



Mittelstandswerk



M-Werk Fonds

The tailor-made private equity approach for small and medium-sized companies in Baden-Württemberg and neighbouring regions

Associated with



Steinbeis

We create **future**
for the **German Mittelstand!**



Promotional message for semi-professional and professional investors only.

General Information

Advertisement Announcement of the Mittelstandswerk Kapitalverwaltungs GmbH

Mittelstandswerk Kapitalverwaltungs GmbH („MSW KVG“) acts as external capital management company for M-Werk Fonds 1 GmbH & Co. KG („M-Werk Fonds 1“), a special AIF exclusively for professional and semi-professional investors, within the scope of a registration pursuant to §§ 2 Section 4, 44 KAGB. MSW KVG does not provide investment brokerage or investment advice in relation to an investment in M-Werk Fonds 1.

Adressee and risks

This document is intended exclusively for professional and semi-professional investors. Please read in particular the risk information on the following pages.

No offer, no request to purchase

This document and the information contained therein are non-binding and may be subject to change. The publication is for information purposes only and constitutes neither a request to submit an offer nor an offer to purchase an investment in M-Werk Fund 1.

No investment advice/no investment or strategy recommendation within the meaning of § 85 WpHG

This information does not constitute investment advice or any other recommendation to acquire an investment in M-Werk Fund 1. Furthermore, this information does not constitute an investment recommendation or investment strategy recommendation within the meaning of § 85 WpHG.

Mandatory documents

Only the information contained in the documents required by law (e.g. basic information sheet, fund reports) and the articles of association of M-Werk Fonds 1 is of relevance. A sales brochure for M-Werk Fund 1 has not been prepared due to a lack of legal obligation.

Consultation of advisors prior to investment

This document contains general information about the M-Werk Fonds 1 and has been prepared independently of the specific objectives, financial situation or needs of the recipient. Before investing in one of the products mentioned in this document, you should therefore consult your financial and/or tax advisor, in particular to check the legal and tax implications of the investment.

No liability for information

All information and opinions contained in this document have been obtained from sources believed to be reliable and credible. Nevertheless, any contractual or other liability for incorrect/incomplete information is expressly excluded. All information and opinions as well as prices/price models stated are subject to change at any time.



Risk notes

No guaranteed return or yield / risk of loss

There is no guarantee that the return or income targets will be achieved or that a positive return or income will be generated at all. In addition, there may also be a (partial) loss of the invested capital or even a total loss.

Lack of tradability

The shares in M-Werk Fund 1 can only be traded to a limited extent and are highly illiquid. A transfer at any given time is not possible but requires the consent of MSW KVG. In addition, there is generally no established secondary market for units in affiliated funds and an early sale is often only possible at a considerable discount. Early redemption of shares is not possible.

Blind-pool-risk

There is a risk that M-Werk Fund 1 will not find a sufficient number of suitable investment objects (target companies).

Dependency on portfolio companies

In the case of private equity investments, the repayment of the invested capital and the return on investment depend on how successfully the acquired portfolio companies can be sold. It cannot be ruled out that the original capital invested will not be repaid, or not fully repaid, when the portfolio companies are sold and that no positive return will be generated. As the portfolio companies do not normally make regular distributions, the capital invested will generally not be recovered before the portfolio companies or the investments in them are sold. The profitability of the investment is therefore largely dependent on the economic development of the portfolio companies held. Portfolio companies may have a short operating history and therefore may not have a market proven business model, a mature product range or experienced management. Investments in such companies typically involve significantly higher risks than investments in large and established companies. But even with established companies, there is a risk that the expected development will not occur. The same applies to co-investments.

Utilization of debt

It can be assumed that the portfolio companies held by M-Werk Fund 1 will use debt capital. The use of debt capital can have a negative impact on the value of the investment in M-Werk Fund 1 and the companies concerned. The use of debt capital can also increase the impact of macroeconomic developments, such as rising interest rates or changes in exchange rates, on the value of the investments made by M-Werk Fund 1 (leverage effect). There is also a risk that the interest rate will change or that follow-up financing can only be obtained at less favorable conditions or not at all. In addition, loan agreements often stipulate that if previously agreed financial covenants are not met, the borrower must provide additional collateral or the lender may even terminate the loan prematurely. The lender will regularly have a priority right to realize the assets of the portfolio companies.

Other ownership and operating risks

Other typical ownership and operating risks for the portfolio companies of M-Werk Fund 1 include technical and organizational problems, insolvencies and breaches of contract by contractual partners, government regulations, political developments and changes in the general economic climate. For example, the general economic climate has deteriorated significantly in the recent past due to pandemics and armed conflicts.

Risks in connection with the management of the M-Werk Fund 1 / MSW KVG

There is a risk that the bodies and employees of M-Werk Fonds 1 / MSW KVG entrusted with investment decisions and management may not be working for M-Werk Fonds 1 for its entire term and that no equivalent replacement can be found if necessary. Incorrect decisions by these persons can lead to losses.

ESG

compliance with ESG principles could lead to investments in fundamentally economically profitable investment opportunities being avoided. On the other hand, despite careful analysis of ESG concepts at the portfolio company level, unexpected developments may arise that are classified as problematic from an ESG perspective and thus impair the value of the company.

Reduced influence/Minority

M-Werk Fonds 1 may only hold minority positions at the level of the portfolio companies and/or co-investments, which may prevent it from influencing important decisions, although M-Werk Fund 1 and thus its investors must bear the consequences of these decisions.

Uncertainty of future results

The concept of M-Werk Fund 1 is based on certain estimates and assumptions regarding the placement volume and the future economic development of investments and markets. No guarantee can be given that these expectations and assumptions are correct or that the expectations and assumptions will materialize. In fact, future developments cannot be predicted precisely. In addition, the certainty of estimates and assumptions generally decreases with increasing time. This means that there is a risk that the estimates and assumptions will not materialize simply due to the long term of the investor's investment in M-Werk Fund 1. Positive developments from comparable investments in the past are no guarantee of future returns.

Regulatory risk

Due to changes in the law and regulatory framework conditions, the investment opportunities of M-Werk Fonds 1 may be limited, its return may deteriorate or even make an investment inadmissible.

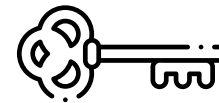


We gain access to the circle of trust of entrepreneurs

FROM ENTREPRENEURS FOR ENTERPRISES

We are entrepreneurs from the region Baden-Württemberg, Germany

Our unique selling points are our private equity approach, which is tailored to small and medium-sized enterprises, and our regional focus on Baden-Württemberg. We are entrepreneurs ourselves and share the values of mostly family-run small companies, such as economic efficiency, diligence, inventiveness and tradition. These qualities form the foundation for sustainable and responsible corporate management. As a Steinbeis partner, we create added value for both investors and portfolio companies through our large network.



Mittelstandswerk

A partner of



Steinbeis



**We create future
for the German Mittelstand!**

We create **future** for the **German Mittelstand!**

Mittelstandswerk

Smart

Money

M-Werk Fonds

For our portfolio companies

Value creation

We create value for our portfolio companies by acting with adequate procedures and a long-term focus.



Growth

We provide equity for growth and co-financing solutions.



Together we create value for the German Mittelstand in southern Germany.

For our portfolio companies

Value creation

We create value for our portfolio companies by acting with adequate procedures and a long-term focus..

Mittelstandswerk

Smart

Money

M-Werk Fonds



Growth

We provide equity for growth and co-financing solutions

For our investors

Professional approach

We offer a lean but professional PE process with excellent access to portfolio companies.

High returns

We generate high value creation in the long term, favoured by low entry valuations. Patience instead of greed is our credo.



Experienced, entrepreneurial team with many years of expertise



Mittelstandswerk

Ein Partner von Steinbeis



Dr. Cyrus Bark
Managing Director & CEO

Entrepreneur / SME
Strategy Consulting
Private Equity
M&A / Valuation
Interim Management




Hilke Panzner Fredheim
Senior Advisor Marketing

Unternehmensberatung
Marketing & Sales
Strategie



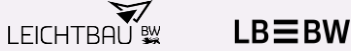


Jochen Bohner
Managing Director & CFO

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Healthcare
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Private Equity
Start-up






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Founder & CEO / Management Consulting
Corporate Development / SME
Mech. Eng.
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Scientist & Technologist


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Certified Advisor

Reinhold Schlensock
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Business Model Development
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Interim Management
Strategy





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Investor Relations
Strategy




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M&A / Deal structuring tax
Succession
ESG Advisory


Prof. Dr. Alexander Sauer
Senior Advisor Engineering

Production
Automation
Resource efficiency





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Chartered Accountant / Tax Consultant
Private Equity
M&A / Due Diligence / Valuation
ESG Advisory

Björn Busche
Senior Advisor SMB

Entrepreneur / KMU
Strategy- / Restructuring Consulting
Private Equity
M&A / Valuation



Our own **extensive experience** combined with our **professional network** is a powerful combination.



**>150 YEARS OF
ENTREPRENEURIAL
EXPERIENCE IN THE
GERMAN MITTELSTAND**

Having your own entrepreneurial responsibility is very different from pure consultancy work. We think and act entrepreneurially.

**>400
M&A PROJECTS
REALISED**

Buy-side and sell-side transactions and the associated financial, commercial, legal and tax due diligence are our daily business.

**>50 YEARS OF
EXPERIENCE IN THE
PRIVATE-EQUITY SECTOR**

Our own private equity experience as consultants, investors or fund managers is supplemented by professional service providers (e.g. for fund administration).

**>1,000 COMPETENT
COOPERATION PARTNERS
IN THE NETWORK**

In addition to our own expertise, our exceptional network (e.g. via Steinbeis) is a major competitive advantage - in financial, commercial and technical areas.

The current major challenges facing German SMEs offer great opportunities



Mittelstandswerk

Ein Partner von  Steinbeis



SME'S ARE THE BACKBONE OF THE GERMAN ECONOMY

The **IMPLEMENTATION OF DIGITALISATION STRATEGIES AND TRANSFORMATION PROCESSES** require investment

TRADITIONAL DEBT PROVIDERS / BANKS are failing due to demanding regulations and increased risk aversion despite SMEs' increased capital requirements

EQUITY INVESTORS usually focus on larger companies with sales > € 50 million that are geared towards capital market criteria

SUCCESSOR GENERATIONS of owner-run family businesses are prepared or not willing to take over

DISRUPTIVE BUSINESS MODELS DESTABILISE the familiar business environment and bring about changes in competition and customer behaviour

THE SHORTAGE OF SKILLED WORKERS is shaping the labour market, employees are changing their requirements

Why invest in German SMEs now?

” BUY, when the guns are roaring.
SELL, when violins are playing.

Carl Mayer von Rothschild

GEOPOLITICS

ENERGY CRISIS

ECONOMIC WEAKNESS

TRANSFORMATION

DIGITALISATION

Opportunities & Challenges in uncertain times

INDUSTRY & SERVICES

Selected 'Made in Germany' technologies are global leaders, the adaptation of new technologies strengthens the competitive position in the 'post-Covid' world. Services are becoming ever more technological, differentiated and comprehensive.

TECHNOLOGY, MEDIA & TELECOMMUNIKATION

Cloud-based business models and service providers are the winners of the crisis. Cybersecurity providers and digital education solutions are becoming key focus areas. Digitalisation is accelerating exponentially.

HEALTHCARE

Corona-related healthcare services and digital treatment methods have gained enormously in importance. Diseases are increasingly being diagnosed using AI and big data.

ENERGY & UTILITIES

The structural change to a zero-emissions industry is enabling new, agile competitors to enter the market and is leading to a redistribution of market shares.



What makes an investment in **Small-Cap Private Equity** so attractive?

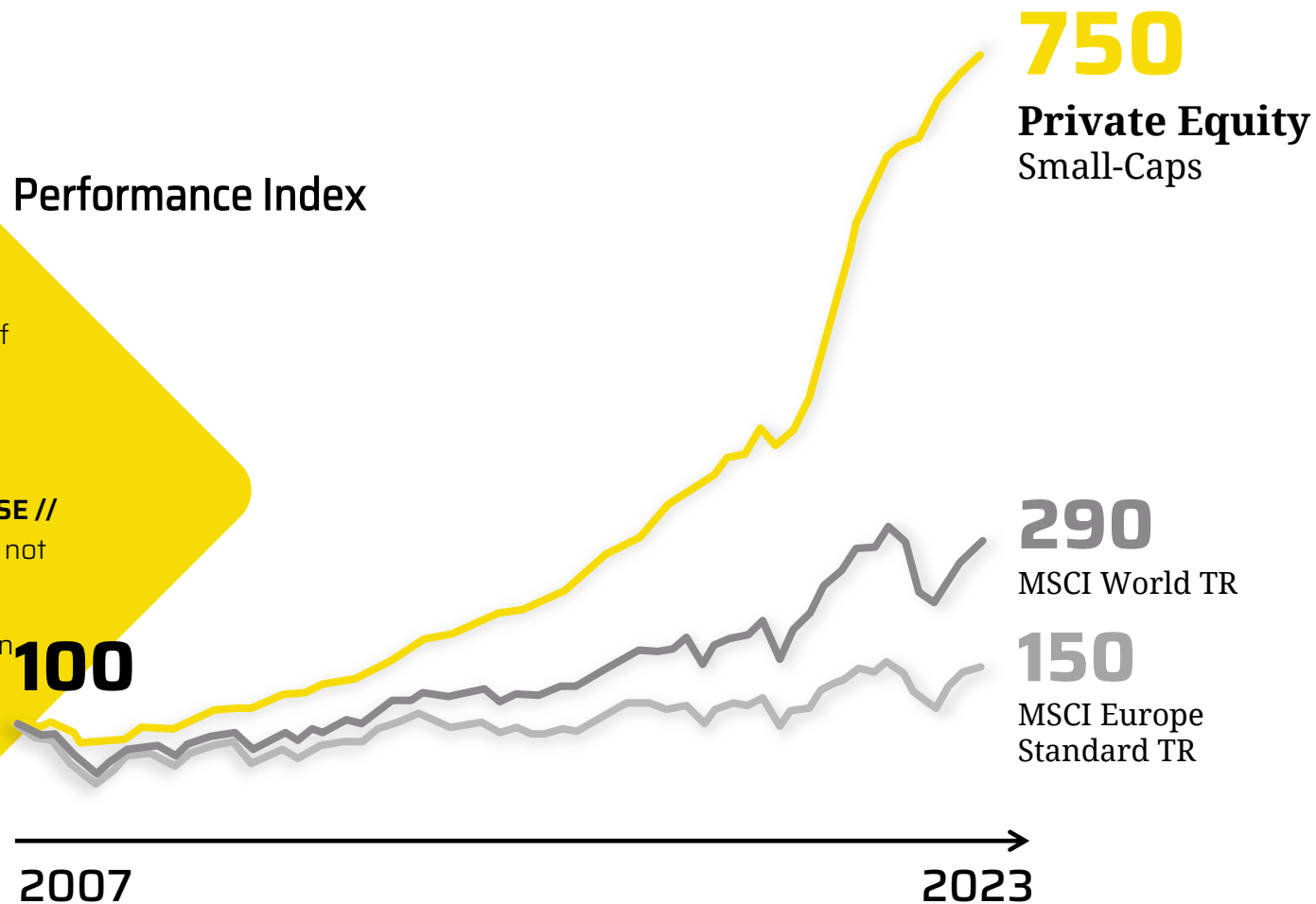
RETURN // Small-cap private equity has significantly outperformed the stock market over the past 20 years with a consistent net return of around 14% p.a..

FAST IMPLEMENTATION OF VALUE CREATING POTENTIALS // Alignment of interests between investors, funds and the management of the portfolio companies with clear and short decision-making paths via majority shareholdings.

BROAD DIVERSIFICATION AND EXPANSION OF THE INVESTMENT UNIVERSE // Small-cap private equity offers access to around 90% of companies that are not accessible to investors in the stock market.

CRISIS RESILIENT // Funds that were set up in difficult economic times often achieved the best performance.

Performance Index



Why is it so important to select the right **small-cap companies**?

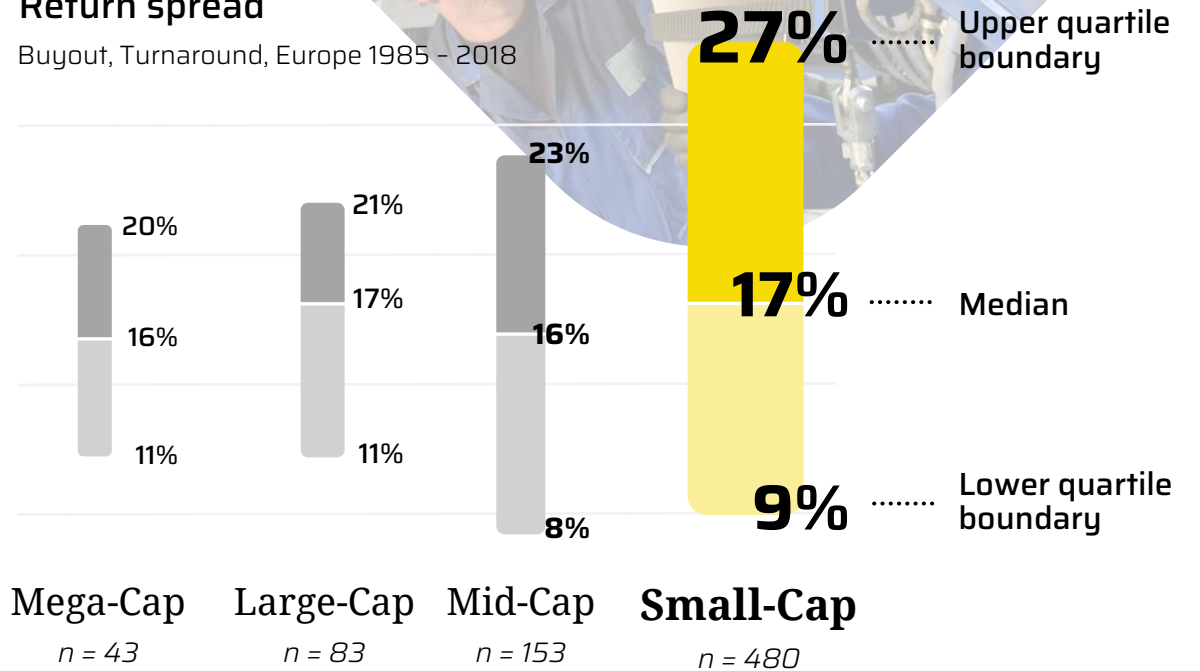
EXCESS RETURN // The long-term return on small-cap private equity funds is comparable to investments in mid and large caps, but **well-managed** small-cap funds can often achieve significant excess returns. In addition, the valuation multiples when selling small companies are significantly lower than those of larger companies. With the right growth strategy, considerable increases in value can be realised on sale.

FAST ADDED VALUE // In many SMEs, the potential for growth and value enhancement has not yet been fully utilised. Professionalising management can quickly create added value here.

FAVOURABLE ENTRY // The M&A market for small caps is less competitive, which tends to offer favourable entry conditions.

Return spread

Buyout, Turnaround, Europe 1985 - 2018



Source: PREQIN (2023). PE Small-Cap Funds with less than 0.5 bn. USD fund size, PE Mid-Cap Funds with 0.5-1.5 bn. USD fund size, PE Large-Cap Funds with 1.5-4.5 bn. USD fund size and PE Mega -ap Funds with more than 4.5 bn. USD fund size.

Basic data

M-Werk Fonds 1

Investment strategy	The investment strategy aims to make direct small-cap private equity investments in 15-20 medium-sized German companies, preferably based in Baden-Württemberg or neighbouring regions. The fund acquires privately held company shares. At the time of the prospectus, the target companies have not yet been determined (blind pool).
Fund size	Minimum size of € 50 million, maximum size (hard cap) of € 100 million. First closing at € 30 million.
Minimum investment	€ 200,000,- (Investor limited partners must be semi-professional investors within the meaning of §1 section 19 nr. 33 KAGB or professional investors within the meaning of § 1 section 19 nr. 32 KAGB)
Complementary	Mittelstandswerk Verwaltungs GmbH
Managing Limited Partner	Mittelstandswerk Kapitalverwaltungs GmbH
Investor Advisory Board	Committee consisting of investment and industry experts
Term	Until 31 December 2034 plus extension option for up to three years; investment period: 5 years from final closing; distribution depending on the individual investments
Target return (Base Case)	12 % p.a. (IRR) after costs, before individual taxes
Management Fee	2,25% p.a. of the company's fixed capital as at the end of each financial year
Hurdle Rate	8%
Carried Interest	20%

Our strategy for success: We rely on established high-potentials

TARGET COMPANIES

- At least € 5 million in sales with sustainable profitability >5% EBITDA margin
- Positive operating cash flows (in the last 3 years) desired & appropriate equity ratio (at least 20%)
- Sufficient ability for debt service
- At least 3 years of company history
- Viable business model with good market position and prospects
- Upcoming market penetration phase ("market penetration")
- Experienced management with the motivation to achieve rapid growth
- Healthy industry mix, compliance with ESG criteria
- Ideally based in Baden-Württemberg (Germany) and neighbouring regions (local manufacturing)



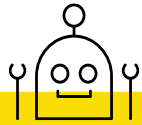
FORM OF PARTICIPATION

- Share purchase: majority or qualified minority (> 25%)
- Min. 1 M€, max. 5 M€ equity investment
- Diversification: 15-20 investments

OCCASIONS

- Change in company structure (succession, change of shareholder, sale of shares, MBO)
- Growth/expansion/transformation financing
- No distress/restructuring cases

Target market: Industrial German high-tech companies



INDUSTRIAL HIGH-TECH

We focus on **B2B companies** that build on cross-sector technologies and are open to all industries, that combine digitalisation with industrial manufacturing technologies and for which disruptive business models and fundamental innovations represent an incremental improvement.



DIGITAL TECHNOLOGIES

We see great potential in:

- ◆ Smart Manufacturing
- ◆ Distributed Engineering
- ◆ Digital Twins
- ◆ Artificial intelligence for process support
- ◆ Cognitive and intelligent sensor technology
- ◆ Virtual and augmented reality
- ◆ Neuromorphic computing beyond neural networks
- ◆ New approaches in the microprocessor industry



SUSTAINABILITY- TECHNOLOGIES

Product- and production optimisation

in terms of sustainability aspects (e.g. lightweight construction, circular economy, recycling etc.)

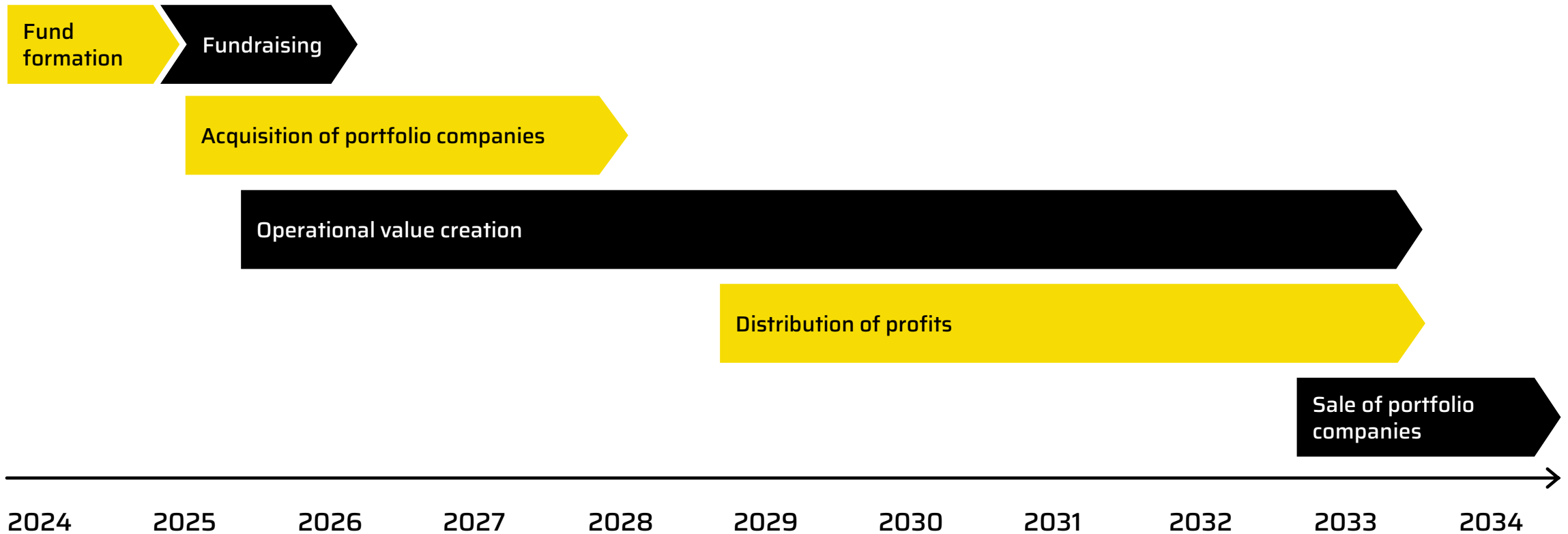
Development of fuel cells and other sustainable energy generation structures (stationary and mobile)

Hydrogen-based, cyclical energy system technology

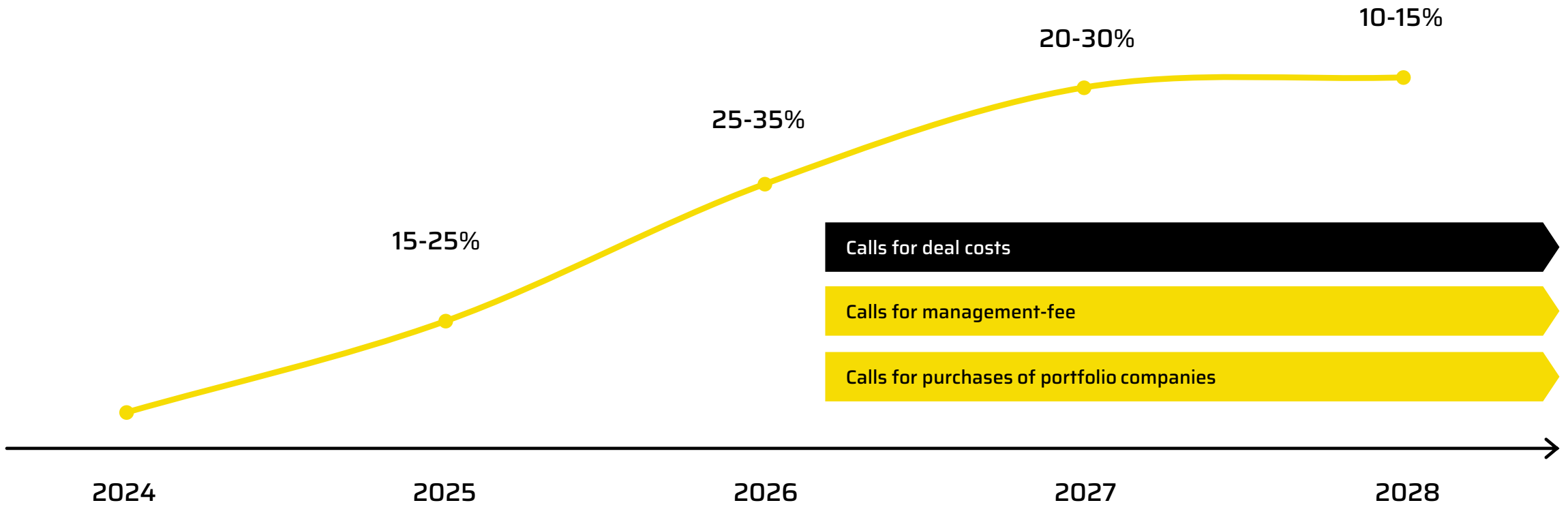
Green-Tech



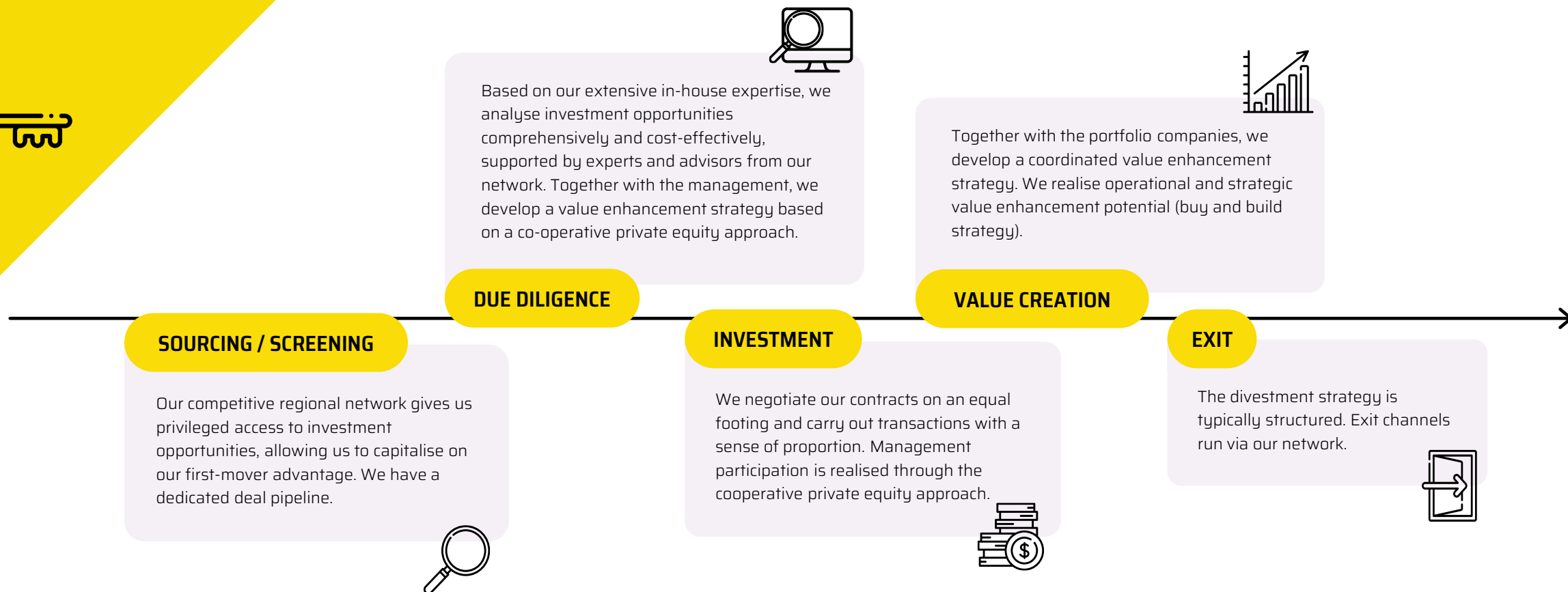
Expected Timing Investment cycle of the M-Werk Fonds 1



Expected calls for capital for the M-Werk Fonds 1



The **shared values** with small- and medium-sized and owner-managed (family-) companies build trust and reliability and guide us through the investment process



Get in touch with us!



Mittelstandswerk

Ein Partner von  Steinbeis



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