Why Europe? Why now?
David Smith on exciting times for Europe as recovery drives growth – good news for investors and business.

Interview with Fabrice Collet
The COO of B&B Hotels on taking expansion and its 'Econochic' concept to new levels.

Our approach
Connecting, Partnering, Transforming; our three pillars and how they underpin everything we do.

PAI PARTNERS

Connect

Issue One • September 2017

Fabrice Collet
COO, B&B Hotels

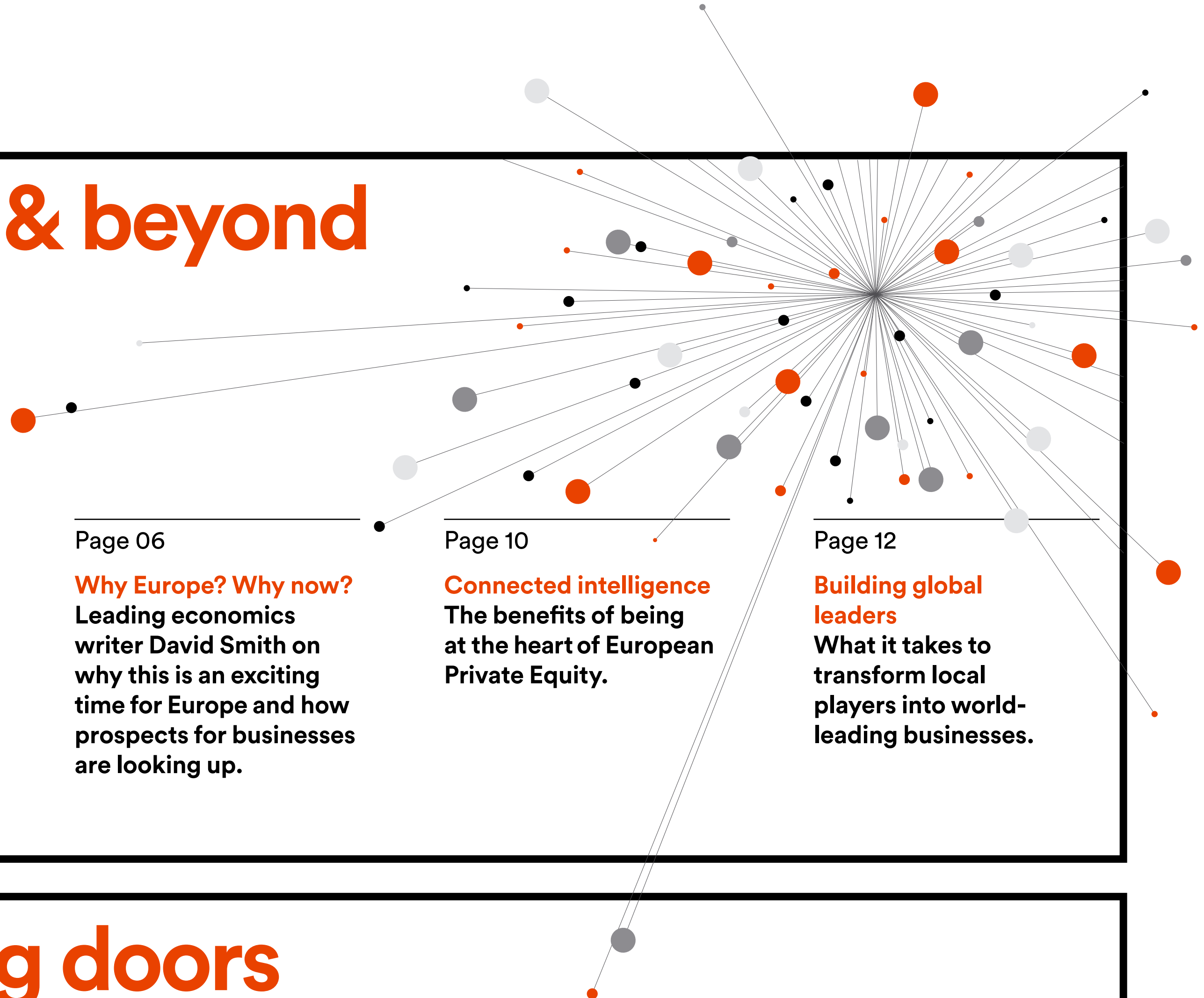
Welcome

Welcome to our first edition of Connect, a new publication that hopes to provide an update on our firm during the past year, a little insight into the way we do things and what makes us different – as well as introducing some of the people behind both PAI and our investments.

As a partnership that firmly positions itself at the heart of European Private Equity, this first issue reports on the encouraging prospects for Europe and why it is an exciting time for our business, our portfolio companies and our investors.

As with every new project, this publication has taken a wide range of individuals to bring it together and we'd like to recognise everyone's efforts here. Equally, whilst we hope this first edition is a great introduction and update on PAI we are very keen to get comments, suggestions and feedback so we can look to build and improve in future editions.

Europe & beyond



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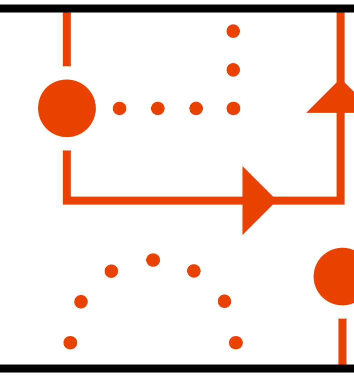

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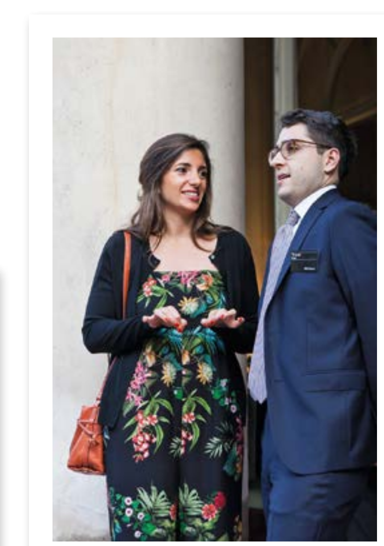

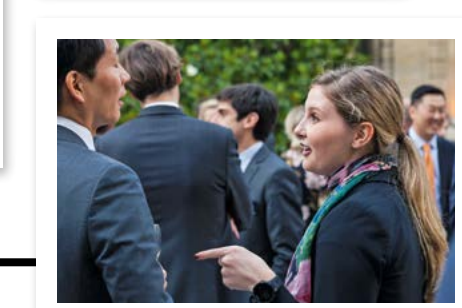

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Europe & beyond

Why Europe

Why Now

David Smith
Economics Editor, The Sunday Times

David Smith has been Economics Editor of The Sunday Times since 1989, where he writes a weekly column. He is also chief leader-writer, an assistant editor and policy adviser. He also writes a column for The Times, and is the author of 10 books on economics, including two about Europe. He studied at the Universities of Wales, Oxford and London and is a visiting professor at both Cardiff University and Nottingham University.

There will be significant investment opportunities. In the context of Europe's rich corporate landscape, and in particular its large population of mid-market and family-owned businesses, valuations are attractive and the scope for synergies considerable, particularly where markets are fragmented and the opportunities for consolidation significant. Only now are transactions opening up. Recovery is providing the key. This is an exciting time for Europe.

Europe's recovery, which resulted in economic growth in the first quarter of the year of double that of the United States and three times the rate of the UK, has been building for some time. Indeed, since late 2014 the eurozone economy has enjoyed cumulative growth of 5.1%, compared with 4.6% in America.

Confirmation of it is provided by an array of evidence. The monthly purchasing managers' surveys, which measure activity in the manufacturing, services and construction sectors of the economy, have rebounded strongly. The 'composite' purchasing managers' index, which takes in all three sectors, rose to a six-year high in the second quarter of 2017, with growth pretty well spread across different European economies. >

Worries of a wave of anti-EU populism following Britain's Brexit vote and Donald Trump's election in 2016 have not occured.

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> **The latest readings are indicative of the eurozone economy growing by an impressive 0.7% in the second quarter.**
>
> **Chris Williamson**
> **Chief Economist, IHS Markit**

'The latest readings are indicative of the eurozone economy growing by an impressive 0.7% in the second quarter,' said Chris Williamson, chief economist at IHS Markit, which compiles the purchasing managers' surveys.

'The added encouragement to the healthy picture is the broad-based nature of the upturn signalled for economic growth, employment and prices. All four of the largest euro nations are reporting faster growth in the second quarter as a whole, adding to the picture of an increasingly self-sustaining recovery amid rising domestic demand in the single currency area.'

This better news for Europe is being reflected in an uprating of growth forecasts. The Organisation for Economic Co-operation and Development (OECD), in its June 2016 Economic Outlook, offered an upbeat assessment.

As it put it: 'In the euro area, GDP growth is projected to average around 1¾% per annum in 2017-18. Accommodative monetary policy and a small fiscal easing of ¼% of GDP per annum in 2017 and 2018 will help to support area-wide activity.'

Even the European Central Bank, which takes a cautious approach, is convinced. Peter Praet, the ECB's chief economist, echoed the OECD's optimism in a recent speech on July 6. 'The solid upswing continues to broaden across sectors and countries,' he said. 'Real GDP in the euro area has expanded for 16 consecutive quarters. Unemployment is at its lowest level in eight years ….The breadth of the economic recovery is also notable.'

His optimistic tone was reflected in better numbers. The ECB's June 2017 growth forecasts were for a 1.9% euro area expansion in 2017, 1.8% in 2018 and 1.7% in 2019. In the 2017 forecast, every euro area economy was predicted to show growth, with predictions ranging from 1% in Italy and 1.4% in France, to 4.3% in Ireland, 4.4% in Malta and 4.6% in Luxembourg.

The recovery allows us to look at Europe's underlying strengths. It has the biggest internal market in the world, of 500 million people, and will continue to have the biggest internal market after Britain's exit. Common rules across that internal market, and an open and transparent legal investment framework add to Europe's appeal for investors. Businesses have yet to fully exploit the advantages that the internal market offers.

Europe has some of the highest productivity economies in the world, with considerable resources of physical and human capital. There is a breadth of successful businesses – small, medium and large – across all sectors.

Why is the European economy, and the prospects for European businesses, now looking significantly better? There are several reasons. The global financial crisis and the more recent eurozone crisis are still casting a shadow but their impact is fading. This is in line with the experience of past crises, as documented by Carmen Reinhart and Kenneth Rogoff in their monumental study 'This Time is Different'. Time is a great healer.

Expansionary monetary policy has, meanwhile, proved to be invaluable. When, five years ago, the ECB president Mario Draghi famously pledged to do 'whatever it takes' to support recovery in the euro area, he insisted that it was in better shape than its critics gave it credit for, and that reforms would make it stronger.

Draghi was as good as his word. Ultra low interest rates both headed off the threat of deflation – falling prices – and provided the platform for recovery. When supplemented with asset purchases in March 2015, the public sector purchase programme, monetary policy provided a further stimulus.

Another factor, highlighted by the OECD, is the fact that austerity has been replaced by mildly expansionist fiscal policy. The pain of adjustment is over. From 2010 to 2015, governments in the eurozone took steps to reduce their fiscal deficits, aggressive ones in the case of Greece, Ireland, Portugal and Spain. That phase is now over, and has been for the past two years. Some of the countries which were obliged to take the strongest fiscal medicine have seen the most convincing resumptions of growth. In June the Spanish government revised up its 2017 growth forecast to 3%. Ireland has seen an even more powerful bounce in economic activity. The end of the era of austerity has been good for growth in Europe.

Finally, political fears have not been realised. In the wake of Britain's Brexit vote and Donald Trump's election in 2016, there were worries that a wave of anti-EU populism would break in elections over Europe. It did not happen, in the Netherlands and, most significantly, in France where Emmanuel Macron's victory over Marin Le Pen, and his subsequent triumph in parliamentary elections, had a strongly positive impact on sentiment and should result in a pro-reform agenda, both in France and the wider EU. Moody's, the ratings agency, said the election outcome provided 'a fresh opportunity' to address France's challenges.

The upturn in growth in Europe has not removed the need for reform to improve flexibility, in labour markets and elsewhere. But reform is easier to achieve in an environment of growth than stagnation, and there is now a new emphasis on reform, particularly from Macron.

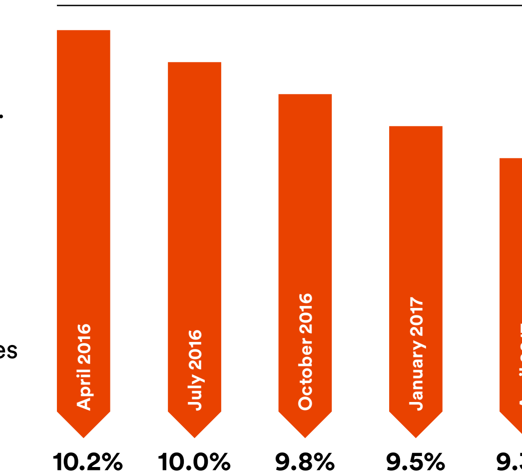
Any assessment of Europe must acknowledge high unemployment. Eurostat data show a 9.3% unemployment rate in the euro area and 7.8% in the EU as a whole, with youth unemployment rates of 18.9% and 16.9% respectively. But unemployment is falling, the euro area rate having come down from more than 10%.

The challenge is to reduce it further but it also means that there is an opportunity for the European upturn to continue for a considerable time. It is not going to run up against capacity constraints because of a lack of available workers; an absence of slack in the labour market. This recovery has further to run and room to do so.

Old habits die hard, and many people have got out of the habit of recognising the enormous business opportunities in Europe. Europe has turned a corner and is on the way back. As the Financial Times put it recently: 'The economic story of 2017 has been the euphoric eurozone.' That is good news for business and for investors, and investors are responding.

> “
> **Real GDP in the euro area has expanded for 16 consecutive quarters. Unemployment is at its lowest level in eight years.**
>
> **Peter Praet**
> **Chief Economist, ECB**

Unemployment trending lower
EU unemployment at its lowest rate in eight years.



Connected intelligence

We are one of the oldest and most experienced Private Equity firms in Europe. Our team of 60 highly experienced investment professionals work out of offices in Paris, London, Luxembourg, Madrid, Milan, Munich and Stockholm, as well as New York.

Alongside our local presence, we have long-standing expertise in five key sectors: Business Services; Food & Consumer; General Industrials; Healthcare and Retail & Distribution.

Our unique model combines local and sector knowledge across the business through notably:

- **Sector Teams**: looking for opportunities and analysis
- **Country Teams:** provide deep local access
- **Investment Group**: due diligence and deal structure
- **Portfolio Performance Group**: optimising business performance.

It allows us to see investment prospects at an early stage and gives us the ability to look for wider consolidation opportunities.

The collaboration between our country teams and Paris-based teams enables us to build relationships with vendors, intermediaries and management teams, using our understanding of the cultural nuances that can be critical to unlocking transactions.

Although our roots are in France, our web of offices allows our reach to extend across the whole of Europe.

Europe is an attractive market in its own right, the largest economic region in the world offering a stable outlook and good growth prospects.

There are 45,000 companies in the PAI target range size and the mid-market sector of companies with €100 million to €1.2 billion of revenues is three times larger than that of the US.

One of the reasons we see so many exciting prospects is that many of the markets where these companies operate are fragmented, dislocated by language, culture and political boundaries.

There is also a high proportion of family-owned businesses and often a single firm may dominate a subsector or a geographic area, providing a platform for acquisitions and consolidation in markets ripe for change.

Our European network, built up over many decades, is difficult to replicate. It is the key to building up connections with families and companies that gives us access to acquisition targets and to forge strategic partnerships.

These relationships are often built up over many years, but they allow us to move quickly when we see the right opportunities.

We create a gap between our portfolio businesses and their competitors so that when we come to look for an exit they demand a premium price that reflects their re-rating and increased scale and benefits us, the businesses and our investors.

By taking local market leaders and turning them into national champions we can build European players and use them as a springboard to create world-beating businesses.

Case study

DomusVi

From the start, our ambition was to turn DomusVi, the third largest private operator of retirement homes in France, into a global player.

We acquired DomusVi in September 2014, brought in a new chief executive and accelerated organic growth as well as doing two large deals in Spain becoming number one in that market and extending into home care.

By the time we entered talks to sell our stake in June 2017, to a consortium including the founder and ICG, it was Europe's third largest operator and had a joint venture partner in China.

"Our European network is the key to building up connections with families and companies that gives us access to acquisition targets and to forge strategic partnerships.

Building global leaders

Europe may be our main focus, but that does not mean our boundaries are limited. We are constantly scanning international horizons.

We focus on driving growth through aggressive consolidation in target industries, either through a buy-and-build strategy or transformational deals. These can be in Europe or anywhere else in the world.

A key skill of our teams is to identify attractive markets where there is a clear opportunity to combine two or more leading players, allowing us to deliver a step change in market share.

Increasingly, that involves international expansion and cross-border roll-out strategies beyond Europe, across the Atlantic, Africa, the Middle East, Asia and Australia. Our expertise in executing cross-border acquisitions is crucial in turning local leaders into potential global champions.

Businesses that were little known outside their own orbit can be turned into trophy assets with appeal to a broad universe of international buyers.

Eight examples of PAI's portfolio footprint and global expansion

◆ **ADB Safegate (Belgium)**
◇ **Solutions that support airport performance**
More than 2,500 airports across 175 countries

◆ **InnoVista Sensors (US)**
◇ **Global leader in manufacturing of sensors, controls and motion products**

● **Nuance (Switzerland)**
○ **Leading player in the global travel retail and duty-free industry**
350 outlets in 60 locations in 19 countries

▰ **DomusVi (France)**
▱ **Elderly care player with leading positions in France and Spain**
Expansion into China and Spain

▲ **Konecta (Spain)**
△ **Largest BPO service provider in Spanish-speaking countries**

■ **Swissport (Switzerland)**
□ **Global leader in ground handling and cargo services**
270 stations in 48 countries across 5 continents

⬢ **Froneri (UK)**
⬡ **Global ice cream company with leading market position**
28 factories in more than 20 countries

★ **Marcolin (Italy)**
☆ **Worldwide leader in luxury eyewear**
100+ countries

Key
● Company headquarters
○ Company locations
→ PAI's impact

Opening doors

Fabrice Collet

The COO of B&B Hotels explains how the group has accelerated its expansion plans and turned its sights beyond Europe since PAI acquired the company and how it is also looking at the next stage of its ground-breaking 'Econochic' concept.

By mid-2018 all of B&B Hotels customers will be able to check in online.

Fabrice Collet is Chief Operating Officer of B&B Hotels, a leading chain in the budget and economy sector, with almost 400 hotels in seven countries.

How did you arrive in your current role?

I am French, 47 years old, and I started my career as an auditor before moving into companies owned by Private Equity funds. I joined B&B in 2012 as Chief Financial Officer and was promoted to Chief Operating Officer in 2016, corresponding to the arrival of PAI.

When did PAI and B&B team up for the first time?

PAI acquired B&B in March 2016. However, they had been in contact with us for some years before that, raising their level of awareness about our industry, so that they had acquired a great understanding and insight into the company and the hospitality business.

We as a management team had a vision for the company, but they came with their own vision. To a large extent it was the same as ours, but they had ideas, insights and proposals that made them different.

Their attitude was very analytical and data driven. What impressed us was this deep knowledge and strong will to help us and increase our understanding of the business and develop it.

What do you think were the attractions to PAI of B&B and your market?

The budget and economy hotel sector is extremely fragmented, with the exception of the US and UK where we don't operate and France where we started and now have more than 250 hotels. In the rest of Europe, on average only 10% is served by chains and 90% by independents. Demand is growing, with two thirds from business travellers and one third leisure.

The opportunity is huge, and B&B provides the best platform to seize it.

What was the relationship with PAI like?

We have always tried to be extremely clear about our challenges and successes and they have always been clear and transparent about what they expect from us. Very quickly, we developed a strong level of confidence which is key.

On a practical level, they suggested we might engage a management assessment process. We took on the challenge and it was very interesting, helping us to better structure our organisation and management team to make it stronger and more efficient. It's been a very helpful process for us.

Did they encourage a change of strategy?

They helped us to realise it was time for a new wave of investment into the quality of our product and services in France and also that we should think carefully about making acquisitions to accelerate growth.

This had a material impact on us and in October 2016 we bought 15 hotels in Spain, taking us to 20 in Spain and giving us a strong platform for growth in a very fragmented market. We also agreed to co-invest €100 million with our biggest landlord in France (Foncière des Murs) in an in-depth review of 170 hotels in France.

How have your expansion plans changed?

Before PAI came on board, we were opening new hotels at the rate of 20 to 30 a year, but last year and this year we increased that to 40 and we hope next year will be the first when we reach 50.

We currently operate some 400 hotels in seven countries, but our view is there is room for 1,000 B&B units in those countries alone. We want to get there as quickly as possible and to reach 600 by 2020. It is an ambitious plan, but it is supported by the facts.

> “They helped us realise it was time for a new wave of investment into the quality of our product and services in France.

> “Before PAI came on board, we were opening new hotels at the rate of 20 to 30 a year, but last year and this year we increased that to 40 and we hope next year will be the first when we reach 50.

B&B Hotels room located in Valence, France.

Will you look at new territories in Europe?

Definitely. We want to make sure that customers can find us wherever they drive in Europe.

Switzerland is a clear opportunity. It is surrounded by France where we are on the podium, Italy where we are number one and Germany where we are close to number one.

Our customers are waiting for B&B to open there and we will open three hotels by the end of 2019 and there will be more to come.

We will also address the markets in Portugal and Benelux, as well as Central Europe where we have had a platform for many years in Poland and the Czech Republic. We see B&B growing to 12 to 15 countries.

What about outside Europe?

We have been looking for a country of significant size where we could find growth for the future when our project in Europe is done and Brazil is the place we have identified.

The market is huge, demand is growing and it is our view that it can be our growth driver in five years from now. We will open two hotels in Brazil this year and another three over the next two years.

How do you manage your hotels and align your goals with those of staff?

This is something we think is extremely important and we try to make sure entrepreneurship is everywhere. It is a core part of our values.

When it comes to senior management, there are incentive schemes in place and as far as the people in our hotels are concerned, we have a magic formula that we call Mandate Management which is in most of our hotels. Management is sub-contracted, typically to small companies who take care of managing the hotel, customer relationship, promotion, pricing decisions – under our stewardship – and paying all salary costs.

It means when a customer stays with us they are met by entrepreneurs running ›

B&B Hotels located in Arras, France.

People don't want to hear about standardisation any more. If they are staying in Berlin, they want the hotel to feel different from when they sleep in Paris.

their own business and extremely motivated to provide a high level of service and customer satisfaction.

We do not have a large head office and the business is highly decentralised, which is something that is key for us.

How are you developing your digital offering?

We have invested significant time and money into our IT system, including a new website and mobile app which will enable customers to book from country A to country B and by mid-2018 all customers will be able to check in online.

We want our pricing strategy to be stable and predictable so customers have the confidence to book direct with us and under 15% of them book through indirect channels. We compare it to booking with EasyJet or buying from Ikea. Customers know they are getting a good deal without spending hours checking on the internet.

Through our digital offer, the experience starts before you arrive at the hotel and doesn't end when you leave and say goodbye.

How is your 'Econochic' concept evolving?

In the early phase of our industry when customers were – to put it politely – scared by the uneven quality of independent hoteliers, they were happy to find a chain offering a guaranteed and consistent quality.

We have always innovated and we introduced 'Econochic' as this idea that we were not only good value for money, but offering something more in terms of design and hospitality. We will re-energise this concept.

People don't want to hear about standardisation any more. If they are staying in Berlin, they want the hotel to feel different from when they sleep in Paris. We have to make things more personalised and localised, these are the things we are looking at now.

We are spending some time and energy on thinking about what the next generation of hotels and services should be for our customers and we will come to the market with some innovations and surprises ■

Corporate partnerships

One thing that distinguishes PAI from our competitors is that we have never regarded the Private Equity and corporate worlds as being polar opposites. In fact, we believe there can be huge benefits from working together.

That is why we have a strong track record of building corporate partnerships. ›

We have been involved in 15 strategic partnerships since 2001.

The Private Equity sector is sometimes criticised – perhaps with some justification – for operating on short-term time horizons. But that is not the PAI way.

We have always valued the benefits of a taking a long-term approach, identifying acquisition targets, nurturing growing businesses and getting to know potential buyers.

Building relationships, often through many years of dialogue, is second nature to us.

When we talk to vendors, we explain the benefits of owners and founders reinvesting in the business and working alongside us to grow the company and take it to a level they would otherwise be unable to reach.

We can deliver know-how and a business plan to build on the foundations they have laid, creating value over the long-term rather than selling out too early.

Our sector approach and our wide knowledge of industries and territories, developed through our deep presence on the ground, gives us a real edge.

It takes time to develop relationships and trust to work closely together and requires:

- Our deep understanding of the way that strategic partners think
- Our ability to bring skills and discipline a business may be lacking
- Corporates to see us as a credible counterparty they are comfortable working with.

One reason vendors and partners choose to work with us is that we think like they do, taking an industrial approach that focuses on transforming business and reinvesting savings for growth rather than simple cost cutting.

Another is that they understand that by bringing PAI on board we will develop the business and ultimately create more value than they would achieve by a full exit day one.

It is an art, not a science, but we know from experience this approach pays off and we can show its value through the many deals we have done.

In any partnership there are challenges to overcome such as reconciling different investment time horizons and financial risk profiles.

These potential problems are not insurmountable and we have amassed a lot of experience through our deals in how to make sure our interests are aligned to get the best out of both sides.

Over time, it allows us to expand and evolve the business so that there is a broader universe of potential buyers and partners available when it comes to seeking an exit.

Sellers are happy to reinvest with us because they understand how this way of working increases the potential value of the business over the long-term.

We believe this collaborative approach pays off for vendors, our companies, our investors and our corporate partners. Our results speak for themselves.

From Yoplait to Froneri, we have a long history of successful partnerships which makes us a very attractive partner for corporates.

We expect to see more of these types of partnerships and we believe that we are one of a small number of Private Equity firms with the skills and experience able to make the most of them ■

> **“Our sector approach and our wide knowledge of industries and territories, developed through our deep presence on the ground, gives us a real edge.**

Case studies

Labeyrie Fine Foods

French farmers co-operatives and Private Equity may not appear to be natural partners, but we have worked together successfully on two businesses.

In 2014, we invested in Labeyrie, the leader in gourmet food in France and the UK, in segments such as smoked salmon and foie gras, whose owner, the French farmers co-operative Lur Berri, was looking for a new partner.

We have developed Labeyrie into the European leader for food for pleasure, using our skills to strengthen management, improve the cost structure, optimise production and expand internationally with four acquisitions. It now employs 4,000 people.

Lur Berri trusted us because of our work with the Sodiaal Group co-operative behind Yoplait dairy products where the business grew in value from €358 million since our first investment in 2002 to €1.6 billion on our exit in 2011.

Grupo Konecta

In 2015, we invested on a 50/50 basis alongside Banco Santander in Grupo Konecta, a market leading provider of Business Process Outsourcing services, including contact centres and customer relationship management in Spain and Latin America.

Working together, we accelerated Konecta's organic growth through a buy-and-build strategy. The business has now doubled in size and operates 67 sites in Europe, Latin America and North Africa and employs 50,000 people.

Froneri is now the third largest ice cream manufacturer in the world

Case study: FRONERI

50/50

PAI and Nestlé are equal shareholders

Depending on where you are in the world, whether you are buying an ice cream from a kiosk to eat on the beach or from a supermarket to take home, there is a strong chance it will be made by Froneri.

The company was formed in September 2016 as a joint venture between R&R, the ice cream business owned by PAI, and Nestlé, combining their ice cream activities in more than 20 countries.

Its creation was not only transformational for the two businesses merged into Froneri, it also shook up the global ice cream market.

Froneri is now the world's third largest ice cream manufacturer, with sales of €2.5 billion, giving it a global market share of 26% in 22 countries and number one or two in many of its markets.

It brings together decades of business and manufacturing expertise, harnessing the complementary skills of two management teams from different sides of the industry.

We bought R&R in 2013 when it was the second largest ice cream manufacturer in Europe, largely focused on private label products in the UK, France, Italy and Germany.

Using the sector expertise of PAI's Food & Consumer team, combined with our country network, and our ability to develop international businesses, we were able to expand and strengthen the business.

> **“This is Nestlé's first joint venture with a Private Equity firm.**

One milestone was the May 2014 purchase of Peters, the leading Australian ice cream maker and formerly part of Nestlé, unlocking markets in the southern hemisphere, followed in March 2015 by the purchase of the South Africa ice cream business of Nestlé.

Those deals extended R&R's geographic reach and enhanced its value. In the first two years of ownership, EBITDA doubled and the proportion of branded sales rose from 25% to 48%.

In September 2016 we formed Froneri - derived from the combination of 'frozen', Nestlé and R&R Ice Cream.

However, the commercial logic of merging the two operations was not the only consideration in forming the joint venture and its success relies on making sure two organisations with different backgrounds can work together and create a unique culture, just as we did when we owned Yoplait, the dairy products business.

Their confidence in the PAI team was built on our proven track record of integrating businesses and generating synergies, particularly in the Food & Consumer sector.

It was also strengthened by long-standing relationships between the two sides, not just in South Africa and Australia, but also in the UK where R&R had made Nestlé products under licence since 2001.

The joint venture, in which Nestlé and PAI have equal shareholdings, combines our activities in 22 countries in Europe, the Middle East, Argentina, Australia, Brazil, the Philippines and South Africa. It also includes Nestlé's frozen food business in several European countries. Froneri operates 28 factories and employs about 15,000 people.

The business benefits from:

- A unique combination of branded and private label businesses, taking in R&R's own-brands, private label products and licences and Nestlé's portfolio of brands such as Mövenpick, Extreme and Pirulo
- Balanced distribution channels that see R&R focused on the 'take home' market for products sold in supermarkets and Nestlé on the impulse and catering segment for 'out of home' consumption
- A complementary global geographical presence including all of Europe and key emerging markets
- Proven and experienced management team led by Chairman Luis Cantarell from Nestlé and Chief Executive Ibrahim Najafi from R&R.

There are opportunities for manufacturing and procurement efficiencies, areas where PAI and R&R have proven expertise.

Froneri will drive investment in brand building and marketing through the reinvestment of cost savings and in the take home category it will develop innovative new private label products and deepen ties with leading retailers.

Going forward, we are building a business that will have a huge impact on its markets, not just for the next three to five years, but the next 20.

Scan the code to watch our Froneri case study video.

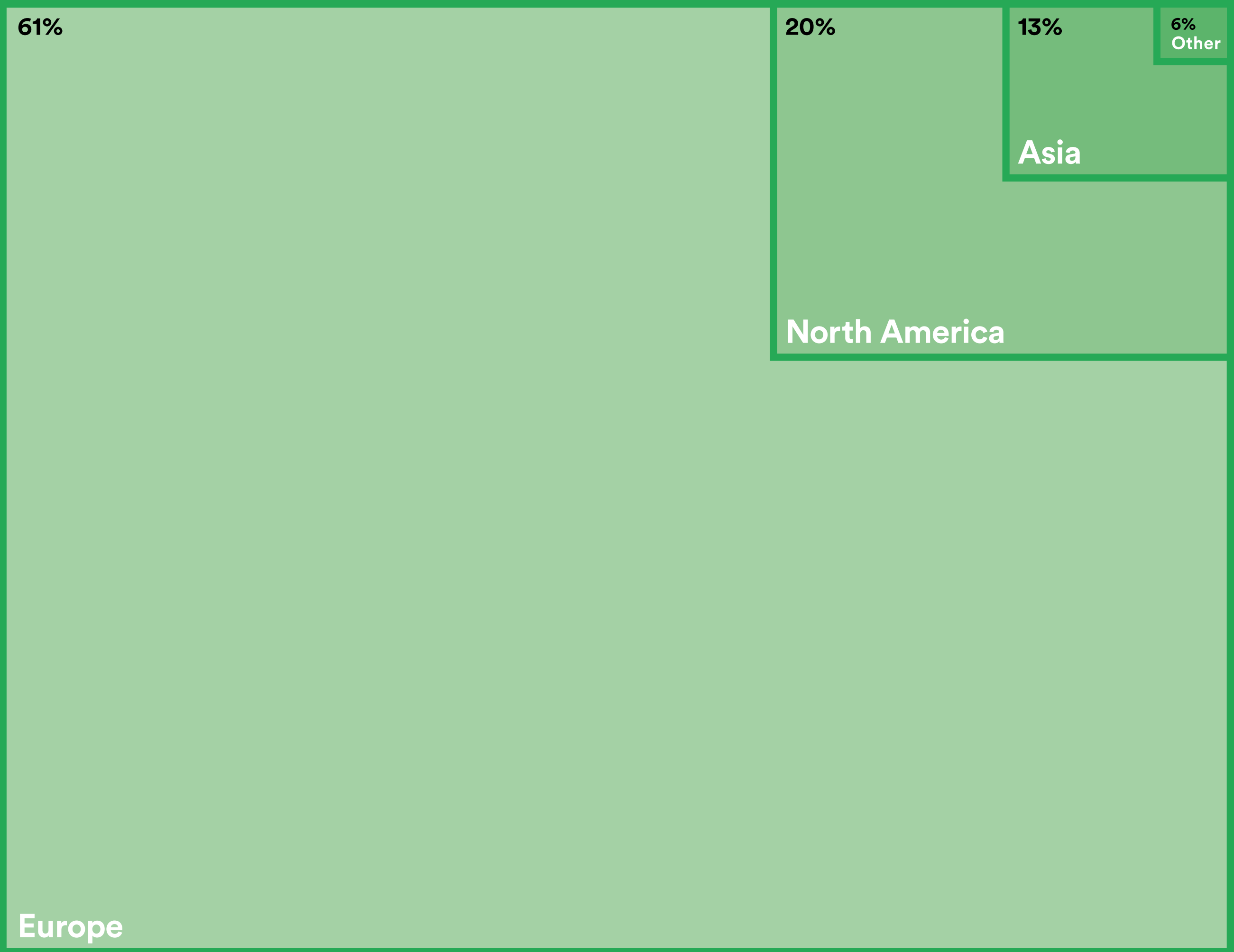
Our investors

We have developed a large and diversified investor base across our successive Private Equity funds, made up of more than 150 institutions from 26 countries. We have raised €13.8 billion and have €8.8 billion under management.

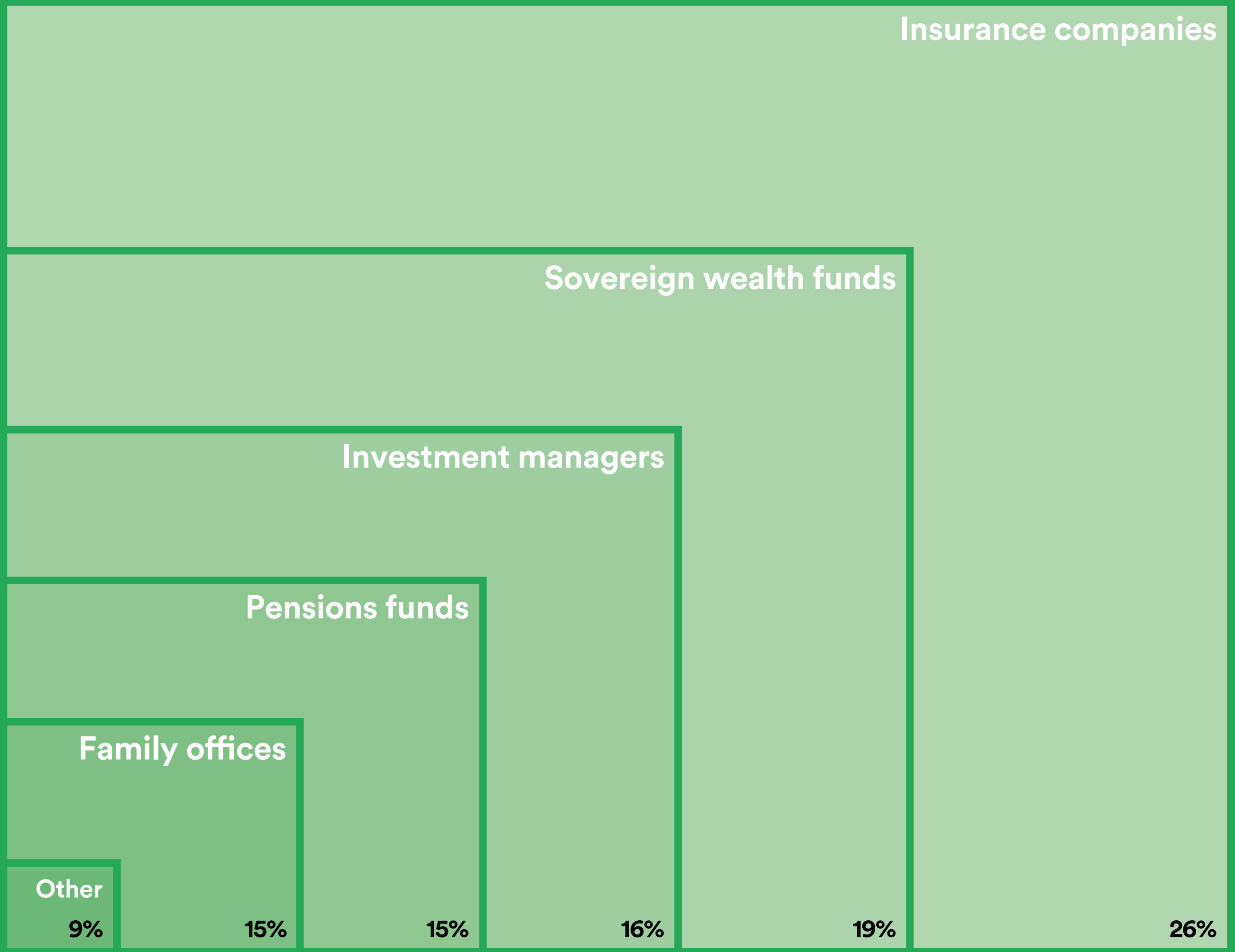
Our Investor Team has developed a well-resourced, open and transparent investor relations programme, with an emphasis on partnership and long-term relationships.

Our annual AGM in Paris is supplemented by annual Investor Days in Paris, London and New York, backed up by a regular programme of communications including:

- Events and roadshows
- Detailed quarterly reports, newsletters, ESG reports and our website
- Updates and presentations on new deals and exits
- Ad hoc meetings and informal communication.



Breakdown of Limited Partners by geography in PAI Europe VI



Breakdown of Limited Partners by type in PAI Europe VI

7th

Generation buyout fund

150+

Investors

€13.8bn

Capital raised since inception

Co-investment

Just as we like to forge strong links with corporate partners, we work hard at constructing enduring bonds with our investors.

One of the features of the Private Equity industry is that investors have a growing demand for co-investments and we see this as a key area where we can be a market leader, driven by the volume of M&A activity we do.

In aggregate, since 1998 PAI has placed €2.1 billion of equity co-investment, representing 22% of PAI fund investments. In PAI Europe VI, €771 million of equity has already been syndicated across seven of the 13 deals, representing 38% of fund equity.

We have developed a comprehensive co-investment programme that is fully integrated into our investment process, led by our Investor Team.

They work closely with investors to identify their appetite for different sectors and transaction types and have extensive experience in running efficient, multi-party processes.

For our Limited Partner clients, one attraction is that potential returns are higher because they pay no management fees or carried interest on their co-investment.

It also allows them to increase their exposure to an attractive business when their allocation to the main fund may be limited and to gain a closer understanding of the business.

These co-investments have generated a realised performance of 47% net IRR and 2.6x net MoC.

Recently realised co-investments

Swissport	2011-16	9 LPs co-invested	3.1x MoC	26.4% IRR
DomusVi	2014-17	1 LP co-invested	3.3x MoC	59.1% IRR
IPH	2013-17	5 LPs co-invested	3.0x MoC	28.4% IRR

Selected new co-investments

Froneri	2013	12 LPs co-invested	€120m
Atos Medical	2016	10 LPs co-invested	€197m
Ethypharm	2016	15 LPs co-invested	€189m

“There is the element of trust that we are getting their insight and honest views to help us form a decision.

Merrick McKay
Head of Co-Investment, SL Capital Partners

Merrick McKay is Head of Co-Investment at SL Capital Partners, which focuses on private markets in Europe and North America. It has £5 billion of assets under management through primary investments in Private Equity funds, secondary transactions and co-investments.

SL Capital Partners

Interview with SL Capital Partners

How important is co-investment for your business?

Over the past 25 years we have completed almost 60 co-investment transactions valued at more than €1.2 billion in Europe.

What are the attractions of co-investment?

One of the major attractions is that it gives us an opportunity to invest at a lower cost, but we wouldn't want to downplay the other benefits.

Co-investing gives us a tool to dynamically change our investment portfolio. When you are a Limited Partner involved in a deal alongside the General Partner, or at least looking over their shoulder, you are seeing it in much more detail and you can see how the manager reaches their investment decision and manages it.

How did your relationship with PAI start?

We have known the team at PAI for some time and were pushing hard internally to get into their latest fund, so in 2016 we invested in PAI Europe VI.

What co-investments have you done with PAI?

Alongside our investment in the fund, we co-invested a total of €32 million in Atos and Ethypharm.

They are very interesting businesses and are in the healthcare sector that can demonstrate a degree of resilience in an economic downturn. They tick the box of companies and sectors we have a leaning towards.

What do you like about PAI?

We are very happy with PAI's investor relations process and would put them at the top end in terms of transparency and direct access.

There is the element of trust that we are getting their insight and honest views to help us form a decision and also that we will see the appropriate number and types of co-investment opportunities consistent with our position as a Limited Partner.

We would like to do more with them and see this as a key relationship, both in terms of funds and co-investing.

Our sectors

Business Services

Outsourcing, offshoring and the increased reliance on information technologies have led to the professionalisation of many business services providers and strong consolidation opportunities as companies seek to build critical mass and scale by acquiring smaller, regional operators. We have sought to capitalise on these market trends to target attractive companies with strong equity prospects and strong consolidation opportunities.

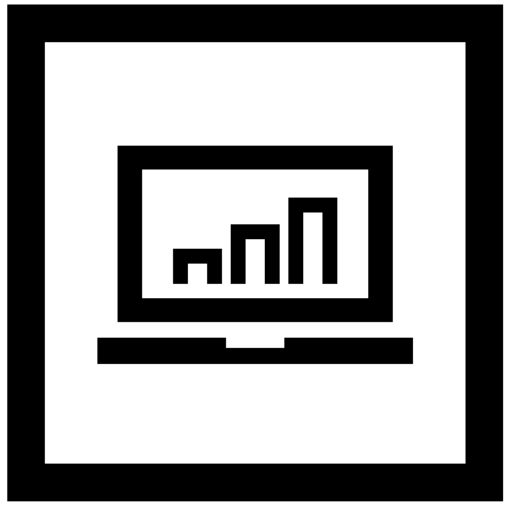
Current portfolio
- Grupo Konecta
- EuroMediaGroup
- VPS
- Kiloutou

Average Enterprise Value

€758m

Number of buyouts

14



Food & Consumer

The Consumer industry is characterised by its relative stability across economic cycles. In Europe, we have been able to generate attractive investment returns due to our ability to identify opportunities for industrial consolidation in the sector, as well as our strategy to reinvigorate underinvested brands and drive market share through product innovation.

Current portfolio
- Roompot
- B&B Hotels
- Froneri
- Labeyrie Fine Foods
- Marcolin

Average Enterprise Value

€618m

Number of buyouts

19

General Industrials

Over the years, we have built real industry knowledge and expertise in specific industrial subsectors such as Building Materials, Packaging or Automotive. Value creation stories revolve around a number of themes: investing in niche markets under-exploited by competitors, pursuing a consolidation strategy, and re-energising non-core assets acquired from large industrial companies.

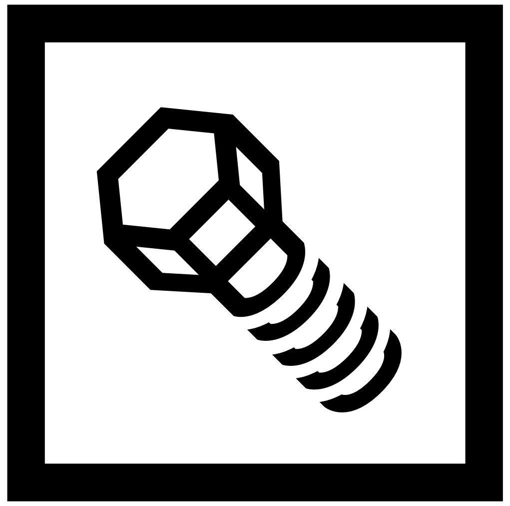
Current portfolio
- InnoVista Sensors
- Perstorp

Average Enterprise Value

€730m

Number of buyouts

11



Healthcare

In the Healthcare Services segment, attractive investment opportunities are driven by capacity expansion, consolidation amongst service providers, and value creation through service improvement in what continues to be a fragmented and inefficient market. In the Pharma and Medtech segments, we seek to identify companies that stand to benefit from trends towards enhanced consumer choice, improved information available to patients and prevention over treatment.

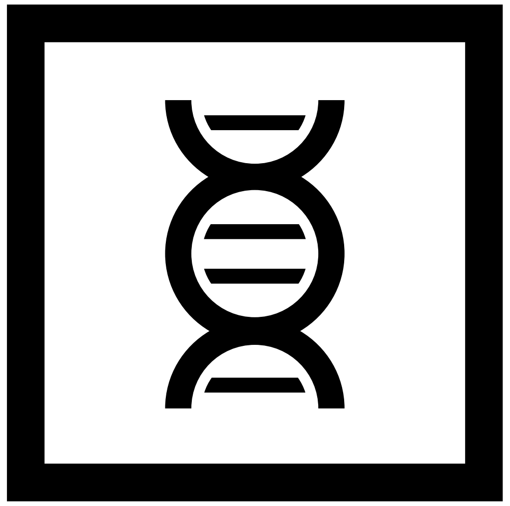
Current portfolio
- Atos Medical
- Ethypharm
- ELITech Group

Average Enterprise Value

€637m

Number of buyouts

7



Retail & Distribution

In Europe, we have supported retail companies by growing them into international leaders through consolidation, investing in the repositioning of brands and rejuvenating store concepts to drive sales, assisting in the reconfiguration and expansion of store networks but also supporting the development of digital retail channels.

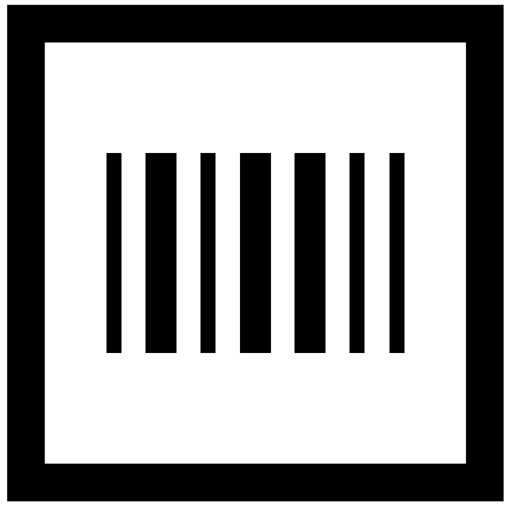
Current portfolio
- AS Adventure
- Grupo Cortefiel

Average Enterprise Value

€812m

Number of buyouts

9



Sector focus

> “We remain convinced the omnichannel model is the right one.
>
> **Retail & Distribution**

Business Services

We have experienced a continued deal flow in Business Services, coming mainly from the global trend of outsourcing of non-core activities from large corporates and family groups. The increasing regulatory and compliance burden also drives the use of specialist providers.

We have successfully implemented strategies for global platforms, for example with Konecta, and regional specialists such as IPH, making it the perfect fit for its acquirer, UK-based competitor Brammer.

Key considerations for the year ahead

– The rise of digital technology will keep on altering the landscape in the Business Services sector

– The continued consolidation trend is not expected to slow down.

Food & Consumer

Organic growth across global consumer companies has slowed down, resulting in increased focus from trade buyers on M&A. In addition, corporates are under pressure from activist investors to reshape their portfolio to sell non-core assets.

Consequently, Private Equity faces strong competition from trade buyers on certain assets, but will also increasingly be in a position to seize opportunities to acquire non-core businesses from them or to sell portfolio companies to them.

Key considerations for the year ahead

– We will continue to use our network and experience in the consumer sector to source deals, focusing on growing sub-sectors, disposal from trades of iconic brands and platforms for consolidation

– We are best-placed to partner with families, co-operatives or corporates to acquire and develop attractive consumer assets.

General Industrials

This sector is a very varied one because of the breadth of its subsectors, ranging from industrial machinery and mechanical power transmission to aerospace and building materials. The General Industrials sector generates a substantial LBO deal flow in Europe, very fragmented across verticals and geographies.

We have seen a rise in the non-PE competition on these assets, be it IPO or trade buyers.

We have been successful in our investment strategies, both by investing in growing niche subsectors, executing transformational add-on acquisitions, reshaping product portfolios and bringing operational excellence to our portfolio companies over the past year.

Key considerations for the year ahead

– Challenging deal selection given fragmentation of the industrial universe, higher business sensitivity to cycles and to technology shifts, business inertia and sensitivity to ESG issues

– Opportunities and threats linked to the development of disruptive technologies such as electrification of machines and vehicles, 3D printing, IoT (Internet of Things) or robotics more and more into account

– Political instability and/or structural economic issues in the emerging markets such as in Brazil & Russia, counterbalanced with some opportunities (stabilization in China, opening up of Iran)

– Raw materials and energy costs: volatility and uncertainty on oil price, increased necessity to reduce consumption and exposure.

Healthcare

In recent years Private Equity has become a major enabler in the development and professionalisation of healthcare companies, underpinned by demographic forces and technology advances, often making them champions. This success has attracted competition, including new types of investors such as Chinese buyers, sovereign wealth funds, pension funds and infrastructure funds, sending some valuations rising. These investors may consider healthcare as a safe haven, but we think some of them will be surprised by the risks of a rapidly changing industry. However, healthcare-focused Private Equity firms can still identify attractive opportunities in more innovative companies. Innovation can take the form of new products or new business models.

Key considerations for the year ahead

– Increased competition and rising valuations for visible assets, in particular larger secondary buyouts in healthcare services

– Efficiency and creativity will be key, with the best deals coming through leveraging some ‘angle’

– New companies, in particular in Medtech or Consumer Health, are likely to move from the small cap into the mid-large cap investment space, having quickly developed over the past ten years

– However, arbitrage valuation is always feasible through in-depth knowledge of the sector.

Retail & Distribution

The dichotomy between strong and weak retailers has continued, with a number of concepts struggling and going bust, while others are thriving. Brand differentiation and best-in-class execution are clear ‘musts’ to succeed. Some geographies are showings signs of ‘over-retailisation’, with declining traffic in selected countries (notably the US), while at the same time, macro-economic support shows different trends within Europe, with for instance the Brexit vote raising concerns about the UK retail market while Southern Europe is rebounding – highlighting the benefits of our pan-European approach.

The convergence between store and web is also accelerating, as witnessed by Amazon’s acquisition of Whole Foods in the US. We remain convinced the omnichannel model is the right one and a clear digital strategy is necessary for bricks and mortar retailers.

Key considerations for the year ahead

– Remain extremely selective on retail opportunities

– Focus on clear value propositions: brand, value for money (not necessarily discount), store execution

– Digital strategy is a must

– Clear expansion strategy, at home and abroad.

22,000
Patients served to date

70%+
Market share

Atos Medical

Sector	Healthcare
EV at entry	SEK 7,660m
Acquired	July 2016

Atos
Atos Medical Your voice

Atos Medical is a fast-growing medical device company with an undisputed global leadership in laryngectomy products.

Users by geography
2016

#1
In the Netherlands

85%
Direct bookings

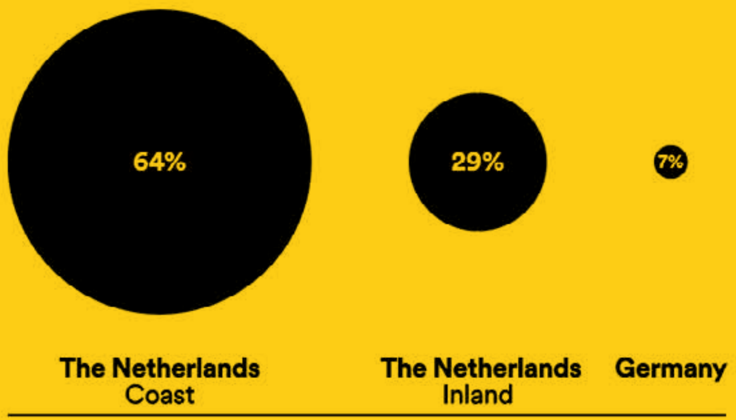
Roompot

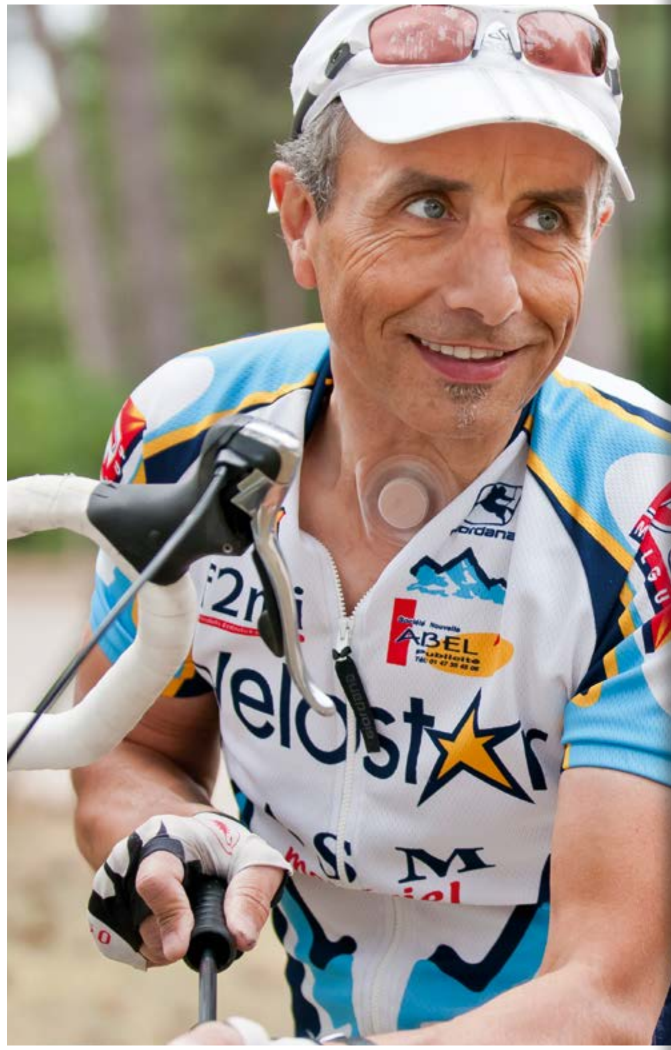
Sector	Food & Consumer
EV at entry	€503m
Acquired	November 2016

Roompot Vakanties

Roompot is a leading owner, operator and developer of holiday parks in The Netherlands and Germany.

Sales by geography
2016





ELITech Group

Sector	Healthcare
EV at entry	€355m
Acquired	July 2017

ELITech Group is a manufacturer of specialty in-vitro diagnostic equipment and reagents.

EBITDA growth
2016

23% ▲

€125m
Company sales in 2016

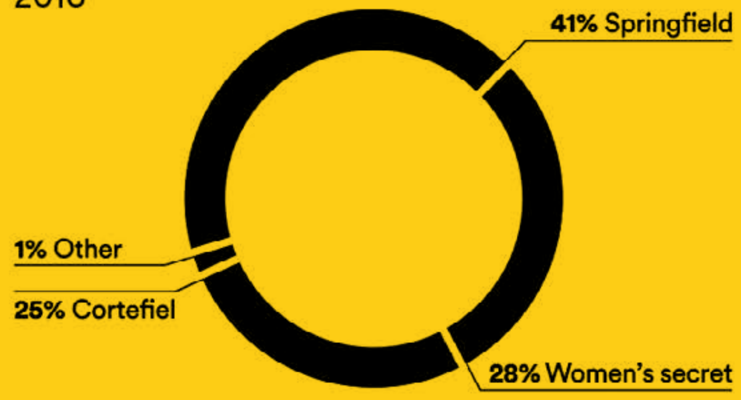
520
Employees

Grupo Cortefiel

Sector	Retail & Distribution
EV at entry	€1.1bn
Acquired	October 2017

Grupo Cortefiel is the #2 specialist apparel retailer in Spain with 6,200 employees and 1,700 outlets.

Sales by brand
2016



82
Number of countries based in

1,927
Points of sale
1,148 owned stores, 683 franchises, 96 corners

Latest exits

3x

EBITDA over PAI's ownership period

#1

Routine player in France
Currently obtaining a 10% market share

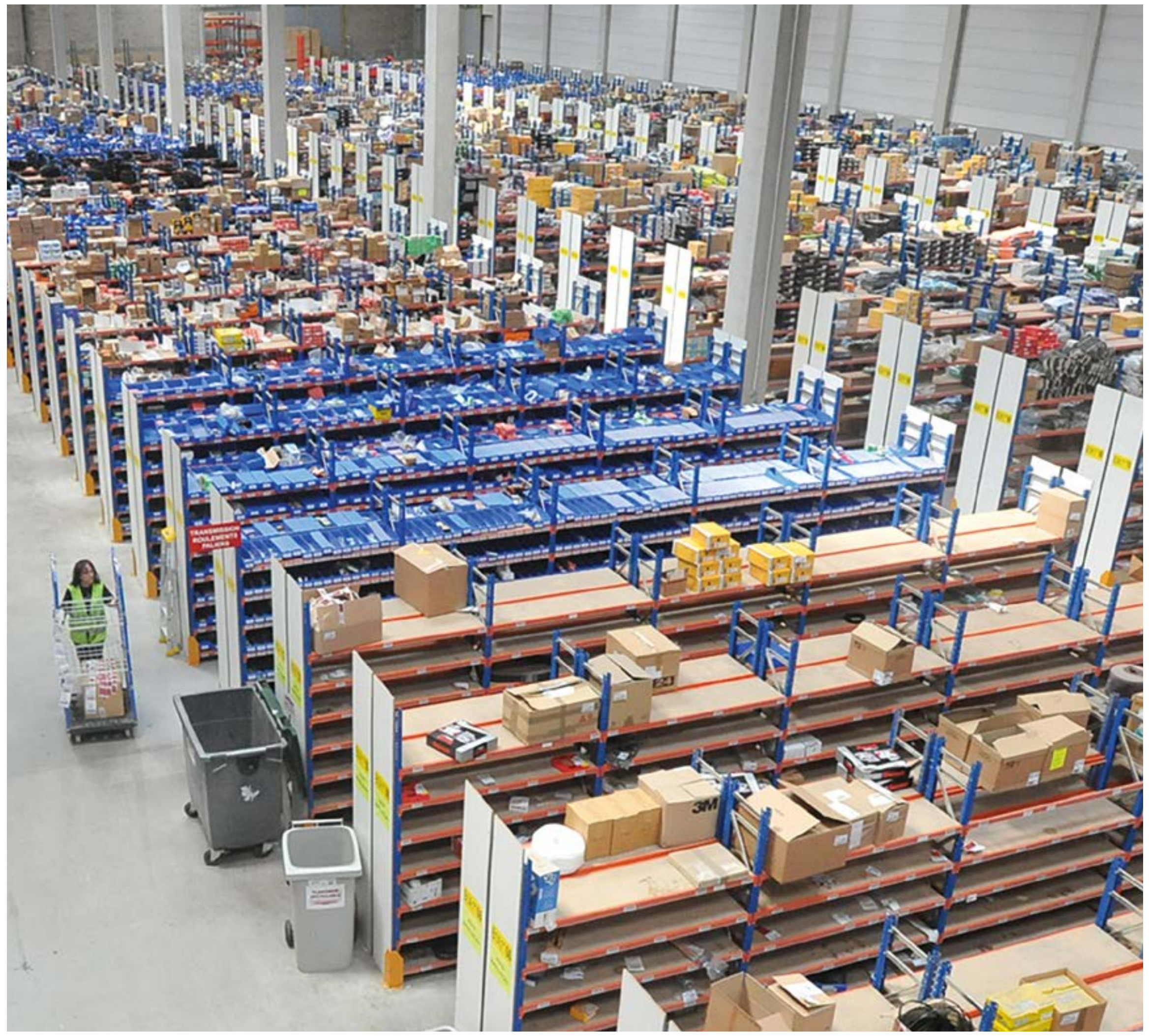
Cerba Healthcare

Sector	Healthcare
Exit date	April 2017
EV at exit	€1.8bn

Cerba is a leading operator of clinical pathology laboratories in Europe with a number one position in France and strong market positions in Belgium, Luxembourg and Africa.

Add-on acquisitions
Over PAI's ownership period

50+



50%

Sales outside France

+55%

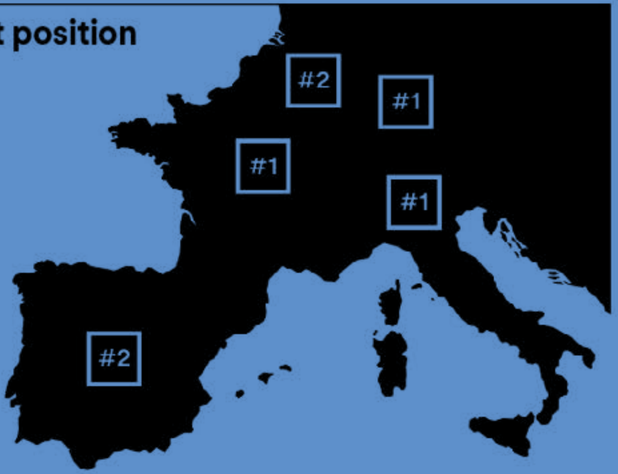
Sales increase under PAI ownership

IPH

Sector	Business Services
Exit date	September 2017
EV at exit	€1.25bn

Industrial Parts Holding (IPH) is a leading European B2B distributor of industrial supplies across Germany, Benelux and France, where it occupies the #1 market position.

Market position
2016



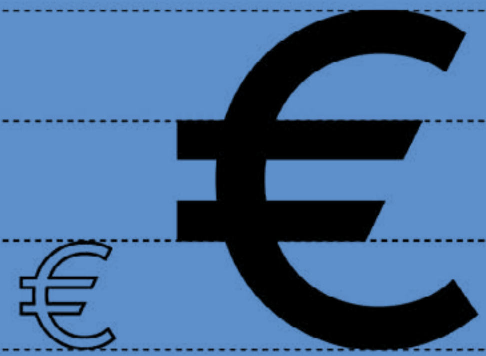
France (#1 distributor) Italy (#1 distributor) Benelux (#2 distributor)Spain (#2 in Power Transmission/ motion control segment) Germany (#1 in the power transmission / motion control segment)

DomusVi

Sector	Healthcare	DomusVi
Exit date	July 2017	
EV at exit	€2.4bn	

DomusVi is the third biggest private player in the nursing home sector in France and the leader in Spain, operating about 200 nursing homes.

EBITDA tripled
Over PAI's ownership period



#3
European private operator in elderly care

1st
Opening of nursing homes in Xi'an, China

ADB Safegate

Sector	Gen. Industrials	ADB SAFEGATE
Exit date	July 2017*	
EV at exit	€910m	

ADB Safegate is the world leader in airfield ground lighting and docking guidance systems with installed products in over 2,000 airports in more than 175 countries.

Number one in the world
2016

*signing date, closing expected in November 2017

2,700
Airports served

+217%
Order intake since 2013

ESG

ESG strategy

Everyone at PAI believes Environment, Social and Governance (ESG) issues are not only good for people and the planet, but also fundamental to business performance.

“Investing responsibly is at the core of what we do and embedded in our policies, processes and outcomes at all stages.

ESG plays a vital role in transforming businesses and it is embedded in our investment approach. It is part of our DNA.

Investment returns and financial performance are central to what we do, but they are not the only criteria by which we and our portfolio companies are judged.

Business does not take place in a vacuum and the success of any company is not measured in monetary terms alone, but also how it responds to the world around it through the three key planks of ESG.

Environment
Awareness of environmental issues such as carbon footprint, emissions, sustainable products and recycling, shows that a business is efficient at using resources, keeping down costs and reducing risks.

Social
Good relations with employees and local communities through anti-discrimination policies, recruitment of young and senior talent, health and safety, volunteering and supporting charities, aligns the interests of the business with the people in and around it.

Governance
Strong corporate governance through rigorous internal processes, verified by third-party certification, gives reassurance that companies are well run.

In 2010 we set ourselves an ESG roadmap with three phases: commit (2010), implement (2011-2014) and report (2014 to date).

During the first phase we signalled the start of our ESG journey by making public commitments, most notably through the adoption of the United Nations Principles for Responsible Investment in 2010.

In the implementation phase, we appointed a dedicated team to formalise ESG integration into PAI’s processes, collaborating with ESG consulting agency Vigeo Eiris. We also launched our ESG reporting system in 2015 which allows us to better monitor ESG issues within our portfolio and we are developing an ESG Scorecard for each business.

Investing responsibly is at the core of what we do and embedded in our policies, processes and outcomes at all stages.

1. Screening
Despite their financial attractions, we may rule out some controversial investments if we identify ESG issues at the first review. PAI adopts an exclusion strategy on tobacco, pornography and weapons.

2. Due diligence
Our due diligence process involves systematically assessing companies on ESG during the investment process, using internal resources and sometimes external specialists. We have developed a specific questionnaire with a scoring methodology to rate companies.

3. Investment Committee decision
The findings of the ESG due diligence are integrated into the Investment Memorandum which is submitted for discussion to the Investment Committee. This deal document, produced before a binding offer is submitted by PAI, includes all the analysis the Investment Committee will need before choosing to invest or not.

Key initiatives

We have a number of key ESG initiatives designed to promote best practice among our companies and show our commitment to responsible management and investing.

Since 2011, PAI has held a bi-annual meeting of **The PAI Sustainability Club** which gathers all the Corporate Social Responsibility (CSR) managers from our portfolio companies and encourages them to share experiences. Investors are selectively invited to attend.

Every year, through the state-of-the-art automated **ESG reporting system** we collect data on more than 145 indicators from each company in the portfolio. It is rare in Private Equity to have qualitative and quantitative ESG reporting at the portfolio level.

Carbon emissions and climate change have been a particular focus through the **PAI Carbon Project**. In 2015, we were instrumental in forming the French Initiative Carbone 2020 to address climate change within the Private Equity sector. In 2016 we published the findings of a pioneering carbon footprint audit of our portfolio’s climate impact, carried out with consultancy Carbone 4 and accredited by the ADEME (French Environment and Energy Control Agency).

At our latest PAI Investor Day, we organised the **ESG Lab #1**, a collaborative initiative for our investors to discuss and share views on responsible investment. It focused on ESG reporting and climate change and participants included institutional investors, ESG consultants and digital startups.

We publicly disclose our **ESG Review** every year and it illustrates the effort we put into managing these issues, the benefits they have for us and our businesses and the positive impact our funds have on the environment and society.

The ‘S’ in ESG

HR Director Camille Rainsard-Demazeau writes about how PAI has transformed IPH into a European leader and developed a fully-formed social strategy. ›

Camille Rainsard-Demazeau
Human Resources Director, IPH Group

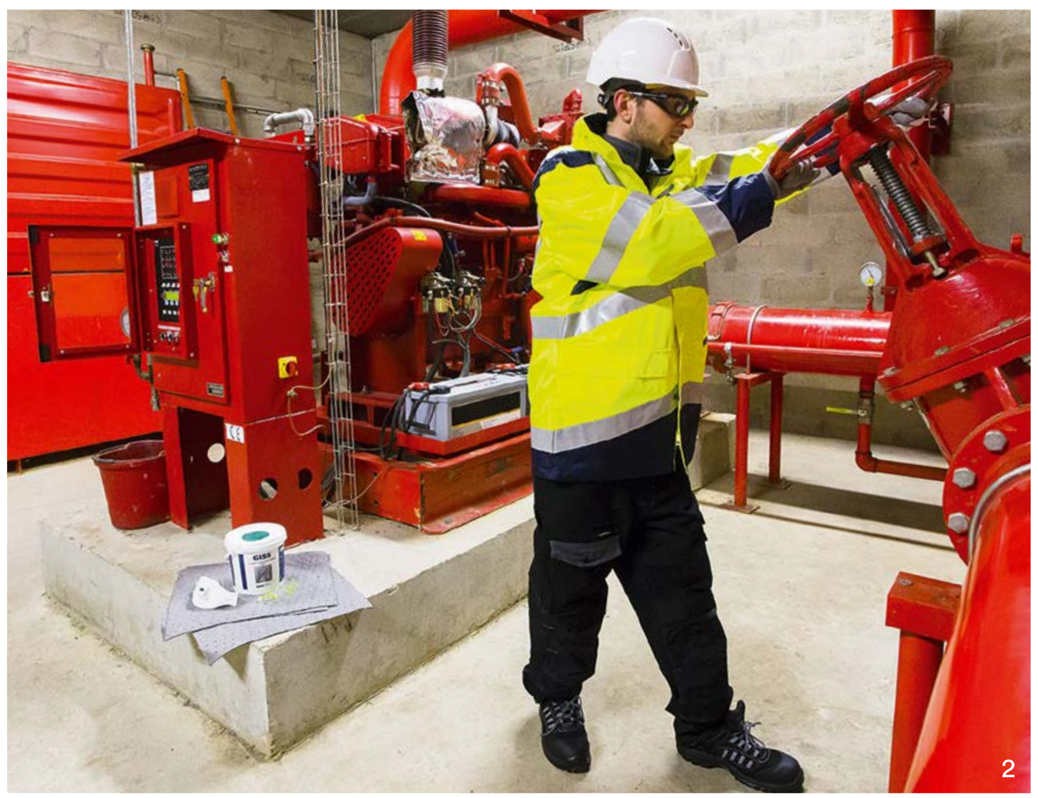
IPH Group is one of the European leaders in B2B industrial supplies distribution.

1

IPH celebrates turning 30 this year, but it was after PAI acquired IPH in 2013 that its growth really accelerated through a strategy of international expansion.

When I started at IPH in 2007, the year of a merger and seven years after a major acquisition, there were no human resources managers for the group and there were lots of processes to be put in place at local and group levels. After I was appointed Human Resources Director for France in 2011, I undertook a number of projects in this area.

The rapid expansion under PAI's ownership allowed the company to explore new markets and today it is represented in ten countries. There was also a recognition that it was necessary for the group to better manage its internal organisation and reinforce the coherence between the different entities of the network.



2

PAI's ESG Team identified the main issues and set up a specific action plan to address them.

At the human resources level, a number of measures were rapidly put into place, including a common joint consultative committee for the group's 23 entities and a common framework and standardisation of all company agreements of which there were about 30.

On ESG, reflecting PAI commitments on climate, a post-acquisition carbon audit was set-up to identify the main sources of emissions and where improvements could be made. On the governance side, PAI helped IPH work on the writing and coding of their sustainability policy and best practices inside the group in order to make these successful.

With our previous investors, these topics had not been as identified as a priority. From the moment PAI arrived, we felt that we were being guided by a much more professional shareholder. The PAI teams brought a real expertise and useful support for the fulfillment of our plans.

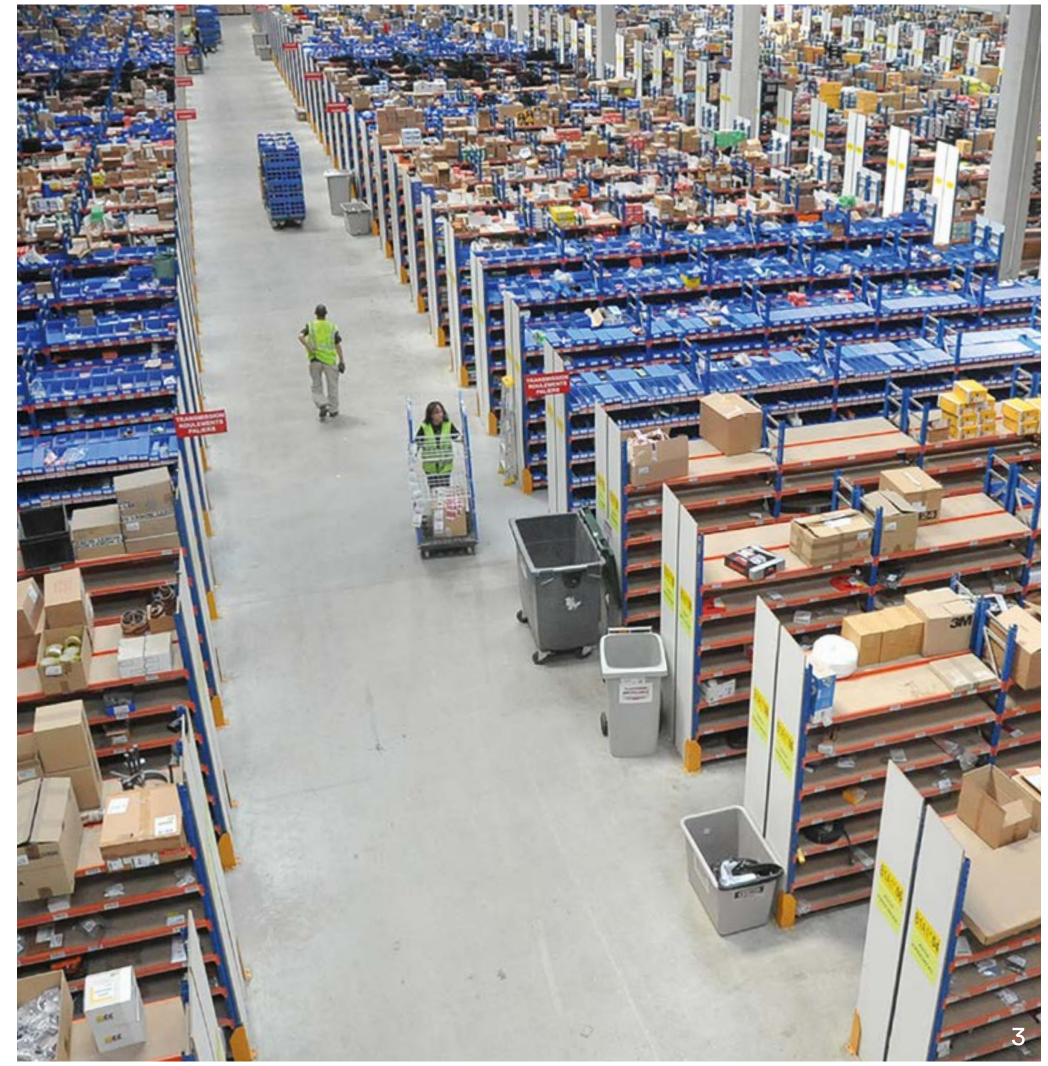
ESG is an important topic for the PAI teams that make sure strategy at Board level is going forward.

Initiatives at IPH included:

– A post acquisition ESG audit led by PwC to build the ESG action plan

– I was appointed Human Resources Director for the group and a member of the Management Committee in order to carry through the ESG strategy brought to us by PAI

"
About 45% of employees are shareholders of IPH and they are due to receive four times their initial investment.



3

– An ESG vendor due diligence was carried out this year, close to our exit (following exclusive negotiations to sell the business), in order to measure the ground we have covered with PAI.

The management now benefits from a clear work objective and has gained from four years of collaboration to the extent that ESG is regarded as an essential element of the group and vital to the attractiveness of IPH for future investors.

In 2015, PAI introduced an employee shareholder scheme for all IPH employees, something that had been in the pipeline for two years but needed to be legally well prepared.

In going through this process, I benefited from the experience of my peers and especially David Lamiaux, HRD of Kiloutou, the equipment rental company also owned by PAI.

I met him at The PAI Sustainability Club, the name given to the bi-annual meetings organised by PAI for all the ESG and HR managers of its current portfolio so they can meet and exchange best practices. The aim of these meetings is above all to benefit from their common experiences and knowledge.

Kiloutou had undergone a similar process a couple of years back and meeting with its HRD was very useful in setting up our employee shareholding scheme. For example, he insisted quite strongly on the necessity to communicate and explain the approach to our employees in order to convince them of the benefits they could get out of it.

Today, about 45% of employees are shareholders of IPH and they are due to receive four times their initial investment which ensures that the interests across the group are well aligned and that they benefit from the growth driven by PAI.

1
IPH is one of the European leaders in B2B industrial supplies distribution.

2
Thousands of IPH employees are now involved in a shareholder scheme.

3
Employees at work in one of IPH's many warehouses.

About PAI

AS Adventure . PAI Europe VI . Belgium

€13.8bn
Capital raised to date

€8.8bn
Assets under management

75,000
Portfolio company employees

60
Experienced professionals

150+
Investors

7th
Generation buoyout fund

Welcome to PAI

We are one of Europe's oldest and most experienced Private Equity firms, with more than 100 years of successful investing.

PAI's story dates back to 1872 and the original investment business of Paribas. PAI in its current form can trace its roots to 1993 when it started to focus on leveraged buyout, followed in 2001 by a management buyout of the business.

Our distinctive investment approach is characterised by:

– Transformational investment strategy creating market leaders through consolidation and strategic partnerships
– Experienced and well-resourced team structured to deliver strategy
– Consistent long-term performance with an outstanding record of cash returns and very low loss ratio.

Our network gives us unparalleled access to transactions in our core markets, while also enabling a pro-active approach to investment opportunities across Europe and beyond.

We harness our deep industry connections to deliver an ambitious and truly transformative approach, taking in every aspect of our investments including consolidation, market position, growth, product and service development.

These give us clear competitive advantages including access to preferred deal flow, a history of strategic partnerships and expertise in consolidation in fragmented markets.

Behind this strategy is a team of 60 experienced professionals, including a 19-strong partner group with an average tenure of 17 years.

This combination is reflected in our strong track record of delivering outperformance:

– €9.4 billion invested in 62 buyout transactions in Europe since 1994
– 48 of 62 investments fully or partially realised
– €16.9 billion of realised proceeds
– 2.6x multiple of costs (MoC)
– 29.8% gross IRR generated on realised investments
– 42% of PAI's realised buyout investments have generated more than 3x MoC and 80% have generated more than 2x MoC.

Increasing the profitability and long-term strategic value of our businesses is a central goal, but we understand that environmental, social and governance (ESG) issues also play an important role in securing superior values.

Our approach

Connecting

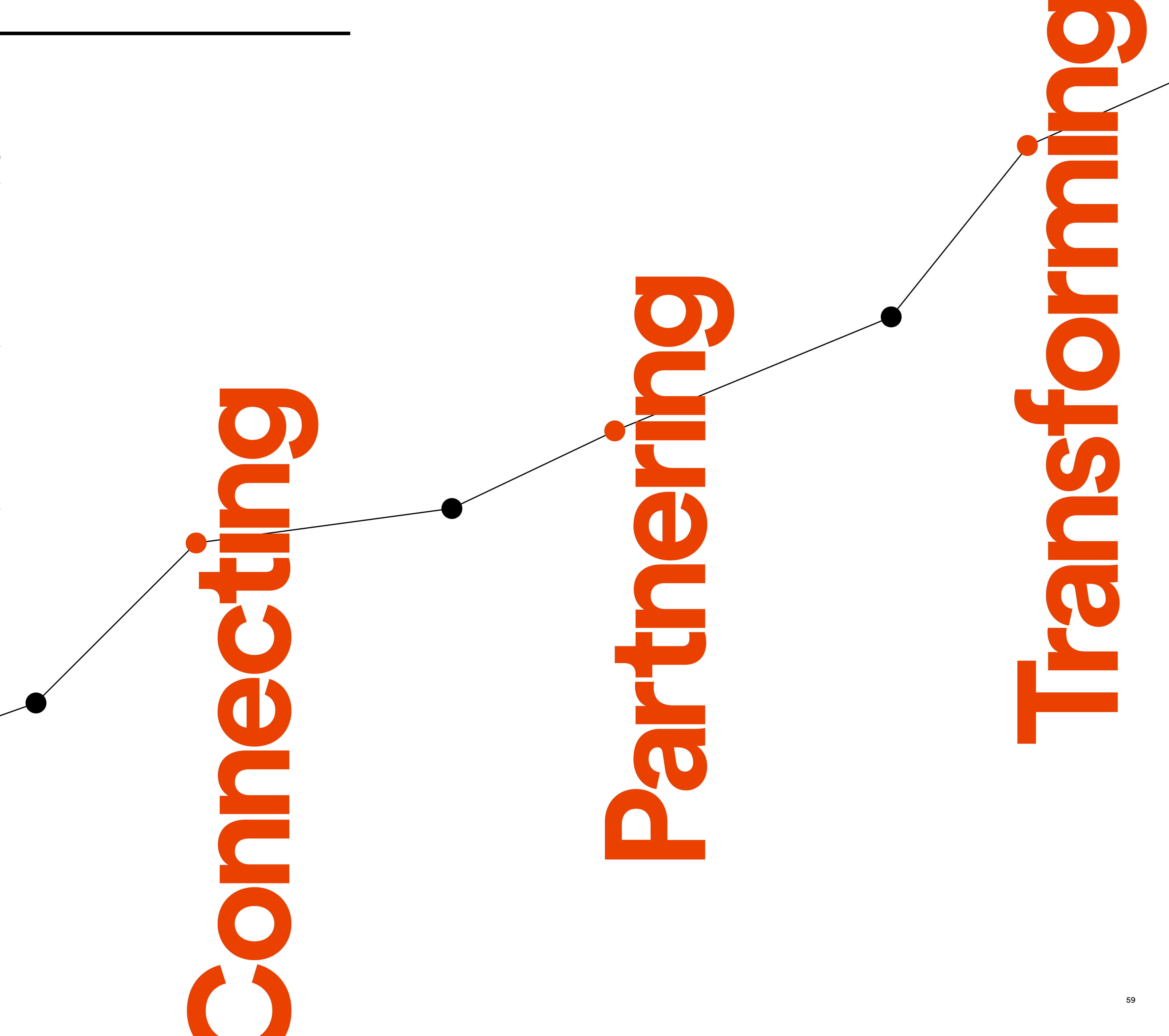
As one of the most established Private Equity firms in Europe, we have built up a highly influential network of connections in our markets. Our local knowledge and sector expertise gives our investors and management teams a powerful advantage and one that is strengthened by our global footprint.

Partnering

Our investment strategy is founded on strong long-term relationships with investors and management teams. We create genuine partnerships built on trust and transparency to make sure our interests and performance incentives are aligned so that we can create better businesses.

Transforming

We have an extraordinary combined knowledge and experience which means we achieve maximum impact when we transform companies. Our hands-on approach allows us to identify European companies and markets with international growth potential, creating significant strategic value for the future.

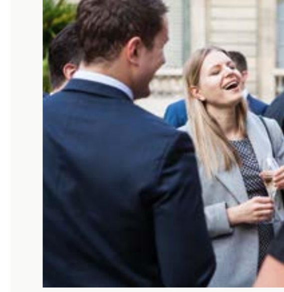


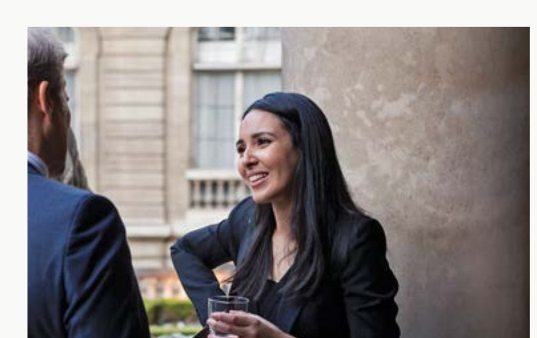
Our people

At PAI we have a team of 60 professionals, typified by their seniority, breadth of experience and long tenure with the firm.

Our team structure has been purposefully designed to execute its investment strategy, bringing a true fusion of sector and local expertise. PAI combines centralised sector expertise with eight investment offices underpinned by a strong culture of collaboration and team-work. The country teams provide access to local companies, vendors, intermediaries and management teams, as well as an understanding of cultural nuances that are often critical to unlocking transaction situations. They work together with Paris-based teams to execute and manage transactions, both in initial platform and add-on investments.

This enables us to operate fluidly as one team across geographies, applying the expertise and knowledge gained from one sector or transaction to other similar opportunities. This also positions the firm well to exploit the significant transformation opportunities provided by European markets.





Photography taken at the PAI Partners 2017 Annual General Meeting

Gaëlle d'Engremont
Partner, Food & Consumer

Gaëlle joined PAI in 2004 and is a member of the Food & Consumer Team. She has been involved in a number of transactions including Chr. Hansen, United Biscuits, Perstorp, Froneri, Labeyrie, B&B Hotels and Roompot.

How did you join PAI and how has your career progressed?

I spent six months as a PAI intern with the food team when I finished business school in 1997, before spending two years at Unibail, a real estate company, and four years at Group Casino, the food retailer.

It was very good experience for when I started here in 2004 because I have been on the other side of the fence and know how it feels to be in the shoes of my portfolio companies.

I joined the Investment Group and later the consumer team. I started as an Officer, then Director, Principal and in March 2016 I was made a Partner.

What have been your highlights and challenges?

I was involved in the Chr Hansen deal from the acquisition to exit though IPO in 2010 and subsequent sell downs; it has also been a great journey as a director on the boards of United Biscuits, R&R and Labeyrie. Last year I took over responsibility for leisure and we have done two deals, B&B Hotels and Roompot.

There was a time when we didn't make any investments in consumer because the opportunities were not so good, but it's always better not to buy than buy the wrong company at the wrong time or wrong price. In any case, you are always looking at opportunities and growing your sector knowledge.

Is there a PAI type of person?

I think we are quite analytical and attract people who are very curious about learning about different industries and who have travelled and are interested in other cultures.

You need a lot of drive. We are not entrepreneurs, but you need to think like an entrepreneur.

How are you developing the next generation?

People tend to come in quite young and grow through the ranks. We have had a very active three to four years so those who have joined have been exposed to a number of deals on the buy and sell side. We have a very good bench of people below partner level who are able to execute transactions very well.

We don't have strong hierarchical groups and we don't have huge teams, so we try to make sure everyone is involved and more junior people get exposed to a variety of topics. They learn step by step, so it's a smooth transition as they progress in the business.

After 13 years at PAI, are you optimistic about the next 13?

Yes, I think we've been able to train a group of people who can perform well in the coming years.

It is not just about execution, it is also about the ability to connect with people and create relationships which is why being exposed to portfolio companies and going to board meetings and management presentations is such good training.

I think they will do very well as they continue their training and become Principals and subsequently Partners, because they have all the skills necessary.

Portfolio overview

AS Adventure Atos Medical
B&B Hotels ELITech Group Et
hypharm EuroMediaGroup F
roneri Grupo Cortefiel Innov
ista Sensors Kiloutou Konec
ta Labeyrie Fine Foods Marc
olin Perstorp Roompot VPS

AS Adventure

Sector
Retail & Distribution

Headquarters
Belgium

Fund
PAI Europe VI

€393m transaction value **98% ownership**

AS Adventure is the leading multi-brand retailer of outdoor clothing and equipment in Europe.

News

2017
Expands into France with first store in Nice and Paris to follow; agrees to buy McTrek stores in Germany.

Atos Medical

Sector
Healthcare

Headquarters
Sweden

Fund
PAI Europe VI

SEK 7.7bn transaction value **96% ownership**

Atos Medical is the global leader in laryngectomy products, fast growing and with a market share of about 70%. Its products help restore the ability to speak and improve breathing for people, mostly cancer patients, who have had their larynx or 'voice box' removed. Key products include Voice Prosthesis, Heat and Moisture Exchangers and Adhesives.

News

2017
Accelerates the 'Direct-to-Consumer' strategy roll-out to increase market penetration, reduce sales through distributors and drive consumption.

B&B Hotels

Sector
Food & Consumer

Headquarters
France

Fund
PAI Europe VI

€790m transaction value **96% ownership**

B&B Hotels is a leading budget and economy hotel chain in Europe. Through a network of more than 400 hotels and about 31,000 rooms, B&B addresses both business and leisure customers.

News

2016/2017
Launches €100 million refurbishment programme in France targeting 150 hotels, buys 15 Sidorme hotels in Spain.

ELITech Group

Sector
Healthcare

Headquarters
Italy

Fund
PAI Europe VI

€355m transaction value **96% ownership**

ELITech is a leading global manufacturer of specialty In-Vitro Diagnostics equipment and reagents. Its fully integrated diagnostics platform has strong positions in niche and growing sub-segments of molecular diagnostics, microbiology and clinical chemistry.

News

July 2017
PAI announces acquisition of ELITech, after entering into exclusive negotiations with owner Ergon in May.

Ethypharm

Sector
Healthcare

Headquarters
France

Fund
PAI Europe VI

€725m transaction value **97% ownership**

Ethypharm is a specialty pharmaceutical company with leading positions in pain and addiction treatments.

News

January 2017
Acquires Martindale Pharma in the UK, accelerating strategy to grow the attractive direct sales channel.

EuroMediaGroup

Sector
Business Services

Headquarters
France

Fund
PAI Europe VI

€170m transaction value **60% ownership**

EMG is the leader in the European audiovisual technical services market. As a technical integrator, EMG deals with the entire production process, handling every aspect from filming to content delivery.

News

2016/2017
Wins 2018 contracts Winter Olympic Games in South Korea and FIFA World Cup in Russia.

Froneri

Sector
Food & Consumer

Headquarters
United Kingdom

Fund
PAI Europe V

€929m transaction value **48% ownership***

Froneri is the world #3 ice cream player, the result of a joint-venture between R&R ice cream owned by PAI Partners and the ice cream division of Nestlé.

*Equal shareholder with Nestlé.

News

September 2016
Creation of the Froneri ice cream joint-venture in which PAI and Nestlé are equal shareholders.

Grupo Cortefiel

Sector
Retail & Distribution

Headquarters
Spain

Fund
PAI Europe VI

€1,071m transaction value **50% ownership**

Grupo Cortefiel is the #2 specialist apparel retailer in Spain with 8,000 employees and 2,133 outlets. The group is comprised of 4 main brands, Cortefiel, Pedro del Hierro, Springfield and Women's secret.

News

June 2017
Cortefiel and Pedro del Hierro to launch two new stores in Russia in a TSUM shopping centre.

InnoVista Sensors

Sector
General Industrials

Headquarters
United States

Fund
PAI Europe VI

$900m transaction value **35% ownership***

InnoVista Sensors (formerly CST) is a global leader in the manufacture of sensors, controls and motion products for the industrial, aerospace and transport markets.

*Equal shareholder with The Carlyle Group.

News

April 2017
Sells US military and space position sensors business, BEI PSSC, to JF Lehman for $86.5 million, 10x EBITDA.

Kiloutou

Sector
Business Services

Headquarters
France

Fund
PAI Europe V

€535m transaction value **61% ownership***

Kiloutou is the #4 equipment rental company in Europe operating about 500 outlets, with a large product offering focused on light equipment and services.

*61% is the ownership of the controlling holding, the equity interest of PAI by transparency being 34%.

News

April 2017
Kiloutou acquired Tora, a generalist player also present in modular space rental.

Konecta

Sector
Business Services

Headquarters
Spain

Fund
PAI Europe VI

€288m transaction value **40% ownership***

Konecta is the #1 provider of Outsourced Contact Centres and Business Process Outsourcing (BPO) services in Spain. It has a growing presence in Latin America and is #1 in Columbia and #2 in Peru and Argentina.

*Equal shareholder with Banco Santander.

News

September 2016
Buys Allus, the largest independent BPO service provider in Spanish speaking Latin America.

Labeyrie Fine Foods

Sector
Food & Consumer

Headquarters
France

Fund
PAI Europe VI

€567m transaction value **46% ownership***

Labeyrie is a leading gourmet food company with #1 positions in France and the UK. It sells products in several segments such as smoked salmon and fish, prawns and shellfish, foie gras, spreadables and blinis.

*Equal shareholder with Lur Berri.

News

May 2016
Buys 50% stake in leading French trout producer, Groupe Aqualande, with turnover of about €80 million and EBITDA of about €10m.

Marcolin

Sector
Food & Consumer

Headquarters
Italy

Fund
PAI Europe V

€282m transaction value | **80% ownership**

Marcolin is a world leader in the branded eyewear sector with a portfolio comprising 16 market-leading brands and a distribution network spanning more than 80 countries.

News

February 2017
Forms joint venture with LVMH aiming to gradually become the French group's preferred partner in the eyeglasses business.

Perstorp

Sector
General Industrials

Headquarters
Sweden

Fund
PAI Europe IV

SEK 9.2bn transaction value | **100% ownership**

Headquartered in Sweden, Perstorp is a world leader in the production of specialty chemical additives notably for the coatings and resin industries.

News

July 2017
Takes an important step to strengthen position in the Polyol market by agreeing to buy Polialcoli Srl from Polioli SpA.

Roompot

Sector
Food & Consumer

Headquarters
The Netherlands

Fund
PAI Europe VI

€503m transaction value | **100% ownership**

Roompot is a leading owner, operator and developer of holiday parks in The Netherlands and Germany.

News

2017
Launches restyling programme with €10 million capex approved for 2017 and more than €20 million expected between 2018 and 2020.

VPS

Sector
Business Services

Headquarters
United Kingdom

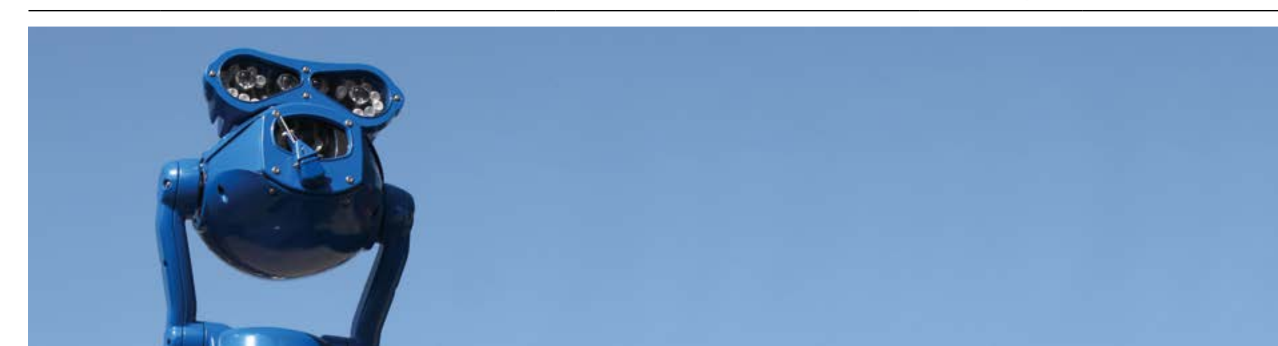
Fund
PAI Europe VI

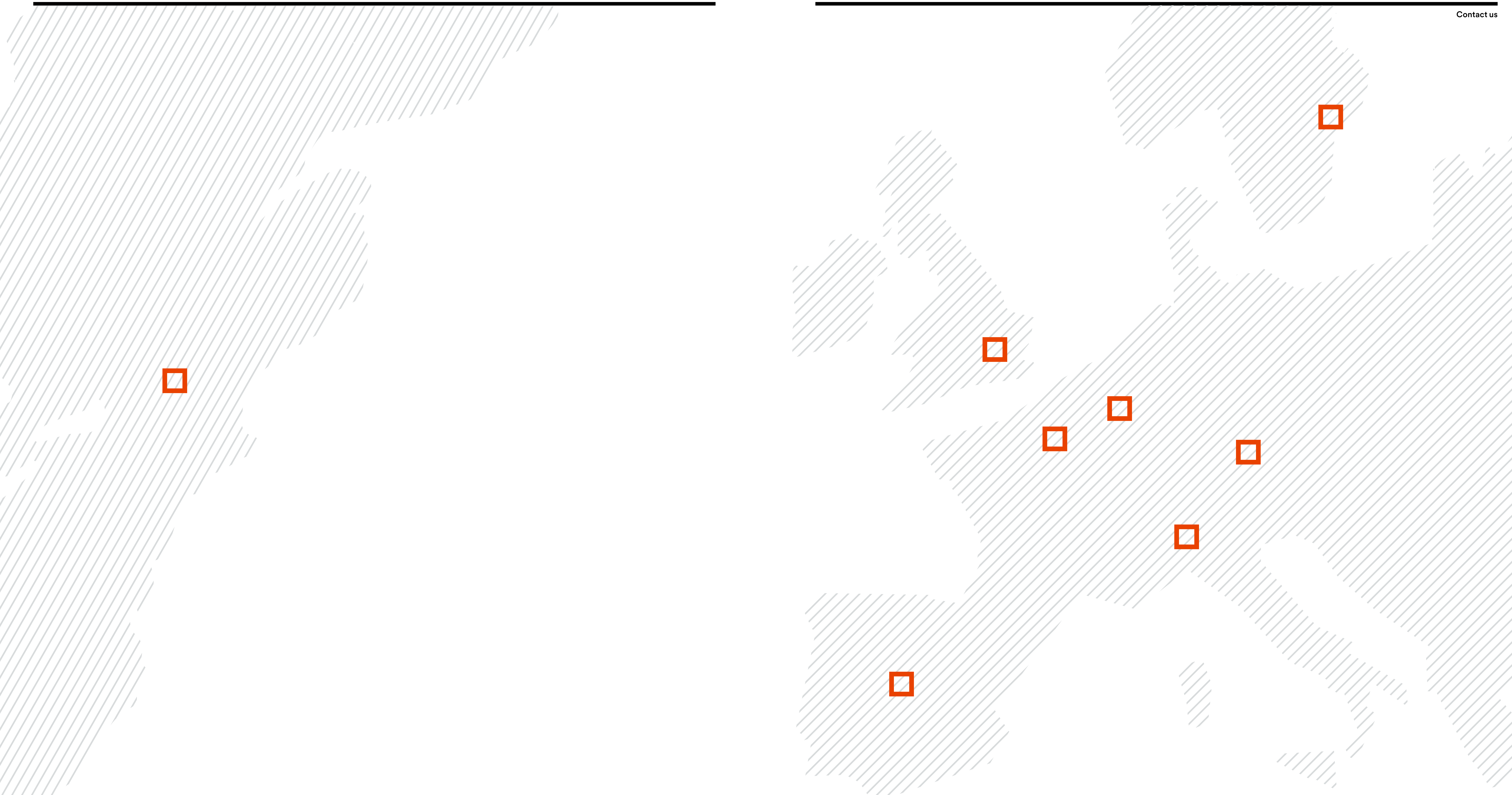
€161m transaction value | **97% ownership**

VPS is the leader in the European vacant property services market providing a full suite of specialist solutions across the vacant property lifecycle.

News

May 2017
Introduces mobile wireless fire safety and evacuation system VPS FireAlert Wes+ with over 50,000 units already in operation.





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Why Europe? Why now?
David Smith on exciting times for Europe as recovery drives growth – good news for investors and business.

Interview with Fabrice Collet
The COO of B&B Hotels on taking expansion and its 'Econochic' concept to new levels.

Our approach
Connecting, Partnering, Transforming; our three pillars and how they underpin everything we do.

PAI PARTNERS

Connect

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