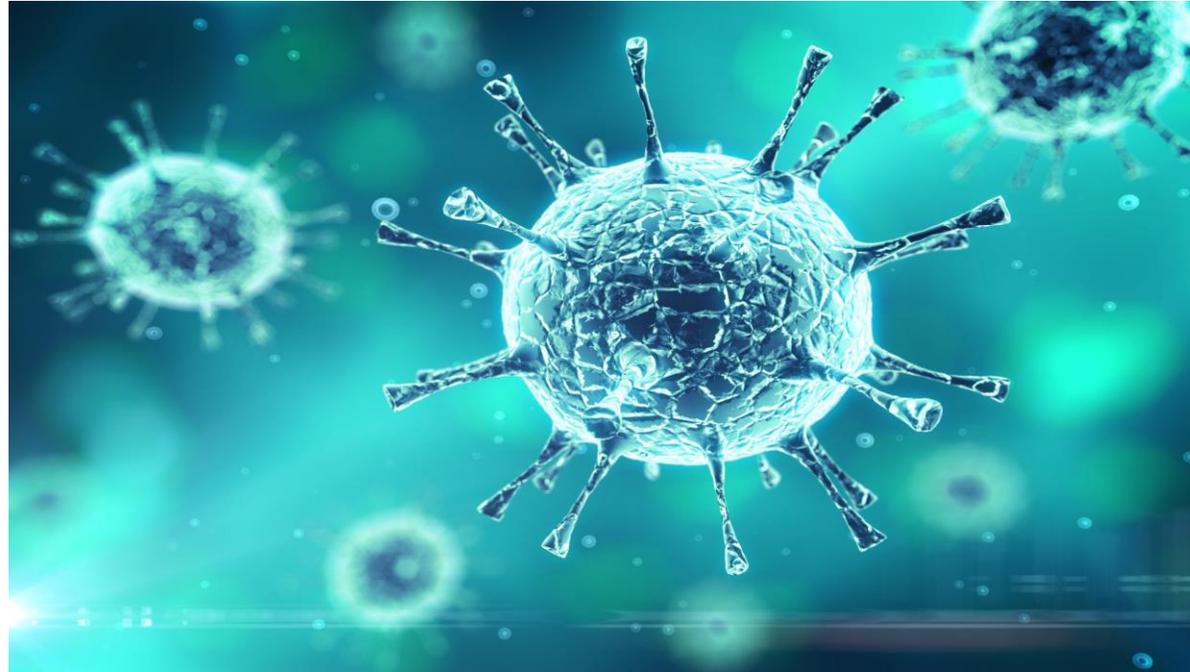




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STRATEGY | M&A | TRANSFORMATION



COVID-19 | Industrials Sector Assessment

MUNICH, APRIL 2022

Industrials Sector | Shareholder Sentiment

The industrials sector was hit significantly by the pandemic due to its high dependency on exports. However, some firms are hit worse than others within the sector, leading to a significant difference in share price development.

INDUSTRY STOCK PERFORMANCE

Index (Stock price on December 2nd, 2019, = 100)



- Overall, DAX & DAX Industrial recovered well since the start of the crisis, being valued higher than before the crisis, but **DAX Industrial** is still **underperforming** the DAX **by 4%**
- Short-time work** measures helped the industrial sector in the crisis to overcome **liquidity constraints** and delayed **production material** due to global supply chain problems
- Companies supplying the **airspace industries** are struggling the most due to a lower order intake (e.g., MTU, Airbus)
- Most industrial companies are **highly dependent** on **exports**, which have been **impacted significantly** by the pandemic; **export business** is **recovering again** as the **pandemic fades out**

COMPANY STOCK PERFORMANCE

SELECTION

"Positive impact": Jungheinrich AG



- Transformation and efficiency increase:** Strong cost, liquidity and efficiency program before crisis
- Automation as core of future growth:** Acquisition of arculus to strengthen position in automation
- Digitalization efforts:** Building of hybrid cloud system and digital fleet management system
- Focus on energy systems:** Strengthening market leading position in energy systems e.g., by strong R&D in the area of electric vehicle components

62% increase in stock price^[1]

Outperformed DAX Industrial by **51%**^[1]

Strategy 2025+ focusing on profitability, efficiency and sustainability

"Negative impact": Norma Group SE



- Material shortage/ supply chain insecurities:** Recovery was stopped abruptly by occurring material shortage in Q3 2021, shortages expected to continue
- Purchasing price increase:** Lowered margin expectations due to increased purchasing prices of components e.g., semiconductors
- Investors losing trust:** Failure in supply chain management leading to distrust from an investor perspective

13% decrease in stock price^[1]

Underperformed DAX Industrial by **30%**^[1]

-10% in gross profit in 2021 compared to 2019^[2]

Industrials Sector | The CEO's Agenda

The industrial sector has been hit hard by the pandemic, which, however, offers the opportunity to renew business models and to focus on digitalization and automation

LESSONS LEARNED FROM COVID-19 CRISIS



Need for more **supply chain transparency** to identify **bottlenecks** at an early stage



Demand for **remote technical service** and implementation of e.g., **connected machines** is increasing



New **competencies required** to manage automation and remote working environment



Need for flexible and adaptive **automation** to react fast in **changing environments**



Crisis management capabilities required to react quickly to **changing environments**



Shift in focus from pure sales of machines to provide more **services** to secure **recurring revenues**



STRATEGIC CONSIDERATIONS

DEFENSIVE
(FINANCING,
MARKET CATCH-
UP)

- Are you shaping **the portfolio to future demands** as well as considering **strategic carve-outs** to minimize risk exposure and to **finance re-growth**?
- Are you **streamlining overhead** and **indirect functions**?
- Are you anticipating **behavioral changes** of customers and **structural changes** in the supply chain and **equipping for business model adaptations**?
- Are you prepared for **shifting** towards a **digitalized and automated industry**?

OFFENSIVE
(ACQUISITION,
CARVE-OUT)

- Have you reviewed your **Target Operating Model** to align with future product and service portfolio?
- Are you focusing your investments on **growth segments**?
- Are you focusing on **green products** and trimming **your value chain** towards **sustainability** to set industry standards?
- Are you **upgrading and digitizing your operations/ machines** with a digital twin, IoT sensors etc. to enable **digital service capabilities**?
- Are you capitalizing on **data-generating components** instead of investing in **physical assets** only?

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