

Reassessing the value chain
Insight into the panel discussion at our last AGM in Paris. Looking at how PAI businesses are investing in their supply chains.

Scaling up
How PAI helps its portfolio companies strengthen their leadership positions through international expansion and strategic acquisitions.

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



PAI Partners

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Connect

Issue three · October 2019

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**Transforming
industries across
the globe**

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Welcome

Welcome to the third edition of Connect, a publication that aims to provide an update on PAI during the past year, an insight into the way we do things and what makes us different, and an introduction to some of the people behind the firm and our investments.

Connect 3 delves into one of our key investment themes: growth through transformation. When we invest in a company, we are very focused on its potential to expand internationally, build through strategic acquisitions or disrupt its industry. We have a long history of backing businesses that are transforming along those lines and this issue looks at some of the work we have been doing with the companies we partner with.

A warm thank you to everyone who has contributed to this third issue. We hope this latest edition is a great introduction to PAI and a useful update for all those who follow the firm.



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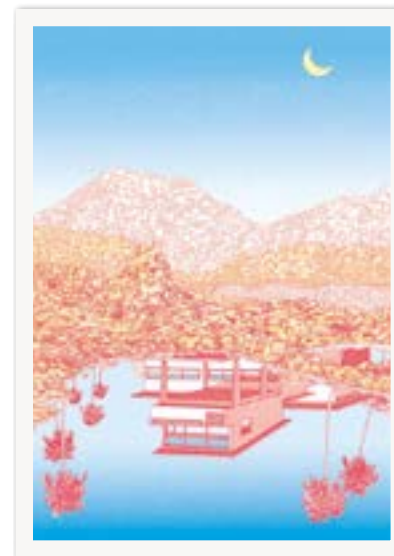
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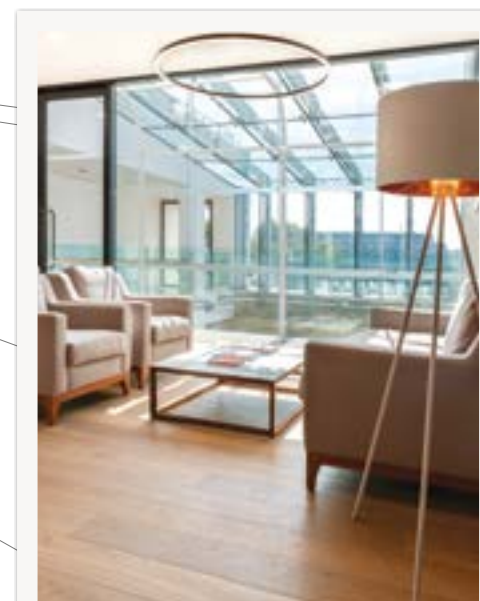
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Transforming industries across the globe

Over the years, PAI has been highly active in fundamentally transforming the businesses we invest in, using a theme-based approach. >



Transformation in three themes

At our AGM in June 2019, we presented our approach to transforming businesses using three specific levers: investing in the value chain, strengthening leadership positions and disrupting traditional business models.

1

Investing in the value chain

Some of our businesses will outsource parts of their supply chain, while others may look to integrate it. We help transform their value chain.

2

Strengthening leadership positions

We use our international presence to expand our companies' global reach and our sector expertise to support strategic acquisitions.

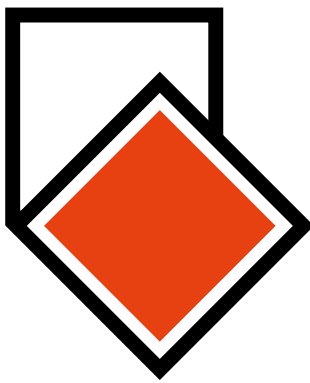
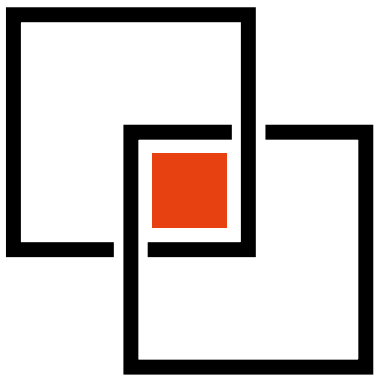
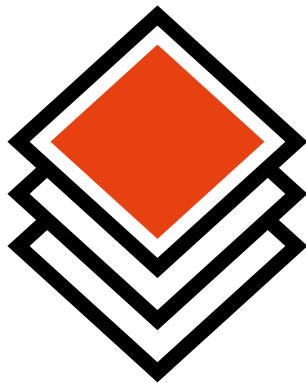
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Disrupting traditional business models

Some of our companies are disrupting the way their industries operate. We back their innovative business models.



“
We've been looking closely at how our businesses find value through outsourcing parts of their supply chain or integrating it.”



Theme 1: Investing in the value chain

One area where we see a dramatic change today is the way companies are increasingly willing to open and transform their supply chain. For the last few years, we've been looking closely at how our businesses find value through outsourcing parts of their supply chain or integrating it. What is the total value of their supply chain, what capital do they allocate to different parts of the chain, and what is the return on that capital?

Companies today work in a more open environment and collaborate in a way that was not possible ten years ago, sharing data and assets across the supply chain to maximise the profit they can generate. This is already the case in contract development and manufacturing, which was traditional in pharma and is now becoming the rule in the consumer sector. Tomorrow it will expand to other areas. For example, what do you do with your go-to-market operation - do you share it, keep it or sell it? Or do you take over more of the value chain, and perhaps integrate the value your distributors are getting?

We believe that over time, the way companies interface with one another within a supply chain will change, and this change has great potential for transforming businesses and creating value.

Theme 2: Strengthening leadership positions

We have always been good at scaling up companies through international expansion and strategic acquisitions.

With international expansion, we acquire country leaders and use our international presence to move them to pan-European leadership. We then grow them further to create global leaders. Increasingly, we are investing in European leaders that are growing fast in the world's other major economic zones, such as the US. Asmodee is a good case study - it started as a French company, but now more than half its sales are in the US. This is also the case with Refresco, moving from European leadership to global leadership with the acquisition of Cott. A quarter of the sales of the companies we have acquired in 2018/2019 are now in America. We will continue to leverage expansion opportunities in the US with the help of our New York office.

With strategic acquisitions, we use our strong sector expertise to identify the best opportunities. For example, following various investments, we have developed extensive experience of airport services as part of our general business services coverage. We started in Europe with Swissport but have also owned a global duty-free business and are now invested in a world freight operation company and an airport concession catering business. This gives us a deep understanding of how airports operate and, more importantly, what services create value at airports. We use this knowledge to help strengthen and transform our businesses.

Theme 3: Disrupting traditional business models

When we conduct due diligence on our investments, one of the words frequently mentioned is disruption. We believe a core skill we have is to identify companies that break the mould in traditional industries.

Atos Medical, for example, is a med-tech company which once followed a traditional model of using a distributor. We've supported its transformation into a direct-to-patient model, accelerating patient acquisition but also delivering better service at a better cost. This is a significant, value-accretive disruption and we believe this direct-to-consumer model has the potential to transform many other businesses in different areas.

Another example is B&B Hotels. In a hotel industry which has completely changed through the development of booking intermediary websites, B&B has chosen to disrupt the disruptors. By selling directly to consumers instead of using intermediaries (75% of B&B's sales are disintermediated with bookings made on-site, through the B&B website, the B&B app or the B&B call centre), B&B is able to capture everything in its value chain. It has also developed a successful entrepreneurial model with 88% of its hotels run by independent owners and franchisees.

In both instances, we have chosen to back disruptive business models, which have contributed to transforming not only the companies but also their industries.

“We believe a core skill we have is to identify companies that break the mould in traditional industries.”





Reassessing the value chain...

link by link

As change and disruption intensify across many industries, one key trend we're seeing is the willingness of brand owners to take different views of the value chain. ➤

Breaking the value chain down, brand owners are increasingly assessing which elements are essential to their customer experience and value proposition, and which bring the best return on capital. Looking at three PAI businesses, our 2019 AGM keynote panel discussed how they found value in different parts of the chain. They considered why and how they’ve taken this position, and how PAI helps.

Tendam – reviewing priorities to get closer to customers

Tendam is one of Europe’s leading fashion retailers, with brands operating in 90 markets globally. In recent years, the management team has put a lot of thought into defining what is and isn’t core to its business. This has taken it from believing it could make suits and outfits better than the rest of the world to focusing solely on engaging with customers through loyalty clubs. Even in 2011, the company owned several factories, but it now outsources all manufacturing.

This fundamental shift is down to an honest appraisal of what’s really important to Tendam’s future growth. It was a simple case of identifying where the most sales come from, and this gave the business a fresh direction. With 50% of global sales coming through loyalty clubs – a figure that’s 75% in the key markets of Spain and Portugal – the need to focus on customer satisfaction, loyalty and personalisation was obvious. As CEO Jaume Miquel Naudi explains, “brand and product remain core areas, and this includes business analytics which is closely related to consumer relationships, one of our key assets, so we want to do it ourselves and develop a distinctive and unique expertise. We know quite a lot about the clients in our loyalty clubs, and we have the ability to personalise more. These insights help

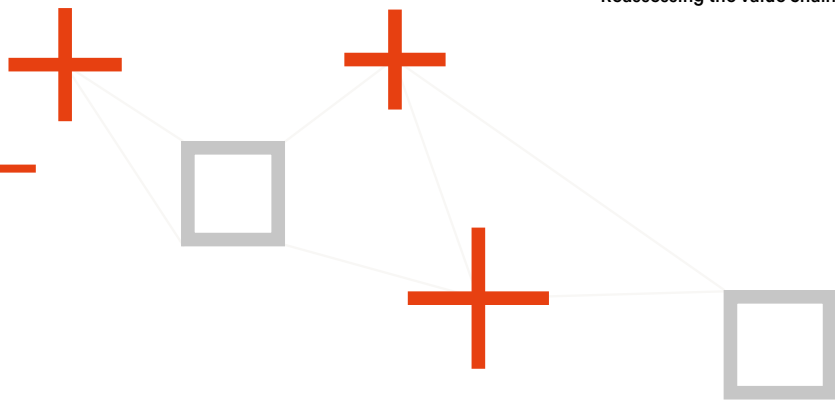
to increase consumer engagement, decrease risk in decisions and improve transaction quality in terms of margins. So this is where we’re concentrating most of our efforts.”

Another reason for keeping the skills and science of customer engagement in-house at Tendam is a lack of high-quality external specialists. Jaume Miquel continues: “Everyone is learning it, and since everyone is learning, we prefer to be the owners of our mistakes, and not used as a testing ground for consultants in the field.”

The strategy has proved very successful. Only six years ago, some saw the company’s loyalty clubs as a problem, not an asset: a burden of 17 million people to feed with promotions. But now, the company’s customers, and its knowledge of them, are clearly Tendam’s number one asset.

“PAI has been very helpful in developing this strategy,” continues Jaume Miquel, “making CRM, analytics, and consumer insights our main assets.” The numbers speak for themselves: four years ago, the business had 20 million loyalty club members, identified in eight clusters. Today, it has around 300 clusters, and for each of these, it understands its ‘share of wallet’, what the customers are buying, and not buying, and what opportunities exist to get ahead of the competition.

“This fundamental shift is down to an honest appraisal of what’s really important to our future growth.”



David Krucik (Moderator), Managing Partner, OC&C, Luis Bach, Chairman of the Board of Refresco, Gianni Zoppas, Chairman, Thelios, Jaume Miquel Naudi, CEO, Tendam



Tendam also knows what makes its customers happy or unhappy, and can predict with 95% accuracy which customers will leave its clubs the following year. Of course, this is all highly valuable information – not just to support sales, but also to build gross margin. But there’s more work to do, as Jaume Miquel admits: “The area that’s getting more difficult is personalisation. It’s probably where the biggest win will be, and we’re putting more effort into it. Data scientists

aren’t easy to find – people who can translate algorithms into real business. But for us this is the future, and we’re on track.”

Thelios – enhancing brands through quality products

A joint venture between eyewear designer-manufacturer Marcolin and LVMH, Thelios produces eyewear for the prestigious brands belonging to the luxury

group. So it plays a key role in LVMH’s value chain, ensuring excellent quality in a complex product.

Thelios was created largely due to major changes in the luxury eyewear sector. These included a merger between vertically integrated giant Luxottica Group and ophthalmic optics producer Essilor, which meant frames and lenses would go to the market together for the first time. Another change was luxury group Kering’s announcement that it was abandoning



the typical model of business licensing to insource all its eyewear operations. Thelios Chairman, Gianni Zoppas, describes the context: “These things changed the name of the game, creating a different approach to the traditionally fragmented market, where too many competitors and too many brands were making the licence-licensee model less attractive. Against this backdrop, Marcolin’s JV with LVMH was an agenda setter. Through Thelios, Marcolin is now a partner of the biggest luxury group in the world.”

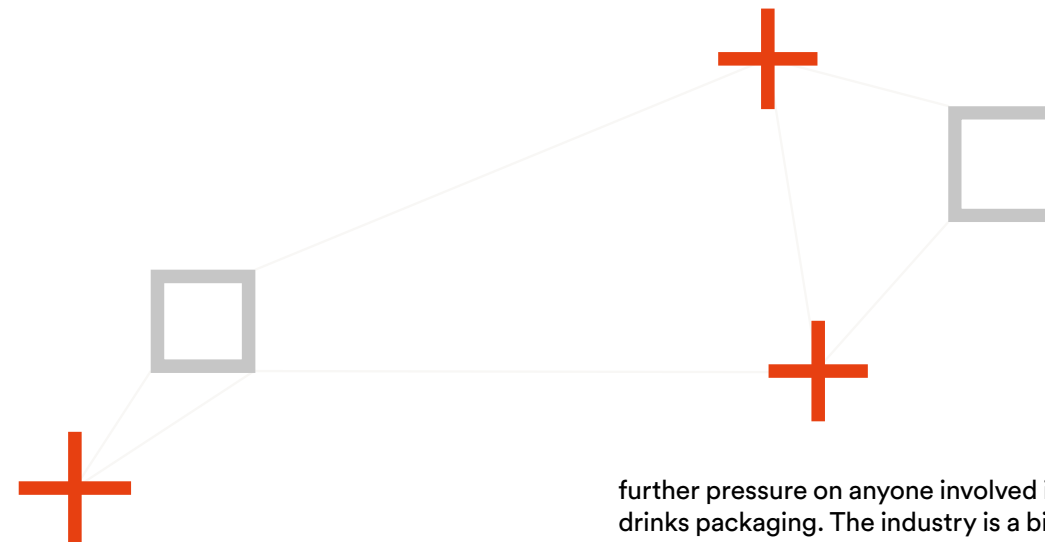
For consumers, an important benefit of these changes in the eyewear market is the big brands’ increased concern for quality. As Gianni explains, “brands are now very careful to protect their equity in the market. Years ago, they would

exchange some risk on the equity of the brand with the money they were getting in royalties and marketing expenses. But now the value of the brand is much more important than the royalties. So who is the winner? It’s the ones who are going to deliver quality – through vision, strategy and organisation.”

Achieving this quality position with Thelios – and maintaining it in a changing market – is where Gianni has found the partnership with PAI particularly helpful. “Who would have ever imagined that Marcolin, which was the fifth or sixth company in the industry, could have set up a JV with LVMH? I would say nobody. Even in my team. But something made Marcolin the most appealing and well-reputed company in the industry. This didn’t happen by chance; it’s something

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So who is the winner? It’s the ones who are going to deliver quality – through vision, strategy and organisation.



further pressure on anyone involved in drinks packaging. The industry is a big consumer of polyethylene terephthalate (PET), and there’s now a progressive move to other formats, and a demand for recyclable PET, which again adds more complexity.

All these changes are creating volatility and risk in the market, to which the big brands are keen to reduce their exposure. Outsourcing bottling is one way to do this.

Luis Bach, Chairman of the Board of Refresco, explains further: “For drinks brands, the formulation and sales of the products are usually core, but not the bottling. Working with us, they have less risky innovation – we provide access to new bottling technologies, or innovation in packaging or products, without them having to make significant investment. We can also reduce their costs, because our significant size provides synergies in production or bottling. Plus, we can offer a reduction in working capital by taking on their inventories. Perhaps most importantly, as a reliable company in size, diversified across Europe and North America, we can offer them a long-term partnership, which lets them focus clearly on their key activities: product development, sales and marketing.”

To maintain this position as an outsourcing partner, Refresco must keep tracking the market, improve its market intelligence, and remain vigilant about its competitors, consumer trends, and the evolution of the market. As Luis says, “It’s not just about being cheaper and having the best bottling technology, but also about understanding the consumer.”

The business also needs to be more and more efficient. The management team sees this as coming from external growth, which it achieves through buying companies and production plants. Geographic expansion is another part of

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It’s not just about being cheaper and having the best technology, but also about understanding the consumer.

also its operations. Thirdly, PAI facilitates access to the top management of brands like Coca-Cola or Pepsi, and reassures them they have a long-term partner, because of their experience in partnering with other brand owners.”

Whether in fashion retail, luxury eyewear or soft drinks, one thing these case studies tell us is that rapid change in any industry often demands a rethink of the value chain. And the consequent actions can mean significant transformation for a business – which, to be successful, relies on knowledge, expertise, financial fire power, and a willingness to take a longer-term perspective. All of which PAI is ready to provide.



The network effect

As the economic concept of the positive 'network effect' states, the more people participate in something, the more valuable it becomes to all of them. Apply this to a growing business, through acquisitions and integrating the supply chain, and the benefits can be considerable – as World Freight Company discovered. >

World Freight Company (WFC) is the world’s largest air-cargo capacity manager. With a network of over 20 brands, it manages close to three million tonnes of capacity, and four to five million shipments a year, for airline customers around the world.



Vikram Singh, Group CEO, World Freight Company

Group CEO Vikram Singh explains how the company achieved this scale: “Years ago, we started to see that in air traffic, passenger growth was outpacing cargo growth. As a cargo capacity manager, we wanted to redress this balance, so we set about creating a platform to consolidate the supply side. Through acquisitions, we added scale and breadth to our service capabilities. Before long, we saw the so-called network effect starting to play out for the brands that joined us, with them all experiencing exponential growth.”

Most importantly, this network effect now enables WFC to steal a march on its competitors. As Vikram observes, “in all the big markets, our competitors tend to be local heroes. So the benefits of the scale of our international network

“Even though our business has a French history and French roots, our future is very much in Asia.”



– such as our ability to rationalise cost and leverage technology – will give us advantages for years to come.”

A natural fit with PAI

For PAI, the network effect on WFC made it very appealing, but the timing had to be right. Guillaume Leblanc, Principal at PAI Partners, puts this into context: “We have a very successful track record in investments related to air traffic, such as our partnerships with Swissport, Nuance and ADB Safegate. As part of this focus, we identified WFC as a very attractive investment opportunity some years ago – but at the time, the company’s size put it below our investment mandate. Since then, we’ve been very impressed by the development of the company under the leadership of Vikram, especially in Asia. So when it came up for sale at the beginning of last year, we were keen to get involved.”

That strength in Asia encouraged PAI to seek a partner in the investment, which it found in Baring Private Equity Asia. Guillaume continues: “Even though our business has a French history and French roots, our future is very much in Asia. WFC has a significant presence in the critical Europe-to-Asia corridor, and our partnership with Baring Private Equity Asia reflects that.”

Strategy for continued growth

Vikram sees great opportunities ahead: “I think we have to continue to scale up. We are only at around 2.5% of global capacity today. So I think we can easily double that within a very short period of time.”

Building on the impressive progress WFC has already made, PAI sees three priorities for future development: organic growth, M&A and digital.

Guillaume tells us more: “For organic growth, we intend to leverage our network to increase market share, accelerate the gain of new contracts, and increase the global value of WFC for each airline customer. For M&A, the market remains extremely fragmented, and WFC is a natural platform for consolidation. We’ve reinforced the M&A capabilities of the

team, and have already closed several acquisitions since last year. Lastly, in digital, we intend to transform the business from very human, paper-based interactions to a more digitised, seamless model. All of this will enhance the value of the WFC proposition to its clients.”

Vikram agrees: “In the short time PAI has been on board, we’ve made a number of very strategic acquisitions. We are currently involved in making more critical acquisitions for our business, taking us to the next level of our development.”

“In the short time PAI has been on board, we’ve made a number of very strategic acquisitions.”



A portrait of Lars Frederiksen, a middle-aged man with short brown hair, a beard, and glasses, smiling. He is wearing a dark suit, a light blue shirt, and a patterned tie. The background is a blurred image of red and white lines.

Private equity's lasting influence on business life

Reflections from Lars Frederiksen

After joining Danish bioscience group, Chr. Hansen Holding A/S, in 1980, Lars Frederiksen progressed through a series of roles before becoming CEO when PAI Partners bought the company in 2005. He continued to lead the business through a significant transformation, and an IPO on NASDAQ OMX in 2010, until 2013, when PAI sold its remaining shares. Since then, he has pursued a Board career with a variety of organisations including Atos Medical, a PAI portfolio company, and sits on PAI's Supervisory Board. Here he describes how his experiences with PAI have influenced the way he works. >



“Private equity is a great model for solving problems in a business, and for turning an averagely performing company into a market leader.”

What do you think you’ve gained from your years with PAI?

Well, I certainly learned a lot about private equity. Before PAI came along, I really didn’t know much about it – only rumours that weren’t always very positive. So I was a little sceptical, but working with PAI really changed my mind. Private equity is a great model for solving problems in a business, and for turning an averagely performing company into a market leader.

It really boosts the ability to create value. For shareholders, of course, but it can also turn around the fundamentals of a business. With private equity, you ask fundamental questions such as, in which business areas can we truly add value; which businesses should we be in; and what is the right long-term ownership of the company? Answering big questions like this can really transform a company – culturally as well as financially – and it can recreate pride among employees who might have lost engagement and passion due to bad management in the past.

I also learned during this time that cash is king, especially in the difficult situations created by the financial crisis. And I learned how much you can change if you remove politics from the agenda, and everybody focuses on doing what’s right for the business.

That’s an interesting point about politics. Can you tell us more?

Yes, I think internal politics can become particularly damaging when a business has problems. A blame game often starts – between investors, the Board and management. There’s a lot of jockeying for position, rather than getting on with solving the problems. But with private equity, the owners, Board and management merge, so everyone’s working towards one common goal, which is to create more value. They all focus on it, because they all benefit from it. This alignment is a really strong aspect of the private equity model. Everyone’s involved, everyone’s an investor, and everyone’s committed to success. There’s no room for politics.

“I liked the personal commitment PAI invests, and the ability to attach highly qualified advisers to the programme.”

Is there anything about PAI’s approach in particular that stands out?

A few things. I was impressed by their creativity in putting together the right financial model – for the business, the market and the particular situation we were in. And I liked the personal commitment PAI invests, and the ability to attach highly qualified advisers to the programme. Also, in our case at Chr. Hansen, PAI was extremely knowledgeable about our industry and the value drivers. A big part of our business was developing ingredients for the food and nutritional industries, and PAI had previously invested in another ingredients company, Diana – and in Yoplait, which was one of our customers. So there was a solid understanding of the market dynamics affecting us, which was very important, and very valuable.

Has this approach had any lasting effects on how you work now?

Definitely. Today, I work and think as though I’m running a company owned by private equity. Whatever type of organisation I’m working with, I focus on doing the right things, making sure people are committed and engaged, and dealing with any political agendas. It’s about building up knowledge and understanding, and using that to achieve agreed objectives – and not letting anything distract you from that path.

Tell us a little more about what you’ve been doing since leaving Chr. Hansen.

As a professional Board member, I have a number of roles. Which is exactly what I wanted to do after Chr. Hansen – to broaden my experience of different types of ownership structures and models, and of different industries. So I’m involved with listed businesses, family businesses, foundation-owned organisations and private equity companies, in a wide range of fields.

For example, I’m Chairman of Matas A/S, a listed health and beauty retailer, and I sit on the Board of Tate & Lyle, a UK listed food ingredient company. I’m also working with Falck A/S, a Danish foundation-owned company running ambulances

across the world, and Widex, a family-owned hearing aid company. Most recently, I’ve been elected Chairman of Atos Medical, a Swedish company owned by PAI. Among other things, it’s the world leader in voice prosthesis, helping people speak again after surgery for cancer of the larynx. It’s an extremely fascinating company with a very appealing mission and strong financial development.

I’m really happy with this varied portfolio. It offers me a wide range of experiences, and lets me apply my know-how in different contexts.

Any other thoughts on private equity you’d like to leave us with?

When I look back at how corporate governance has evolved over the last ten to fifteen years – in Denmark and many other countries – I think private equity has left a big fingerprint. It’s been a major influence in shaping how private and listed companies control and direct themselves, with an emphasis on active ownership. So today, mismanagement isn’t as widespread as it used to be. And I think this is largely down to the growth of private equity and the lessons it has taught.





Scaling



up

Another key theme for PAI is helping businesses transform through building scale, consolidating their markets and expanding geographically. >

Case study:

MGroupServices

Adding value through targeted acquisition

When we help strengthen a business' leadership position through consolidation, it is important to have a clear strategy as to how acquisitions can bolster the scale and scope of a company's services and, as a result, increase market share. With M Group Services, one of the UK and Ireland's leading infrastructure services companies, the potential for transformation through 'buy-and-build' M&A is considerable.

M Group Services supports essential infrastructure through four divisions: transport, telecom, utilities and data. Projects can involve anything from working on road and rail networks, to repairing water mains or electricity cables, to collecting meter readings for utility retailers. The business employs around 8,700 people directly, with about the same again in the supply chain, and operates from over 100 locations across the UK and Ireland.

All of the company's different activities have the same basic business model. As CEO Jim Arnold says, "We deliver services to our clients, and we do it safely. When we provide a good service, we have the chance of more work."

PAI invested in M Group Services in July 2018 – but we had been looking closely at the business for some years, as we have a lot of experience in related industries, with investments such as Spie, a leading European provider of multi-technical contracting services. Jim Arnold and his team could see the benefits of a

partnership with PAI straight away: "We recognised the support PAI could give us strategically, along with access to finance we wouldn't have otherwise."

Strategy for significant growth

Our partnership with M Group Services is founded on three clear priorities, as

Colm O'Sullivan, Partner at PAI, explains: "We want to continue M Group's fantastic safety record – that's number one. Then number two is simply to keep delivering for clients. And number three is to broaden and deepen the company's client relationships by providing new expertise and new skills – and therefore winning more share with those clients."



This priority is where the potential for transformation exists. M Group Services has enjoyed good organic growth – around 10% in 2018 – but acquiring new businesses that enable the group to diversify will really expand the range of services available.

Adding businesses, building services

We have worked closely with Jim Arnold and his management team over the last few months to accelerate and fine tune our acquisition strategy, and create a real M&A machine. So far, we've helped M Group Services make five value-accretive acquisitions – all adding complementary capabilities to the company.

Avonline is a niche telecoms operator, involved in building and installing broadband networks. It has a strong, long-standing relationship with Virgin Media, which is now a new client for M Group Services. IWJS is a leading provider of waste-water services to utilities, which fits neatly alongside the group's clean-water services. Tomato Plant also provides waste-water services,

but specifically for airport, industrial and commercial clients. Its well-established relationships – especially with Heathrow – offer the potential to cross-sell to other airports. Enhancing the group's transport division, Antagrade Electrical specialises in rail electrification, and provides high margins thanks to the technical competencies required in its field. Finally, KH Engineering Services offers mechanical and electrical solutions covering the design, management and delivery of services for the rail and wider transport sectors.

Putting these acquisitions together, M Group Services can now offer a greater variety of services to a larger number of clients. We're looking forward to seeing how this broader platform will help transform the business in the near future, as it moves towards its goal of becoming the leading service provider for essential infrastructure in the UK and Ireland.

As Jim Arnold says, "it's all about service delivery." With these carefully chosen acquisitions – and probably more to come – M Group Services will have a lot more to deliver .

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We recognised the support PAI could give us strategically, along with access to finance we wouldn't have otherwise.

M Group Services at a glance:

8,700
employees

100+
locations

4
divisions: transport, telecom, utilities and data

Businesses prior to PAI investment:

- Morrison Utility Services
- PMP Utilities
- Dyer & Butler
- Magdalene
- Morrison Data Services
- Morrison Telecom Services
- M Group Services Plant & Fleet Solutions

Acquisitions since PAI investment:

- Avonline
- IWJS
- Tomato Plant Company
- Antagrade Electrical
- KH Engineering Services

Opening the shutters onto international expansion

PAI has a long history of transforming local leaders into international ones. The strategy is often to consolidate the market by acquiring complementary operations outside of our companies' core market, to increase their geographic footprint. ➤

Didier Simon, CEO, StellaGroup

STELLA.Group

A good example is StellaGroup who, in a short space of time, we have taken from a French leader to a European leader in the closure system and sun protection market - shutters, grilles, doors and awnings. Through one major acquisition - CRH's Shutters & Awnings division - StellaGroup has now almost doubled its revenue. And, having previously had very little international presence, it now draws about 45% of its revenues from outside France.

StellaGroup is a 50-year old industrial business in the market for roller shutters, metallic grilles and curtains for store protection. It designs, manufactures and distributes products for both residential and industrial buildings, using a customer base of 10,000 professional installers, rather than direct sales. When PAI acquired the company in January 2019, it was the clear French leader with €231 million of sales, but our ambition was always to help the business grow, both organically and through international expansion.

Diversifying services and footprint
Mathieu Paillat, Partner at PAI, worked closely with StellaGroup CEO Didier Simon on this vision, meeting potential acquisition targets all across Europe, often with the help of local PAI teams. As a result, in April 2019, only four months into PAI's ownership, the company made its first acquisition outside of France, CRH's Shutters & Awnings (S&A) platform, "a milestone moment for StellaGroup, Didier Simon and his team, which we are proud to have been a part of".

CRH S&A had, in fact, been identified during PAI's due diligence on StellaGroup as one of the most attractive pan-European players. The company is one of the largest producers of shutters, awnings and garage doors in Western Europe, with 2018 sales of over €200 million. It has leading positions in key European markets such as Germany, the Netherlands, and the UK. The acquisition transforms StellaGroup in one step from French leader to one of the main European players in the sun protection and closure system market. "Our dream was to grow

outside of France", explains Didier Simon, "and this was achieved within only a few months of working together with PAI". Apart from almost doubling the company's revenue, the acquisition diversifies the group's presence internationally and helps it enter attractive adjacent markets in outdoor living. There are also €5 million to €8 million of identified cost synergies, with notable quick wins in rationalising purchasing, sales and administration. This excludes the impact of rolling out StellaGroup's industry-leading operating model across the CRH assets.

European consolidation
The additional geographical diversification combined with StellaGroup's leading market position has also created a strong platform for the company to further consolidate what is a highly fragmented European market, with already over 50 identified target opportunities. The CRH S&A acquisition is only the beginning of the journey and Mathieu Paillat expects that in the next few months the team will be able to make further progress towards "completing the StellaGroup jigsaw".
In the words of Didier Simon: "PAI has been strongly supportive, providing its resources and expertise. With its help, we are moving forward in carrying on this international development of the company."

StellaGroup's growing global footprint:

1

country before PAI acquisition:

France

5

additional countries since PAI acquisition:

- Austria
- Belgium
- Germany
- The Netherlands
- United Kingdom

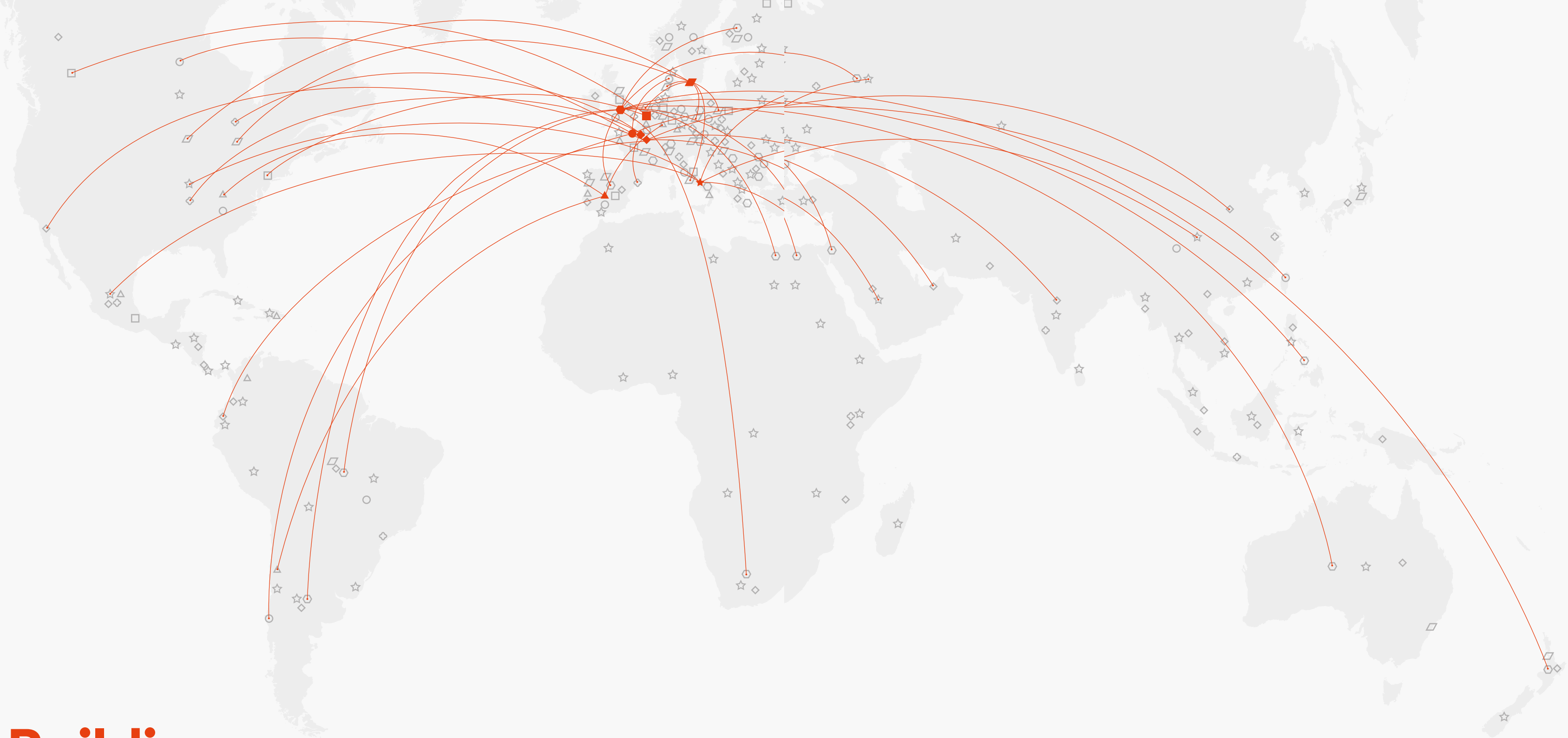
45%

international revenues

“Our dream was to grow outside of France and this was achieved within only a few months of working together with PAI.”



“PAI has been strongly supportive, providing its resources and expertise. With its help, we are moving forward in carrying on this international development.”



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 dynamic 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 an appeal to a broad universe of international buyers.

Eight examples of PAI portfolio footprint and global expansion

<p>◆ Albéa (France) ◇ Leading cosmetic packaging manufacturer 40 manufacturing sites in 17 countries across the globe</p>	<p>▲ Areas (Spain) △ Global leader in the travel food and beverage concession market Operations across 12 countries in Europe, the US and Latin America</p>	<p>■ Refresco (The Netherlands) □ World's largest independent soft drink bottler Presence across 12 countries with 59 production sites, half of which in North America</p>
<p>● Asmodee (France) ○ Leading global board, card and role-playing game publisher and distributor 20 countries addressed directly across the globe</p>	<p>◆ Froneri (UK) ◇ Global ice cream manufacturer with leading market position Direct presence in 20+ countries globally</p>	<p>◆ World Freight Company (France) ◇ Global leader in the air cargo general sales and services agent (GSSA) market 200+ offices around the world</p>
<p>■ Atos Medical (Sweden) ◇ Global leader for laryngectomy patient solutions Direct presence in 20+ countries worldwide</p>	<p>★ Marcolin (Italy) ☆ Worldwide leader in luxury eyewear Presence in 125+ countries across the globe</p>	

Key

●

 Company headquarters

○

 Country locations

→

 International expansion



Our people

At PAI we have a team of over 80 professionals, which is constantly growing. In 2018/2019, we welcomed 28 new hires from 10 different nationalities. We now have 15 nationalities represented across our eight offices. We also became the first French private equity firm to join Level 20 as we continue to invest in gender parity.

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 central teams based in our two hubs (Paris and London) to execute and manage transactions, both in initial platform and add-on investments.

This enables us to operate efficiently 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 use the significant transformation opportunities provided by European and international markets.





Laura Muries

Partner, Spain Team

Laura joined PAI in 2007 and became Head of the Spain Team in 2019. She has been involved in several transactions, including Grupo Cortefiel, Swissport, The Nuance Group, DomusVi, Koneccta, Tendam and Areas.

Why did you join PAI, and how has your career developed since then?

Having started my career at Merrill Lynch in the investment banking department in Madrid, I wanted to be more than a financial adviser. I was looking to develop a long-term career where I could have a direct impact on the development of businesses. So I decided to change.

I joined PAI as an Investment Officer in Paris, where I really got to know the firm, and learned its culture and DNA. I was pretty young at the time, and after a couple of years, I transferred to the Madrid office where I was promoted to Director, and then to Principal.

And in February of this year, I became Partner and Head of PAI's Spanish Team.

During the last 10 years as part of the Spanish Team, I have been able to work more specifically on my sourcing and commercial capabilities, and build a strong network.

What do you like most about your role as Head of the Spain Team?

Spain is a market where the firm has a very positive history and reputation. PAI has always made very good investments here. But it's different from other jurisdictions, in that a large portion of the deals coming to the market are primary businesses – which means there's a great opportunity to professionalise companies and sectors, and develop very attractive value-creation stories.

So here, working with portfolio companies is not only about execution, but also about the ability to connect with people, generate trust and develop relationships. I really like that.

And what do you see as the biggest challenges?

There are still a lot of family-owned businesses here. This is good because, again, it offers value-creation opportunities, but taking the shareholders and management team to the next stage of development can be very time-consuming. It can be a long journey to convince them.

Probably another challenge is that deal volume in Spain is not yet as strong as in some of the more developed private equity markets. To ensure the younger generations in the team get plenty of experience and become proficient in deal execution, they are also part of PAI's wider Investment Group, which allows them to be involved in transactions across the firm and not just in Spain.

What are your ambitions for the role, and for PAI in Spain?

My ambition is to continue building on the strong reputation and track record that we have developed during all these years in the Spanish market, where PAI has got a very good image and brand.

I also want to grow and diversify the scope of the companies we invest in, exploring the full range of opportunities that exist in the Spanish mid-market.

In addition, we will continue to support our portfolio companies on buy-and-build stories and help them expand into the region, similarly to what we have successfully done in the past with DomusVi or B&B Hotels, for example.

How do you think Spain fits into the wider PAI team? And how do the various teams work together across our international network?

Working day to day with the different offices and sector teams is very easy. We're not a huge organisation, and this makes interaction easier. We have an open dialogue across teams – I know everybody by name and enjoy an informal kind of communication.

As one of our new generation of leaders, what's your view of the culture at PAI?

Since I joined the firm in 2007, the culture has changed dramatically. At the time, the organisation was very French, and I was one of very few foreigners in the Paris office. Since then, PAI has become much more international and diversified. We've been able to attract people of different nationalities – not only at the junior level but also Principals and Partners. It's very enriching.

We've also built some support teams, which we didn't have before, such as communications, legal, and compliance. These make the day-to-day job of the business much more efficient, because we can really focus on the core tasks. And although I have a very demanding job, I really feel empowered by the organisation to accomplish my mandate. There's a significant entrepreneurial spirit across the firm.

How would you like to see the firm develop in the future?

I would like the firm to continue growing, obviously. Not only geographically, but also in terms of the companies we invest in, making sure we explore the full range of mid-market opportunities that exist across our regions of activity. I think we can diversify our opportunities as we grow.

The London hub

2018/2019 was a year of strong growth for our London hub. We grew the team and expanded its role, reinforcing the London office’s position as one of two central hubs in the PAI network, alongside Paris.

A total of 11 hires, across our professional and support staff, joined our London team in 2018/2019. The team of 18 has now moved to new offices in St James's Square, Mayfair, and includes a six-member strong Investment Group, new members of the UK, Capital Markets and Investor Teams, and a Head of Communications.

The London office is not only becoming diversified in terms of the different teams represented with transversal

functions such as Investor Relations and Communications, but also in terms of nationalities. We now have team members from nine different countries, which include Australia, Denmark, France, Ireland, Germany, the Netherlands, South Korea, the UK and Tunisia .



Our investors

We have developed a large and diversified investor base across our successive private equity funds, made up of more than 220 institutions from 27 countries. We have raised over €20 billion and currently manage assets in excess of €13 billion.

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, ESG reports and our website
- Updates and presentations on new deals and exits
- Ad hoc meetings and informal communication

27



Countries

7th

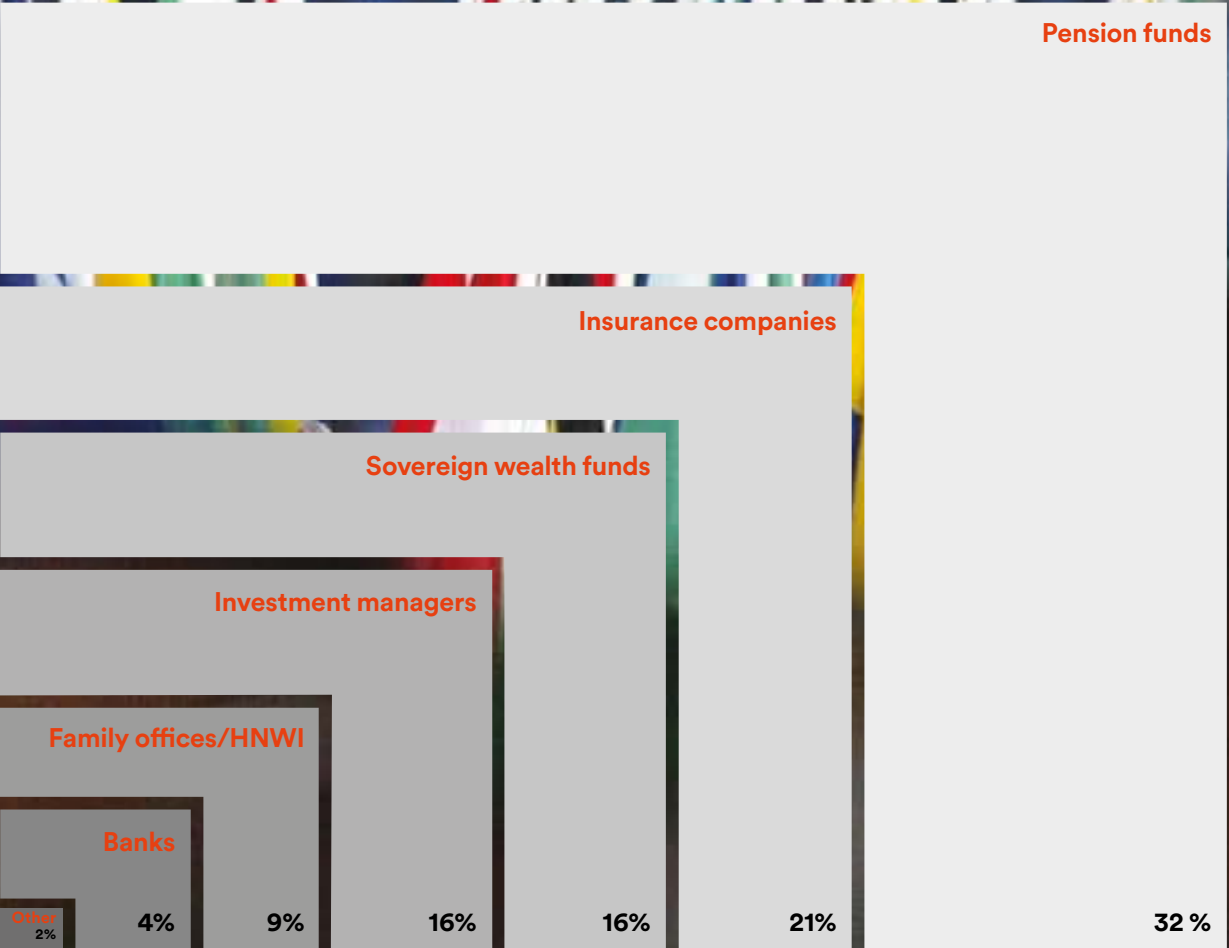
Generation buyout fund

220+

Investors

€20bn

Capital raised since inception



Breakdown of Limited Partners in PAI Europe VII

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

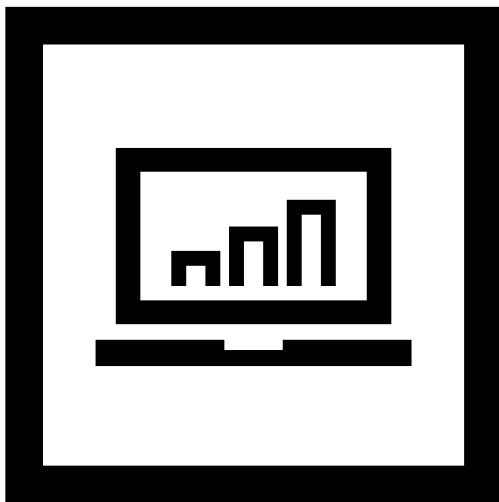
- Areas
- Euro Media Group
- M Group Services
- VPS
- World Freight Company

Average Enterprise Value

€790m

Number of buyouts

17



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

- Asmodee
- Froneri
- Labeyrie
- Fine Foods
- Marcolin
- Refresco
- Roompot
- Wessanen

Average Enterprise Value

€782m

Number of buyouts

22



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

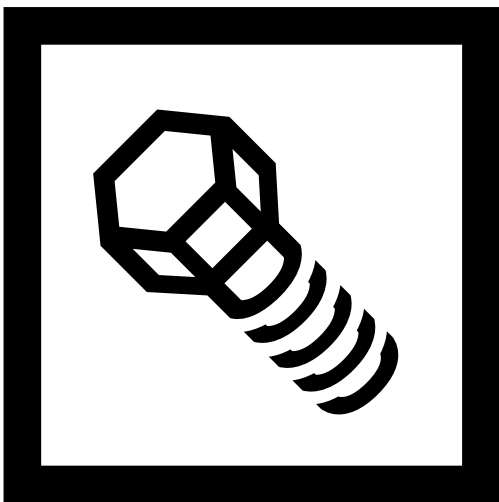
- Albéa
- Perstorp
- StellaGroup

Average Enterprise Value

€764m

Number of buyouts

13



Healthcare

In the Healthcare Services industry, 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 industries, 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

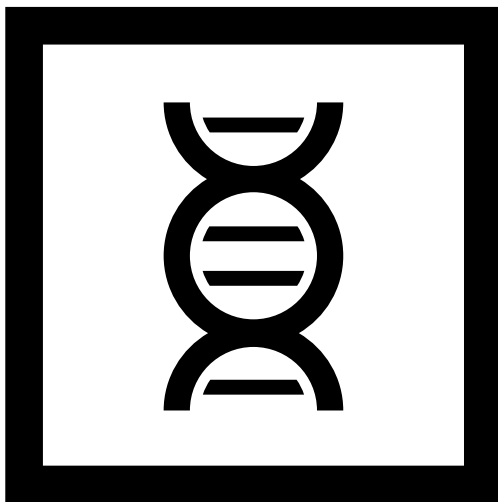
- Atos Medical
- ELITechGroup
- Ethypharm

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
- Tendam

Average Enterprise Value

€812m

Number of buyouts

9



In focus



Asmodee



A new angle to the investment game

Whatever the industry, we believe one or more of our transformative investment themes can apply: building global leaders, disrupting traditional business models, or focusing on the value in the supply chain. Our investment in Asmodee, in the consumer space, fits in some way with all three themes. And while most private equity firms venture down well-trodden paths when looking for investment trends, with Asmodee, we have chosen to invest in something a little different.

Asmodee publishes and distributes modern board games, mostly targeting adults and teenagers,

and has grown to become one of the leading players in the sector. The business model is based on creating deep and strong IPs within an extensive game catalogue to meet the company's mission statement of 'a game for every gamer'. We are excited by the company's growth prospects, both in its historical locations of Europe and North America, and its more recent developments in Asia and Latin America.

With sales of around €500m, Asmodee employs approximately 1,000 people in 13 game studios and 18 distribution units. The studios create and develop games with strong universes and storytelling, that players will engage with. They then distribute and sell these, as well as games published by third parties.

This customer engagement is one of the keys to growth. "We have a customer community whose members become the games' best promoters," says Stéphane Carville, CEO of Asmodee. "The market also brings together a hugely diverse set of game formats and social groups, where human interaction and sharing of emotions are key drivers." It's created a healthy \$10 billion market, which is resilient to economic cycles and growing in all regions, so it is a highly attractive industry.

From great games to amazing stories

Asmodee is the only board game specialist in the sector, its major competitors being toy companies that have games among their products. As such, it is outperforming the market and growing faster than its peers.



Stéphane Carville, CEO, Asmodee

"Our strategic vision now is to be the leading global board game company, and also to become a new and disruptive provider to the entertainment industry," says Stéphane.

Achieving this means building on Asmodee's position in the traditional gaming market, by developing some of its key IP into brands that can successfully diversify onto other platforms. And for this purpose, the group is now organised across three platforms: Board Game, Entertainment, and Digital, with a view to positioning it as a leading content group. The Entertainment platform will encompass moving brands into film, TV, comics and novels, while the Digital platform aims to move traditional board and card games onto console, mobile and PC games.

"PAI is bringing different things to assist in the delivery of our business plan," says Stéphane, "particularly a strong conviction for the vision and strategy,



Gaëlle d'Engremont, Partner, PAI Partners

which makes them a real business partner not just a financial shareholder." At PAI, we believe our strong experience and knowledge of the consumer industry will support Asmodee's plans to invest in understanding their key customer groups' behaviour and needs. But also we provide the access to capital to invest in accelerating the company's footprint in the US, the biggest market, and for identifying transformational acquisitions that are performing strongly.

Gaëlle d'Engremont, Partner at PAI, summarises the outlook: "As investors, we want to continue to support Asmodee as it consolidates this highly fragmented market. We believe there are still a lot of opportunities for the company in its core market of board games in Europe and in the US, and that, to seize further opportunities in new platforms such as digital and entertainment, it has implemented the right organisation in early 2019."

“ PAI brings a strong conviction for the vision and strategy, which makes them a real business partner not just a financial shareholder. ”





€1.8bn
FY 2018 revenue

340m
Customers per year

Areas

Sector	Business Services	areas
EV at entry	€1.5bn	
Acquired	July 2019	

Areas is a global leader in the travel food and beverage concession market.

3rd in travel catering worldwide



Latest investments



50+
Countries where
products are
distributed

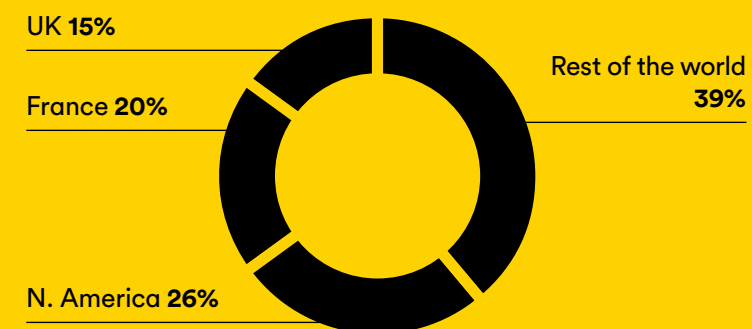
3,000+
Games in catalogue

Asmodee

Sector	Food & Consumer	asmodee
EV at entry	€1.2bn	
Acquired	October 2018	

Asmodee is a leading global board, card and role-playing game publisher and distributor.

Revenue by geography (FY 2018)





Latest investments

StellaGroup

Sector	General Industrials	STELLA.GROUP
EV at entry	€629m	
Acquired	January 2019	

StellaGroup is a European leader in the sun protection and closure system market.

Nearly doubled revenues with CRH S&A acquisition



#1

European leader in grilles and security shutters

650,000

Roller shutters in France alone



Wessanen

Sector	Food & Consumer	wessanen
EV at entry	€917m	
Acquired	September 2019	

Wessanen is a leading company in the European market for healthy and sustainable food with a focus on organic, vegetarian, fair trade and nutritionally beneficial products.

70% B Corp certification today, targeting full accreditation by the end of the year



2m+

Healthy and sustainable products sold per day

5,549

Tonnes of fair-trade sales





2x
Increase in EBITDA

3
Add-ons

88%
Of hotels are operated by local entrepreneurs and franchisees

B&B Hotels

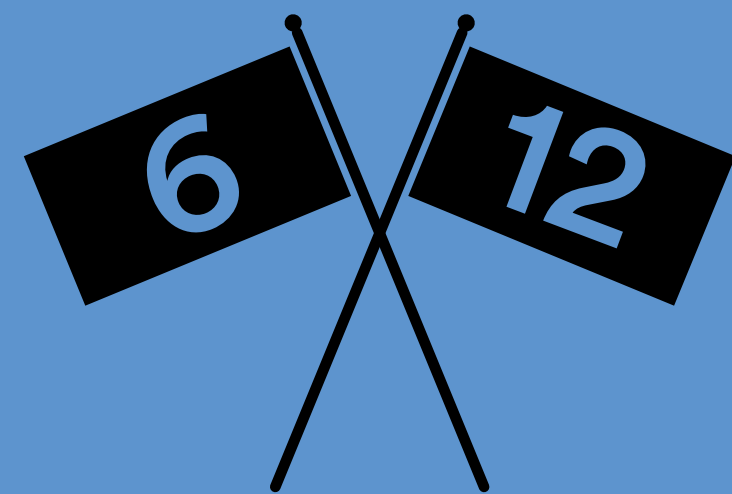
Latest exits

Sector	Food & Consumer
EV at entry	€789m
EV at exit	€1.9bn
Exit date	July 2019

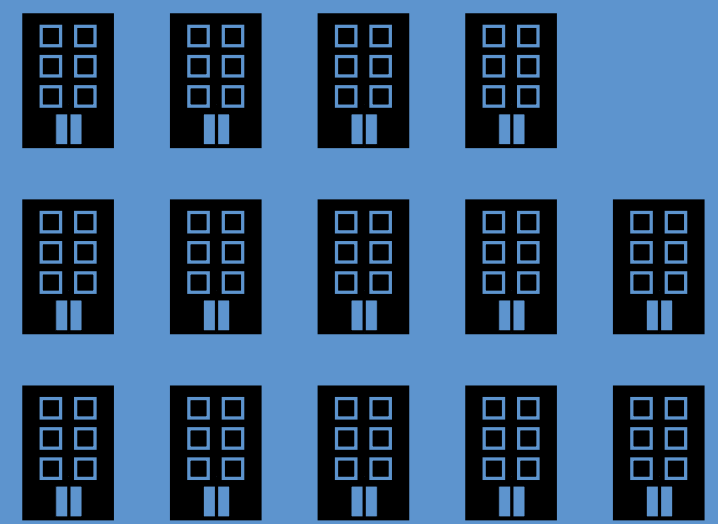



B&B Hotels is a leading budget & economy hotel chain in Europe, which addresses both business and leisure customers.

6 countries on entry vs 12 countries on exit



140 new hotels since acquisition



 = 10 hotels

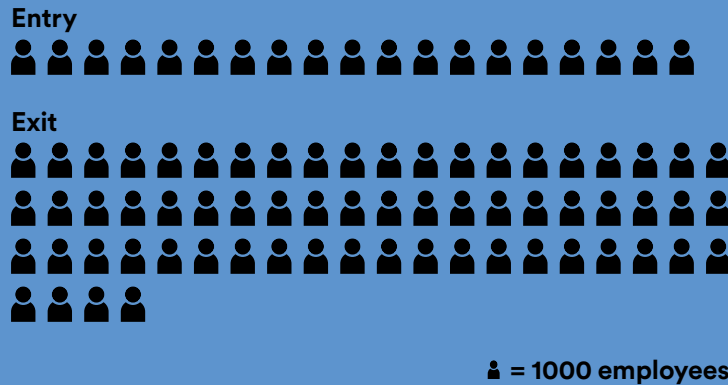


Konecta

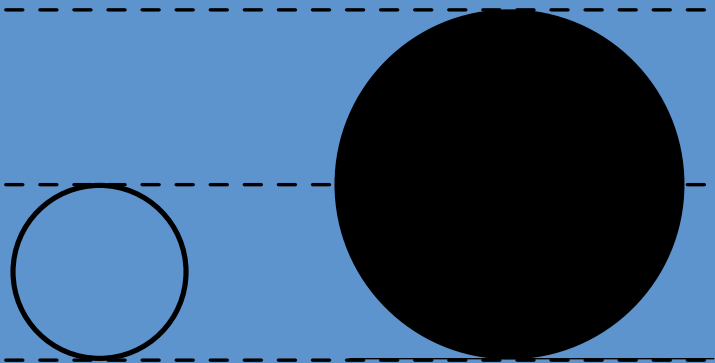
Sector	Business Services	Konecta
EV at entry	€288m	
EV at exit	€670m	
Exit date	March 2019	

Konecta is a leading international provider of Outsourced Contact Centres and Business Process Outsourcing (BPO) services.

19,000 employees at entry vs 64,000 employees at exit



2x increase in EBITDA



41,000
More workstations



+70%
Sales growth under PAI ownership



2x
Increase in EBITDA

Committed to ESG

Every year, PAI aims to go one step further in its approach to responsible investment. 2018/2019 proved to be the same as we continued to strengthen our internal processes, deepen our engagement with investors and portfolio companies, and stepped up our participation in industry-wide initiatives.

Our investors are increasingly concerned and more knowledgeable about ESG issues that are likely to be material to the performance of our investments. They want to understand how we are identifying and managing ESG risks and opportunities, to create value and build better businesses.

We believe we have a good story to tell. Since 2010, we have progressively and successfully integrated ESG management throughout our investment processes and we continue to push forward.

Over the last 12 months, for example, we launched a new Responsible Investment policy in cooperation with PAI's Compliance Team, undertook around 20 pre-acquisition due diligences, improved our due diligence processes with the internalisation of an online reputation tool, developed an ESG incident report procedure embedded in PAI's internal quarterly financial report and created a formal Climate Strategy in line with the TCFD recommendations.

We have continued to grow our dedicated ESG Team and engage with our investors through the launch of our 2018/2019 Sustainability Report and the deployment of our ESG Labs at our Investor Days in London and New York. We take an active part in industry-wide initiatives concerning climate change with the IC20, of which we are a founding member, and gender diversity with Level 20, as the

first French private equity firm to sponsor the organisation.

We have also been listening. It is essential that we understand and address our investors' ESG concerns as well as upcoming trends, for example around diversity and inclusion, or issues such as the use of plastics or cyber security. On these and others. We try to learn from others – whether in the corporate world, academia or non-governmental organisations. We also aim to be transparent about where we stand as an organisation, and where we need to improve our performance.

At PAI, we are confident that this willingness to learn, and to be open with our investors and portfolio companies, will help equip us to meet the sustainability challenges we all face, and help us build successful, resilient businesses that will deliver a positive environmental and social impact as well as a healthy financial return.

Building better businesses

First, we do so because, in today's world, businesses like ours and those in which we invest are judged on more than just their financial results. We are convinced that the 'new normal' is to rethink the purpose of companies and control their impact on their various stakeholders, such as employees, suppliers or communities. Companies that do not respect their

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We see ESG as a lever to help us transform companies to make them more sustainable.”

employees, avoid tax or heedlessly pollute the environment face reputational impacts.

Effective ESG management reduces risk. Awareness of global ESG trends identifies opportunity. Combined, they optimise value creation.

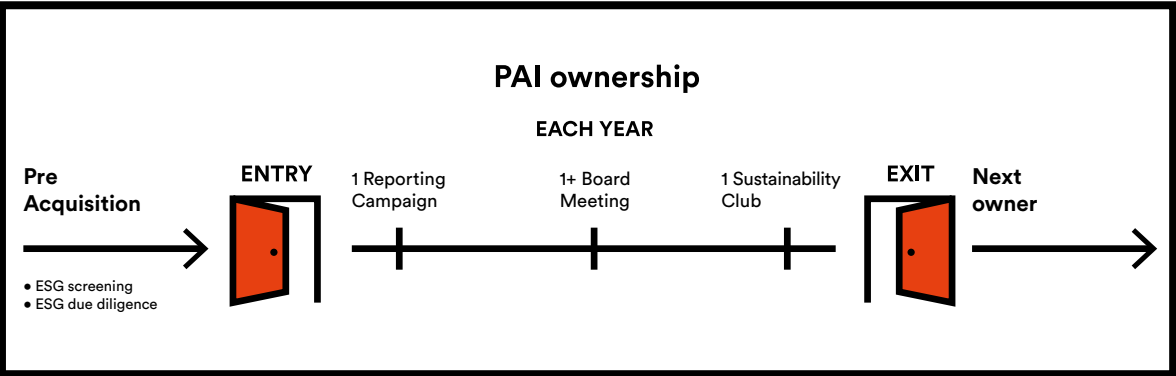
A catalyst for change

As a private equity investor, PAI creates value by ensuring that the businesses we buy are performing better when we sell them than when we acquired them. That requires change. Sometimes that change is drastic; sometimes it is subtle. But it is always designed to make our investments better run, more efficient and more profitable.

The change we seek in potential portfolio companies is rooted in our analysis and understanding of the environmental and social trends that are transforming economies and societies.



Cornelia Gomez, ESG Director, PAI Partners



Whether it be climate change, resource scarcity, health and safety or waste management, our investment teams go into every acquisition having identified the ESG challenges and opportunities that the company faces.

We see ESG as a lever to help us transform companies to make them more sustainable. Fundamentally, we believe that sustainable companies are stronger and more profitable.

A centre for expertise

Part of the value that private equity firms such as PAI deliver is created by applying lessons learned in one business to another – and nowhere is this more true than in ESG.

Our dedicated ESG Team, led by Cornelia Gomez, provides a focal point for ESG expertise. It works continually to keep our deal teams abreast of developments in ESG issues of relevance to PAI's

portfolio. The ESG Team also serves as an internal consultant for our deal teams, supporting them in a comprehensive assessment of ESG factors before and during the investment period. In the longer run, it serves as a channel to consider and include innovation in the portfolio alongside PAI's Portfolio Performance Group (PPG).

ESG Lab: the plastics issue

In January 2019, PAI Partners held an ESG Lab in London to discuss the emergence of plastic use, misuse and disposal as an urgent societal, political and investment issue.

The emergence of the issue in 2018 teaches investors three things. The first is the speed with which ideas can capture global attention in this connected age. The second is how a seemingly straightforward environmental problem – in this case plastic pollution – evades easy solutions in complex, modern economies. And the third is the importance of avoiding the ‘third rail’ of environmental impact: harming photogenic sea animals.

The broadcast in late 2017 of the BBC’s Blue Planet II series, with its harrowing images of the effects of marine plastics pollution, triggered a surge in public concern about the issue. This was quickly followed by policy and regulatory initiatives around the world, and by a raft of corporate commitments to reduce plastics use.

These developments clearly pose risks for investors – of investee companies alienating customers or facing increased regulatory costs – while also presenting opportunities for more sustainable plastics producers, packaging solutions providers and recyclers. They also demonstrate the complexities involved

in handling a material that has become ubiquitous throughout the global economy – and which, alongside its environmental impacts, confers enormous sustainability benefits of its own.

As part of its ESG Lab to discuss these issues, PAI Partners brought together 33 participants, including investors managing a total of around \$3.4 trillion in assets, portfolio companies and issue specialists to better understand the nature of the environmental problem caused by plastics overuse and pollution, and the associated investment risks and opportunities.

The scale of the plastics problem

We produce more plastic than any other material, after steel and cement. Its production has grown exponentially since it came into common usage in the 1950s and is set to grow more than five-fold by 2050, from 335 million tonnes/year in 2016 to 1,800 million tonnes.

The issue is less around the use of plastic, but how it is disposed of. Since 1950, only 7% of the plastic produced has been recycled, with more than half sent to landfill or dumped in the environment. (Of the rest, around 10% has been incinerated and 30% is still in use.)

On the other hand, plastic is a miracle material. Its economic applications are limitless. It is durable, often recyclable and lightweight. It is the packaging material with the lowest carbon footprint. Its use as a low-cost barrier material prevents

enormous volumes of food waste, with the associated economic and carbon savings. While alternatives to plastics – such as glass bottles or cardboard cartons – can appear intuitively attractive, they can often involve unfavourable trade-offs or unintended consequences.

How the plastics value chain is addressing the issue

The ESG Lab involved representatives from four parts of the plastics value chain. Two were from companies in PAI Partners’ portfolio: Perstorp, a Swedish plastics producer, and Netherlands-based Refresco, the world’s largest independent drinks bottler. A Partner at PAI spoke about his experience from investing in leading packaging company, France-based Albéa. The retail sector was represented by a senior consultant with deep sector experience. They each outlined some of the challenges created by the public and regulatory response to plastics pollution, and how their parts of the value chain are responding.

Linda Zellner, Director of Innovation at plastics producer Perstorp observed that the industry can respond to changing customer demand for plastics that are easier to recycle, but such development is time-consuming, expensive, and risks developing polymers that may, subsequently, be unsellable if regulations change, for example. However, it’s not only about the polymer, she adds. The design parameters of the end-product can dictate how easily it can be recycled, and consumer demand for tailor-made products can complicate recyclability.

Coert Michielsen, Group Procurement Director at Refresco, noted that his company is working to further increase the volume of recycled plastic in its bottles, but limited supply is pushing up prices, with recycled polyethylene terephthalate (PET) now 20-30% more expensive than virgin material. In response, the company is aiming to increase the collection of food-grade PET as a separate waste stream, to increase availability.

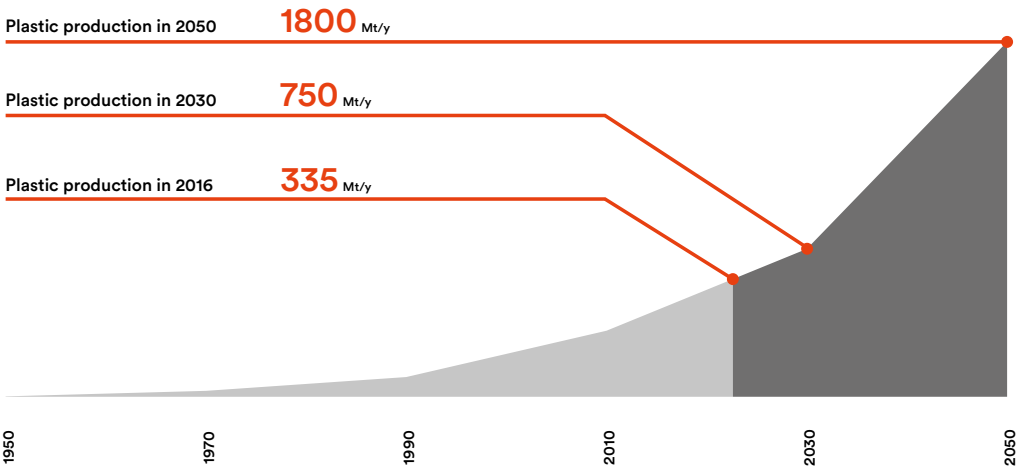
He also noted that consumers are driving a move away from plastics back to carton and glass, but that, certainly in terms of carbon emissions, the latter is less sustainable.



Laurent Rivoire, Head of the General Industrials Team at PAI, said that the disruption caused by the response to plastics pollution is creating winners and losers, with firms such as Albéa able to differentiate themselves (through its expertise in recycled materials, ability to create products using less material, and its innovative filling systems, for example). However, there are several contradictory objectives a packaging supplier like Albéa needs to manage, such as developing at the request of some FMCG clients packaging that mixes plastic and carton, which looks ‘green’ to the end consumer but is actually worse from a recycling standpoint.

Debbie Hitchen, a Director at consultancy Anthesis, noted that the retail sector, meanwhile, not only faces pressure from regulators to address plastic waste, but is also at the front-line of consumer concern. Some retailers lack the purchasing power to demand changes from their suppliers, while responding to the plastics issue can complicate efforts to meet existing sustainability goals, especially around carbon emissions. ➤

Figure 1
Global plastic production forecast¹



¹ Sources: Plastic Europe The Facts 2017, Ryan, « A Brief History of Marine Litter Research », in M/ Bergmann, L. Gutow, M. Klages (Eds.), Marine Anthropogenic Litter, Berlin Springer

“
Production of plastic is set to grow more than five-fold by 2050.
”

Responding to plastics pollution

Workshop participants were asked to consider how companies in the various parts of the value chain might respond to issues around plastics pollution. Three consistent themes emerged:

- A whole value-chain approach – companies throughout the value chain need to understand the composition, use and recyclability of the plastics they produce or consume, and work with their suppliers, customers and recyclers.
- The need to educate customers – companies need to ensure their customers, including packaging firms, FMCG companies, retailers and the end-consumer, understand why certain plastics are used, the cost and sustainability trade-offs involved, and how to reuse or recycle them.
- The need to lobby government and regulators based on the facts – companies in the plastics value chain have a responsibility to help guide emerging policy, to ensure that regulations are evidence-based, effective and do not lead to unintended consequences.

Investors collaborate

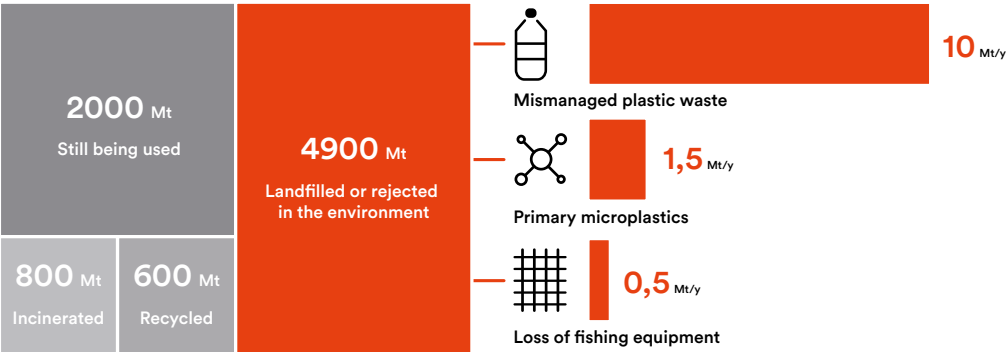
Investors, too, see a need to respond to the issue, and a group of 29 of them, managing around \$6 trillion in assets, have joined the plastics investor working group convened by the Principles for Responsible Investment (PRI). The working group is described by its Manager at the PRI, Gemma James, as “a space for investors to learn, and to explore difficult questions around plastics”. Its initial work is focused on understanding the plastics landscape and drawing up resources to help investors engage with investee companies on the topic.

The investment opportunity

This type of engagement is, typically, focused on managing risk from emerging ESG issues. But workshop participants were also asked to suggest what investment opportunities might be presented by efforts to tackle the plastic problem. Some suggested specific investment ideas, such as companies offering packaging-as-a-service, that could ensure the circular reuse of plastic containers.



Figure 2
How plastics are disposed leading to 3 main sources of plastics pollution²



Others proposed broader themes, such as initiatives to incentivise consumers to return plastics (whether used in packaging or the products themselves) in exchange for discounts. Some participants suggested looking for specific characteristics in investee companies, such as an openness to a discussion around plastics and other ESG issues. One noted that, despite current concern around plastics, the sector as a whole remains attractive, given forecast growth rates and the case that can be made for its positive environmental impact.

Nonetheless, the workshop heard that business as usual is clearly not an option. The combined effects of a growing global population and the growth of consumerism as poorer parts of the world develop will place ever greater strains

on the planet’s resources. The adoption of circular economy principles – where waste streams are transformed into inputs – will be essential both to reduce the volume of plastics that end up polluting the natural environment, and to meet spiralling demand for the raw materials from which plastics are made.

In his concluding comments, moderator Mike Tyrrell, Editor of SRI-Connect, summed up the debate around plastics as “alive ... The investment debate around plastics and sustainability is alive ... And this sustainability issue belongs right at the heart of the investment debate.”.

“The adoption of circular economy principles will be essential to reduce the volume of plastics pollution and to meet spiralling demand for raw materials.”

² Sources: Roland Geyer, Jenna R. Jambeck and Kara Lavender, Law in Science Advances

PAI Community

We established our foundation, PAI Community, in 2012. Its aim is to invest in and support projects that will leave a lasting legacy by creating employment and economic activity, and to promote social inclusion for people at the fringes of society.



The people we are able to help may be suffering from extreme poverty, social exclusion, mental illness, or may just be from tough neighbourhoods. The common feature is, they are out of work. We provide funds for associations that offer guidance and a framework to help people along the path towards a job. It's hard work for these associations, but it's life-changing for the people they help.

Providing time as well as money

This philanthropic initiative is based on the power of work. Employment and social entrepreneurship lead to social inclusion (also known as insertion in French), and reintegration into society. PAI Community contributes more than money though. Our team gets involved through pro bono work, which we encourage, taking time from their working week to help projects with advice and encouragement in areas such as budgeting and reporting, and improved fundraising.

How are we doing?

Our team of around 20 people do an amazing job through PAI Community, by selecting, monitoring and supporting pro bono each of the associations we back. Since inception, we've invested more than €3 million in 25 projects across five countries. We're proud to report that each year we help hundreds of people get a permanent job thanks to the projects we've backed.

What does the future hold?

Now, we're looking to involve more and more people within PAI, in all the countries where we operate - the common goal brings our diverse teams together.

We also aim to make the most of our investment portfolio, which is a unique asset. It has excellent companies with ambitious ESG goals. We can work with them to set up joint social ventures, helping them accelerate their ESG strategies.

We're also looking to involve our investors. As far as the longer term goes, this is one investment we will never exit.

Here are some examples of projects we support:

Adie - micro-financing to help young people develop their own entrepreneurial projects.

APCDS - offers gardening and house-keeping from a kiosk manned by people who are excluded from the job market.

Arès - helping the long-term unemployed back into work through its own companies.

Aurore - an organic farm that provides professional rehabilitation through growing and selling vegetables, plus garden and park maintenance.

Beam - world's first online platform to crowdfund employment training for disadvantaged people.

BGE - a nationwide network that helps entrepreneurs create and develop activities that promote responsibility for those involved.

Clubhouse - a 350m² space open daily to people with mental health issues, offering the chance to get involved in social and professional environments.

Emmaüs Connect - develops initiatives that transform telecommunication tools into an opportunity to accelerate social inclusion.

Emmaüs Défi - promotes the social reintegration of homeless people by giving them access to jobs appropriate to their situation.

Fleurs de Cocagne - an organic horticultural farm selling flowers, employing primarily women in need of social and professional integration.

Fundacion Konecta - provides professional and social reintegration for disabled people and people at risk of social exclusion in Madrid.

Lazare - renovates and rents accommodation where homeless people and young adults can live together.

PerMicroLab Onlus - promotes microcredit in Italy, supporting access to financing for socially disadvantaged groups.

SNC - provides jobseekers with advice and guidance.

Studienkompass - student support programme which offers young people intensive study and career orientation help.

“
Our team gets involved through pro bono work, which we encourage, taking time from their working week to help projects.
”

In 2019, PAI launched 'Drawings for the Community', a fundraising initiative in which emerging artists were commissioned to produce bespoke drawings inspired by the missions of our foundation, PAI Community.

For this first edition of Drawings for the Community, all the money raised went directly to support Studienkompass, a German charity making young adults from non-academic backgrounds aware of their educational opportunities. In line with the charity's purpose, the selected artists were asked to take inspiration from the following quote by American writer Sydney Harris:

"The whole purpose of education is to turn mirrors into windows".

One of the drawings, from British artist Liam Cobb, was selected by PAI employees to be printed in larger scale using a traditional lithographic technique. It was then exhibited, along with the other artworks, at the French Embassy in Berlin in February 2019 and at our AGM in June 2019.



Founded in 2008, Studienkompass is the largest private student support programme in Germany. It helps young students from non-academic backgrounds reach their full potential. Led by the Foundation of German Business under the auspices of the Federal Minister of Education and Research Anja Karliczek, the programme has over 1,300 current participants and more than 2,400 alumni .



About PAI



€20bn+

Capital raised to date

€13bn+

Assets under management

7th

Generation buyout fund

69,000

Portfolio company employees

80+

Experienced professionals

220+

Investors

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 buyouts, 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
- Experience 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 proactive approach to investment opportunities across Europe and beyond.

We harness our deep industry connections to take an ambitious and truly transformative approach in every aspect of our investments including consolidation, market position, growth, product and service development. This gives 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 over 80 experienced professionals, including a 16-strong Partner group with an average tenure of 16 years with the firm.

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

- €11.5 billion invested in 71 buyout transactions in Europe since 1994
- 52 of 71 investments fully or partially realised
- €18.7 billion of proceeds returned
- 2.4x multiple of costs (MoC)
- 27.8% gross IRR generated on realised investments
- 38% of PAI's realised buyout investments have generated more than 3x MoC and 85% 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 give 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.

Connecting

Partnering

Transforming

Connected intelligence

We are one of the oldest and most experienced private equity firms in Europe. Our team of over 80 highly experienced investment professionals works out of offices in Paris, London, Luxembourg, Madrid, Milan, Munich, Stockholm, and 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:

- **Sector Teams:** looking for opportunities and analysis
- **Country Teams:** providing 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 Sector 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 and beyond.

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

There are 45,000 businesses 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, divided by language, culture and political boundaries.

There is also a high proportion of family-owned businesses and often a single firm may dominate a sub-sector 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 establishing connections with families and companies that give us access to acquisition targets and the ability to forge strategic partnerships. These relationships are often developed over many years, but they allow us to move quickly when we see the right opportunities.

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

With B&B Hotels, we used our sector experience and local expertise to accelerate the international expansion of the business, while leveraging a disruptive business model focused on disintermediation and entrepreneurship.

In three years, the business grew from a strong local player to an integrated pan-European hotel platform: six new countries (including Brazil), 140 hotel openings, add-ons in Spain and Germany, and a strengthened management team.

The exceptional performance of B&B as the fastest growing hotel chain in Europe sparked strong interest from potential buyers, leading to the sale of the business to Goldman Sachs in July 2019.

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

Portfolio overview

Albéa Areas AS Adventure Asmodee Atos Medical ELITech Group Ethypharm Euro Media Group Froneri Labeyrie Fine Foods M Group Services Marcolin Perstorp Refresco Roompot StellaGroup Tendam VPS World Freight Company Wessanen

Albéa



Headquarters
France





Sector
General Industrials



Fund
PAI Europe VI

€1.6bn transaction value

100% ownership

Albéa is a leading global packaging company producing a wide range of solutions for make-up, fragrance, skincare, personal and oral care markets.

News

2019
Acquisition of two companies for the Beauty Solutions division in North America and Europe. Investment in Erpro, a 3D printing JV with Chanel.



Areas



Headquarters
Spain





Sector
Business Services



Fund
PAI Europe VII

€1.5bn transaction value

100% ownership

Areas is a global leader in the travel food and beverage concession market.

News

2019
Closing of acquisition by PAI Partners.



AS Adventure



Headquarters
Belgium





Sector
Retail & Distribution



Fund
PAI Europe VI

€393m transaction value

100% ownership

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

News

2019
Received 'Top Employer Belgium' certificate for the second year in a row.



Asmodee




Headquarters
France





Sector
Food & Consumer



Fund
PAI Europe VII

€1.2bn transaction value

100% ownership

Asmodee is a leading global board, card and role-playing game publisher and distributor.

News


2018/2019
Since PAI investment, completed seven acquisitions across Asia, Europe, North America and Latin America.



Atos Medical




Headquarters
Sweden



VI

Fund
PAI Europe VI



Sector
Healthcare

SEK 7.7bn transaction value100% ownership

Atos Medical is the world leading provider of laryngectomy products.

News

2019
Appointment of Britt Meelby Jensen as new CEO and Egil Mølsted Madsen as new CFO.



ELITechGroup



Headquarters
Italy



VI

Fund
PAI Europe VI



Sector
Healthcare

€355m transaction value100% ownership

ELITechGroup is a global leader in specific niches of the in-vitro diagnostics market.

News

June 2019
ELITech Group listed as one of the most important Italian companies in the IVD & Medical Device sector, by the newspaper Il Sole 24 ORE.



Ethypharm



Headquarters
France



VI

Fund
PAI Europe VI



Sector
Healthcare

€725m transaction value100% ownership


Ethypharm is a specialty pharmaceutical company active in the central nervous system and critical care areas with leading positions in pain and addiction treatments.

News


April 2019
Acquisition of the Pharmy II laboratory, which specialises in the treatment of pain.



Euro Media Group




Headquarters
France



VI

Fund
PAI Europe VI



Sector
Business Services

€170m transaction value60% ownership

EMG is the leader in the European audiovisual technical services market.

News


2019
Acquisitions of Telegenic and Global Production, two major players in the European and, respectively, UK and Italian Outside broadcasting markets.




Froneri




Headquarters
United Kingdom





Sector
Food &
Consumer



Fund
PAI Europe V

€3bn transaction value

50% ownership

Froneri is a leading global ice cream player, and the result of a joint-venture between R&R ice cream owned by PAI Partners and the Ice Cream division of Nestlé.

News

2019
Acquisitions of ice-cream businesses Tip Top in New-Zealand and Noga in Israel.



Labeyrie Fine Foods



Headquarters
France





Sector
Food &
Consumer



Fund
PAI Europe VI

€567m transaction value

50% ownership

Labeyrie is a leading European gourmet food company.

News

2018
Labeyrie's JV Aqualande acquired Pizolla, generating c.€30m of sales. Labeyrie also acquired Alain Francois, generating c. €16 million of sales.



M Group Services



Headquarters
United Kingdom





Sector
Business Services



Fund
PAI Europe VI

£512m transaction value

100% ownership


M Group Services is one of the UK & Ireland's leading infrastructure services companies.

News


2019
Acquisitions of IWJS, Tomato Plant Company, Avonline Networks, Antagrade Electrical and KH Engineering Services.




Marcolin




Headquarters
Italy





Sector
Food &
Consumer



Fund
PAI Europe V

€282m transaction value

72% ownership


Marcolin is a world leader in the branded eyewear sector.

News


2019
Licensing agreements with Adidas and Max Mara (Sportmax). Renewal with Harley Davidson. Distribution agreement with Barton Perreira.




Perstorp




Headquarters
Sweden





Sector
General Industrials



Fund
Stensmolla

SEK 9.2bn transaction value

100% ownership


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

News


September 2018
Perstorp transferred from the PAI Europe IV fund to a new fund managed by PAI Partners.




Refresco




Headquarters
The Netherlands





Sector
Food & Consumer



Fund
PAI Europe VI

€3.4bn transaction value

100% ownership

Refresco is the world's largest independent bottler of beverages for retailers and A-brands.

News

February 2019
Acquisition of Cott's concentrate manufacturing business, which follows Refresco's acquisition of Cott's bottling business one year ago.



Roompot



Headquarters
The Netherlands





Sector
Food & Consumer



Fund
PAI Europe VI

€503m transaction value

100% ownership


Roompot is a leading owner, operator and developer of holiday parks in the Benelux and Germany.

News


2019
Roompot named most popular travel organization in The Netherlands by Zoover. Head office in The Netherlands moved from Kamperland to Goes.




StellaGroup




Headquarters
France





Sector
General Industrials



Fund
PAI Europe VII

€629m transaction value

70% ownership


Stella is a European leader in the sun protection and closure system market.

News


May 2019
Transformational acquisition of CRH's Shutters & Awnings platform positioning StellaGroup as a European leader.



Tendam



Headquarters
Spain





Sector
Retail & Distribution



Fund
PAI Europe VI

€1.1bn transaction value


50% ownership

News


2019
Further expansion into Mexico: launch of new Springfield shop, opening of first Fifty store and acquisition of five existing Springfield franchises.




VPS




Headquarters
United Kingdom





Sector
Business Services



Fund
PAI Europe VI

£161m transaction value

100% ownership

News

December 2018
Appointment of Gerry Loftus as non-executive Chairman.



Wessanen



Headquarters
The Netherlands





Sector
Food & Consumer



Fund
PAI Europe VII

€917m transaction value

61% ownership

News

September 2019
Closing of acquisition by PAI Partners.



World Freight Company



Headquarters
France





Sector
Business Services



Fund
PAI Europe VI

€630m transaction value

50% ownership

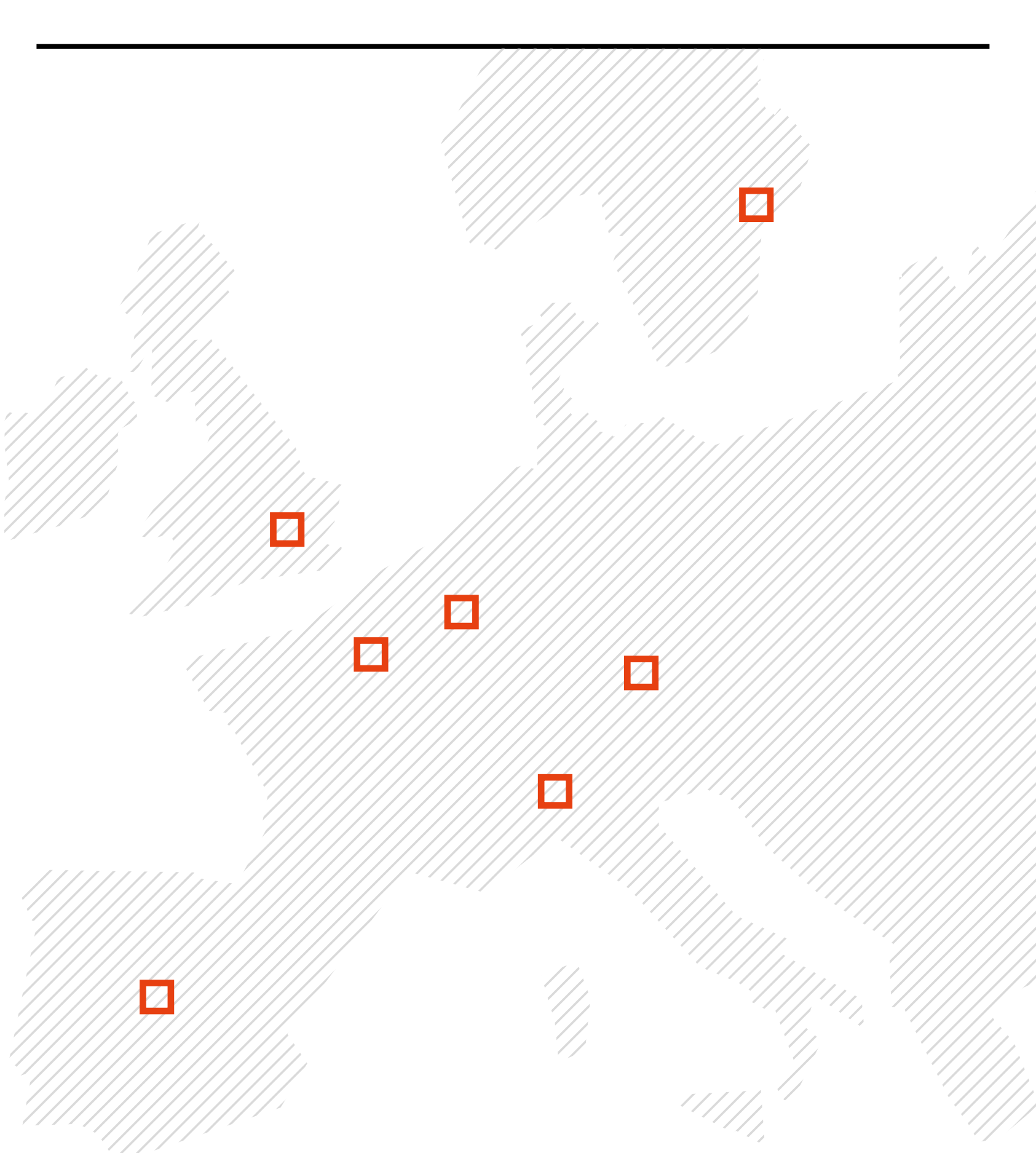
News

2018/2019
Since PAI investment, completed five acquisitions covering India, Central America, Western Europe, Latin America and China.





London	Luxembourg	Milan	Madrid
PAI Partners 12 St James's Square London, SW1Y 4LB United Kingdom	PAI Partners 43-45 Allée Scheffer L-2520 Luxembourg Luxembourg	PAI Partners Via Brera, 3 20121 Milan Italy	PAI Partners Velázquez, 41 28001 Madrid Spain
T +44 207 297 4660	T +352 26 26 97 71 78	T +39 02 85 45 151	T +34 91 590 22 50



Munich	New York	Paris	Stockholm
PAI Partners Lenbachplatz 5 80331 Munich Germany	PAI Partners 1325 Av. of the Americas New York, NY 10019 United States	PAI Partners 232 rue de Rivoli 75001 Paris France	PAI Partners Kungsträdgårdsgatan 12, 3 tr 111 47 Stockholm Sweden
T +49 89 5151 4650	T +1 212 887 1690	T +33 1 43 16 63 00	T +46 8 440 57 90

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Jérémie Croidieu
Virginie Ribault
Christopher Scholey

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