

# Wendel Investor day

Executive Board Presentation

2017

LONG-TERM INVESTOR



WENDEL



## Wendel

2009-2017 achievements

Strategy implementation in 2017

Q3 trading update & NAV

*Frédéric Lemoine, Chairman of the Executive Board*

*Bernard Gautier, Member of the Executive Board*

*Jérôme Michiels, CFO*

## The 3 largest unlisted companies for Wendel



Stahl

*Huib van Beijeren, CEO*



Constantia Flexibles

*Alex Baumgartner, CEO*



IHS

*Issam Darwish, CEO & founder*

# Put your questions to our speakers throughout the morning

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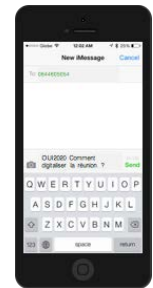
**In the room**, you can ask questions orally or use our interactive tool.  
**From the web**, you can ask questions from our interactive tool.



OR



OR



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Type **WENDEL2017** followed by  
a space mark and your question

## New Chairman of the Executive Board as of January 1, 2018

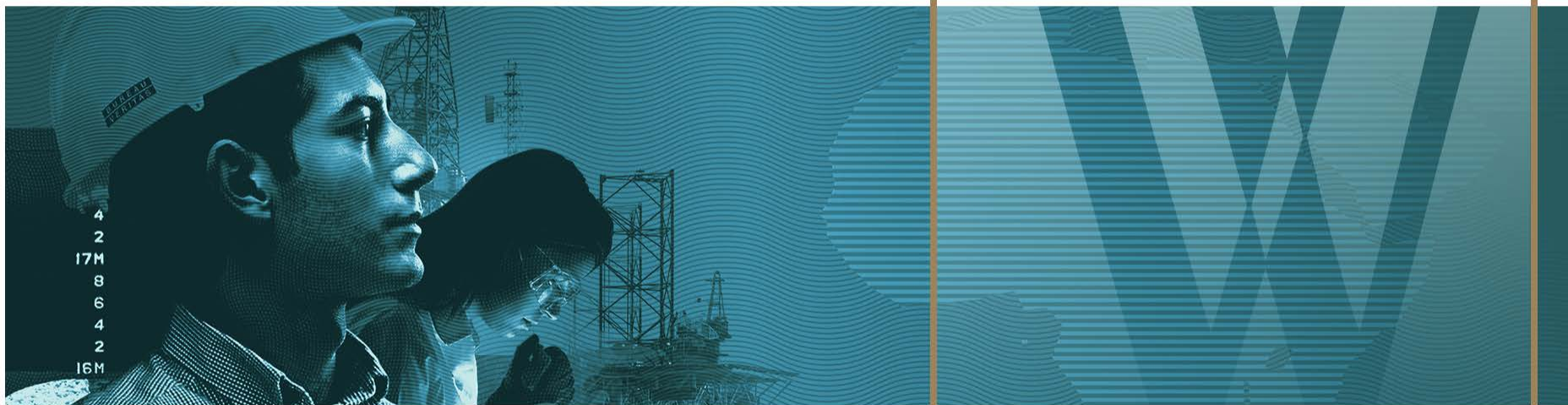
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André François-Poncet

# 2009-2017 achievements

Frédéric Lemoine – Chairman of the Executive Board



W E N D E L





# Wendel was in crisis mode in early 2009...

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## DEPRESSED ECONOMIC ENVIRONMENT

- Subprime crisis transformed into worst financial crisis since 1929
- Lehman went bankrupt mid September 2008
- In February/March 2009, markets completely collapsed, in the context of a global liquidity crisis

## ALTERED IMAGE & LACK OF TRUST

- Acquisition of Saint-Gobain shares at high price with aggressive financial structure
- Very bad relationship with Saint-Gobain
- Severe deterioration in Wendel's image and trust among all its stakeholders

## HUGE DEBT BURDEN

- €8.4 bn of gross debt, €6+ bn of net financial debt
- €3.5 bn of debt with margin call
- LTV ratio above 80%
- Wendel downgraded to junk in fall 2008

## UNLISTED ASSETS ALMOST WORTHLESS

- Unlisted assets highly leveraged and their value was close to 0
- Economic outlook was gloomy with high probability of covenant breaches

## NET ASSET VALUE AT THE LOWEST

- Market multiples were plummeting
- Leverage was at a record high
- NAV was deteriorating day after day

## VERY LOW SHARE PRICE

- Share price went down to c. €15 Mid-March

...but our analysis was more positive

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High quality assets



Highly skilled team



A unique position of long term investor



With 2 major issues to be cured:

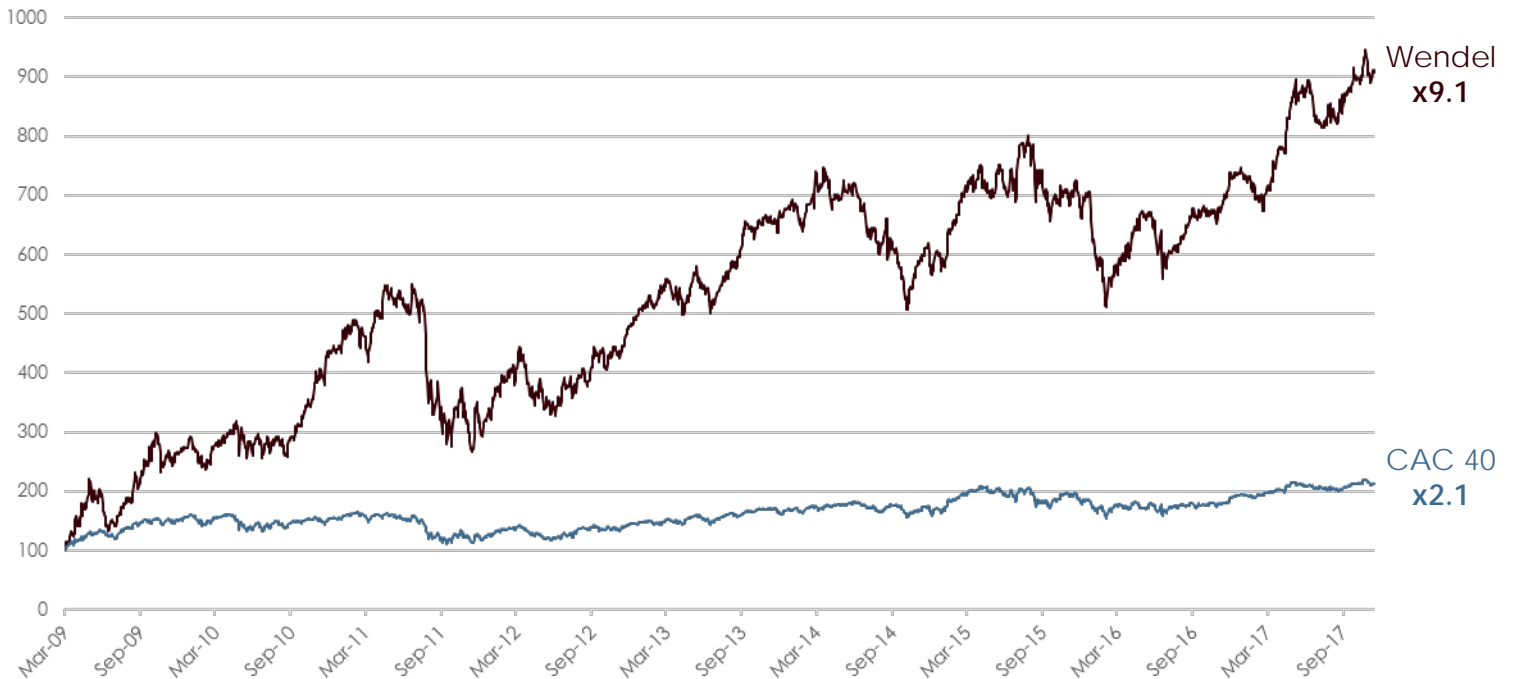
- Too much debt
- Lack of diversification





Share price **x9.1** from the low point in March 2009

Closing price  
03/09/2009 = 100

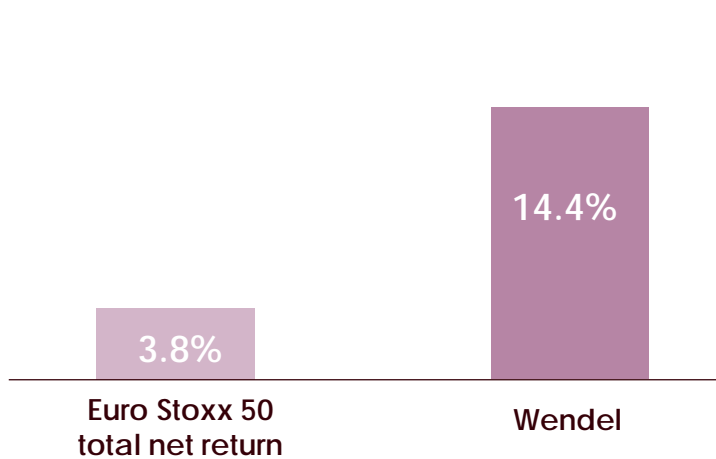


# Double digit annualized shareholder return

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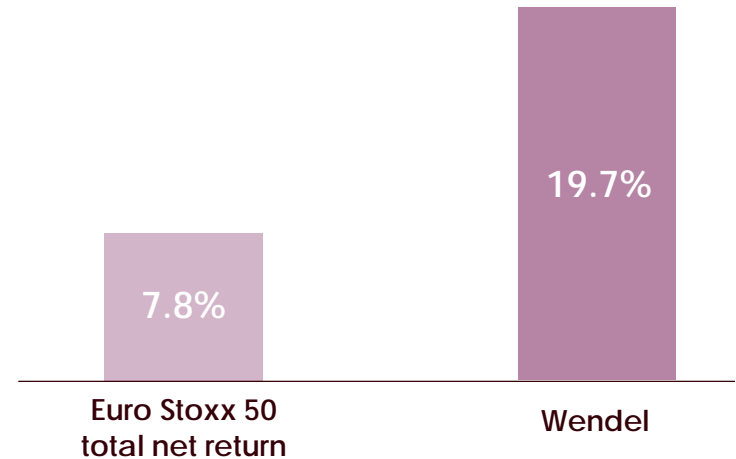
## Annualized TSR

since June 13, 2002



## Annualized TSR

since January 1, 2009



€1.2bn

returned to shareholders in dividends and share buybacks since 2009

# Sharp deleveraging

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## Net debt

€6.6bn

Early 2009

€1.0bn

Nov.17, 2017

## Loan-to-value ratio

>80%

Early 2009

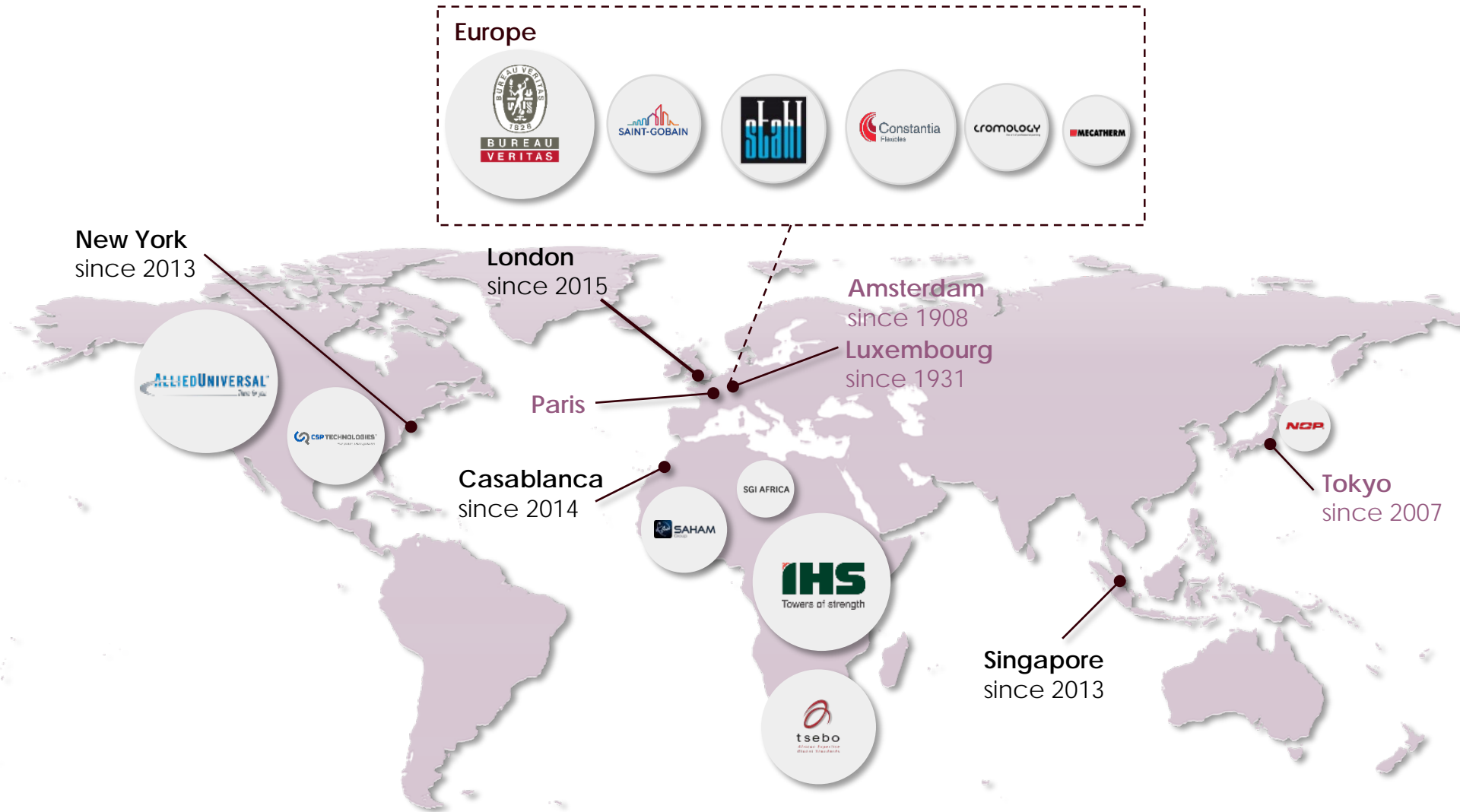
11.8%

Nov.17, 2017



Corporate debt annual cost from €375m to less than €100m

# Expanding Wendel's international reach



# Internationalization facts & figures



**\$1.2bn**  
invested in Africa

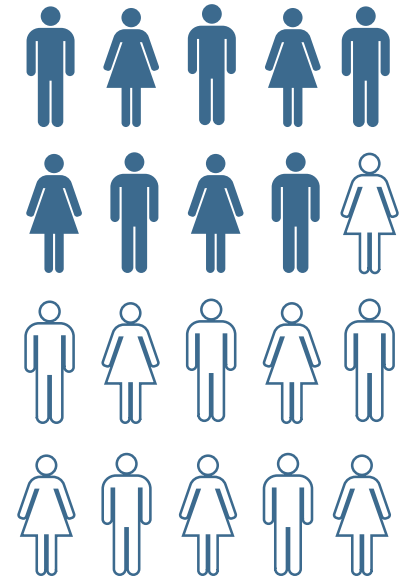


**\$1.0bn**  
invested in North America



**€615m**  
invested in Europe, ex-France

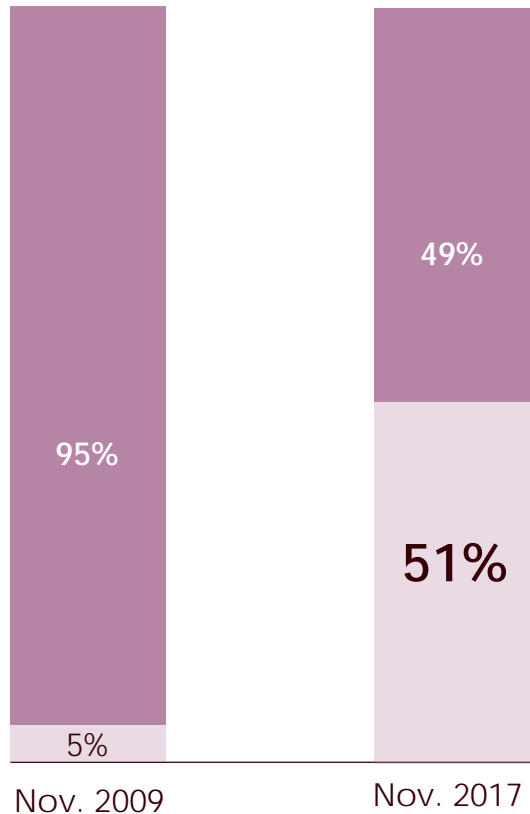
**45%** of Wendel's  
staff is non-French  
vs **18%** in 2009





# Strong reshuffling of portfolio

Breakdown of GAV excl. cash



Unlisted assets

Listed assets

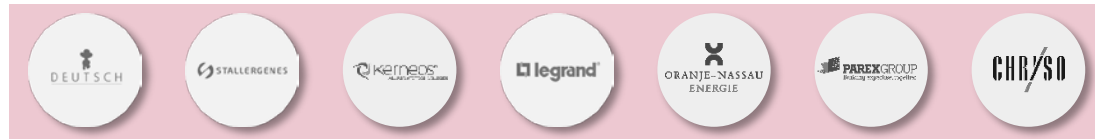
## 9 new companies



## 4 companies have remained in portfolio



## 7 disposals

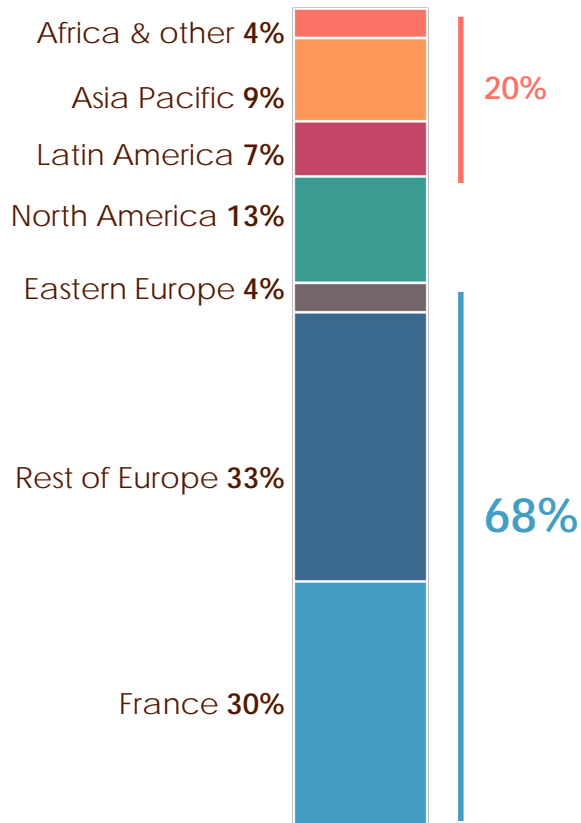


## 2 companies acquired & sold



# Rebalanced geographic exposure<sup>(1)</sup>

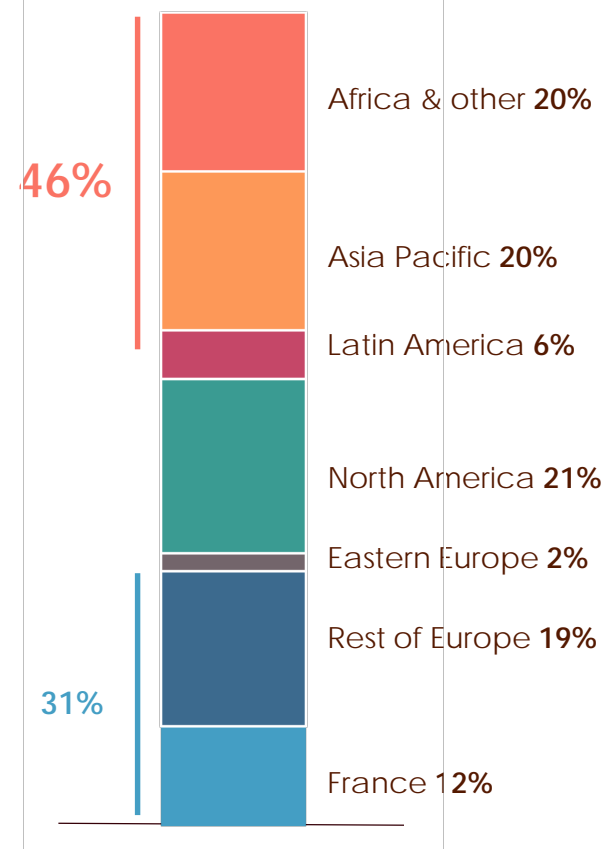
2009 INVESTOR DAY



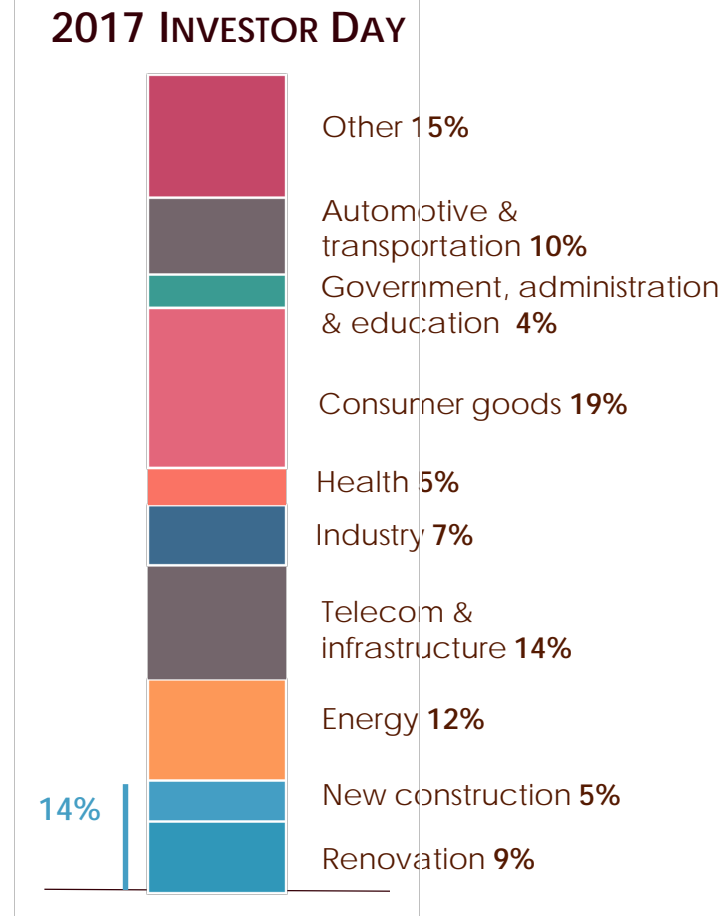
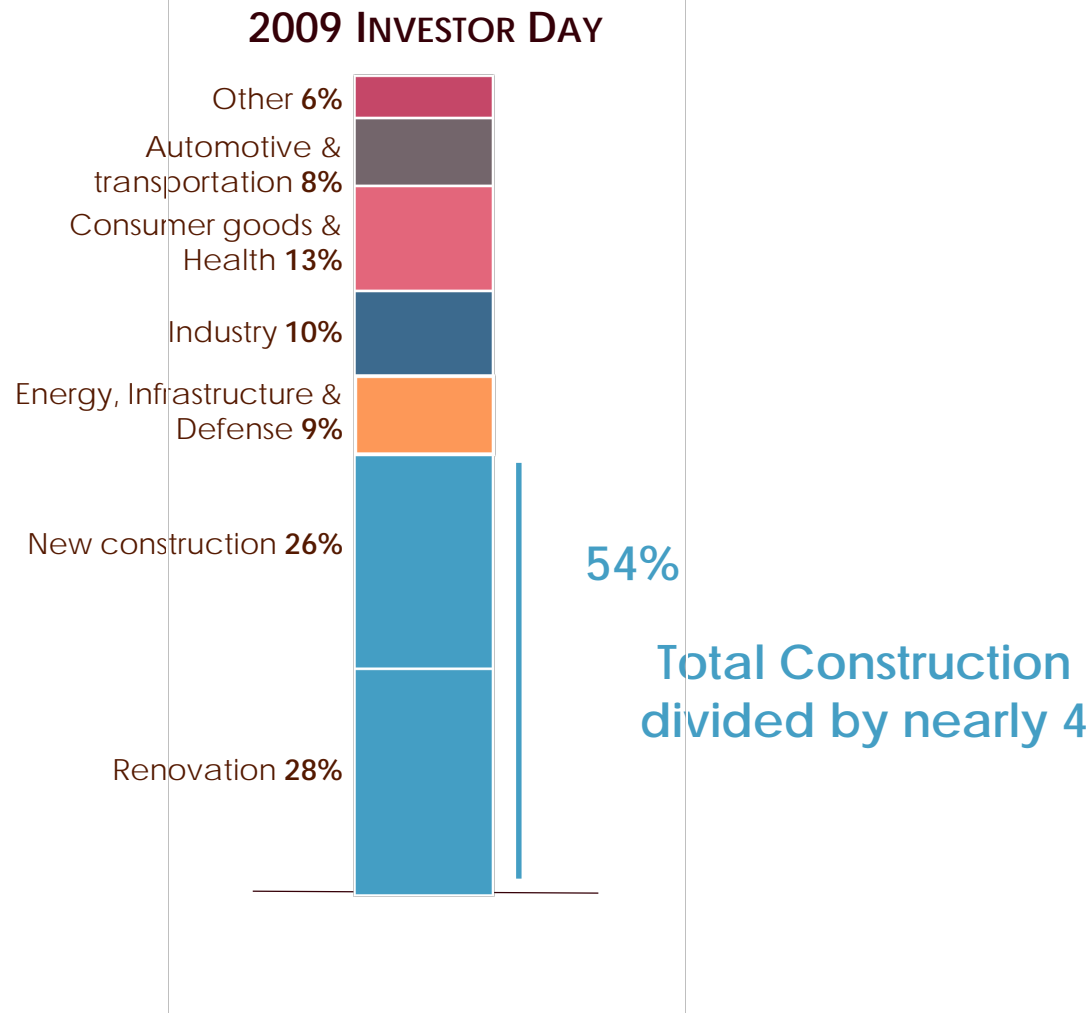
Total emerging markets more than doubled

Total Europe more than halved

2017 INVESTOR DAY



# Rebalanced sectoral exposure <sup>(1)</sup>



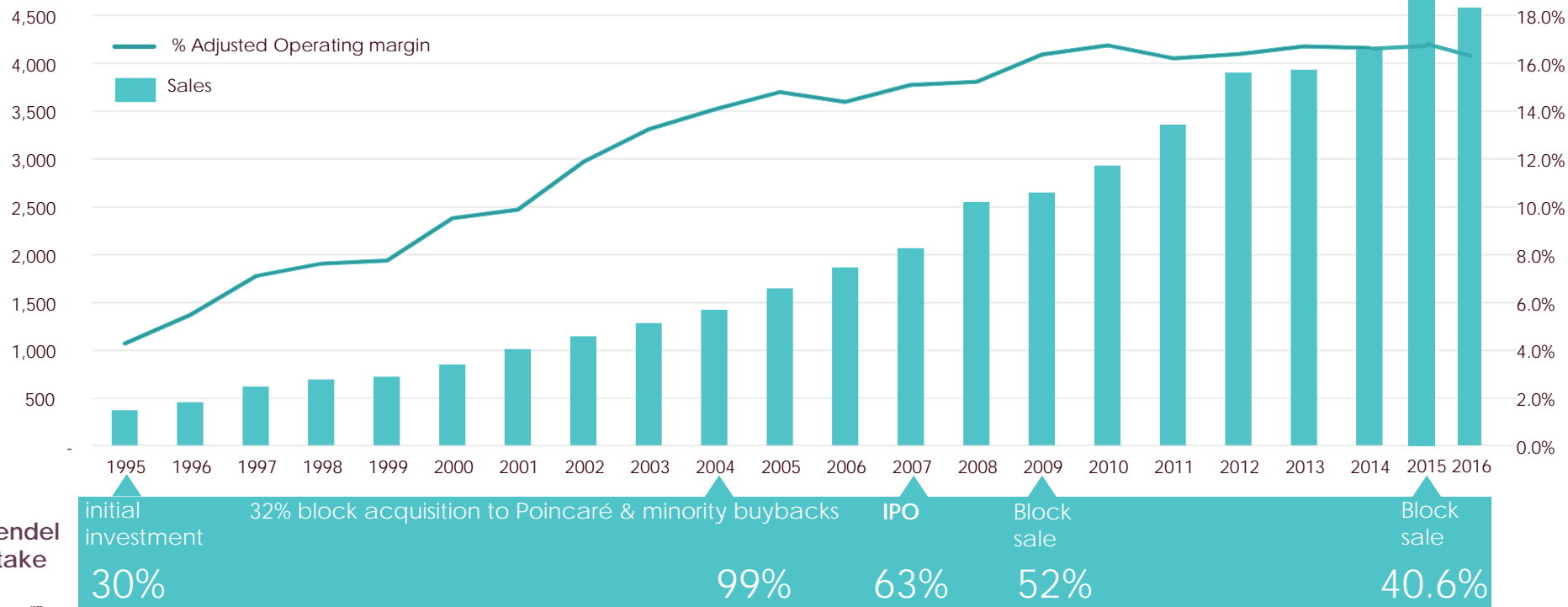
# Bureau Veritas is a cornerstone of Wendel's portfolio



## An asset we know in depth

- First investment in 1995
- Sales multiplied by more than 11x since then
- Controlled
- Predictable cash flows
- Diversified by nature
- Undervalued, in our view

## Outstanding sales and EBIT margin expansion from 1995 to 2016



# Bureau Veritas is a fantastic asset to have

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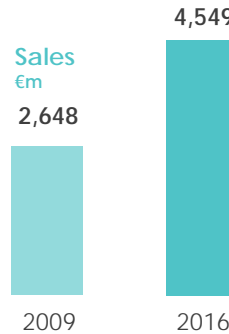
# Main companies transformations since 2009 (1/2)

Bureau  
Veritas



**74 acquisitions**

o/w 30 in emerging markets  
Sales up 72%

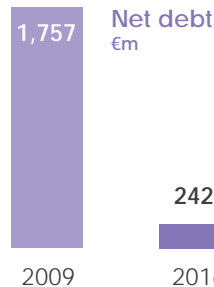


- 2010, relaunch of growth initiatives and acquisitions after 2009 lull
- Transformation in a truly global services company with Didier Michaud-Daniel
- New strategic initiatives in 2016 with BV2020 plan
- EPS up c.50%

Cromology



**Leverage divided by 7.3x**



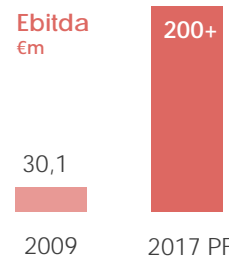
- Sale of 3 Materis divisions.
- Leverage down from €1,757m to €241m
- Capital injection of €36m in 2009, debt renegotiation with 199 lenders
- 2 acquisitions

Stahl



**2 transforming deals**

+ 2 bolt-on acquisitions  
Sales x 3.6  
EBITDA x c.7

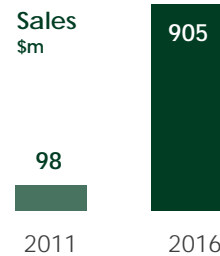


- Deleveraging through debt renegotiation & fresh equity from Wendel (€60m)
- Engineering of the two transforming acquisitions by Wendel teams

# Main companies transformations since 2009 (2/2)



**21,000+**  
towers acquired<sup>(1)</sup>  
Sales x9.2  
(1) incl. MLL

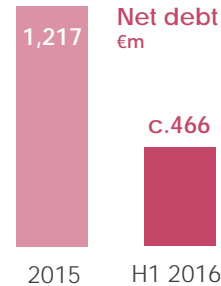


- Wendel support through capital injections, to a total amount of \$826m, becoming a core shareholder
- \$5.5bn of capital and debt raised over the last 6 years
- Expansion in new countries.
- Services excellence & Strong governance
- IHS is now the leading independent Tower Co in EMEA

Constantia  
Flexibles



**5 acquisitions**  
o/w 2 in emerging markets  
Leverage almost halved

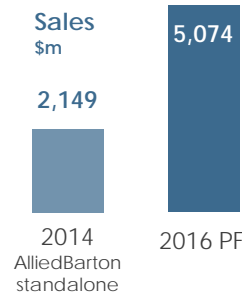


- Support from Wendel by capital injections to finance acquisitions, notably in emerging countries
- Sale of Labels business to MCC, giving the company new resources for growth

Allied  
Universal



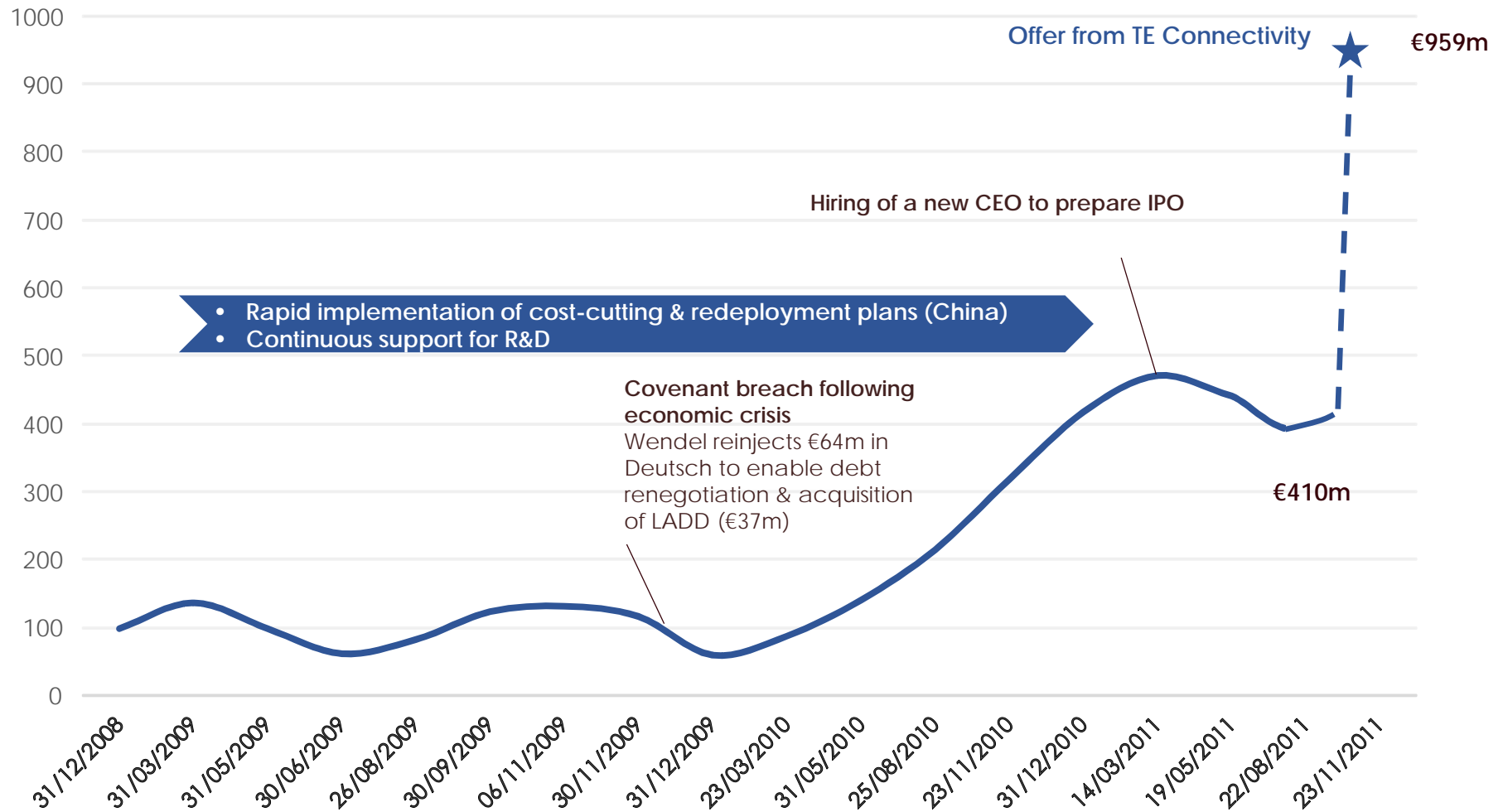
**1 megamerger**  
+ 6 acquisitions  
Sales more than doubled



- 6 months after acquisition, merger of AlliedBarton with Universal to create the undisputed American leader of Security Services.
- PF sales of c. \$5.3bn

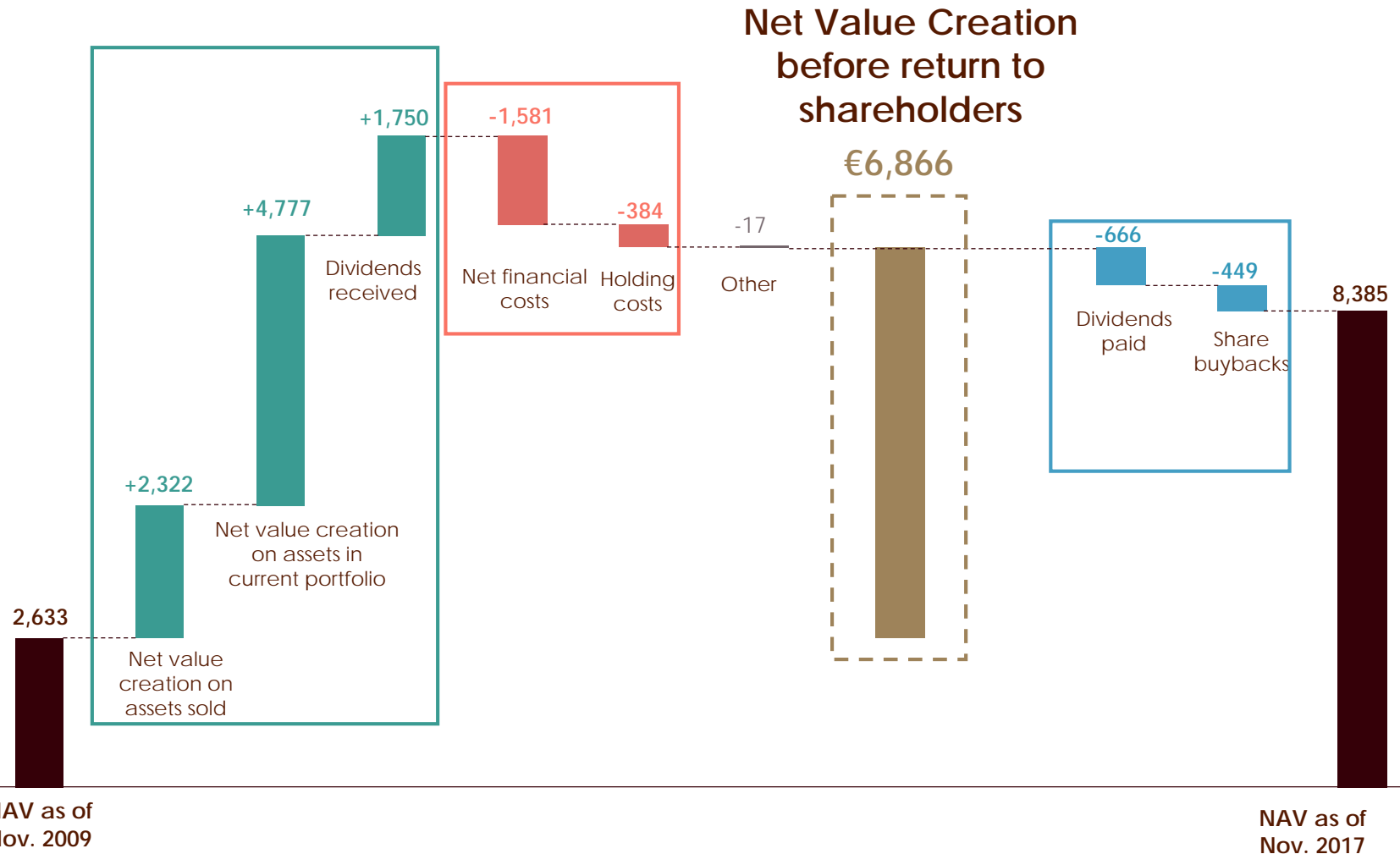
# Case study: Valuation of Deutsch before sale to TE Connectivity

Valuation of Deutsch's equity owned by Wendel, in €m



# Value creation since November 2009: €6.9bn, around €8.5bn since March 2009

In millions of euros



# 2009-2017 key takeaways

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## Value creation

**Share Price x9.1**, lifetime high in November 2017 @ €146.95  
**NAV x6**, lifetime high @ €181.3 per share as of Nov. 17, 2017  
**TSR: 19.7%**



## De-risking

Net debt divided by 6  
**LTV** down from >80% to **11.8%**  
Recovered IG rating



## Diversification

**2 new geographies** conquered:  
Africa & North America  
Balanced sector exposure  
Internationalization of Wendel



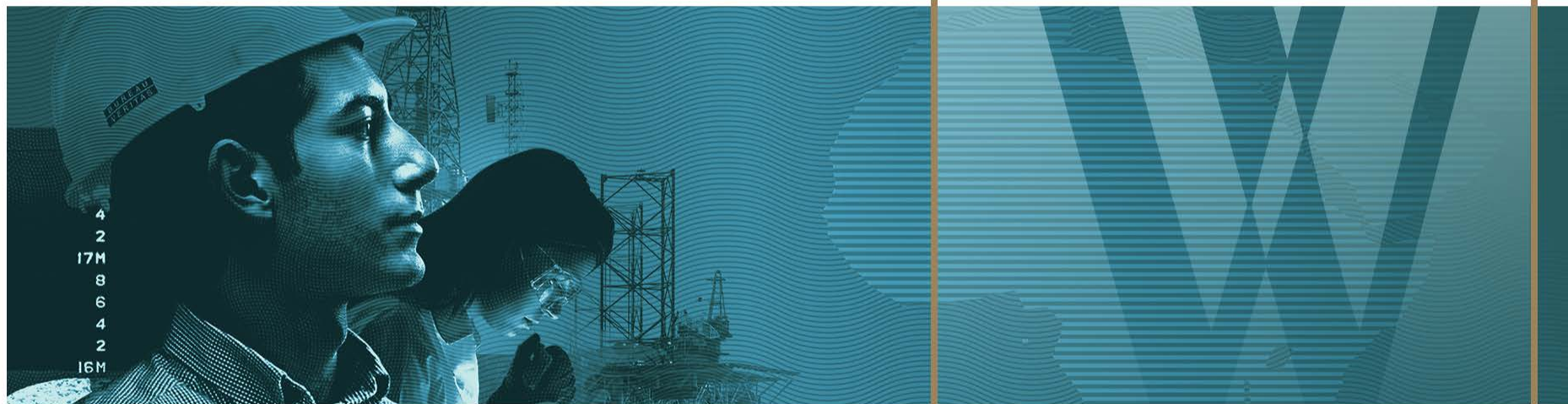
## Asset transformation

Major change of scope of through active M&A & strategic:  
Materis (Cromology), Bureau Veritas, Stahl, IHS,  
Constantia Flexibles,  
Allied Universal



# Strategy implementation in 2017

Bernard Gautier – Member of the Executive Board



WENDEL

## Our missions are clear

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**Build & grow our portfolio** companies  
with a **long term perspective**

Give public investors access to  
**high quality unlisted assets**

**Create value** for shareholders  
while suitably balancing risks

# 2017-2020 main strategic pillars unchanged

## 1. INVEST

If Wendel invests €3-4bn total equity, depending on markets conditions, in Europe, Africa, North America & South-East Asia in companies offering exposure to long-term mega trends, **€500m to 1bn could come from co-investors** which share our vision.

## 2. DEVELOP & CRYSTALLIZE VALUE

Continue to **develop our portfolio companies** with a long-term perspective:

- Bureau Veritas
- Stahl, IHS, Constantia Flexibles, Allied Universal

**Position** our portfolio to benefit from trends toward digitalization

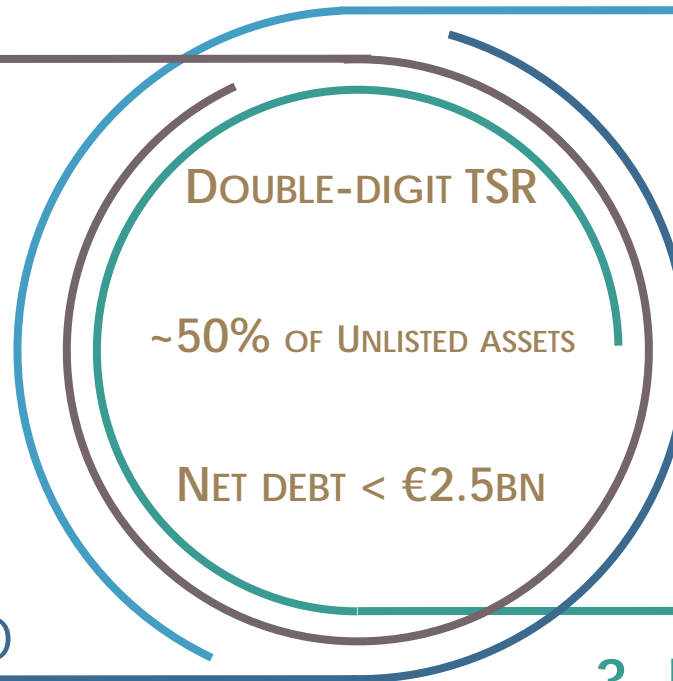
**Organize** portfolio rotation: take advantage of potential IPOs, disposals, partnerships and reinvestments.

## 4. RETURN VALUE TO SHAREHOLDERS

Continue to deliver a double-digit TSR <sup>(1)</sup> with an **increasing dividend** year after year, consistent with our TSR target and regular and opportunistic **share buybacks** when discount to NAV is above 20%.

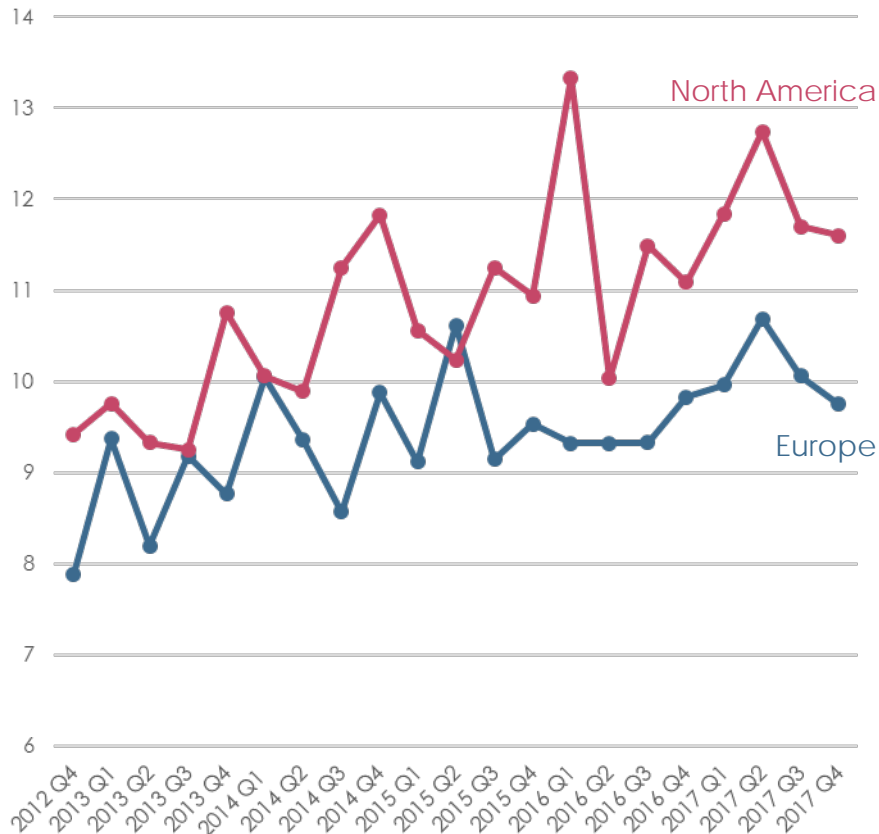
## 3. REMAIN CAUTIOUS

Maintain our **debt under strict control** & much lower than in the past, **keep a balanced portfolio** of listed and unlisted assets.



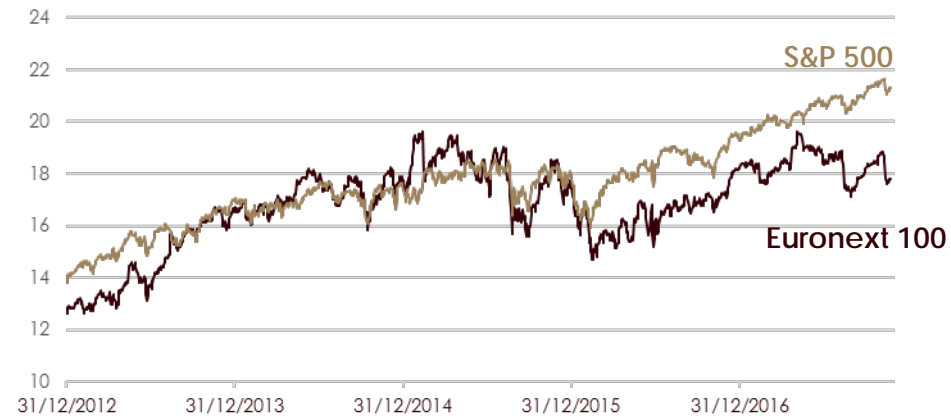
# In expensive market conditions ...

Private transactions: median implied EV/LTM EBITDA



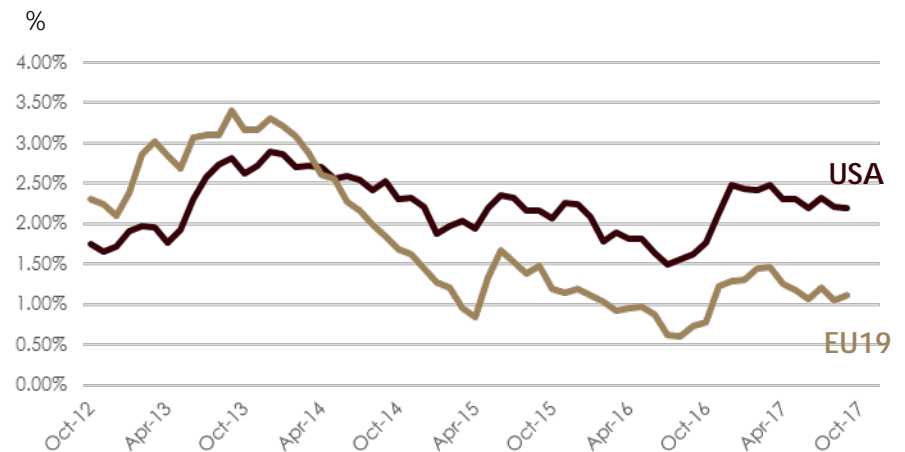
Source: S&P Capital IQ

Public equities: Price to earnings ratio



Source: Factset / Uses LTM EPS for U.S. companies and fiscal year EPS for non-U.S. companies

Debt markets: Long-term interest rates

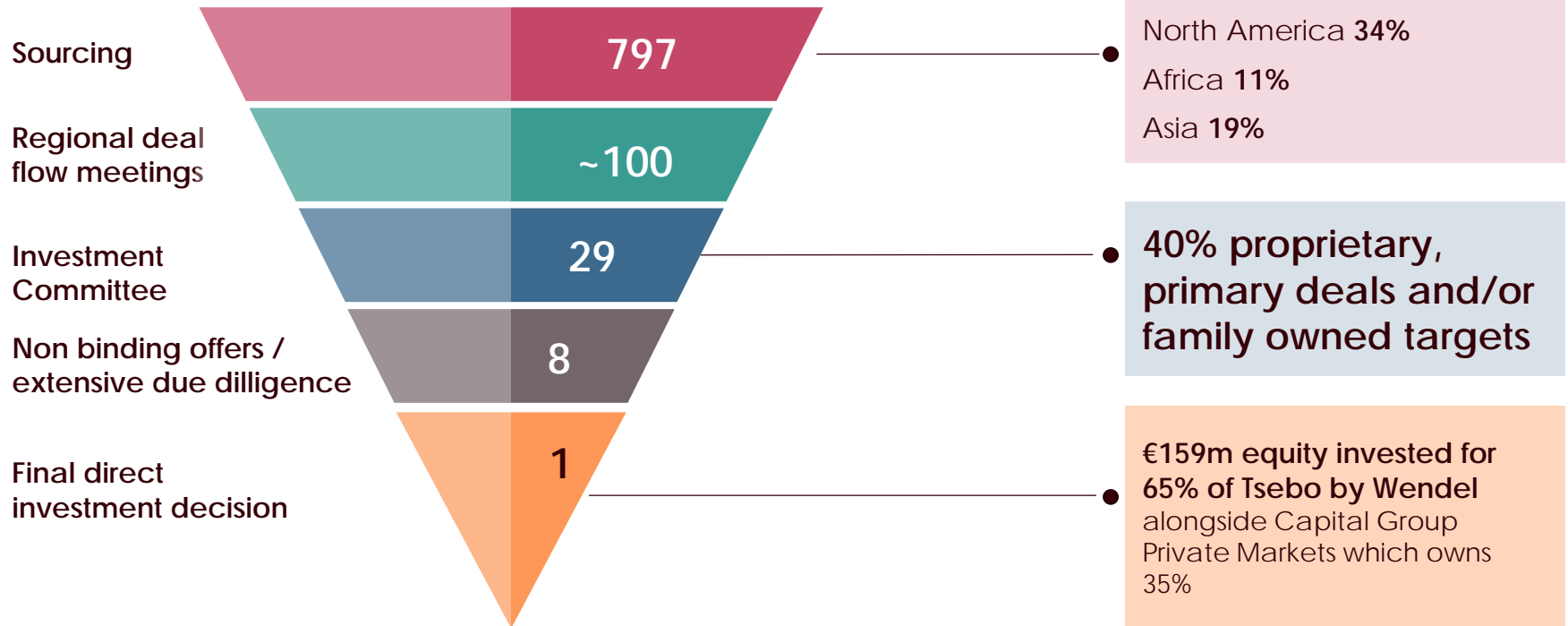


Source: OECD

... we had cautious and very selective investment activity in 2017

## NEW OPPORTUNITIES

# of deals in 2017



+ many build-up opportunities seized by Group companies



# Tsebo, the leading pan-African facilities services provider

An investment **fully aligned with Wendel's African investment strategy**...



**4<sup>th</sup> investment of Wendel in Africa**, headquartered in South Africa with growth potential and footprint in 23 African countries



Benefit of **Wendel's successful track record in business services**

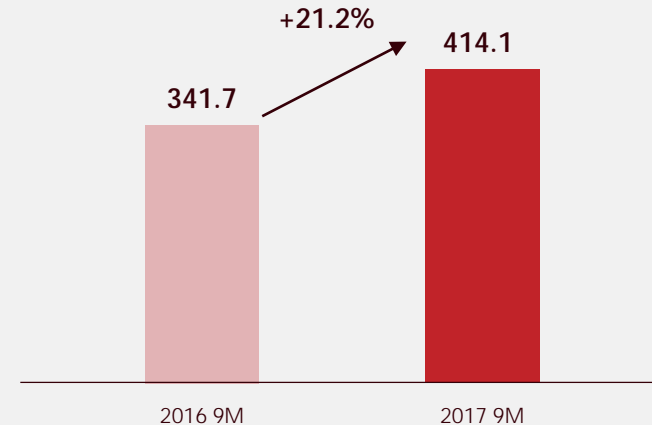


**Partnership** with Capital Group Private Markets, an experienced PE group in the region

- Capital Group Private Markets invested alongside Wendel (~35%)

... starting well and delivering **good financial performance**

Sales, in m\$

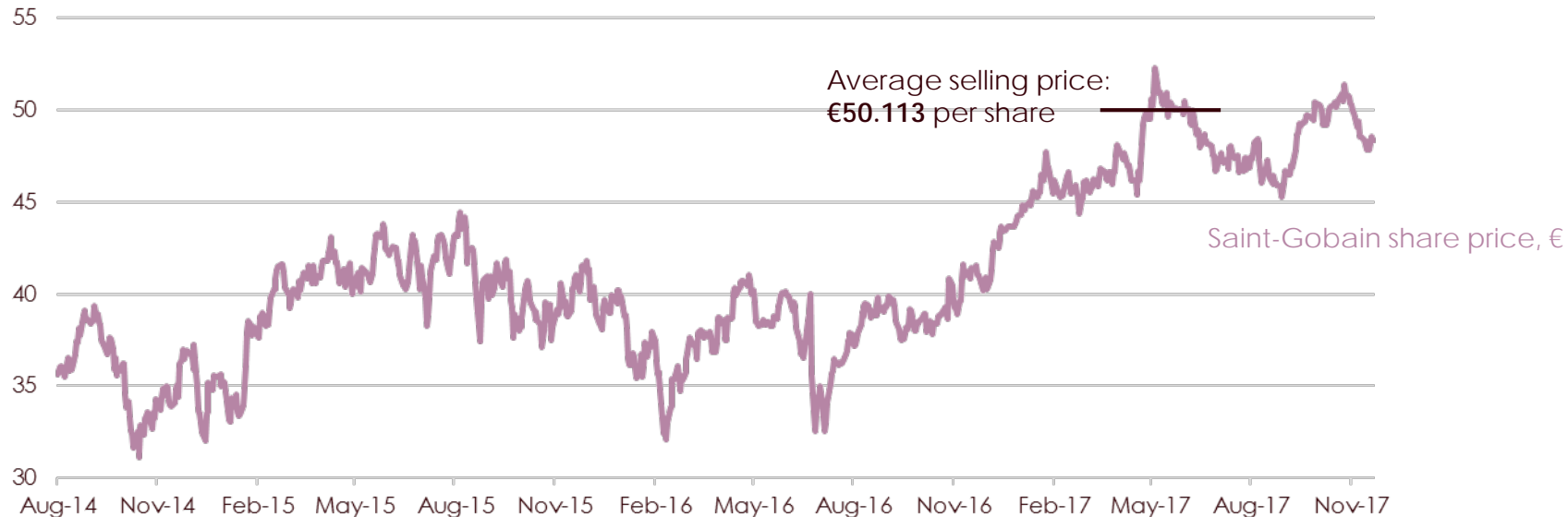


- **Organic growth of +6.6%** driven by Cleaning (+8.9%), Catering (+6.2%), Facilities (+8.0%), and Leasing (+16.6%)
- **External growth of +3.2%**
- Currency impact of +11.4%
- Improvement from performances not yet reflected in Net Asset Value, Tsebo still at historical value



## Sale of 3.9% of Saint-Gobain's share capital in May-June 2017

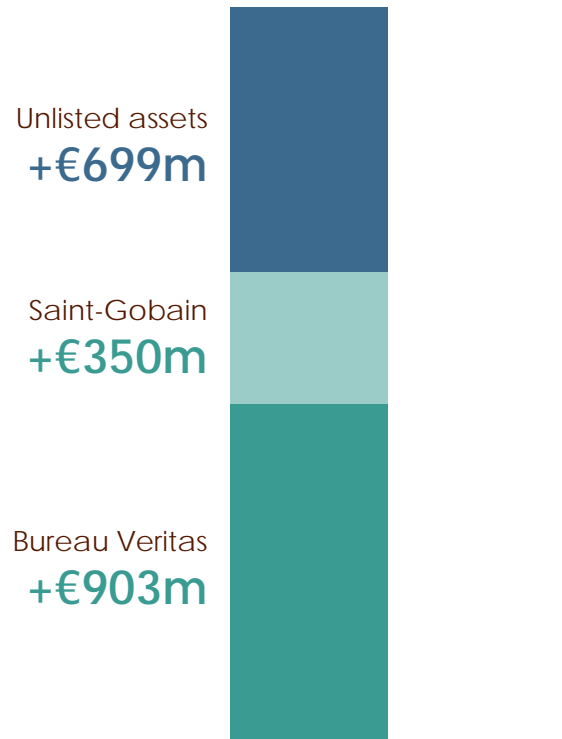
- 21.7m shares sold, o/w a 20m block with a 0.7% discount
- €1,085m total net proceeds



**Wendel tendered its entire stake of 5.7m except shares into Active Ownership Capital voluntary public takeover offer for a total amount of €16.6m**

# Value creation over the last 12 months

**€1.9bn** Group companies contribution to net asset value growth in 2017, in €m



## IHS

- Positive impact of FX reset clauses in Nigeria
- Focus on cash flow generation and deleveraging
- Acquisition of Zain towers in Kuwait<sup>(1)</sup>

## Stahl

- Acquisition of BASF leather chemicals business
- Record LTM EBITDA margin at 24% as of Sept. 2017
- Strong push for green technologies

## Allied Universal

- 3 acquisitions representing €50m sales
- Positive impact of merger synergies implementation

## Cromology

- Leap forward project launched to boost growth and improve profitability

## Saint-Gobain

- Value crystallization at peak share price through the disposal of 21.7m shares
- Positive impact of French construction market rebound

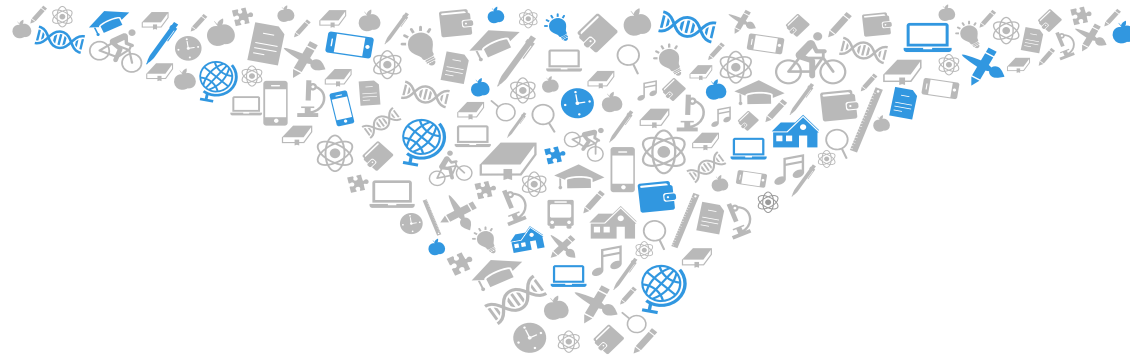
## Bureau Veritas

- Growth initiatives maintained strong momentum, driving organic growth to 2.2% in Q3 vs 1.3% in H1
- 4 acquisitions in 2017 to support growth

## Constantia Flexibles

- Sale of Labels business to MCC: less complexity, more synergies, additional resources to step up investments in innovation and growth
- Ongoing operational efficiency review

# Digital@Wendel – Initiative Overview



## Module I: Portfolio Companies

- Launched early 2017
- BCG study & benchmark

Push harder for digital transformation of our companies

## Module II: Wendel's organization & investment process

- Launched in Sept, 2017

Efficiency program & improved risk management

## Module III: Target investments in digital economy

- Ongoing / Wendel Lab

Deal flow creation & Internal skills upgrade



Opportunities to be captured

Risks to be mitigated

# Examples of Digitalization levers for our companies



➤ SmartWorld is one of the 5 Growth initiatives of BV2020

➤ Acquisitions in the connectivity industry



➤ Partnership with Dassault Systèmes to drive digital transformation for Marine & Offshore companies

➤ Already providing digital solutions

**DIGITAL TWIN**  
Data Gate Keeping



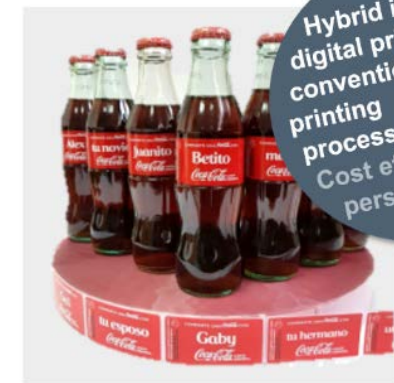
Modelize in 3D the infrastructure to provide end to end integrity managementservices



Smart packaging



Digital printing



Hybrid in-line digital printing with conventional printing process  
Cost effective personalisation

## Our targets

- **Generate new profitable investment opportunities for our core investment business**, offering successful high growth/late-stage companies, an alternative to a public exit and access to Wendel network
- **Remain up to date with the latest trends** and leverage this knowledge for all the companies in portfolio
- **Build lasting relationships** to position Wendel favorably when the time comes  
**Focus** on new geographies, new investment models and/or disruptive trends
- **Invest** today around 1 to 1.5% of Wendel's asset base limited to a handful of small tickets (under €20m) to generate deal flow of large and scalable opportunities in the digital economy

## Wendel's Investments in funds...

€18.4m { **INNOVATION**  
E N D E A V O R S  
**MARKER LLC**

€15.0m **QUADRILLE**  
Capital

## ...that already give exposure to promising assets such as:



# Examples of CSR in our companies

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**Cromology**'s accident frequency rate has been divided by 3 in 11 years

**Stahl** is a model for workplace safety with a consistent 0.8 accident frequency rate



**Constantia Flexibles** is committed to a 40% reduction in CO2 emissions by 2023

In 2016, **Stahl** decided to reduce its greenhouse gas emissions by 10% by 2020



ABInBev and **Constantia Flexibles** jointly developed a fully recyclable aluminum capsule system for beer flavor dispenser

**Stahl** introduced PFC-free water-repellent portfolio for the leather industry



**IHS** is involved in several Education Programs in countries it operates

**Wendel** invests in African Impact Investment (I&P Afrique Entrepreneurs)

# Financial value returned to shareholders in 2017

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**€107m** paid in dividends in 2017 vs. €99m in 2016

**473,369 shares** bought back for a total amount of **€62.5m**  
vs. €50m in 2016

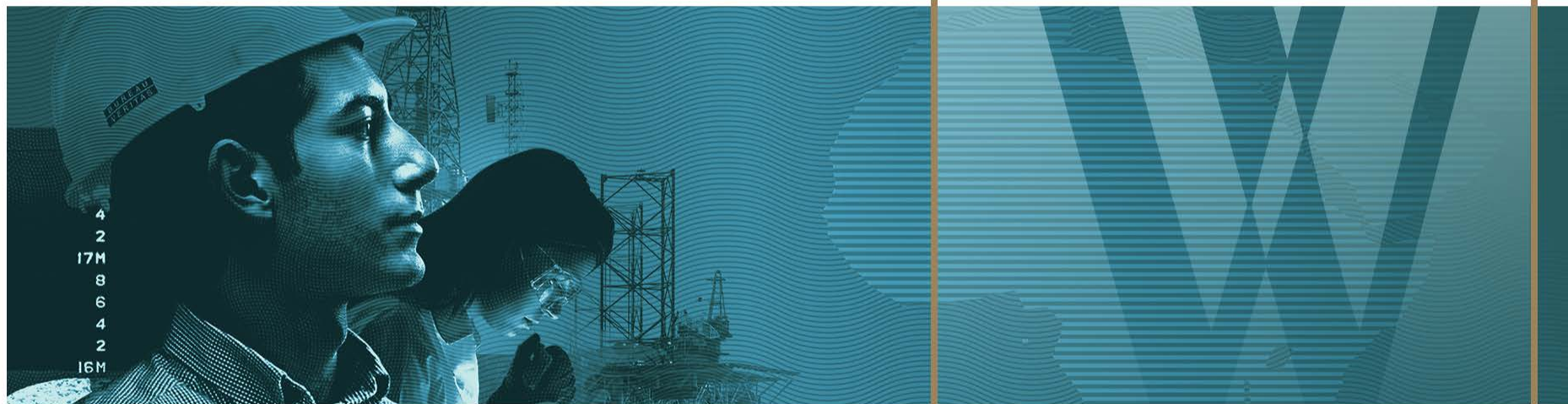
**2% of the share capital** cancelled in October 2017

**Double digit TSR at 32.2%<sup>(1)</sup>** over 1 year



# Trading update

Jérôme Michiels - CFO



W E N D E L

**Consolidated sales of €6.2bn** over 9 months and **€2.3bn** in Q3, up 6.4% overall and up 1.9% organically

**Record high NAV** at **€8,385m** and NAV per share at **€181.3** as of November 17, 2017 , up 30.0% over 12 months

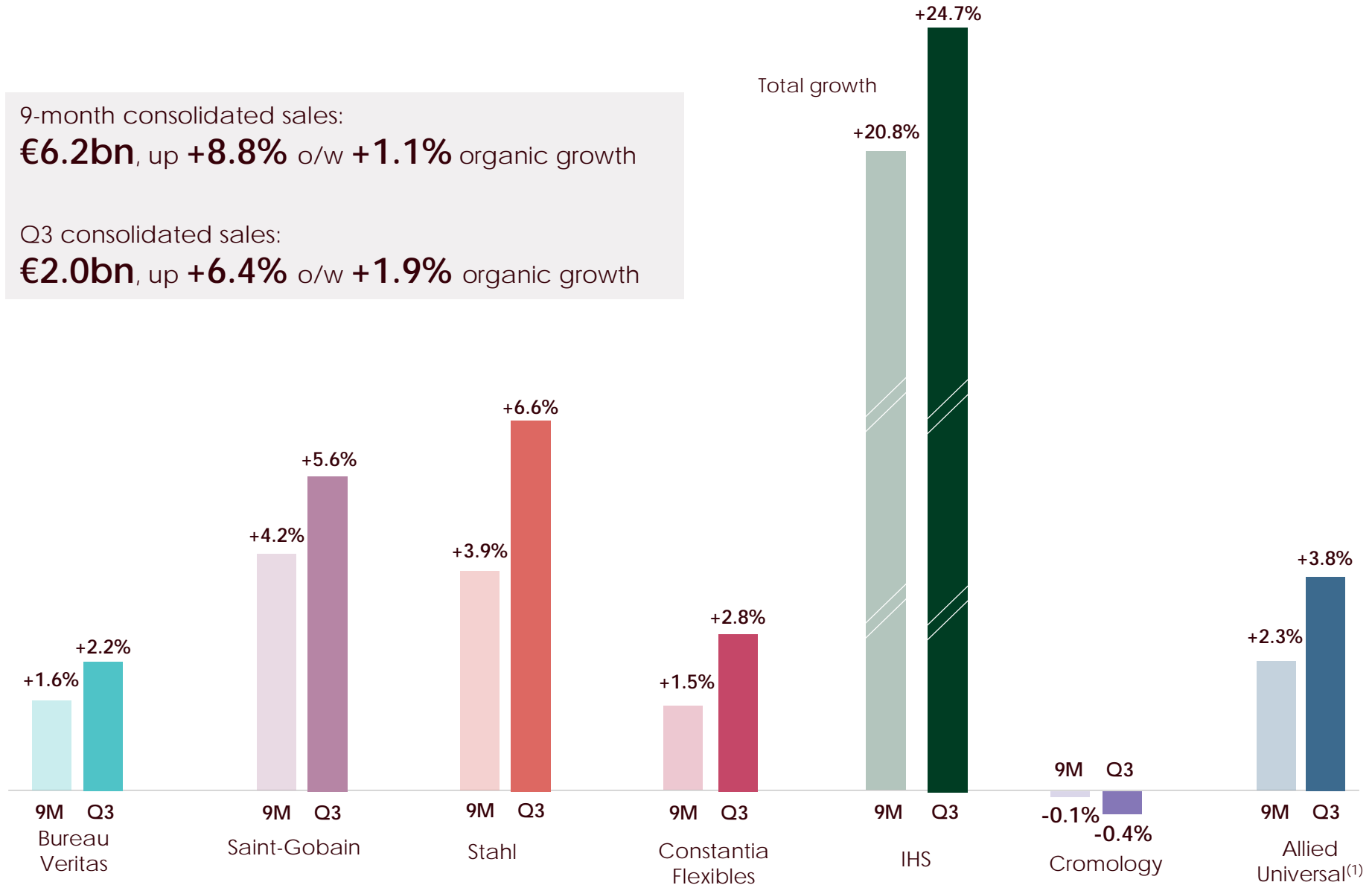
# Solid performance of major assets over the first 9 months and in Q3 2017

9-month consolidated sales:

**€6.2bn**, up **+8.8%** o/w **+1.1%** organic growth

Q3 consolidated sales:

**€2.0bn**, up **+6.4%** o/w **+1.9%** organic growth



# Valuation methods

**Auditors** check the consistency of the methodology and NAV calculation is benchmarked by an **independent expert**

## Listed assets

Average closing price of the 20 trading days prior to the valuation date



Bureau Veritas



Saint-Gobain



Tsebo



Saham <sup>(1)</sup>

## Unlisted assets

Valuation at cost for the 12 months following their acquisition or with recent key transactions

Valuation by listed peer-group multiples



IHS



Constantia Flexibles



Stahl



Allied Universal



Cromology



CSP Technologies



Mecatherm



NOP

	IHS	Constantia Flexibles	Stahl	Allied Universal	Cromology	CSP Technologies	Mecatherm	NOP
# of peers <sup>(2)</sup>	9	3	6	6	5	6	6	9
Type of peers	TowerCos: 2 EU, 4 emerging markets and 3 US	3 global packaging groups + MCC shares valued at average closing price of the last 20 trading days	2 diversified semi-specialists and 4 niche specialists	Leading global security groups: 4 EU and 2 US	Leading global paints and coatings companies	3 healthcare packaging manufacturers and 3 leading global packaging companies	2 generalist industrial equipment providers, 2 foodservice equipment manufacturers, 1 bakery machines manufacturer and 1 food solutions provider	Fluid equipment manufacturers: Europe (4), North America (3), Asia (2)

# Record high NAV of €181.3 as of November 17, 2017

(in millions of euros)

			Nov. 17, 2017
Listed equity investments	<u>Number of shares</u>	<u>Share price</u> <sup>(1)</sup>	4,684
• Bureau Veritas	177.2 million	€22.5	3,983
• Saint-Gobain	14.2 million	€49.6	701
Unlisted investments and Oranje-Nassau Développement <sup>(2)</sup>			4,771
Other assets and liabilities of Wendel and holding companies <sup>(3)</sup>			47
Cash and marketable securities <sup>(4)</sup>			1,746
<b>Gross asset value</b>			<b>11,249</b>
Wendel bond debt			-2,864
<b>Net asset value</b>			<b>8,385</b>
<i>Of which net debt</i>			-1,118
<i>Number of shares</i> <sup>(5)</sup>			46,253,210
<b>Net asset value per share</b>			<b>€181.3</b>
Average of 20 most recent Wendel share prices			€141.8
<b>Premium (discount) on NAV</b>			<b>-21.8%</b>

(1) Last 20 trading days average as of November 17, 2017.

(2) Investments in non-publicly traded companies (Cromology, Stahl, IHS, Constantia Flexibles, Allied Universal) & Oranje-Nassau Développement (NOP, Saham, Mecatherm, exceet, CSP Technologies, SGI Africa, Tsebo, indirect investments and debts). As per previous NAV calculation as of August 25, 2017, IHS Towers valuation was solely performed based on EBITDA to account for dynamism / early-stage development structure. Sanlam / Saham deal was completed on May 10th and taken into account in NAV calculation. Following the closing of MCC / Labels deal, MCC shares owned by Constantia Flexibles are valued at their last 20 trading days average. Tsebo is valued at cost value (in ZAR). Stahl valuation takes into account the acquisition of BASF Leather chemical.

(3) Of which 518,567 Wendel treasury shares as of November 17, 2017

(4) Cash position and financial assets of Wendel & holdings. As of November 17, 2017, this comprises €1.6bn of cash and cash equivalents and € 0.1m short term financial investment.

(5) 943,943 treasury shares were cancelled.

Assets and liabilities denominated in currencies other than the euro have been converted at exchange rates prevailing on the date of the NAV calculation.

If co-investment conditions are realized, there could be a dilutive effect on Wendel's percentage ownership.

These items have been taken into account in the calculation of NAV. See page 262 of the 2016 Registration Document.

# Disclaimer

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