RAPER CAPITAL

Hunter Douglas N.V.
The Independent Committee of the Board of Directors
Piekstraat 2
3071 EL Rotterdam
The Netherlands

April 21, 2021

Dear Sirs:

I am an asset management professional who owns and operates his own investment research practice. Having reviewed the details of the mooted transaction, I write to you as an aggrieved minority shareholder, beneficially interested in 7,000 shares of Hunter Douglas N.V. (hereafter 'HDG', or 'the Company').

I am writing to express my concern that the Board, and in particular this Independent Committee ('the IC'), is inexplicably endorsing **a sell-out of our interests in the Company via a non-arms-length transaction at a 50-70% discount to comparable (but inferior) listed businesses**, even though recent results make quite clear the Company is emerging from the pandemic stronger than ever. Absent a much-improved offer price, minorities would be overwhelmingly better off in simply maintaining the pre-offer *status quo*.

Critically, I believe the IC's endorsement of this woefully-inadequate offer is the result of a compromised and flawed process, making a mockery of the AFM's regulatory standards and Dutch governance norms. In recommending this transaction, the Board is abrogating its duty to protect the rights of *all* shareholders, and instead supinely submitting to the will of the Offeror. Further, if this shocking deal is allowed to proceed, not only will more than ***300 million EUR of value be expropriated from minorities to the sole benefit of Mr. Ralph Sonnenberg***, but the Dutch regulatory apparatus – heretofore at the vanguard for fairness and due process in the European capital markets – will be irreparably harmed.

I have identified **eight key issues** with the Offer itself; the process that formulated the Offer; and the assessment of the Offer by the IC that, in combination, have led to the current unacceptable situation. Detailed discussion of these issues follows in the **Appendix** to this letter.

As a result of these myriad failings, I am confident the current transaction will be met by an embarrassingly-low acceptance rate; a heavily-contested squeeze-out hearing; and even a legal appeal against it before the District Court of Amsterdam. Relevantly and in light of these concerns, please note that I will be forwarding a copy of this letter to the Netherlands Authority for the Financial Markets ('AFM'), under whose auspices this offer is being conducted.

I would therefore urge the Independent Committee to reconsider its Recommendation – as is its contractual right in the Merger Agreement – and either amend the transaction to mitigate these various abuses, or better yet, abandon the entire transaction and allow HDG minorities to enjoy the ongoing growth and success of the business, unfettered. The IC – and, ultimately, the regulator - has the choice of whether they want to be seen publicly endorsing cronyism, or proactively searching for remedies.

In closing, it is clear that the proposed transaction, if allowed to proceed, would constitute the most egregious expropriation of value by a Dutchman since Peter Minuit acquired the island of Manhattan for sixty Guilders of trinkets in 1626.

I, for one, will not stand idly by whilst this crown jewel of a business, our Company, is given away, inexplicably and unnecessarily, to a rapacious majority owner, for a tiny fraction of fair value – and right as the market presents a huge secular tailwind for all of HDG's key verticals.

Correspondingly, I must reiterate my call for the Board, and the Independent Committee, to re-examine their Recommendation of this Offer in light of the material presented herein, with a view to either increasing the Offer price to a level more commensurate with fair value (that is, in the vicinity of 120 Euros per share); or, preferably, commit to abandoning this offer altogether and allowing the shares to remain freely traded on the Amsterdam bourse.

I remain at the Board and the IC's disposal to discuss any and all these issues in greater depth, and can be reached at jeremy@rapercapital.com.

Yours sincerely,

Jeremy Raper

Appendix: Overview of Inadequacies in a) the process underpinning the IC Recommendation and b) the Offer

1) <u>The timing of the Offer was highly opportunistic and disadvantageous to minorities</u>

The Offeror timed his bid purposefully to take advantage of the temporary weakness in the stock price caused by COVID-19, but before it had become clear to the market that the Company was emerging from the pandemic stronger than ever. As detailed in the Position Statement[1], Bergson first approached the Company with a preliminary intent to buy out the minorities on October 29, 2020 - a point in time at which the Offeror certainly knew the strength of *both* the completed third quarter and the ongoing fourth quarter - but *before* this had been communicated to the market. Even when the Company reported a very strong third quarter set of results in November - reporting 4% and 58% respective improvements in revenues and EBITDA on a year-over-year basis; and importantly, organic growth in all areas of the business – HDG provided no guidance or clarity as to the ongoing strength in the business during the fourth quarter (which surely must have been largely clear by early November, two-thirds of the way through the quarter).

This meant that when the Offeror communicated their first offer (the 'Proposed Offer') at 60 Euros per share, on November 17, 2020[2], both the Offeror and the supposedly Independent Committee (the 'IC') were acting in advance of the equity market having a chance to price in the rapid improvement in the Company's prospects. As I show later, the entire premise of the IC's 'analysis' of the fairness of the Offer price rests on the assumption that the bid premium was reasonable *based on the extant stock price at the time*. But said stock price was, of course, the result of the lack of full and proper financial disclosures at the time of the bid.

Simply put, if the market had been aware of the strength of the fourth quarter numbers – where HDG ultimately printed a 16% increase in revenue and 55% increase in EBIT, year-over-year[3] – the 'bid premium' the IC now claims is fair would have proved illusory because the stock would likely have already rallied well through the bid price. The fact is, the market never had a fair chance to reprice the equity of the company for the rapid and ongoing improvement in business conditions – something the Offeror, as Chairman of the Company, intimately understood – precisely because of the opportunistic and cynical timing of the Offer.

The IC now has plenty of additional information since the Offer was announced. It should weigh the Offer in light of all information and not arbitrarily blind themselves to subsequent events.

2) <u>The interests of the 'Independent Committee' are not aligned with minorities</u>

Upon receipt of the Offeror's first interest in pursuing a transaction, the Board decided Messrs Ruys, Nuhn, and Wagener – the non-Executive Directors of the Company – were sufficiently

[1] Position Statement, p.7, Section 3.2, 'Sequence of Events'
[2] Position Statement, p.7-8
[3] 'Hunter Douglas Results 2020,' March 11, 2021. See http://investor.hunterdouglasgroup.com/news-releases/news-release-details/hunter-douglas-results-2020

independent to decide the fate of all minority shareholders in this matter.[4] That conclusion seems erroneous. All three Directors have enjoyed long stints on the Board of the Company (Mr Wagener since 2012; Mr Ruys since 2016; and Mr Nuhn since 2017); and of the three, only Mr Wagener possesses another Board appointment. Most importantly, **none of the three own even a single share in the Company**.[5] It is therefore reasonable to conclude that the interests of the Independent Committee are far more likely to reside with maintaining their employment, and the good graces of the Offeror, than in protecting the interests of minorities.

3) <u>The evolution of the Offer process was irregular and highly problematic</u>

There are a number of concerning irregularities disclosed in how the Offer unfolded that materially worsened the outcome for minority shareholders (versus the prior *status quo*). Firstly, the Position Statement discloses that Mr Sonnenberg, *in his very first offer*, claimed to have the right to 'squeeze out' minorities in a Compulsory Acquisition Procedure already, and thus didn't need to proceed with the Offer if he didn't want to.[6] It appears the IC did not expend much energy, if any, on examining whether the Offeror truly possessed this legal right *ex ante*. But putting aside the legal question of whether this is actually true – to be discussed shortly – the very fact that the Offeror's opening salvo enclosed the threat of moving straight to a squeeze-out clearly coloured the IC's deliberations on fair value, as well as alternatives to the Offer. Indeed, it appears that the rest of the IC's deliberations started with the overhang of this squeeze-out threat as their primary consideration.

For example, the IC appears to conclude very quickly – upon receipt of just the Proposed Offer – that there were no ready alternatives to the Offer. But this clearly ignores the very real, and valuable, maintenance of the *status quo* as a viable and superior option to minorities being press-ganged into accepting a derisory offer at around half of fair value. The IC is tasked with protecting the interests of free-float shareholders, in accordance with their fiduciary duties under the law. Entering into transaction negotiations under duress, without a full and proper consideration of all alternatives, violates this responsibility.

4) <u>Zero strategic rationale to the transaction</u>

Secondly, it becomes clear from a reading of the event path that the IC understood there were basically no strategic merits to the transaction for anyone but the Offeror – and yet they proceeded on the transaction path nonetheless. The Position Statement details how all the

[4] Position Statement, p.7, Section 3.2 (b)
[5] Position Statement, p.21, Section 11.1: 'As of the date of this Position Statement, none of the Board Members…hold any securities issued by Hunter Douglas, other than the securities held by Mr R. Sonnenberg…'
[6] Position Statement, p.8: 'The Independent Committee acknowledged that Mr R. Sonnenberg referred in his Proposed Offer to his possibility to squeeze-out the remaining Shareholders by initiating a Compulsory Acquisition Procedure (*wettelijke uitkoopprocedure*) to acquire any Shares held by Shareholders without having to make the Offer, given his shareholding of over 90% of the total outstanding share capital in Hunter Douglas.'

Company's stakeholders – financial partners, customers, suppliers, employees, etc – were consulted; all suggested the day-to-day operations of the company would proceed unchanged. Indeed, the Offeror freely admitted that 'the Transaction would not have any direct consequences for Hunter Douglas' strategy and the Group's prospects, nor for its employees. It confirmed that the Group will continue to be run consistent with past practice.'[7]

Rather, the Position Statement clarifies the main purpose of the transaction is merely to smooth the succession planning of the Offeror, Mr. Sonnenberg. But why should the tax planning dictates of the majority owner trump the rights of minorities to due process and a fair takeout price? And why should the Board – the fiduciary representatives of *all* shareholders – kowtow to the whims of the Offeror when there is otherwise no strategic or industrial logic supporting the transaction at all?[8]

5) *Unclear legal position used to extract Recommendation of the Offer*

The Offer documentation – both the Position Statement and the Offer Memorandum – is muddled, contradictory, and, confusing. Firstly, the Offeror, and Company, state clearly that despite the fact HDG is incorporated in Curacao, the AFM (the Dutch Regulator) is the regulatory authority overseeing this Offer[9], and moreover it is mentioned multiple times in the offering documents that the relevant securities law being applied is that of the Netherlands.

Why, then, does the Offeror purport to be able to move directly to a Compulsory Acquisition Procedure ('squeeze-out')? This assumption presupposes that this Offer is taking place under the auspices of the Curacao Civil Code (since under the CCC, you can pursue a squeeze-out above 90% ownership of total capital and the Offeror already owns 91.6% under the Curacao definition). Indeed, the CCC is specifically cited in both Offer documents as the justification for this position.[10] But at the same time, the Company readily acknowledges that it is Dutch securities law that governs this transaction – and the reorganization of a company's ownership structure, which this transaction obviously contemplates, is irrefutably a matter of securities law.

Moreover, the shares of the Company are sole-listed on Euronext Amsterdam; HDG has its corporate headquarters in the Netherlands (Rotterdam); and has a majority of its minority investors located in the Netherlands. Furthermore, the AMF directives with regard to jurisdiction are quite clear on the matter: for non-EU legal persons whose sole listing is the Euronext

[7] Position Statement, p.10-11. Succession planning, tax planning, and keeping Mr Sonnenberg engaged are the only principal benefits mentioned; operationally, the business of the Company would barely change

[8] Cost savings on a delisting from Euronext Amsterdam are cited as one tangible benefit, but in reality are a red herring. Annual listing fees on Euronext Amsterdam cost <100,000 Euros and most accounting/reporting functionality HDG currently spends would need to be maintained given the scale of the business post privatization in any case. See https://www.euronext.com/en/raise-capital/how-go-public/rules-fees-and-forms, 'Listing Fee Book 2019'

[9] Position Statement, p.1-3; and Offer Memorandum, 2,4, and esp. 8, Section 3.4, Governing law and jurisdiction: This Offer Memorandum and the Offer are, and any tender, purchase or transfer of Offer Shares will be, governed by and construed in accordance with Dutch Law.'

[10] Position Statement, p.19, Section 7.1; and Offer Memorandum, p.37, Section 6.11.2

Amsterdam (a categorization that clearly captures the Company), then the Dutch securities framework and legal rubric shall apply.[11]

On this basis, the Offeror would clearly need to acquire greater than 95% of the share capital – not the total capital – of the Company to proceed to a squeeze-out (since this is the minimum requirement under Dutch law). Whilst this may ultimately be achieved, it seems highly premature for the Offeror to state *ex ante* they can move to a squeeze-out regardless of the Offer acceptance (under Curacao law) when at the very least there is a reasonable possibility that Dutch squeeze-out law may apply. Indeed, if the Offeror attempts to pursue a Compulsory Acquisition under the auspices of Curacao law, without first achieving 95% ownership of the Company's common shares – highly likely given the derisory consideration being offered – they may well face a situation where the stock cannot be delisted from the Euronext Amsterdam (since 95% ownership is the delisting threshold). Meaning, consequently, there is a strong chance the squeeze-out hearing (if not the entire transaction) is legally challenged before the Amsterdam District Court (*Rechstbank Amsterdam*) – which, incidentally, the Offeror admits is the only governing venue for disputes of this nature.[12]

Irrespective of the court's final say on this matter, to rely on such an anticipatory legal position to extract a Recommendation from the IC is, in effect, an attempt to disenfranchise minorities of their rights to due process and fair compensation. **In my view, upon proper examination of the event path here, the AFM should (and likely will) investigate this particularly egregious abuse of process.**

6) *The methodology used to calculate 'fair value' is hopelessly inadequate*

Even if we grant the IC the best of intentions in getting to this point in the process, the methodology employed to evidence a 'fair' price is being paid to minorities is laughable. As previously mentioned, this notion of a 'fair bid premium' is specifically cited as a relevant metric for determining fair treatment of minorities[13]; in reality, the selective disclosure of key financial information and cynical timing of the Offer discussion make any token premium to recent prices simply an avoidance of a discussion of true, fundamental value. A premium versus a prior price is not meaningful evidence of fair treatment absent some check with commercial reality – otherwise this principle serves only to enrich those most willing to manipulate the price of a stock and makes a mockery of a well-run securities exchange.

Second, the IC dispenses with past comparable transaction analysis in its entirety (citing the controlled nature of this particular company). Even if we granted this was a valid reason, it is an entirely moot point – *since there is no pressure for any transaction to occur at all*. The IC continues to operate from this false premise, that some transaction has to be consummated and

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[11] See 'Act on Financial Supervision: Information Brochure for issuing institutions, directors, and supervisory directors,' p.8, at https://www.afm.nl › doelgroepen › disclosures

[12] Offer Memorandum, p.8, Section 3.4, Governing law and jurisdiction

[13] Position Statement, p.12, Section 4.1, Financial assessment

that because of the Offeror's controlling position, there are no other alternatives – but the *status quo* is wildly more preferable to selling out your minority shareholders for a song. Why do we have to subscribe to any deal at all? Why can't our own Board protect us from the ravages of a predatory majority owner, as is their duty?

Third, the IC dispenses entirely with a comparison versus peer trading multiples, claiming 'there are no relevant comps' that approximate the capital structure, ownership, or product positioning of the Company.[14] This is true – but only because *all the publicly-listed comps cited by as potentially relevant by the IC are inferior businesses to the Company*. None of them possess the dominant global position in their respective verticals; none of them exhibit equivalent financial returns; and none of them performed as well as the Company through the COVID pandemic.

And yet *despite* this, all comps trade at huge premiums to the price at which the IC agreed to recommend selling our shares. To cite from another Company shareholder on this topic, the peer Price/Earnings and EV/EBITDA multiples (using 2019 numbers to solve for COVID effects) for these comps *implies double or triple the price for the Company's shares*: [15]

- De geboden prijs van € 64,- per aandeel impliceert een substantiële discount in vergelijking met de gemiddelde waardering van de zogenaamde *peer group.* Onderstaand overzicht geeft een treffende illustratie:

Onderneming	P/E 2019	P/E 2020	P/E 2021	P/B 2020	EV/EBITDA 2020
Somfy (Frankrijk)	29,5x	26,7x	25,8x	4,3x	17,3x
Nien Made (Taiwan)	21,7x	20,3x	17,6x	6,4x	12,1x
Peer group average	25,6x	23,5x	21,7x	5,4x	14,7x
Hunter Douglas Group	*8,9x*	*12,7x*	*9,8x*	*1,5x*	*4,8x*
Discount HDG	**65%**	**46%**	**55%**	**72%**	**67%**

Bron: Bloomberg en Add Value Fund Management BV *Peildatum: 18 december 2020*

The IC has argued, in the Position Statement, that the controlled nature of the Company makes these public comps irrelevant. This is demonstrably false. Even a cursory analysis of these public comps reveals that many are themselves controlled (or effectively controlled) entities as well, rendering this entire argument blatantly incorrect and self-serving.[16] I do not know whether this

[14] Position Statement, p.13, Section 4.1 (e)
[15] See www.addvaluefund.nl/uploads/media/Brief%20Hunter%20Douglas%20d.d.%2018%20december%202020-20201228153829.pdf
[16] For example, Nien Made (Taiwan) is effectively controlled by the Nien and Chuang families (>40% holding); Somfy SA (France) is controlled by the Despature family (>70% holding); Tachikawa (Japan) is ~40% owned by the Tachikawa family and related entities; and Gale Pacific (Australia) is ~45% owned by insider entities

oversight was deliberate or simply the result of insufficient diligence, but it obviously renders this reasoning moot.

The reality is, even as a controlled company, HDG is objectively a superior investment proposition – in terms of market share, historic and future growth potential, returns on invested capital – than most all of these listed peers. **As such, selling out the company for a massive discount to these peers – something the IC is actively supporting with their recommendation – is an abandonment of the IC's moral and legal duties and something the regulator must address if the IC is unwilling**.

7) The NIBC fairness opinion is wholly inadequate, and NIBC is hopelessly conflicted

NIBC's supposed third-party valuation opinion (the 'Fairness Opinion') ultimately concluded that the 64 EUR Offer is 'fair, from a financial point of view, to Free Float Shareholders.' Despite this conclusion, there is no quantitative or qualitative evidence presented – indeed there is no quantitative discussion at all – that drove NIBC to this conclusion. Moreover, **NIBC admits that the vast majority of its research material was furnished directly from the Company; and that it has historically done investment banking business for the company, and continues to conduct, and seeks to conduct, ongoing business for HDG.**[17] In sum, the only real conclusion to be drawn from the NIBC letter is that NIBC is a captive entity working for the Company; is therefore hopelessly conflicted; and did not conduct a true arms-length examination of the suitability of the deal being proffered herein to minorities.

8) The NIBC fairness opinion is based on stale information

Putting aside the structural weaknesses evident in the Fairness Opinion, NIBC also admits this Opinion was only construed on the basis of information publicly available on December 12, 2020, and that all information post this date has been ignored.[18] I do not believe that this timing is accidental. Since then, the Company has published extremely strong fourth quarter earnings; and generated **an additional 137mm USD in Free Cash Flow (circa 3.25 EUR per share).** Further, the vast majority of HDG's direct and indirect peers have reported stellar fourth quarter results and 2021 guidance. To cite a few examples:

[17] Position Statement, p.29-31

[18] Position Statement, p.29: 'Our Opinion is based on our understanding of the terms of the Offer as set out in the Draft Agreement and our consideration of the financial, economic, monetary, market and other conditions in effect on, and the information made available to NIBC, or used by us up to 12 December 2020; any information after this date (whether publicly available or not) we have not considered.'

- PGT Innovations (PGTI), a US-based provider of doors and windows, announced 4Q revenues and EBITDA grew 27% and 37%, respectively, and guided to 2021 revenues/EBITDA growing 17%/23% year-over-year;[19]
- Masonite International (DOOR), a US- and Europe-focused manufacturer of doors, announced 4Q revenues and EBITDA grew 16% and 30%, respectively, and guided to 2021 revenues/EBITDA growing 9%/18% year-over-year;[20]
- Jeld-Wen (JELD), a global producer of doors and windows, announced 4Q revenues and EBITDA grew 8% and 29%, respectively, and guided to 2021 revenues/EBITDA growing 6%/11% year-over-year;[21]

The Company, of course, outperformed this broader subset with its own fourth quarter results (though - possibly unsurprisingly – elected not to provide guidance for 2021).

But in any case, it is clear that whatever analysis NIBC conducted on the basis of disclosures up until December 12, 2020, the relative health, and therefore valuation, of the Company today, has improved markedly. Even absent the specifics of the Company and its industry, global equity valuations are undoubtedly much higher now, and **the broader Dutch equity market (as represented by the AEX Index), has rallied 17% since this the Fairness Opinion was released**. I contend all these factors need to be reflected in a much-improved Offer price.

[19] Derived from PGTI 2020 earnings PR. See http://ir.pgtinnovations.com/press-releases/2021/02-24-2021-123046995

[20] Derived from DOOR 2020 earnings PR. See https://investor.masonite.com/Investors/press-releases/press-release-details/2021/Masonite-International-Corporation-Reports-2020-Fourth-Quarter-and-Full-Year-Financial-Results-Provides-2021-Outlook/default.aspx

[21] Derived from JELD 2020 earnings PR. See https://investors.jeld-wen.com/news-and-events/news/news-details/2021/JELD-WEN-Delivers-Revenue-Growth-and-Margin-Expansion-in-Fourth-Quarter-2020/default.aspx