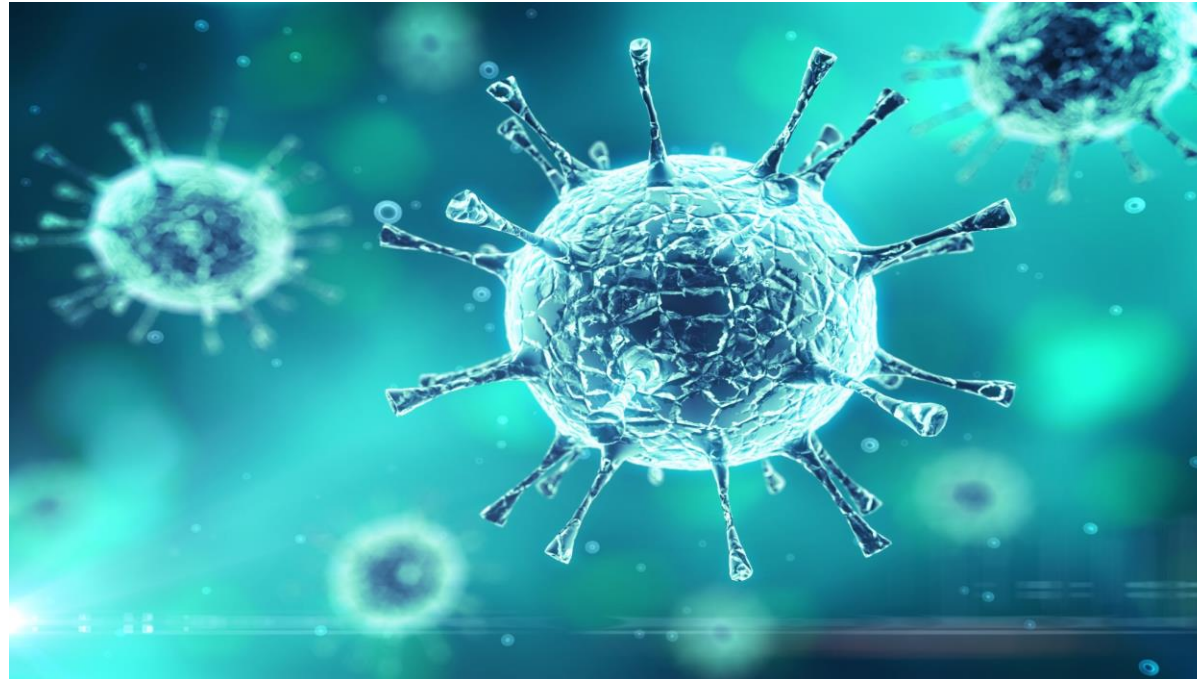




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STRATEGY | M&A | TRANSFORMATION



COVID-19 | Mechanical Engineering Industry Assessment

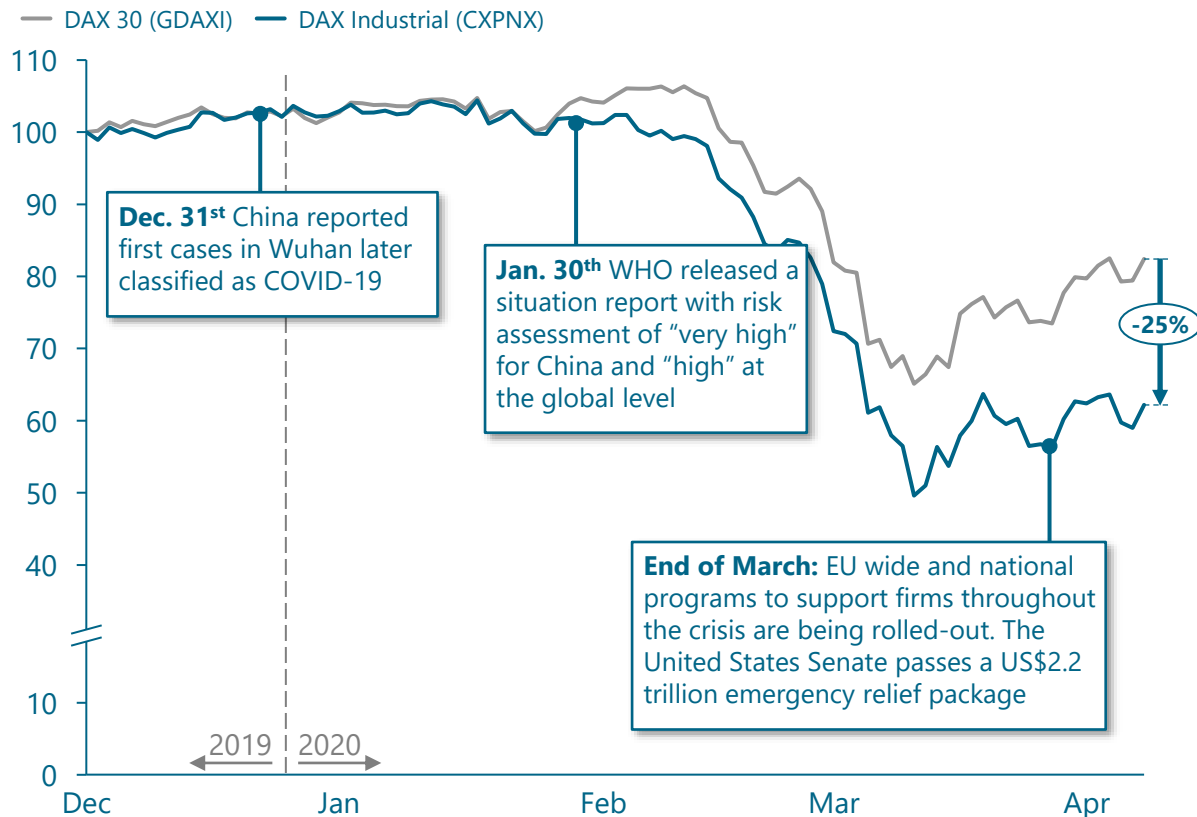
MUNICH, MAY 2020

Industrials Sector | Shareholder Sentiment

The industrials sector underperformed the DAX Index by 25% since the discovery of COVID-19. Within the industrials sector some firms are hit worse than others leading to a significant difference in share price development.

INDUSTRY STOCK PERFORMANCE

Index (Stock price on December 1st = 100)

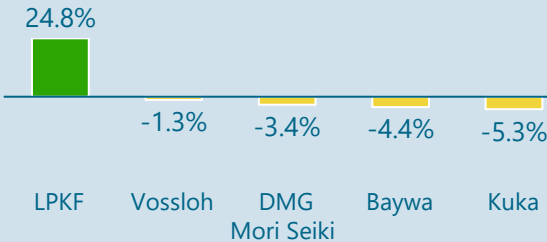


COMPANY STOCK PERFORMANCE¹⁾

Relative stock price change December 2nd to April 15th in %

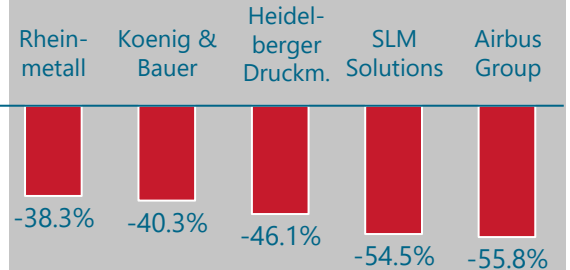
INDICATIVE

Top Performers (least negative)



- Product portfolios with a **wide range** or **higher flexibility** of applicability have better risk diversification in times of downturn of selected industries (e.g. LPKF temporarily supplying the medical sector)
- Firms in stable financial situation easier ensure **mid-term liquidity** during crisis and **enable companies to invest in innovation and M&A** and - if necessary - in restructuring programs

Low Performers



- For firms with **weak/unclear strategic positioning** the COVID-19 crisis acts as a **catalyst for critical culmination**
- Those with a focused portfolio in industries strongly hit (e.g. aerospace and automotive) are facing over proportional pressure
- Global supply chains and single sourcing strategies show higher vulnerability

1) Showing selected high and low performing companies from the 64 which are part of the DAX Industrial Index
Source: Investing.com, goetzpartners

Mechanical Engineering Industry | The CEO's Crisis Journey

After securing employee health and immediate liquidity, Mechanical Engineering companies should consider to move on towards a comprehensive damage assessment before deciding about defensive and offensive strategic decisions



MANAGE THE DAMAGE

INTERNAL (BUSINESS MODEL RESILIENCE, LEARNINGS)

- **Protect your workforce and minimize risk** by changing shift patterns to limit exposure
- **Keep operational capacity flexible** (e.g. by introducing short-time work) and prepare for a seamless rebound with higher demand levels
- **Freeze cash-out** (no CAPEX, no hiring), focus on **short-term R&D pipeline and realization of projects with immediate impact**
- **Continue to keep up services business** (e.g. upgrades, maintenance) wherever possible to **maintain recurring revenue**

EXTERNAL (MARKET, CUSTOMERS, SUPPLIERS, COMPETITORS)

- Analyze customer needs and **adapt to behavioural changes** and new demand levels
- Ensure (new) funding and **access state support programs**
- Develop new capabilities for **temporary shift of production to new sectors** (e.g. medical)

CONTINUOUS FINANCIAL IMPACT ASSESSMENT (AGILE)



CONTINUOUS DIGITAL AND BUSINESS MODEL TRANSFORMATION

FIREFIGHTING

- Firefighting will be necessary to reduce immediate impact of new occurring damages
- Ensure continuously employee health and safety, liquidity, and operations



ACCELERATE TO "NEW NORMAL"

DEFENSIVE (FINANCING, CARVE-OUT)

- Shape **the portfolio to future core, consider strategic carve-outs** to minimize risk exposure and to **finance re-growth**
- **Streamline overhead and indirect functions**
- Anticipate **behavioural changes** of customers and **structural changes** in the supply chain and **equip for business model adaptations**

OFFENSIVE (ACQUISITION, MARKET CATCH-UP)

- Review **Target Operating Model** to align with future product and service portfolio
- Focus investments on **growth segments** and aggressively search for **struggling M&A targets**
- **Strengthen technological advantages** through strategic partnerships
- **Upgrade and digitalize your operations/ machines** with a digital twin, IoT sensors etc. to enable **digital service capabilities**

*See other
gp publications*

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