TAKKT AG

BUSINESS EQUIPMENT SOLUTIONS

# German Equity Forum

**10 November 2008**

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# contents



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# TAKKT at a glance

# TAKKT: business overview

| | | |
|---|---|---|
| business activity | • sales channel: | B2B mail order |
| | • products: | durables/specialties |
| geographic balance | • regional diversification: | > 25 countries |
| | • turnover by region: | ~ 60% Europe/<br>~ 40% North America |
| key facts | • number of customers: | ~ 3m |
| | • number of employees (fte): | ~ 2,000 |
| | • product range: | > 130,000 |
| financials | • turnover 2007: | € 986m |
| | • turnover growth (CAGR 1985 – 2007) | 12% p.a. |
| | • EBITDA margin (1985 – 2007) | > 10% |

## TAKKT: broad product range based on three pillars

business equipment

office equipment

foodservice equipment


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# business model & strategic success factors

## TAKKT business model: added value for customers and suppliers

Example: KAISER + KRAFT EUROPA

suppliers

supplier A

supplier B

supplier C

total:
~ 500 suppliers


services:
- short delivery time
- e-procurement
- active supply chain management
- . . .

customers

customer 1
- D
- F
- PL
- GB
- …

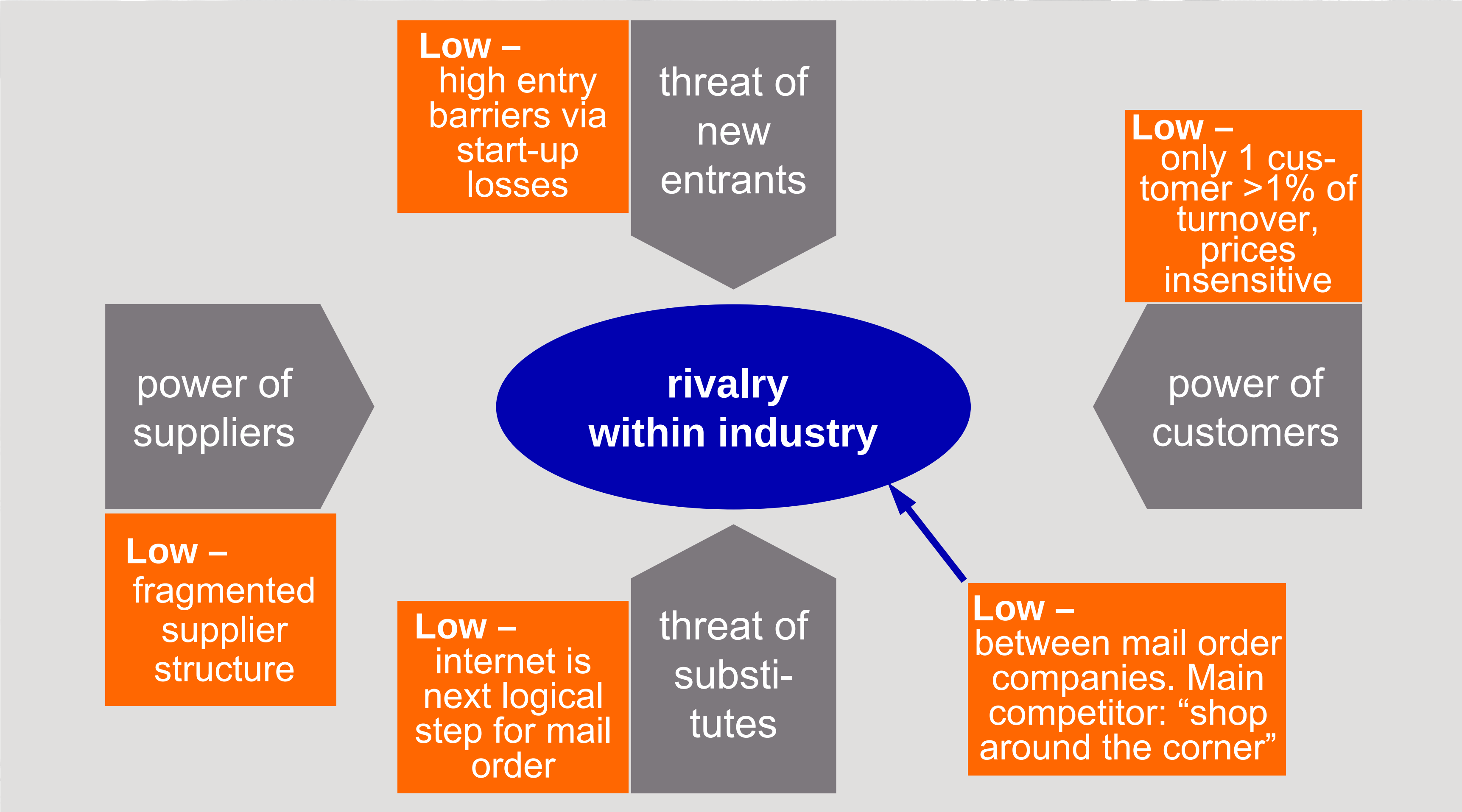
customer 2
- …

customer 3

total:
~ 1.1m customers

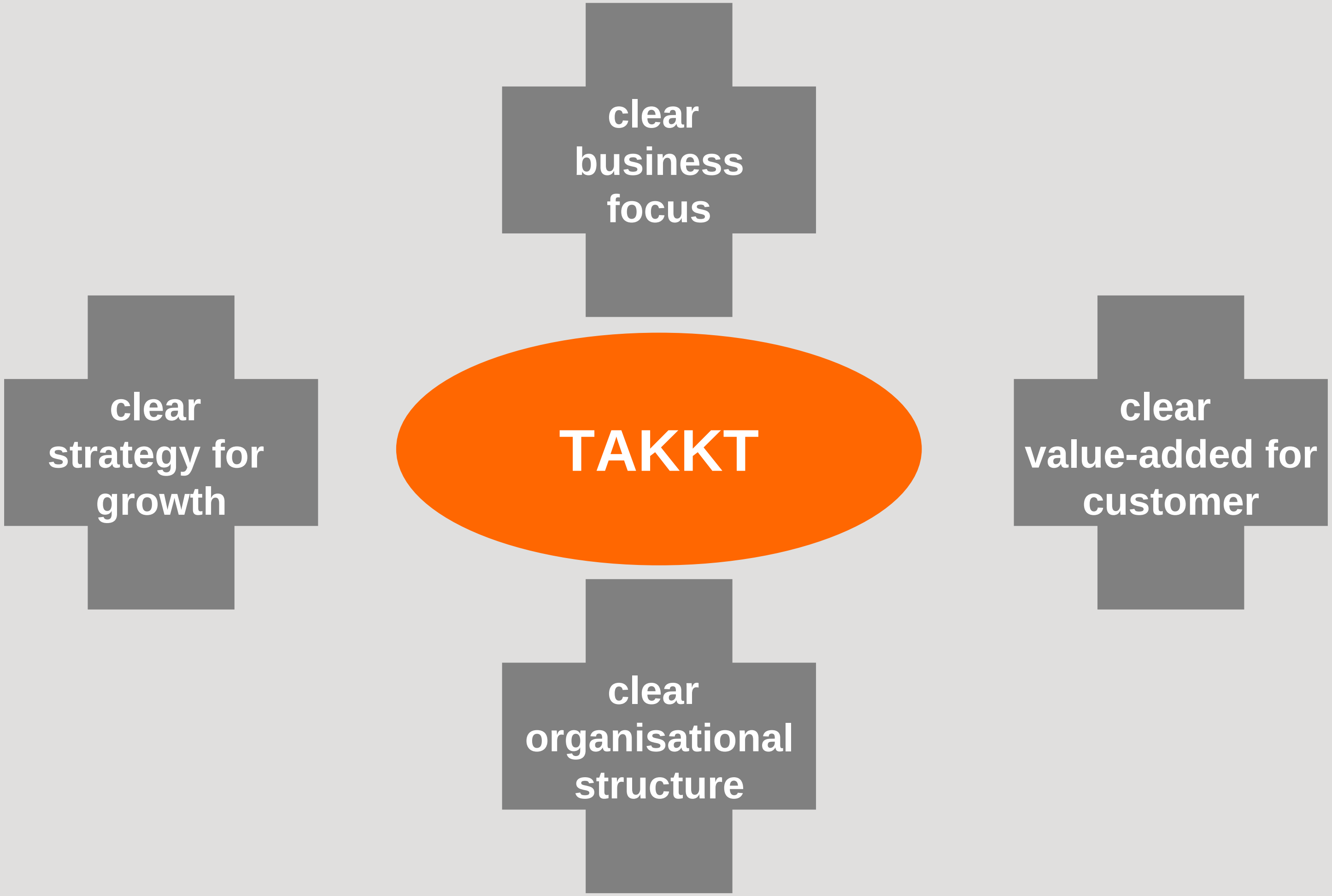
➔ consolidator and supply chain manager

## TAKKT competes in a very attractive industry

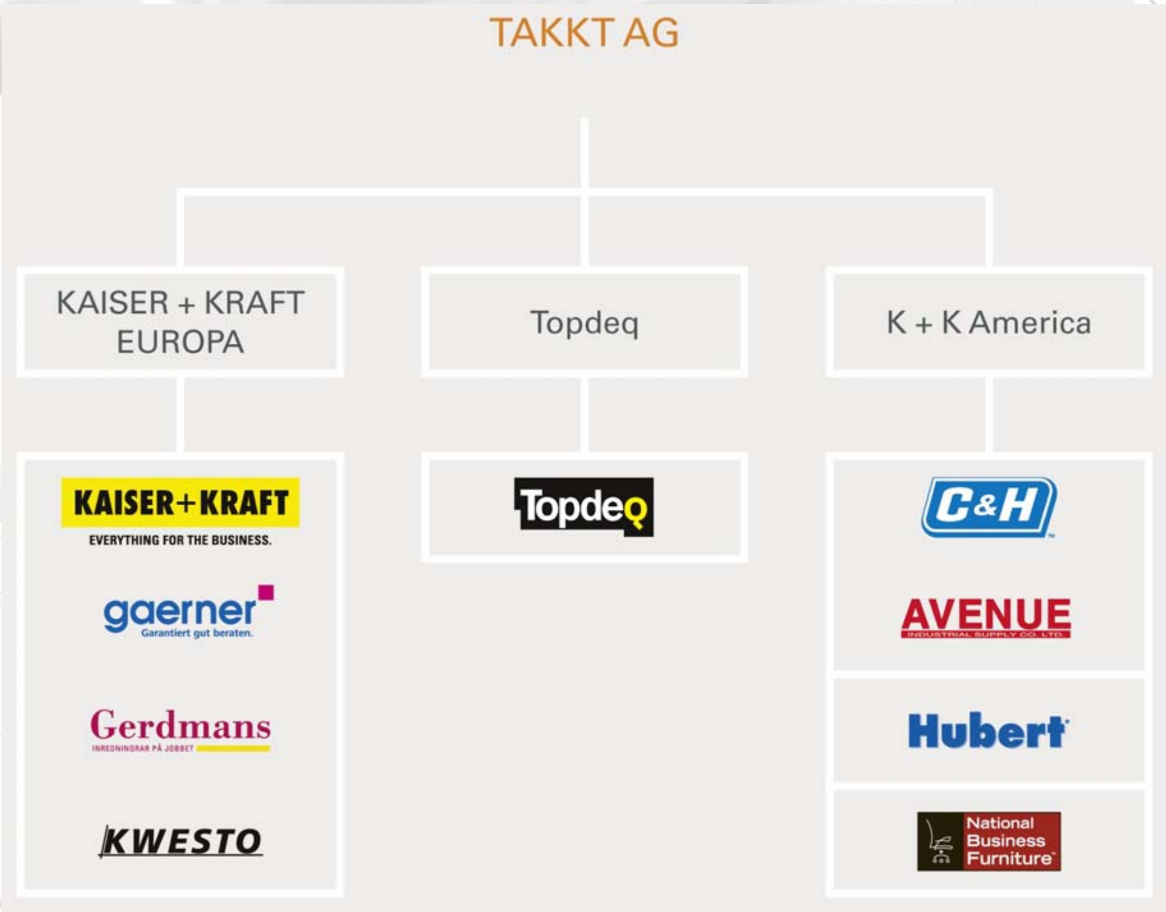



➔ which should not change in near future

# TAKKT: strategic success factors



# TAKKT success factors: clear organisational structure




- knowledge
- synergies / economies of scale

- procurement / advertising
- logistics
- customer database
- e-commerce

- distribution companies

→ allows centralised management and market proximity

## TAKKT success factors: clear strategy for growth

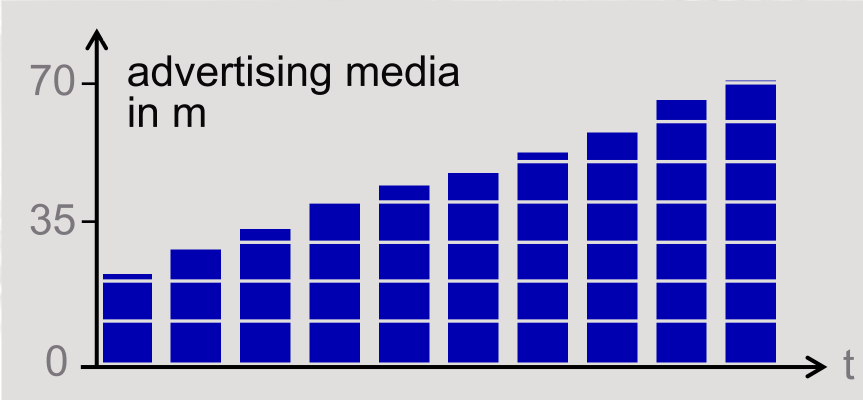
1. acquisitions (platform)

| | |
|---|---|
| Topdeq | 1994 |
| Gerdmans | 1998 |
| Hubert | 2000 |
| NBF | 2006 |

2. new foundations (roll out)

| | |
|---|---|
| e.g. KAISER + KRAFT Slovakia | 2007 |
| e.g. Gaerner Spain | 2008 |
| e.g. Hubert Germany | 2008 |

3. increase of advertising media circulation and broader product range (market penetration)




➔ in the past 15 years: at least 1 foundation or acquisition per year

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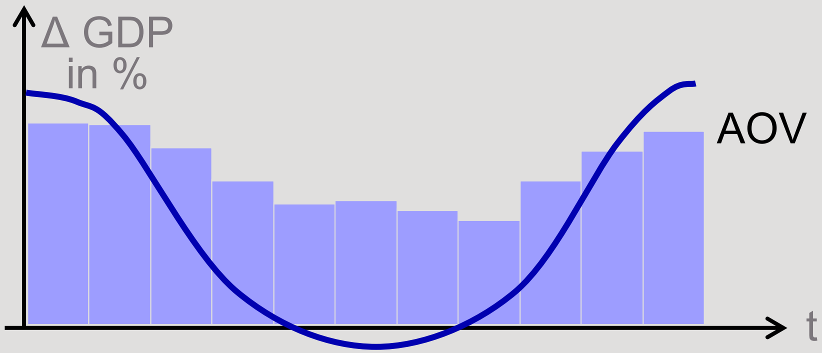
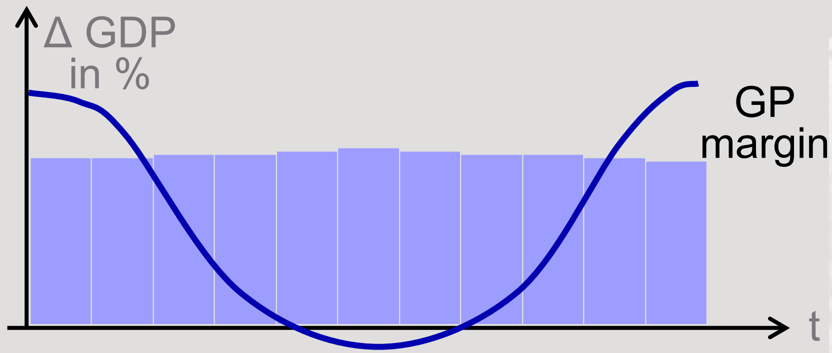
# TAKKT in the economic cycle

## Economic development: value and growth drivers in the economic cycle

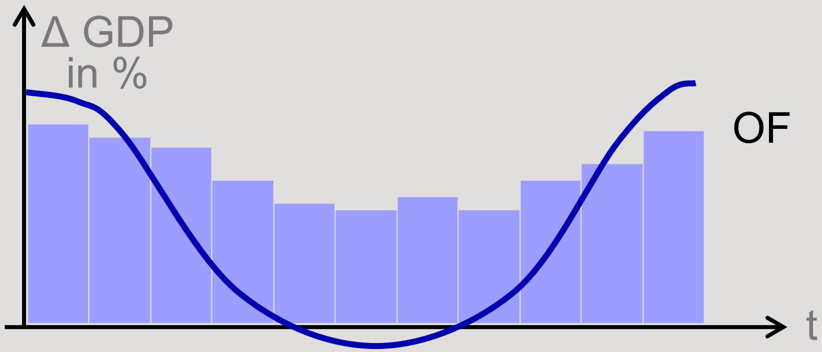
average order value (AOV) fluctuates



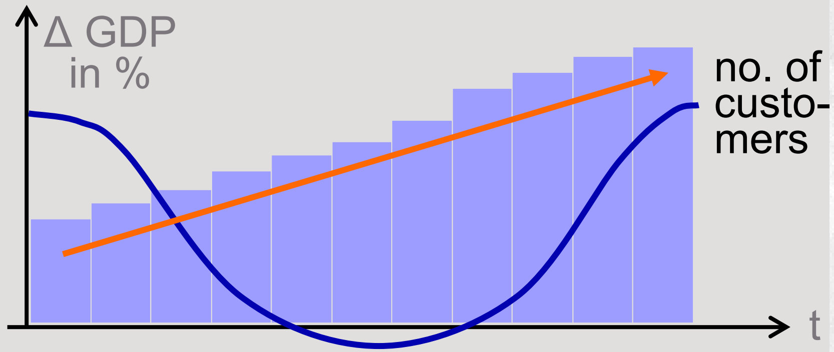

gross profit margin is slightly anti-cyclical




order frequency (OF) fluctuates




stable new customers/market share gains




➔ stable development of number of orders as well as profitability

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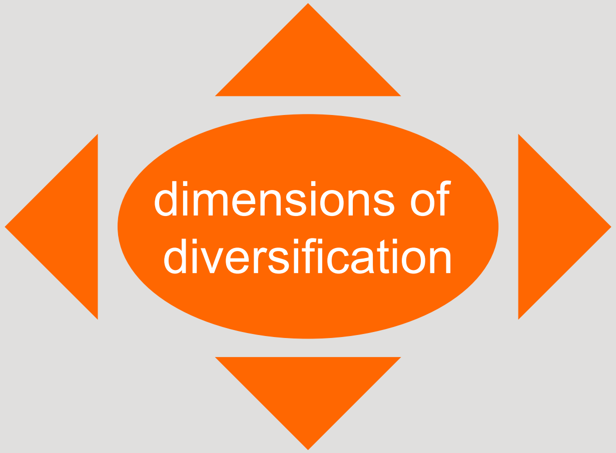
# Positive effects of diversification in 4 dimensions throughout cycle

**diversified industry mix**
- production oriented industry
- service sector
- non-profit organisations

+ +

**diversified product range**
- business equipment
- office equipment
- foodservice equipment



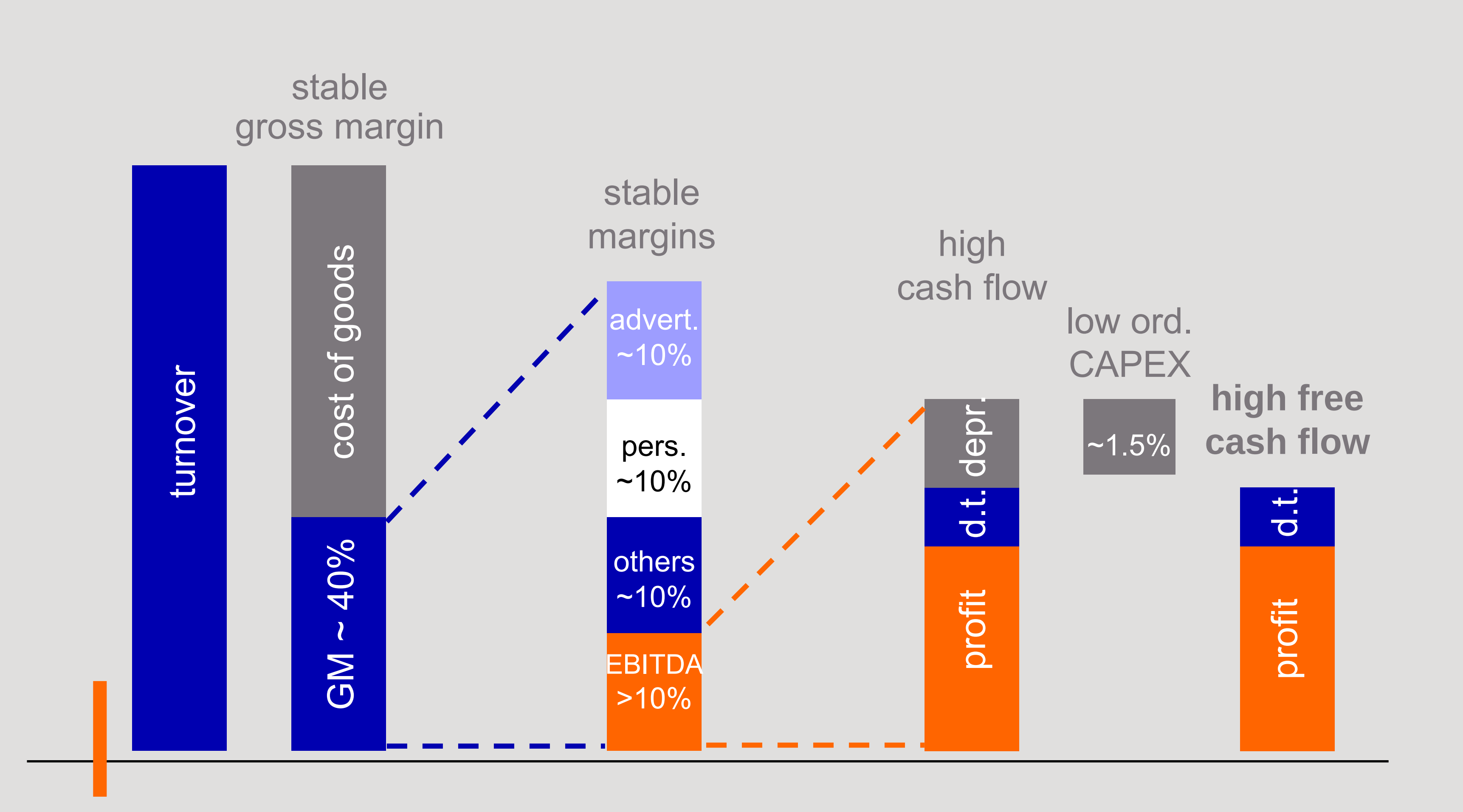

**diversified region and country portfolio**
- North America
- Western Europe
- Eastern Europe
- Asia

+ +

**diversified age structure**
- new foundations
- established companies

## Flexible cost structure is basis for margin stability throughout cycle

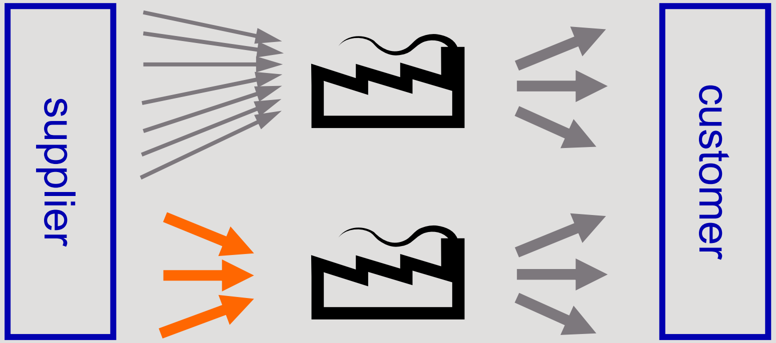
Business model generates high free cash flow



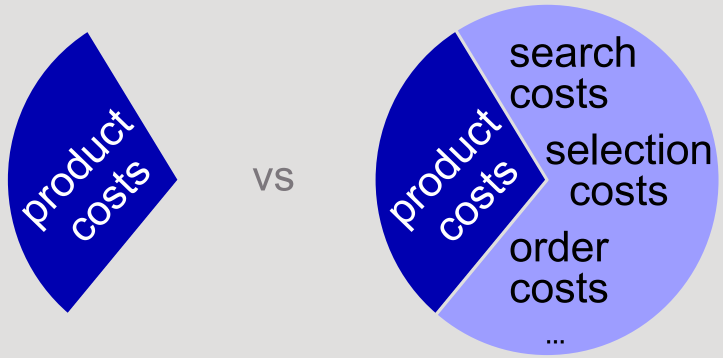

➔ effective management of profitability margins via strict cost control

# Industry trends: fostering TAKKT business model

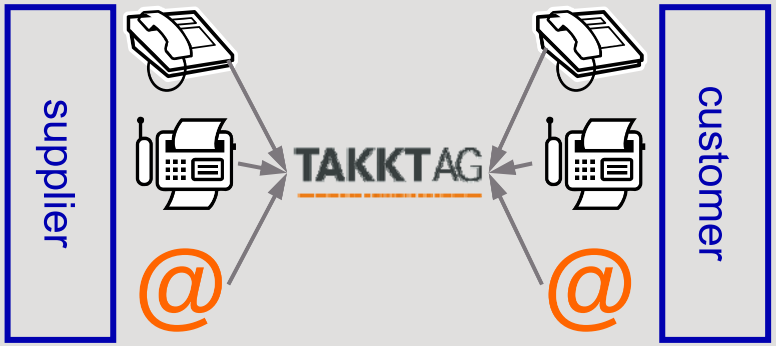
## consolidation of business partners




## from product cost to process cost thinking




## e-commerce




## internationalisation of businesses

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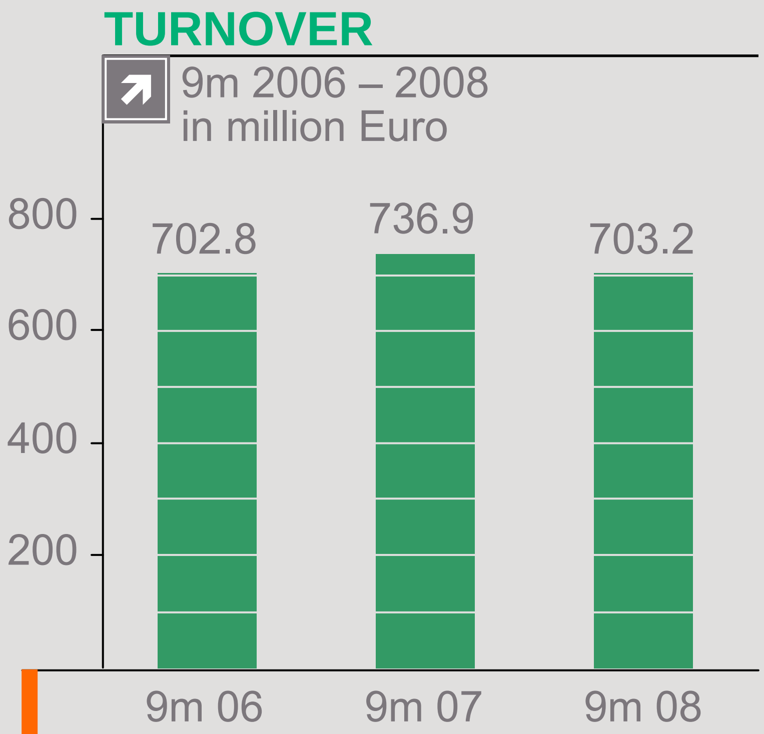
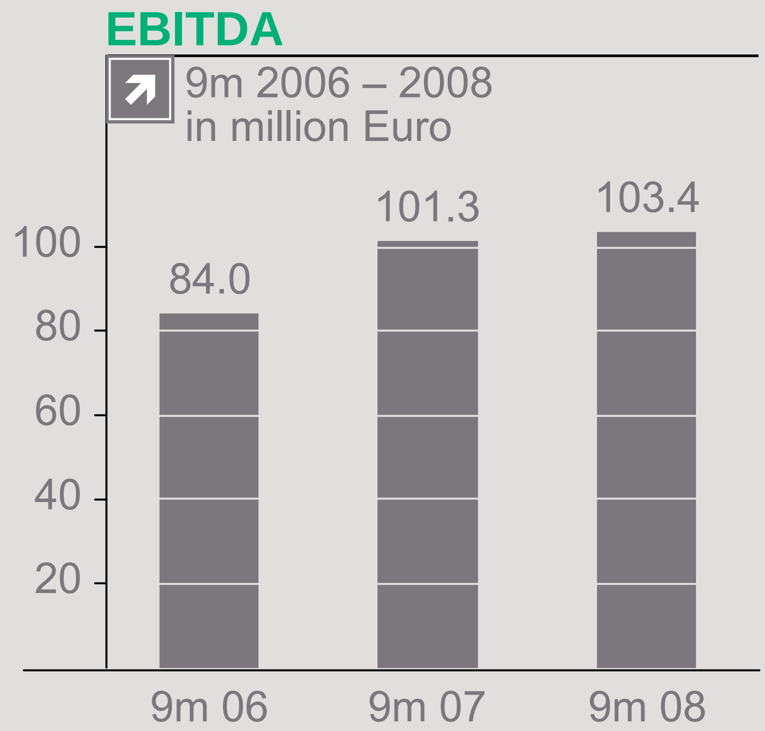
**key financial figures & forecast**

## TAKKT 9m 2008: organic growth and disproportionate increase of profitability




**change** -4.6%

**organic growth** +5.0%

**margin** 12.0% 13.7% 14.7%

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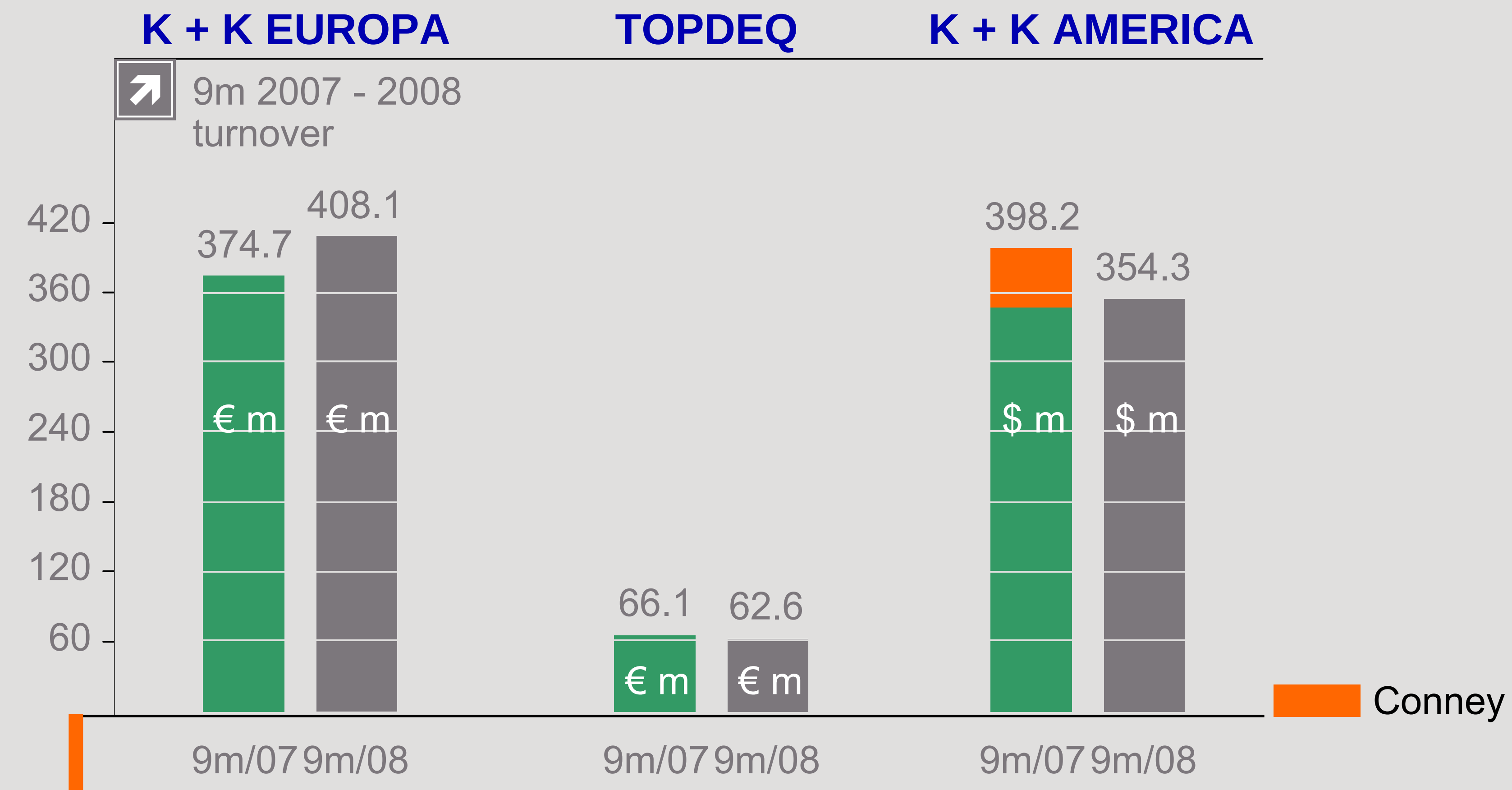
# TAKKT 9m 2008: mixed economic conditions affect turnover




| K + K EUROPA | TOPDEQ | K + K AMERICA | |
|---|---|---|---|
| +9.0% | -3.8% | +2.1% | **organic change 9m** |
| +4.4% | -4.2% | +1.0% | **organic change QIII** |

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## Forecast 2008: TAKKT key figures

- organic growth of around 2 percent (i.e. adjusted for currency changes as well as acquisitions and the Conney divestment)
- gross profit margin above 40 percent
- EBITDA margin above last year's level of 14.4 percent
- capital expenditure above long-term average of 1 to 2 percent of turnover, but lower than in 2007
- high dividend if no bigger acquisition

## That’s why invest in TAKKT

**balanced risk portfolio**

- product diversification
- independence from customers and suppliers
- regional diversification

**sustainable growth potential**

- duplicable system business
- entering new markets / product groups
- expansion / penetration of established markets

**high + stable profitability**

- stable gross profit margin
- stable EBITDA margin
- high (free) cash flow and dividend potential

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# appendix

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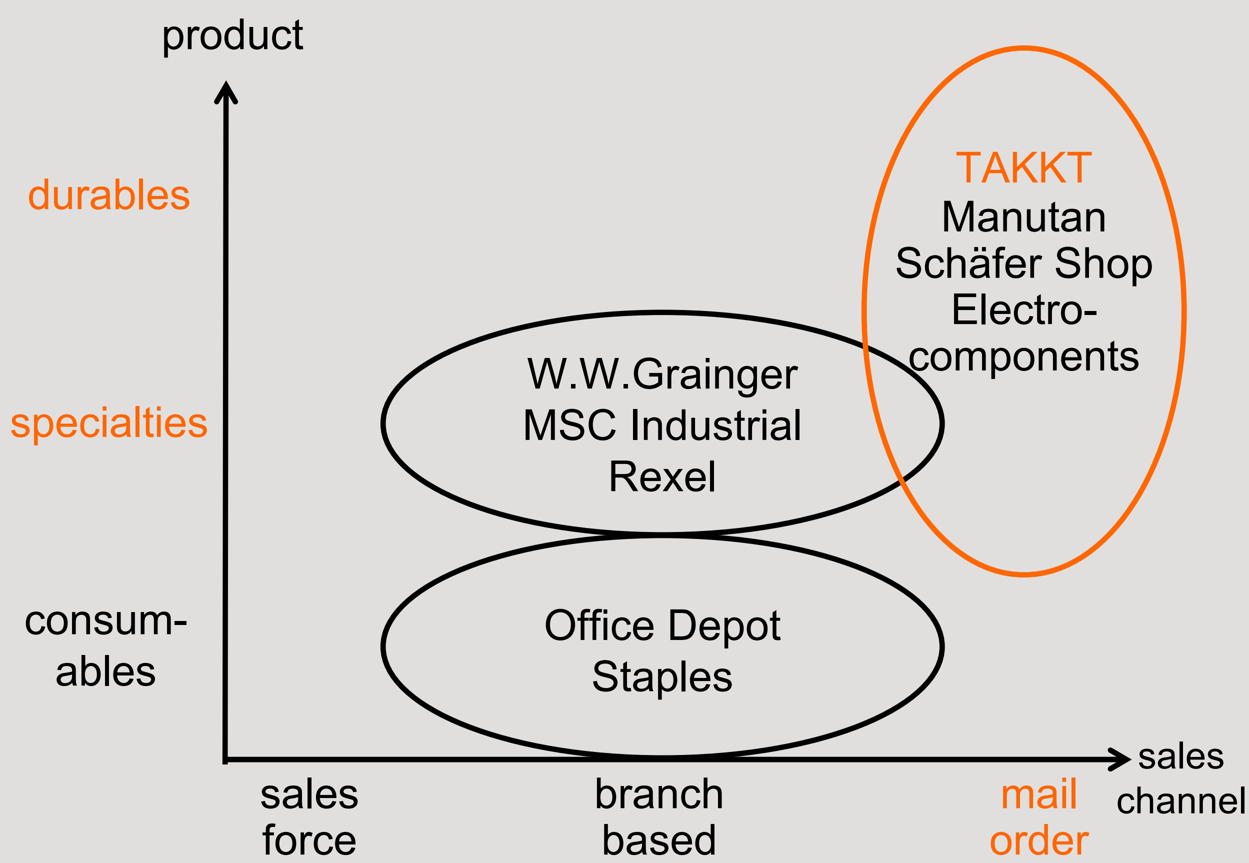
# business model

# TAKKT: business model and market overview




**products**

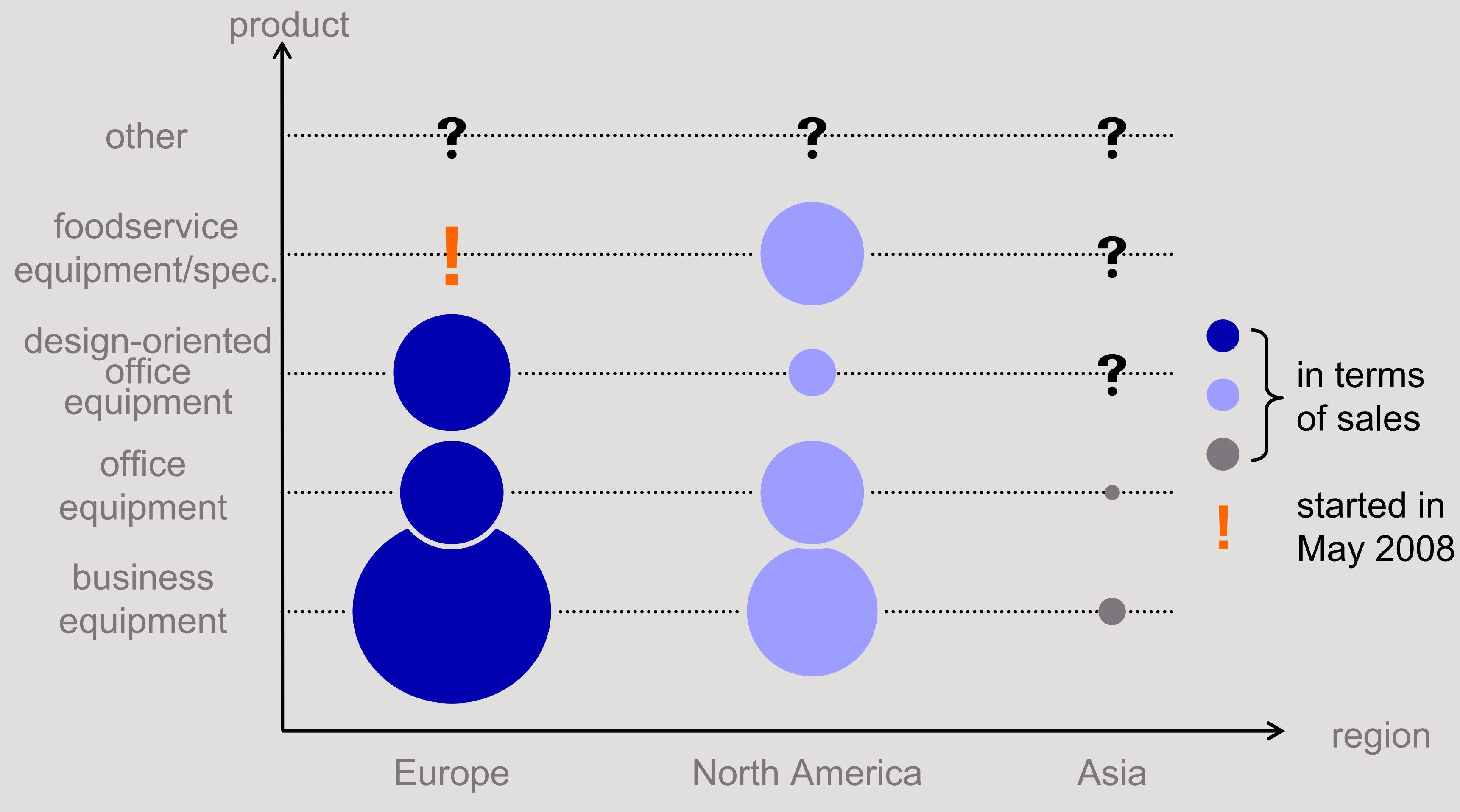
- price insensitive
- ∅ order value € 450
- broad product range

**sales channel**

- pure mail order
- drop/stock shipment
- central warehouse

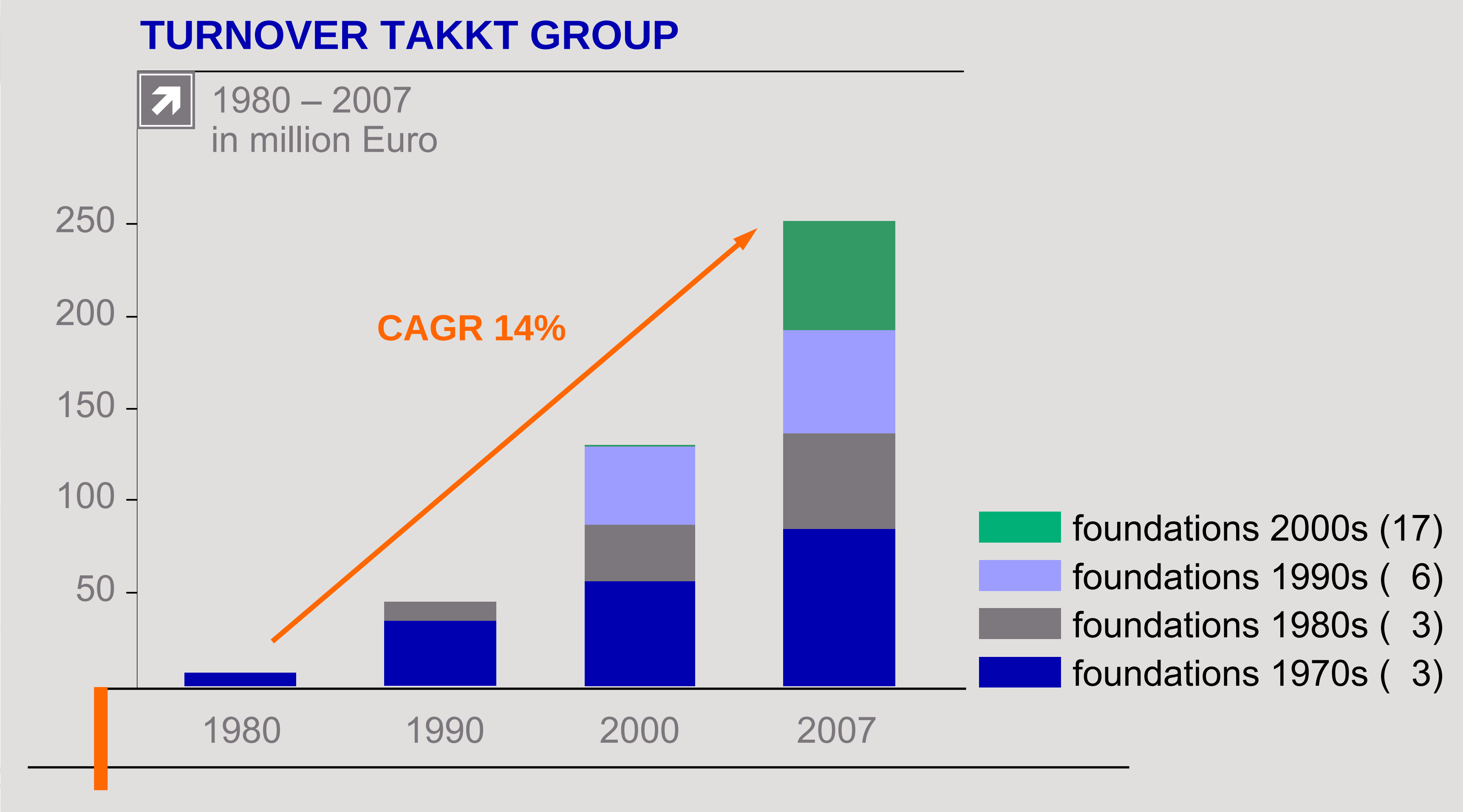
➔ system business with stable gross profit margin

## Clear potential for future growth




➔ objective: diversified product portfolio via duplication of system business

## TAKKT growth strategy: new foundations as important growth contributors




➔ 29 foundations show dynamic growth and generate ~ 25% of turnover in 2007

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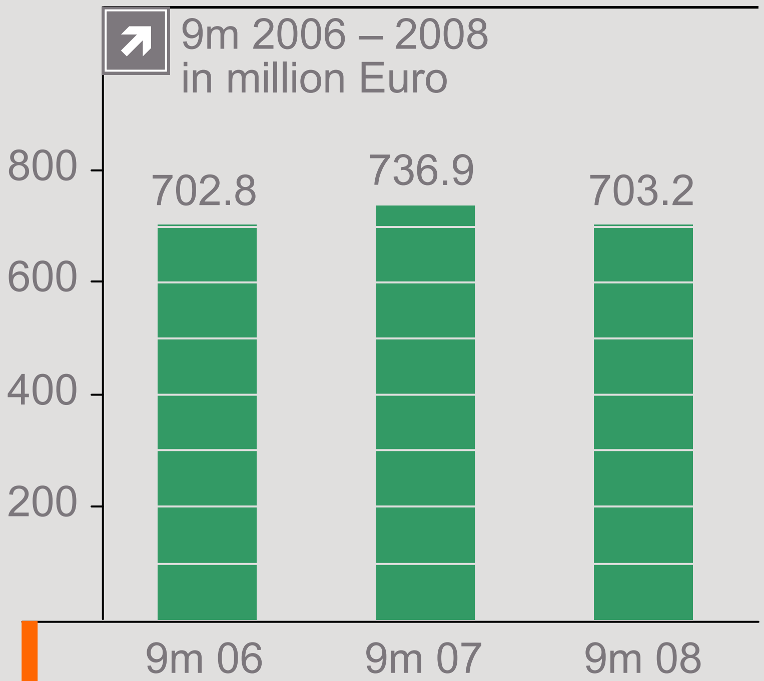
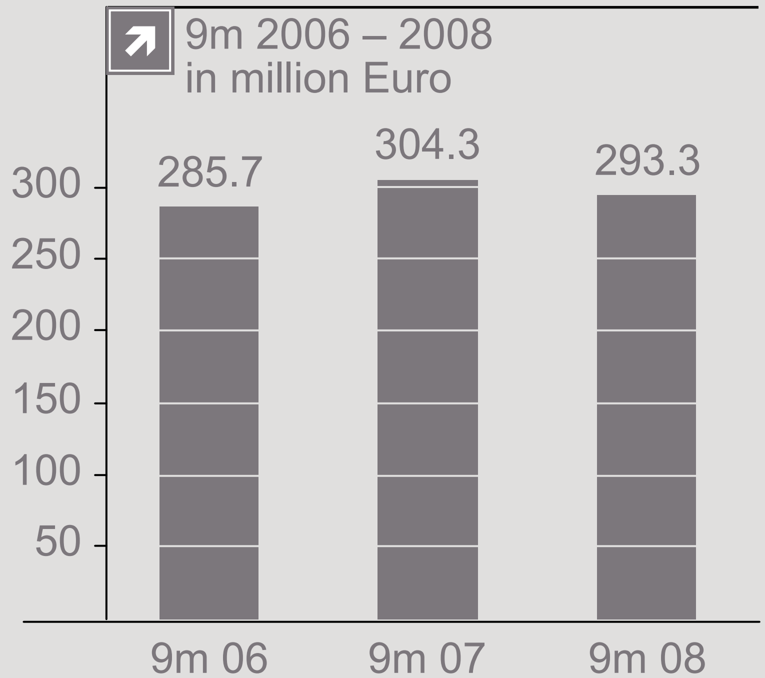
9m 2008

# TAKKT 9m 2008: organic growth and increase of margins

## TURNOVER




## GROSS PROFIT

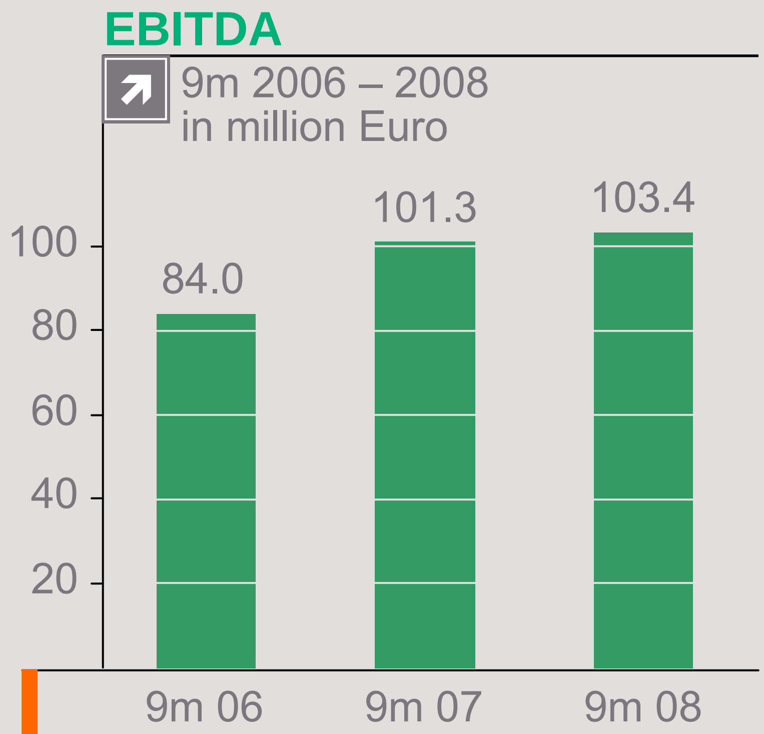


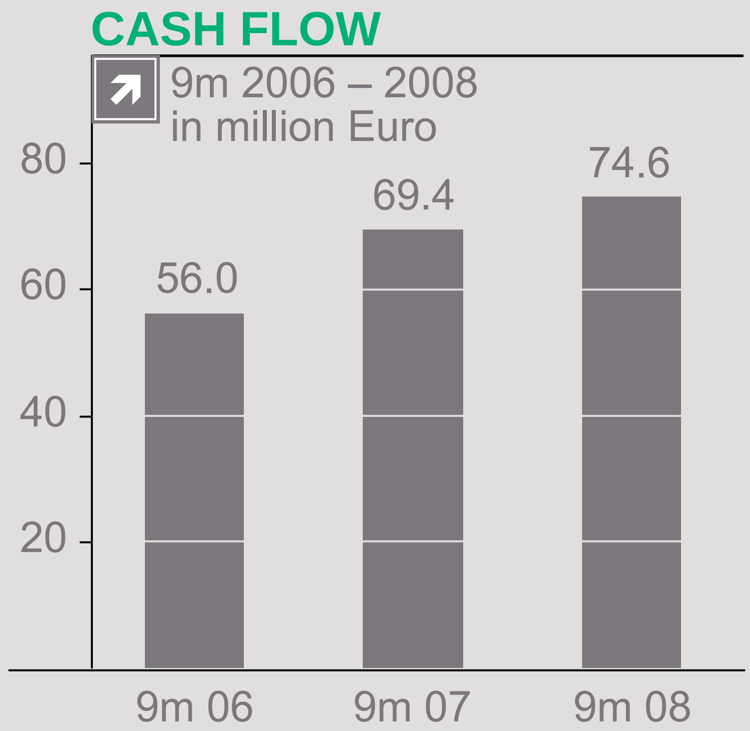

**change** -4.6%

**organic growth** +5.0%

**margin** 40.6% 41.3% 41.7%

# TAKKT 9m 2008: margins at new record level

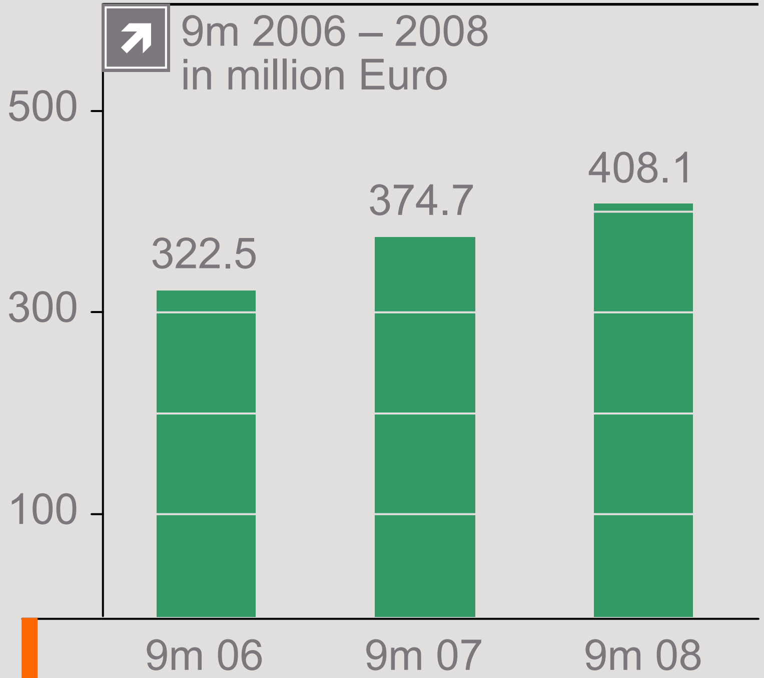


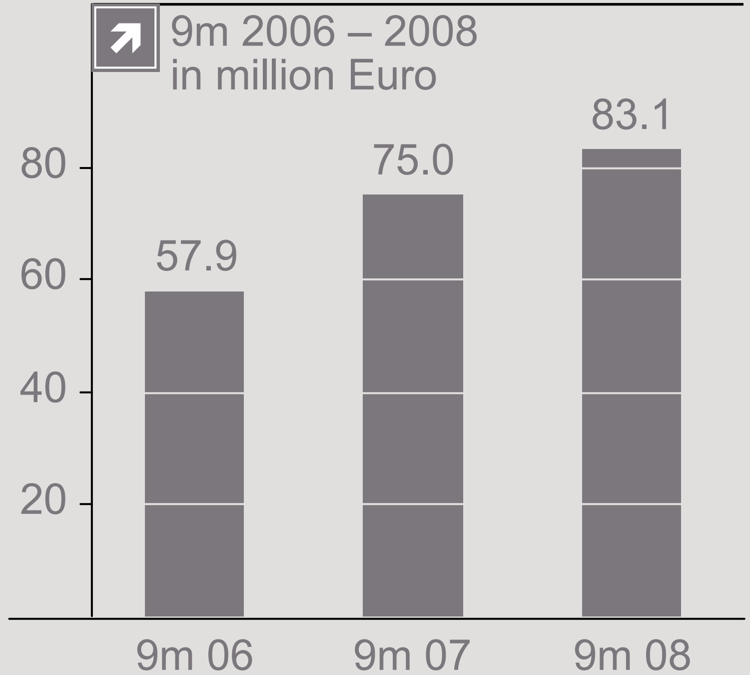

| | | | | | | |
|---|---|---|---|---|---|---|
| 12.0% | 13.7% | 14.7% | **margin** | 8.0% | 9.4% | 10.6% |

# KAISER + KRAFT EUROPA: 9m development

## TURNOVER

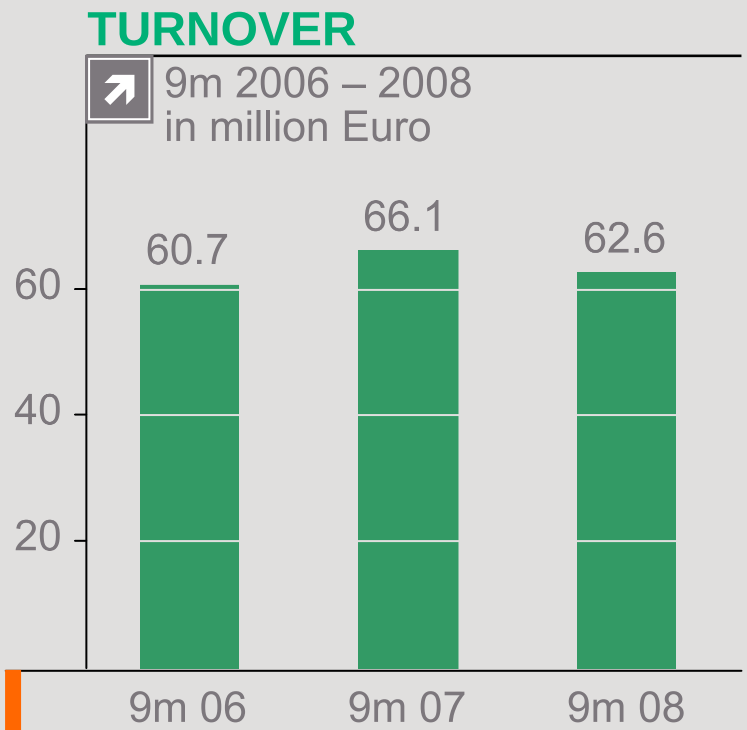


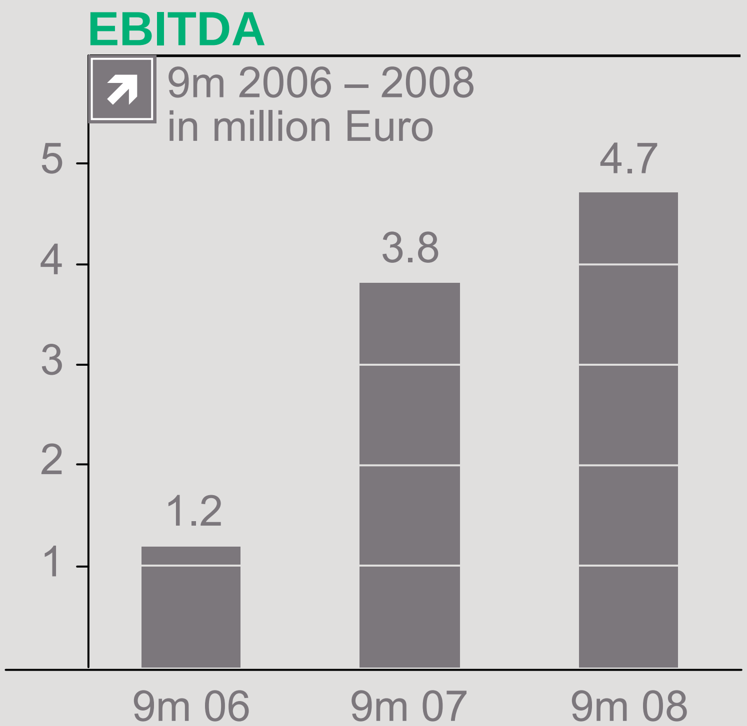

## EBITDA




| | | | | | |
|---|---|---|---|---|---|
| **change** | +8.9% | **margin** | 18.0% | 20.0% | 20.4% |
| **organic growth** | +9.0% | | | | |

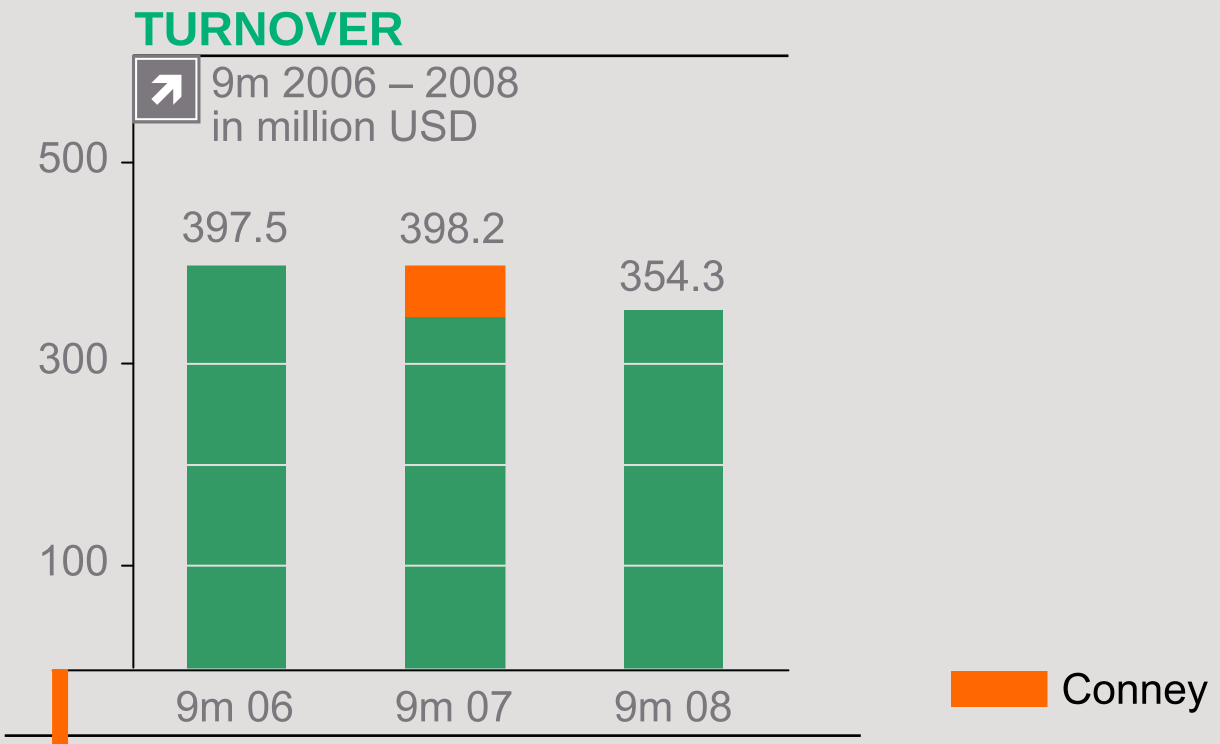
# Topdeq: 9m development




| | | | | | |
|---|---|---|---|---|---|
| **change** | -5.3% | **margin** | 2.0% | 5.7% | 7.5% |
| **organic change** | -3.8% | | | | |

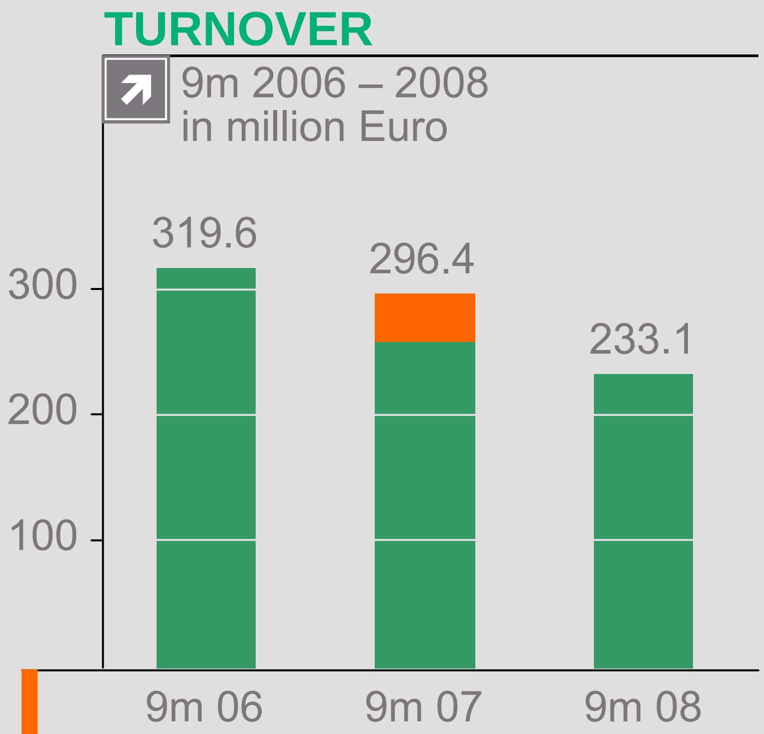
# K + K America: 9m development in USD

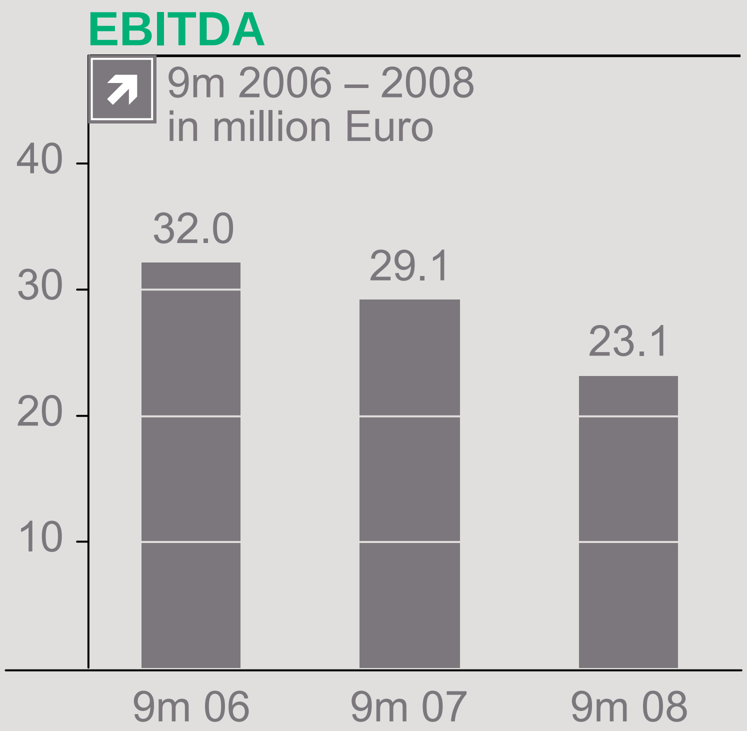



**change** -11.0%

**organic growth** +2.1%

## K + K America: 9m development




**change** -21.4%

**margin** 10.0% 9.8% 9.9%

Conney

# TAKKT 9m 2008: total assets

## ASSETS

| in million Euro | on 30/09/08 | % | on 31/12/07 | % |
|---|---|---|---|---|
| **non-current assets** | | | | |
| property, plant and equipment | 106.5 | 19.0 | 93.4 | 17.0 |
| goodwill | 214.7 | 38.4 | 211.6 | 38.5 |
| other intangible assets | 20.1 | 3.6 | 21.9 | 4.0 |
| other | 0.9 | 0.2 | 0.9 | 0.2 |
| deferred tax | 5.9 | 1.0 | 5.6 | 1.0 |
| **current assets** | | | | |
| inventories | 69.1 | 12.4 | 64.6 | 11.8 |
| trade receivables | 110.0 | 19.7 | 109.0 | 19.8 |
| other | 32.0 | 5.7 | 42.0 | 7.7 |
| | **559.2** | **100.0** | **549.0** | **100.0** |

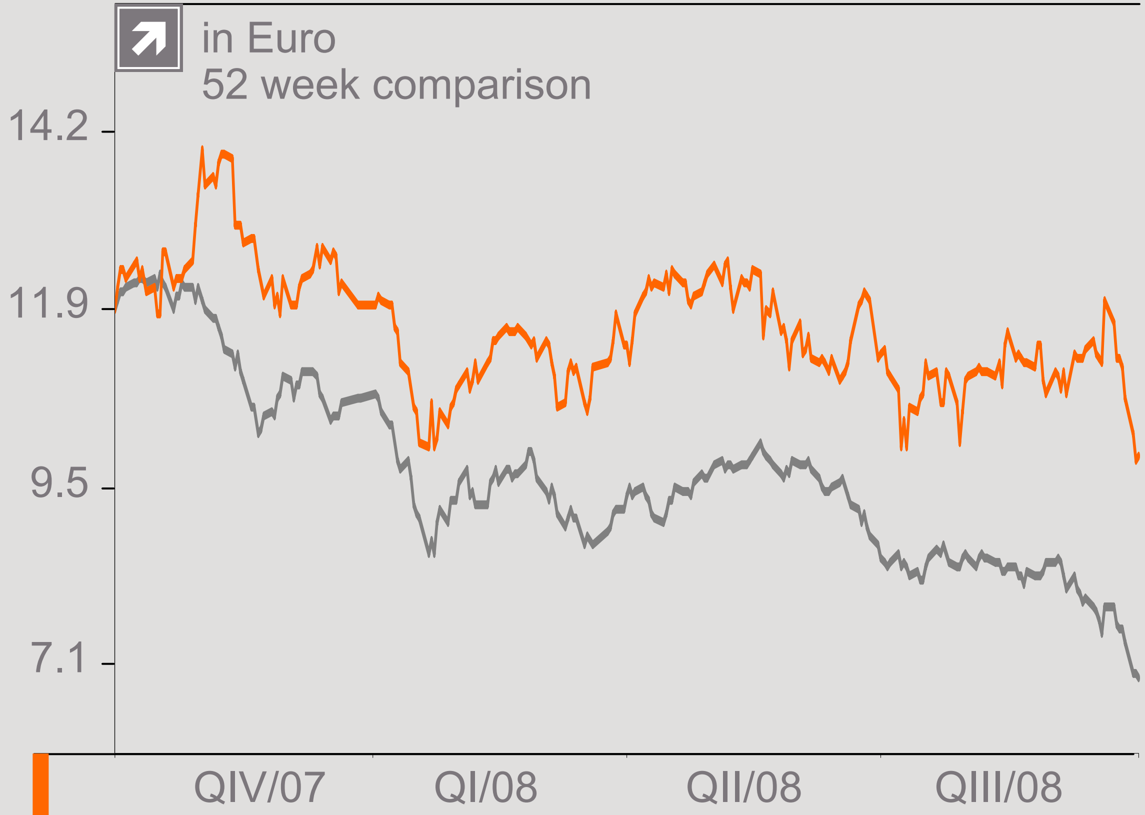
# TAKKT 9m 2008: solid financing structure

## EQUITY AND LIABILITIES

| in million Euro | on 30/09/08 | % | on 31/12/07 | % |
|---|---|---|---|---|
| **total equity** | | | | |
| shareholders' equity | 323.6 | 57.9 | 321.9 | 58.6 |
| minority interest | 3.2 | 0.6 | 3.0 | 0.5 |
| **borrowings** | 98.6 | 17.6 | 91.3 | 16.6 |
| **provisions** | 29.8 | 5.3 | 32.2 | 5.9 |
| **trade payables** | 28.0 | 5.0 | 31.7 | 5.8 |
| **other liabilities** | 76.0 | 13.6 | 68.9 | 12.6 |
| | **559.2** | **100.0** | **549.0** | **100.0** |

# TAKKT share: development does not reflect operational performance

## SHARE PRICE DEVELOPMENT




- Prime Standard since 01/01/2003
- 72.9 million shares
- market capitalisation: ~ Euro 715m
- shareholder structure:
  - free float: 27.3%
  - Franz Haniel & Cie. GmbH: 72.7%

■ TAKKT share

■ SDAX (indexed)

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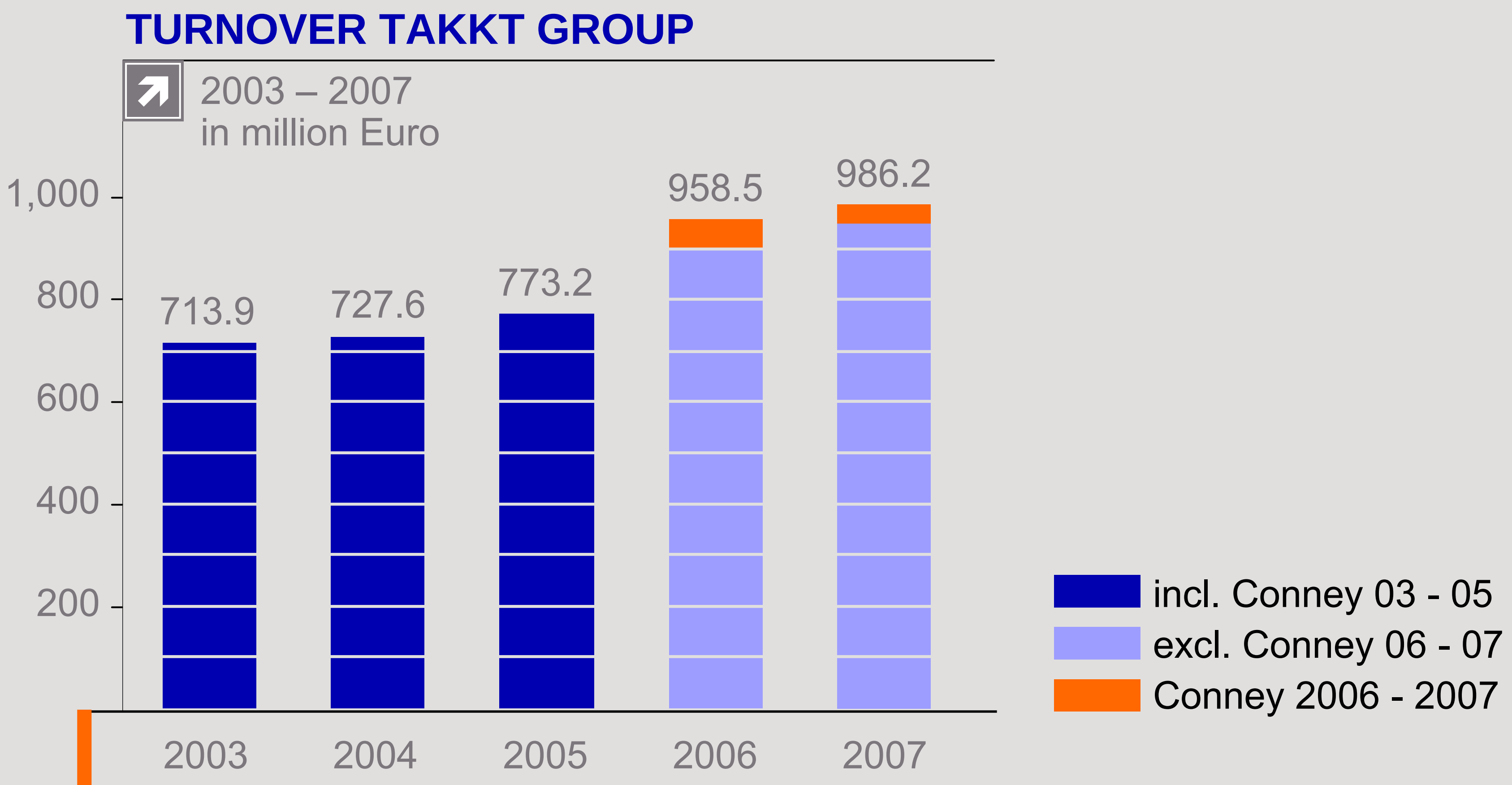
**financial year 2007**

# Turnover: strong organic growth of 9.2 percent




| | 2003 | 2004 | 2005 | 2006 | 2007 |
|---|---|---|---|---|---|
| **change** | -8.9% | +1.9% | +6.3% | +24.0% | +2.9% |
| **organic change** | -1.1% | +5.8% | +5.9% | +10.1% | +9.2% |

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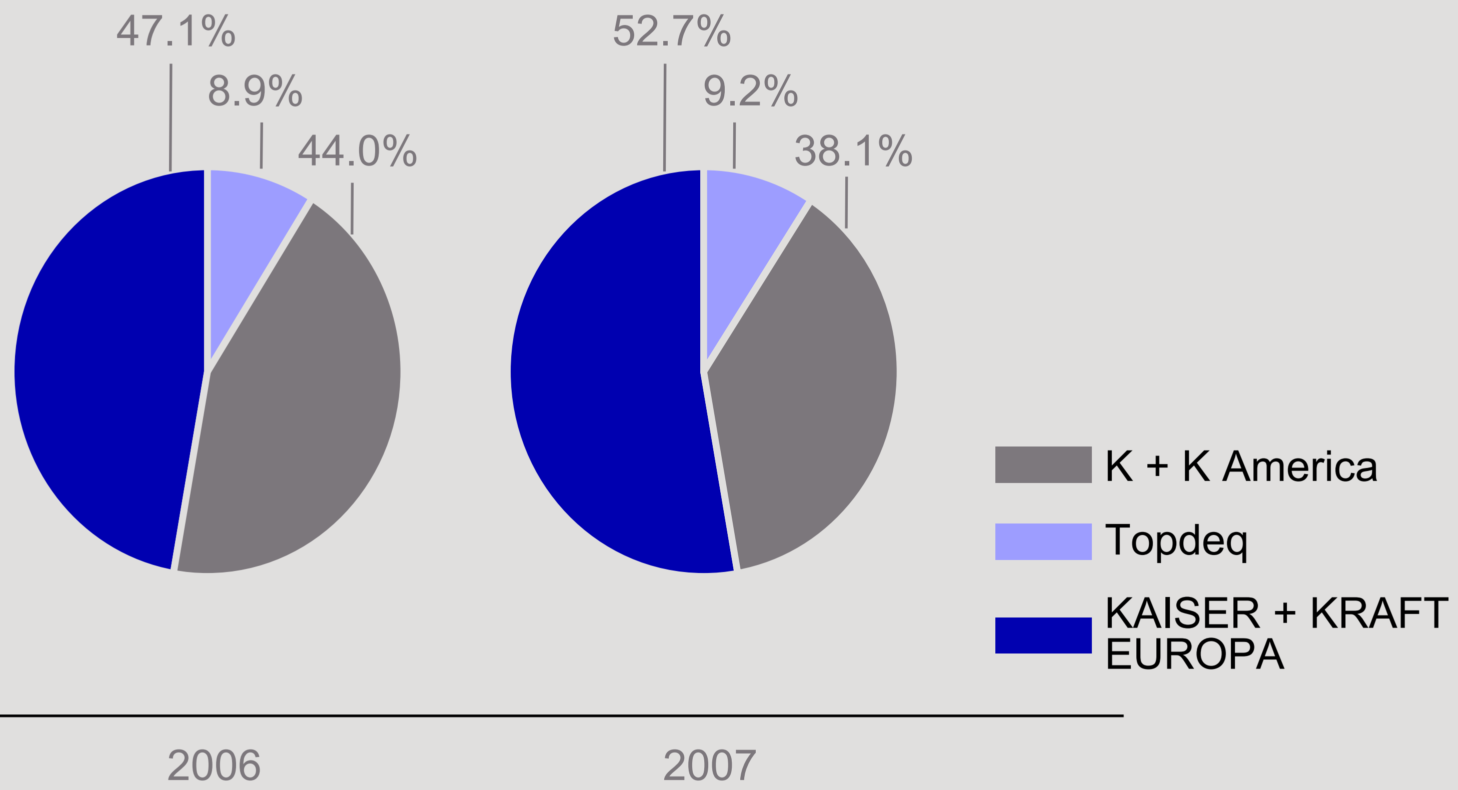
# Turnover: diversification as basis of success

## TURNOVER by division

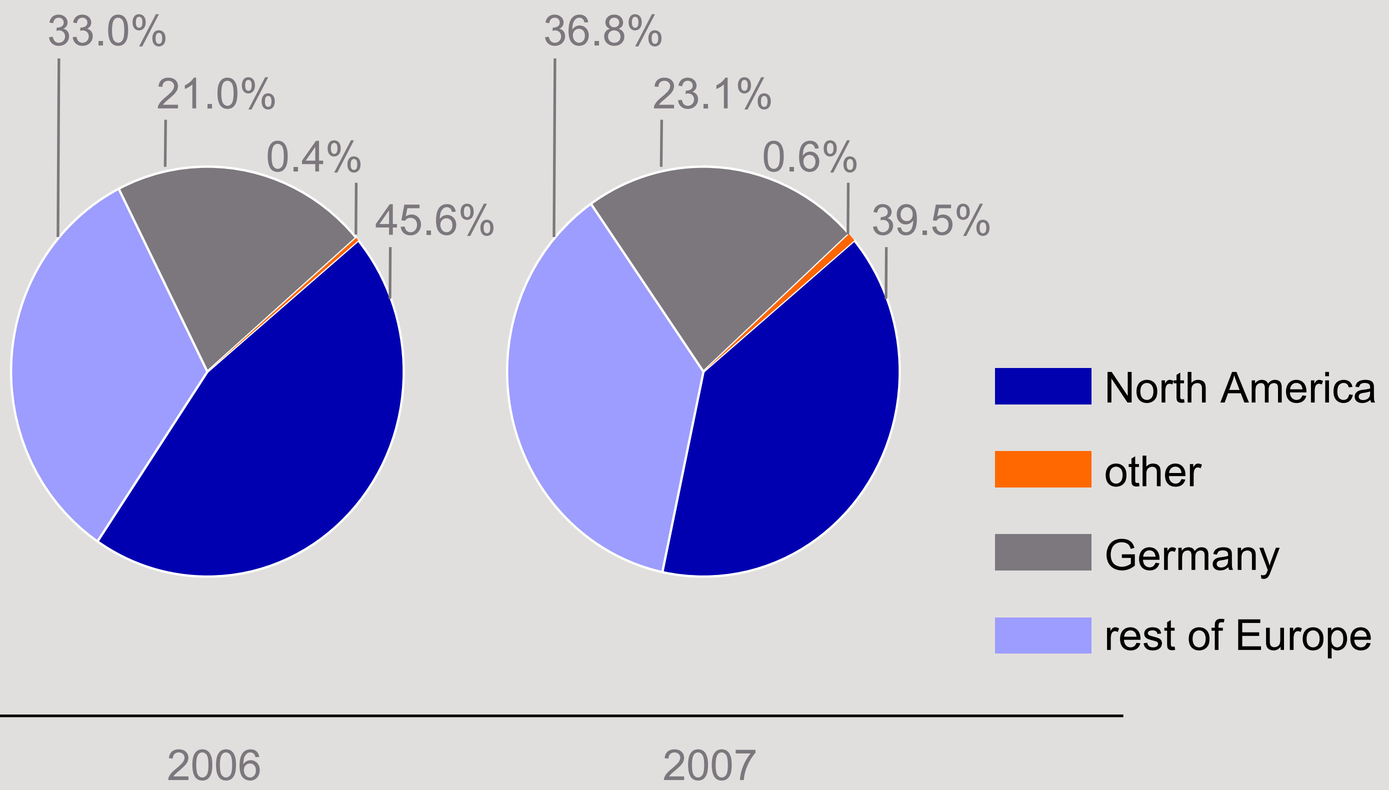
2006 and 2007



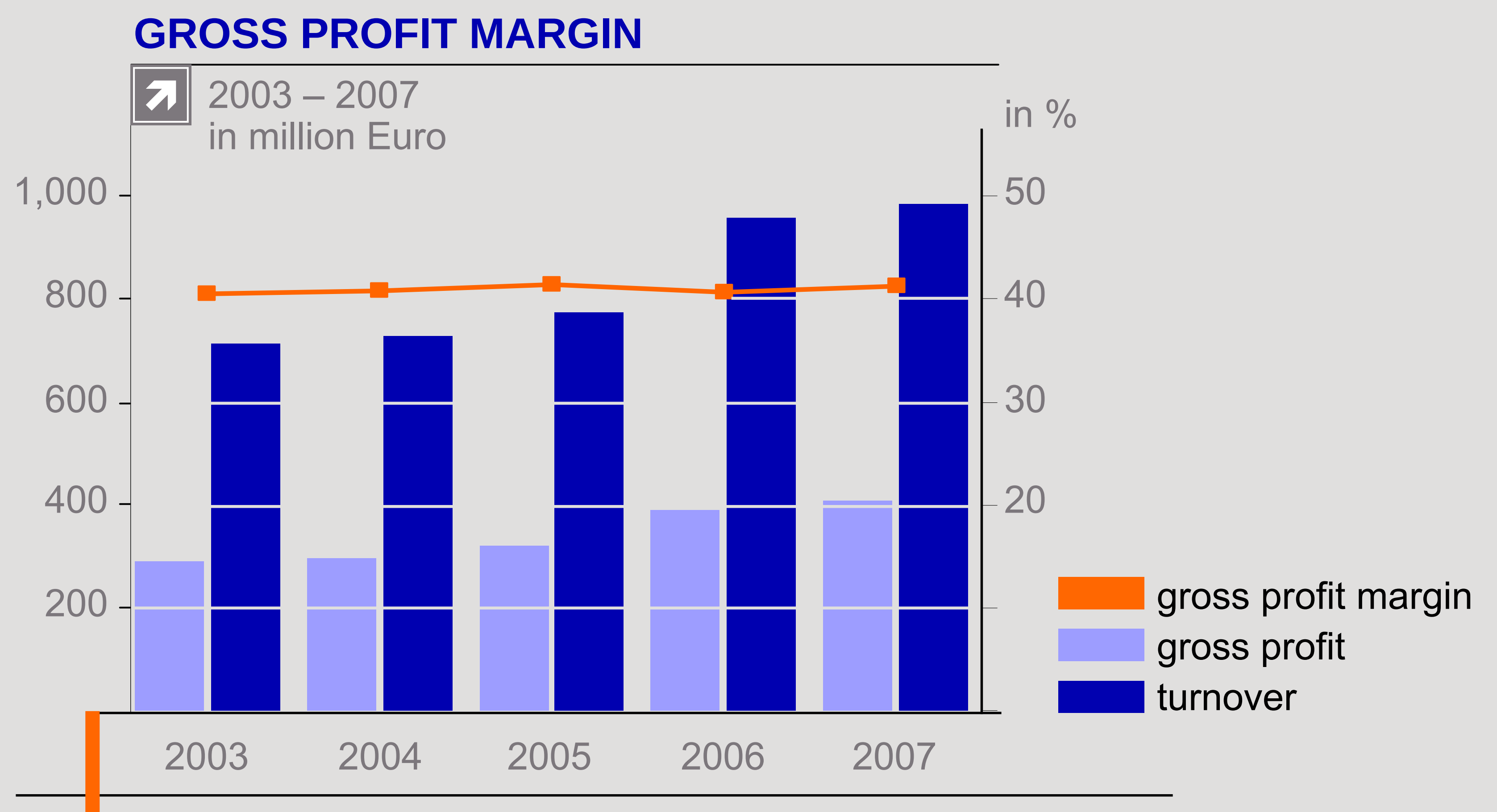
## Turnover: diversification as basis of success

### TURNOVER by region

2006 and 2007

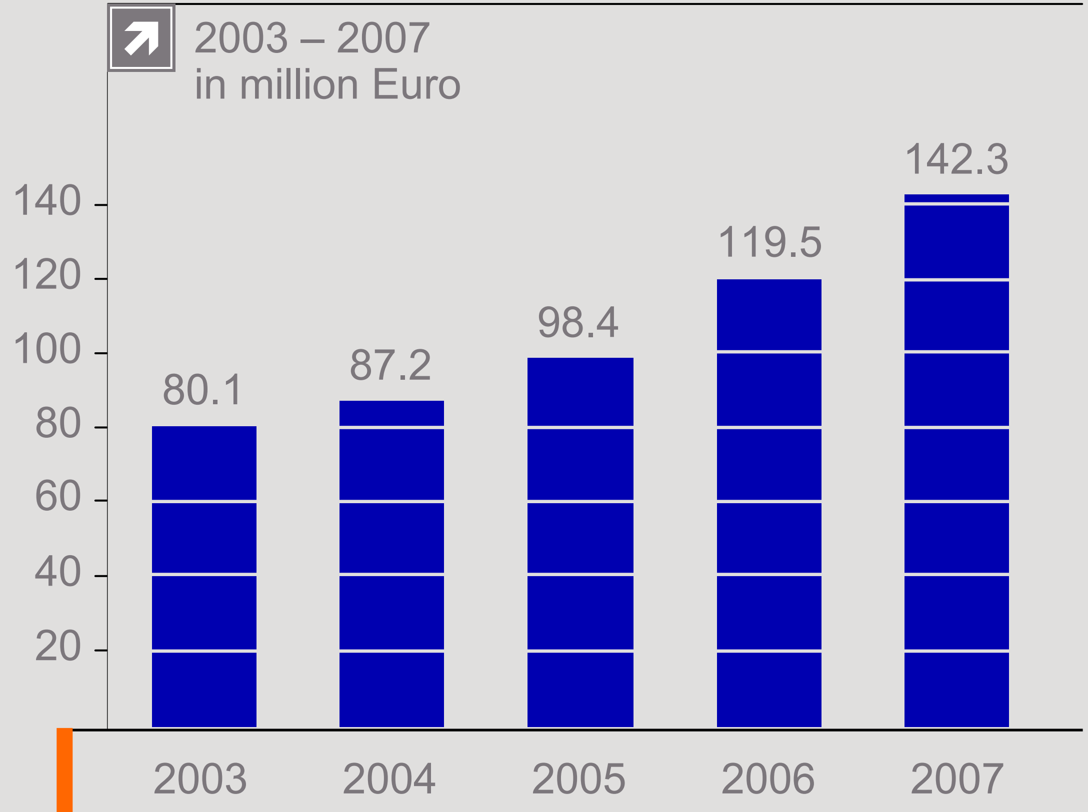


# Gross profit: margin in all divisions further optimised



## EBITDA: margin above prior target corridor of 11 to 13 percent

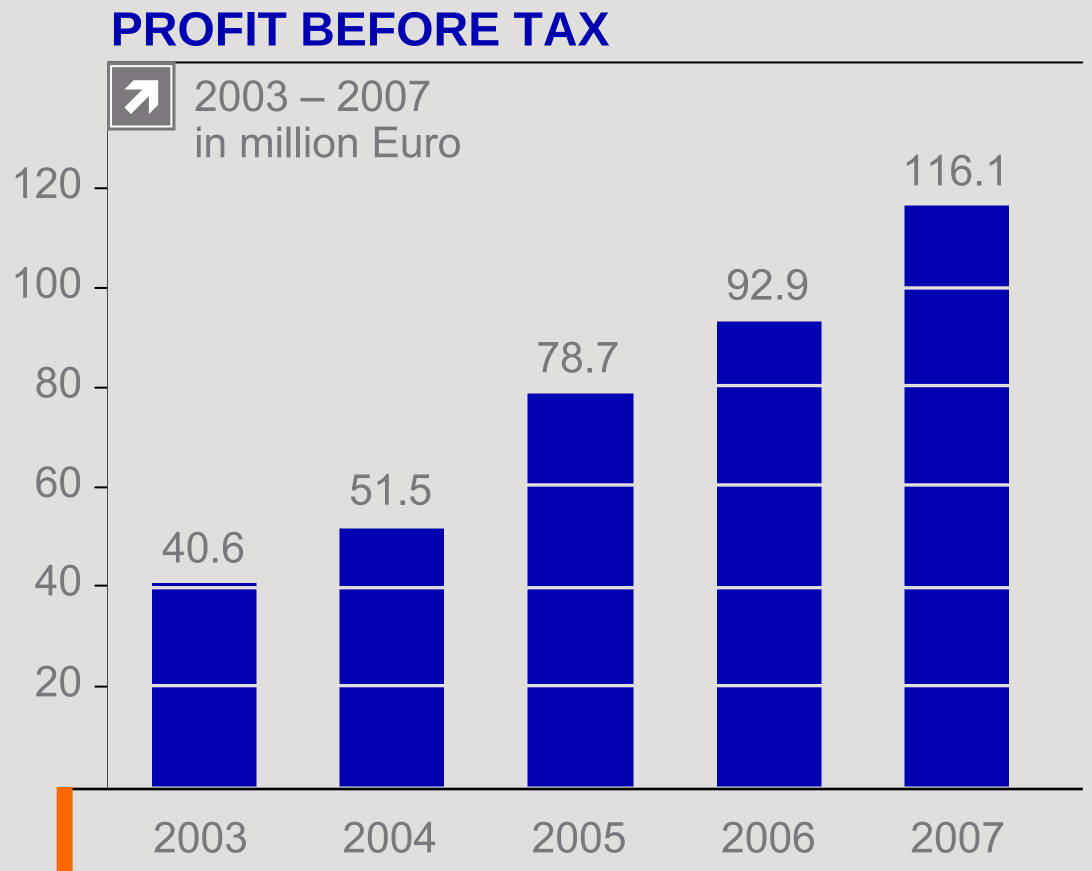
### EBITDA




| 2003 | 2004 | 2005 | 2006 | 2007 | |
|---|---|---|---|---|---|
| 11.2% | 12.0% | 12.7% | 12.5% | 14.4% | **margin** |

- increase of EBITDA margin target corridor from 11 - 13% to 12 - 15% from 2008 on

## Profit before tax: substantial increase




| | | | | | |
|---|---|---|---|---|---|
| 5.7% | 7.1% | 10.2% | 9.7% | 11.8% | **margin** |

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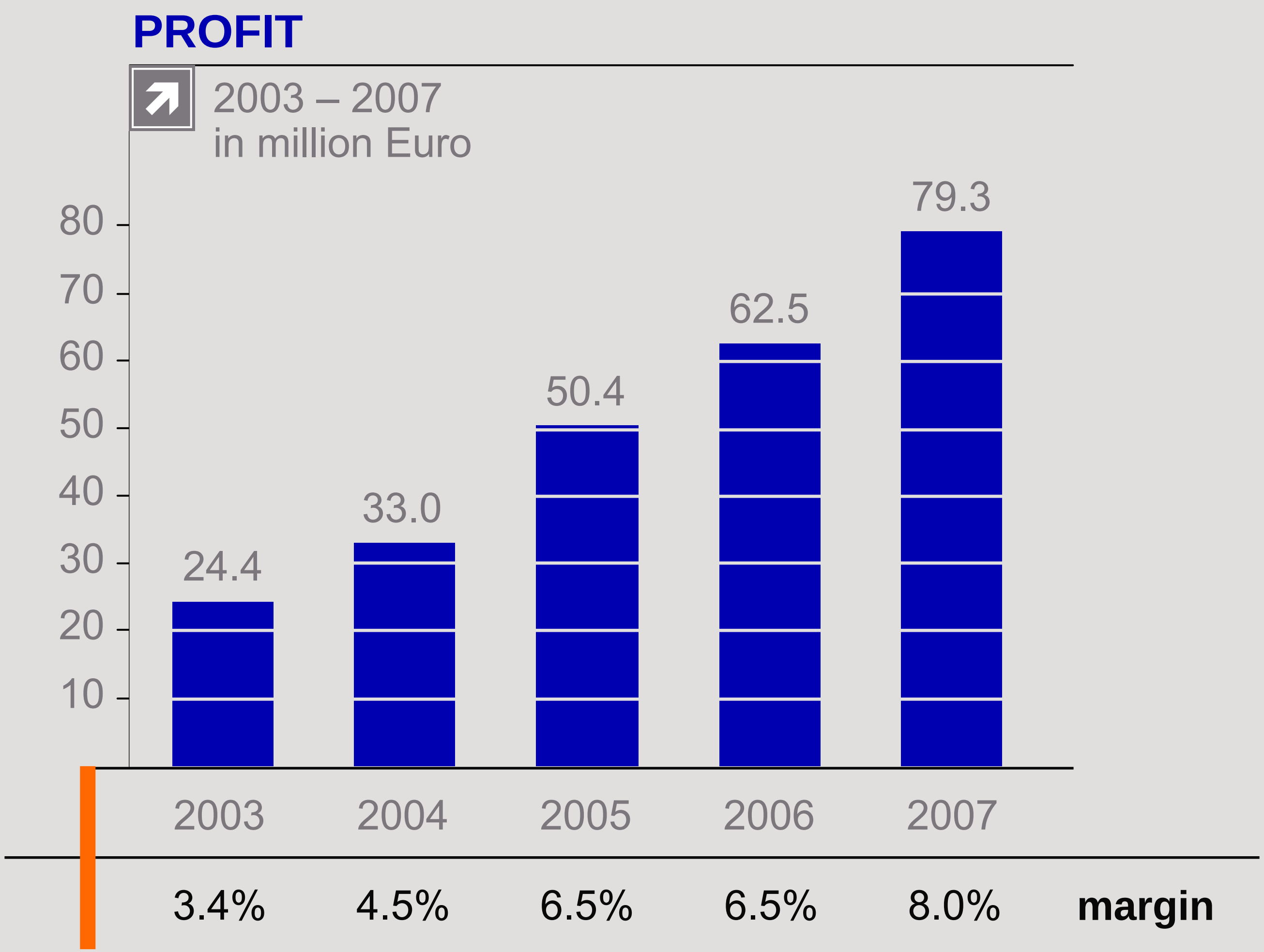
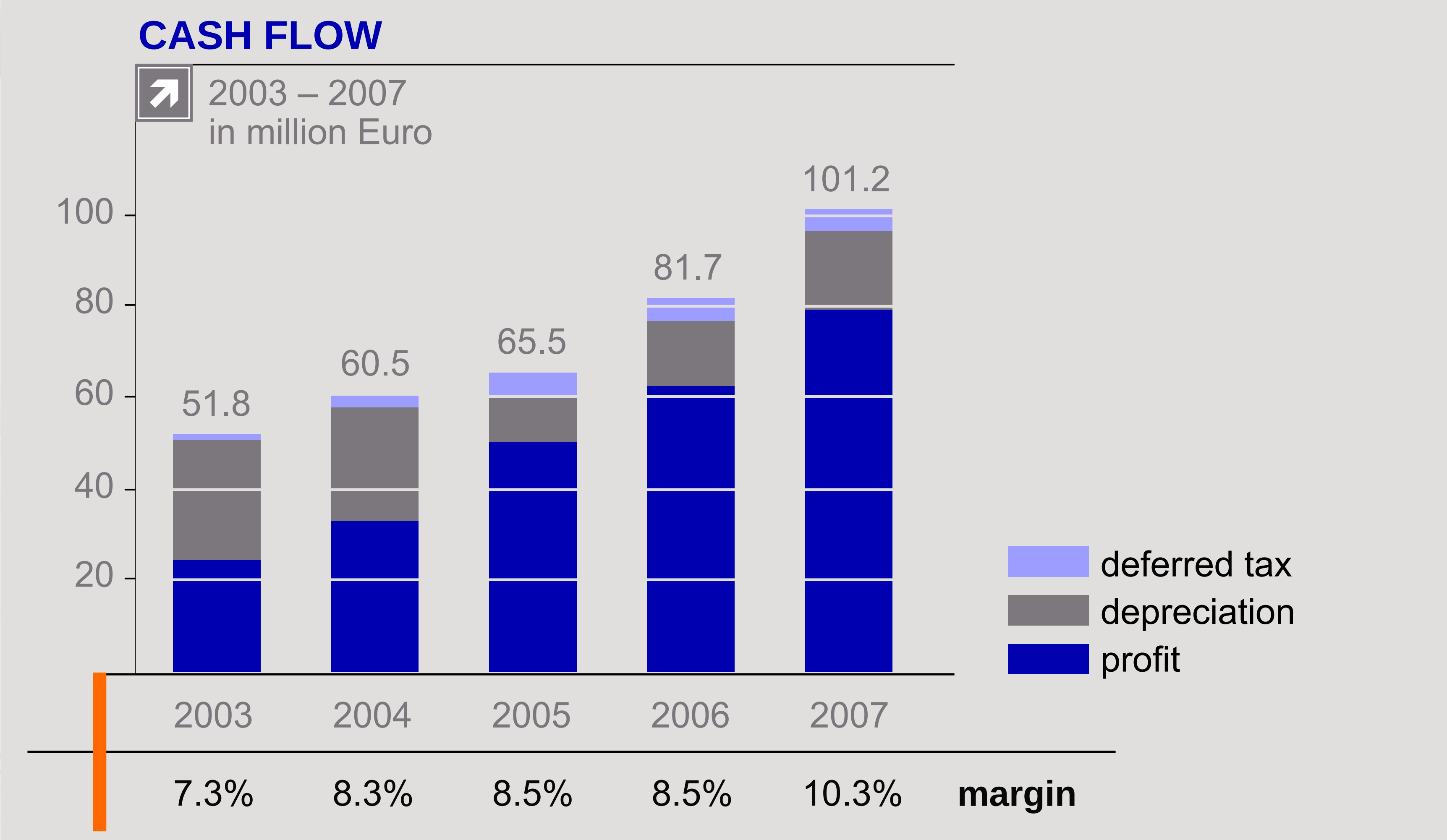
## Profit: profitability further improved on already high level



# Cash flow: over EUR 100 million for the first time

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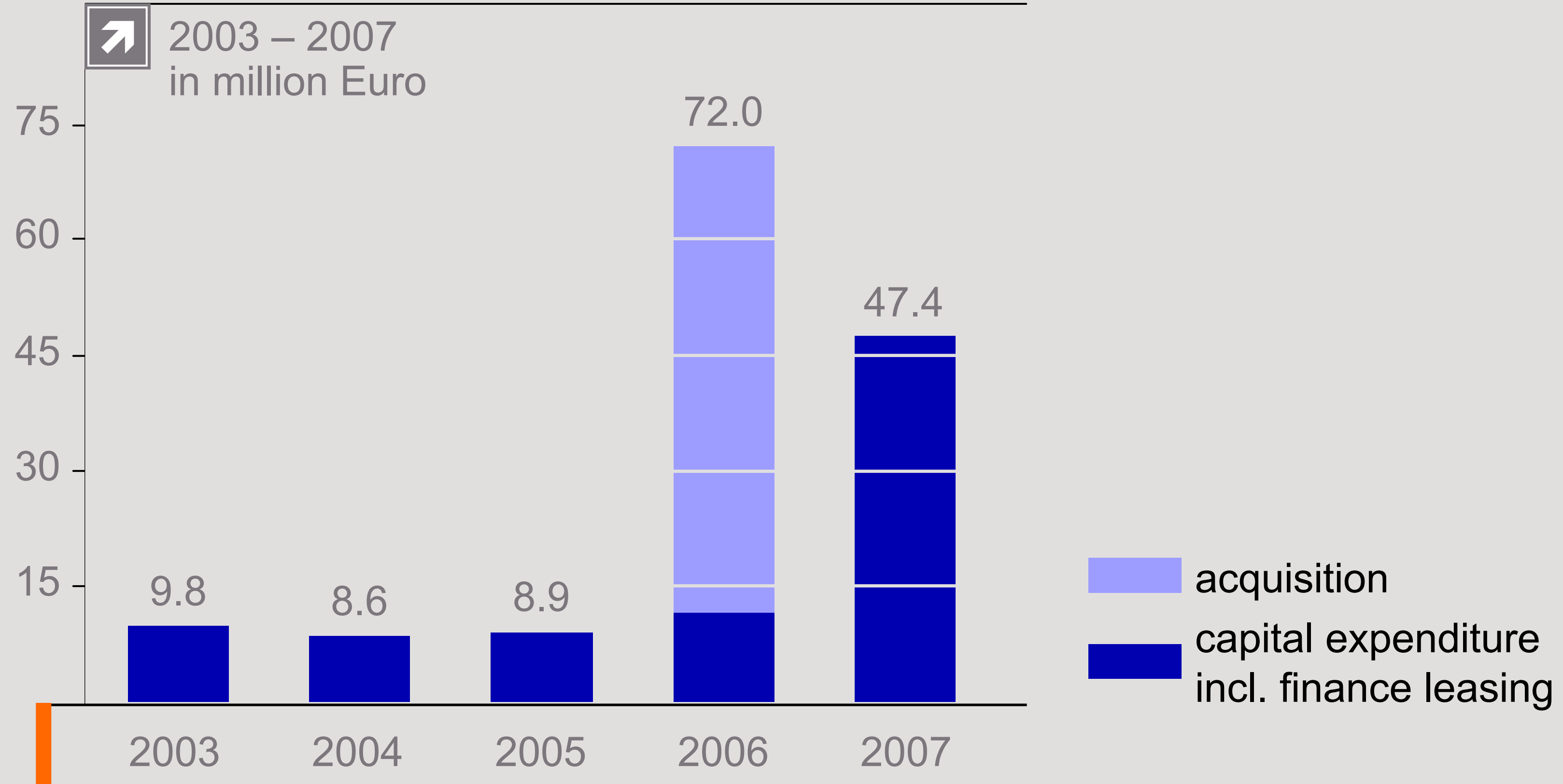
## Capital expenditure: higher due to investments into logistics infrastructure

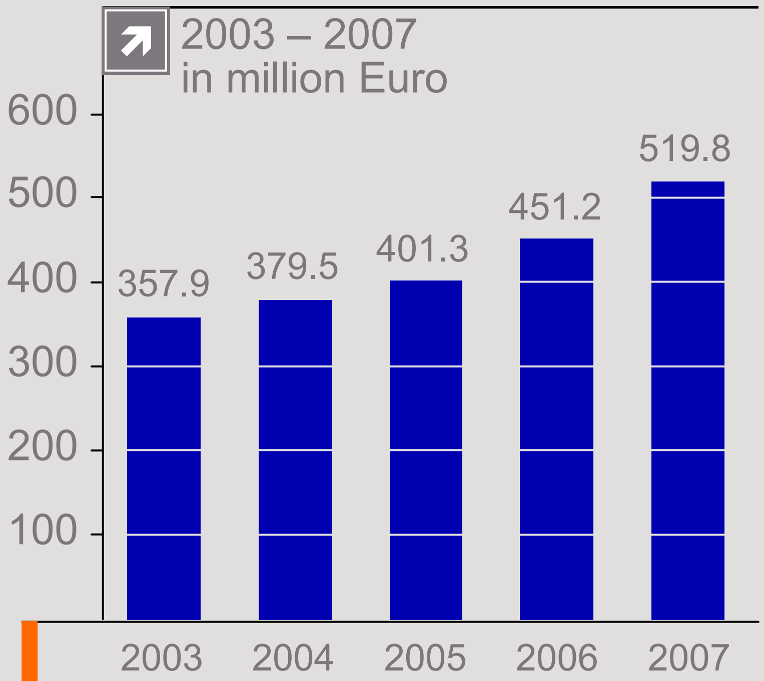
### CAPITAL EXPENDITURE



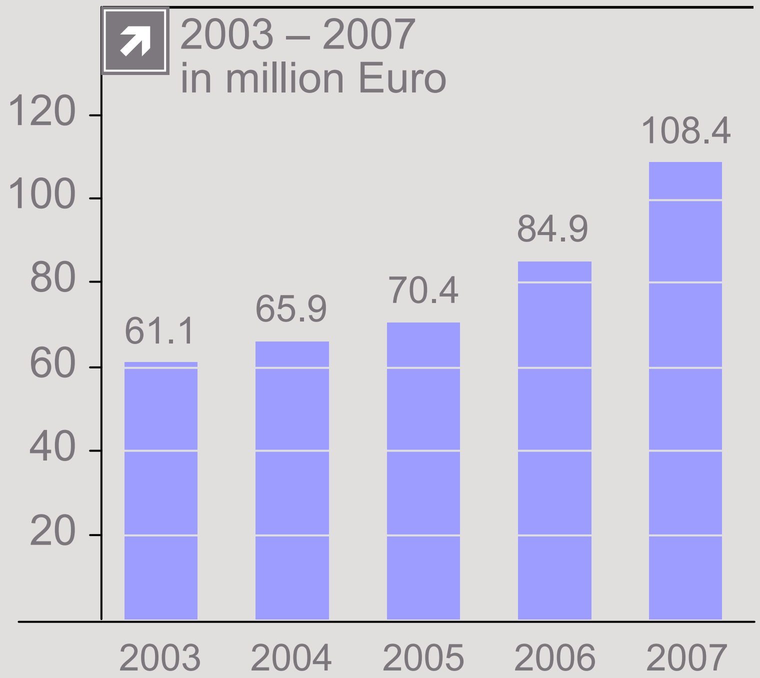

| 2003 | 2004 | 2005 | 2006 | 2007 | |
|---|---|---|---|---|---|
| 1.4% | 1.2% | 1.2% | 7.5% | 4.8% | **margin** |

# KAISER + KRAFT EUROPA: main turnover generator with high profitability

## TURNOVER




## EBITDA




| | 2003 | 2004 | 2005 | 2006 | 2007 |
|---|---|---|---|---|---|
| **margin** | 17.1% | 17.4% | 17.5% | 18.8% | 20.9% |

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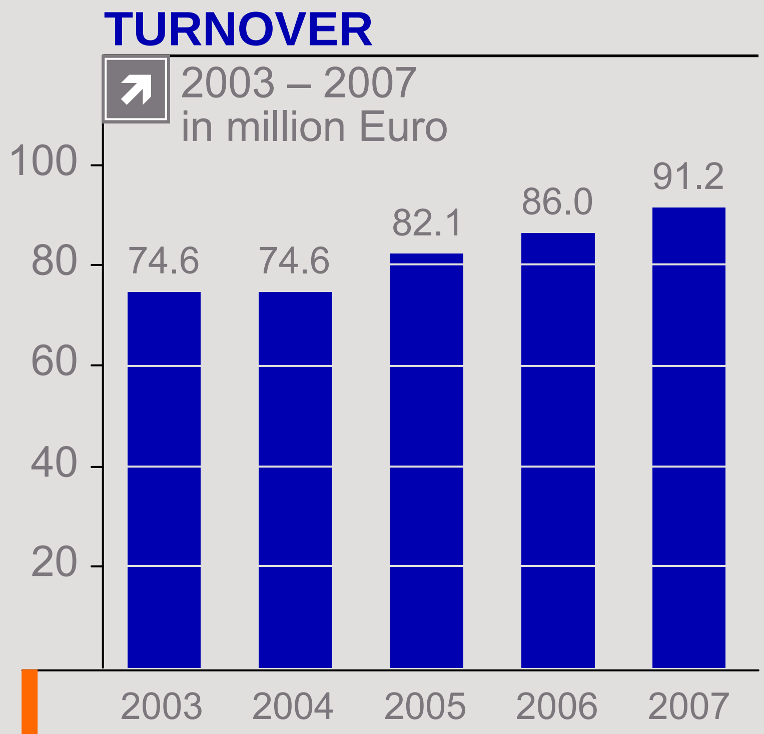
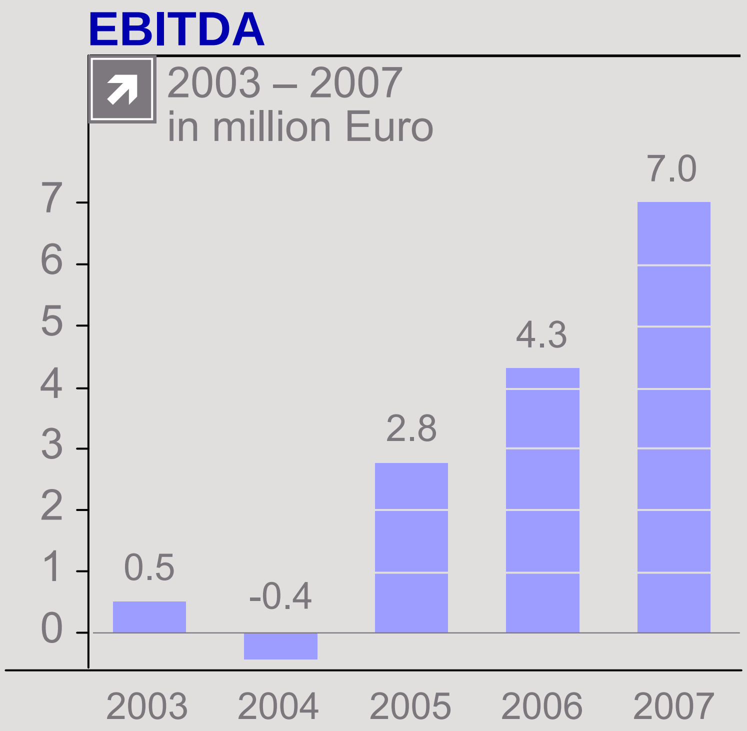
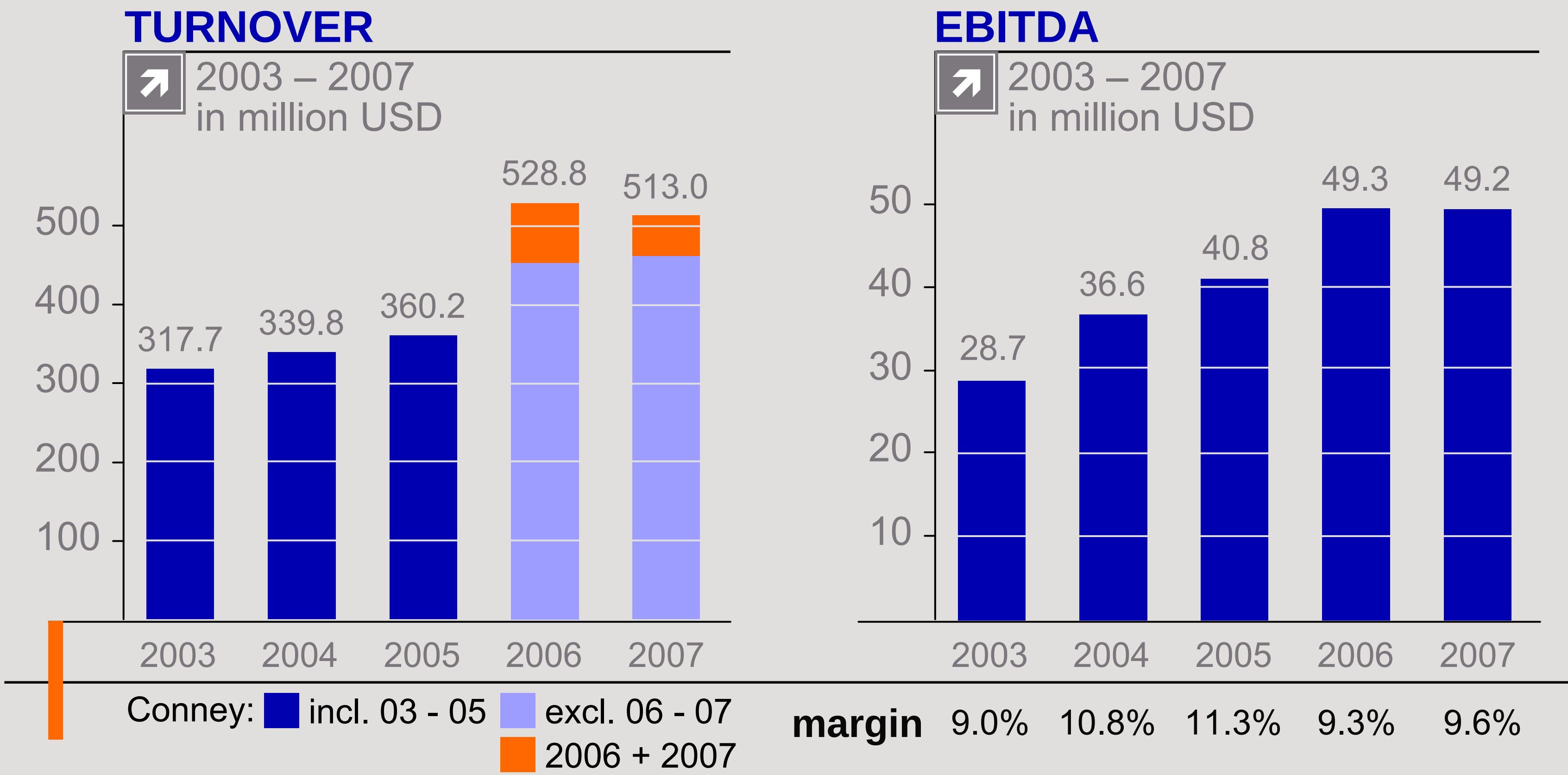
# Topdeq: repositioning shows further results




| | 2003 | 2004 | 2005 | 2006 | 2007 |
|---|---|---|---|---|---|
| **margin** | 0.7% | -0.6% | 3.4% | 5.0% | 7.6% |

## K + K America in USD: organic growth despite weak economy




| | 2003 | 2004 | 2005 | 2006 | 2007 |
|---|---|---|---|---|---|
| **margin** | 9.0% | 10.8% | 11.3% | 9.3% | 9.6% |

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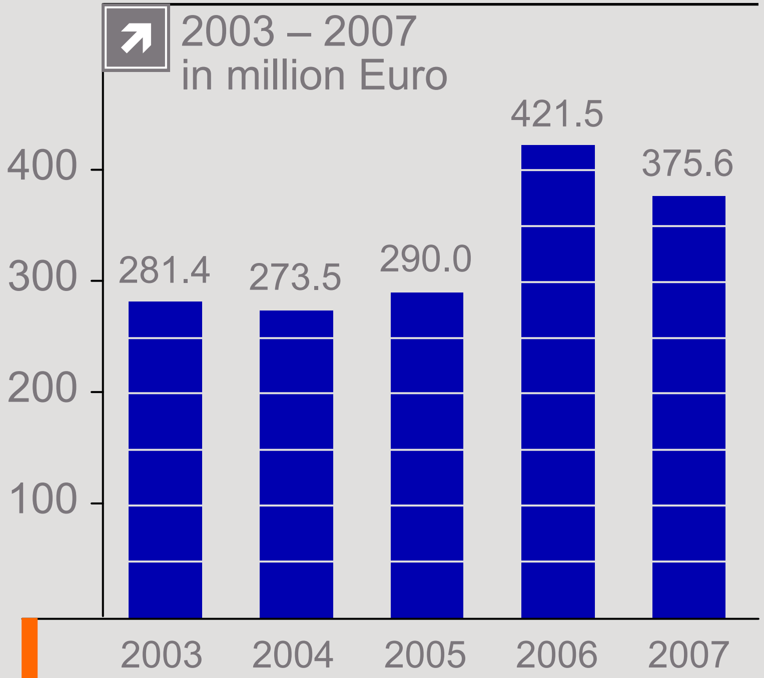
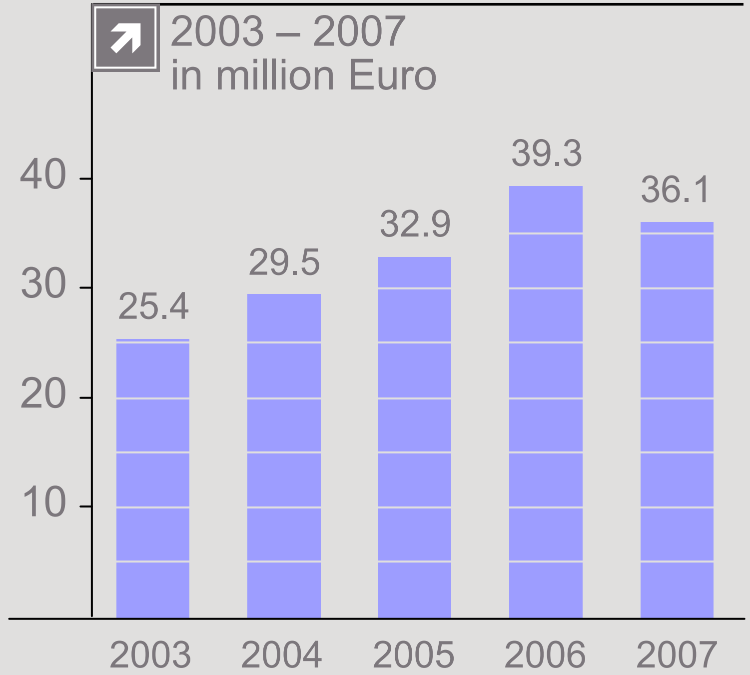
# K + K America: weak US dollar impacts euro figures

## TURNOVER




## EBITDA




| | 2003 | 2004 | 2005 | 2006 | 2007 |
|---|---|---|---|---|---|
| **margin** | 9.0% | 10.8% | 11.3% | 9.3% | 9.6% |

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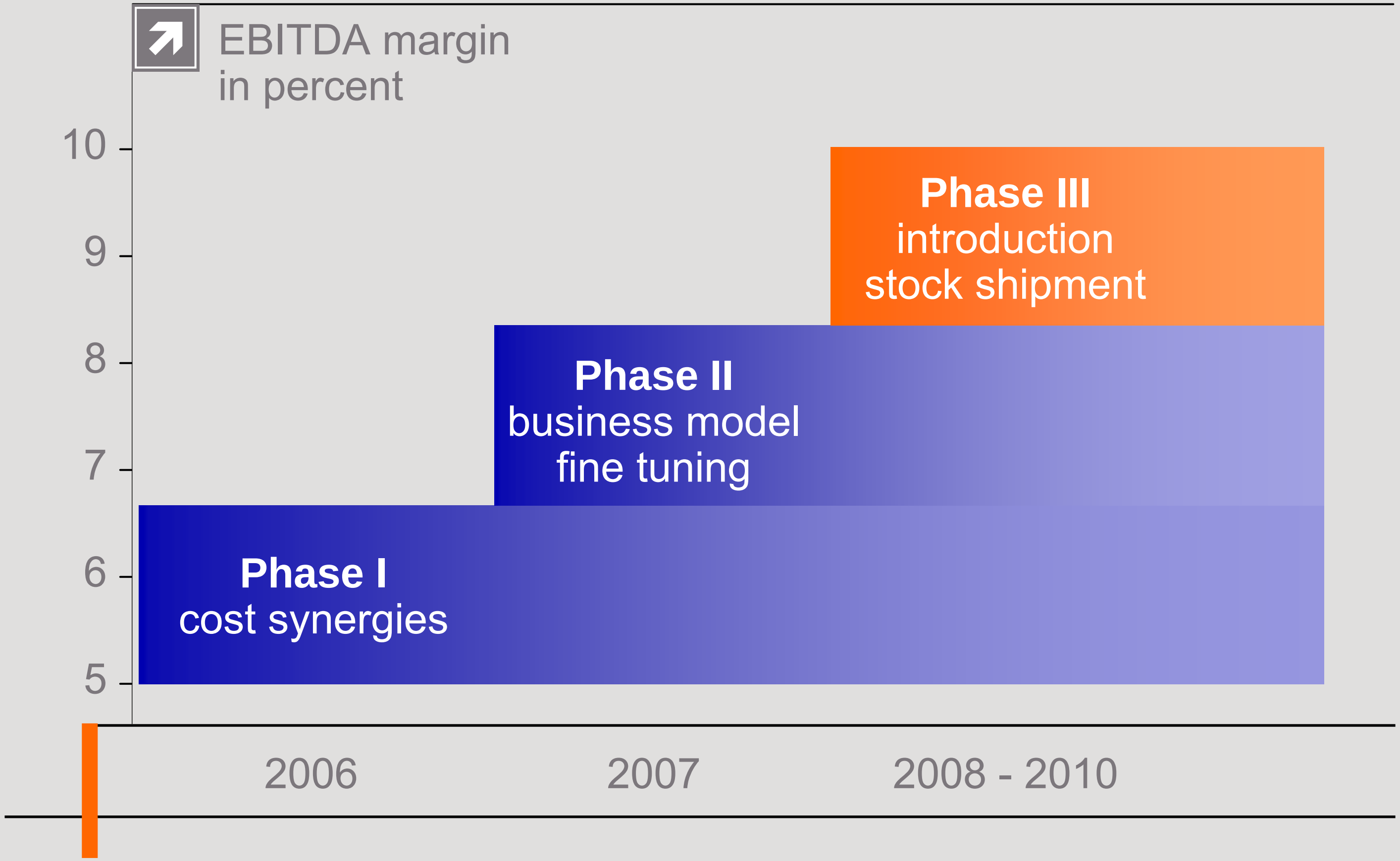
## NBF integration: according to plan




→ in 2007 EBITDA margin of 8.6 percent after 5 percent in 2005

# Balance sheet: Conney sale leads to shortened total assets

## ASSETS

| in million Euro | on 31/12/07 | % | on 31/12/06 | % |
|---|---|---|---|---|
| **non-current assets** | | | | |
| property, plant and equipment | 93.4 | 17.0 | 64.4 | 11.2 |
| goodwill | 211.6 | 38.5 | 250.4 | 43.7 |
| other intangible assets | 21.9 | 4.0 | 30.7 | 5.4 |
| other | 0.9 | 0.2 | 0.7 | 0.1 |
| deferred tax | 5.6 | 1.0 | 6.3 | 1.1 |
| **current assets** | | | | |
| inventories | 64.6 | 11.8 | 64.7 | 11.3 |
| trade receivables | 109.0 | 19.8 | 118.4 | 20.6 |
| other | 42.0 | 7.7 | 37.5 | 6.6 |
| | **549.0** | **100.0** | **573.1** | **100.0** |

## Balance sheet: clear debt relief, shareholders‘ equity ratio at 58.6 percent

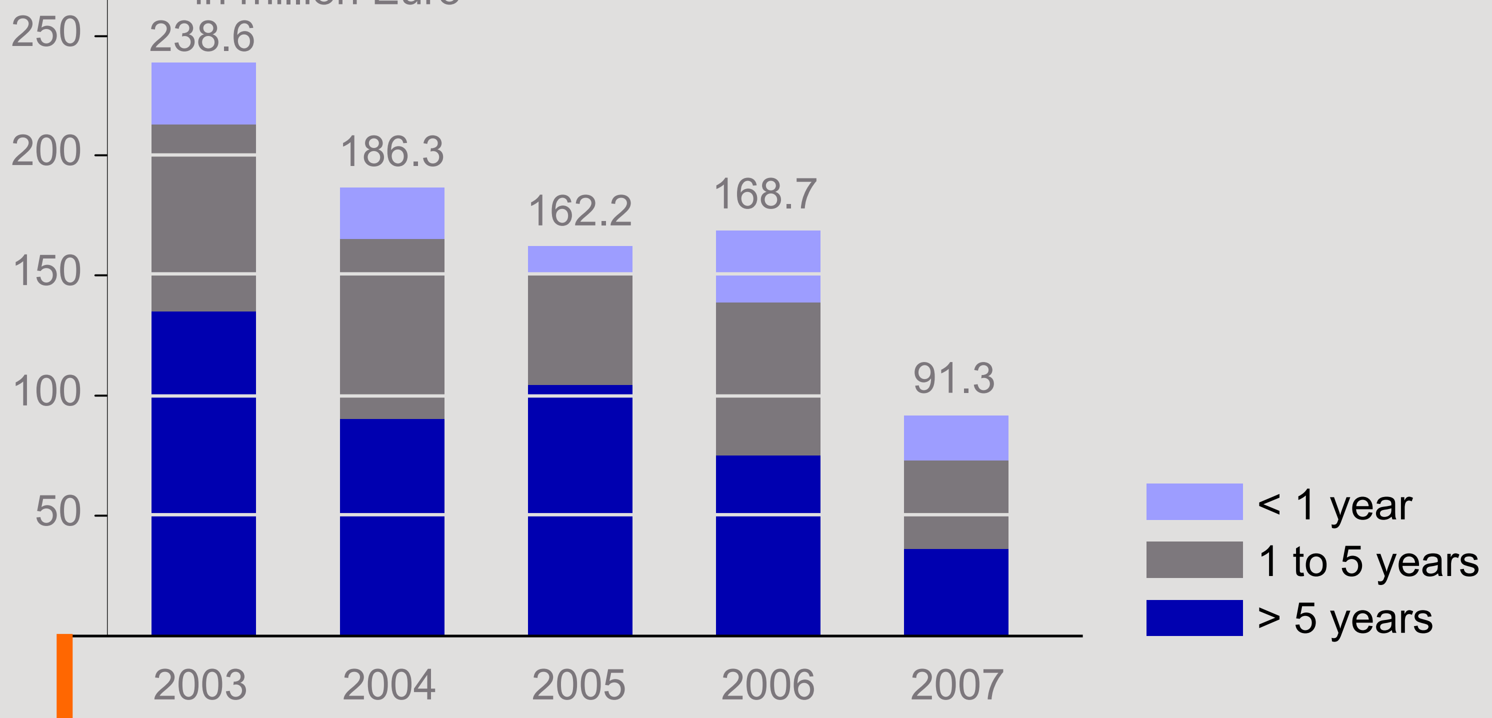
### EQUITY AND LIABILITIES

| in million Euro | on 31/12/07 | % | on 31/12/06 | % |
|---|---|---|---|---|
| **total equity** | | | | |
| shareholders‘ equity | 321.9 | 58.6 | 273.2 | 47.7 |
| minority interest | 3.0 | 0.5 | 2.3 | 0.4 |
| **pension provisions** | 14.3 | 2.6 | 12.8 | 2.2 |
| **other provisions** | 17.9 | 3.3 | 17.3 | 3.0 |
| **borrowings** | 91.3 | 16.6 | 168.7 | 29.4 |
| **trade payables** | 31.7 | 5.8 | 32.4 | 5.7 |
| **other liabilities** | 68.9 | 12.6 | 66.4 | 11.6 |
| | **549.0** | **100.0** | **573.1** | **100.0** |

## Borrowings: reduced basis offers room for external growth

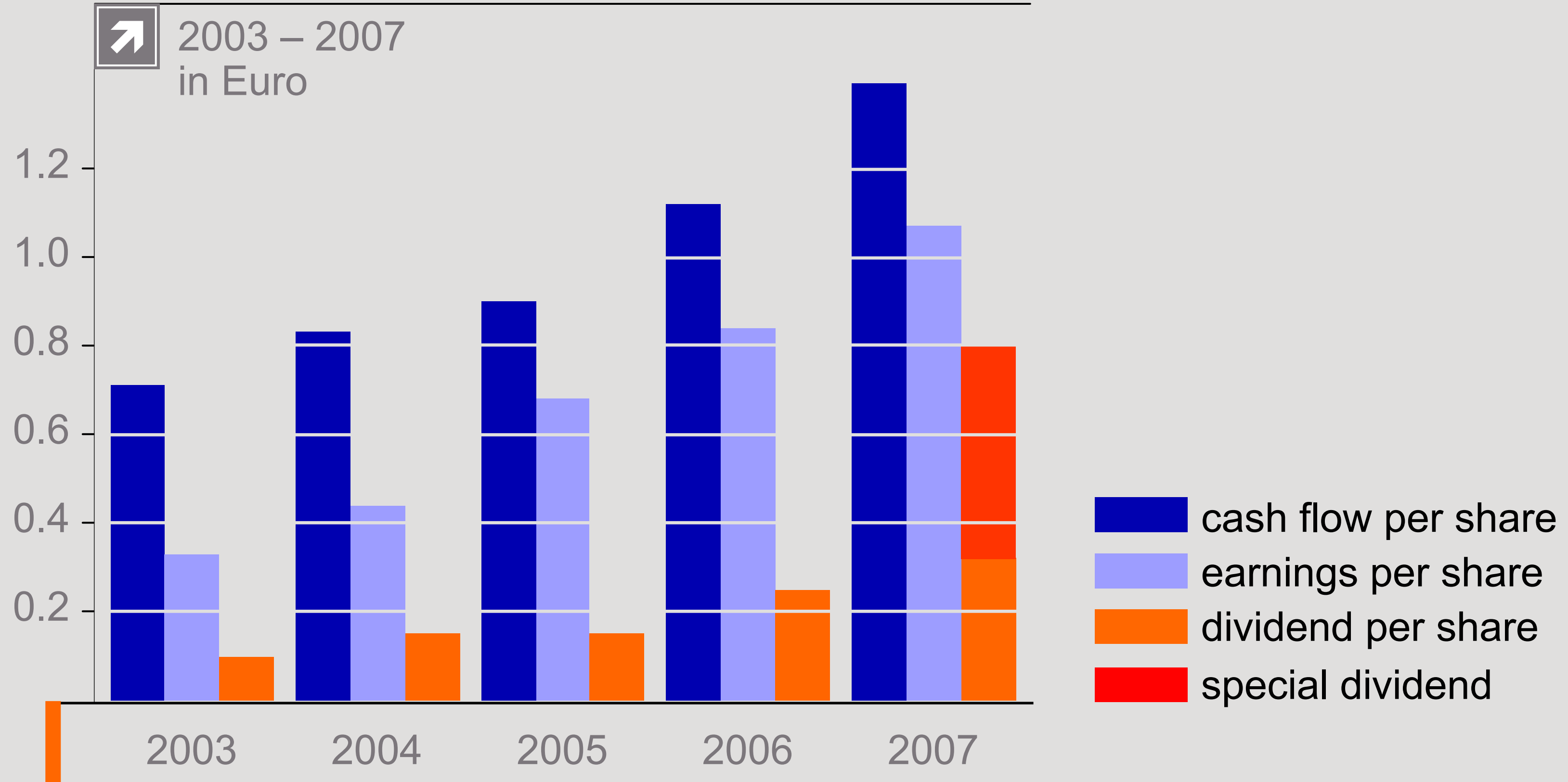
### BORROWINGS

2003 – 2007
in million Euro



# Key figures per share: clear increase in cash flow, earnings and dividend

## KEY FIGURES PER SHARE




| 31% | 34% | 22% | 30% | 75% | **dividend rate** |
|---|---|---|---|---|---|

## Free cash flow enables external growth and/or high dividend

target corridor
equity ratio

~ 60% maximum

~ 30% minimum

- management instruments outside the operative business
  - acquisitions
  - dividend/return of capital
  - debt repayment

- reduction of net financial debt clearly under EUR 100m not wanted

- primary focus to use cash flow is on acquisitions

→ special dividend possible in future if there are no value-creating acquisitions or investments

| in million Euro | 2003 | 2004 | 2005 | 2006 | 2007 |
|---|---|---|---|---|---|
| turnover | 713.9 | 727.6 | 773.2 | 958.5 | 986.2 |
| EBITDA | 80.1 | 87.2 | 98.4 | 119.5 | 142.3 |
| EBITA | 70.3 | 78.2 | 88.9 | 105.2 | 125.0 |
| EBIT | 53.9 | 62.5 | 88.9 | 105.2 | 125.0 |
| profit before tax | 40.6 | 51.5 | 78.7 | 92.9 | 116.1 |
| profit | 24.4 | 33.0 | 50.4 | 62.5 | 79.3 |
| cash flow | 51.8 | 60.5 | 65.5 | 81.7 | 101.2 |
| free cash flow | 42.0 | 51.9 | 56.6 | 9.7 | 53.8 |
| EPS (in EUR) | 0.33 | 0.44 | 0.68 | 0.84 | 1.07 |
| CEPS / CFPS (in EUR) | 0.71 | 0.83 | 0.90 | 1.12 | 1.39 |
| dividend rate (in %) | 30.8 | 33.8 | 22.0 | 29.6 | 74.7 |

| in million Euro / other | 2003 | 2004 | 2005 | 2006 | 2007 |
|---|---|---|---|---|---|
| Ø net borrowings | -260.4 | -211.8 | -170.2 | -188.7 | -124.6 |
| net borrowings (ye) | -234.3 | -182.3 | -156.5 | -164.8 | -81.6 |
| CAPEX (incl. acquisitions) | 9.8 | 8.6 | 8.9 | 72.0 | 47.4 |
| change in working capital | 7.8 | 2.8 | 11.5 | 14.6 | 9.8 |
| gearing | 1.5 | 1.0 | 0.7 | 0.6 | 0.3 |
| interest cover | 5.3 | 7.2 | 8.6 | 8.7 | 14.1 |
| debt repayment period (y) | 5.0 | 3.5 | 2.6 | 2.3 | 1.2 |
| equity ratio in % * | 32.8 | 39.6 | 46.1 | 47.7 | 58.6 |



* without minority interest

| in thousand Euro / other | 2003 | 2004 | 2005 | 2006 | 2007 |
|---|---|---|---|---|---|
| employees (full-time Ø) | 1,888 | 1,851 | 1,848 | 2,016 | 2,040 |
| turnover per employee | 378 | 393 | 418 | 475 | 483 |
| personnel costs per empl. | 50.3 | 51.7 | 53.3 | 57.2 | 55.1 |
| cash flow per employee | 27.5 | 32.7 | 35.5 | 40.5 | 49.6 |
| employees (f.-time at 31/12) | 1,860 | 1,840 | 1,868 | 2,027 | 1,971 |

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## transparency of key figures

# Expected changes in recognition of catalogue costs

- IAS 38 advertising and promotional activity - is expected to be changed by April 2008; effective as of 1 January 2009

**current practice**

- following "matching principle": recognition of catalogue costs over the period of sales generation

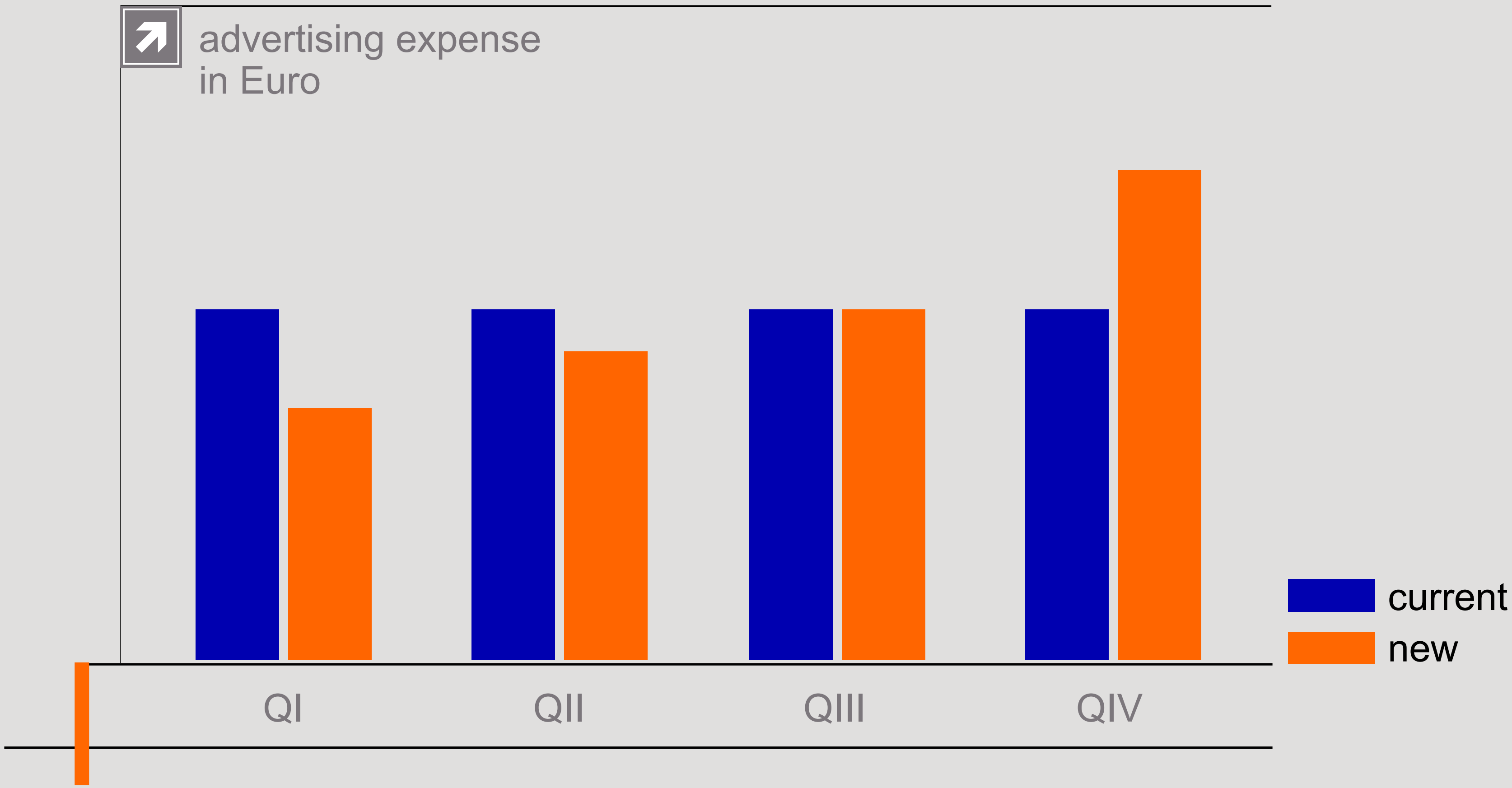
➔ even distribution of advertising costs throughout the year

**new practice**

- recognition of catalogue costs when company has the right to access those goods (meaning as soon as they are produced and invoiced)

➔ uneven distribution throughout the year with majority of expense to be recognised in months Dec/Jan – April/May – Aug/Sep

## Estimated impact on catalogue cost recognition between the quarters




➔ update on this will be provided when more detailed information is available

# Financial calendar 2008/2009

| | |
|---|---|
| 30/10/2008 | interim report for the first nine months 2008 |
| Oct/Nov | autumn road shows |
| **10/11/2008** | **German Equity Forum, Frankfurt** |
| 19/01/2009 | Cheuvreux German Corporate Conference, Frankfurt |
| 17/02/2009 | preliminary figures 2008 |
| 25/03/2009 | financial statements press conference<br>+ analyst presentation |
| March/April | spring road shows |
| 28/04/2009 | interim report for the first quarter 2009 |
| 06/05/2009 | annual general meeting, Ludwigsburg |
| 30/07/2009 | interim report for the first half-year 2009 |
| 29/10/2009 | interim report for the first nine months 2009 |
| November | autumn road shows |
| November | German Equity Forum, Frankfurt |

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# German Equity Forum

**10 November 2008**

**Dr Florian Funck, CFO**