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- Business Modell
- USP
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- Fund Investment

Financing experienced Entrepreneurs with Mezzanine Capital

Introduction

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- For many years we have been successfully active as private equity professionals investing in the German 'Mittelstand' and are convinced that top-class entrepreneurs make all the difference to business performance.
- Our mezzanine fund offers successful entrepreneurs active and financial support to acquire or finance their own business with 'silent' private equity (equity mezzanine capital, Genussrechtskapital).
- In return we do not expect to become management or board members of the company nor do we ask for security of our investment.
- This presentation is aimed at entrepreneurial MBO/MBI-candidates wanting to acquire „their own“ company, profitable medium-sized companies with a need for equity financing and investors who believe in investing into the German Mittelstand.

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Together with affiliated entrepreneurs we invest in

- small to medium-sized companies with a consistent operative history
- companies with strong cash flow, even during weak economic business cycles
- companies with revenue between Euro 2m and Euro 50m.
- companies with highly qualified personnel
- commercially transparent and sound companies
- technological niches in strong and steady markets
- companies which are considered conservative (but no industry focus)

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We follow a well-defined and multi-staged selection process

- Target companies first convince an entrepreneur who is familiar with the market and the technology; entrepreneurs must invest considerably into the company themselves.
- The fund management evaluates the past performance and, in particular, the future perspectives of the company (product, market, competition, resources, etc.) and the consistency of the future cash flow projections (scenario analysis).
- The due diligence of the expert advisors (lawyers, tax, accountants, etc.) confirms the positive evaluation.
- The governing board / investment committee – made up of well-qualified Limited Partners - evaluates and decides on all investment projects.

Business Model

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Our business model offers entrepreneurs:

- the opportunity to co-finance their majority-owned buyout/buyin with equity mezzanine capital (Genussrechtskapital), without having to provide shares in the company to investors
- support with investments beyond the capacity of individual investors
- access to seasoned entrepreneurs/professionals and their wealth of experience as well as support with identifying and selecting the right companies (deal flow)
- help with negotiating the transaction as well as the debt financing, if requested
- the repayment of the equity mezzanine capital at pre-defined terms and conditions at the end of the contract period

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We offer:

- Euro 0.5m to Euro 5.0m equity mezzanine (handelsbilanzielles Genussrechtskapital)
 - subordinate to other financing
 - strongly profit-related interest rates
 - sharing the loss of the company with other equity holders
 - long-term contract period; minimum 5 years
- the interest we receive is tax deductible for German companies
- individual contracts; depending on the specific situation and cash flow projection of the company we invest in
- no interference in shareholder or management decision-making

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Entrepreneurs who seek our equity mezzanine capital

- invest between 50 kEuro and 500 kEuro directly into their target or acquiring company
- receive up to 3-times of the companies EBITDA as equity mezzanine (maximum Euro 5m), paid out to the target or acquiring company / special purpose vehicle (SPV)
- provide extensive rights of information and control as well as certain contractual obligations to motus

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The fund expects:

- fixed interest fee of 6 % p.a., payable every year when retained earnings are available for distribution (tranche A)
- variable interest fee of 6 % p.a., payable every year the annual net profit is positive (tranche B)
- a backend fee as a percentage of the EBITDA of the last 3 financial years (tranche C), payable together with the repayment of the equity mezzanine capital
- alternative to the backend fee a (virtual) equity kicker or a minority stake in the company might be agreed

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Our private equity management company has extensive Mittelstand experience.

- It is the hub of an active entrepreneurial network, both financially and contractually connected, which ensures access to attractive investments.
- It provides successful entrepreneurs and their selected companies with equity mezzanine capital (Genussrechtskapital).
- It charges a minimum fee of 6 % p.a. and a profit-related fee of up to 18 % p.a..
- General Partners and Management (Komplementärin) of the fund do not receive a fixed or management fee to cover the costs of managing the fund, but a participation of all proceeds.

Further Benefits (1)

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Further benefits for the fund investors are:

- selection of **large number of potential projects**; approximately 3000 German companies p.a. < Euro 50m yearly turnover have succession issues, many lack sufficient equity capital
- **moderate competition** to finance 'entrepreneurs to be' with equity mezzanine capital, without shareholder rights
- the focus on successful, long-established companies, with a strong cash flow over many years provides **reliable information for investment decisions**
- **the preference** of current owners to sell their company to **like-minded entrepreneurs** with the required equity capital

Further Benefits (2)

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- interest fee **from the first year**
- **3 income streams** - yearly interest fee from retained earnings; interest fee on the annual net profit; participation on the EBITDA of the final years
- **lower probability of failure** since the equity capital of the entrepreneur is subordinate to the equity mezzanine capital
- **portfolio diversification** through investments in many companies and in different industrial market areas (after approx. 2 years)
- **control and decisions** for each investment through fund management and experienced governing board / investment committee, to be elected by the Limited Partners

Further Benefits (3)

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- sensible incorporation to the investor's portfolio and **low correlation** to investments in shares, bonds, real estate, etc.
- **2 attractive investment alternatives**
 - **Limited Partner**
equity holding as Limited Partner (Kommanditist) and the possibility to elect the Investment Committee
 - or**
 - **Mezzanine Investor**
Mezzanine Capital with up to 12 % p.a. interest income from the first year
- both alternatives are tax-efficient for German taxpayers
- special governmental supervision of the investment under the German private equity law of the 'Unternehmensbeteiligungsgesellschaftgesetz' (UBGG)

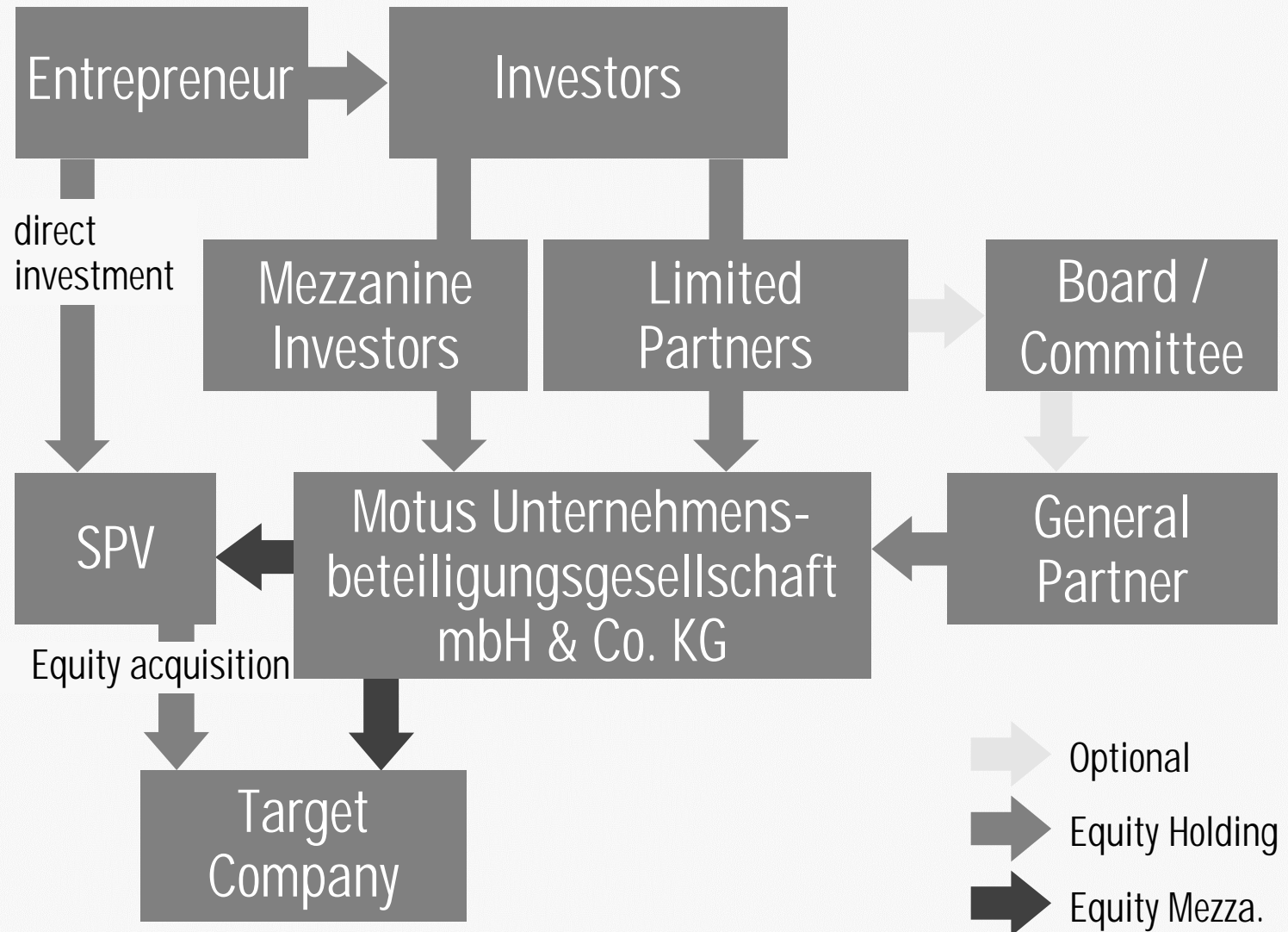
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- Motus Unternehmensbeteiligungsgesellschaft mbH & Co. KG
- Fund volume in 2 – 3 years approx. Euro 36m
- Investment activity after first closing,
> Euro 1m from Limited Partners
- Term: Limited Partners indefinite (Evergreen)
for the mezzanine investors 7 years
- Governing Board / Investment Committee is elected
by the Limited Partners and decides about all
investment projects put forward by the General Partner /
Fund Management

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Founding Limited Partners are experienced entrepreneurs, managers and professional partners and

- capable to make all major decisions in the governing board/ investment committee on behalf of all investors
- highly qualified and experienced in the field of acquiring and managing successful Mittelstand companies
- underline their responsibility by investing initially a minimum of Euro 1m as Limited Partners
- participate in the growth and success of the fund and its equity mezzanine investments

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Participation of the General Partners

- the costs of setting up the fund, continuous fund management, due diligence, etc. are fully paid by the General Partners from their profit-related participation
- the fund therefore has only minimal costs to bear
- the General Partners participation is mainly paid from the backend fee (tranche C) and only to a small degree from tranche A and tranche B, which both will mainly be received by the mezzanine investors

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Mezzanine Investors with a minimum of Euro 250k:

- receive their part of the income from tranche A and B
- receive therefore from year 1 a minimum of 6 % and up to 12 % interest p.a.
- do not pay any marketing expenses, agio, management fee, etc.
- receive income from capital investments and are taxed 25 % withholding tax at the target company level
- are not taxable on the fund level

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Limited Partners with a minimum of Euro 250k:

- receive the fund proceeds up to a hurdle rate of 18 % p.a., mainly from the backend fee tranche C and after the mezzanine investors have received their 6 % to 12 % participation
- evenly share the proceeds over and above the 18 % p.a. hurdle rate with the General Partners
- the fund does not pay any trade income tax (Gewerbsteuer) due to the status as 'Unternehmensbeteiligungsgesellschaft'
- a Limited Partner in the form of a German Limited Liability Company only pays 15 % tax and therefore receives on gross income of 18 % p.a. approximately 15 % p.a. net.

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Thank you for your interest !