclosed to the public
- Syntegon, formerly known as Bosch Packaging, offers complete packaging solutions for the pharmaceutical and food industry. The portfolio of automated and sustainable technologies consists of stand-alone machines as well as complete systems and services
- Presence in >15 countries and more than 6,000 employees

#### Strategic Measures and Key Developments

- **Rebranded into Syntegon** to separate the company from its former parent company and to focus solely on packaging business
- **Expand Syntegon's intra-group synergies** and **readjust the product portfolio** by focusing on sustainable packaging
- Additional focus on reducing carbon footprint and energy consumption
- **Sale of Viersen-based operations** and parallel robot link business

#### Exit

- As of December 2023, Syntegon is **still part of CVC Fund VII**



### BC' Partners Acquisition of IMA Group



#### Acquisition of Minority Stake

- In July 2020, **BC Partners** announced the **acquisition of a minority stake (48%) in IMA S.p.A.** for EUR 1,422m with the intention of **delisting IMA share from the Milan Stock Exchange**
- Italy-based IMA is a world leader in the design and manufacturing of automatic machines for the processing and packaging of pharmaceuticals, cosmetics and beverages with additional material presence in the automotive industry
- Presence in >80 countries, operating 53 production sites, serving blue-chip customer base across various continents

#### Strategic Measures and Key Developments

- IMA Group **EBITDA grew 70%** during the course of its partnership with BC partners, mainly due to the following:
- Accelerate **growth and internationalization strategy** as leading global consolidator in the processing and packaging industry with 5 bolt-on acquisitions (**buy-and-build**)
- Prolong **digitalization strategy**
- Minimize environmental impact with **sustainable and innovate packaging solutions**









#### Exit via Secondary Sale













- After a **three-year holding period**, BC Partners announced the **sale of their minority stake in IMA** for EUR 2,925m, approx. resulting in an **MM of 2.1** and an **IRR of 27.1%**






















# The 4 add-on acquisitions make Kronos a global one-stop shop in the pharmaceutical and cosmetics machinery sector

## APPENDIX 3 – INVESTMENT THESIS & VALUE CREATION

	Process Technology			Filling & Packaging Technology			Service
Solutions	Processing	Cleaning	Filling and Closing	Labeling and Coding	Cartoning	Packing and Palletizing	Digital Services
Attractiveness	Medium	Medium	High	High	Medium	Medium	High
Portfolio Company	ProXES your processing partner	 ProXES your processing partner	 ROMACO beyond technology	 Dara Pharmaceutical Equipment	 ROMACO beyond technology	 pester pac automation	 ProXES your processing partner  Dara Pharmaceutical Equipment  pester pac automation

	Liquids			Non-Liquids			Cosmetics
Products	Vials & Syringes	Injectables	Cartridges	Bottles	Powder and Granulation	Capsules and Tablets	Cosmetics
Attractiveness	High	High	Medium	Medium	Medium	Medium	Medium
Portfolio Company	 Dara Pharmaceutical Equipment  pester pac automation	 Dara Pharmaceutical Equipment	 Dara Pharmaceutical Equipment	 Dara Pharmaceutical Equipment  ROMACO beyond technology  pester pac automation	 ROMACO beyond technology	 ROMACO beyond technology	 ProXES your processing partner  Dara Pharmaceutical Equipment  pester pac automation

	Developed Markets				Emerging Markets		
Geography	Germany	Western / Central Europe	Eastern Europe	North and Central America	Asia Pacific /China	Middle East / Africa	South America / Mexico
Attractiveness	Medium	Medium	Medium	Medium	High	High	High
Portfolio Company	 Dara Pharmaceutical Equipment  ROMACO beyond technology ProXES your processing partner  pester pac automation	 Dara Pharmaceutical Equipment  ROMACO beyond technology ProXES your processing partner  pester pac automation	ProXES your processing partner  Dara Pharmaceutical Equipment  pester pac automation	 Dara Pharmaceutical Equipment  ROMACO beyond technology  pester pac automation	 Dara Pharmaceutical Equipment  ROMACO beyond technology ProXES your processing partner  pester pac automation	 Dara Pharmaceutical Equipment  pester pac automation	 Dara Pharmaceutical Equipment  ROMACO beyond technology  pester pac automation

Sources: Association for Packaging and Processing Technologies

# Business Plan – Bank Case

## APPENDIX 4 – BUSINESS PLAN

Income Statement (in EUR m)	FY2023B	FY2024E	FY2025E	FY2026E	FY2027E	FY2028E	FY2029E	FY2030E
<b>Sales Revenue</b>	<b>4,702.1</b>	<b>5,089.8</b>	<b>5,328.2</b>	<b>5,580.9</b>	<b>5,848.9</b>	<b>6,133.5</b>	<b>6,436.1</b>	<b>6,758.2</b>
<i>y-o-y growth in %</i>	11.7%	8.2%	4.7%	4.7%	4.8%	4.9%	4.9%	5.0%
<i>Filling and Packaging Technology</i>	3,841.1	4,100.9	4,252.6	4,410.0	4,573.1	4,742.4	4,917.8	5,099.8
<i>y-o-y growth in %</i>	9.8%	6.8%	3.7%	3.7%	3.7%	3.7%	3.7%	3.7%
<i>Process Technology</i>	451.2	515.4	544.8	575.9	608.7	643.4	680.1	718.8
<i>y-o-y growth in %</i>	22.8%	14.2%	5.7%	5.7%	5.7%	5.7%	5.7%	5.7%
<i>Intralogistics</i>	409.8	473.5	530.8	595.0	667.0	747.7	838.2	939.6
<i>y-o-y growth in %</i>	19.0%	15.5%	12.1%	12.1%	12.1%	12.1%	12.1%	12.1%
Plus: Changes in inventories of finished goods and work in progress	3.5	23.8	23.8	23.8	23.8	23.8	23.8	23.8
Plus: Other own work capitalised	41.7	46.2	46.2	46.2	46.2	46.2	46.2	46.2
Plus: Other operating income	174.8	167.2	167.2	167.2	167.2	167.2	167.2	167.2
<b>Total Revenues</b>	<b>4,922.1</b>	<b>5,327.1</b>	<b>5,565.5</b>	<b>5,818.1</b>	<b>6,086.1</b>	<b>6,370.7</b>	<b>6,673.3</b>	<b>6,995.5</b>
<i>y-o-y growth in %</i>	10.2%	8.2%	4.5%	4.5%	4.6%	4.7%	4.8%	4.8%
Less: Goods and services purchased	(2,376.9)	(2,546.9)	(2,655.3)	(2,770.0)	(2,891.5)	(3,020.4)	(3,157.2)	(3,302.6)
<b>Gross Profit</b>	<b>2,545.2</b>	<b>2,780.2</b>	<b>2,910.1</b>	<b>3,048.1</b>	<b>3,194.5</b>	<b>3,350.3</b>	<b>3,516.1</b>	<b>3,692.9</b>
<i>Gross margin (%)</i>	51.7%	51.3%	49.8%	48.9%	48.1%	47.7%	47.3%	46.8%
Less: Personnel expenses	(1,394.9)	(1,515.0)	(1,591.3)	(1,644.4)	(1,700.0)	(1,770.4)	(1,838.4)	(1,923.7)
Less: Other operating expenses	(694.0)	(803.6)	(841.2)	(881.1)	(923.4)	(968.4)	(1,016.2)	(1,067.0)
<i>Filling and Packaging Technology</i>	393.9	394.3	405.1	439.8	476.8	506.1	542.4	570.1
<i>Process Technology</i>	31.6	33.8	35.4	39.2	43.3	46.9	51.2	54.9
<i>Intralogistics</i>	30.8	33.4	37.1	43.6	51.0	58.6	67.9	77.1
<b>EBITDA</b>	<b>456.3</b>	<b>461.6</b>	<b>477.6</b>	<b>522.5</b>	<b>571.1</b>	<b>611.5</b>	<b>661.5</b>	<b>702.1</b>
<i>EBITDA margin (%)</i>	9.3%	8.7%	8.6%	9.0%	9.4%	9.6%	9.9%	10.0%
<i>y-o-y growth in %</i>	22.2%	1.2%	3.5%	9.4%	9.3%	7.1%	8.2%	6.1%
Less: Depreciation and amortization	(152.5)	(131.9)	(146.6)	(153.0)	(159.8)	(167.0)	(174.6)	(182.7)
<i>Filling and Packaging Technology</i>	262.2	281.6	280.7	311.0	343.4	367.9	399.3	421.8
<i>Process Technology</i>	21.0	24.2	24.6	27.7	31.2	34.1	37.7	40.6
<i>Intralogistics</i>	20.5	23.9	25.7	30.8	36.8	42.6	49.9	57.0
<b>EBIT</b>	<b>303.8</b>	<b>329.7</b>	<b>331.0</b>	<b>369.5</b>	<b>411.3</b>	<b>444.5</b>	<b>486.9</b>	<b>519.4</b>
<i>EBIT margin (%)</i>	6.2%	6.1%	5.7%	5.9%	6.2%	6.3%	6.5%	6.6%
<i>y-o-y growth in %</i>	31.8%	8.5%	0.4%	11.6%	11.3%	8.1%	9.5%	6.7%
Less: Taxes	(83.8)	(91.0)	(91.4)	(102.0)	(113.5)	(122.7)	(134.4)	(143.4)
<i>statutory tax rate in %</i>	27.6%	27.6%	27.6%	27.6%	27.6%	27.6%	27.6%	27.6%
<b>NOPLAT</b>	<b>219.9</b>	<b>238.7</b>	<b>239.6</b>	<b>267.5</b>	<b>297.8</b>	<b>321.8</b>	<b>352.5</b>	<b>376.1</b>
Plus: Depreciation and amortization	152.5	131.9	146.6	153.0	159.8	167.0	174.6	182.7
Less: Change in Trade Working Capital	(13.1)	(38.8)	(11.1)	(11.1)	(11.1)	(11.1)	(11.1)	(11.1)
Less: Change in Other Working Capital	(22.8)	(26.5)	(10.9)	(11.6)	(12.3)	(13.0)	(13.9)	(14.7)
Less: Other Non-Cash income/expenses	18.9	10.2	10.2	10.2	10.2	10.2	10.2	10.2
Less: Capex	(116.9)	(140.0)	146.6	(153.5)	(160.9)	(168.7)	(177.0)	(185.9)
<b>Free Cash Flow</b>	<b>238.6</b>	<b>175.6</b>	<b>228.0</b>	<b>254.6</b>	<b>283.6</b>	<b>306.2</b>	<b>335.4</b>	<b>357.3</b>

Source: LBO Model

# Business Plan – Base Case

## APPENDIX 4 – BUSINESS PLAN

Income Statement (in EUR m)	FY2023B	FY2024E	FY2025E	FY2026E	FY2027E	FY2028E	FY2029E	FY2030E
<b>Sales Revenue</b>	<b>4,702.1</b>	<b>5,186.3</b>	<b>5,603.5</b>	<b>5,994.2</b>	<b>6,401.7</b>	<b>6,787.9</b>	<b>7,203.3</b>	<b>7,658.7</b>
<i>y-o-y growth in %</i>	11.7%	10.3%	8.0%	7.0%	6.8%	6.0%	6.1%	6.3%
<i>Filling and Packaging Technology</i>	3,841.1	4,177.2	4,463.0	4,717.2	4,973.5	5,201.1	5,438.3	5,691.0
<i>y-o-y growth in %</i>	9.8%	8.8%	6.8%	5.7%	5.4%	4.6%	4.6%	4.6%
<i>Process Technology</i>	451.2	522.5	568.9	612.8	658.4	701.7	747.8	797.4
<i>y-o-y growth in %</i>	22.8%	15.8%	8.9%	7.7%	7.4%	6.6%	6.6%	6.6%
<i>Intralogistics</i>	409.8	486.6	571.6	664.2	769.8	885.0	1,017.3	1,170.3
<i>y-o-y growth in %</i>	19.0%	18.7%	17.5%	16.2%	15.9%	15.0%	14.9%	15.0%
Plus: Changes in inventories of finished goods and work in progress	3.5	23.8	23.8	23.8	23.8	23.8	23.8	23.8
Plus: Other own work capitalised	41.7	46.2	46.2	46.2	46.2	46.2	46.2	46.2
Plus: Other operating income	174.8	167.2	167.2	167.2	167.2	167.2	167.2	167.2
<b>Total Revenues</b>	<b>4,922.1</b>	<b>5,423.5</b>	<b>5,840.7</b>	<b>6,231.4</b>	<b>6,638.9</b>	<b>7,025.1</b>	<b>7,440.6</b>	<b>7,895.9</b>
<i>y-o-y growth in %</i>	10.2%	10.2%	7.7%	6.7%	6.5%	5.8%	5.9%	6.1%
Less: Goods and services purchased	(2,376.9)	(2,593.0)	(2,775.0)	(2,948.1)	(3,127.7)	(3,295.5)	(3,475.5)	(3,680.4)
<b>Gross Profit</b>	<b>2,545.2</b>	<b>2,830.5</b>	<b>3,065.7</b>	<b>3,283.3</b>	<b>3,511.3</b>	<b>3,729.6</b>	<b>3,965.0</b>	<b>4,215.6</b>
<i>Gross margin (%)</i>	51.7%	52.2%	52.5%	52.7%	52.9%	53.1%	53.3%	53.4%
Less: Personnel expenses	(1,394.9)	(1,517.8)	(1,617.4)	(1,706.2)	(1,796.6)	(1,891.4)	(1,985.6)	(2,103.4)
Less: Other operating expenses	(694.0)	(818.8)	(884.7)	(946.4)	(1,010.7)	(1,071.7)	(1,137.3)	(1,209.2)
<i>Filling and Packaging Technology</i>	393.9	421.8	477.2	529.1	584.7	629.8	684.0	724.3
<i>Process Technology</i>	31.6	36.0	41.5	46.9	52.9	58.0	64.2	69.3
<i>Intralogistics</i>	30.8	36.1	44.9	54.7	66.4	78.7	93.9	109.3
<b>EBITDA</b>	<b>456.3</b>	<b>493.9</b>	<b>563.6</b>	<b>630.7</b>	<b>703.9</b>	<b>766.5</b>	<b>842.2</b>	<b>903.0</b>
<i>EBITDA margin (%)</i>	9.3%	9.1%	9.6%	10.1%	10.6%	10.9%	11.3%	11.4%
<i>y-o-y growth in %</i>	22.2%	8.2%	14.1%	11.9%	11.6%	8.9%	9.9%	7.2%
Less: Depreciation and amortization	(152.5)	(129.8)	(151.2)	(168.3)	(186.1)	(204.6)	(224.0)	(245.4)
<i>Filling and Packaging Technology</i>	262.2	311.0	349.2	387.9	430.1	461.7	502.1	527.5
<i>Process Technology</i>	21.0	26.6	30.4	34.4	38.9	42.5	47.1	50.5
<i>Intralogistics</i>	20.5	26.6	32.8	40.1	48.9	57.7	68.9	79.6
<b>EBIT</b>	<b>303.8</b>	<b>364.1</b>	<b>412.4</b>	<b>462.4</b>	<b>517.9</b>	<b>561.9</b>	<b>618.1</b>	<b>657.6</b>
<i>EBIT margin (%)</i>	6.2%	6.7%	7.1%	7.4%	7.8%	8.0%	8.3%	8.3%
<i>y-o-y growth in %</i>	31.8%	19.9%	13.3%	12.1%	12.0%	8.5%	10.0%	6.4%
Less: Taxes	(83.8)	(100.5)	(113.8)	(127.6)	(142.9)	(155.1)	(170.6)	(181.5)
<i>statutory tax rate in %</i>	27.6%	27.6%	27.6%	27.6%	27.6%	27.6%	27.6%	27.6%
<b>NOPLAT</b>	<b>219.9</b>	<b>263.6</b>	<b>298.6</b>	<b>334.8</b>	<b>374.9</b>	<b>406.8</b>	<b>447.5</b>	<b>476.1</b>
Plus: Depreciation and amortization	152.5	129.8	151.2	168.3	186.1	204.6	224.0	245.4
Less: Change in Trade Working Capital	(13.1)	34.0	(13.4)	(11.0)	(16.6)	(18.8)	(26.5)	(31.1)
Less: Change in Other Working Capital	(22.8)	(30.9)	(19.1)	(17.9)	(18.7)	(17.7)	(19.0)	(20.8)
Less: Other Non-Cash income/expenses	18.9	10.2	10.2	10.2	10.2	10.2	10.2	10.2
Less: Capex	(116.9)	(142.7)	(159.7)	(176.9)	(195.3)	(213.9)	(234.2)	(256.6)
<b>Free Cash Flow</b>	<b>238.6</b>	<b>264.1</b>	<b>267.8</b>	<b>307.6</b>	<b>340.7</b>	<b>371.3</b>	<b>402.1</b>	<b>423.1</b>

Source: LBO Model

# Business Plan – Add-On acquisitions

## APPENDIX 4 – BUSINESS PLAN

	FY23	FY24	FY25	FY26	FY27	FY28	FY29	FY30
<b>Add-On 1: pester pac automation</b>								
Revenue	136.5	145.1	154.3	164.0	174.3	185.3	197.0	209.4
<b>EBITDA</b>	<b>19.1</b>	<b>21.1</b>	<b>23.2</b>	<b>25.4</b>	<b>27.9</b>	<b>30.6</b>	<b>33.5</b>	<b>36.7</b>
D&A	(3.9)	(4.1)	(4.4)	(4.7)	(5.0)	(5.3)	(5.6)	(6.0)
<b>EBIT</b>	<b>15.3</b>	<b>16.9</b>	<b>18.8</b>	<b>20.8</b>	<b>23.0</b>	<b>25.3</b>	<b>27.9</b>	<b>30.7</b>
Income tax	(4.2)	(4.7)	(5.2)	(5.7)	(6.3)	(7.0)	(7.7)	(8.5)
<b>NOPLAT</b>	<b>11.0</b>	<b>12.3</b>	<b>13.6</b>	<b>15.0</b>	<b>16.6</b>	<b>18.3</b>	<b>20.2</b>	<b>22.2</b>
D&A	3.9	4.1	4.4	4.7	5.0	5.3	5.6	6.0
Change in NWC (Trade)	(3.7)	(3.9)	(4.1)	(4.4)	(4.6)	(4.9)	(5.2)	(5.5)
Change in NWC (Other)	2.7	2.8	3.0	3.2	3.3	3.5	3.7	3.9
Capex	(8.8)	(9.4)	(10.0)	(10.6)	(11.3)	(12.0)	(12.7)	(13.5)
<b>Free Cash Flow</b>	<b>5.1</b>	<b>5.9</b>	<b>6.9</b>	<b>7.9</b>	<b>9.0</b>	<b>10.3</b>	<b>11.6</b>	<b>13.1</b>

	FY23	FY24	FY25	FY26	FY27	FY28	FY29	FY30
<b>Add-On 2: Romaco</b>								
Revenue	226.6	240.9	256.1	272.2	289.4	307.6	327.0	347.6
<b>EBITDA</b>	<b>30.3</b>	<b>33.4</b>	<b>36.8</b>	<b>40.5</b>	<b>44.5</b>	<b>48.8</b>	<b>53.6</b>	<b>58.7</b>
D&A	(11.1)	(11.8)	(12.5)	(13.3)	(14.1)	(15.0)	(15.9)	(17.0)
<b>EBIT</b>	<b>19.3</b>	<b>21.7</b>	<b>24.3</b>	<b>27.2</b>	<b>30.4</b>	<b>33.8</b>	<b>37.6</b>	<b>41.7</b>
Income tax	(5.3)	(6.0)	(6.7)	(7.5)	(8.4)	(9.3)	(10.4)	(11.5)
<b>NOPLAT</b>	<b>14.0</b>	<b>15.7</b>	<b>17.6</b>	<b>19.7</b>	<b>22.0</b>	<b>24.5</b>	<b>27.2</b>	<b>30.2</b>
D&A	11.1	11.8	12.5	13.3	14.1	15.0	15.9	17.0
Change in NWC (Trade)	(4.9)	(5.2)	(5.6)	(5.9)	(6.3)	(6.7)	(7.1)	(7.5)
Change in NWC (Other)	3.1	3.3	3.4	3.6	3.9	4.1	4.3	4.6
Capex	(15.8)	(15.8)	(15.8)	(15.8)	(15.8)	(15.8)	(15.8)	(15.8)
<b>Free Cash Flow</b>	<b>7.4</b>	<b>9.7</b>	<b>12.2</b>	<b>15.0</b>	<b>17.9</b>	<b>21.2</b>	<b>24.7</b>	<b>28.4</b>

Entry Multiple Filling & Packaging Add-on	8.08x	8.08x	8.08x	8.08x	8.08x	8.08x	8.08x	8.08x
Entry Multiple Process Technology Add-on	11.23x	11.23x	11.23x	11.23x	11.23x	11.23x	11.23x	11.23x

<b>M&amp;A Capex before transaction fees</b>	-	<b>(261.3)</b>	<b>(181.1)</b>	-	-	-	-	-
Transaction Fees	0.0	(5.2)	(3.6)	0.0	0.0	0.0	0.0	0.0
Post-merger integration		0.0	(7.8)	(5.4)	0.0	0.0	0.0	0.0

<b>M&amp;A Capex</b>	-	<b>(266.5)</b>	<b>(192.6)</b>	<b>(5.4)</b>	-	-	-	-
----------------------	---	----------------	----------------	--------------	---	---	---	---

Source: LBO Model

	FY23	FY24	FY25	FY26	FY27	FY28	FY29	FY30
<b>Add-On 3: Maquinaria Industrial Dara</b>								
Revenue	58.3	62.0	65.9	70.1	74.5	79.2	84.2	89.5
<b>EBITDA</b>	<b>10.9</b>	<b>11.9</b>	<b>13.0</b>	<b>14.2</b>	<b>15.4</b>	<b>16.8</b>	<b>18.3</b>	<b>19.9</b>
D&A	(1.2)	(1.3)	(1.4)	(1.4)	(1.5)	(1.6)	(1.7)	(1.8)
<b>EBIT</b>	<b>9.7</b>	<b>10.6</b>	<b>11.6</b>	<b>12.7</b>	<b>13.9</b>	<b>15.2</b>	<b>16.5</b>	<b>18.0</b>
Income tax	(2.7)	(2.9)	(3.2)	(3.5)	(3.8)	(4.2)	(4.6)	(5.0)
<b>NOPLAT</b>	<b>7.0</b>	<b>7.7</b>	<b>8.4</b>	<b>9.2</b>	<b>10.1</b>	<b>11.0</b>	<b>12.0</b>	<b>13.1</b>
D&A	1.2	1.3	1.4	1.4	1.5	1.6	1.7	1.8
Change in NWC (Trade)	(3.1)	(3.3)	(3.5)	(3.7)	(3.9)	(4.1)	(4.4)	(4.6)
Capex	(3.3)	(3.5)	(3.7)	(3.9)	(4.2)	(4.4)	(4.7)	(5.0)
<b>Free Cash Flow</b>	<b>1.9</b>	<b>2.2</b>	<b>2.6</b>	<b>3.0</b>	<b>3.5</b>	<b>4.0</b>	<b>4.6</b>	<b>5.2</b>

	FY23	FY24	FY25	FY26	FY27	FY28	FY29	FY30
<b>Add-On 4: ProXES</b>								
Revenue	132.6	140.9	149.8	159.2	169.3	179.9	191.3	203.3
<b>EBITDA</b>	<b>15.9</b>	<b>17.6</b>	<b>19.5</b>	<b>21.5</b>	<b>23.7</b>	<b>26.1</b>	<b>28.7</b>	<b>31.5</b>
D&A	(14.9)	(15.9)	(16.9)	(17.9)	(19.1)	(20.3)	(21.6)	(22.9)
<b>EBIT</b>	<b>1.0</b>	<b>1.8</b>	<b>2.6</b>	<b>3.6</b>	<b>4.6</b>	<b>5.8</b>	<b>7.2</b>	<b>8.6</b>
Income tax	(0.3)	(0.5)	(0.7)	(1.0)	(1.3)	(1.6)	(2.0)	(2.4)
<b>NOPLAT</b>	<b>0.7</b>	<b>1.3</b>	<b>1.9</b>	<b>2.6</b>	<b>3.4</b>	<b>4.2</b>	<b>5.2</b>	<b>6.2</b>
D&A	14.9	15.9	16.9	17.9	19.1	20.3	21.6	22.9
Change in NWC (Trade)	(1.1)	(1.2)	(1.2)	(1.3)	(1.4)	(1.5)	(1.6)	(1.7)
Change in NWC (Other)	0.3	0.4	0.4	0.4	0.4	0.4	0.5	0.5
Capex	(3.3)	(3.5)	(3.7)	(4.0)	(4.2)	(4.5)	(4.8)	(5.1)
<b>Free Cash Flow</b>	<b>11.6</b>	<b>12.9</b>	<b>14.2</b>	<b>15.7</b>	<b>17.3</b>	<b>19.0</b>	<b>20.9</b>	<b>22.9</b>

# Business Plan – Investment Case

## APPENDIX 4 – BUSINESS PLAN

Income Statement (in EUR m)	FY2023B	FY2024E	FY2025E	FY2026E	FY2027E	FY2028E	FY2029E	FY2030E
<b>Sales Revenue</b>	<b>4,702.1</b>	<b>5,489.2</b>	<b>6,229.6</b>	<b>6,659.7</b>	<b>7,109.2</b>	<b>7,539.9</b>	<b>8,002.8</b>	<b>8,508.5</b>
<i>y-o-y growth in %</i>	11.7%	16.7%	13.5%	6.9%	6.7%	6.1%	6.1%	6.3%
<i>Filling and Packaging Technology</i>	3,841.1	4,480.1	4,939.3	5,223.5	5,511.7	5,773.3	6,046.5	6,337.5
<i>y-o-y growth in %</i>	9.8%	16.6%	10.2%	5.8%	5.5%	4.7%	4.7%	4.8%
<i>Process Technology</i>	451.2	522.5	718.7	772.0	827.7	881.7	939.0	1,000.8
<i>y-o-y growth in %</i>	22.8%	15.8%	37.6%	7.4%	7.2%	6.5%	6.5%	6.6%
<i>Intralogistics</i>	409.8	486.6	571.6	664.2	769.8	885.0	1,017.3	1,170.3
<i>y-o-y growth in %</i>	19.0%	18.7%	17.5%	16.2%	15.9%	15.0%	14.9%	15.0%
Plus: Changes in inventories of finished goods and work in progress	3.5	23.8	23.8	23.8	23.8	23.8	23.8	23.8
Plus: Other own work capitalised	41.7	46.2	46.2	46.2	46.2	46.2	46.2	46.2
Plus: Other operating income	174.8	167.2	167.2	167.2	167.2	167.2	167.2	167.2
<b>Total Revenues</b>	<b>4,922.1</b>	<b>5,726.5</b>	<b>6,466.8</b>	<b>6,896.9</b>	<b>7,346.4</b>	<b>7,777.2</b>	<b>8,240.0</b>	<b>8,745.7</b>
<i>y-o-y growth in %</i>	10.2%	16.3%	12.9%	6.7%	6.5%	5.9%	6.0%	6.1%
<i>Filling and Packaging Technology</i>	393.9	467.2	550.2	609.2	672.5	726.0	789.4	839.5
<i>Process Technology</i>	31.6	36.0	61.0	68.5	76.6	84.1	92.9	100.9
<i>Intralogistics</i>	30.8	36.1	44.9	54.7	66.4	78.7	93.9	109.3
<b>EBITDA</b>	<b>456.3</b>	<b>539.3</b>	<b>656.1</b>	<b>732.3</b>	<b>815.5</b>	<b>888.8</b>	<b>976.2</b>	<b>1,049.7</b>
<i>EBITDA margin (%)</i>	9.3%	9.4%	10.1%	10.6%	11.1%	11.4%	11.8%	12.0%
<i>y-o-y growth in %</i>	22.2%	18.2%	21.7%	11.6%	11.4%	9.0%	9.8%	7.5%
Less: Depreciation and amortization	(152.5)	(142.8)	(186.3)	(205.6)	(225.8)	(246.8)	(268.9)	(293.1)
<i>Filling and Packaging Technology</i>	262.2	343.3	403.9	448.6	497.4	536.0	584.1	617.9
<i>Process Technology</i>	21.0	26.6	33.0	38.0	43.5	48.4	54.3	59.1
<i>Intralogistics</i>	20.5	26.6	32.8	40.1	48.9	57.7	68.9	79.6
<b>EBIT</b>	<b>303.8</b>	<b>396.4</b>	<b>469.8</b>	<b>526.7</b>	<b>589.7</b>	<b>642.1</b>	<b>707.4</b>	<b>756.7</b>
<i>EBIT margin (%)</i>	6.2%	6.9%	7.3%	7.6%	8.0%	8.3%	8.6%	8.7%
<i>y-o-y growth in %</i>	31.8%	30.5%	18.5%	12.1%	12.0%	8.9%	10.2%	7.0%
Less: Taxes	(83.8)	(109.4)	(129.7)	(145.4)	(162.8)	(177.2)	(195.2)	(208.8)
<i>statutory tax rate in %</i>	27.6%	27.6%	27.6%	27.6%	27.6%	27.6%	27.6%	27.6%
<b>NOPLAT</b>	<b>219.9</b>	<b>287.0</b>	<b>340.1</b>	<b>381.3</b>	<b>427.0</b>	<b>464.9</b>	<b>512.1</b>	<b>547.8</b>
Plus: Depreciation and amortization	152.5	142.8	186.3	205.6	225.8	246.8	268.9	293.1
Less: Change in Trade Working Capital	(13.1)	25.5	(27.8)	(26.2)	(32.8)	(36.0)	(44.7)	(50.5)
Less: Change in Other Working Capital	(22.8)	(27.6)	(12.3)	(10.7)	(11.0)	(9.6)	(10.5)	(11.8)
Less: Other Non-Cash income/expenses	18.9	10.2	10.2	10.2	10.2	10.2	10.2	10.2
Less: Capex	(116.9)	(161.9)	(192.9)	(211.1)	(230.7)	(250.5)	(272.1)	(296.0)
<b>Free Cash Flow</b>	<b>238.6</b>	<b>276.1</b>	<b>303.7</b>	<b>349.2</b>	<b>388.4</b>	<b>425.8</b>	<b>463.9</b>	<b>492.8</b>

Source: LBO Model

# Private Lending – Case Studies

## APPENDIX 5 – VALUATION, CAPITAL STRUCTURE & RETURNS

### Private Lending Case Studys

#### Blackstone - 2021

In December 2021, Blackstone Credit served as a lead lender and provided the majority of a \$2.2b first lien senior secured financing package, which includes a \$2.0b first lien term loan and a \$150m revolver, to support the take-private acquisition of MimecastLtd by Permira.

#### Blackstone - 2021

In December 2021, Blackstone Credit served as a lead lender to provide ~\$1.0b of a \$1.2b first lien senior secured financing package, which includes a \$1.1b first lien term loan and a \$75m revolver, to support the acquisition of NPD Group (“NPD”) by Hellman & Friedman

#### Blackstone - 2023

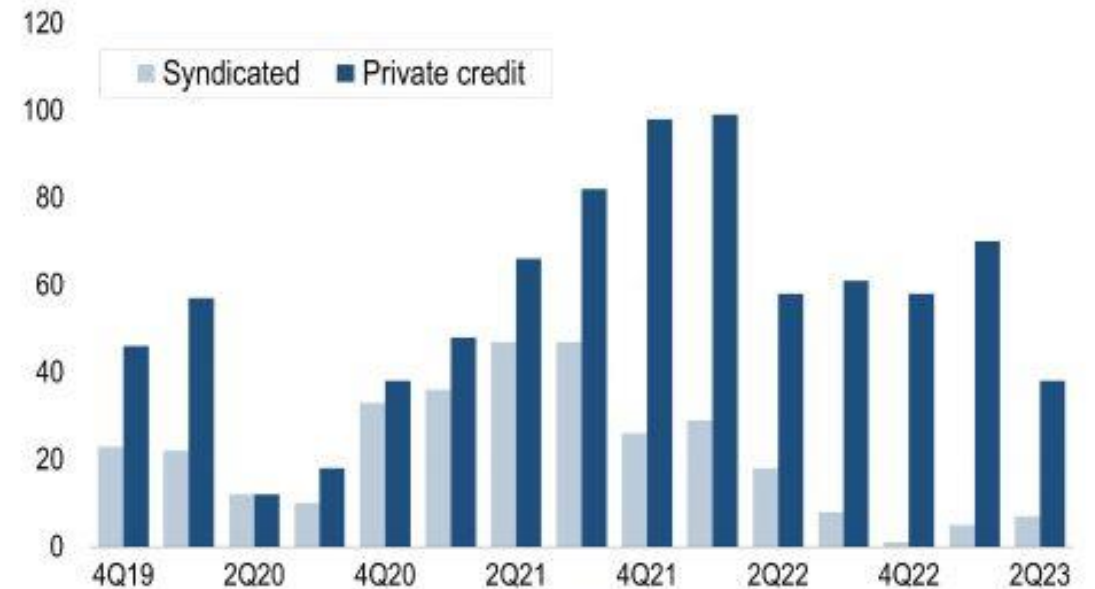
Blackstone Inc. is leading a EUR 950m (\$1b) loan package to back Permira’s buyout of Gossler, Gobert & Wolters. The debt for GGW’s sale is split up into a EUR 675m unitranche loan — a blend of senior and junior debt — with a EUR 275m delayed drawn term loan on top of that for future acquisitions, the people said, who weren’t authorized to speak publicly. Pricing on the unitranche is 575 basis points over Euribor

- Private lending is in high demand for its tailored funding solutions, transaction simplicity, and certainty of execution without the need for syndication among numerous investors
- Direct lending benefits borrowers by bypassing lengthy investor roadshows and ratings reviews, and it protects proprietary information while appealing to firms that refinance public debt with private solutions
- In 2023, there have been notable instances of direct lending deals used to refinance syndicated term loans. By September 30, Pitchbook LCD recorded at least six transactions totalling around \$12 billion, with the largest deal being \$5.3 billion. As the private debt market grows, its ability to rival public debt financing markets is expected to increase

Sources: Pitchbook (LCD), Blackrock, Blackstone

### Private Lending Deal Momentum

Count of LBOs financed in BSL vs private credit markets



Source: PitchBook | LCD • Data through June 20, 2023

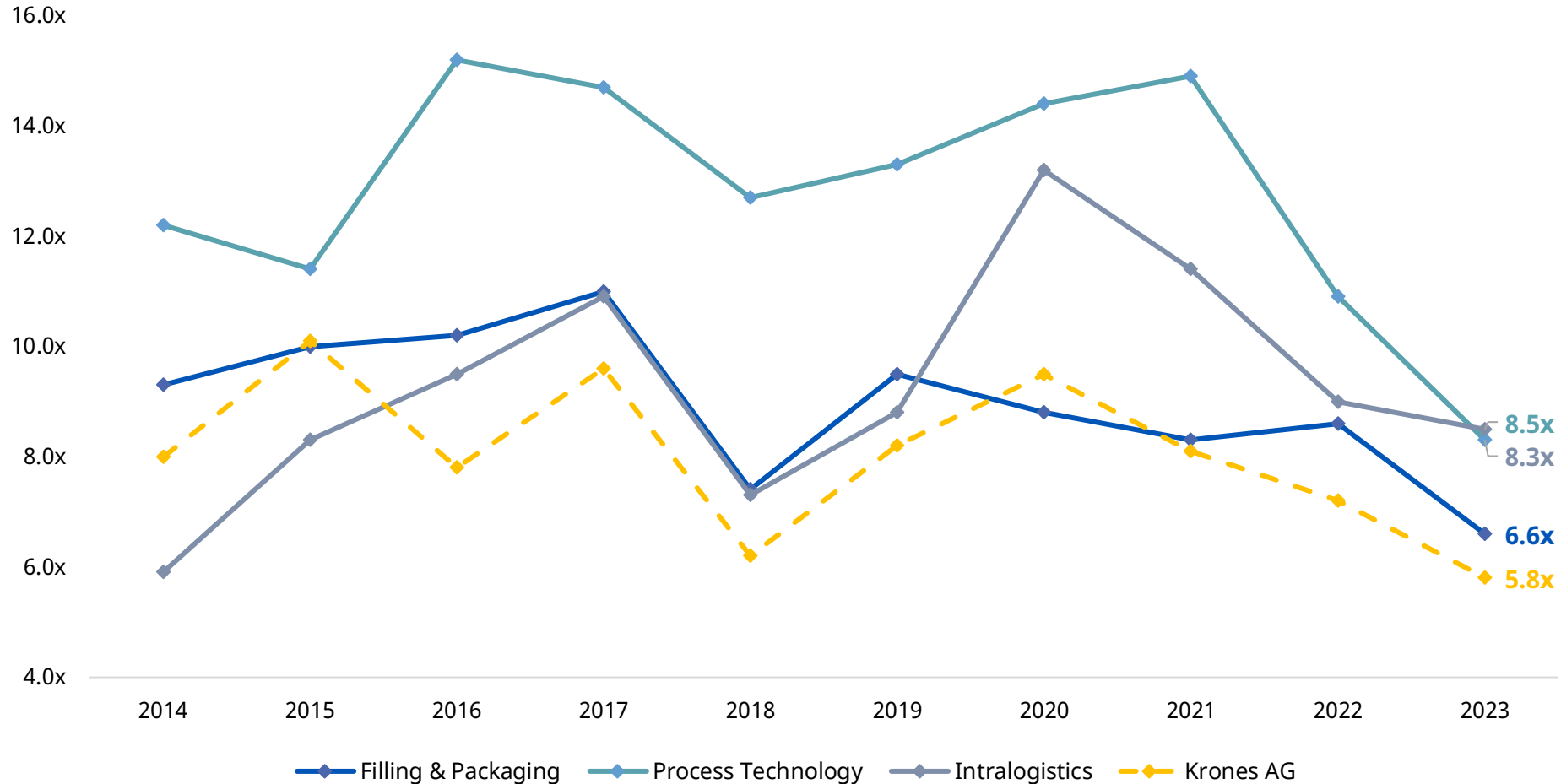
Private credit count is based on transactions covered by LCD News

- Data from Pitchbook LCD do show an ongoing, increased participation of private debt in the broader financing markets, for both leveraged buy-out (LBO) and non-LBO transactions

# Trading Multiples

## APPENDIX 5 - VALUATION, CAPITAL STRUCTURE & RETURNS

### 10y Historic Trading Multiples (EV/ EBITDA)



Source: S&P Capital IQ, Mergermarket

#### Filling & Packaging



#### Process Technology



#### Intralogistics



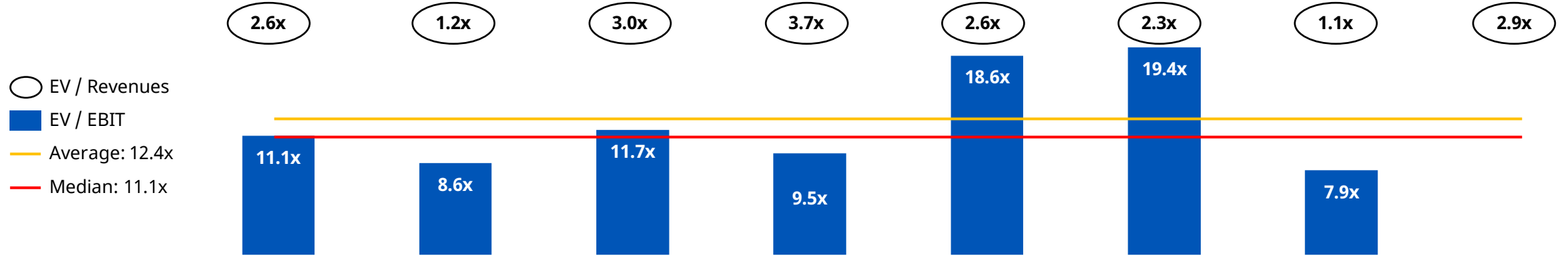
#### Considered, but excluded



# Transaction Multiples – Filling and Packaging

## APPENDIX 5 – VALUATION, CAPITAL STRUCTURE & RETURNS

### Precedent Transactions (excerpt)

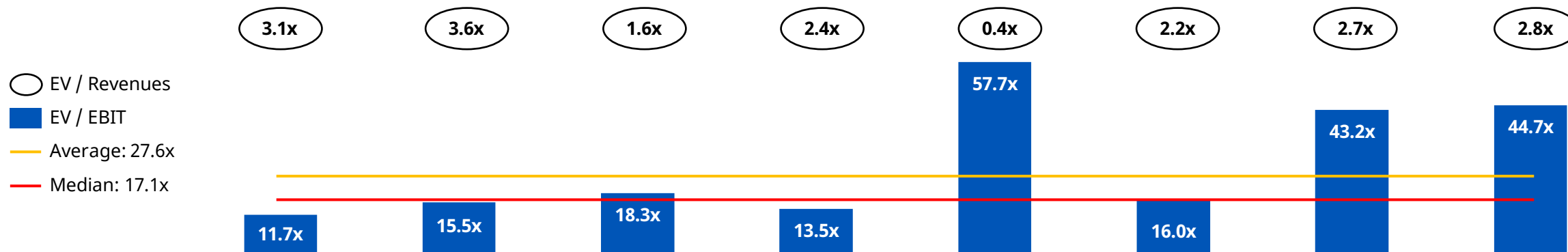


Date	Sep-14	Jul-18	Apr-19	Aug-19	Jul-20	Jul-20	Oct-20	Feb-22
Country			UK					
Acquirer								
Target								
EV (in EUR m)	772	38	255	686	1,727	3,741	22	1,361
Description	Provider of complete packaging solutions	Manufacturer of automated kegging, bottling and canning plants	Manufacturer tray sealing and case packaging machines	Designer and manufacturer of tobacco processing machines	Flow control products and services for process industries	Manufacturer of automatic machines for processing and packaging	Automation systems for storage and transport	Environmentally sustainable packaging systems, solutions

# Transaction Multiples – Process Technology

## APPENDIX 5 – VALUATION, CAPITAL STRUCTURE & RETURNS

### Precedent Transactions (excerpt)

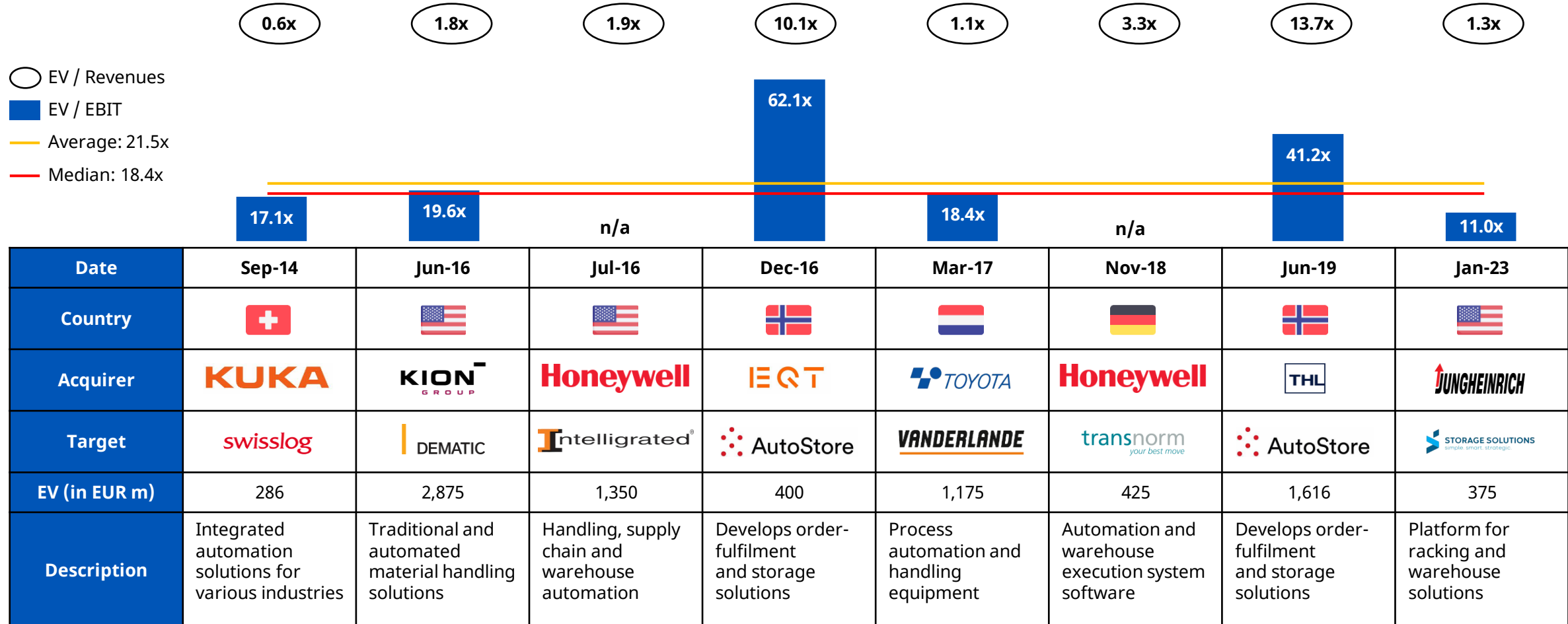


Date	Apr-19	Jul-19	Jul-19	Aug-19	Dec-20	Jun-21	Jul-21	Dec-21
Country								
Acquirer								
Target								
EV (in EUR m)	255	33	1,730	77	112	31	3,118	3,367
Description	Leading in tray sealing technology for the food industry	Manufacturing of food processing equipment machinery	Plastic technology for food and beverage processing	Technology controlling precise movement of fluids	Global supplier of food and beverage equipment	Process equipment for the food & beverage industry	Industrial pump and valve maker for the food market	Industrial pump and valve maker for the food market

# Transaction Multiples – Intralogistics

## APPENDIX 5 – VALUATION, CAPITAL STRUCTURE & RETURNS

### Precedent Transactions



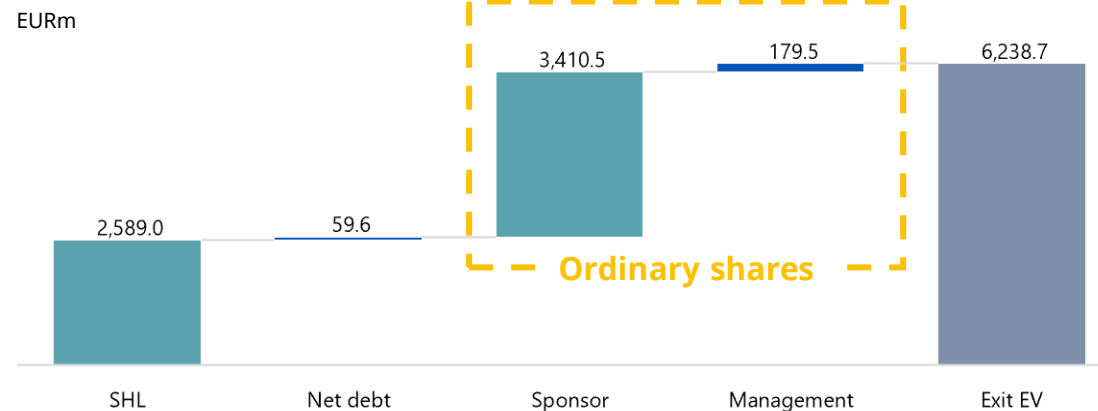
# The expected EV of EUR 6.4b in the base case results in an IRR of 27.3% and MoM of 3.3x over a holding period of 5 years

## APPENDIX 5 – VALUATION, CAPITAL STRUCTURE & RETURNS

### Sensitivities

		Exit Year				
		Year 3	Year 4	Year 5	Year 6	Year 7
Exit Multiple	10.10x	2.1x	2.5x	2.9x	3.4x	3.8x
	10.60x	2.2x	2.7x	3.1x	3.6x	4.0x
	11.10x	2.3x	2.8x	3.2x	3.7x	4.2x
	11.60x	2.5x	2.9x	3.4x	3.9x	4.4x
	12.10x	2.6x	3.1x	3.5x	4.1x	4.5x
		Exit Year				
		Year 3	Year 4	Year 5	Year 6	Year 7
Exit Multiple	10.10x	27.6%	25.9%	23.9%	22.7%	21.2%
	10.60x	30.1%	27.6%	25.2%	23.7%	22.0%
	11.10x	32.5%	29.3%	26.4%	24.6%	22.7%
	11.60x	34.8%	30.9%	27.5%	25.5%	23.5%
	12.10x	37.1%	32.4%	28.6%	26.4%	24.2%
		Exit Year				
		Year 3	Year 4	Year 5	Year 6	Year 7
Exit EBIT margin	7.0%	29.3%	25.4%	22.9%	21.2%	20.0%
	7.5%	32.9%	27.8%	24.7%	22.6%	21.1%
	8.0%	36.3%	30.1%	26.4%	23.9%	22.1%
	8.5%	39.5%	32.3%	28.0%	25.1%	23.1%
	9.0%	42.6%	34.4%	29.5%	26.3%	24.1%
		Exit Year				
		Year 3	Year 4	Year 5	Year 6	Year 7
Revenue Growth	6.4%	29.7%	27.4%	25.1%	23.8%	22.1%
	6.9%	30.4%	28.0%	25.8%	24.4%	22.7%
	7.4%	31.1%	28.7%	26.4%	25.0%	23.2%
	7.9%	31.9%	29.4%	27.0%	25.5%	23.8%
	8.4%	32.6%	30.0%	27.6%	26.1%	24.3%

### Exit Waterfall



### Sponsor and Management Returns

	Sponsor proceeds		Management proceeds	
Total invested:	1,862.0	100.0%	6.7	
t/o SHL	1,735.1	93.2%		
t/o Ordinary shares	126.9	6.8%		
Total Proceeds:	5,999.5	100.0%	179.5	
t/o SHL	2,589.0	43.2%		
t/o Ordinary shares	3,410.5	56.8%		
<b>MoM</b>	<b>3.2x</b>			
<b>IRR</b>	<b>26.4%</b>			

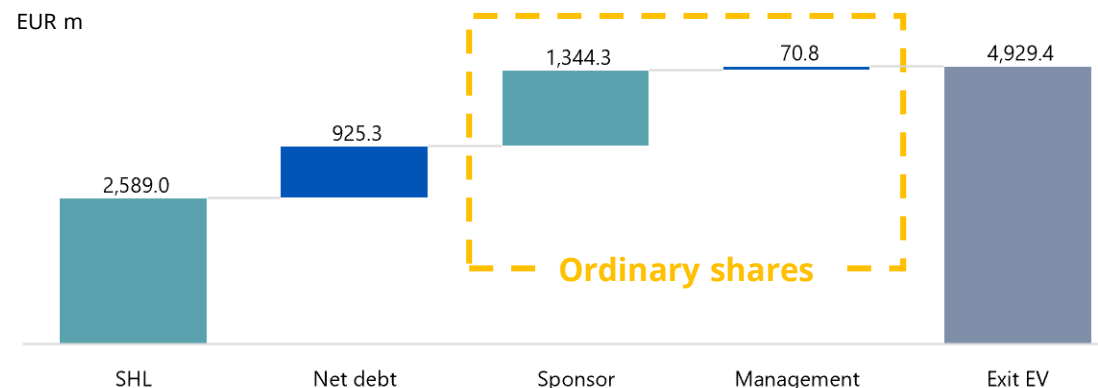
# The expected EV of EUR 5.1b in the bank case results in an IRR of 16.3% and MoM of 2.1x over a holding period of 5 years

## APPENDIX 5 – VALUATION, CAPITAL STRUCTURE & RETURNS

### Sensitivities

		Exit Year				
		Year 3	Year 4	Year 5	Year 6	Year 7
Exit Multiple	10.09x	8.0%	12.1%	13.4%	14.4%	14.4%
	10.59x	10.8%	14.0%	14.8%	15.5%	15.3%
	11.09x	13.4%	15.9%	16.1%	16.5%	16.1%
	11.59x	15.9%	17.6%	17.4%	17.5%	16.9%
	12.09x	18.3%	19.3%	18.6%	18.4%	17.7%
		Exit Year				
		Year 3	Year 4	Year 5	Year 6	Year 7
Exit Multiple	10.09x	1.3x	1.6x	1.9x	2.2x	2.6x
	10.59x	1.4x	1.7x	2.0x	2.4x	2.7x
	11.09x	1.5x	1.8x	2.1x	2.5x	2.8x
	11.59x	1.6x	1.9x	2.2x	2.6x	3.0x
	12.09x	1.7x	2.0x	2.4x	2.8x	3.1x
		Exit Year				
		Year 3	Year 4	Year 5	Year 6	Year 7
Exit EBIT margin	6.0%	9.8%	10.9%	11.6%	12.1%	12.3%
	6.5%	14.4%	14.1%	14.0%	13.9%	13.7%
	7.0%	18.6%	17.0%	16.1%	15.5%	15.1%
	7.5%	22.6%	19.8%	18.1%	17.1%	16.3%
	8.0%	26.3%	22.3%	20.0%	18.5%	17.5%
		Exit Year				
		Year 3	Year 4	Year 5	Year 6	Year 7
Revenue Growth	4.3%	10.9%	14.1%	14.7%	15.4%	15.2%
	4.8%	11.7%	14.8%	15.4%	16.0%	15.8%
	5.3%	12.5%	15.6%	16.1%	16.7%	16.4%
	5.8%	13.4%	16.3%	16.8%	17.3%	17.0%
	6.3%	14.2%	17.0%	17.5%	17.9%	17.6%

### Exit Waterfall



### Sponsor and Management Returns

	Sponsor proceeds		Management proceeds	
Total invested:	1,862.0	100.0%	6.7	
t/o SHL	1,735.1	93.2%		
t/o Ordinary shares	126.9	6.8%		
Total Proceeds:	3,933.3	100.0%	70.8	
t/o SHL	2,589.0	65.8%		
t/o Ordinary shares	1,344.3	34.2%		
<b>MoM</b>		<b>2.1x</b>		
<b>IRR</b>		<b>16.1%</b>		