Mock 1 – Suggested Answers

Strategic Case Study – May & August 2026

Section 1

Exit Strategy

A divestment could help Kwirtmak sharpen its strategic focus. The medical 3D-printing segment is attractive because demand is growing for highly customised medical products, and 3D printing offers speed and accuracy advantages over traditional manufacturing.

Expansion into this segment would therefore align with Kwirtmak's innovation-driven mission of transforming customers through design and production, as well as its broader vision of expanding its additive manufacturing footprint across industries in its pursuit of market leadership.

There is also a financial case for divestment. Revenue has fallen by 19%, so management is right to be cautious about profitability and funding. Selling the legacy extrusion line could release capital that might otherwise need to be raised externally. This may be useful given borrowings of E$1,350 million and bank balances of only E$136 million. A disposal could therefore ease cash pressure while supporting investment in a higher-growth area.

However, divestment also has drawbacks. The legacy extrusion line still forms part of Kwirtmak's wider product range, so selling it would reduce the breadth of the offering and may weaken its ability to serve customers with simpler or lower-budget needs. This could reduce flexibility and make Kwirtmak less able to meet the full range of customer requirements.

The move is also risky because medical 3D printing is highly demanding. Products must be defect-free, and the materials used require approval from the EHS before patient use. This increases quality, compliance and reputational risk. Expansion into this segment may therefore require new technical capabilities, tighter controls, regulatory engagement and further investment in approved materials and high-precision processes.

There is also a risk that disposal could be seen as a retreat. Kwirtmak remains a substantial quoted manufacturer, so divesting part of the business may be interpreted by investors as a defensive response to weaker performance rather than a confident strategic move. Given Kwirtmak's beta of 2.3, any negative perception could have a strong effect on the share price.

There is also an opportunity-cost issue. Although the legacy extrusion line is older, extrusion remains one of the core 3D-printing technologies and may still have future value, particularly in lower-cost or more flexible applications. Selling it now could sacrifice future opportunities and narrow Kwirtmak's route into customers who may later upgrade to more advanced systems.

Overall, Kwirtmak should not dispose of the legacy small extrusion printer line unless it is clearly non-core, underperforming and unlikely to support future strategy. The medical segment is attractive, but divestment should only proceed if the board is confident that the proceeds will be used effectively and that Kwirtmak has the capabilities needed to compete successfully in medical 3D printing.

A partial disposal, managed phase-out or separate business restructuring may be safer than a full disposal if the board still wants to preserve strategic flexibility.

Director's Bonus

While the CEO's optimism about the proposed divestment and expansion into the medical 3D-printing segment may be understandable, the suggestion to increase board members' bonuses at this stage should be treated with caution.

Firstly, from a corporate governance perspective, bonuses should be linked to realised performance rather than expected outcomes. Although the divestment may help Kwirtmak release capital, sharpen its strategic focus and support entry into a higher-growth market, these benefits remain uncertain at this point.

The divestment has not yet taken place, the funds have not yet been reinvested, and expansion into medical 3D printing has not yet delivered any measurable financial return. Increasing bonuses before tangible results are achieved would therefore risk rewarding intention rather than execution.

Secondly, board remuneration should be aligned with shareholder interests and long-term value creation. Kwirtmak has recently experienced a fall in revenue, so increasing board remuneration before the proposed strategy has produced proven results may be viewed as premature and self-serving.

Shareholders may question why bonuses are being increased at a time when the business is under performance pressure and when the proposed move still carries significant uncertainty.

The timing of the suggestion also raises ethical concerns. Board members have a fiduciary duty to act in the best interests of the company. Linking bonuses to a proposed divestment and planned expansion, rather than to sustained success, could weaken stakeholder trust and create the impression that the board is prioritising its own reward over careful strategic delivery.

This concern is even greater because the medical segment introduces additional risks relating to product quality, compliance and reputation.

Moreover, any change to board bonuses should be considered through the Remuneration Committee and supported by clear performance measures. These could include successful completion of the divestment, effective use of disposal proceeds, revenue growth in the medical segment, profitability, return on investment, and compliance or quality targets. This would ensure that remuneration is tied to objective outcomes rather than speculative expectations.

In conclusion, Kwirtmak should not increase board members' bonuses at this stage. Any revision to remuneration should be deferred until the divestment and related expansion strategy have delivered clear financial and strategic benefits, supported by appropriate performance indicators.

Share buyback

A share buyback could be attractive because it may signal management confidence in Kwirtmak's future after the divestment. If investors believe the company is disposing of a less attractive activity and redirecting funds into a higher-growth area such as medical printing, a buyback may reinforce the message that the Board believes the company is undervalued.

By reducing the number of shares in issue, it could also improve earnings per share and help support the share price. However, this effect is not automatic. Investors will focus on whether a buyback is the best long-term use of the funds.

A buyback may also be sensible if the divestment releases genuinely surplus cash. If the sale proceeds exceed the amount needed to develop the medical-printing business, returning part of the funds to shareholders could demonstrate financial discipline and avoid holding unnecessary cash.

However, the stronger argument is that Kwirtmak should retain the proceeds to support medical printing, at least in the short to medium term. Medical printing appears strategically attractive because it requires highly accurate, reliable and customised products, which fits well with the strengths of commercial 3D printing.

However, growth in this area is also likely to require continuing investment in technology, quality assurance, specialist expertise and regulatory capability. If Kwirtmak returns too much cash through a buyback, it may weaken its ability to build a credible position in this market.

A buyback could therefore be seen as short-termist. Supporting the share price and improving confidence are not the same as creating long-term shareholder value. Since the divestment is meant to help Kwirtmak move into a more strategically attractive market, retaining the proceeds may be more consistent with shareholder interests than using cash to create a short-term market signal. Investors may even react negatively if they believe the Board lacks confidence in its ability to generate good returns from reinvestment.

There is also a financial risk in using disposal proceeds for a buyback too early. If Kwirtmak later needs funding for medical-printing expansion, it may have to borrow or raise new equity, which would make the buyback look poorly judged and weaken confidence in the Board's capital-allocation decisions.

Overall, Kwirtmak should not commit immediately to a share buyback. Any buyback should only be considered if surplus cash remains after funding the expansion of the medical-printing business.

I hope that this information would satisfy your need. Please contact me if you need any further explanations.

Best Regards,

Senior Finance Manager