

**CONTINUING ON
IN GOOD HANDS**

—
**ABSTRACT OF THE
INDUS HOLDING AG
Q2 2016**

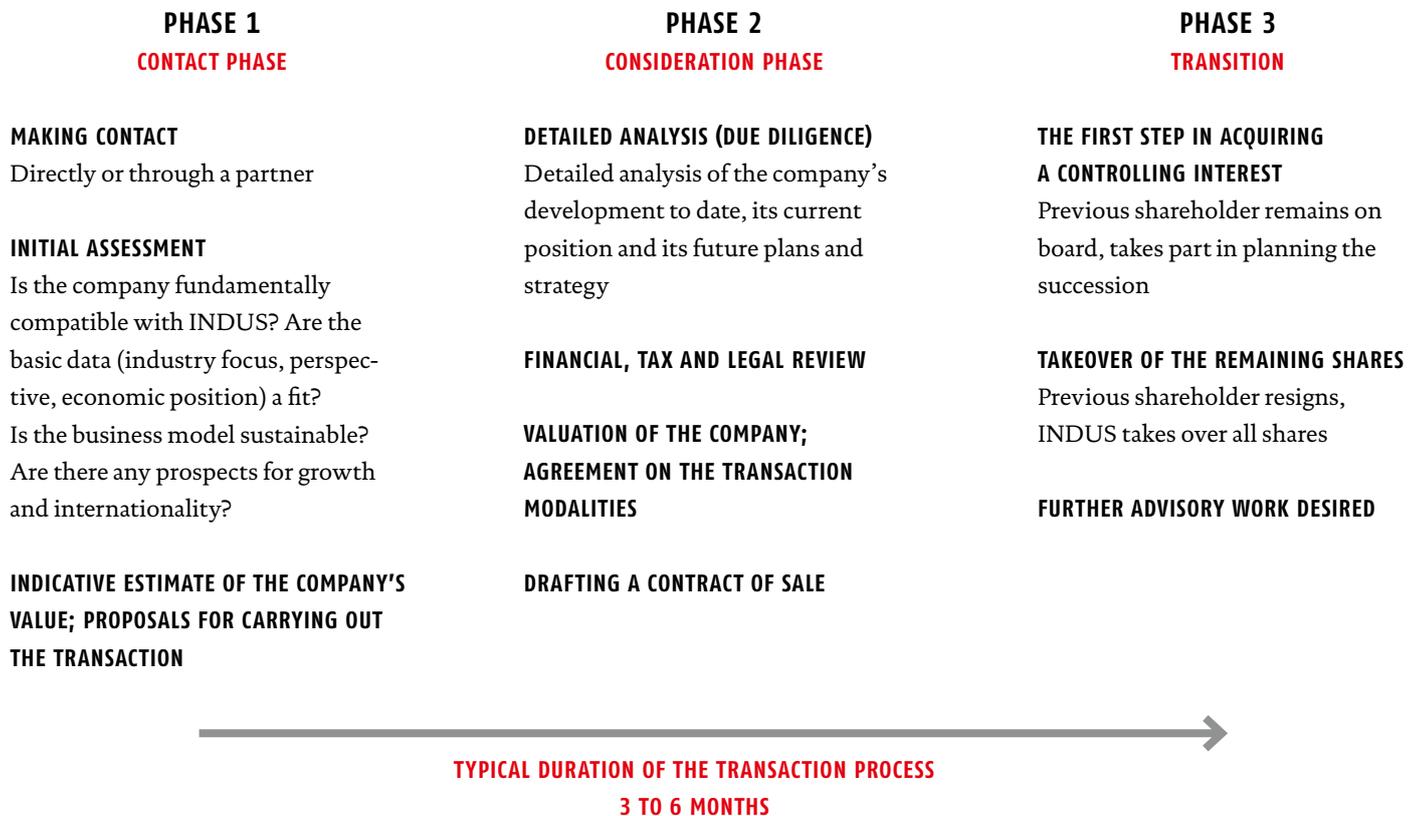


[INDUS]

With the HEITZ Group, INDUS strengthens its portfolio by a further market leader in a niche. H. HEITZ is one of the largest suppliers in its sector world-wide. Production takes place at its headquarters in Melle as well as in Hungary; a subsidiary in the U.S. is also part of the Group. The market for veneer edges is international, and H. HEITZ currently reports an export ratio of around 70%.



CONTINUING ON IN GOOD HANDS



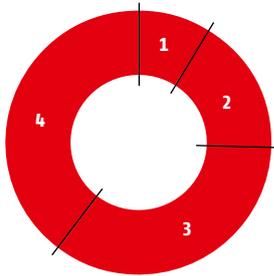
Corporate succession in the SME industry – the topic is of more immediate relevance in Germany than ever. At the same time, there is scarcely a more sensitive topic: Every company has a history of its own, and the conditions for successful continuation could not be more varied. What do SMEs watch out for when providing for their succession, and how does INDUS plan for it in concrete terms?

According to a recent survey by the Kreditanstalt für Wiederaufbau (KfW), some 580,000 SMEs plan to transfer or sell their companies in the coming years. That amounts to 16% of the SME industry, and at least four million employees will be affected. The selling option is considered by roughly half of those companies, often for lack of a suitable successor, sometimes because the succeeding generation cannot agree on the continuation.

Entrepreneurial families considering a sale are confronted with a multitude of questions. The most important is, who is the right buyer? Private equity investors promise a high price, but they burden the company with expectations of high returns and an “interim status”, as the holding time is limited. After five to ten years, the company ends up in new hands. A family office may offer the promise of a long-term perspective, but it does not preclude a sale at some later date. Those things aside, the required industry knowledge is often lacking. What remains is a sale to a strategic investor. But this sort of investor buys to leverage synergies. In other words, the company is integrated, divisions are merged, locations are closed down.

INDUS stands for another, more long-term and therefore more sustainable approach. “Buy and hold and develop” is the motto. The goal is to hold a company for the long term and support it in its entrepreneurial development. With capital, an outstanding network, and an abundance of industry expertise, INDUS is

SUCCESSION PLANS IN THE SME INDUSTRY IN 2017 (IN %)



1 SUCCESSION WITHIN THE FAMILY	9
2 SUCCESSION FROM OUTSIDE	17
3 CURRENTLY NO PLANS, BUT LATER	35
4 NO PLANS AT ALL	40

Source: KfW 2016

able to contribute new strengths. True to the motto “The sum of all parts is worth more than the individual”, the company becomes a member of a group of companies with a long-range vision and the outlook of a family entrepreneur.

INDUS FOUND, FUTURE ASSURED

The HEITZ Group has belonged to INDUS since June of this year. Located in Lower Saxony, this highly-specialized niche company produces veneer edging and cladding veneers made of real wood for the furniture and construction industries. Family-managed, international and highly profitable, it is the quintessential INDUS company. When Guido Heitz and his brother Ralf began to look for a solution to the issue of succession, the company was in sound shape. “We wanted to act without time pressure and continue to guide the company for a few more years after handing it over,” says Heitz. The ambition was nothing less than an assurance that H. HEITZ would still be at the top of the world market in another five or ten years. As Guido Heitz well knows, “The struggle to maintain such a strong position is never over.” “An entrepreneur cannot just pull out from one day to the next.” It was a consultant engaged by the owner family who ultimately put the company in touch with INDUS.

CONSTANTS AND EXPERIENCE DESIRED

An important principle observed by INDUS after a purchase can be summed up as “partnership on an equal footing”. It is why previous owners or family members sometimes remain in management positions in their companies long after they are sold. Examples of such long-term family management in the INDUS portfolio include the companies BUDDE, KIEBACK, MBN, RAGUSE, REMKO, ROLKO, SELZER, and WEIGAND. The advantages are readily apparent. The company continues to benefit from years of management experience, employee confidence in the management does not have to be reestablished, and the existing network is spared a “risky” transfer.

The other path can be described as “sale with transition”. In this model, too, the family entrepreneur remains in a top management position for several years after the legal transition. But the transition phase is defined, and in cooperation with the INDUS Board of Management new managers are recruited and inducted.

The most important criterion for a new managing director is personality. INDUS looks exclusively for people who think like an entrepreneur and have the requisite expertise and industry experience. A technical background is preferred to a purely commercial one.

THE PROCESS: STRUCTURED, DISCREET, SIMPLE

In its more than 30-year corporate history, INDUS has absorbed close to 70 companies into the group at the first and second levels. Every year some 20 to 30 companies undergo closer scrutiny. This wealth of experience is what enables the INDUS team to manage the selling process with a sure hand – from the initial company valuation and clarification of special legal issues to the final transition planning. Those who approach INDUS as entrepreneurs are in dialog with the INDUS Board of Management from the very beginning, because the transfer of one’s life work should be a top management matter for both parties.

And, according to INDUS policy, one that must be subject to the utmost discretion throughout the selling phase. The best solution for both parties is one that is developed with no breakdowns in mutual trust. Just as important are clear and transparent agreements. This applies not least to the purchase agreement. INDUS avoids complicated contractual instruments as much as possible and takes an accommodating approach to the seller even during the drafting phase. And, last but not least, INDUS transfers the purchase price within ten days after the closing. And that is guaranteed. “Here, too, we stand by our promise,” says INDUS CEO Jürgen Abromeit, “because we operate openly and fairly at all times”.

3 QUESTIONS FOR



Jürgen Abromeit

WHEN INDUS COMES ON BOARD, WHAT CHANGES AND WHAT STAYS THE SAME?

When we bring a company into the group, its growth prospects improve. As a “house bank” and “development bank”, for example, we can open up avenues that would otherwise remain closed. The future and growth – that is all that we discuss with the local management. All we expect from the company is that it uses what we have to offer for its own advancement. Everything else can stay the way it is.

HOW DOES INDUS GO ABOUT INTEGRATING A COMPANY INTO THE GROUP?

There is no integration in a group sense because we don't work like a concern. Commercially we function simply as a financial holding that consolidates the figures for the companies within the group. The sales that are transacted among group companies are initiated by the companies independently. There is, for example, no joint purchasing or collective cash management. Quite clearly, there are no directives coming from the holding company. The local business is what counts.

IS THERE SUCH A THING AS A “NO GO” FOR INDUS IN THE ACQUISITION PROCESS?

Anyone who knows us knows that we are always open and above board. Fairness, clarity and transparency are exceptionally important to us. As long as we can be certain of those things, we work hard to come up with a solution for both sides. If any of these criteria are compromised, we pull out at once.



Ralf and Guido Heitz

WHAT MAKES H. HEITZ ATTRACTIVE IN YOUR VIEW?

The whole package. Our company is financially sound. We are operating successfully in an international niche. Our customers include major players such as IKEA along with numerous suppliers, which means that we don't have any potential weaknesses in our customer structure. That is something you can build on.

YOU ARE BOTH STILL RELATIVELY YOUNG. WHY ARE YOU PUTTING H. HEITZ IN NEW HANDS NOW?

We knew early on that we needed to settle the question of succession, as it was already clear that the successor would not be coming from the family. At first we flirted with the idea of selling to a strategic investor. On the other hand, it is not always guaranteed that the buyer is financially covered in such cases. And the strategic direction is not always a perfect match either. We then found in INDUS a partner that won us over with the long-term nature of its commitment. It was a good fit even on a human level.

HOW MUCH DO YOU REGRET THAT H. HEITZ WILL NO LONGER BE IN FAMILY HANDS IN THE FUTURE?

As entrepreneurs, we think in terms of what is in the best interest of the company and its employees. The sale was the right step for us on an emotional level, too. The most important thing for us was that our employees put their full support behind this process. For this reason we are confident that the name H. HEITZ and what it embodies will be preserved by INDUS long into the future.