



Kalt – top technology from Eastern Switzerland for cheese producers and dairies worldwide

Exceptional times

There has not been anything like this before: a virus bringing societies, economies, and governments around the world to the breaking point and sometimes beyond. And it is not over yet. Many will have to prove their resilience, especially businesses. Like every crisis, this one is claiming its victims but also allowing many stakeholders to emerge stronger. We have been doing everything to ensure that CGS' portfolio companies are among the latter, as laid out in our field report.

Exceptional times also make enticing transactions possible: Kalt Maschinenbau is a world-renowned expert in cheese and dairy technology with highly promising, international potential. Stürtz is showing how to make the most of such potential at its new site in Poland, to be expanded step by step.

I hope you will enjoy discovering this issue of CGS Update.



Dr. Rolf Lanz,
Managing Partner

>>> CGS ACQUISITIONS

TOP SWISS TECHNOLOGY



Antonio Cives,
Managing Partner

Kalt Maschinenbau AG has a good reputation in the European cheese-making industry: an excellent basis for further international expansion with its cutting-edge technology for cheese production and milk processing. To achieve this expansion and safeguard long-term succession, the two owners decided to sell the company to CGS Management. The jointly developed Buy & Build strategy is designed to establish a global presence in the relevant growth markets and secure sustainable further development.

Kalt is a leading international specialist in cheese, dairy, and process technology. Founded in 1962 and based in Lütisburg in Eastern Switzerland, the company develops and produces machines and systems for customers ranging from traditional cheese dairies to large industrial manufacturers. With its focus on technology, quality, and automation, Kalt has succeeded in recent years in making customers' cheese production more cost-effective by improving its hygiene, productivity, and robustness.

Great potential for growth

Kalt has a strong market position in Europe, especially in the German-speaking countries. The company is known for customized solutions and technologically advanced products that allow its customers to produce top-quality cheese hygienically. Its products stand for precision, reliability, and durability.

White spots remain on the map of the markets Kalt serves. One of these is the large North American market, which is showing attractive growth rates, especially in the specialty cheese sector. The Buy & Build strategy with targeted follow-up investments is to transform Kalt into a strong, internationally structured, and technologically leading industrial group and multiply its turnover.



Kalt Maschinenbau – specialists for outstanding quality in cheese production

Kalt Maschinenbau AG is a leading international developer and manufacturer of machines and systems for processing milk and producing top-quality cheese. For over five decades, the traditional business based in Lütisburg in Eastern Switzerland has been supplying cheese-processing technology that meets the highest standards. Cheese dairies all over the world rely on Kalt's systems. With over 100 employees, the company generates sales of around CHF 35 million.

Innovations and internationalization

Acquisitions are the priority in Kalt's plans to gain access to new geographical regions, especially in Europe and the US, and to move closer to customers by providing

direct support and expanding its service network. Kalt also aims to promote innovation and the continuous enhancement of its products and services. Digitalization and flexible, interlinked systems are to improve interfaces at the customer's end.



Ready for shipping – cheese dairies around the world rely on Kalt's systems

Next stage of development

"Part of our responsibility towards our employees, our customers, suppliers, and business partners is to think early on about the succession of the company's ownership. In CGS, we have found a strong and experienced investor that will empower the company to achieve independence and growth and take the next step in its development," says Stephan Winkler, explaining the owners' decision.

The Winkler siblings would like to tackle new challenges, but are remaining on hand for the company during a transitional period, operationally and on the Board of Directors. CGS will deploy its extensive expertise in forming and expanding industrial groups to strongly support Kalt in its sustainable further development and internationalization. ■

Learn more at www.kalt-ag.ch

UNCHARTED TERRITORY FOR EVERYONE



Christoph Haller,
Managing Partner

Economic crises are nothing new. Especially not for CGS portfolio companies. They have learned to cope with

economic cycles and to adjust their capacities to fluctuating demand within the business-to-business environment. In contrast, a pandemic was new for all of them, presenting an enormous – and continuing – challenge.

We cannot compare the corona crisis with previous downturns. Neither falling demand, nor reduced supply, nor a liquidity tight spot triggered the crisis, but a pandemic of a magnitude not seen for generations. The result: government-imposed lockdowns in many countries, plummeting demand, disrupted supply chains, and immediate liquidity bottlenecks.

Rigorous crisis management

It was clear right away that taking rapid pragmatic action, focusing on the essentials, and staying in close contact at all levels, including with investors, were the decisive ways to cope well with this unprecedented situation. With all portfolio companies affected, CGS was given a key role: to ensure a well-organized crisis response, effective management mechanisms, and the coordination of measures. The employees' health was the top priority, followed by measures to secure ongoing business operations and sufficient liquidity.

Even before the European lockdown, CGS sent out an initial risk alert with an assessment of the situation and possible consequences. The second alert contained specific instructions for action and requirements for focused weekly reporting in order to assess the situation at the individual companies.

No immediate existential threat

None of the portfolio groups was exposed to a direct threat to its existence. There were only isolated cases of illness and quarantine, the plants continued manufacturing with few exceptions, and problems with procuring materials largely subsided. Yet the closed borders had a severe impact. It was practically impossible to work locally for customers abroad, whether in sales and distribution or in the final assembly of facilities.

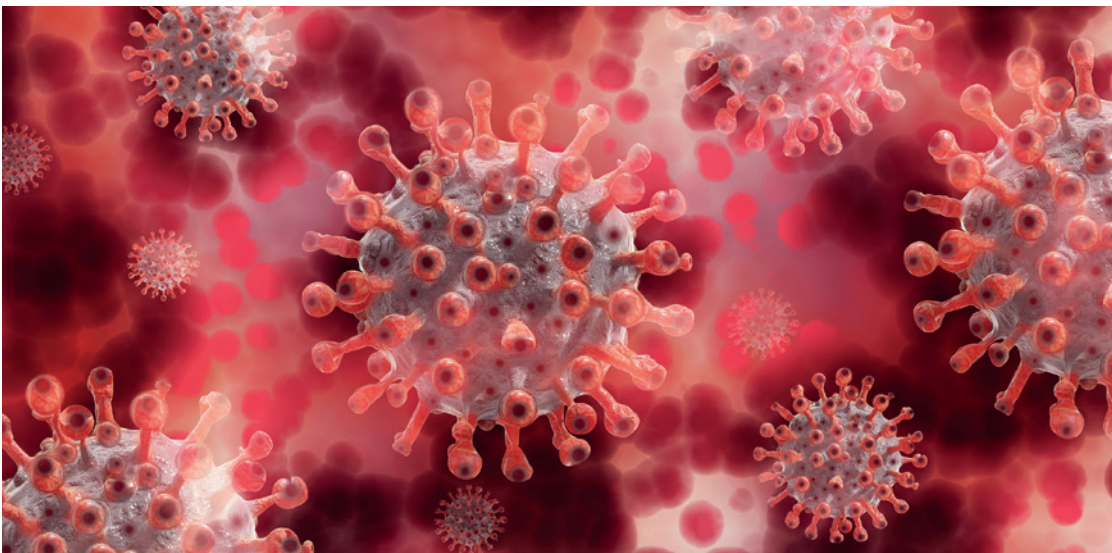
Resilience yet to be proven

These limitations, and above all the great uncertainty among customers about the future of their own business, are the most serious consequences of COVID-19 for the CGS portfolio groups. In addition to major delays in commissioning various customer projects, some companies have seen a sharp decline in the volume of new orders. If this decline continues over several months, structural adjustments will unfortunately become unavoidable. Such decisions are not taken lightly because a company runs the risk of limiting its growth potential in the short and medium term. Capacity adjustments depend on how quickly and to what extent a recovery can be expected.

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Communicating with investors

The greater the uncertainty, the greater the need for information: this maxim also applies to the corona crisis. CGS developed a special COVID Bulletin to keep investors of CGS Partnerships III and IV up to date on the status of crisis management. This newsletter covered the most important indicators and latest developments in the individual portfolio groups. CGS brought it out initially once a week, then less and less often. The portfolio companies' weekly reports provided the necessary data.



COVID-19 – a pandemic with unpredictable effects

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Backed by expertise and experience

As the corona situation is new, there is no relevant past data. Accordingly, the only modus operandi that makes sense is to work with scenarios and conditional decisions derived from them. CGS explained scenario development measures to the portfolio groups in its third risk alert. All groups now have a well-defined, flexible basis for managing the crisis going forward.

The corona crisis has shown that proven crisis management methods also work in utterly unfamiliar circum-

stances. Yet companies must understand and deploy these strategies correctly within the context at hand, which requires broad knowledge and in-depth practical experience in similar settings. The portfolio companies receive just such advice and support from the partners and investment teams of CGS, who have industry experience as managers and specialists. Apart from being able to share best practices among themselves, the portfolio firms also benefit from a cluster of expertise that would hardly ever be available to an SME standing alone. ■

>>> CGS BUY & BUILD

STÜRTZ DEVELOPING ITS PRESENCE IN POLAND



Jonas Bumbacher,
Investment Director

The Stürtz Group has set up a sales and service organization in Poland. The specialist in machines for manufacturing PVC windows has thus achieved a further major step in implementing its strategy. Poland is Europe's largest PVC window market, with almost every fifth plastic window produced there.

Proximity and direct contact with the customer are decisive for success in mechanical engineering. Before CGS acquired a majority stake in the company in 2017, Stürtz was heavily dependent on sales partners for its business outside of Germany and the US. Since then, the group has pursued the strategy setting up its own sales structures in the most important markets. This

establishes a proximity to customers that also allows Stürtz to provide them with extensive support throughout the entire product life cycle.

Poland – a key market

Poland is an important market, as it is now not only Europe's largest market for PVC windows with a high export share, but also the one with the highest growth rates. Compared to other European markets, most of Poland's window manufacturers are very large industrial players that produce up to 7,000 windows per day. At this scale, automation of the production process is profitable. Stürtz' strengths lie precisely in this area. Although the group had already succeeded in selling machines to this market, it was not close enough to provide customers there with end-to-end support.

On-site support

Stürtz now has its own organization in Poland with over ten experienced employees already on board at the site in the Poznań region. For the time being, Stürtz' focus in this market is on service, selling new machines and spare parts, and reconditioning and trading used machines. As its next step, the company is planning to also produce and assemble standard machines at this location for Poland and other European countries. ■

Learn more at www.stuertz.com

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Stürtz in Poland – a team and a location with potential