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08/04/2020 – GBC Management Interview with Callum Laing, CEO of the MBH Corporation PLC

Company: MBH Corporation PLC^{*5a,5b,11}

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Analyst: Dario Maugeri

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**Catalog of possible conflicts of interest on page 5*

Since March 2020 the corona crisis has led to a negative impact and uncertainty on the stock market. As consequence, MBH Corporation’s shares have been also affected by the general decline in small cap stocks. However, as reported in the MBH’s statement of mid-March, the drop in the share price has not impacted either the businesses or the growth through acquisitions. The business risk is well diversified between industries and geographies and allows a certain balance. For example, the current slowdown in the construction sector might be partly offset by positive impulses in the vocational training business. GBC analyst Dario Maugeri spoke to Callum Laing, CEO of MBH Corporation plc, about the current situation:

GBC AG: Mr Laing, the corona crisis is producing reorganization and waiting among companies. Could you briefly give us an idea of the current situation of your group?

Callum Laing: I think there are three different points worth noting in relation to this crisis and how it impacts MBH.

- The companies in the group: All the Principals are very experienced and successful entrepreneurs and have been through downturns before and are able to draw on that experience to help them today. They have been working very closely together, sharing ideas and resources to best help each other through this situation. Especially when it comes to understanding some of the government assistance in different countries. It is exactly what we wanted to see, but it is thrilling and inspiring to see how responsive and proactive the companies are being, both in their own companies but also to their sister companies.
- Shareholder value as a whole. Remember something like 70% of our shareholder base is the Principals themselves and they are very committed to MBH. Our model is very deliberately diversified across countries and industries to make us more resilient to challenges like this. Also, we do have an ‘unwind’ clause in our contracts for companies in their first year with us. This does give us significant protection, should those companies run into problems that are too big for them at this time. Ultimately, we have a buy and hold strategy. We acquire well established businesses and businesses we believe will still be with us and successful in another 20 years. A bad quarter or even a bad year is a reality for business, but it does not distract from the broader mission.

- The pipeline: Not every company either in our group or in our pipelines has been negatively impacted by this situation, in fact some are poised to have their best years ever. We have no shortage of companies in the pipeline, but we are looking more closely at those that are impacted to reassure ourselves that if we bring them in today, they have the resources and the capabilities to still be performing on the other side. Some have removed themselves from the pipeline so they can focus on today's issues but will join us at a later stage and that is perfectly understandable.

GBC AG: Could you point out some of your businesses particularly impacted by the corona crisis in this atypical market phase?

Callum Laing: It's certainly difficult to do construction on site when you're not allowed to leave your house. Having said that, demand for construction, especially amongst retail and F&B is very high whilst things are quiet so it will be interesting to see how quickly that sector can spring back when the restrictions are reduced.

Other sectors, like Adult Vocational Training have been hit in the short term, but traditionally where you have a large number of redundancies people want to retrain and we're quietly confident that there could be some interesting upside here.

Overall, companies are figuring out ways to work more effectively with their teams, and their clients, using technology and I think those that are adapting quickly both in MBH and the broader market will be well poised for growth as things start moving again.

GBC AG: In the worst case that the Corona crisis lasts longer than expected, what effects would this have on your businesses?

Callum Laing: All the business owners within the group are working on the assumption that there will be knock on impacts, periodic restrictions and other significant effects on the business environment for at least 18 months and I think that is wise. There is no question this is already very tough on them and their teams. These are good people that often have poured a lifetime into their careers and businesses it is disconcerting to say the least to have the ground shift so violently beneath them.

But, these are also well established entrepreneurs with a vested stake in the future, and entrepreneurs tend to work best when there are problems to be fixed. Some of the companies might look very different in 18 months to what they do today. And that's not necessarily a bad thing and will be exciting to see.

GBC AG: Mr Laing, many good small businesses are experiencing financial difficulties these days. This also means opportunities for private equity investments. How does your accretive acquisition pipeline looks for 2020?

Callum Laing: Sadly that is very true. And in fact those companies already owned by typical Private Equity are most likely to fail because they have been saddled with such high levels of commercial debt. Not a model we are in favour of. We also do not target distressed businesses or 'turn around' opportunities, that is not our model. We like good, well run, profitable small businesses. Our pipeline is as full as it's ever been and of course many of those companies are going to have a bad year this year, but as long as we believe they have the resources and capabilities to come out of it the other side, we would look forward to having them in the group.

GBC AG: In March, you acquired the UK based company Robinsons Caravans, which starts the leisure division. Could you offer us an overview of its business potential and the possible development under the agglomeration model?

Callum Laing: Absolutely. 'Leisure' is a broad term and we have been seeing some fantastic companies coming to us lately throughout that space. Robinsons Caravans is a great example of the type of company we like. It has been around for 53 years and there is no reason to believe it won't still be helping holiday makers to explore the UK in another 53 years. More importantly, when talking to the management they were able to show us clearly what had happened during various downturns in the past such as events like 9/11. They saw an initial drop off, but then business took off very strongly. I suspect people will be nervous about travelling overseas for a while to come and so actually a company like Robinsons Caravans could be brilliantly placed to serve that market as the restrictions are lifted.

GBC AG: Mr Laing, thank you for the interview.

ANNEX

I.

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The analysts responsible for this analysis are:

Dario Maugeri, M.Sc., Financial Analyst

Cosmin Filker, Dipl. Betriebswirt (FH), Vice Head of Research

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GBC AG
Halderstraße 27
D 86150 Augsburg
Tel.: 0821/24 11 33-0
Fax.: 0821/24 11 33-30
Internet: <http://www.gbc-ag.de>

E-Mail: compliance@gbc-ag.de