



Schouw & Co. acquires Borg Automotive

Investor presentation

20 March 2017

CEO Jens Bjerg Sørensen | IR Kasper Okkels

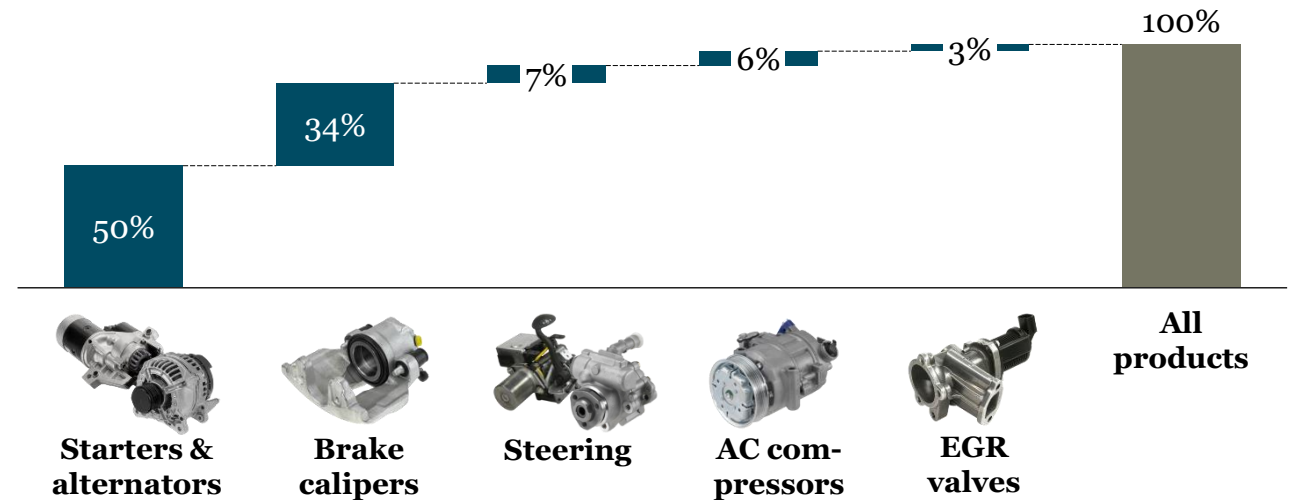
BORG
AUTOMOTIVE

Borg Automotive, a leading remanufacturing company

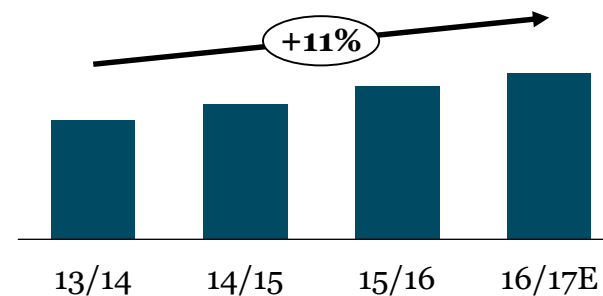
Borg Automotive at a glance

- Borg Automotive is a remanufacturing company founded in 1979 by Søren Toft-Jensen
- The company specialises in the production and sales of remanufactured parts for the automotive industry like alternators, starters, brake calipers
- Borg is Europe's leading independent auto remanufacturer with broadest product range and sales in almost all European countries
- Customers (+100) are wholesalers, distributors and OES/OEM's; largest ~10% of sales
- Headquarter in Silkeborg with production sites in Poland and UK, and a R&D facility in Belgium
- The group consists of Borg Automotive (Denmark/Poland) and Car Part Industries (UK/Belgium), which was acquired in 2011
- FTEs: ~1,400

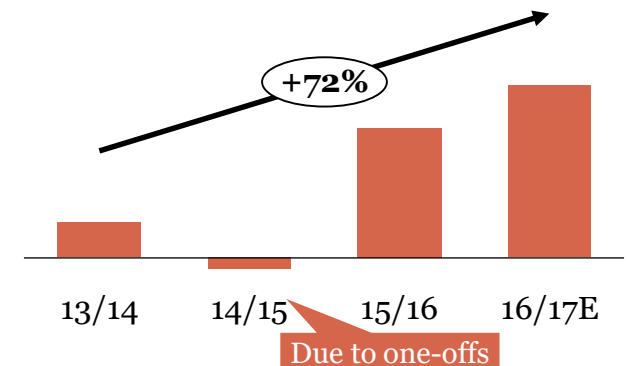
Product split



Revenue















EBIT



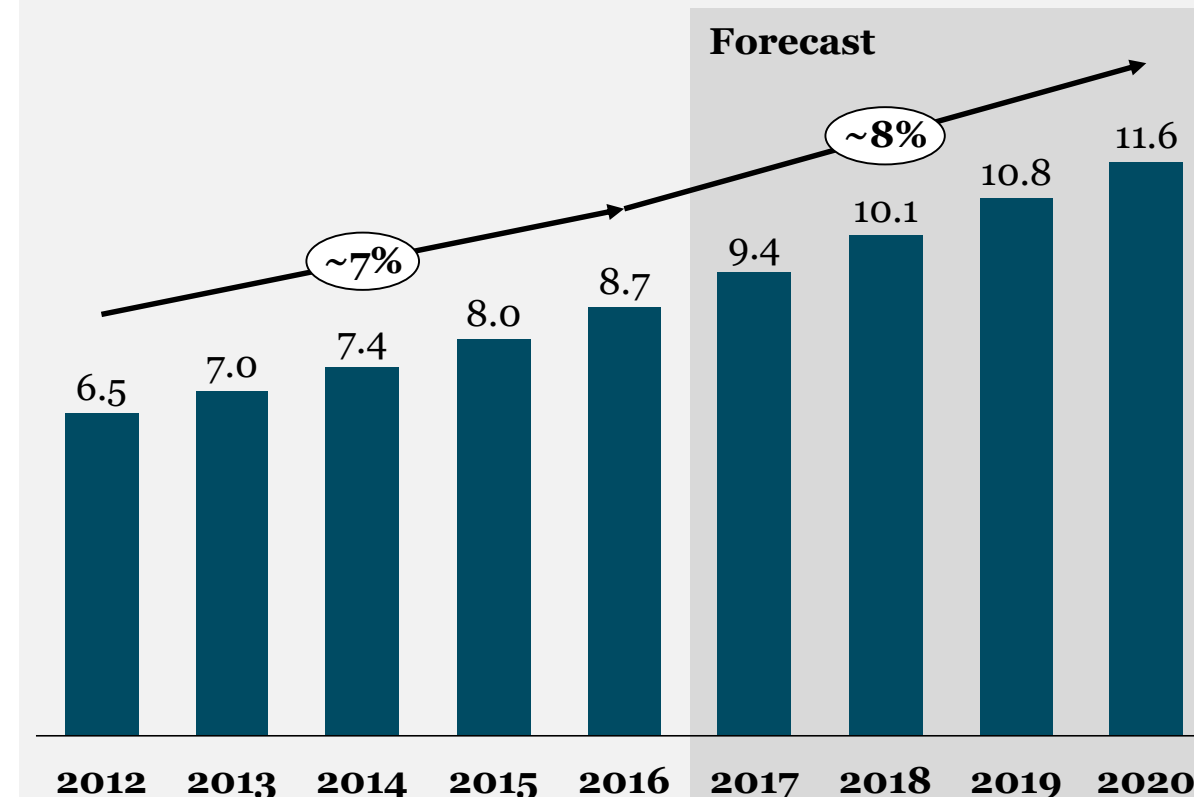
Remanufacturing in Europe to grow ~8%

European remanufacturing drivers

- 1  **Growing carpark & new sales**  2.3% annual car park growth towards 2020
- 2  **Longer vehicle lifetime**  +1 year in average lifetime since 2010
- 3  **Declining number of accidents**  1% annual reduction in accidents since 2010
- 4  **Structural change**  Growing aftermarket liberalisation via regul.
- 5  **Maturing reman. capabilities**  Drives industry promotion/knowledge sharing
- 6  **Global green agenda**  Supply concern 'critical' to EU (focus on CO₂)¹

European auto remanufacturing market

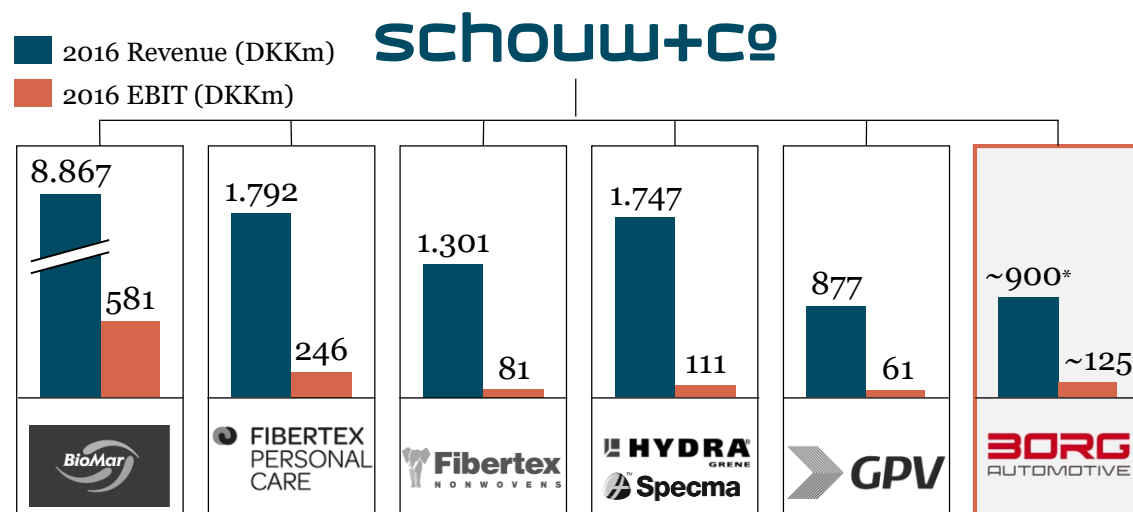
EUR billion



Acquisition makes good business sense

Rationale, conglomerate level

- Current capital structure provides room for significant investment on top of current investment programs
- Span of control target of 5-7 businesses enables new value enhancing platform investments
- Continue value-creation of the conglomerate by pursuing attractive buy-and-build opportunities
- A new platform investment is key in 'the next step' of Schouw & Co.



Rationale, business level

- Borg Automotive fulfils all investment criteria
 - **Leading position** – leading position in Europe
 - **B2B** – processing of remanufacturing auto parts servicing global wholesalers, buying groups and OES/OEMs
 - **Internationally focused** – sales throughout Europe with production in Poland and UK
 - **Strong management** – highly skilled management team willing to step-change the company
 - **Active ownership** – significant opportunity for transformation through active ownership
- Borg Automotive is well-run and among the best-in-class to deliver growth and profitability
- Well positioned with solid presence in attractive markets and all major product categories
- Industry growth of ~8% is unique
- Significant opportunities to drive further growth in a fragmented industry, organically and through M&A

Transaction details

Valuation

- **Enterprise Value** is **DKK ~1,150m**

For 100% of the shares incl. estimate of the fair value of the minority interest

- Financial **estimates** 2017 (Jan-Dec)

Sales¹ DKK ~1,050m

EBITDA DKK ~170m

EBIT² DKK ~160m

- Transaction **multiples**

Sales ~1.1x

EBITDA ~6.8x

EBIT² ~7.2x

- **Recognised** in Schouw & Co. 2017 Q2-Q4

Revenue DKK ~800m

EBIT² DKK 110-130m

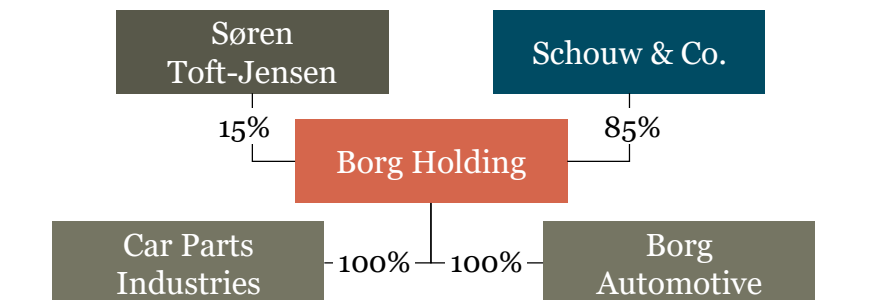
Transaction

- Complex transaction due to previous ownership structure where 'Borg Fonden' owned a minority in one of the two entities in the transaction scope
- Schouw & Co. has an option (and an obligation) to obtain full ownership within a relatively short period of time
- Following a string of transactions Schouw & Co. will own 85% of the combined Borg Automotive Group and Søren Toft-Jensen will own the remaining 15%
- Due to the purchase obligation of the 15% ownership stake, Schouw & Co. will recognize a liability in the balance sheet at fair value, i.e. treat the option as a debt-like item rather than a non-controlling interest (NCI)
- Any communication on purchase price of the company incorporates the fair present value of the minority share and hence assumes a valuation comparable to 100% of the shares

Current structure³



Intermediate structure (1/2-2 years)



End structure (+2 years)

