





# Pan-European mid-market Buyouts

Jonathan Russell




## High level of activity to 31 March 2005

- 17 investments\*
  - average equity ticket €38m, average EV €157m
- €1.2bn of proceeds in financial year
  - 17 full exits - €935m
    - > money multiple 2.1x
  - 8 re-capitalisations and partial disposals
    - > €328m in proceeds
- Eurofund III and IV performing well
- 11 new partners
- Significant deal flow

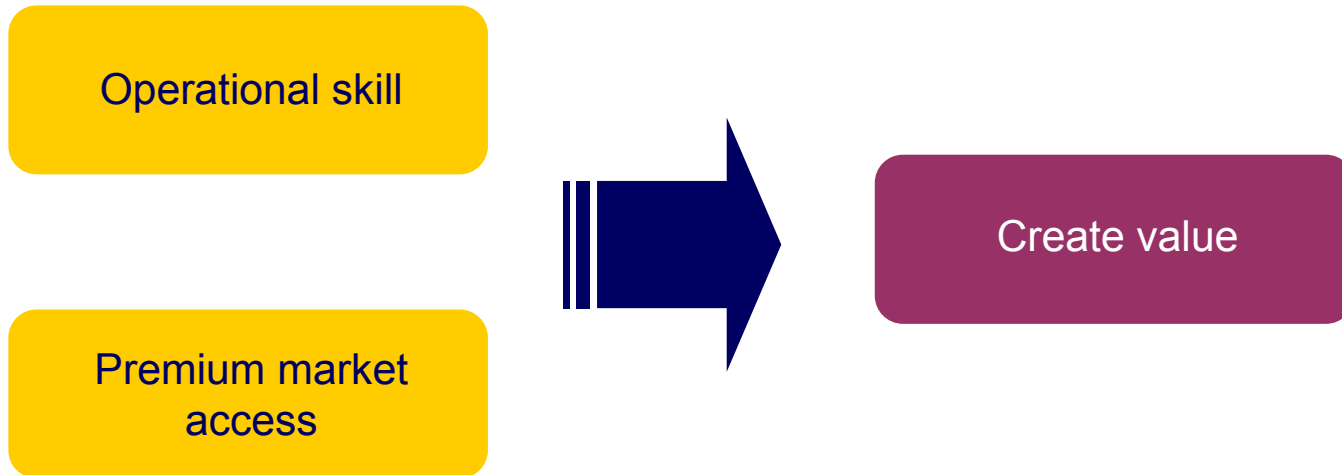


## Current environment in Europe

- Mid-market dynamics
  - Strong liquidity
  - Highly competitive
  - Over-leveraged
  - Secondary buyouts
- 
- Pan-European disciplines
  - Proprietary angles vital
  - Stay out of mainstream auctions
  - Cautious buyer, active seller
  - Create your own value



## 3i strategy – Value creation



$$\begin{array}{ccc} \text{Right people} & \text{EBIT growth} & \\ + & + & \\ \text{Unique opportunity} & \text{Exit options} & = \text{Value} \end{array}$$

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## Consistent strategy – EBIT growth

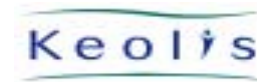
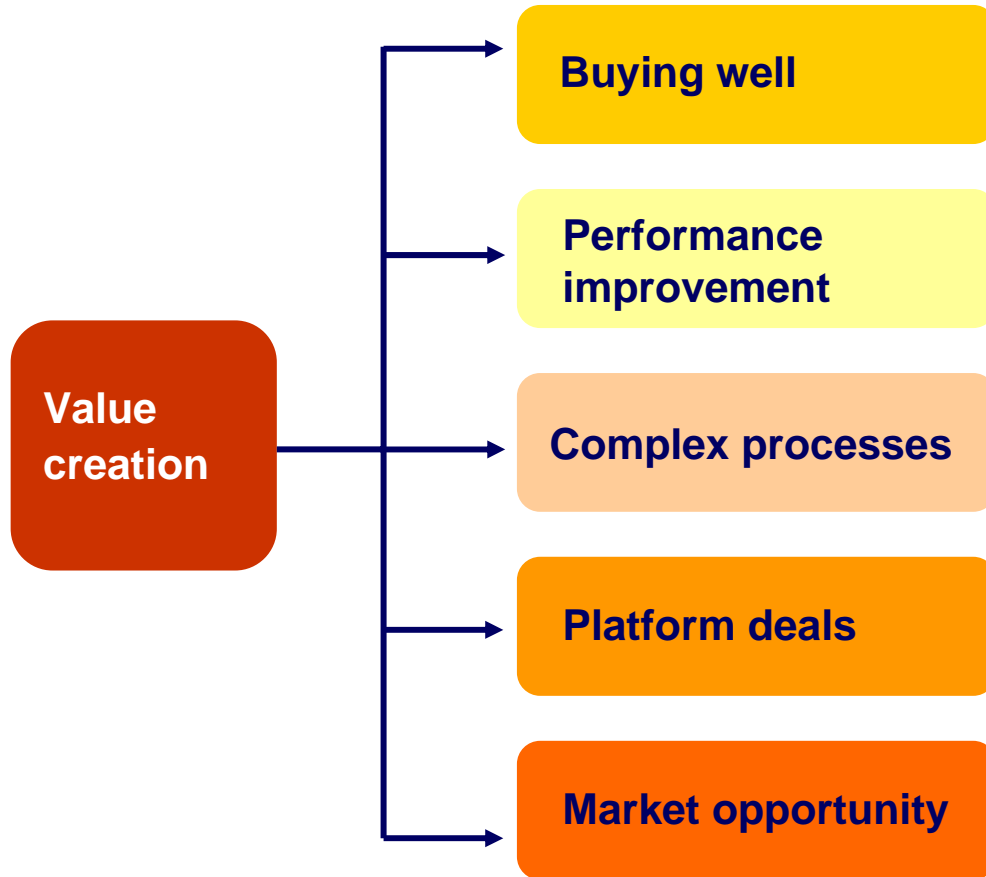
Our exceptional network, deep knowledge and relationships allow us to:

- Originate and select best opportunities across Europe
- Intimately understand the economic model
- Build value creation plan – STRESS test it

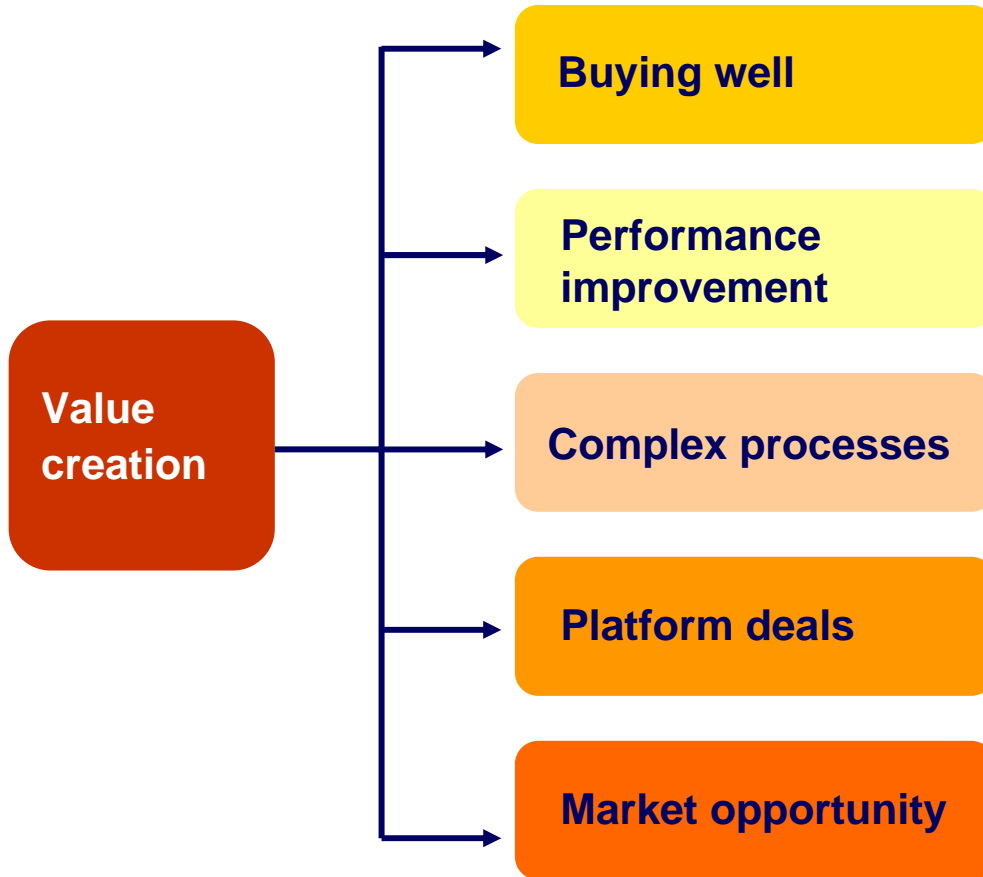


## Actively creating value

- EBIT growth bridge always a cornerstone to value creation plan
  - projects and management responsibilities
- Implement performance management systems
  - is the plan being delivered?
- Drive key change programmes
  - critical assessment of management competence – action if necessary!

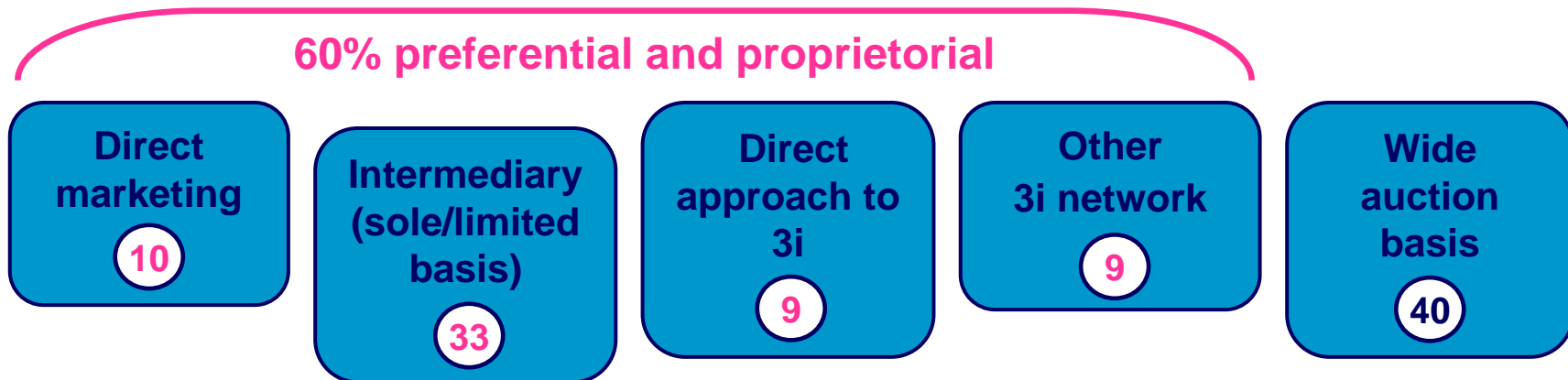








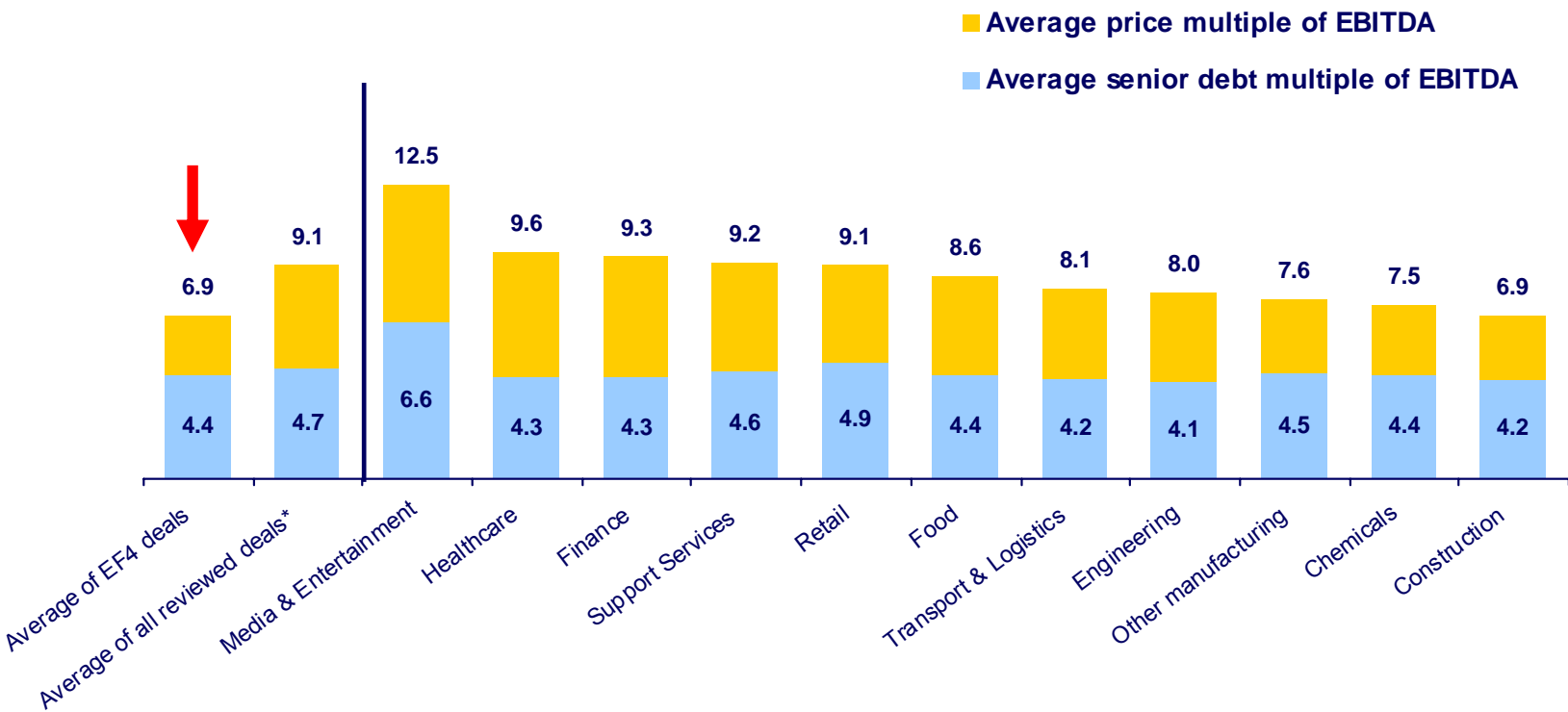
## Sources of deal flow\*



101 opportunities reviewed in-depth since January 2004



## Multiples for deals since January 2004



\* Average includes all 101 deals reviewed, however, sectors shown above are those in which 3i has reviewed > 1 deal in the period

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## 3i led buyouts 2001-2005\*

	Number	Cost €m	Value €m	IRR	Multiple
Realised and substantially realised	16	697	1,826	63%	2.6 x
Unrealised	24	732	1,132	21%	1.5 x
<b>Total</b>	40	1,429	2,958	42%	2.1 x
Recent (ie Eurofund IV)	27	1,018	1,140		
	67	2,447	4,098	39%	1.7x

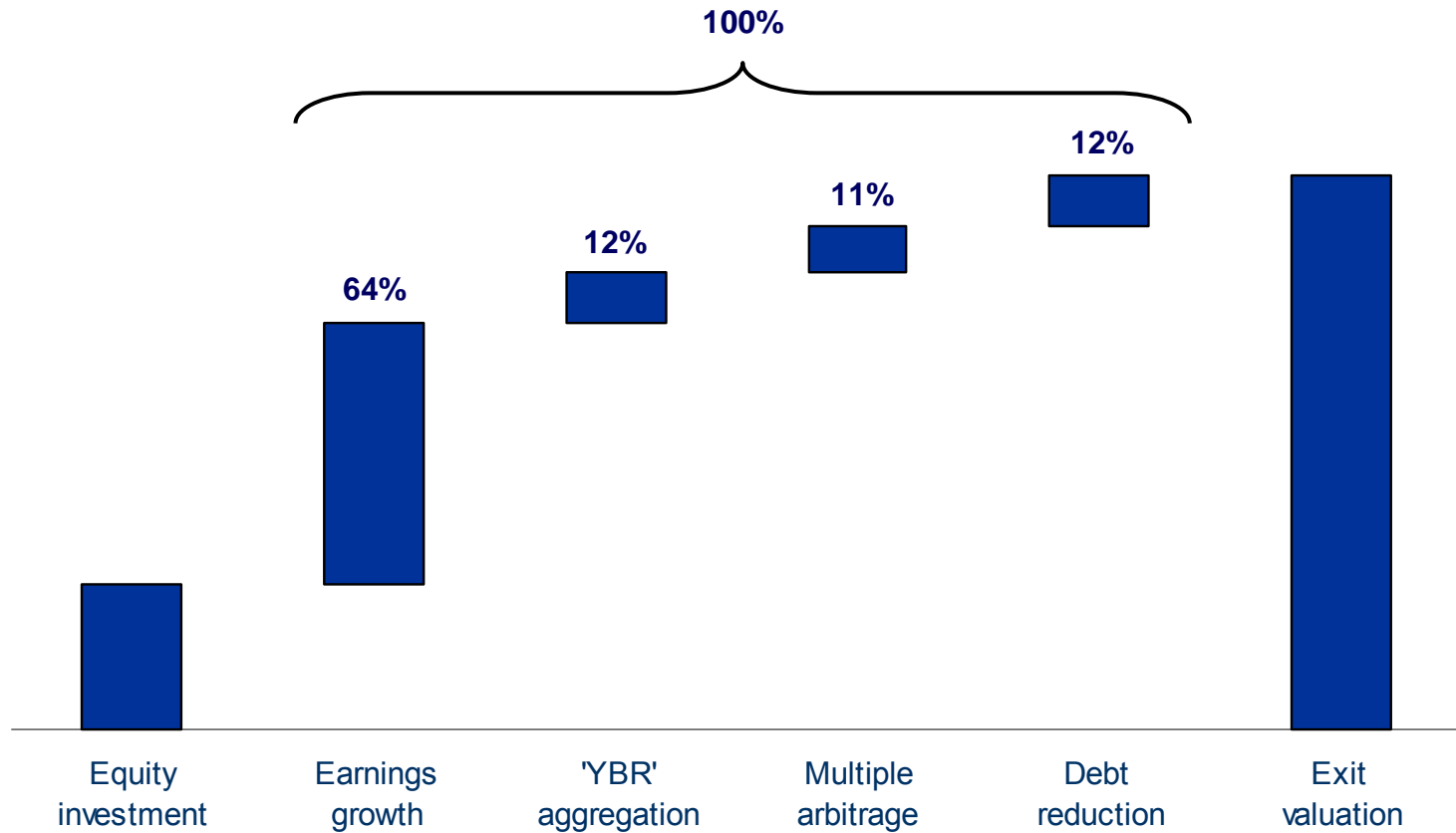
**64% realised IRR, 2.7x**

**Overall gross IRR 39%**

**Loss rate 2%**



## Sources of value creation – realised buyouts\*



\* Figures represent **total** equity for realised buyouts, ie they include management and syndicated equity



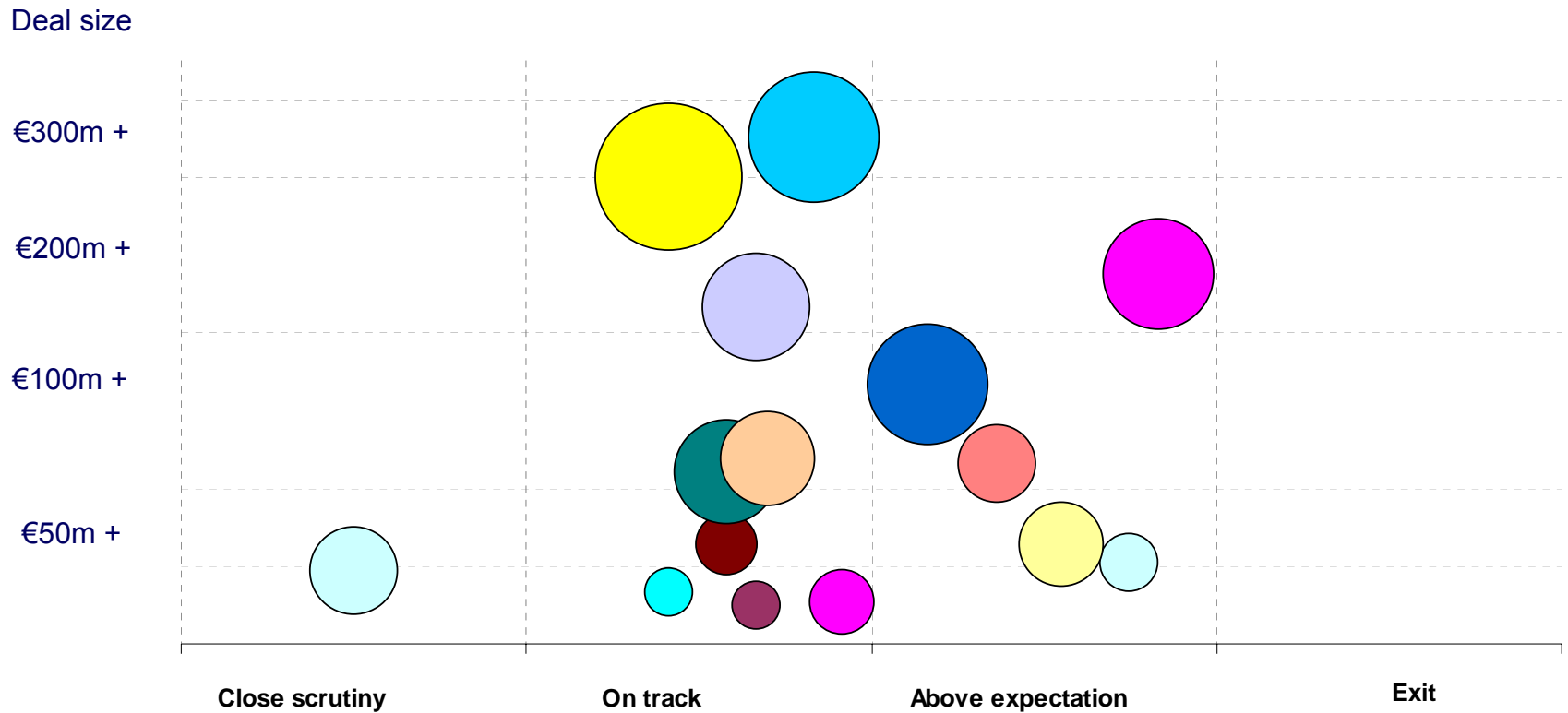
## Eurofund IV – as at 31 March 2005

- €3bn fund, pan-European mid-market buyouts
- First investment completed September 2003
- €1bn committed to 27 companies
  - Well-diversified by geography/sector/size
- Strong early metrics
  - Double digit earnings growth
  - 15% reduction in net debt
  - >€100m of book value uplift recognised
  - Significant unrecognised potential
  - Already through J-curve

- €3bn fund
- target 50-60 buyouts
- 2003-2006

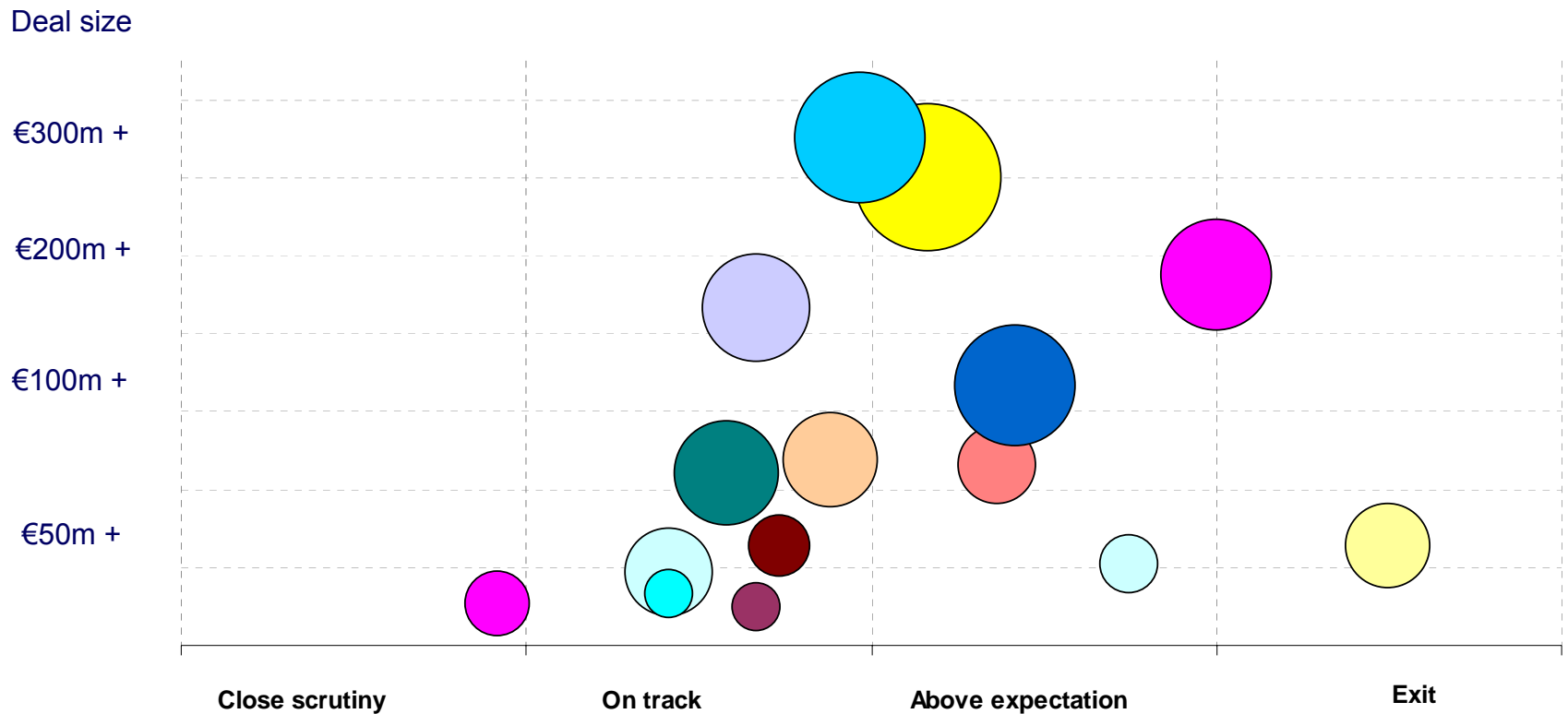


## Eurofund IV, portfolio assessment - December





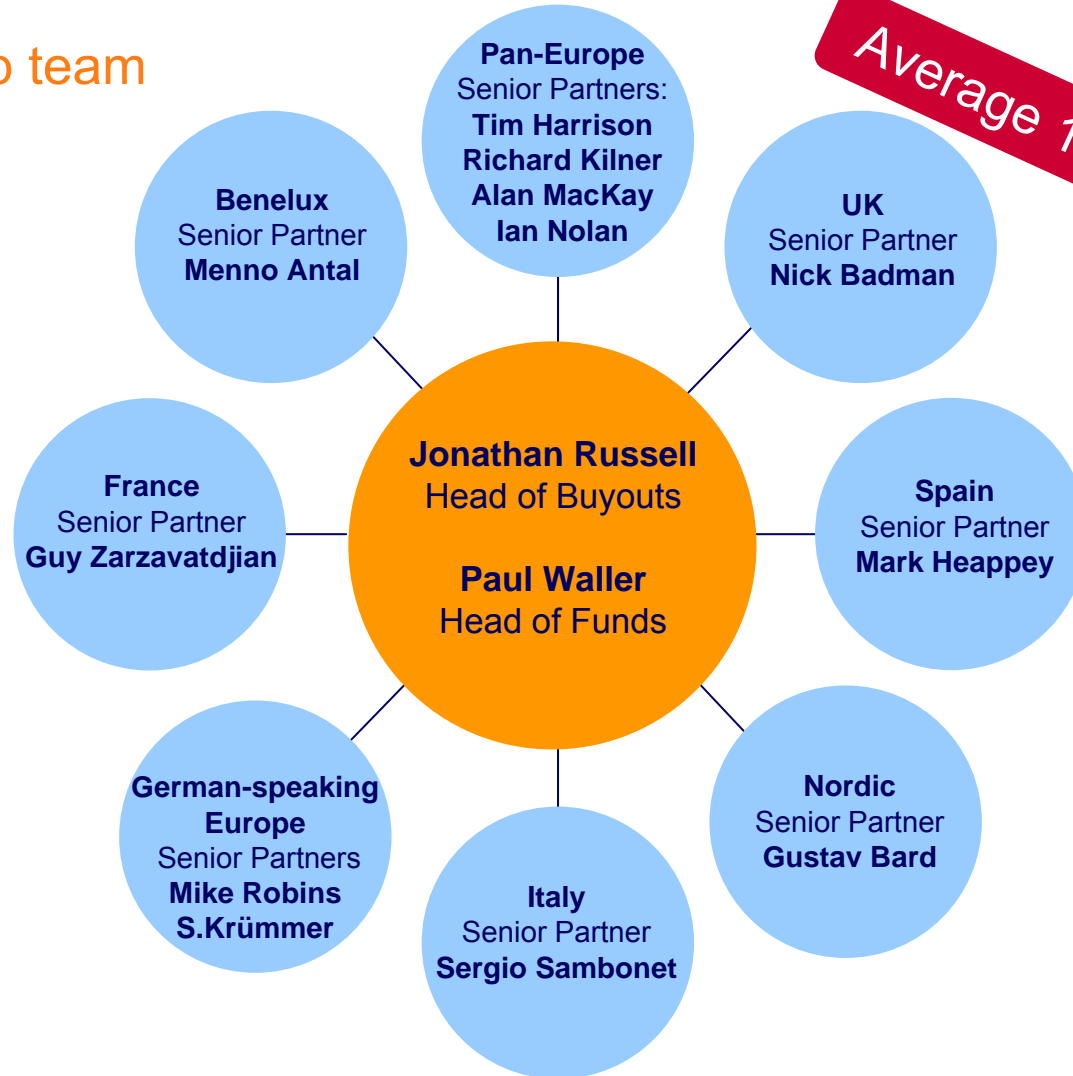
## Eurofund IV, portfolio assessment - now







## Leadership team



Average 14 years at 3i



## Building the team

- Benelux Robert van Goethem (formerly Partner, Permira)
- Germany Stephan Krümmer (formerly Head of Germany, NM Rothschild)  
Frederick Roth (formerly Director, Permira)  
Hayo Knoch (formerly M&A, DKW Corporate Finance)  
Victor Garrabou von Trotha (formerly Citigroup)
- Nordic Pär Pettersson (formerly M&A, UBS)
- Pan-European Jenny Dunstan (formerly MD, Terra Firma)  
Andrew Golding (formerly MD, Bank of America)  
Erin Harrell (formerly Investor Relations, Industri Kapital)
- UK Alan Giddins (formerly Head of Transport & Logistics, Société Générale)
- France Domnin de Kerdaniel (formerly KKR, London)



## Objectives and priorities for next 12 months

- 15-20 investments
- Deal flow strong
- 20-30 exits
- Recapitalisations and partial disposals
- Targeting over €1bn in proceeds
  - target aggregate multiple of > 2.0x across all exits
- Continue to strengthen our team
- Building up sector credentials



## 3i's strategy is delivering

- Premium dealflow
- Exceptional value creation
- Careful, selective buyers
- Aggressive sellers
- 64% realised return
- Strong portfolio performance
  - profit growth/debt reduction
  - Re-caps
  - 2% loss rate





# Healthcare

Gustav Bard – MD Nordic

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## Leveraging the sector

- Establishing winning positions – strong sector credibility
- Well informed investment analysis
- Proactive asset selection
- Creating potential for unique plays
- Balance the portfolio – extend into Europe

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## Why is it attractive?

- Demand and supply
- Pressure on public healthcare systems – financial and societal
- Innovation – new delivery models
- Deep 3i knowledge and experience
- Historical success – consistently attractive returns, 30% IRR



Carema



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## What we are buying

- €203m EV buyout, with €70m equity investment
- Acquired at 10x run rate EBITDA
- Market leader in primary care and elderly care in Sweden



## Why are we buying it?

- Best brand and the highest quality operator in the local industry
- Very solid earnings base and cash flows
- Substantial growth opportunity
  - Sweden
  - Nordic
- Further margin expansion potential
- One of few strategic platform assets in the Nordic region

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## Exit opportunity

- Recognising forthcoming M&A activity
  - within and outside the Nordic region
- IPO option



# Outsourcing

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## Outsourcing strategy

- High growth sector
- 3i has a successful track record
- Significant experience in UK
- Less penetrated continental European market creates significant opportunity
- Focus on building a portfolio of outsourcing businesses
- Facilities management is one the most interesting sub-sectors



# Coor Service Management





## What we bought

- A unique company with market leading position in Sweden
- Great growth prospects
- An excellent management team
- Forecast EBITA 2005 is 15% above budget and original plan

- €135m deal with €60m invested in December 2004
- Bought in proprietary process





## The Coor 'Team'

### CEO and management team

#### Chairman

Per-Arne Sandström

#### NXDs

Bernt Magnusson

Lars Gårdö

Lars Wilsby

Gustav Bard

Fredrik Karlsson

Mats Jönsson



#### 3i executives

Gustav Bard

Fredrik Karlsson

Richard Kilner

#### 3i FM portfolio companies

#### 3i corporate contacts





## How we are going about it – some examples

- Renegotiation of key customer contracts
  - CEO and Chairman successfully joined forces
- Expansion into Finland and the other Nordic markets
  - 3i local network accelerating Coor's ability to grow outside Sweden
- Creation of new leads
  - High level inroads to potential customers through Board, Chairman
  - 3i team helps Coor win new contracts
- Board acquisition opportunities evaluation committee
  - Utilisation of the 3i sector expertise and acquisition execution knowledge





# Media

Crevan O'Grady – Head of Media





## Media strategy

- Represents ~5% of European private equity investment (2001-)
- Anticipated growth as PE moves into additional media sub-sectors
- Wide and shallow sector with low activity levels locally in a wide variety of sub-sectors
- Mix of local content and global trends (technology change, advertising cycle, consumer behaviours) suit the 3i's pan-European model well
- 3i has a track record of profitable deals and has been consistently overweight in the sector
- Strategy to expand into BIS and entertainment and to grow the geographic footprint



# Sparrowhawk Media

(formerly Crown Media)







## What we bought – Hallmark Channel

- Pay-TV Channel in 116 countries with 60m subscribers
  - targets principally female audience with family-oriented programming
  - UK and Europe well-developed
  - LatAm and Asia Pacific still in start-up phase
- Library
  - 600 titles used in-house and sold to third parties

- Deal sourced through existing relationships
- Invested €51m
- Paid \$242m





## Why we bought it

- Pay-TV penetration is growing globally, winning an increasing share of advertising revenues
- Value creation opportunities through
  - clear operational improvements leveraging group resources
  - continuing the development of the international network (many of the newer territories are still loss making)
  - expanding the offering in more established territories (UK, Central Europe)
- Hallmark is a stable platform to use to buy other assets
  - we have a first class team in place to back acquisition



# Yellow Brick Road







## Summary

Record profit:

3i sells YBR Group for €1.8bn and generates  
4.2x money multiple, 110% IRR and c€600m proceeds

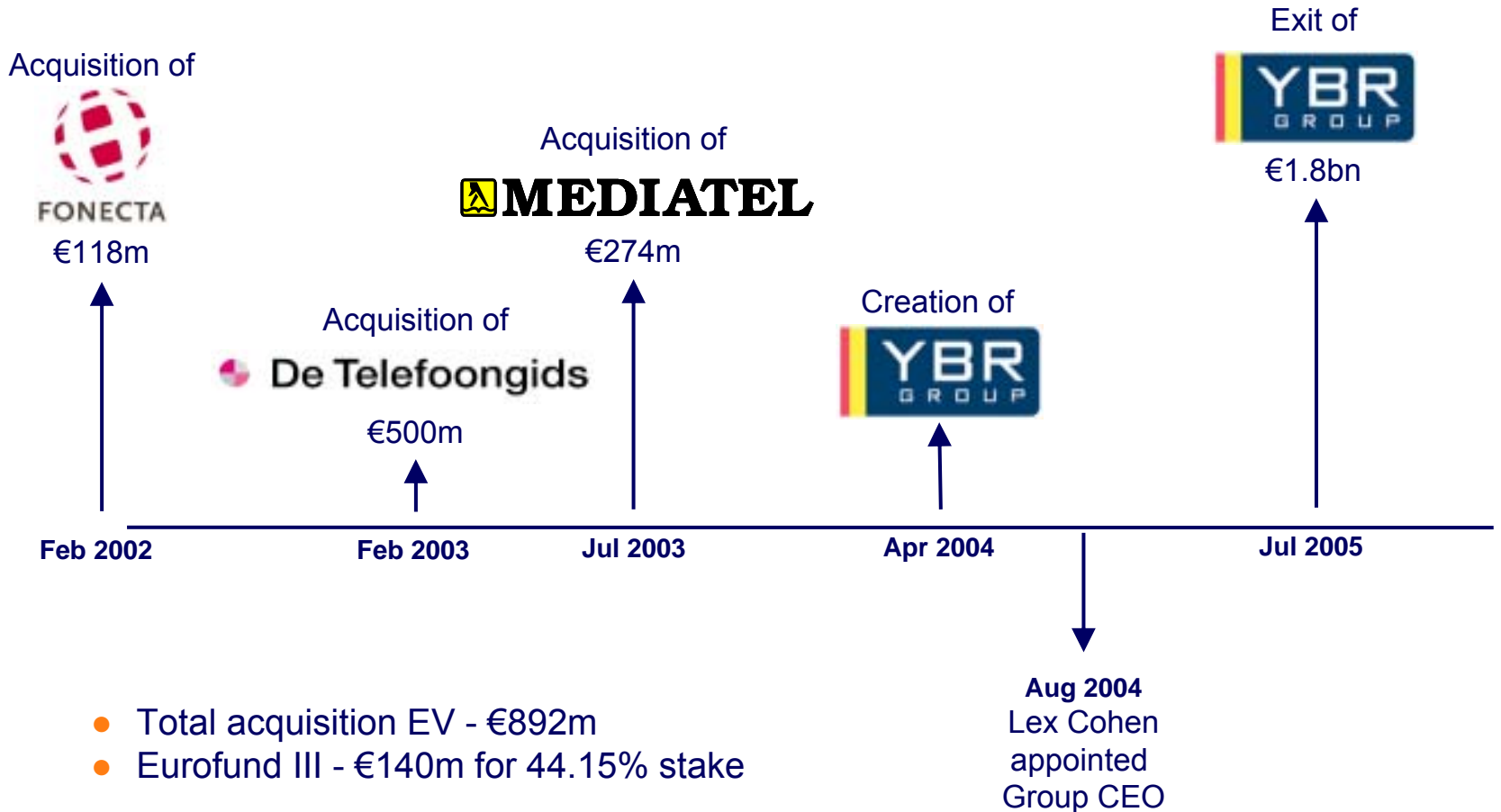
3i has sold its stake in European telephone directories business  
Yellow Brick Road (YBR) to a consortium led by Australia's  
Macquarie Capital Alliance

- Bought 3 businesses well using a combination of local angles and sector expertise
- Conceived and drove the merger of the three, creating value through scale and accelerating return through refinancing
- Put in place a first class management team capable of running the business as a group





## Timeline

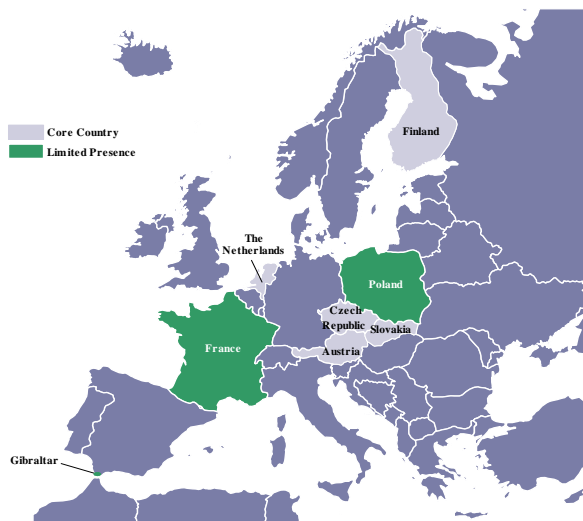


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## 22 September 2005



## Business description

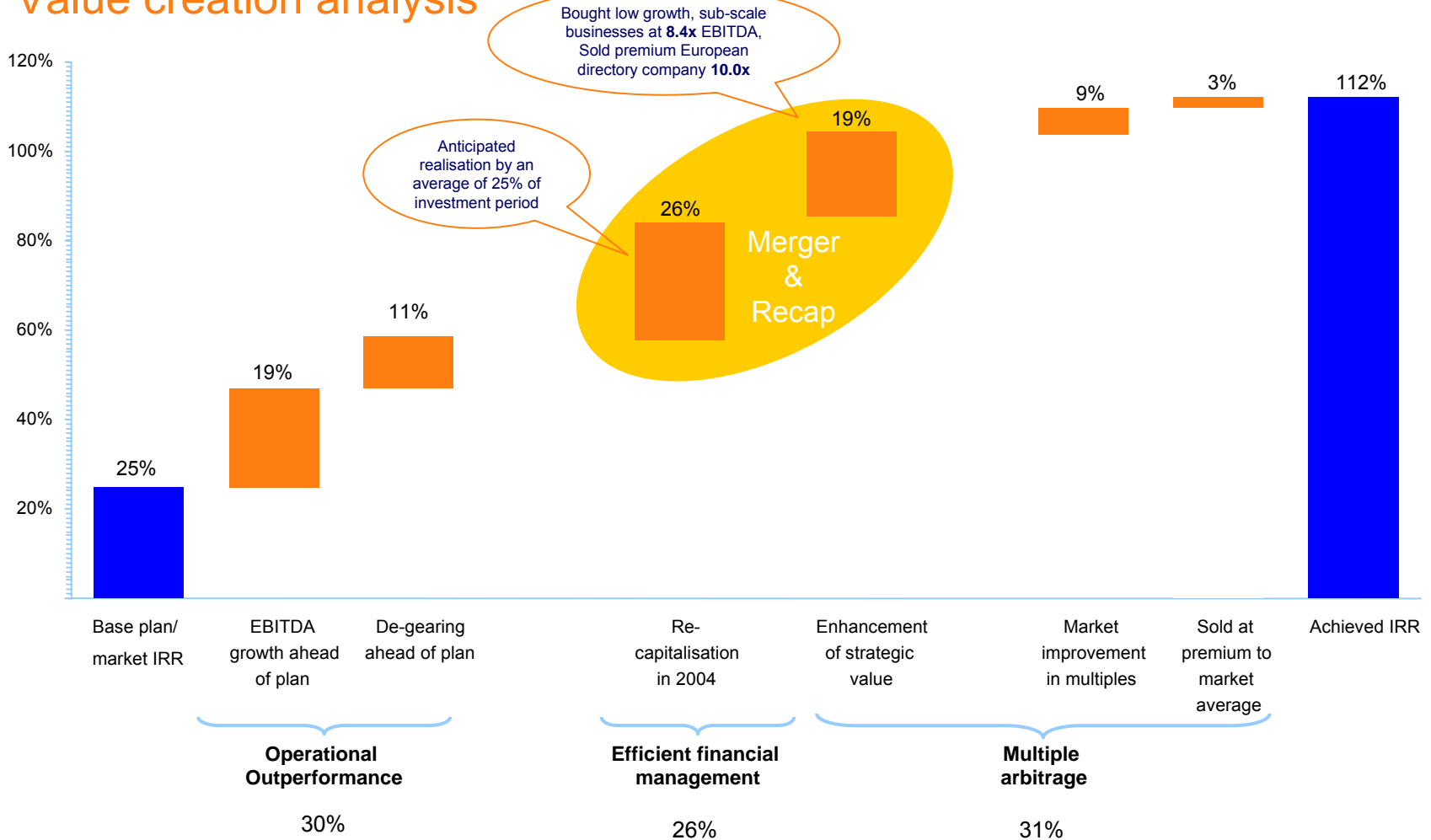


Combined Group Performance (2004)	
Revenues:	€379.9m
EBITDA:	€148.6m
Print Editions	
Netherlands	48
Finland	29
Austria	100
Czech Republic	33
Slovakia	30
Print Directories Market Share	
Netherlands	48%
Finland	35%
Austria	80%
Czech Republic	98%
Slovakia	83%
Total Circulation (m)	
Netherlands	8.0
Finland	1.6
Austria	6.3
Czech Republic	3.7
Slovakia	1.7

Get the information.



## Value creation analysis





# Refresco

Menno Antal – MD Benelux





## Refresco is leader



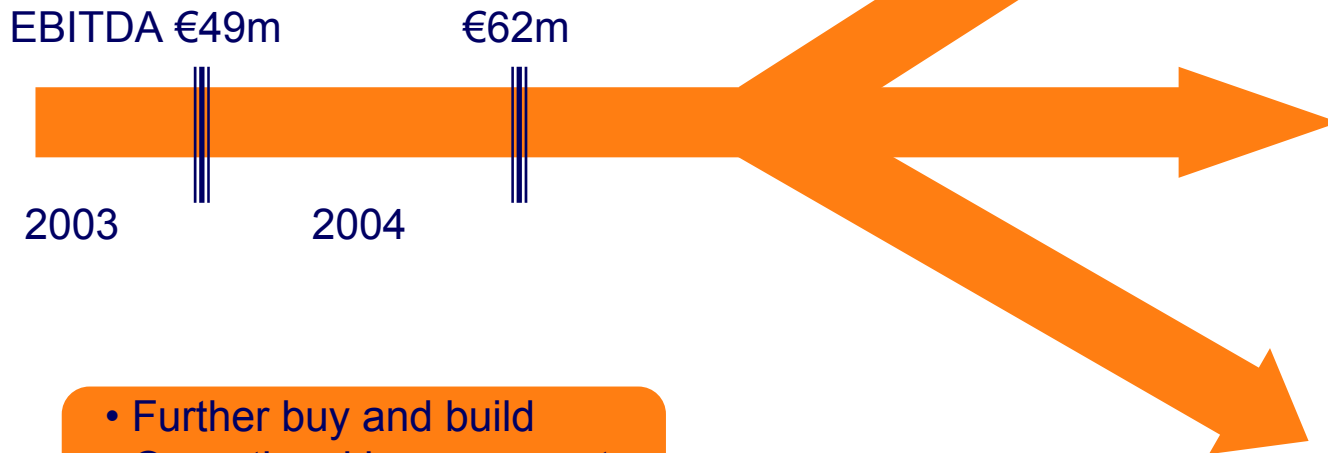
2004

Total sales €475m  
Total EBIT €62.8m

Netherlands 18%  
Germany 42%  
France 14%  
Spain 15%  
Other 11%



## Promising and exciting journey



- Further buy and build
- Operational improvements
- Strengthen management

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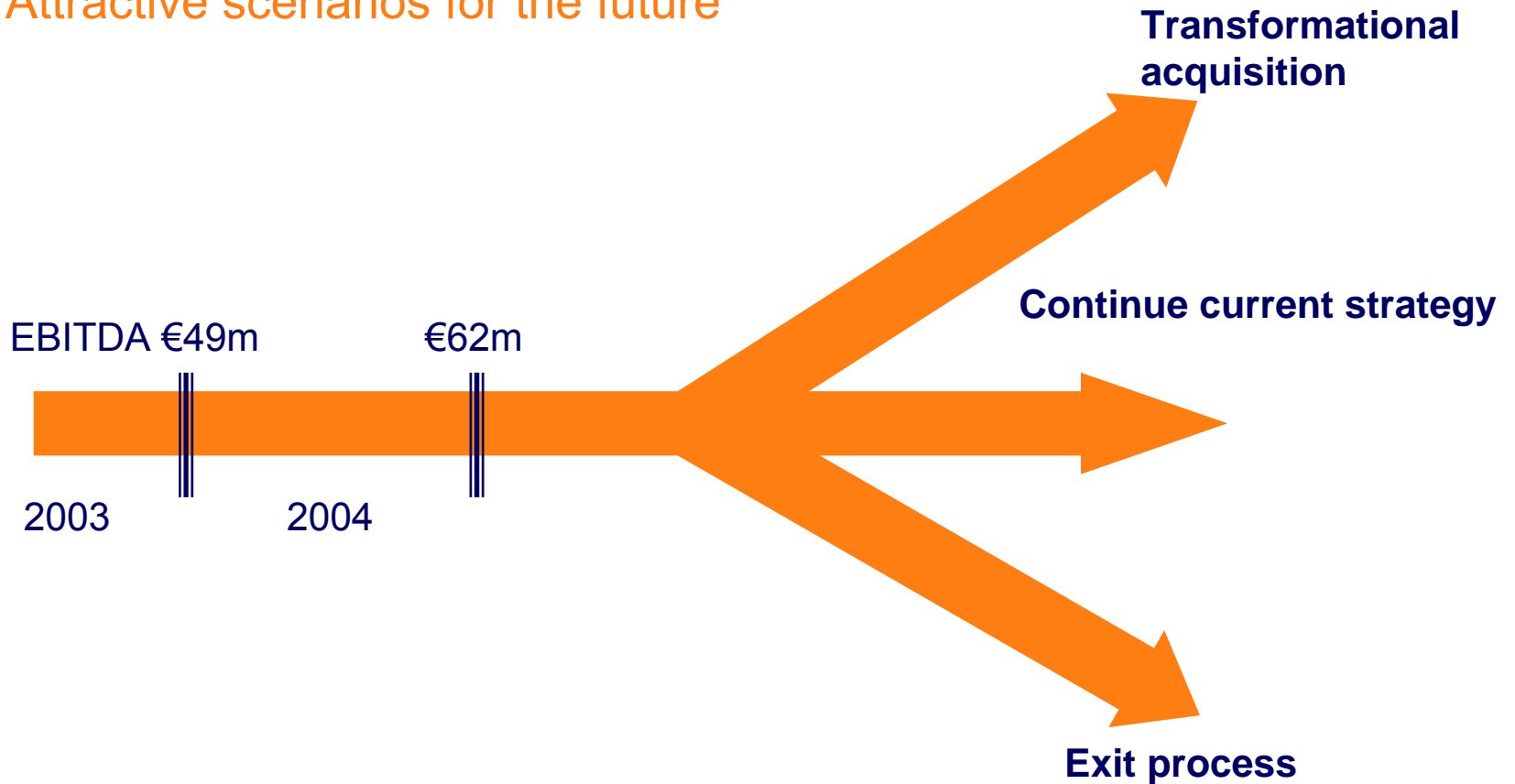
## Market trends

- Juice and still drinks are growing, whilst carbonated declines
- Private label growing market share
- Consolidation of suppliers and retailers





## Attractive scenarios for the future





# Closing remarks

Jonathan Russell



## Exits



Cash multiple 4.1x



Cash multiple 3.1x



Cash multiple 10.5x



Cash multiple 1.4x



Cash multiple 1.7x



Cash multiple 4.8x



Cash multiple 1.9x



Cash multiple 1.4x



Cash multiple 1.8x

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Some great new investments



carema

