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# EDITED TRANSCRIPT

DUEG.DE - Duerr AG to Discuss the Acquisition of a Majority Stake in Teamtechnik Corp

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## CORPORATE PARTICIPANTS

**Dietmar Heinrich** *Dürr Aktiengesellschaft - CFO & Member of Management Board*

**Jochen Weyrauch** *Dürr Aktiengesellschaft - Deputy CEO & Member of Management Board*

## CONFERENCE CALL PARTICIPANTS

**Alexander Hauenstein** *DZ Bank AG, Research Division - Analyst*

**Daniel Gleim** *Stifel Europe, Research Division - Director*

**Ingo-Martin Schachel** *Commerzbank AG, Research Division - Head of Equity Research*

**Peter Rothenaicher** *Baader-Helvetia Equity Research - Analyst*

**Richard Schramm** *HSBC, Research Division - Analyst*

**Sven Weier** *UBS Investment Bank, Research Division - Executive Director and Analyst*

**William Turner** *Goldman Sachs Group, Inc., Research Division - Research Analyst*

**William E. Macaulay** *Morgan Stanley, Research Division - Research Associate*

## PRESENTATION

### Operator

Thank you for holding. Welcome to the conference call. (Operator Instructions)

May I now hand you over to Jochen Weyrauch, who will lead you through this conference. Please go ahead.

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**Jochen Weyrauch** - *Dürr Aktiengesellschaft - Deputy CEO & Member of Management Board*

Yes, good morning, and thanks for introducing. My name is Jochen Weyrauch. I'm the deputy CEO of Dürr AG, responsible for the automotive business as well as our M&A activities. I'm glad to give you insights of the acquisition of Teamtechnik, which we have published yesterday. And I'm grateful that you have dialed in at such a short notice. Our management team is not complete today in this call. Ralf Dieter is active on the preparation of our Supervisory Board meeting, Dietmar Heinrich and myself are happy to answer your questions after my short presentation.

If we look at the proration, Page 4, I think we load it up yesterday. I hope everybody has it available. We're glad to have completed the signing of Teamtechnik last night. We've acquired 75% of the company, 25% remain with the founding family, which means the sum of the founder, who will also remain in charge as CEO of the business. And actually, the plan is that we will build a larger business together going forward.

With this acquisition, on the one hand, we will broaden our e-mobility activities in the direction of test systems for electric drives, so meaning now we're talking about components of the vehicle, as well as entering a new field, which is automated production systems for medical services. I must say, we're actually -- we are really proud to act in both directions, which are equally important for us looking forward. And this acquisition obviously supports our midterm strategy in terms of growth and especially also in terms of growth outside the automotive industry.

Who is Teamtechnik? In a nutshell, it is really a global, even if it's a neighbor of ours, just maybe 5 miles away from here, it's a leading global automation specialist founded 44 years ago in Freiberg. And being run actually 22 years by the founder and another, which is the father of the actual CEO, and another 22 years now by the son. Sales of the business in 2019 were around EUR 155 million. And the company employs more than 700 employees, the majority in Germany, but with significant activities in the U.S. and China as well.

As I mentioned before, the focus is on automation of production systems, so really automation that falls in our sweet spot in both areas, the e-mobility and medtech. There is still a small solar business. They're active in the automated assembly of solar panels by applying STRINGER, which was a big business 10 years ago, but the company has more and more transformed into e-mobility and medtech.

If we look at Page 5, you see the distribution of the sales in 2019, where e-mobility still is the major part of the business, slightly below 2/3. But we're very much or very quickly growing medtech business, which meanwhile does 20% of the business and another 20% is distributed between service and the business I just mentioned in the solar business.

On the e-mobility side, the company is mainly active on the function testing of electric and hybrid drives. And I can say they're very successful with the biggest German automotive customer. And the 1 company, we have pretty much in the news based out of California. On the other hand, they're also active on the assembly and functioning testing of battery modules and packs. So that's the more or less the mobility side. And on the medtech side, they do the production of test and assembly systems for injection components, inhalers and plastic assemblies in general. And in addition, very impressive also in the production machines for the production of contact lenses.

You see on the next page, a couple of pictures that illustrate what the company is doing. You see on the top left the assembly of medical components. And I can tell you, it looks like -- the machines look like a clockwork, if I can say that. We have production volumes of more than 200 pieces, not in an hour, but in a minute. So it really is very highly automated, very smart, very process-oriented production equipment.

You see more of that on the top right side, where we talk about the assembly of injection pen, for example for diabetes patients. And on the top -- on the lower right side, LED curing of glass syringes. And the company with a similar technology also does the production of contact lenses. And on the top left, see the test systems for electric drives. It's also very interesting to see because when the testing of an electric drive is much more complex than what you assume when you hear the title. It is really bringing in the complete electric drivetrain of a vehicle, including the gears and mount all the contacts, including filling the oil and then the drive is run up in order to check consumption, hysteresis. We check the sound and very important as those drives are configured very individually, in many cases, there's even software applied in that production step.

If we look at Page 7, you see the market potential. We're talking high single-digit numbers of, if you will, natural growth in the medical industry. We believe the market today to be around EUR 2 billion, but growing up to EUR 3 billion in the next 4 to 5 years. Why is that? It's mainly driven by the increased demand of production systems as in the medical market demand for product is growing anyways, and that drives automation and -- for 2 reasons. First of all, because demand is increasing, but there's also cost pressure coming for the medical companies. And in essence, there's the same automation trend running that we've seen in our automotive business for many years now. So this gives the opportunity for complex turnkey solutions that we, meaning including Teamtechnik, are well able to do.

The market is still kind of fragmented. There is a few bigger players, especially ATS Automation, but also Mikron and a few others. But this market offers, and that's very important for us, significant, if you will, buy and build possibilities. And for us, entering the medtech business is step 1. And our assumption is that there will be more steps in that direction.

If you look at Page 8, how will the combined business look like and what is the potential and rationale? In fact, we were combining strength in many directions. First of all, Teamtechnik in general, as I tried to explain, is a leader in automation technology. So naturally it fits very well our business model. Second, with their portfolio in e-mobility and our global footprint and access to customers, we are perfectly set up to help this company to broaden the business in automotive. And apart from that, we are the support hub, if you will, for further acquisitions in the area of medtech, which the company standing alone would not have had.

If we look more on the bottom line, we believe that with our capabilities, especially in project management and order execution, we can help Teamtechnik to support their operating margins. And of course, in addition to that, with our setup in purchasing service and especially our capabilities in digitization, we believe that we can further add to making this business more successful.

What are consequently our midterm targets? We believe that we can achieve around EUR 200 million in '24. As I mentioned, the company has done about EUR 155 million last year. We assume from obviously the impact of corona this year that there will be a slight sales dip next year from where we will then grow up to EUR 200 million in '24.

Our target is to achieve an EBIT margin of 9%, which would be well in line with the already existing margins of the main competitors of Teamtechnik in the business. And of course, this margin would support Dürr's own midterm target of being above 8%.

So far so good. This is briefly what I wanted to present. And Dietmar and myself would be available for questions now.

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## QUESTIONS AND ANSWERS

### Operator

(Operator Instructions) The first question is from Will Macaulay of Morgan Stanley.

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**William E. Macaulay** - *Morgan Stanley, Research Division - Research Associate*

So the first one is could we maybe get a bit more clarity on why 2021 sales are so much lower than 2019? Especially given the exposure to both EV and medical, I maybe would have expected a bit more resilience.

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**Jochen Weyrauch** - *Dürr Aktiengesellschaft - Deputy CEO & Member of Management Board*

Okay, do you -- okay, we can answer that question first. I was waiting for your second part, but I can answer the first one anyways. So this was Will, right?

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**William E. Macaulay** - *Morgan Stanley, Research Division - Research Associate*

Yes, this is Will.

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**Jochen Weyrauch** - *Dürr Aktiengesellschaft - Deputy CEO & Member of Management Board*

Yes, yes. I -- first of all, we believe that the business is quite resilient. It is simply the fact and we've seen that on the automotive side as well. It's not so much that the projects have disappeared. It is just so much more difficult dealing with customers at the moment. And what we're now seeing is the order income already picking up towards the end of the year, but we will consequently, from a lower business -- or a lower order intake in the second and partially third quarter, that will naturally go into next year.

What we don't see is the market volume reducing, not in EV automotive and especially also not in medtech, but those projects in preparation need so much coordination effort. And especially with projects also in the U.S., it's been quite difficult to solving all the conditions in order to book projects. But we're, as I mentioned, we're quite confident for next year in terms of bookings.

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**William E. Macaulay** - *Morgan Stanley, Research Division - Research Associate*

Okay. Perfect. That makes a lot of sense. Yes. Second question, could we get an idea of what profitability was in 2019? And maybe on 2021, you said in the release you expect it to be loss-making accounting for extraordinary items. But maybe on an underlying basis, what can we expect?

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**Jochen Weyrauch** - *Dürr Aktiengesellschaft - Deputy CEO & Member of Management Board*

Yes, the operating margin of the business this year is in the higher single digits. So it's not too far away actually from what we're looking for in '24. The business will be -- I mean, the reported numbers next year will be impacted, especially also by purchase price allocation and a few effects.

The operating margin of the business, I would say, should be at least a breakeven or higher.

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**William E. Macaulay** - *Morgan Stanley, Research Division - Research Associate*

Okay. Perfect. And so if I may, 1 final question. Just I know you don't disclose the purchase price, but if I may, could we be given a rough ballpark, is it 2 digits, 3 digits? Any information would be very helpful.

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**Jochen Weyrauch** - *Dürr Aktiengesellschaft - Deputy CEO & Member of Management Board*

The simple way of answering is it's not triple digit.

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**Operator**

The next question is from Ingo Schachel of Commerzbank.

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**Ingo-Martin Schachel** - *Commerzbank AG, Research Division - Head of Equity Research*

Yes. I have 2 questions. The first one would be on the commitment of the incumbent management team and yes, seller of the business. Is there any put call option structure for the remaining 25% for Dürr that appears at a similar price than as you committed to a, let's say, minimum number of years that is going to remain a managerial role with Dürr?

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**Jochen Weyrauch** - *Dürr Aktiengesellschaft - Deputy CEO & Member of Management Board*

Yes, thanks for asking the question, Ingo. The -- there is a commitment. Actually, I can say we would have acquired the company also 100%, if you will, if necessary. But the current shareholder wants to remain in place because he really believes in the business. And I hope that we will work together many, many, many years, because it's a very trustful relationship. And yes, there is a mechanism in the agreements with a put and call, which is not close. And there is a mechanism also that, I would say, gives up a downside on the purchase price depending if ever we would trigger, that would be dependent on the success of our relationship.

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**Ingo-Martin Schachel** - *Commerzbank AG, Research Division - Head of Equity Research*

Okay, and on the refinancing, of course, we have plenty of gross cash to pay for this deal, but I guess there could still be some debt in the entity as well. Would you be able to quickly refinance any debt that is currently in the target with the cheaper Dürr conditions? Or do we have a longer-term capital structure on the target?

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**Dietmar Heinrich** - *Dürr Aktiengesellschaft - CFO & Member of Management Board*

Yes, Ingo, this is Dietmar. I would like to take over the answer for that question. And it's a clear, yes, we, as you mentioned, in our cash available, we also did successfully refinancing during the second half of the years, and we are able to replace then the debts that are there with more efficient solutions and to provide the company the necessary funding to support the growth.

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**Operator**

The next question is from Alexander Hauenstein of DZ Bank.

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**Alexander Hauenstein** - *DZ Bank AG, Research Division - Analyst*

Yes. Alex Hauenstein from DZ Bank. I have a follow-up question on the sales number. Is it fair to assume that 2020 sales was also down due to the corona crisis? Or has there been even an uptick compared to '19 and the full effect of the crisis is only visible in 2021, that would be my first question. And another question is you decided if I got it right to put it into the PFAS division. So I was wondering why not allocating it to MPS? Maybe you could share your views here. And last question, you made some indications that potentially you might go for more into the direction of medical technology. So that does mean more M&A on that front. Is that right?

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**Jochen Weyrauch** - *Dürr Aktiengesellschaft - Deputy CEO & Member of Management Board*

Thanks, Alexander, for your question. Let me start with the second one. Honestly, to be quite frank, we were wondering where to put it because the business could have also fitted MPS being more on the machine building side. So if you look at the technology, maybe not so far away from our balancing business, we have still decided to connect it to PFS at least for the moment, for the reason of the business being still very close to automotive. And physically, if you will, being much closer to Bietigheim where we have PFS rather than Darmstadt where we have MPS. But again, good question, and we had to think about it. But we took the decision as it is.

On the sales '20, yes, they are down compared to 2019. I would say roughly maybe 10%. So we already see an impact this year. And as I mentioned a bit more next year. But from there with the project pipeline and the projects that we see, we confirm what we said about '24.

In terms of M&A, yes, the idea is -- and this is, I would say, the beauty of this acquisition. On the one hand, it strengthens our EV activities. On the other hand, it now gives us a reliable platform to grow into a new business. And as you know, our ambition is, of course, not to shrink our automotive business as such, but to build new areas for Dürr. And we are convinced that medtech is a very interesting market to enter and to build from there.

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**Operator**

The next question is from Will Turner of Goldman Sachs.

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**William Turner** - *Goldman Sachs Group, Inc., Research Division - Research Analyst*

Two quick questions for me. The first one is could you just give us a little bit of information about the historical growth of the company and how it's performed over, say, the last 5 years? And then the second question is, could you just comment on the working capital structure of this business? And is it similar to the kind of how we think about the main company. Yes, that would be pretty good points.

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**Jochen Weyrauch** - *Dürr Aktiengesellschaft - Deputy CEO & Member of Management Board*

Historical growth, the company has -- if you look at the top line, the growth on the last years was maybe not so impressive. If you look into the individual businesses they do, it is. Because if you go back 10 years, they were dominated by the solar business because there was a boom 10 years ago, and they were shipping machines after machines to China to support the business there. And this market obviously has changed. And from there, this business was shrinking now to a volume that's not very relevant anymore. And from there, the company has built the EV business in the first step. And I would say, in the last 2, 3, probably 4 years beginning with medtech. And here, the interesting part is to get projects in medtech typically takes you 3, 4, 5 years in order to qualify because this industry is very conservative. It's very careful in terms of security and their suppliers. And fortunately, not so much price driven. So it took the company quite a while to grow into that business, and they are now much growing.

So if you look at the top line, probably a bit of growth, but not so much. But the company in the last 10 years was completely transforming.

So then on working capital, Dietmar, you want to say a few words?

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**Dietmar Heinrich** - Dürr Aktiengesellschaft - CFO & Member of Management Board

Yes, I can do. Basically, the structure is similar to our business, but from a finance point of view, there is also potential for synergies with the cooperation. So there will be improvement that I see ahead of us.

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**Operator**

The next question is from Daniel Gleim of Stifel.

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**Daniel Gleim** - Stifel Europe, Research Division - Director

Yes. The first one would be on the current deal pipeline. Where do we stand on the timeline? You all recently mentioned at the Capital Market Day that there would be several smaller acquisitions in the pipeline. So maybe you can give us an update on where we stand, what's the likely business sizes maybe comparable to today's announcement. And what area of business you're looking into. So are you planning to already further strengthening medtech with the next acquisitions? Or to potentially even further diversify your overall business profile? I'll start there.

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**Jochen Weyrauch** - Dürr Aktiengesellschaft - Deputy CEO & Member of Management Board

Okay. Thanks, Daniel, we were hoping that we satisfied a little bit your appetite for the moment with this acquisition, but I understand we all remain hungry. We want to get this acquisition done. Closing will be most likely early February. And then of course, we have a few ideas. How quickly they will materialize is not easy to say. I mean if we look at Teamtechnik, you can imagine that's not something that came overnight. This was something we were discussing. We developed, we developed ideas and a joint strategy. And yes, we have a few ideas, but it would be very difficult to give you a confirmed time line when we can announce the next one.

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**Daniel Gleim** - Stifel Europe, Research Division - Director

But in terms of deal size, we're looking at the same ballpark. So we are not changing pace here and looking at the third pillar that you alluded to several quarters ago.

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**Jochen Weyrauch** - Dürr Aktiengesellschaft - Deputy CEO & Member of Management Board

The third pillar will be one that will come or not come quickly or in the midterm because it's always a question of availability. And we're also -- the good position we're in is we're ready. If something comes up, we have the financial capabilities to go into this, what you call third pillar. And meanwhile, we will look at consolidating further in terms of what we have. And yes, we're looking really, and this is why we mentioned it specifically at Teamtechnik to be a buy-and-build platform. And here, I assume that the next targets as this market, as I mentioned, is quite fragmented with 1 or 2 bigger players. And a number of small and mid-sized players that the next acquisition, at least in that direction might not be bigger than the one we've just done.

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**Dietmar Heinrich** - Dürr Aktiengesellschaft - CFO & Member of Management Board

Daniel, maybe just to add to what Jochen actually said, and we stressed this during a couple of investor calls or investor conferences also during the last month, and Jochen mentioned it's a buy and build topic. So looking forward to establish a third pillar, it's not only in a broad regarding doing a big deal, but adding then, for example, to Teamtechnik then also further activities just as Jochen highlighted. So it's also a step-by-step approach.

**Daniel Gleim** - *Stifel Europe, Research Division - Director*

Maybe my second question is -- and apologies for playing a little bit the devil's advocate here. But often when discussing Dürr and the M&A strategy, we speak to a lot of investors that observe an industry trend with breaking up a lot of the old industrial conglomerates, building pure-play companies that are more manageable and more competitive, but also more valuable for the investors, and hence showing rerating, with Siemens Energy maybe being the most recent example. When you meet investors to discuss your M&A strategy and pitching your further leg into medtech today, what would you respond to an investor that is concerned about your moving the opposite direction rather building a conglomerate now adding medtech instead of following industry trend of focusing the business. That is my second question.

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**Jochen Weyrauch** - *Dürr Aktiengesellschaft - Deputy CEO & Member of Management Board*

Okay, yes, unfortunately, we are not in the position of Siemens to carve out a business that we might see at the highest level of the capital market in Germany. But honestly, I like you being a devil's advocate because that helps us to think and to improve and to do things better. However, in this respect, so far with the portfolio we have, we believe that we have a clear bracket, meaning a value-add of the conglomerate versus individual businesses through our approach of really being the leader in automation and digitization.

If you look, for example at Teamtechnik but also our other businesses, SCHENCK or Homag, the strength really is that we have this backbone. You see that in approaches like ADAMOS where we are playing a major role in the conversion of the businesses towards digitization. It doesn't mean that the digital business has to be considered as a stand-alone business, but it is the enabler to be successful also in the future with our current product portfolio.

And if you look at Dürr as we stand today, I think we're still far away from becoming an unmanageable company. I think we're really hands on, still very involved in the individual businesses. I'm not ruling out that in the future, depending on our opportunities to grow in some areas that we might rethink other areas, but at the moment, we feel quite comfortable with how we're set up.

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**Operator**

The next question is from Sven Weier of UBS.

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**Sven Weier** - *UBS Investment Bank, Research Division - Executive Director and Analyst*

Yes. The first one is regarding the barriers to entry in both markets. So it seems that Teamtechnik has been able to enter both the medical and the automotive testing systems market within a relatively short period of time. And as you said, it's both very fragmented market. So what is it really that, in your view does differentiate the company from the competitors and thus prevent others taking the share from them? That's the first one.

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**Jochen Weyrauch** - *Dürr Aktiengesellschaft - Deputy CEO & Member of Management Board*

Thanks, Sven. Barriers to entry in medtech are probably even higher than they are in automotive. And it is -- I would say, it's having the breadth and technology.

When I was talking with the owners, they were telling me how long it takes to enter this business. I know it from own responsibilities in the past. You have to qualify over time. You have to go to the customers, present them technologies, you have to invest a lot, you have to fulfill regulations in medtech, for example, all those FDA regulations.

And then customers, if you are not giving up after some time, they start giving you probably a small order and then you have to perform. So it's a long and hard way, and you better behave and perform and then you can enter the market. As I mentioned, the beauty of that is once you're in this business and you have references, then you can grow the business from there. Because there is not so many players in medtech that really perform especially -- and this is where also we believe we can bring in a lot of help is a global setup. Most of the customers are becoming more



and more global, and they want to have exactly the same processes around the world. And with our network now and our service capabilities, we can give this a boost.

In automotive, yes, I think there, the barriers might have been a little lower. The companies in this business for a longer time. But has built up very, very important references. And that's the reason why they're basically currently the sole supplier of the customer I was referring to in Germany, but also a very significant supplier of this customer in California and many more, I must say. And here, as I mentioned, we believe as Dürr, we can give it a boost because we have access to the customer base around the world.

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**Sven Weier** - UBS Investment Bank, Research Division - Executive Director and Analyst

And then on the technology side, I mean, because you mentioned how long it takes to get the references, but it seems that they've done it in a relatively short period of time because it's the dominance of solar before, and now in the last 10 years, they have gone from zero to hero, so to speak. I mean is there kind of a core tech that has a synergy between those 2 areas? Because at first sight, medical and auto seem not related to each other. But is there kind of a combined strength in there?

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**Jochen Weyrauch** - Dürr Aktiengesellschaft - Deputy CEO & Member of Management Board

Oh, yes, definitely. It is really the automotive competence to apply. If you look at the process of testing, but also in medtech, it is the selection and integration of the right automation steps in order to generate a very reliable system that is able to fulfill the demand. If you look at those machines and how they work, there is a lot of clamping, there is a lot of conveying, there is a lot of quality check by camera or other devices. And this is all very similar for both markets. And what is similar is you need a process and a software and an execution system above those components that works very reliably. And again, this is very similar.

And referring to your question from zero to hero, I mean it took them a number of years to enter the business. So it was not overnight. And nice to hear from you that you call it hero. We believe it's not hero yet because there's a lot of potential to grow the business.

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**Sven Weier** - UBS Investment Bank, Research Division - Executive Director and Analyst

Understood. The second question I have was a follow-up on what you said on 2020. I think you said this year, they are still high single-digits margin or was that in '19? And I was just wondering about the operating leverage, right, because you said they go from high single-digit margin to round about breakeven with the corresponding sales decline, but I think some of the sales decline is also a disposal that you do of the business. So does the business really have a relatively high operating leverage?

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**Jochen Weyrauch** - Dürr Aktiengesellschaft - Deputy CEO & Member of Management Board

There is -- I mean the margins I was referring to actually was 2020. The -- in terms of the operating leverage, I don't think there is too much and...

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**Dietmar Heinrich** - Dürr Aktiengesellschaft - CFO & Member of Management Board

It's more -- maybe I can support, Jochen, in that regard. It's more in satellite business. And then, of course, certain inventory is involved, but it's not like you have a lot of fixed assets, a lot and depreciation, things like this. So accordingly, then the operating leverage is not so high.

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**Jochen Weyrauch** - Dürr Aktiengesellschaft - Deputy CEO & Member of Management Board

Yes, it's similar...

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**Sven Weier** - UBS Investment Bank, Research Division - Executive Director and Analyst

Yes, because I was just wondering when you go down 10% this year already, you still have a high single-digit margin, then you go down another 10% next year and then it's breakeven. Is that then a cautious guidance, so to speak, or...

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**Jochen Weyrauch** - Dürr Aktiengesellschaft - Deputy CEO & Member of Management Board

That probably was more a statement than a question, right?

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**Sven Weier** - UBS Investment Bank, Research Division - Executive Director and Analyst

Kind of, yes. I would assume because that's a relatively -- that's a big, big step down, right, for...

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**Jochen Weyrauch** - Dürr Aktiengesellschaft - Deputy CEO & Member of Management Board

Yes, yes, let's hope it becomes -- it will be better. Let me put it that way.

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**Sven Weier** - UBS Investment Bank, Research Division - Executive Director and Analyst

Understood. And the final question that I...

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**Jochen Weyrauch** - Dürr Aktiengesellschaft - Deputy CEO & Member of Management Board

We don't want to bring the business too much under pressure, if you will, year one.

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**Sven Weier** - UBS Investment Bank, Research Division - Executive Director and Analyst

Okay, that's fine. And the last question, if I may, is just I was wondering about the M&A process. So was that an exclusive process or were there are other buyers? Because we all know that Tesla likes to buy their key suppliers as we've seen with Gorman. So have you been competing with other potential buyers on this asset?

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**Jochen Weyrauch** - Dürr Aktiengesellschaft - Deputy CEO & Member of Management Board

Yes, I think I cannot disclose too much on this one here, but I can assure you it's been kind of competitive.

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**Operator**

The next question is from Richard Schramm of HSBC.

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**Richard Schramm** - HSBC, Research Division - Analyst

Just a follow-up on this sales development. So I'm a bit surprised that Teamtechnik will see another material decline in sales next year, which is clearly against anything else we see in our universe here because our other companies will see a recovery. So I'm not sure if I missed something here. But what causes this, let's say, delay in recovery of the business from the damage obviously suffered from COVID-19 in the current year here?

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**Jochen Weyrauch** - Dürr Aktiengesellschaft - Deputy CEO & Member of Management Board

Yes, Richard, thank you for the question. It is -- first of all, let's see how it really turns out. Second, there has been a few large orders that were performed in '19 and '20, which is always difficult to discuss what is a repeat order and what is an extraordinary order. But there has been some in that direction. Plus, as I tried to explain, the business consists actually of 3 businesses. There is an automotive business, which is -- there's bigger orders, and the timing is relevant when they come. That can really make a difference of easily EUR 10 million or more million up or down from year-to-year. Plus, there is the growing medtech business, but still from a low level. And third, there is this solar business, which was further reducing. And if you put it all together, then you have the number that we have.

And as I mentioned, we see -- and this is why we've been very -- or we are extremely confident with the acquisition because we know the pipeline thereafter. And we know that next year and even at the end of this year, we're expecting still a few larger orders. But with the lead times in the business that will create a further reduction next year. But a good growth platform for the years thereafter.

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**Richard Schramm** - HSBC, Research Division - Analyst

So how big is the backlog you're buying here with the company? What brings it forward to 2021?

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**Jochen Weyrauch** - Dürr Aktiengesellschaft - Deputy CEO & Member of Management Board

The backlog, we probably have -- yes, I would say, yes, Dietmar is right. It's probably around half a year or slightly higher and we assume that we will still go into next year with an okay backlog.

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**Richard Schramm** - HSBC, Research Division - Analyst

Okay, but you will then still need some further orders to fully cover the sales expected for next year quite a...

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**Jochen Weyrauch** - Dürr Aktiengesellschaft - Deputy CEO & Member of Management Board

Oh, yes, absolutely, absolutely. And the pipeline is there. That's been one of really the areas we've been very much focusing on during the due diligence because it's -- you have to look at the case. And as we mentioned, 2021, let's call it, a bit exceptional for the moment. That's why especially we've been looking at the pipeline, at the customers, et cetera, in order to have the confidence that exactly what we are explaining today will happen.

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**Operator**

The next question is from Peter Rothenaicher of Baader Bank.

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**Peter Rothenaicher** - Baader-Helvea Equity Research - Analyst

Yes. I have a question on the regional structure of this company. So you mentioned they have some facilities in the U.S. and China. Is this focusing then purely on the automotive business? Or are you active here also in the medtech area?

**Jochen Weyrauch** - Dürr Aktiengesellschaft - Deputy CEO & Member of Management Board

Thanks, Peter, for the question. If we start with China, China was set up a number of years ago and has been very active in automotive. But this year, they've had the first significant orders in medtech as well. So there, we really see that the seeds are paying off, and there will be more business.

In the U.S., it's a bit similar. Nevertheless, there, we started a bit earlier with the medtech. That's also why the business is not in the typical automotive belt, but further south. And there we're -- I would say we're equally set up. We're successful in automotive, but growingly successful in medtech as well.

Here, especially both China and U.S., we believe that we can, with our network, especially in the automotive business, we can further push their activities.

So far, they are small to midsized activities with 30 to 50 employees, so it's not big business yet.

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**Peter Rothenaicher** - Baader-Helvea Equity Research - Analyst

Okay. So in general, in foreign facilities, offset 730 employees, it's less than then 100 in the U.S. and China.

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**Jochen Weyrauch** - Dürr Aktiengesellschaft - Deputy CEO & Member of Management Board

That's correct. We have in China about 50 plus and in Atlanta about 30 plus people.

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**Peter Rothenaicher** - Baader-Helvea Equity Research - Analyst

Okay. And so I understood correct with your existing business, which is definitely very strong in China and also in the U.S., you have the opportunity to, yes, have additional hubs for team player in U.S. and China.

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**Jochen Weyrauch** - Dürr Aktiengesellschaft - Deputy CEO & Member of Management Board

Absolutely, absolutely.

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**Peter Rothenaicher** - Baader-Helvea Equity Research - Analyst

Okay. With regard to the solar business, do you intend to step out completely of this area?

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**Jochen Weyrauch** - Dürr Aktiengesellschaft - Deputy CEO & Member of Management Board

No, we do this quite -- how should I better say, opportunistically. We're still getting orders it's quite interesting. In the past, as I mentioned, they've been extremely successful in China in some years doing more than EUR 50 million up to EUR 70 million per year. And as I mentioned, the business has come down a lot because the Chinese players took over.

Now we see a trend that some customers in the Middle East or other customers and I would call Western customers want to buy Western technology again. So we've seen A little bit of an uptake on a very low level. And as the technology is there, it's developed and the margins are quite good whenever we produce. Currently, the intent is not to give it up.

**Peter Rothenaicher** - Baader-Helvea Equity Research - Analyst

Okay. Then a general question regarding profitability cost. You mentioned that the margin in 2020 was not too bad. Was Teamtechnik always profitable in the recent, let's say, 5, 7 years? Or it was the result were only fluctuating?

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**Jochen Weyrauch** - Dürr Aktiengesellschaft - Deputy CEO & Member of Management Board

Yes, the results were fluctuating a little bit. I mean it's solar business, and it was a family-owned business, let me put it this way.

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**Peter Rothenaicher** - Baader-Helvea Equity Research - Analyst

Okay. But currently, automotive and medtech are both already profitable.

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**Jochen Weyrauch** - Dürr Aktiengesellschaft - Deputy CEO & Member of Management Board

Oh yes, absolutely.

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**Operator**

As there are no further questions, I would like to turn back to you.

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**Jochen Weyrauch** - Dürr Aktiengesellschaft - Deputy CEO & Member of Management Board

Okay, thank you very much for your interest and for your questions. I think that the call was really very well attended. If I see that correctly, we had almost all of our analysts on the line. So thanks a lot for joining us on short notice.

And in case you should have further questions, please don't hesitate to get in contact with the IR team.

Thank you very much, guys. Or I should say happy holiday.

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**Dietmar Heinrich** - Dürr Aktiengesellschaft - CFO & Member of Management Board

Goodbye.

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**Operator**

Ladies and gentlemen, thank you for your attendance. This call has been concluded. You may disconnect.

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