



W E N D E L

# Letter to shareholders

November  
2022

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# Message from André François-Poncet

Dear Wendel shareholders,

Now that the mandate granted to me by your company's Supervisory Board is coming to a close, as I announced in June, I would like to thank you warmly for the five years I have spent as Group CEO of Wendel.

Together, we have faced strong headwinds: target company valuations bloated by an overabundance of liquidity induced in turn by unprecedented monetary policy, a worldwide pandemic, war in Europe, cost inflation and more recently a sudden rise in interest rates and its brutal impact on financial markets.

When I joined Wendel, the Supervisory Board set out several priorities for me. Among these were to simplify Wendel's organization and portfolio so as to enable us to deploy a rejuvenated investment strategy, to seek out investments with a potential for growth and to revamp compensation.



**André François-Poncet**, Group CEO of Wendel



The first order of business was to refocus our portfolio, consolidate our footprint abroad and strengthen our financial structure and that of our companies. We exited the capital of eight companies, especially the smallest in value terms, taking advantage of a seller's market environment. In particular, following a risky reinvestment in Cromology in 2018, in the wake of a change in senior management, we ended our Materis adventure on a favorable note. We also ended our costly journey with Saint-Gobain. Thanks to this refocusing, Wendel's portfolio is now more logical, easier to understand and much better organized. Bureau Veritas's balance sheet has been considerably strengthened and its net debt, like Wendel's, has been reduced. The maturity of that debt has been extended at extraordinarily favorable terms that we will probably not see again.

We also started to redeploy the portfolio toward fast-growing sectors and to strengthen our presence in North America. Wendel has already proven itself directly and through its New York office in this promising region, which is culturally similar to ours. We have continued to invest energetically, devoting ca. €1 billion to the acquisition of a controlling stake in CPI and ACAMS. We have also built up Wendel Lab by bringing in recognized US funds. Our work is far from finished, and it will be up to my successors to pursue it. In North America, Wendel is now structurally more exposed to high-potential service sectors, such as training, fighting financial crime and preventing violence in schools and hospitals. Of course, Wendel is also present in North America through Bureau Veritas, Stahl and Constantia Flexibles.

Finally, there was the less-visible part of our work: understanding and augmenting the underlying performance of the companies in the portfolio and focusing Wendel's efforts on these companies. In this regard, the Wendel team, and in particular our operating partners, considerably improved the monitoring of portfolio companies, whose profitability improved, in some cases spectacularly, at times owing to difficult decisions. Similarly, I'm particularly proud that our ESG commitments have been recognized. Wendel and its companies have distinguished themselves in ESG and have built a lasting competitive advantage over their competitors.

Bureau Veritas has also transformed and modernized itself, under the leadership of Didier Michaud-Daniel and supported by a reshuffled management team and Board. The company is now much better valued compared with its rivals.

With the portfolio refocused and results on the rise, Net Asset Value (NAV) per share has increased, despite a disappointing stock market valuation on one of our large long-standing investments. We have been able to make timely share buybacks and especially to increase the dividends paid to shareholders year in and year out (except 2020), without suspending the dividend during the Covid crisis.





Wendel's team and the management teams of our companies have been considerably strengthened, and the proportion of women on them has increased. Our decision processes are now more robust.

Your company now has less debt, ample liquidity and high-quality assets, giving it more flexibility and room to maneuver. Wendel is now looking at the future with confidence, ready to use its dry powder to seize new opportunities in a valuation environment that we believe will become more favorable to buyers.

Conditions are therefore right for Wendel to embark on a new chapter in its history with a new Group CEO.

I am particularly pleased to hand the reins to Laurent Mignon, who will take over as of December 2, and I wish him all the best at Wendel for the years to come.

David Darmon has been a wonderful partner for me on the Executive Board, contributing his knowledge of the Group, his talents as an investor, his experience in the United States, his vitality, his integrity and his judgment. All of us, starting with me, are indebted to him.

Lastly, I would like to thank my expert colleagues at Wendel, among them Priscilla de Moustier, Chairwoman of Wendel Participations, and I would like to thank you, our numerous shareholders, for the trust you have placed in me over these last five years. Of course, I am particularly grateful to the Supervisory Board, your representatives, under the enlightened, benign, yet demanding and constructive chairmanship of Nicolas ver Hulst. They recruited me, they renewed my appointment and they supported our projects with their precious advice.

In this emotional moment, I wish you all the best for the future.

**André François-Poncet**

Net asset value (NAV)  
AS OF SEPTEMBER 30, 2022



Restated for the dividend of €3 per share  
paid in June 2022, NAV is down 4.5%  
since June 30, 2022

9-mo. 2022  
consolidated sales



Up 17.9% unadjusted and  
up 10.9% organically

Ordinary dividends



on 2021 earnings  
up 3.4% compared with 2020

€304M

in equity invested for  
the acquisition of ACAMS  
on March 10, 2022

€896M

Net proceeds from  
the sale of Cromology

6.0%

LTV ratio as of September  
30, 2022



FOCUS

## Laurent Mignon appointed Group CEO of Wendel

On September 16, 2022, the Supervisory Board of Wendel, chaired by Nicolas ver Hulst, appointed Laurent Mignon Member of the Executive Board and Group CEO of Wendel, effective December 2, 2022. He will succeed André François-Poncet, Wendel's current Group CEO, who will step down as of the evening of December 1, 2022. Wendel's Executive Board will then be composed of Laurent Mignon, Group CEO, and David Darmon, Deputy Group CEO and member of the Executive Board since 2019.

### **Nicolas ver Hulst, Chairman of Wendel's Supervisory Board, said:**

*"On behalf of the Supervisory Board, I am extremely pleased that Laurent Mignon is joining us to become Group CEO of Wendel. Laurent has held a number of leadership positions in the financial industry, and he brings a wealth of experience. Throughout his career, he has been instrumental in transforming the companies he has run, focusing on creating value for the long term. Laurent shares Wendel's values and displays all the qualities—personal and professional—to open a new chapter in our long history. He will*



*partner with David Darmon and lead Wendel's talented team.*

*On behalf of the entire Supervisory Board, I would like to pay tribute to André's remarkable achievements as Wendel Group CEO since January 2018. André has perfectly executed the mission he was given, and this in spite of a difficult business environment with Covid19 followed by the current war in Ukraine. He leaves Wendel in order, with a simplified portfolio, a good financial standing, and a recognized ESG performance. We would like to thank him for all he has accomplished, and also for contributing to today's transition."*

### **Laurent Mignon said:**

*"I am proud and happy to join the Wendel team, and I would like to thank Nicolas ver Hulst and all the members of the Supervisory Board. I am honored by the trust they have placed in me by appointing me Group CEO. They can count on my commitment to develop Wendel while respecting its history and values, in the interest of all its shareholder."*

## Biography of Laurent Mignon

Laurent Mignon has been CEO of Groupe BPCE since June 2018. He is also Chairman of the Board of Directors of Natixis and a director of CNP Assurances. In addition to his duties within Groupe BPCE, he sits on the Board of Directors of Arkema and the AROP (a not-for-profit association promoting the Paris National Opera) and as a censor of Oddo BHF and Fimalac boards.

After graduating from HEC in 1986 and from the Stanford Executive Program, Laurent Mignon worked for Banque Indosuez for over 10 years, initially in capital markets, then in corporate & investment banking. In 1996, he joined Banque Schroders in London, then AGF (Assurances Générales de France) in 1997 as Chief Financial Officer. He was appointed to the AGF Executive Committee in 1998, then as Deputy Chief Executive Officer in charge of Banque AGF, AGF Asset Management and AGF Immobilier (Real Estate) in 2002, then in charge of life insurance & financial services and credit insurance in 2003. In 2006, he was appointed Chief



**Laurent Mignon** has been appointed Group CEO of Wendel from December 2, 2022

Executive Officer and Chairman of the Executive Committee. From mid-2007 to 2009, he was a managing partner at Oddo & Cie. Laurent Mignon served as Chief Executive Officer of Natixis from 2009 to 2018 and has been a member of the Management Board of BPCE since 2013.





## FOCUS

### Interview with David Darmon

How does ESG figure into today's investment equation?

**Wendel is a family-owned company steeped in nearly 320 years of history, initially in manufacturing, then in investment. Has ESG represented a change of course for you?**

**David Darmon** I'd say that Wendel has always had a natural penchant for responsible investing, which we have greatly accelerated since 2020.

**In the 19th century, the Wendel family innovated in its factories. By mixing good economic sense with Christian values, Wendel ensured the well-being of its employees at a time when it was not the obvious thing to do. Wendel provided housing and a garden for factory workers and their families, a social security backstop, including childcare, a pension system (one of the very first), and salaries in accordance with rank at a time when arbitrary wage policies were the rule.**



**David Darmon**, Deputy Group CEO and member of Wendel's Executive Board

**Today Wendel has a very ambitious social policy** (financing for childcare facilities, health, death & disability insurance, semi-annual health checkups). All of this is part of our culture.

**In our investing activity**, our long-term approach has meant that we have always put priority on sustainability. We demand health and safety performance, and we share the value

we create whenever possible upon sale of an investment (bonuses for the French employees of Deutsch in 2012, and for all employees of CSP in 2018, for example).

**In 2020, we decided to step up our efforts and make ESG one of Wendel's distinctive traits.**

We formalized a two-level ESG strategy (holding company and portfolio). Allow me to say a few words about our ESG strategy. We are clearly not an impact fund. Our strategy is based on our conviction that sustainable value creation requires profound changes in the companies in which we invest. Our objective is to use ESG to increase the resilience of our business model and to make those companies more attractive for all of their stakeholders. Because we are focused on business model sustainability, we invest in companies that are well-positioned in this regard, as demonstrated by our investments in CPI and ACAMS. We support the companies in our portfolio in their transition, as we did with Stahl and Constantia Flexibles.

**Specifically, how has ESG been integrated into your investment decision-making?**

**D.D.** We have integrated ESG along the full investment cycle with a responsible investment process in line with our *raison d'être*, which is to “partner with entrepreneurial teams to build sustainable leaders”.

The first step is a list of exclusions, the sectors in which we will not invest. But that's the easy part. There are often gray areas that we debate internally. I'm thinking of an opportunity to invest in a manufacturing company that our list allowed but that we didn't pursue because the activity emits too much CO2 and is not transformable. The Executive Board reviews this list

every year. In 2022 we added furs, asbestos and firearms. We then conduct an in-depth ESG due diligence before making an offer (the ESG team meets with management and consults with the Investment Committee before any firm offer is made). In general, integrating ESG due diligence with strategy works best, because ESG analysis is then integrated into the investment thesis.

**During the holding period:** we commit to creating an ESG roadmap for the companies in which we invest within 18 months of acquiring them. These roadmaps are based on the principal due diligence conclusions and must include the four ESG priorities Wendel has defined: climate change, parity and diversity, health & safety, sustainable and/or ecodesigned products and services.

**At exit:** We prepare an exit memo and, whenever possible, we share the value created.

**What are the major ESG trends in today's investment universe?**

**D.D.** I would identify two trends.

**The first is that we need certified and comparable data.** This, by the way, is exactly the challenge regulators are and will be facing (taxonomy and CSRD). The lack of standardization has given non-financial rating agencies tremendous leeway. All listed companies are now trying to validate their ESG performance through ratings. It's also what investors look at, for want of any more reliable benchmarks. We see this trend is an opportunity, because, as Bureau Veritas's controlling shareholder, we have a front-row seat. More than 55% of Bureau Veritas's sales derive from its green line services. These solutions enable companies to address their sustainable development challenges.

The second trend I think is to prioritize the E in ESG, especially to combat climate change even though the pandemic and the war in Ukraine have raised the profile of S and in particular health and human rights. On this question, I think a lot is riding on decarbonization strategies, which must be scientifically validated. More and more companies are undertaking SBTi (Science-Based Target initiative) certification. Today 75% of our companies have started down this rigorous path (only Constantia its fully SBTi certified).

We have also seen cases of greenwashing that have attracted a lot of attention and have had serious consequences. To a certain extent, greenwashing can sow doubts about legitimate corporate ESG practices. But in contrast to the greenwashing seen 10-15 years ago, today's greenwashing is not failing to do what one says but doing it poorly or incompletely. The bar is now significantly higher than it was then and will continue to be raised further.

## Wendel incorporates sustainability issues throughout the investment cycle

### PRIOR TO THE INVESTMENT



Screening of the investment target through the exclusion list

ESG due diligence

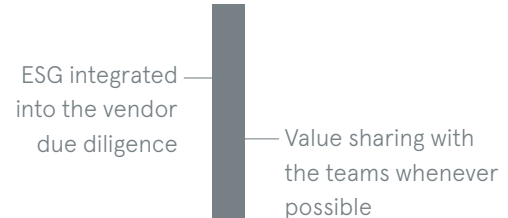
### HOLDING PERIOD



Formalization of an ESG roadmap

The Board of the portfolio company approves the ESG roadmap and tracks yearly progress

### EXIT



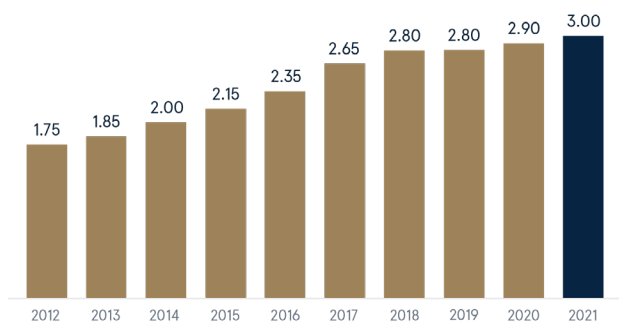
ESG integrated into the vendor due diligence

Value sharing with the teams whenever possible



## Steady increase in dividends

The dividend of €3 per share proposed at the June 16, 2022 Annual Shareholders' Meeting was approved by Wendel shareholders. The ex-dividend date was set at June 20, 2022, and the dividend was paid on June 22, 2022.



## Save the date

Wendel's next Ordinary and Extraordinary Shareholders' Meeting will take place on **Thursday June 15, 2023**.

**All information related to this meeting will be available on our website under Investors > Shareholders' Meetings.**

## Information for registered shareholders

In order to make payments to you (such as for dividends or share sales), Société Générale Securities Services must have (i) your bank details and (ii) proof of your ID and address.

**If you did not receive payment of the dividends** on your Wendel shares after the 2022 Annual Shareholders' Meeting, this was because some or all of this information was missing. Please provide the missing information as soon as possible so that you can receive your dividends.

**[Click here to see what you need to do to update your information.](#)**

## Agenda

**12.01.2022**

**Investor Day 2022**

**03.17.2023**

**2022 Full-Year Results**

Publication of NAV as of December 31, 2022  
(pre-market release)

**04.28.2023**

**Q1 2023 trading update**

Publication of NAV as of March 31, 2023  
(pre-market release)







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