Succession Capital

German Medium-Sized Business Succession Buyout Strategy

A. Haupts

K. Hui

I. Joergensen

P. Maheshwari

A. Zaki

Acquiring and Transforming Germany's Leaderless Hidden Champions

Germany's Mittelstand faces an unprecedented succession crisis. We acquire profitable, niche-leading SMEs whose founders are retiring with no successor, and actively transform them into scalable, institutionalised businesses. We are long-term stewards, not asset strippers.

€80-150M
Fund Size

Succession Buyouts (SME)
Strategy

Germany (DACH)
Geography

6-8 Years
Target Hold

€15-100M
Deal Size

15-22%
Target IRR

Target Company Snapshot

- €3-20M EBITDA
- B2B industrial or business services, manufacturing
- Owner-managed, no identified successor
- Niche market leader, often export-oriented
- 30+ years operating history

The Mittelstand Succession Crisis:
Germany faces a once-in-a-generation transfer of business ownership and has no one to take over.

~3.7M
German SMEs employing ~20M people

500K+
SMEs facing succession in the next decade

€1T+
Enterprise value at risk with no successor

40,000
SMEs per year with no successor

Why This Crisis Creates Our Opportunity:

The Scale of the Problem

- The post-war Wirtschaftswunder generation (founders who built Germany's industrial backbone) are now retiring.
- KfW Mittelstand Panel consistently documents hundreds of thousands of SMEs seeking a successor each year, with a significant and growing share finding none.
- Profitable, niche-dominant companies with decades of customer loyalty.

Why Institutional Capital Has Not Solved This

Too small for large PE: DBAG and large buyout funds require €20M+ EBITDA.

Trust is not for sale: Founders will not sell to asset strippers. A dedicated stewardship mandate is required to win proprietary deals.

The window is finite: The succession wave peaks in the next 5-10 years.

Our targets are Germany's most overlooked businesses:

profitable, export-oriented B2B industrials and manufacturers whose owners built world-class operations but never needed to sell, until now.

Investment Criterion	Target Profile
Sector	B2B industrial & business services, or manufacturing
EBITDA	€3-20M
Revenue	€10-80M
Operating History	30+ years
Ownership Structure	Founder/family-owned, no institutional investors
Succession Situation	No identified successor
Competitive Position	Niche market leader, often export-oriented

What We Look For

- ✓ Profitable and cash-generative from day one
- ✓ Loyal B2B customer base, recurring revenue
- ✓ Niche market leader with pricing power
- ✓ Operationally strong, commercially underdeveloped
- ✓ Owner motivated to preserve legacy

What We Avoid

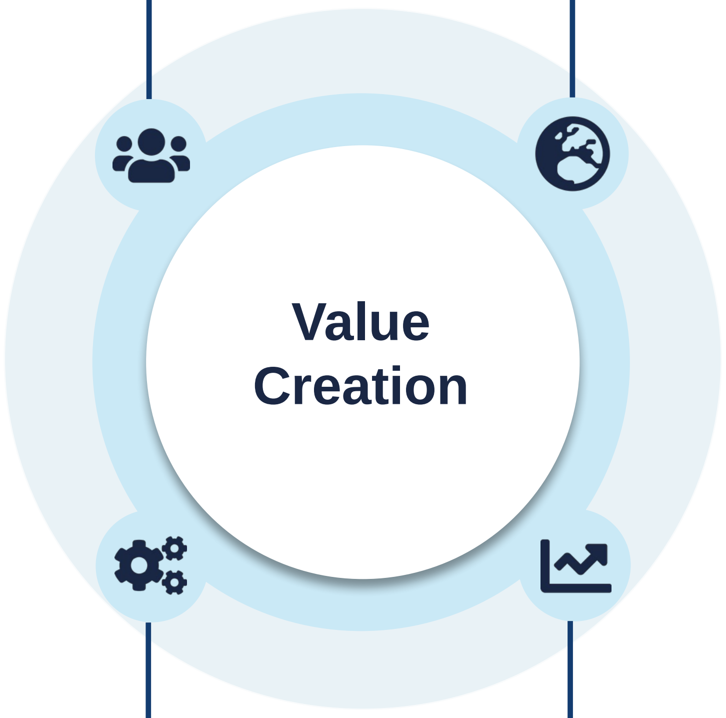
- ✗ Turnarounds or distressed assets
- ✗ Consumer-facing or trend-dependent businesses
- ✗ Heavily regulated industries (e.g. pharma, utilities)

Management Professionalisation

- Install CEO/CFO layer beneath retiring founder
- 12-24 months structured handover with retention equity and earnout
- Build second management tier to reduce key-person risk at every level
- Recruit operating partners with Mittelstand experience

Commercial Expansion

- Unlock internationalisation into 1-2 adjacent EU markets
- Add commercial directors and B2B sales infrastructure
- Identify new customer segments and adjacent product lines
- Target 20-40% revenue uplift over the hold period through active BD



Operational Digitalisation

- Replace legacy ERP with SAP B1 or Dynamics
- Introduce lean manufacturing: target 15-25% waste reduction in 18 months
- Add CRM, digital customer portals, and online ordering layer
- Standardise reporting to enable data-driven management decisions

Financial Restructuring

- Right-size leverage at entry: ≤3.5× ND/EBITDA
- Introduce institutional reporting, clean cap table, ESG baseline
- Bolt-on M&A gives an exit at 9-11×
- Dual-track exit: strategic M&A or buy-and-build sale from Year 3

Pipeline Process

Origination
200+ leads/yr

Initial Screen
40-60 qualify

Attractiveness
15-20 reviewed

Deep DD
6-10 progress

Investment
3-5 per fund

Sourcing Channels

Boutique Brokers Specialising in SMEs

Relationship with regional advisors to position as first buyer, M&A firms handling €5-50M deals.

Sparkasse & Volksbank (German Savings Banks)

Regional savings banks with decade-long relationships. Relationship managers knows about any succession planning before any broker.

IHK Network

79 regional chambers with active succession programs. We participate as trusted advisors and access the Nexxt-change program.

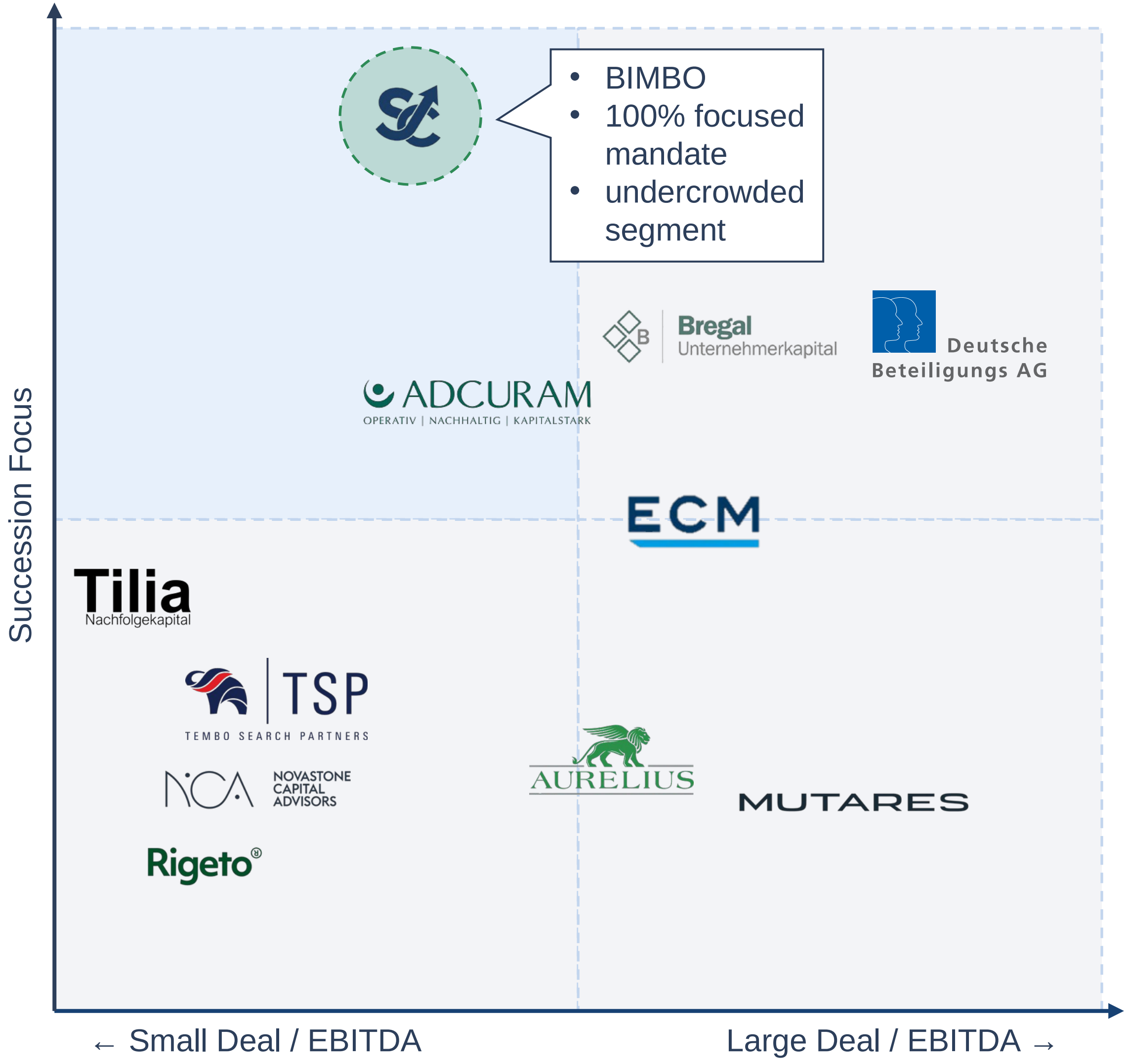
Tax & Exec. Advisors

Advisors to any owner and first ones to know about retirement plans and succession gaps, often years ahead of any formal sale process.

Direct Outreach

Proactively identify target via sector databases, trade press and industry association directories. Bypass intermediaries.

Competitive Landscape



Competitive Edge

Buy-In Management Buyout (BIMBO) Structure

- Incoming CEO/CFO recruited and named before deal closes
- Management team co-invests alongside the fund
- 12-24 month structured handover with retention equity

Patient Capital

- Leverage capped at ≤3.5× ND/EBITDA
- 6-8 year hold period
- LP base of family offices and German institutional investors comfortable with illiquid, long-horizon returns

Legacy Preservation

- Company name, culture and regional identity protected
- Employee continuity commitment workforce retention is a condition of the BIMBO structure
- We buy profitable, niche-dominant businesses worth preserving not assets to strip and restructure

Return Profile

Entry Advantage

- Off-market sourcing enables entry at 4-6× EBITDA
- Entry at 3-4x below public market multiples
- Low entry multiple equals built-in downside protection

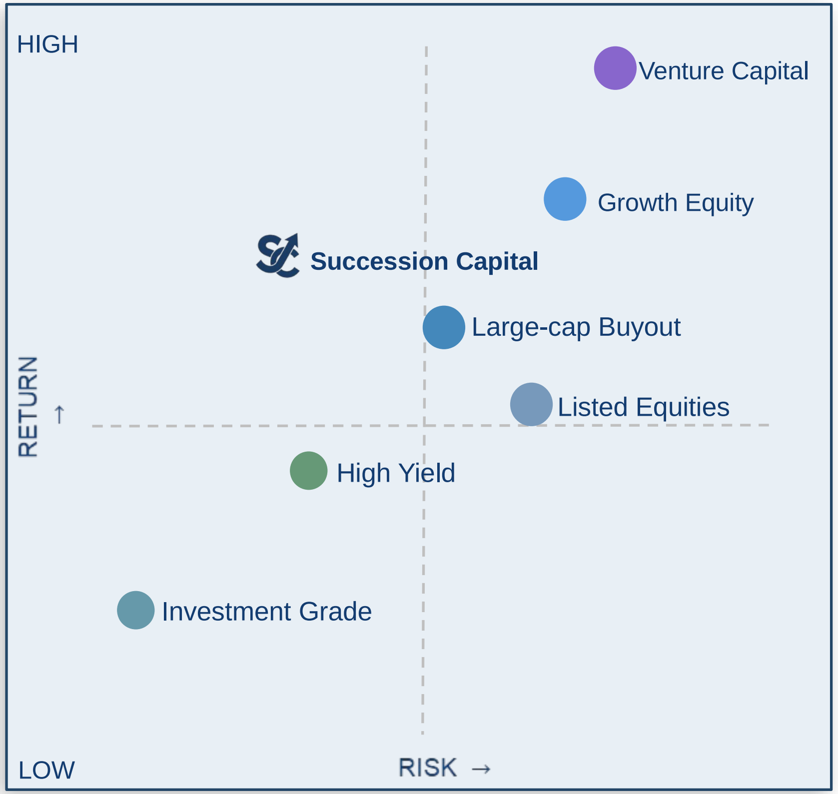
Value Creation

- Operating partners embedded from day one
- 100-day value creation plan from day one
- Target: 8-12% annual EBITDA growth

Downside Protection

- Profitable at entry
- Entry leverage capped at 3.5× Net-Debt/EBITDA
- Portfolio companies can withstand a 30% EBITDA decline

Positioning vs Other Asset Classes



15-22% Target IRR

6-8 years Hold Period

3-5x Target MOIC

Risk Register & Mitigants

Founder / Key-Person Dependency

- Transition planning triggered at Letter of Intent (LOI)
- Retention equity and earn-outs secure 12-24 months handover

Operational Integration Risk

- 100-day value creation plan co-developed pre-closing
- Operating partners embedded from day one

Cyclical Industrial Exposure

- Favour recurring B2B revenues over project-based demand
- Service contracts and after-market provide revenue stability
- 6-8 year hold enables flexible exit timing

Management Retention Post-Acquisition

- Equity participation for key individuals from day
- DD engagement builds trust and alignment early

Exit Risk

- Institutional-quality assets attractive to both strategics and PE
- Exit optionality developed well ahead of hold period

Fund Terms

Fund Size	Strategy
€80-150M	**Succession Buyout**
Target first close: €60M	Majority Control, DACH

Management Fee	Carried Interest
2%	**20%**
On Called Capital	Above 8% preferred return

Preferred Return	Fund life
8% per annum	**10 Years**
LP-first waterfall	+ 2-year extension

Hold period	EBITDA Range
6-8 Years	**€3-20M**
Target hold period	Lower mid market

Leverage	Min LP commitment
≤ 3.5×	**€5M**
ND/ EBITDA at entry	Institutional Investors

SUCCESSION CAPITAL

Investment Team
- 3-4 professionals with M&A expertise
- Deal execution & due diligence
- Portfolio monitoring & reporting

Operating Partners
- Former Mittelstand CEOs and operators
- Embedded post-close
- Own the 100-day value creation plan

Advisory Board
- Senior leaders from German industry and B2B services
- LP representation and independent governance
- Sector depth and exit facilitation

Fund Timeline:

INVESTMENT 4 Yrs	ACTIVE OWNERSHIP / HARVEST 6 Yrs	EXIT +2 Yrs
Y0 – Y4	Y4 – Y10	Y10 – Y12

LP Alignment & Governance:

Aligned Capital
- Minimum 2-3% GP commitment in every investment
- Principal capital at risk on identical terms as LPs

Transparency & Oversight
- Independent LPAC with conflict oversight
- Quarterly NAV reports and annual audited accounts

Key-Man Provision
- Fund suspended if core team members depart
- Capital cannot be deployed without the team LPs

No-Fault Removal
- LPs can remove the GP by 75% supermajority vote
- Full investor control retained at all times

Who we are building for

Family Offices

Patient, long-term capital, legacy fit & low correlation to public markets

German Institutional

Growing PE allocations, ESG-aligned domestic industrial exposure

KfW/ BMWK-linked vehicles

Solve succession crisis– national economic priority, deploy into SME-focused strategies

Why now

No Competitor

- No dedicated institutional fund owns the €3-20M EBITDA succession segment in Germany
- DBAG and ECM target larger assets; search funds lack institutional capital
- First-mover advantage

Demographic Peak

- Post-war Wirtschaftswunder generation retiring simultaneously
- The window for off-market acquisitions at founder-friendly prices will close within a decade as the cohort exhausts itself

40,000

SMEs/year
No heir

Policy Tailwinds

- The German government identified SME succession as a structural risk
- KfW programs, IHK initiatives, and BMWK funding create a co-investment and trust-building environment uniquely favourable today

Buyer’s Market

- Rising rates and recession concerns have modestly compressed valuation expectations
- Founders who delayed selling are now motivated
- Entry multiples are at a cyclical low vs. strategic value locked inside