

MASCHINENFABRIK BERTHOLD HERMLE AG



Triton

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EXECUTIVE SUMMARY

Our team recommends taking Hermle Group private at the proposed share price to facilitate geographic expansion and enhance operational efficiency.

Investment Highlights

- Hermle Group, a top 10 manufacturer of CNC milling machines, is founded in 1938. It is now currently operating in various regions including APAC, Europe and North America.
- Hermle has diversified customers in high-tech sectors including tool making and mould construction, medical technology, electronics industry, optical industry and energy industry
- Management is confident that they continue to consolidate their leading position in 5-axis machining centres, gain market shares in the automation solutions business field

Recommendation

- The investment team recommends a take-private transaction at an Enterprise Value (EV) of \$1,641.2 million implying ~40% premium over intrinsic value of \$1,171.4 million
- An IRR of 19.8% is expected (Assumptions: Revenue CAGR of 7.1% and a leverage ratio of 0.56 Debt/Capital)

TRITON PARTNERS

A Western European private equity firm specializing in the Industrial Tech sector

Experienced industrial sector investor

- Triton Partners is an international investment firm established in 1997, recognized for its responsible investment strategy, including the integration of ESG factors into its decision-making processes.
- The company primarily invests in medium-sized businesses within the *industrial, business services, and consumer/healthcare sectors*

A leader in DACH region

- Triton currently oversees a portfolio of seven active industrial tech sector investments in Germany and has successfully exited thirteen companies in the past.

A sector-driven, "All Weather" investor

- Invests in fundamentally sound, mission-critical businesses facing cultural, operational, or structural issues, to rapidly address these challenges and expand the company.
- Typically targets equity positions between €200mn - €500mn+ in companies with enterprise values of €400m-€2bn+.

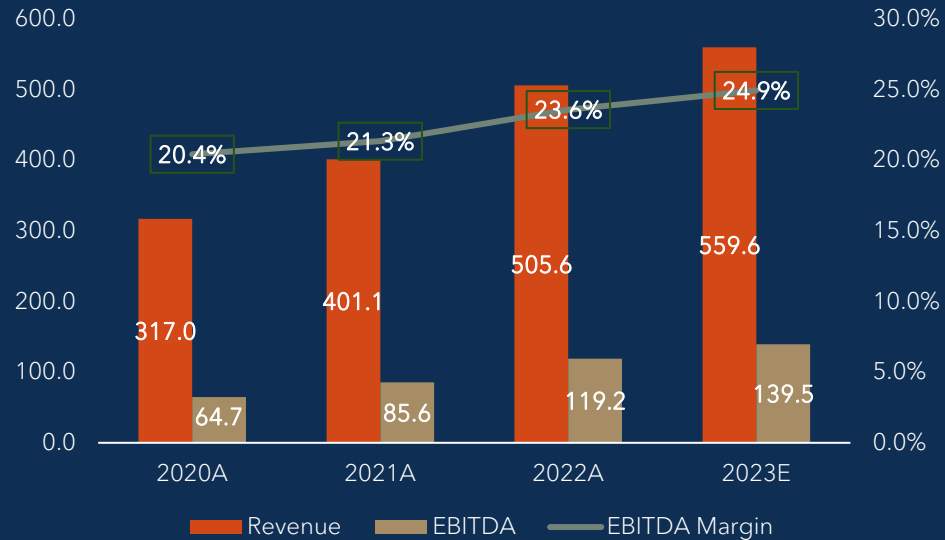
Relatable Investments



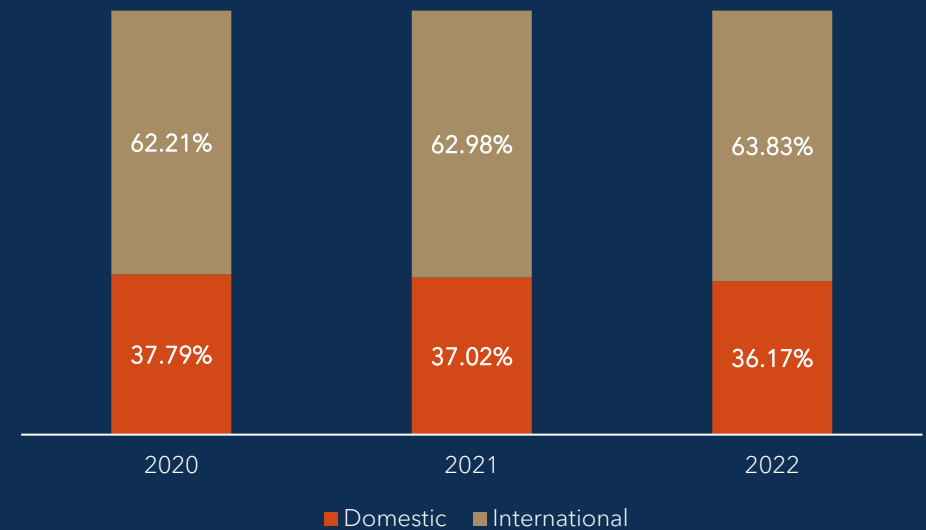
HERMLE AG

A manufacturer of high-precision machining centers and CNC milling machines with 17 international subsidiaries

Growing EBITDA Margin



Turnover Diversification



Company Milestones



* All numbers are in \$ millions unless stated

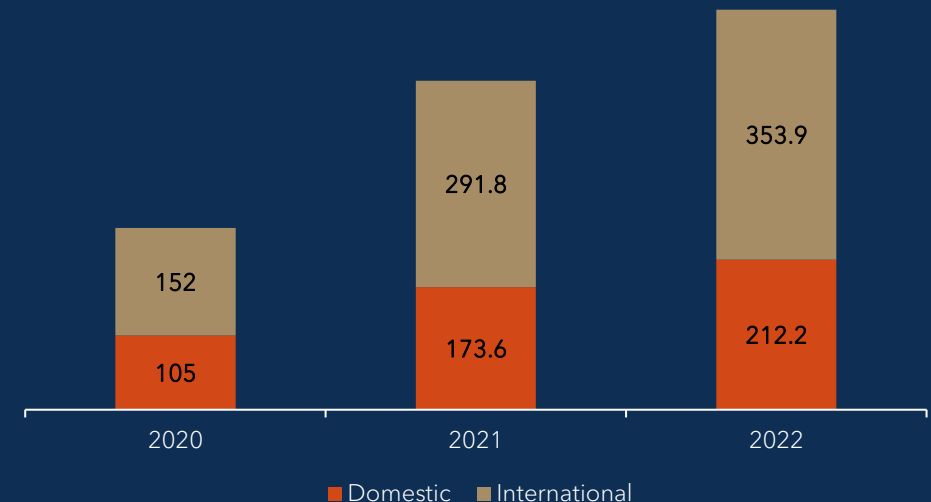
NEW PARADIGM OF GROWTH

Supply chain disruptions caused by various market factors increased the demand for Hermle's products

Performance Indicators

- R&D: Customized development to meet the demand of Industry 4.0
 - Upgraded Spindle technology
 - Introduced Metal Powder Application (MPA) service line
- Balance supply chain disruptions
 - Employee training in procurement and logistics
- Service and Sales
 - Focus on Internationalization
 - Digital Manufacturing Enablement

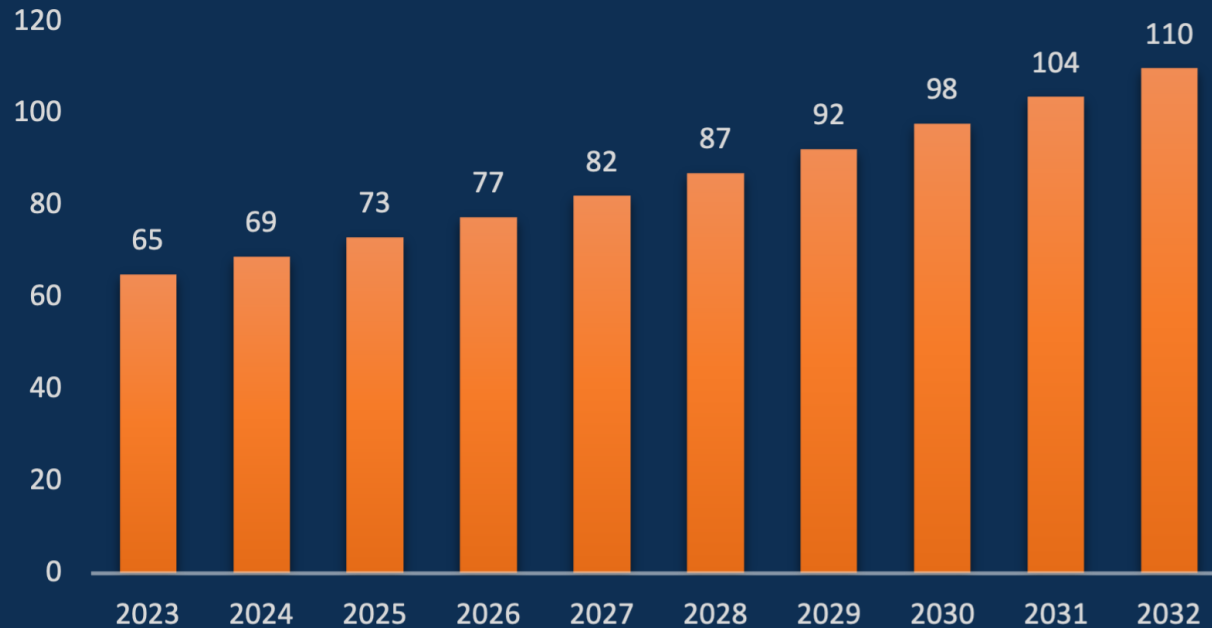
Orders Received



INDUSTRY AND MARKET

CNC Milling Industry

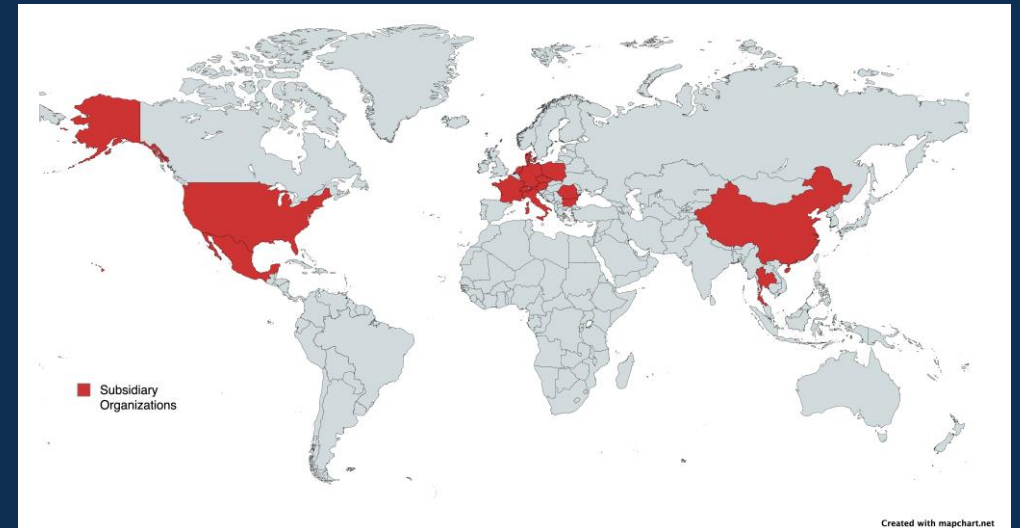
Projected Industry Growth (in \$ billions)



CAGR ~6%

Market Insights

Geographic Scope



Customer Diversity

- Automotive
- Medical Tech
- Aerospace
- Etc.

COMPETITIVE LANDSCAPE AND HERMLE AG

DMG MORI

- Germany / Japan
- 12,000 Employees
- 2.5b Annual Revenue



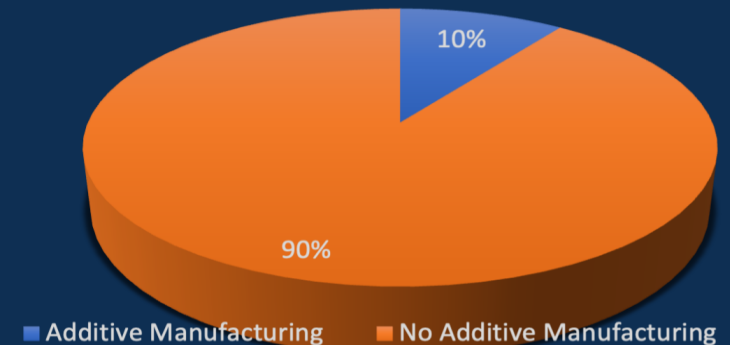
- USA
- 1,300 Employees
- 400m Annual Revenue



- Germany
- 1,500 Employees
- 500m Annual Revenue

Hermle's Differentiation

Industry Leaders With Additive Manufacturing



- Offer Additive Manufacturing
- Order Backlog ~160m Annually
- Industry Growth

BUSINESS MODEL



Product

- Primary revenue from product sales (machining centres and milling machines)
- Modular Product line i.e. customers can order add-ons to the machine they bought.
- Emphasis on product excellence and strong client relationships.



Customer

- Brand loyalty and customized cater to specific industries
- Support: Additional revenue streams include training and maintenance services
- Diversified customers in high-tech sectors including tool making and mould construction, medical technology, electronics industry, optical, aerospace and energy



Foresight

- Cash flows from sales support
 - Reinvestment into R&D
 - Quality control
 - Implementation of Industry 4.0 principles

GROWTH STRATEGY AND VALUE CREATION



Supply chain

- Balance rising demand
- Geopolitical tensions



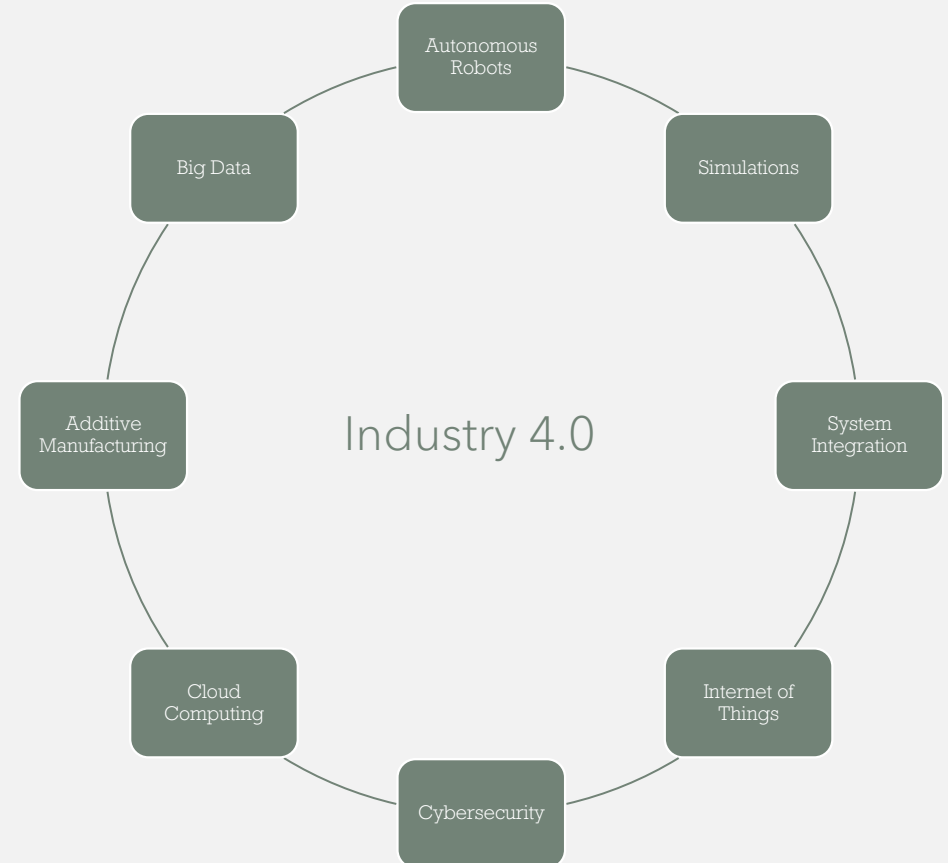
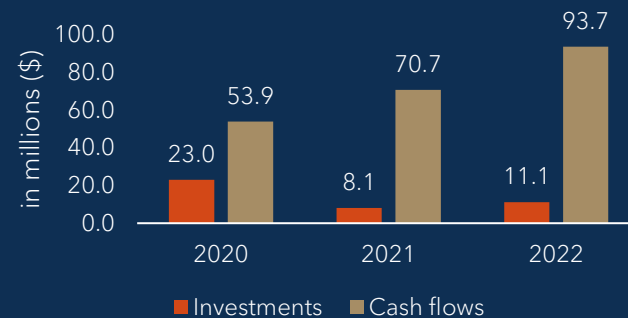
Emerging Markets

- Leverage reputation and diversify revenue by expanding customer base
- Reduced reliance on home currency



R&D

Current Cashflow and Investments



EXIT STRATEGY

Private Markets



CARLYLE

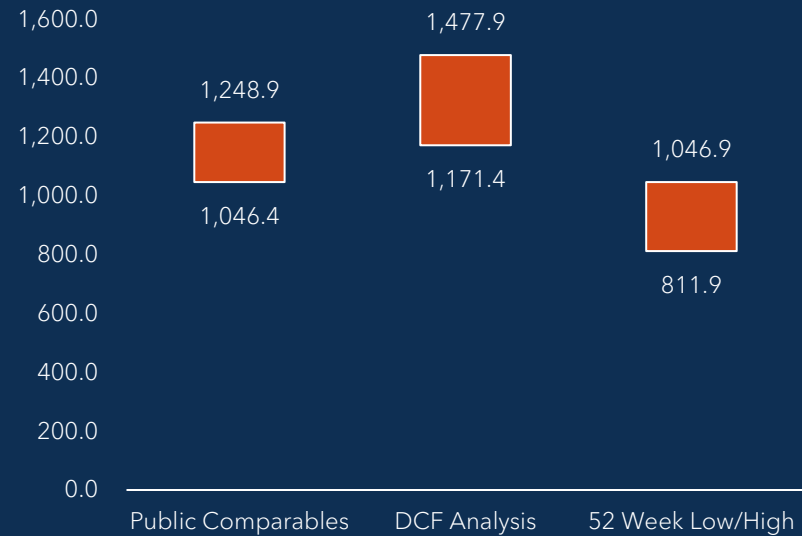
Public Markets

- Listing Hermle in a larger exchange increases analyst coverage and order volume
- Advantages:
 - access to larger pool of capital
 - increased prestige
 - higher liquidity and trading volume
- Disadvantages:
 - loss of home country benefits
 - support from investors and the government
 - increased scrutiny and taxation

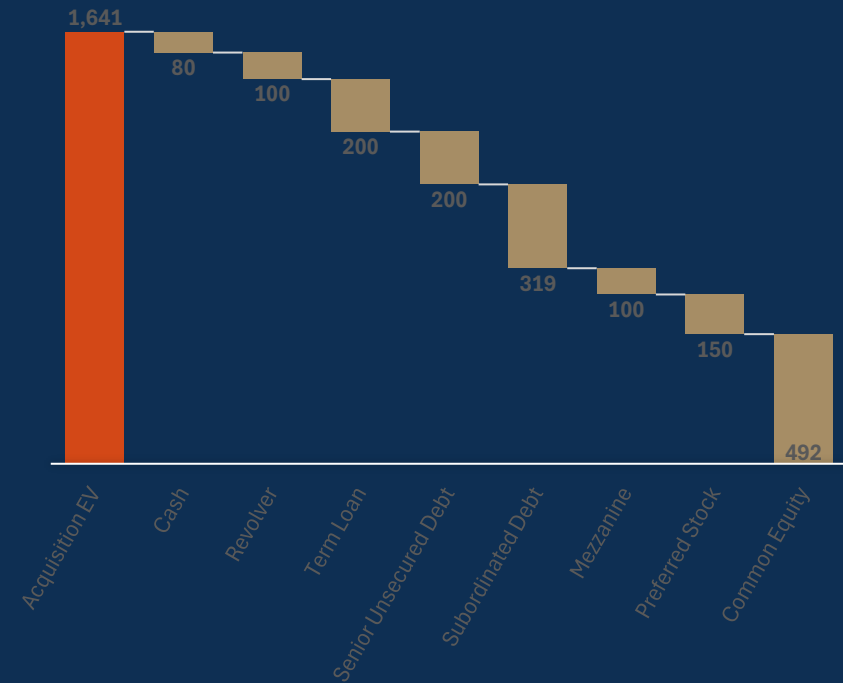
DEAL STRUCTURE

Intrinsic value of the Hermle Group is \$1,171.4 mil and the acquisition EV accounts a 40% premium over it

Enterprise Value – Football Field



Acquisition EV Financing Mix



SENSITIVITY ANALYSIS

An IRR of 19.8% is expected (Revenue CAGR of 7.1% and a leverage ratio of 0.56 Debt/Capital).

IRR (2028)

		Total Promoted Equity					
		0.0%	0.0%	2.5%	5.0%	7.5%	10.0%
		Fully Diluted Equity to Triton Partners					
Exit Multiple (of EBITDA)		<u>86.9%</u>	<u>86.9%</u>	<u>84.7%</u>	<u>82.5%</u>	<u>80.4%</u>	<u>78.2%</u>
	9.0x	17.3%	17.3%	16.7%	16.1%	15.5%	14.8%
	9.5x	19.2%	19.2%	18.6%	18.0%	17.3%	16.7%
	10.0x	21.0%	21.0%	20.4%	19.8%	19.1%	18.5%
	10.5x	22.7%	22.7%	22.1%	21.4%	20.8%	20.1%
	11.0x	24.3%	24.3%	23.7%	23.0%	22.4%	21.7%

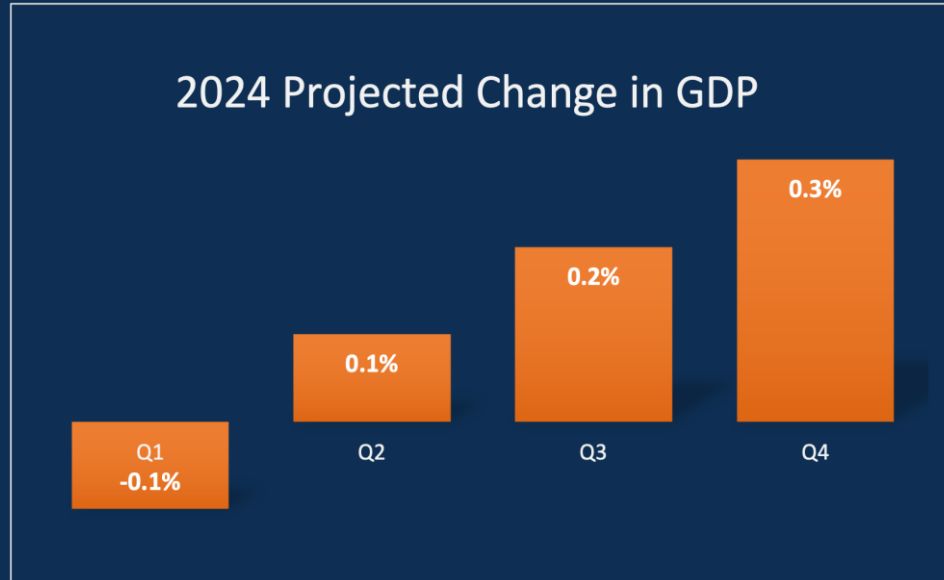
- This investment could potentially generate an IRR of 19.8% (~1.8x MoM)
- With the tailwinds of Industry 4.0, Hermle can continue to grow a sustainable business with solid margins, as evidenced by its performance in recent years.

Total Cash Flows at Exit Year (2028)

		Total Promoted Equity					
		0.0%	0.0%	2.5%	5.0%	7.5%	10.0%
		Fully Diluted Equity to Triton Partners					
Exit Multiple (of EBITDA)		<u>86.9%</u>	<u>86.9%</u>	<u>84.7%</u>	<u>82.5%</u>	<u>80.4%</u>	<u>78.2%</u>
	9.0x	1,048.4	1,048.4	1,022.2	996.0	969.8	943.6
	9.5x	1,137.1	1,137.1	1,108.7	1,080.3	1,051.8	1,023.4
	10.0x	1,225.8	1,225.8	1,195.2	1,164.5	1,133.9	1,103.2
	10.5x	1,314.5	1,314.5	1,281.6	1,248.8	1,215.9	1,183.1
	11.0x	1,403.2	1,403.2	1,368.1	1,333.0	1,298.0	1,262.9

RELEVANT RISKS

Germany's Economic Crisis



- Russo-Ukrainian War
- Energy Crisis
- Loss of Russian Subsidiaries
- Hermle Still Performing Well

Threat of Substitutes



New Age Technologies: Laser Cutting

- Higher precision
- More Costly
- Smaller Industry (~6b)

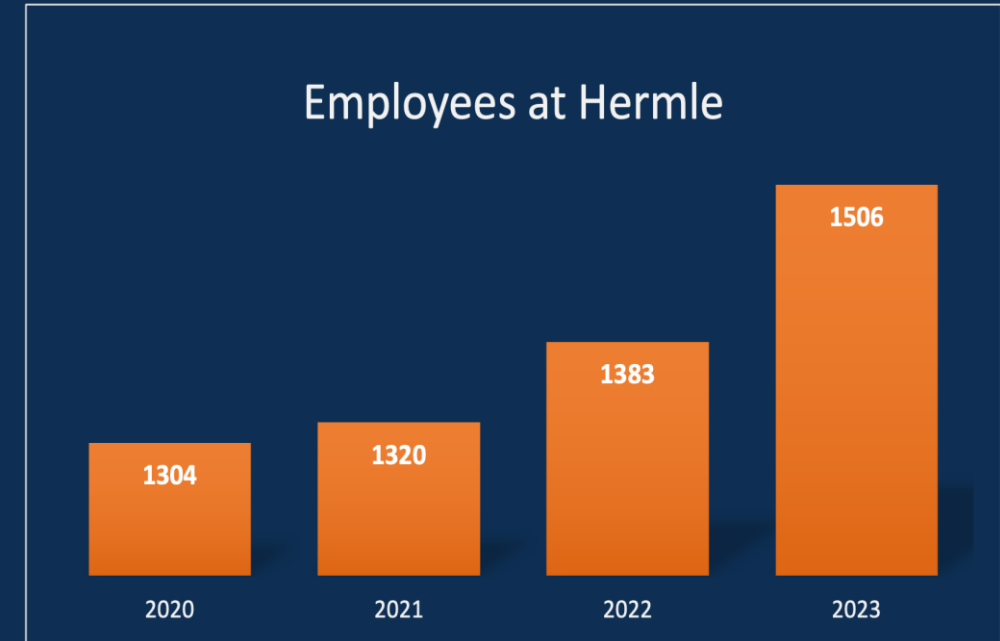
RELEVANT RISKS

Expansion Project



- Production of New Facility
- Risky Considering Germany's Economy

Skilled Worker Shortage



- Aging Population
- Drought of Skilled Workers
- No Issues for Hermle So Far

Triton

THANK YOU



APPENDIX

Triton

PRODUCTS

State of the art machinery and its application

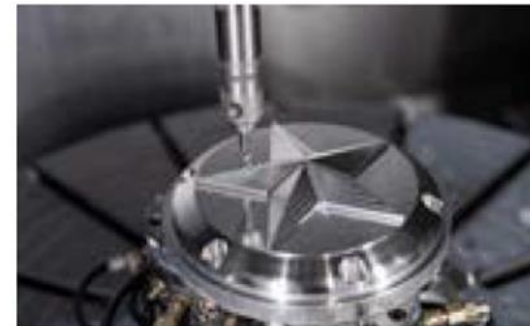
Vehicle construction – motorbikes with custom-made design



Our customer, a specialist manufacturer of custom-made motorbike parts on a small bespoke scale, is known for producing shiny metal parts with a rich sound that embody their unique brand. The German company, an official authorised dealer for Harley-Davidson, manufactures attachment parts such as wheel centres, indicator and air filter elements, but also exquisite-looking rims milled with an unprecedented level of perfection, as well as complete custom bikes with their own individual frames.

A C 42 U MT mill/turn machining centre and two C 32 U machines from Hermle are currently being used. The mill/turn variant of the C 42 U is developed in line with the strict safety requirements placed on lathes. It features a balancing system integrated into the rotary table that ensures safe machining of the motorbike specialist's 300-kilogram blanks even at maximum speeds. The demanding manufacture of the monoblock wheels with long runtimes at high feed rates and speeds and almost always in 5-axis simultaneous machining can thus be mastered without any problems.

In addition to safety, the highest demands on surfaces, design and complexity of the geometries, flexibility in the production processes and, last but not least, our exemplary service played an important role in the decision in favour of Hermle machines.



PRODUCTS

State of the art machinery and its application

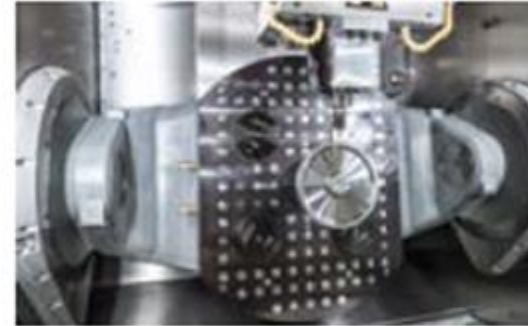
Aerospace – rocket technology from a startup



A Munich-based startup is developing rockets that will put satellites into orbit at low cost. Medium-sized carrier rockets – 27 metres long and two metres in diameter – are quite sufficient for this nowadays. After all, some satellites now weigh only around 100 kg and are comparatively easy to transport. The largest part of the rocket is made up of oxygen and fuel tanks. Only one fifth of the spacecraft is earmarked for payload and technology. At its core is

the propulsion system: In future, nine engines will propel the rocket into low earth orbit (LEO) with several satellites on board.

The prototypes for the propulsion system as well as subcomponents are produced on a Hermle C 42 U 5-axis machining centre – ideal for the high-precision machining of a wide range of parts made of varying materials, most of which are difficult to machine, as well as components that are used in an environment that is subject to strong temperature fluctuations. In serial production, an RS 1 robot system adapted to two C 22 and C 32 machining centres ensures automated processes. The startup is convinced that Hermle also offers one of the best solutions with the highest quality for automation.



COMPARABLE ANALYSIS

(All numbers are in \$millions unless stated)

Taken Private Companies

Target/Issuer	Announced Date	Total Enterprise Value	TEV/LTM EBITDA
Fabryka Obrabiarek RAFAMET S.A. (WSE:RAF)	10/11/2021	34.8	24.0x
Marel hf. (ICSE:MAREL)	11/24/2023	3,444.8	17.6x
Đuro Đaković Grupa d.d. (ZGSE:DDJH)	09/01/2022	19.2	1.9x
		Avg. TEV/LTM EBITDA	14.5x
		Hermle Group (LBO)	9.8x

Public Companies

Company Name	Market Capitalization	Shares Outstanding (#)	Stock price (\$)	Total Enterprise Value	LTM Total Revenue	TEV/LTM Total Revenues	TEV/LTM EBITDA	TEV/LTM EBIT	Net Debt/EBITDA [LTM]
RATIONAL Aktiengesellschaft (XTRA:RAA)	9,526.5	11.4	835.7	9,127.0	1,244.4	7.6x	27.3x	30.4x	0.0x
GEA Group Aktiengesellschaft (XTRA:G1A)	7,007.0	177.0	39.6	6,611.4	5,939.5	1.2x	9.3x	12.0x	0.0x
Krones AG (XTRA:KRN)	4,138.3	31.6	131.0	3,808.6	5,267.5	0.7x	7.7x	11.3x	0.0x
DMG MORI AKTIENGESELLSCHAFT (XTRA:GIL)	3,707.6	78.8	47.1	3,647.5	2,776.4	1.4x	11.7x	15.1x	0.0x
Dürr Aktiengesellschaft (XTRA:DUE)	1,660.9	69.2	24.0	2,178.4	5,114.8	0.4x	6.4x	9.9x	1.5x
Pfeiffer Vacuum Technology AG (XTRA:PFV)	1,620.9	9.9	164.2	1,650.7	1,043.4	1.6x	10.4x	13.3x	0.2x
Stabilus SE (XTRA:STM)	1,459.6	24.7	59.1	1,558.1	1,359.6	1.2x	7.3x	10.0x	0.3x
KSB SE & Co. KGaA (XTRA:KSB)	1,180.0	1.8	674.3	1,106.0	3,118.1	0.4x	3.5x	4.8x	0.0x
Maschinenfabrik Berthold Hermle AG (DB:MBH3)	1,173.3	5.0	234.7	984.6	574.6	1.8x	7.1x	7.7x	0.0x
NORMA Group SE (XTRA:NOEJ)	574.4	31.9	18.0	963.0	1,354.9	0.7x	6.0x	11.8x	2.4x
Mühlbauer Holding AG (XTRA:MUB)	825.0	14.2	58.1	748.2	415.4	1.8x	13.1x	29.5x	0.0x
Schaltbau Holding AG (HMSE:SLT)	686.8	10.9	63.0	707.2	580.8	1.3x	14.1x	30.2x	0.0x
WashTec AG (XTRA:WSU)	531.0	13.4	39.6	575.7	541.0	1.1x	10.1x	13.7x	0.8x
Koenig & Bauer AG (XTRA:SKB)	219.3	16.5	13.3	414.5	1,466.6	0.3x	5.7x	12.5x	2.7x
MAX Automation SE (XTRA:MXHN)	259.6	41.2	6.3	378.8	440.8	0.9x	10.3x	20.9x	3.3x
Heidelberger Druckmaschinen Aktiengesellschaft (XTRA:HDD)	302.2	304.3	1.0	324.6	2,682.7	0.1x	2.0x	3.2x	0.1x
Gesco SE (XTRA:GSC1)	206.7	10.8	19.1	288.4	620.6	0.5x	4.8x	6.9x	1.3x
R. STAHL AG (XTRA:RSL2)	142.9	6.4	22.2	202.1	369.9	0.6x	4.5x	9.9x	1.3x

(* Information from S&P CIQ)

Average	1.3x	9.0x	14.1x
Median	1.0x	7.5x	11.9x

Hermle Group (Current Financials) 1.8x 7.1x

DCF ANALYSIS

Latest Capitalization (\$ millions)		
Share Price		234.7
Shares Outstanding		5.0
Market Capitalization		1,173.4
Cash & Short Term Investments		(188.1)
<u>Total Debt</u>		<u>0.0</u>
Total Enterprise Value		985.3

Assumptions	
WACC	13.0%
Growth rate	3.0%
Exit Year	2028
Exit EV/EBITD	10
Exit EBITDA	204.17155

Terminal Value	
Perpetual Growth	1163.5
EV/EBITDA	<u>2041.7</u>
	1602.6

(* USD Exchange Rate = 1.067)

Discounted Cashflow Analysis

[illegible]

LBO SUMMARY

Case Name: Management Case
Capital Structure: Base

SOURCES AND USES OF FUNDS AT CLOSING - ASSUMED TO BE DECEMBER 31, 2023

Uses:		Sources:		% of Srce	% of FD
Equity Purchase Price	1,560.0	Excess Cash in Company	80.0	4.9%	-
Transaction Expenses	31.2				
Total Equity Purchase Price	1,591.2	Revolver	100.0	6.1%	-
		Term Loan	200.0	12.2%	-
Refinancings	0.0	Senior Unsecured Debt	200.0	12.2%	3.4%
Prepayment Penalties	0.0	Subordinated Debt	318.8	19.4%	3.4%
Cash for WC	50.0	Mezzanine	100.0	6.1%	2.6%
		Total Debt	918.8	56.0%	9.5%
Total Uses	1,641.2	Preferred Stock	150.0	9.1%	3.0%
		Common Equity	492.4	30.0%	87.5%
		Total Equity	642.4	39.1%	90.5%
		Total Sources	1,641.2	100.0%	100.0%

ACQUISITION MULTIPLES

Enterprise Value at Closing	Multiple
2023 EBITDA	9.8x
2024 EBITDA	9.5x

EXIT ASSUMPTIONS

Assumed Exit Year	2028
Assumed Exit EBITDA Multiple	10.0x

Promoted Equity:

Promote to Triton Partners	0.0%
Promote to XYZ CP	0.0%
Promote to Management	5.0%
Total Promoted Equity	5.0%

COVERAGE RATIOS

	Pro Forma	Projected Fiscal Years Ending December 31,				
	2023	2024	2025	2026	2027	2028
EBITDA /						
Cash Interest Expense	5.9	6.2	9.8	13.7	22.4	30.1
Total Interest Expense	2.7	2.8	3.4	3.9	4.4	5.3
Total Fixed Charges	2.1	2.2	2.6	2.9	3.3	3.8
EBITDA less CapEx /						
Cash Interest Expense	5.5	5.3	8.5	11.8	19.3	26.0
Total Interest Expense	2.5	2.4	3.0	3.4	3.8	4.6
Total Fixed Charges	1.9	1.9	2.2	2.5	2.8	3.3
Long-term Debt less Excess Cash /						
EBITDA	5.8	5.6	4.9	4.1	3.5	2.8

SENSITIVITY ANALYSIS OF RETURNS

IRR to Triton Partners					
Ownership:	86.9%	84.7%	82.5%	80.4%	78.2%
Based on Promote:	0.0%	2.5%	5.0%	7.5%	10.0%
EBITDA	9.0x	17.3%	16.7%	16.1%	15.5%
	9.5x	19.2%	18.6%	18.0%	17.3%
Multiple	10.0x	21.0%	20.4%	19.8%	19.1%
	10.5x	22.7%	22.1%	21.4%	20.8%
	11.0x	24.3%	23.7%	23.0%	22.4%

SUMMARY PROJECTED FINANCIAL INFORMATION

REPAYMENT OF BANK DEBT

	Closing	2024	2025	2026	2027	2028
Total Bank Debt Outstanding	300.0	260.0	228.0	202.4	181.9	165.5
Cumulative Percent Repaid	-	(13.3%)	(24.0%)	(32.5%)	(39.4%)	(44.8%)
		2029	2030	2031	2032	2033
Total Bank Debt Outstanding	0.0	152.4	141.9	133.6	89.1	21.5
Cumulative Percent Repaid	-	(49.2%)	(52.7%)	(55.5%)	(70.3%)	(92.8%)

	Actual	Projected Fiscal Years Ending December 31,				
	2023	2024	2025	2026	2027	2028
Revenues	559.6	657.6	723.3	795.7	859.3	928.1
Growth	10.7%	17.5%	10.0%	10.0%	8.0%	8.0%
Gr. Profit	352.5	381.4	419.5	461.5	498.4	538.3
Margin	63.0%	58.0%	58.0%	58.0%	58.0%	58.0%
EBITDA	139.5	144.7	159.1	175.0	189.0	204.2
Margin	24.9%	23.0%	23.0%	23.0%	23.0%	23.0%