

# Building the Foundation for a Third-Party Private Asset Management Platform



October 17, 2023

*Investing for the long term*

2023



# Progress made on new strategic directions announced on March 16, 2023 (1/2)



## Implementation of an active portfolio management and investment policy

Intention to invest c.€2.0bn of equity within 2 years<sup>(1)</sup>

Equity investments

c. €300-600m

Geographies

Western Europe & North America

**Total permanent capital: €9.6bn of GAV<sup>(2)</sup>**

- **Scalian: €557m of equity invested** in a fast-growing and cash generative company, positioned on the digitalization and decarbonization megatrends with an objective to multiply revenues by 3 by 2028
- **Constantia Flexibles: seizing the momentum to sell (€1.1bn of proceeds, above latest NAV)**, proceeds to be reinvested in higher return generating opportunities
- **Exchangeable bond** into BV shares: **€750m raised** to finance value creation roadmap, with a **positive carry cost**



## Hands-on investor with active role in portfolio value creation

- Investment in **unlisted companies** with priority given to **majority stakes**

- **Stahl** has **acquired ICP for \$205m (EV)** to reinforce its fast-growing Performance Coatings division
- **Constantia Flexibles** has acquired Drukpol Flexo in Poland and Lászlópack Kft in Hungary
- **IHS: active discussions** with the company to **improve governance**



## Active involvement with Bureau Veritas management team to accelerate value creation

- Bureau Veritas' **new governance in June 2023: Laurent Mignon appointed Chairman** of the Board and **Hinda Gharbi appointed CEO**
- **Work ongoing on new strategic plan oriented on value creation**

(1) Including third-party Asset Management developments.  
(2) Based on June 30, 2023 Net Asset Value.

# Progress made on new strategic directions announced on March 16, 2023 (2/2)



## Ambition to develop a third-party Asset Manager

- **Based on Wendel's investment platform and further investment in people**, to create value through our existing capabilities and raising third-party money

## Proposed acquisition of IK Partners

- ➔ **First step announced today : acquisition of IK Partners**, a unique European mid-market private equity firm, enhancing Wendel's value creation profile
- **Recurring cash flows** for Wendel (**FRE**) + carried interest (**PRE**)
- Future investments through **sponsor money** will **accelerate exposure to >20% IRR generating investments** (sponsor money) and **boost IK Partners' growth**



## New financial policy

- **Dividend set at 2% of Net Asset Value**, on average, whilst having a minimum objective of annual stability
- **Optimization of Wendel leverage** (LTV to remain consistent with Investment Grade rating)

- **Clear dividend policy: 2% of NAV** paid in 2023 (vs. an average of 1.6-1.7% historically)
- **Liability management: debt maturity extended to 5.1 years**, with a 2.4% average cost

➔ **Intention to launch a €100 million share buyback announced today**



## Double-digit average TSR

# — Now is the right time to build an asset management platform through an acquisition

## Private equity industry at a turning point

- **Fundraising more challenging** for GPs – including best-in-class – in current macroeconomic context
- **Transmission of equity** through generation of successful managers becoming **more and more out of reach**
- **GP willingness** to have the **backing** of a large institution with **permanent capital**
- **Consolidation trend** in the industry

➔ *Opportunity to acquire a leading platform to kick-start Wendel third-party asset management activity, in a challenging fundraising environment*

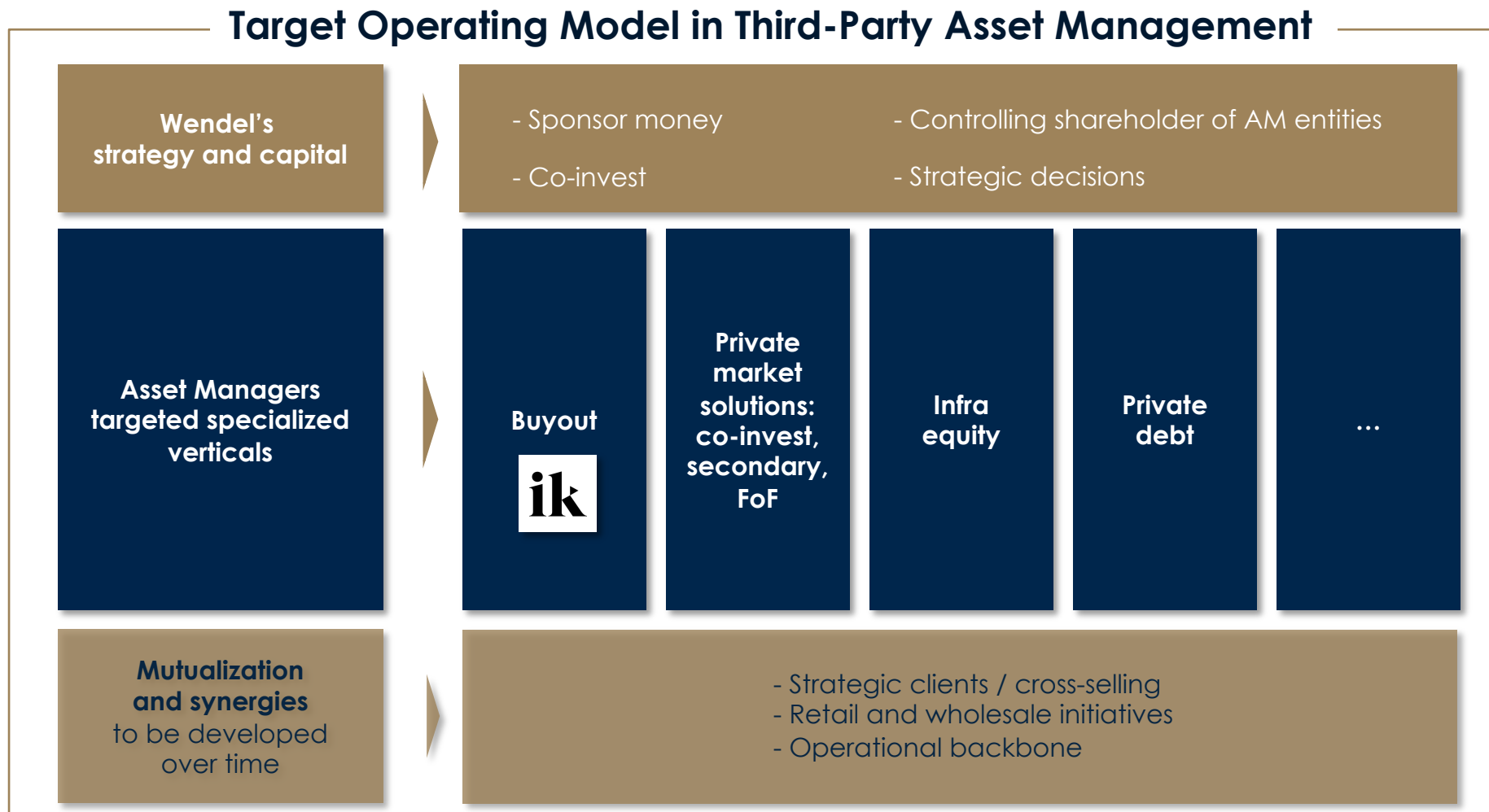
## What strategic enablers to third party money will Wendel acquire through M&A?

- **Established brand name** and **track record**
- **Specialized teams** and **talents**
- **Demonstrated fundraising experience**
- **Strong LP base / AUM consolidation**
- Attractive **portfolio of assets**

➔ *Beyond unlocking third-party money, M&A also brings visibility on market, additional/new sector expertise, rare talents, scale, etc.*

# Wendel's target model in third-party asset management

Willingness to **create a sizeable and comprehensive third-party private assets manager** both by acquiring platforms and teams to support **external and organic growth** and generating significant value through **regular cash-flow generation** (management fees) and **capital appreciation** (carried interest, sponsor money returns and valuation of GP)



# — Acquisition of IK Partners: a first major step in building Wendel's Third-Party AM platform

 Acquisition of a leading and fast-growing mid-market European private equity firm – highly complementary to Wendel's current strategy

 Potential for synergies, operational efficiencies organisation, reducing cash burn at Wendel level and enhancing attractiveness of Wendel as a shareholder of choice

 Opportunity to leverage Wendel's permanent capital to invest with sponsor money in IK Partners' future funds, benefiting from IK Partners' solid track record whilst accelerating its growth

 Pivoting Wendel's business model towards more recurring revenue and profitability



## **Strong value creation and diversification potential for Wendel and its shareholders:**

- + Return on sponsor money commitments in IK Partners + acceleration of IK Partners growth
- + Recurring dividends (targeting c.100% payout)
- + Performance Related Earnings (carried interest)

# — Why IK Partners is a second to none option to enter the buyout segment?

A best-in class small to mid cap player...

- 26% realized gross IRR<sup>(1)</sup> / **Top quartile DPI**
- **Critical size (€11.8bn AUM)<sup>(2)</sup>** with 4 scalable strategies
- **Good resiliency of the small / mid market** in terms of valuation and exit opportunities / liquidity

... with a well-tested platform to generate performance

- **185 FTE (of which 100 Investment Professionals)<sup>(3)</sup>**
- **Capital Markets team** to arrange debt + **Operations team** active on all investments
- **Sector specialization**
- A diversified base of blue-chip **Limited Partners**

... with a unique pan European footprint

- **7 offices in Europe** with deep knowledge and long-standing presence in their local markets
- **Strong and diversified proprietary deal flow** to source primary deals (local leaders) and bolt-on transactions

... supported by a seasoned and committed team

- **30+ years of experience**
- **10<sup>th</sup> generation fund for the flagship strategy** – 14 funds raised in total
- **Long-term commitment and significant investment** from the team in all funds
- Multicultural and multigenerational organization

... delivering superior results

- Average **AUM growth above 15% since 2021**
- **2024 estimated management fees: > €150m**
- **2024 estimated pre-tax FRE ~€60m**

(1) All return gross figures. Across fully exited companies in the IK VII and IK VIII funds

(2) Including for co-invest direct investments from significant LPs, and from third-party co-control co-investors

(3) Includes Capital Markets and Operations

# — IK Partners overview

## Multi-strategy and institutional presence

Inception: 1989

Team: 185 (o/w 100 IP)<sup>(1)</sup>

Reach: 7 offices

Strategies: 4 teams embedded in IK's local country markets

Mid Cap

Small Cap

**ik**

Development Capital

Partnership

## Focused and disciplined investment strategy

 Business Services

 Healthcare

 Consumer

 Industrials

Buyouts

Premium Assets

Pre-identified add-on strategy

Clear path to double EBITDA

## Consistent strong performance

€19bn+ proceeds<sup>(1)</sup>

116 realizations<sup>(1)</sup>

2.7x realized MoC<sup>(2)</sup>

26% realized IRR<sup>(2)</sup>

c.90% EBITDA growth<sup>(3)</sup>

1% loss ratio<sup>(4)</sup>

## Unique European footprint

Coverage of UK, France, Nordics, DACH and Benelux



(1) Includes Capital Markets and Operations

1. Since Inception

2. All return gross figures. Across fully exited companies in the IK VII and IK VIII funds

3. Across realized and partially realized investments in IK VII and VIII. EBITDA growth is over entire hold period

4. Realized investments across last three Mid Cap funds



# — IK Partners Ecosystem – The European Mid-market Opportunity



## Mid-market is characterised by:

- Greater number of deal opportunities
- More attractive relative valuations
- Greater growth potential via first step in international buy-and-build
- Higher potential to achieve multiple expansion via strategic re-positioning
- Greater availability of financing and liquidity

**ik**

The **most active GP**  
in the European  
**mid-market (EV €150-400m)<sup>(1)</sup>**



## IK Partners' leadership within this ecosystem is underpinned by:

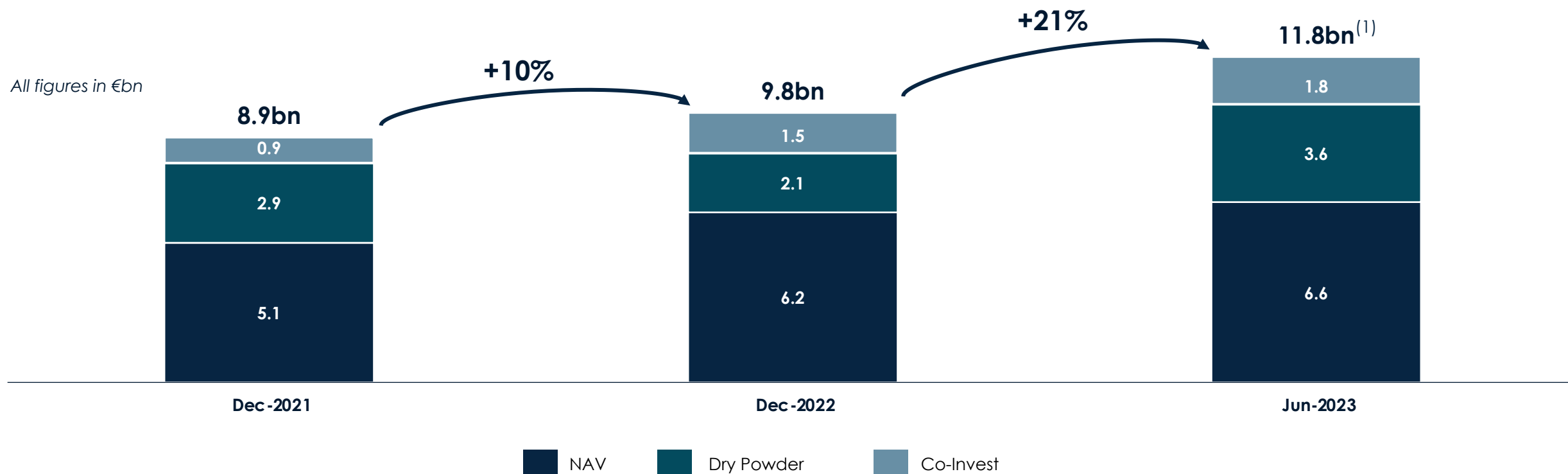
- Longstanding presence – investing in Europe for over 30 years
- Best in class platform unrivaled by local peers:
  - In-house Operations, Capital Markets and ESG teams
- Broad pan-European, local multi-strategy reach

1) Note: Sectors included are Adv. Manufacturing & Services, Consumer Prod., Financial Serv., Healthcare, Higher Education & Training, Retail, Services and Tech. & Cloud Services; The European mid-market includes Nordics, Benelux, DACH, France, UK & Ireland. Source: Bain European Deal Database (BEDD); Amadeus; CapIQ; Introduction to IK Partners.

# — IK Partners has been increasing Assets Under Management at a double-digit pace to €11+bn



## IK Partners' AuM (NAV + Dry Powder + Co-invest)



Source: IK Partners

(1) Including for co-invest direct investments from significant LPs, and from third-party co-control co-investors

# Transaction



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# — Transaction summary



## **100% of IK Partners to be acquired from its partners**

- **51% acquired upfront at closing + 20% of carried interest starting from IK X Fund**
- **Commitment to acquire the remaining 49% over time** through put and call arrangements, with a price/multiple based on FRE growth



## **€383m for 51% of IK Partners + 20% of carried interest**

*Remaining 49% to be acquired by Wendel from 2029 to 2032  
(all partners staying as shareholders)*



## **20% of carried on all future funds will go to Wendel**

*From day 1 starting with IK X currently in fund raising*



## **Transaction to be financed with cash on balance sheet**

*Implying a pro forma<sup>(1)</sup> LTV of 10%*



## **Closing expected to occur in Q2 2024**

*Subject to customary and regulatory approvals*

1) Proforma of €1.1bn of proceeds to be received from the announced ongoing disposal of Constantia Flexibles, and proforma of the acquisition of 51% of IK Partners (including Wendel sponsor money to be committed to IK X).

# Transaction structure and price consideration ensures long-term alignment

## Complete scope of the transaction

**100% of GP:**

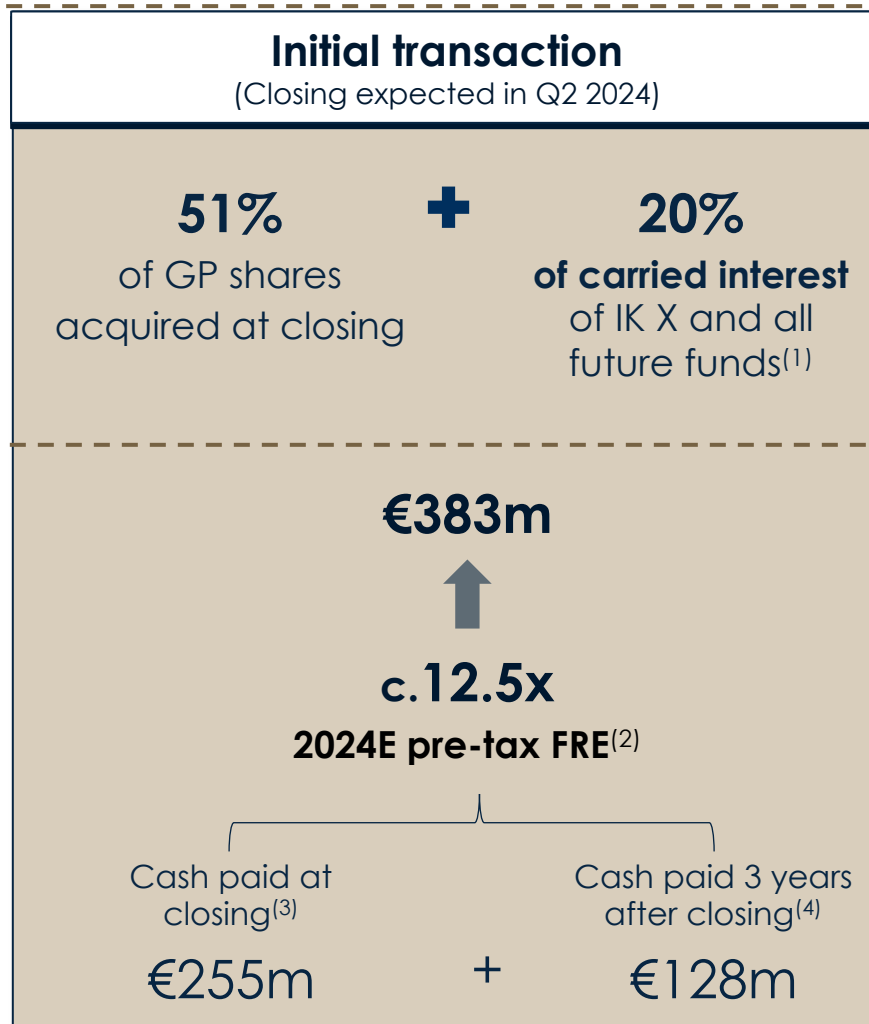
€c.60m

of pre-tax FRE

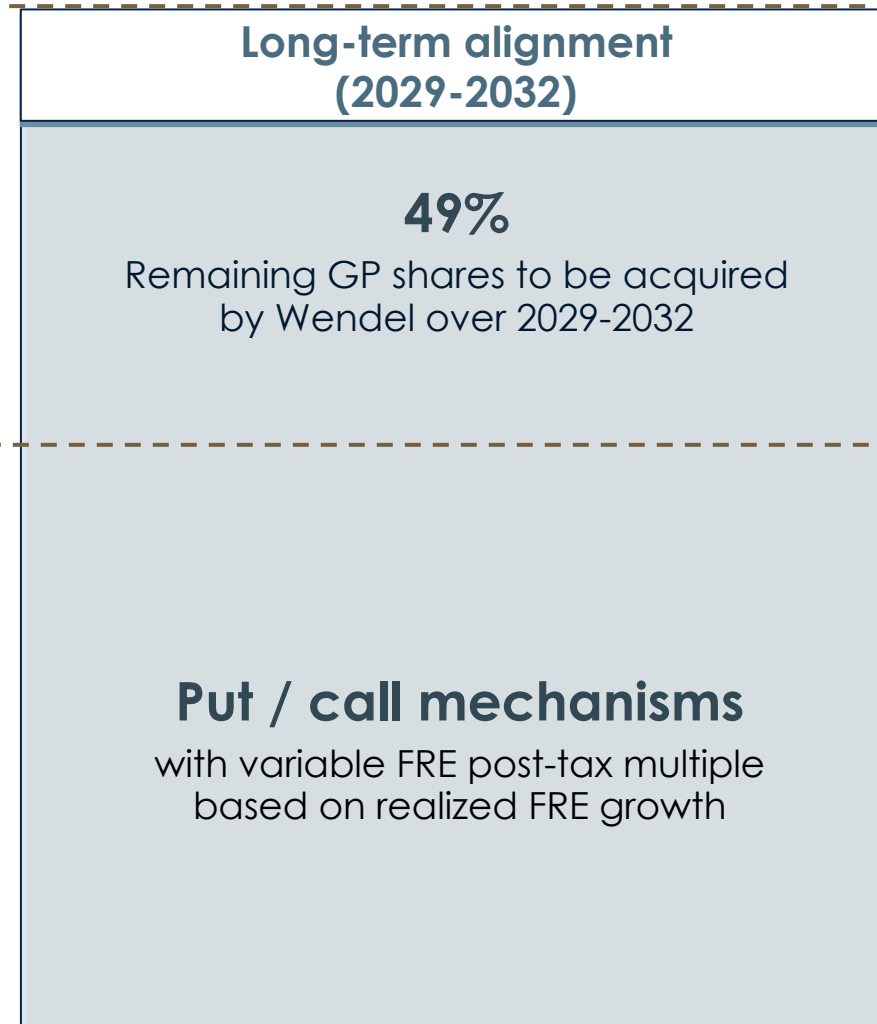
in 2024<sup>(2)</sup>

**+20% of carried interest**

(from day 1)



**Paid in cash**



**Paid in cash or Wendel shares**  
at Wendel discretion

- 1) From IK X onwards (and including all future funds)
- 2) Excluding carried and including capital markets fees
- 3) Significant part of net proceeds reinvested in IK funds by IK's Managing Partners in IK's future funds
- 4) Subject to ticking fees and including good leaver provisions

— The transaction structure preserves IK Partners' ability to deliver consistent performance for its LPs with an alignment of interests between IK Partners and Wendel's stakeholders



## Post-transaction IK Partners' governance

### Autonomy

of the IK Partners management for day-to-day activities  
IK Partners' Investment Committee to remain fully independent

### Long-term Partnership

Roll over of proceeds by management  
Put / call mechanisms over 2029-2032  
IK Partners' CEO committed to remain in place for **six years**  
No leaver

### Strategy and Oversight

Wendel to chair IK Partners board



## Alignment of interests

### Sponsor money:

**up to 10% max over time<sup>(1)</sup>**

Wendel to invest sponsor money in future funds

### Shared carried interest upside:

**20% attributable to Wendel**

Carried interest split 80-20% between IK Partners' teams and Wendel for future funds from IK X onwards, ensuring **strong alignment of incentives**

### Remaining 49% of GP secured

To be bought over time via put / call mechanisms according to a valuation multiples grid based on actual FRE growth

### Complementary and clear separation

of investment mandates between IK Partners and Wendel

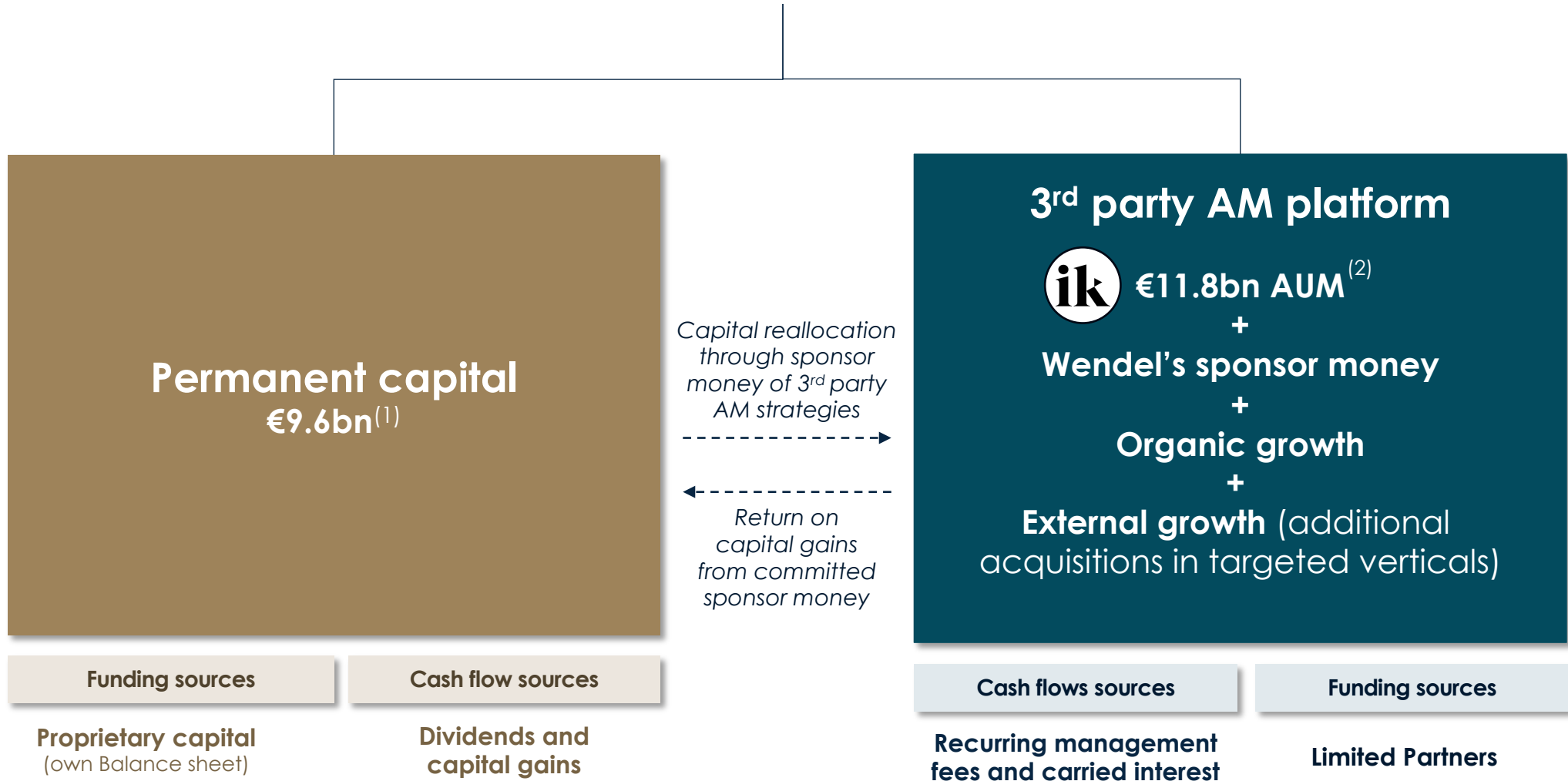
(1) With a maximum of 10% per fund and a maximum total exposure of €600m.

# Wendel's strategy



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# A first step towards a new Wendel



(1) Gross Asset Value as of June 30, 2023

(2) Including for co-invest direct investments from significant LPs, and from third-party co-control co-investors



# — IK Partners is a strong value creation event for shareholders and a major step in Wendel's new strategy

**Net Asset Value  
enhanced growth  
profile**

**+**

**Positive and  
recurring  
cash flows to  
Wendel**

- **Value of IK Partners' GP** (FRE Multiple)
- **20% of carried interest** attributable to Wendel
- **Wendel's Sponsor Money in IK Partners' funds** (>20% IRR track record)

- **Dividends** received from IK Partners GP (target of c.100% payout )
- 20% of **realized carried interest**
- Operating costs **synergies**

### Valuation drivers:

- *Wendel's share of GP*
- *FRE valuation multiple*
- *FRE growth*
- *Performance of IK Partners' funds*
- *IK Partners fund raisings (size + velocity)*
- *Value of synergies*

## **IMPROVED BUSINESS MODEL AND EQUITY STORY**

- First and major step towards **new Wendel model**: permanent capital and asset management
- Reduction of cash burn through lower Wendel costs and regular and growing **dividend stream**



**Accelerated growth of Net Asset Value**

# Key takeaways



W E N D E L

— The acquisition<sup>(1)</sup> of IK Partners brings material benefits to Wendel and is a first step in delivering on the announced strategy to build a third-party asset management platform



**Provides Wendel with a leading pan-European smid cap buyout investment platform setting the foundation to become a leader in the third-party asset management business**



**Unique and privileged exposure of Wendel to a suite of blue-chip Limited Partners globally and benefitting from a seasoned team led by experienced CEO Christopher Masek**



**Strong fundraising track-record since inception and well-known brand name and reputation**



**Remarkable growth track record providing recurring fees and with consistent top-tier investment performance**



**Diversified and complementary investment strategies with a clear governance framework and alignment of interests, increasing resilience**



**Acquisition commences Wendel's diversification strategy in Asset Management, a pivot to a new, more resilient and value creative model**

1) Subject to regulatory and customary approvals

## — Wrap-up



**A first major step** towards a more value creative and more cash generative Wendel with a development in **Asset Management**



**Active work on the portfolio** to create **capital appreciation with permanent capital** (including Scalian's acquisition)

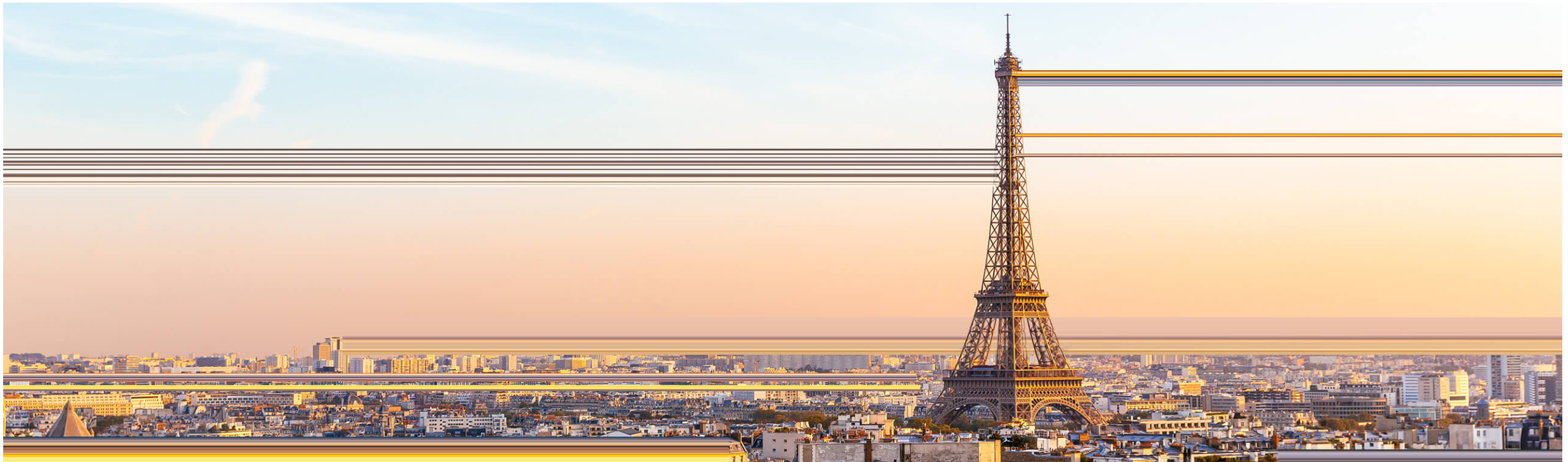


Intention to **launch a €100m share buyback** also announced today, to benefit from current large discount to NAV, with acquired shares to be kept on balance sheet to finance future acquisitions



More details to be provided at **Wendel's investor day (Dec. 12)**.  
IK Partners' CEO will present the company

# Appendices



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# — ESG approach institutionalized over the last 15 years



## Highlights

- 70+** ESG metrics monitored
- 100%** Companies measuring Scope 1 and Scope 2 GHG emissions<sup>(1)</sup>
- 22** Companies financed with ESG ratchets<sup>(2)</sup>
- ★★★★ UN PRI 2022 score
- 2022** IK's SBT's approved by the SBTi

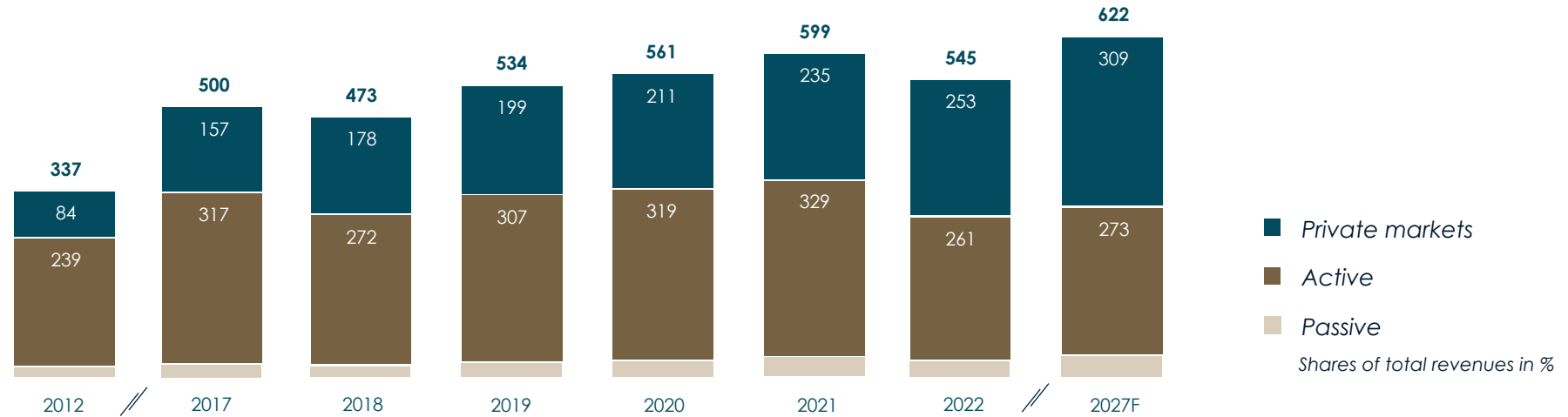
(1) As of Dec. 22, 94% of IK Partners' Portfolio measured Scope 1 and 2 emissions from 2022, this includes 6 companies that measured their 2021 emissions and emission intensity used to project 2022 emissions, for remaining 6% estimates from Clarity AI were used

(2) Total ESG Linked Financing across IK Partners' portfolio as of 19.07.2023, Kersia was the first ESG-linked syndicated term loan B in France

# Private markets outperformed other asset classes in Revenues and AuM growth



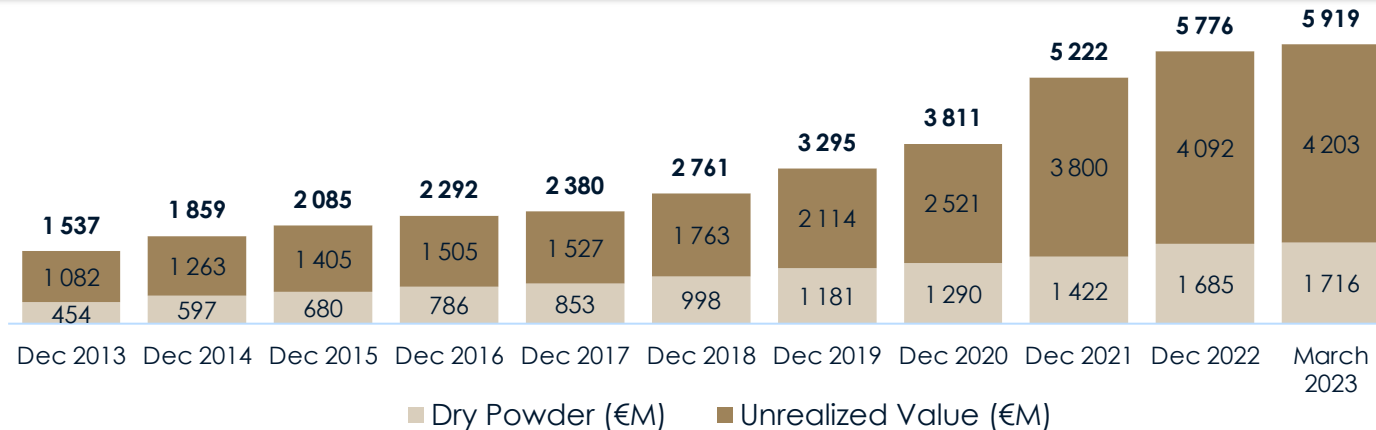
## Private markets will surpass all other asset classes in revenues (in \$bn)



Note: private market revenue includes management fees and carried interest. Private markets exclude hedge funds.  
Source: PwC Global AWM & ESG Research Centre, Lipper, Preqin, Pitchbook



## Consistent growth of AuM of private assets (in \$bn)



Source: S&P Capital IQ. AUM of private assets in the United States, Canada and Europe

# Glossary of Terms

<b>AuM</b>	<b>Assets under Management</b>	Corresponding – for a given fund – to total investors' commitment (during the fund's investment period) or total invested amount (post investment period)
<b>DPI</b>	<b>Distribution to Paid-In</b>	Cumulative value of distributions paid to investors in a fund relative to the amount invested by the investors in that fund
<b>FRE</b>	<b>Fee-Related Earnings</b>	Earnings generated by recurring fee revenues (mainly management fees). It excludes earnings generated by more volatile performance-related revenues such as performance fees, carried interest of investment income
<b>GP</b>	<b>General Partner</b>	Entity in charge of the overall management, administration and investment of the funds. The GP is paid by management fees charged on assets under management (AuM)
<b>IRR</b>	<b>Internal Rate of Return</b>	Compound annual rate of return of an investment
<b>LP</b>	<b>Limited Partners</b>	External investors (i.e. other than the investment team) investing capital in a fund
<b>MoIC</b>	<b>Multiple on Invested Capital</b>	Value of an investment at exit compared to the initial amount invested
<b>FRE</b>	<b>Net Fee-Related Earnings</b>	Equivalent to Fee-Related Earnings (FRE)
<b>PRE</b>	<b>Performance-Related Earnings</b>	Earnings generated by performance-related revenues (such as performance fees or carried interest)
<b>Preqin</b>		Reference platform in the alternative assets industry, providing financial data, insights and tools on the alternative assets market



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