



# 3i Group Private Equity Capital Markets Seminar

18 September 2019



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**ROYAL SANDERS**  
PERSONAL CARE PRODUCTS

# Today's seminar



**2018**

Private label and contract manufacturing  
producer of personal care products

Residual cost: £135m

Valuation: £147m



**2018**

Global travel and loyalty company that connects  
leading brands, travel suppliers and end  
consumers

Residual cost: £129m

Valuation: £155m



**2017**

Value-for-money optical retailer

Residual cost: £250m

Valuation: £306m (at 30 June 2019)

# Today's presenters



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**Pieter de Jong**  
**Co-Head, Private Equity**

Joined 3i in 2004 and has been Managing Director of 3i Benelux since 2011, and Co-Head of Private Equity and a member of the Executive Committee since 2019. He is based in Amsterdam.



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**Andrew Olinick**  
**Partner, Managing Director  
North America**

Joined 3i in 2007 and is Co-Head of 3i's North America Private Equity team and the Global Head of Business & Technology Services. He is based in New York.



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**Boris Kawohl**  
**Partner, Global head of Consumer**

Joined 3i in 2005. He is the Global Head of Consumer and is based in Amsterdam.



# Royal Sanders

Pieter de Jong

Co-head, Private Equity



- Amsterdam office since 1998
- Invested €1.9bn of equity in 20 deals in the Benelux
- 11 investment professionals

## Current portfolio

Urban Danish Design since 1952

TRUSTED POWER

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innovative packaging

## Previous investments

Meer dan bouwen



# Royal Sanders

Leading European producer of personal care products



## Company overview

- Private label and contract manufacturing
- Production facilities in the Netherlands, UK and Belgium producing c370m+ units and c3,500 SKUs each year
- Best-in-class operator
- Industry-leading margin profile

## Deal metrics

- Revenues of c€225m
- £135m 3i investment
- Announced February 2018



# Why we like “value” as an investment theme



## Why we like value

- Attractive offering to consumers
- Polarisation
- Increased price transparency
- Travels well internationally
- Clear differentiation
- Defensive in economic downturn

## Investment track record

**ACTION** **BASIC-FIT**

 **HANS ANDERS**

  
**Refreshco**

  
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**ROYAL SANDERS**  
PERSONAL CARE PRODUCTS

# Why we like private label personal care



## Why we like private label personal care

- Value theme
- Resilient end-market
- Low private label penetration
- Long-term relationships with winning retailers and brands
- Fragmented competitive landscape

## Attractive private label category for retailers to differentiate

### Typical personal care category

Premium



€3.40 /  
100ml

Mid-range



€0.65 /  
100ml

Budget



€0.10 /  
100ml

Delta:  
€3.30 / 34x

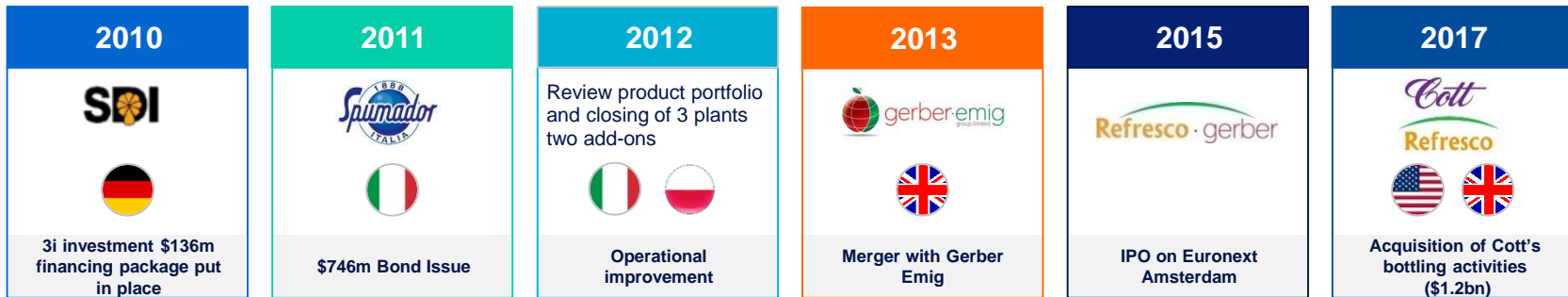


# Our private label track record

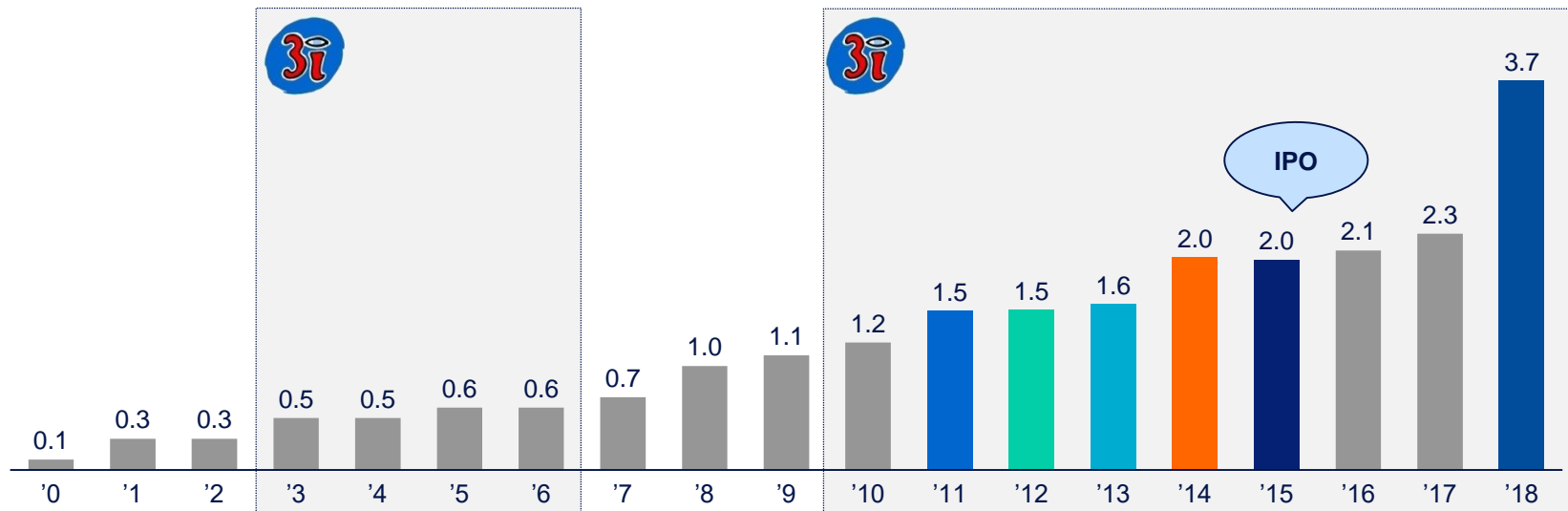
Refresco: created winning global platform through M&A in low-growth industry



## Refresco development



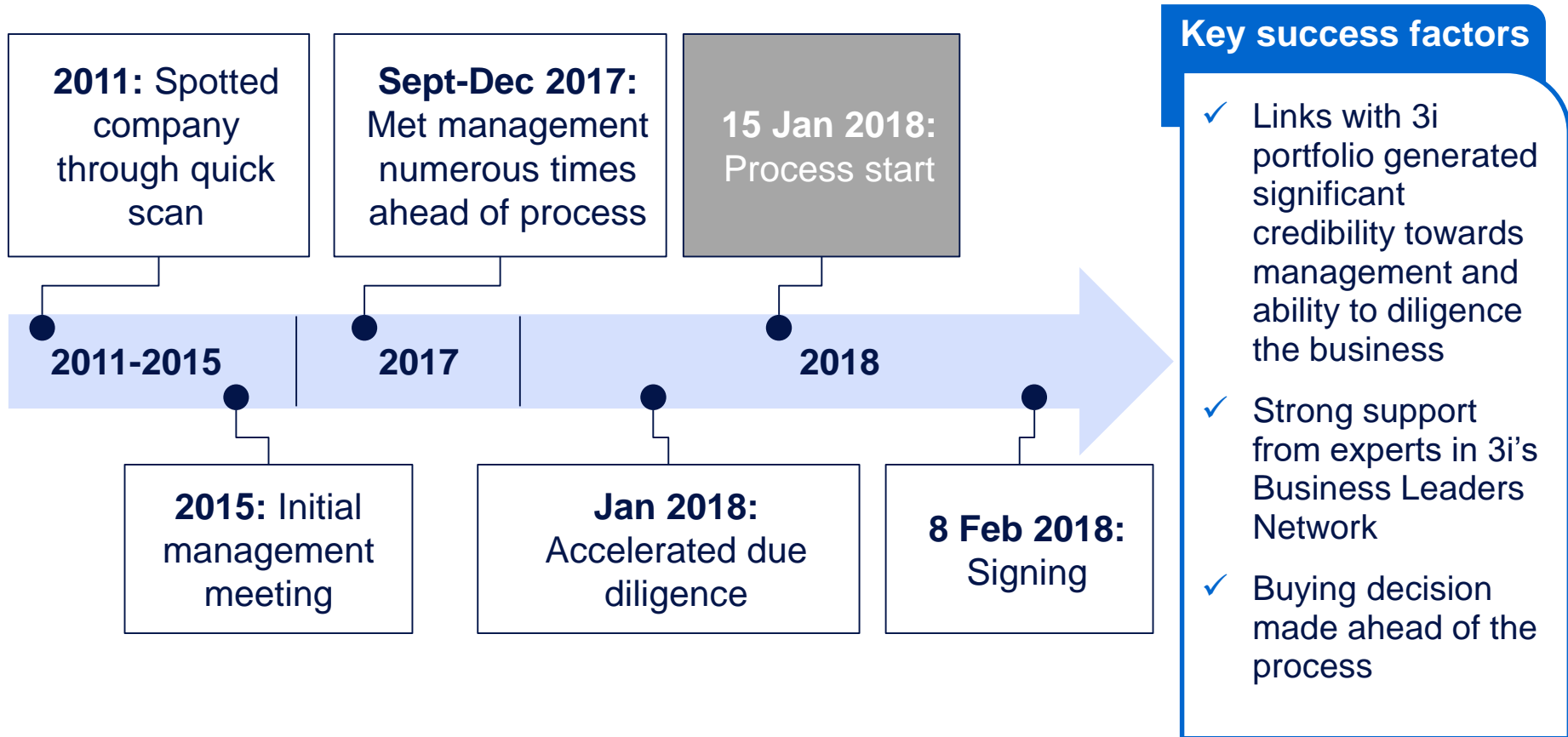
## Revenue (€bn)



Note: highlighted bars show impact of acquisitions one year after announcement

# Origination

## Acceleration in a competitive auction process



# What attracted us to Royal Sanders

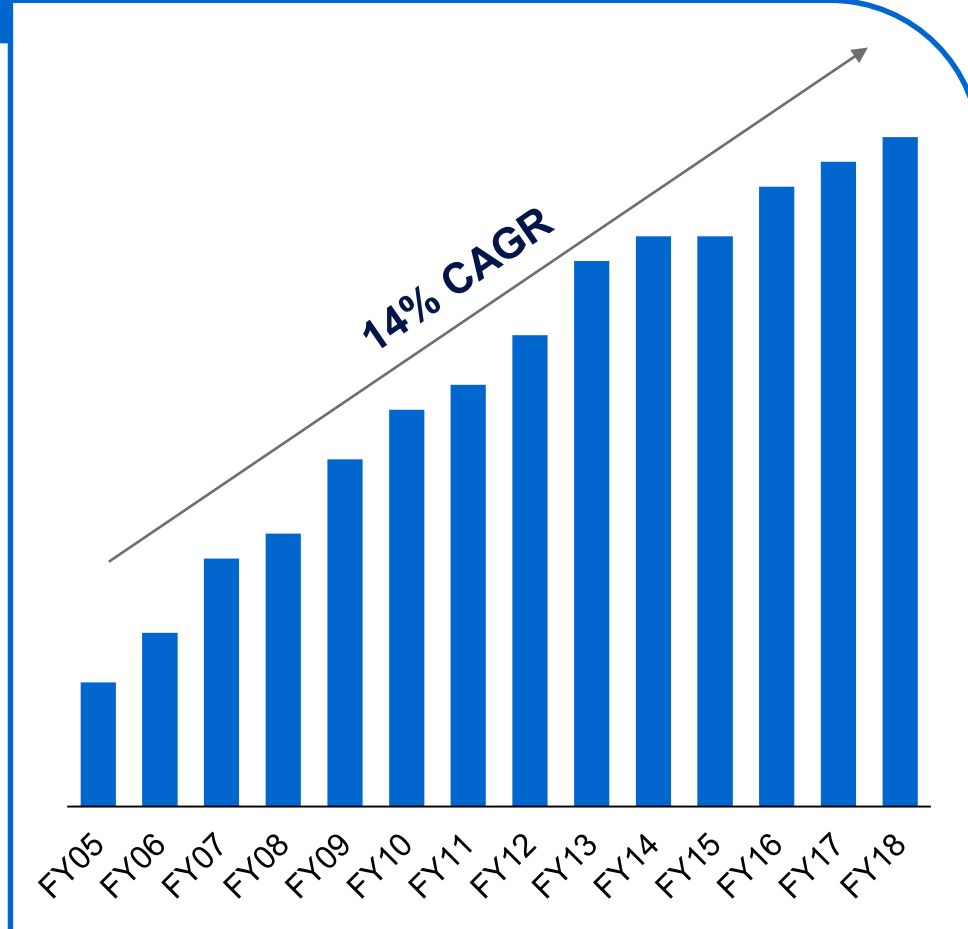


<b>Best-in-class operator</b>	<ul style="list-style-type: none"><li>• Strong cost-focused culture delivers industry-leading margins</li><li>• Consistent growth track record, significantly outgrowing the market</li></ul>
<b>Winning with the winners</b>	<ul style="list-style-type: none"><li>• Longstanding partnerships with winning customers for &gt;5-10 years</li><li>• Mutual dependence with customer base</li></ul>
<b>Platform for European consolidation</b>	<ul style="list-style-type: none"><li>• Highly attractive platform in the European market at the early stages of consolidation</li></ul>
<b>Defensive end markets with limited cyclicity</b>	<ul style="list-style-type: none"><li>• Non-cyclical and defensive industry growing in line with GDP</li><li>• Focused on growing customer segments (value-for-money drugstores, discount retailers, niche brands)</li></ul>
<b>Attractive financial profile</b>	<ul style="list-style-type: none"><li>• Strong and profitable historical growth track record</li><li>• High cash conversion and ROCE</li></ul>

High degree of customer retention and loyalty  
Longstanding partnerships with winning customers



### Development of sales to a typical key customer



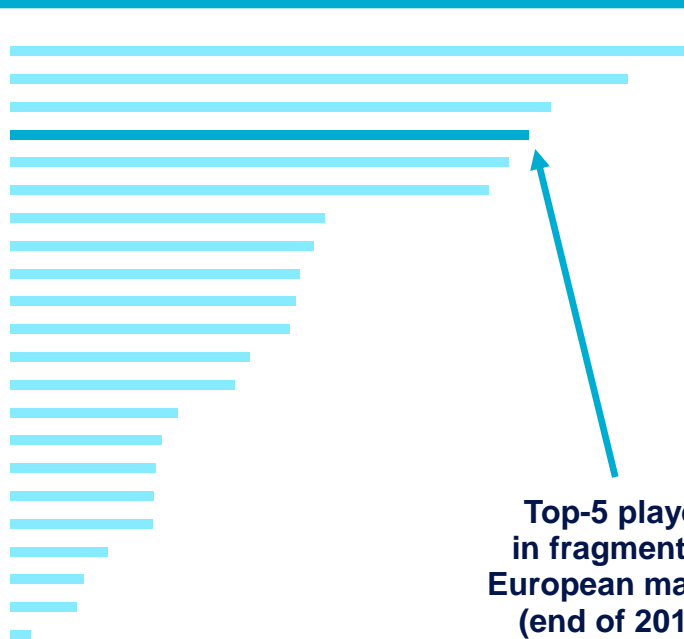
### Selection of key customers



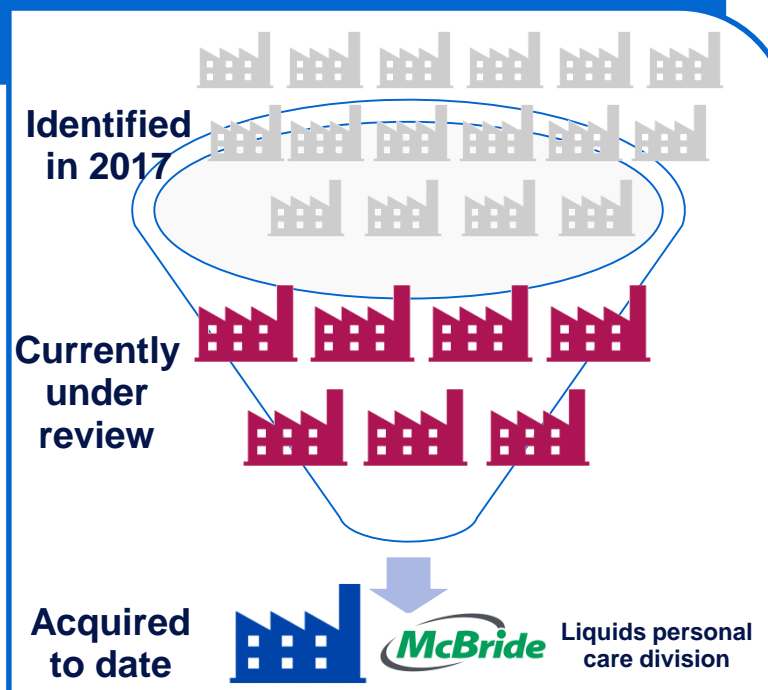
# Platform for European consolidation



## Overview of European personal care PL / CM players



## Tier-1 M&A targets



## Successful track record from Royal Sanders UK turnaround

- ✓ Acquired plant in FY12
- ✓ c10% sales CAGR since investment
- ✓ EBITDA margin improved from loss making to mid teens

# McBride personal care sites

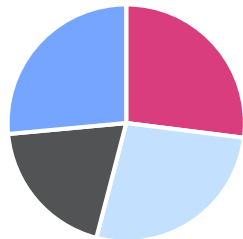
Highly complementary geographic footprint, customers and product portfolio



## Bradford, UK (c€30m sales)



### Product categories



- Mouthwash
- Bath & shower
- Shampoo/conditioner
- Other

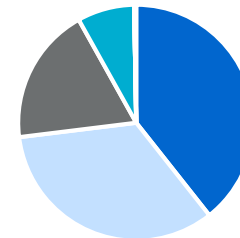
### Selected customers



## leper, Belgium (c€25m sales)



### Product categories



- Hand wash
- Bath & shower
- Shampoo/conditioner
- Hair care

### Selected customers





# Acquisition of McBride personal care sites

Significant value creation potential



## Investment thesis

### Create leading European platform

- Highly complementary geographic footprint, customers and product portfolio
- Doubling the number of sites from 2 to 4

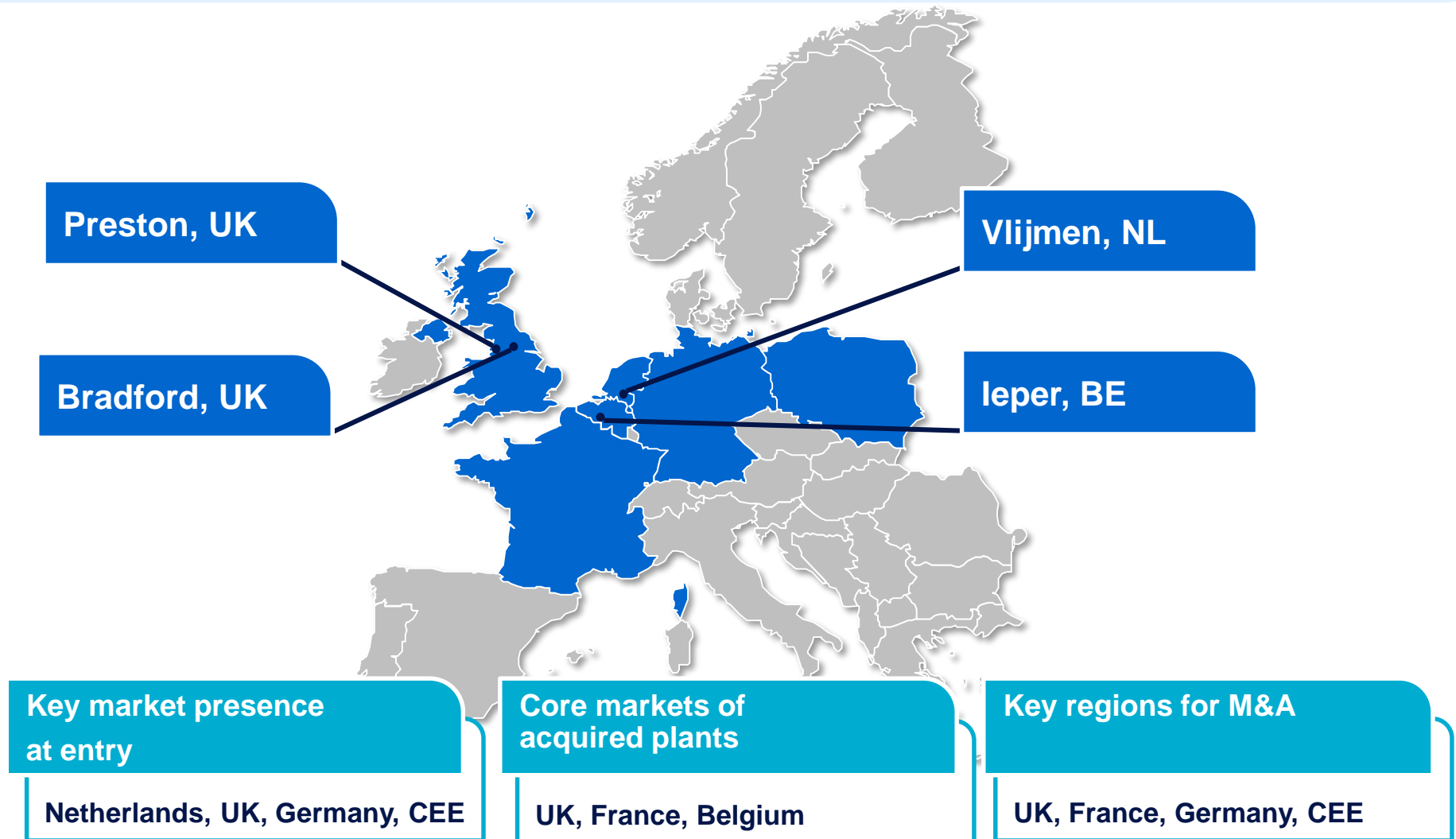
### Realise operational improvement

- Clear plan to transform loss-making sites into a profitable business

### Buy well

- Purchase price attractive compared with sales level and asset value

# Royal Sanders ready to drive further consolidation



An aerial photograph of Sydney, Australia, showing the Sydney Opera House in the foreground, a large cruise ship sailing in the harbor, and the city skyline in the background under a blue sky with scattered clouds.

# ICE

**Andrew Olinick**

**Partner, Managing Director, North America  
Global Head of Business & Technology Services**



- 12 Private Equity investment professionals in the New York office
- Focus on Business & Technology Services, Healthcare and Industrials

## Three platforms in the last two years



## Previous investments



## Five add-on acquisitions in the last two years





# ICE is a market leader in closed-user group travel-based loyalty and membership programs



- Founded in 1997 by technologists (and travel enthusiasts), John and Marcia Rowley, with no external capital
- No readily available solution to exchange vacation ownership vacations for cruise. They built a solution
- Cruise lines wanted an opaque channel to fill their ships early with great consumers. All major cruise lines signed on as suppliers
- Expanded into setting up turnkey loyalty solutions for large membership organisations, focusing first on vacation ownership
- Set up closed-user groups, where consumers can purchase travel at below market rates behind a log-in and using 'points' on the ICE platform
- Business model has now grown into other industries, expanded internationally and added new products
- Acquired by 3i in June 2018 in a primary buyout. The two founders re-invested alongside 3i
- Acquired SOR Technology in February 2019, a highly complementary platform focused on hotel and digital subscriptions



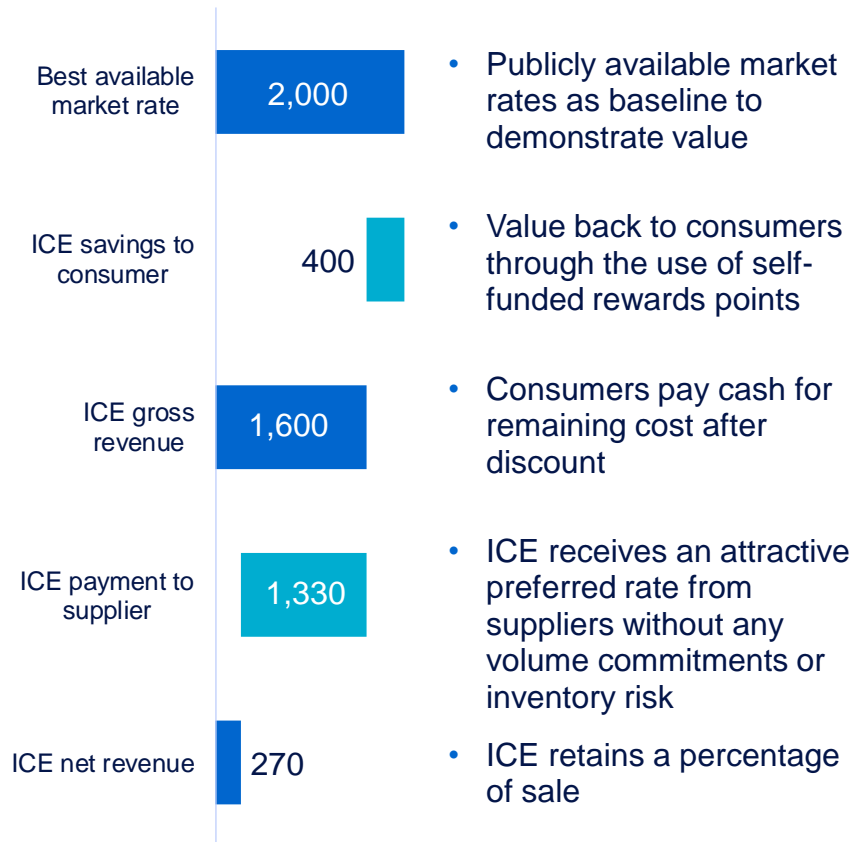
# Compelling proposition

ICE operates closed-user groups that allow consumers to purchase travel at below publicly available market rates while protecting travel supplier pricing

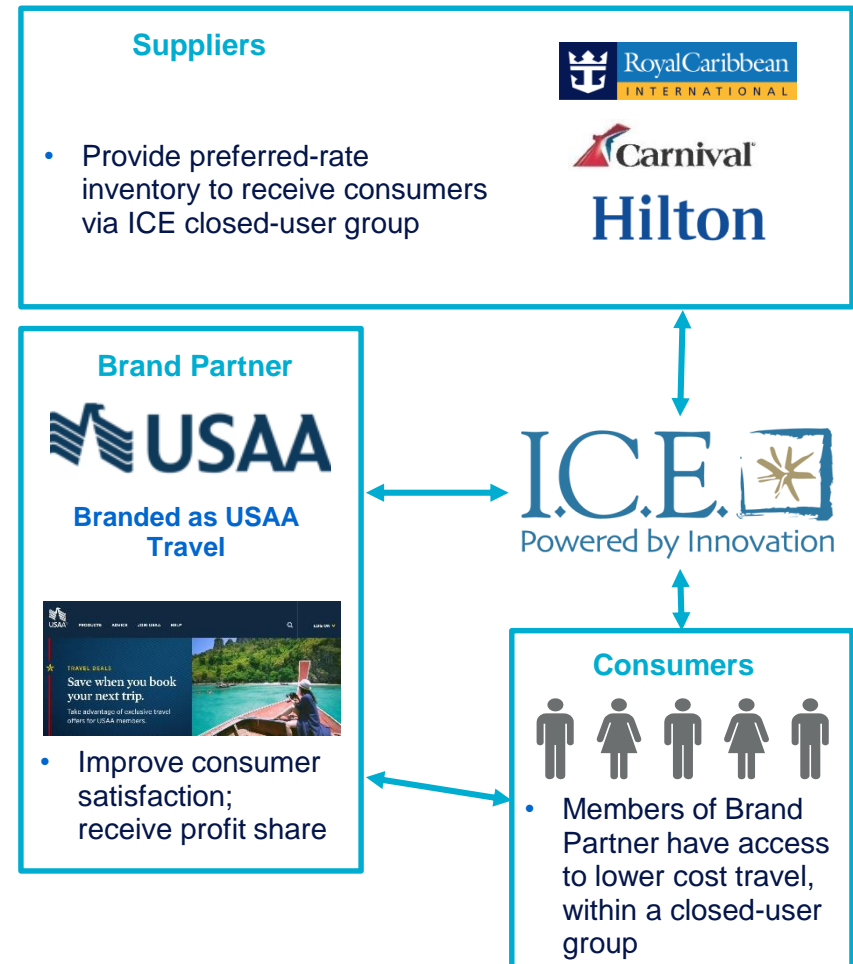


## Example of how ICE saves consumer money

For an example \$2,000 product



## Example ICE closed-user group





# ICE was an ideal 3i deal, acquired in a favourable process that leveraged our strengths



<b>Process</b>	<ul style="list-style-type: none"><li>• Tracked the business since 2014, when introduced to us through BLN</li><li>• Met with management pre-process and front-loaded diligence</li><li>• Won a tie due to fit with management team, ability to move quickly and differentiated capabilities and thesis</li></ul>
<b>Sector knowledge</b>	<ul style="list-style-type: none"><li>• 3i seen as Tier 1 travel investor through Audley, Scandlines and recent targets over the last 2-3 years</li><li>• Business model experience (e.g. network service models) through review of BTS targets with network models over the last few years</li></ul>
<b>BLN</b>	<ul style="list-style-type: none"><li>• Worked exclusively with BLN contact who led Business Development at ICE's largest cruise competitor and previously worked at one of their largest customers. BLN contact joined the board</li><li>• Key BTS Advisor, Marty Cole, (Ex-Chief Executive for Accenture Technology), joined as Chairman and advised during the deal</li></ul>
<b>Differentiation in the mid-market</b>	<ul style="list-style-type: none"><li>• Global footprint</li><li>• Experience with buy-and-build</li><li>• Clear vision on how best to help the two founders</li><li>• Focus on investments in sales &amp; consumer marketing</li></ul>

# ICE has several favourable and differentiated business model attributes



1

- **Strong, direct supplier relationships** that provide ICE with unique preferred-rate inventory. ICE has proved to cruise lines that they provide customers that spend more onboard and have a higher lifetime value; to resorts that their customers buy more vacation ownerships; solve supply challenges in other markets (e.g. hotel)

2

- **Embedded brand partner relationships** where ICE provides exclusive, turnkey travel fulfillment and loyalty programmes

3

- **Compelling end consumer value proposition** where ICE can provide lower rates than anywhere else in the market. ICE's B2B model provides low acquisition costs with savings passed on to consumers. ICE does not need to attract consumer leads → they are provided from the Brand Partner

4

- **Strong technology platform** that seamlessly sources and aggregates inventory from a broad range of suppliers with clear indication to consumers on the greatest value products and highest margins to ICE

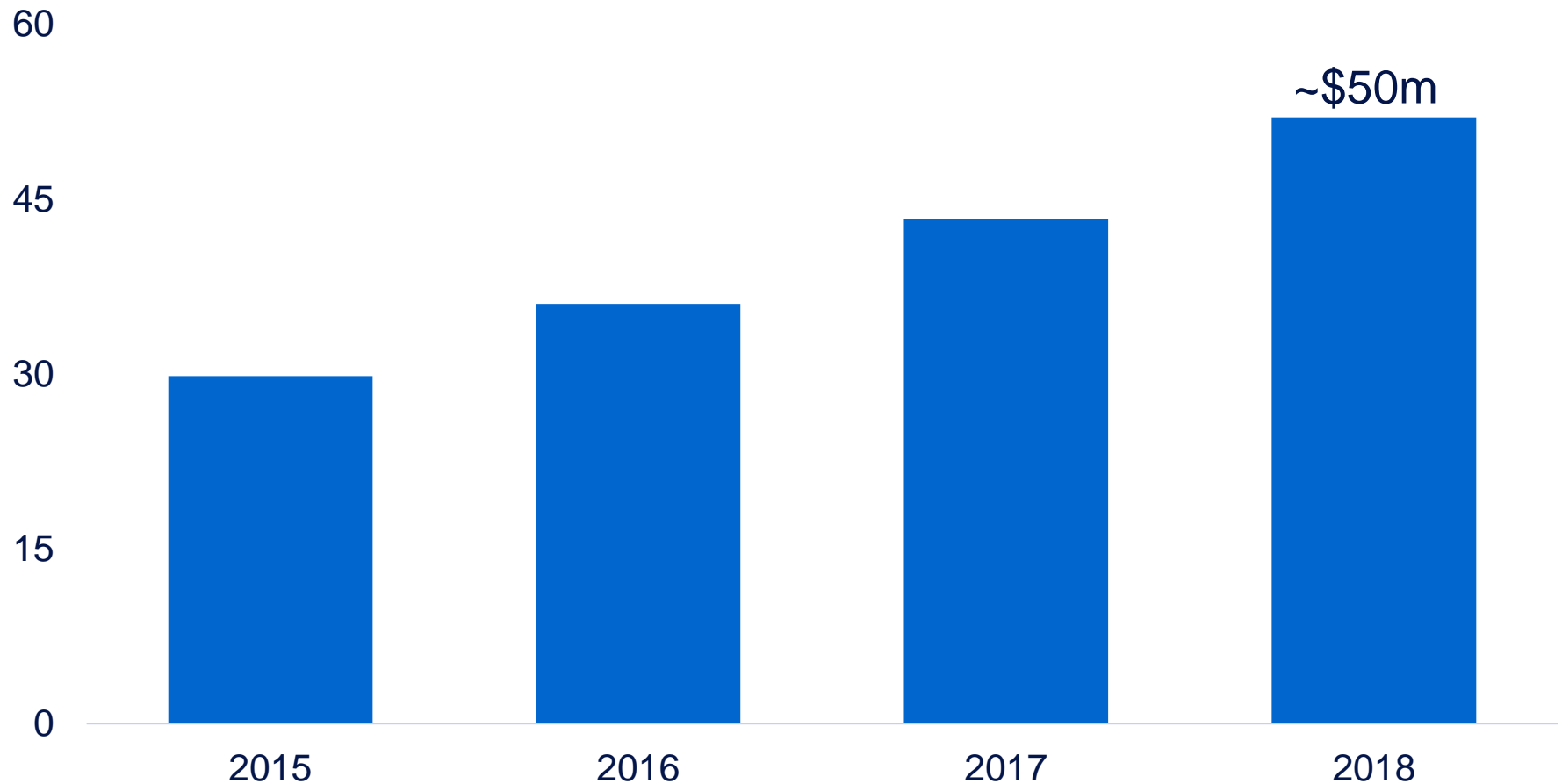
5

- **Skilled sales & fulfillment organisation** with 2,000+ contact center employees skilled in high-end cruise, pre-booked travel, and other large ticket products, with coverage across the globe

ICE has consistently grown at a 10+% EBITDA CAGR



## ICE EBITDA (\$m) - Sustained, long-term growth



Note: ICE shown pro forma for SOR transaction

# Our investment thesis

Focused on driving increased consumer engagement, expanding into new markets and increasing digital



**Market growth in cruise 6+% p.a.**

**Win new brand partners, expand outside of vacation ownership**

**Digital marketing to drive increased consumer engagement**

**Shift more transactions online and mobile**

**Transition to more re-occurring revenue**

**Invest in a best-in-class tech platform**

# We are engaging on an ambitious value creation plan with significant investment in our first 15 months of ownership



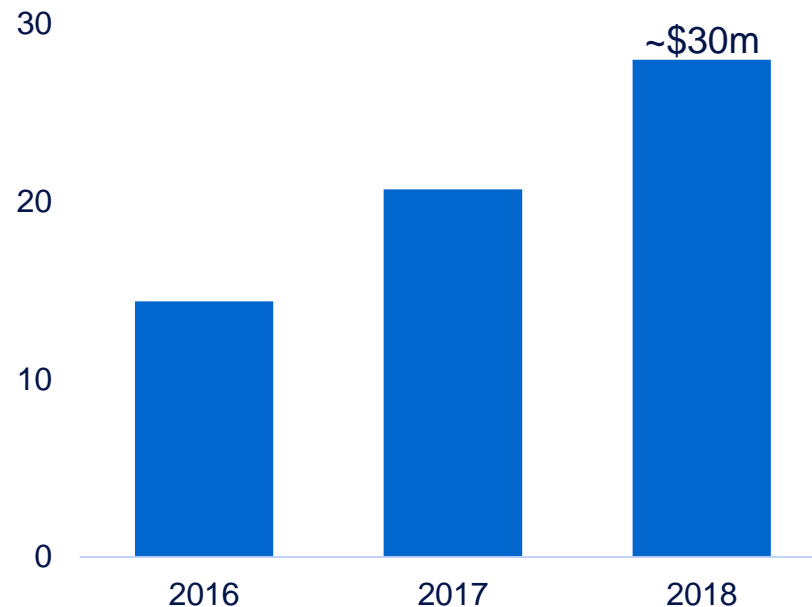
<b>Set the long-term strategy and vision</b>	<ul style="list-style-type: none"><li>Completed a strategy project with OC&amp;C to set the long-term strategy with a series of initiatives to accelerate growth and increase value</li></ul>
<b>Established a strong board</b>	<ul style="list-style-type: none"><li>Added Marty Cole, former Chief Executive of Accenture Technology, and Jorge Boone, former SVP of Partner Bands at World Travel Holdings to the board</li></ul>
<b>Upgraded senior leadership team</b>	<ul style="list-style-type: none"><li>Hired a new CFO, first-ever Chief Marketing Officer, first-ever Chief-Human Resources Officer and VP of Finance</li></ul>
<b>Acquired SOR Technology</b>	<ul style="list-style-type: none"><li>Acquired SOR Technology, a ~\$10m EBITDA competitor in the closed-user group space focused on low-cost, recurring revenue, hotel-focused travel programmes. Acquisition is highly strategic and commercially synergistic</li></ul>
<b>Partnered with travel-technology firm</b>	<ul style="list-style-type: none"><li>Partnership with an outsourced travel-focused software development firm to accelerate IT development at a lower cost</li></ul>
<b>Won several new customers</b>	<ul style="list-style-type: none"><li>Won new programmes with AeroMexico, Bluegreen Resorts, and Xcaret among several others</li></ul>



## SOR | TECHNOLOGY

- Founded by two entrepreneurs in 2007
- Software company specialising in private label OTA-like travel clubs
- 95+% of transactions booked online
- Attractive financial metrics:
  - historic revenue and EBITDA growth of 30+% p.a.
  - 2018A: ~\$30m of sales with +100% FCF conversion
- Deal closed in February 2019

### Revenue (\$m)



### Highly complementary with ICE

- Builds expertise in hotel
- Increases re-occurring revenue through light-weight subscription
- Provides solution for SMBs / mid-market
- Advances digital marketing capabilities

**ICE / SOR currently focused on quick-win synergies**



# Foundation is set for future value creation by executing against our plan



**Ambitious digital marketing programme under new CMO**

**Growth of hotel platform – a new focus for ICE**

**ICE & SOR Synergies – hotel, cruise, etc.**

**Launching of new brand partners**

**Continued offshoring and ‘digitisation’ to drive margin improvement**

**Select B2C & M&A**

**Best-in-class technology platform – currently re-architecting new platform for use across all ICE & SOR programmes**

**Positive underlying market drivers in cruise and travel**



# Hans Anders

**Boris Kawohl**

**Partner, Global Head of Consumer**



# A value-for-money optical retailer since 1982

Then



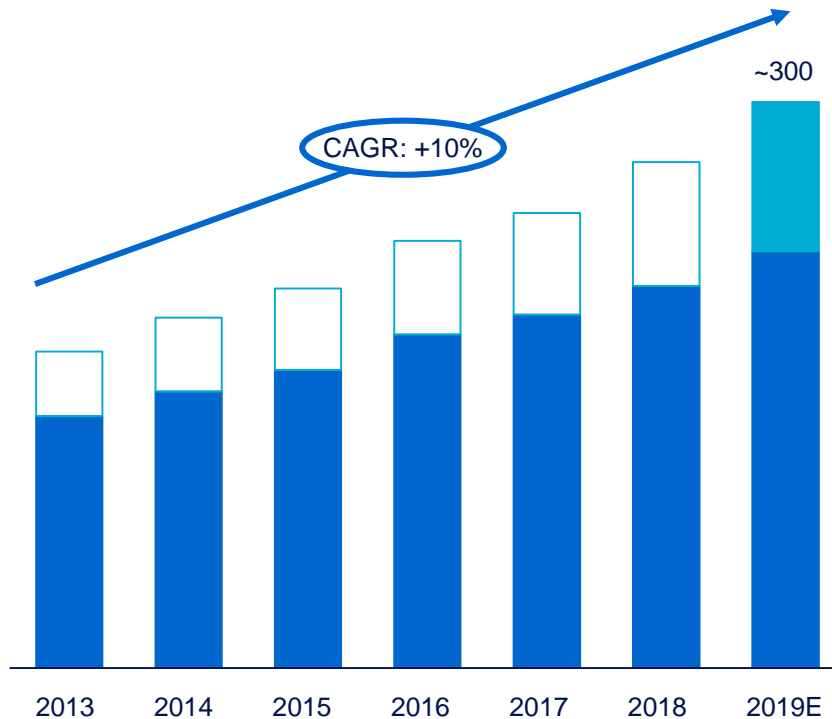
Now





# Consistent growth track record

Net sales (PF eyes + more acquisition), €m

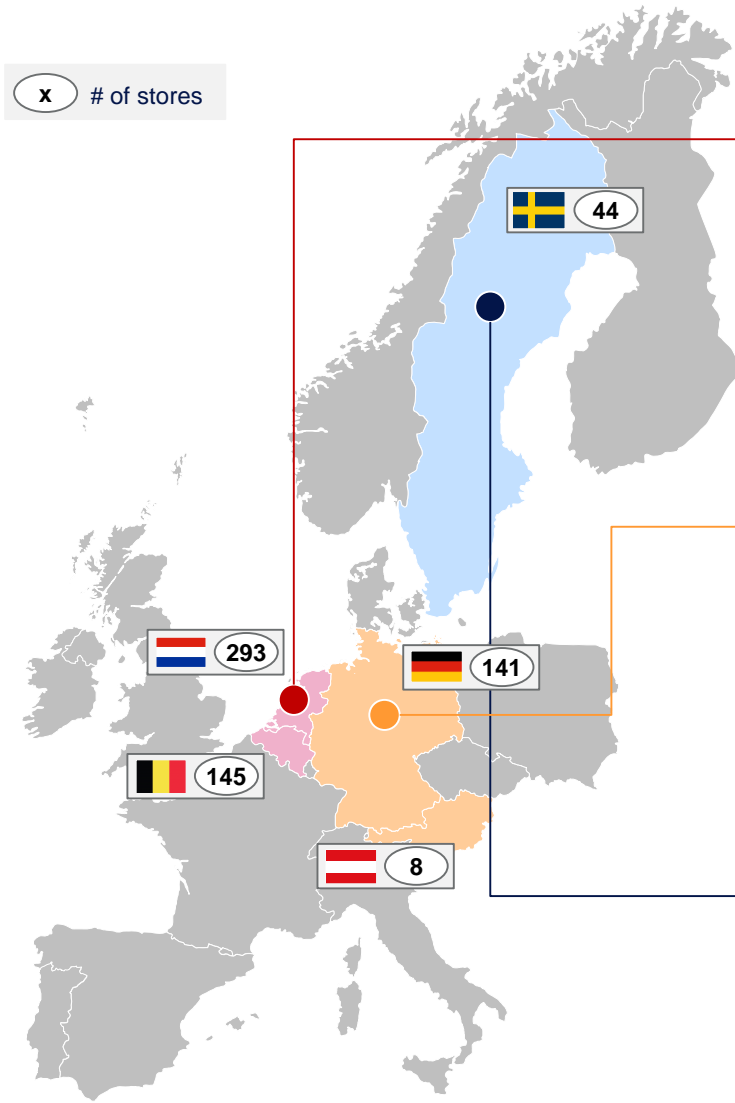


■ eyes + more  
■ Hans Anders (incl. Direkt Optik Sweden)

- Leading value-for-money retailer of optical and hearing aids products
- Founded in Rotterdam, the Netherlands, in 1982 and headquartered in Gorinchem
- Focused exclusively on the growing value-for-money segment
- Consistent track record of organic sales growth
- Complemented with strategic M&A
- One of the largest optical retailers in Europe with >600 stores in total, and strong positions across its five markets



# European footprint with three complementary value-for-money formats across five countries



## HANS ANDERS

### Hans Anders

- Founded in 1982
- 393 stores in the Netherlands and Belgium
- Leading value-for-money operator in Benelux market with #1/#2 positions

eyes  more®

### eyes + more

- Acquired in 2018
- 194 stores in Germany, the Netherlands, Belgium and Austria
- Fastest growing chain and key value-for-money challenger in Germany

## DIREKT OPTIK

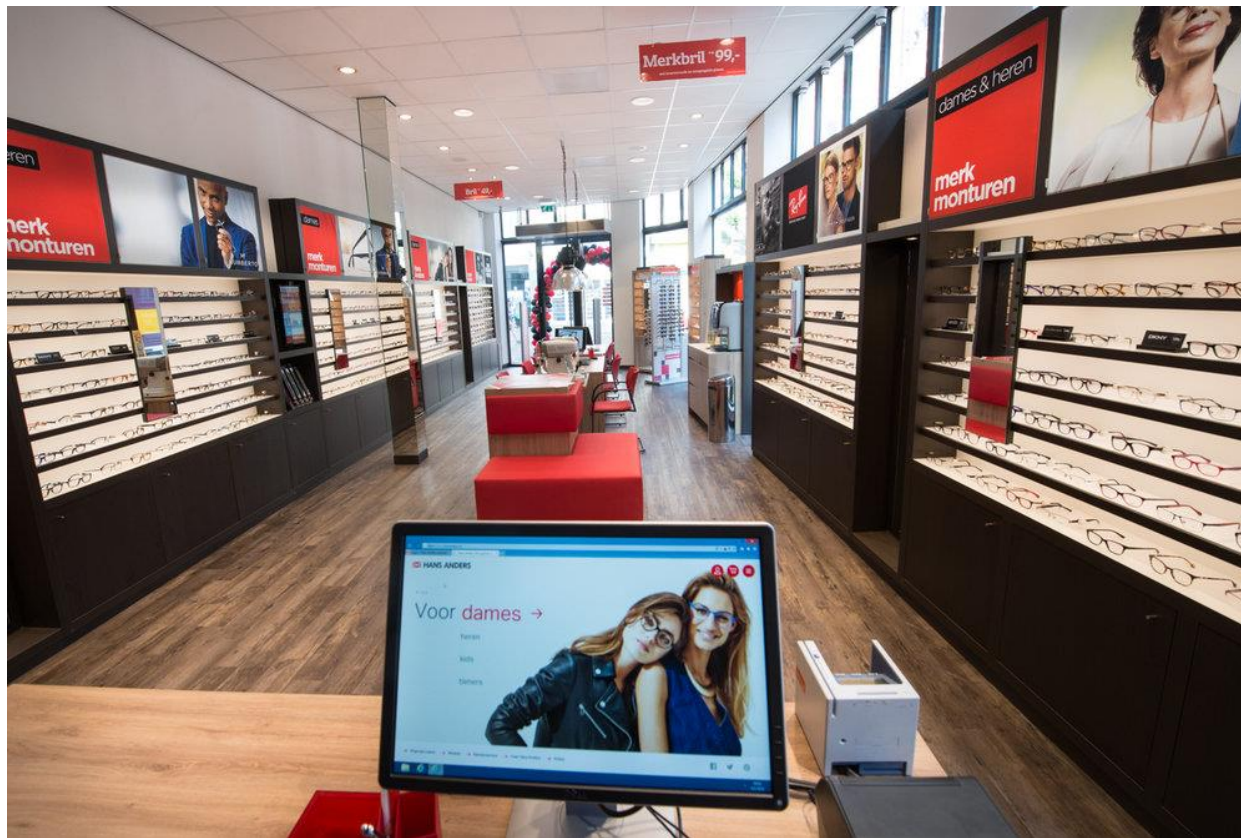
### Direkt Optik

- Acquired under previous owners in 2013
- 44 stores in Sweden
- Differentiated 3=1 offering

# Great customer value at substantially lower prices than competitors



## Attractive store environment



## HANS ANDERS



Best prices



Great service



Quality & expertise

# 3i acquired Hans Anders in a process that played to our strengths



## Value-for-money retail business

- Value-for-money retail core 3i focus area
- Successful investment in Óticas Carol
- Strong BLN contributions



## Local angle

- Tracked asset through two previous ownership cycles
- 3i Paris closely involved given French shareholder

## Process dynamics

- 3i developed differentiated view in struggling M&A process
- Created privileged position for 3i

## Fit with 3i strategy

- 3i right partner to re-start international expansion
- Omni-channel key element of investment thesis

# Clear value creation opportunities



<b>Attractive market</b>	<ul style="list-style-type: none"><li>• Structural growth from aging population</li><li>• Spectacles increasingly seen as fashion item</li><li>• Value-for-money is winning</li></ul>
<b>Operational improvements</b>	<ul style="list-style-type: none"><li>• Comprehensive operational excellence agenda</li><li>• Focus on store operations (in-store execution, staff planning), assortment and procurement</li></ul>
<b>Store rollout and network optimisation</b>	<ul style="list-style-type: none"><li>• Accelerated roll-out of Hans Anders format in Belgium and eyes + more format in Germany with attractive store payback periods</li><li>• Selected store consolidation and rent reductions</li></ul>
<b>Omni-channel development</b>	<ul style="list-style-type: none"><li>• Substantial investment in omni-channel organisation and systems</li><li>• Initiatives include digital marketing, CRM, online appointments, webshop</li></ul>
<b>Selective M&amp;A</b>	<ul style="list-style-type: none"><li>• eyes + more presents highly strategic and value-creating acquisition</li><li>• Synergies from commercial initiatives and procurement</li></ul>

**Creation of a winning European platform**



# Hans Anders operates in a highly attractive segment of the retail market



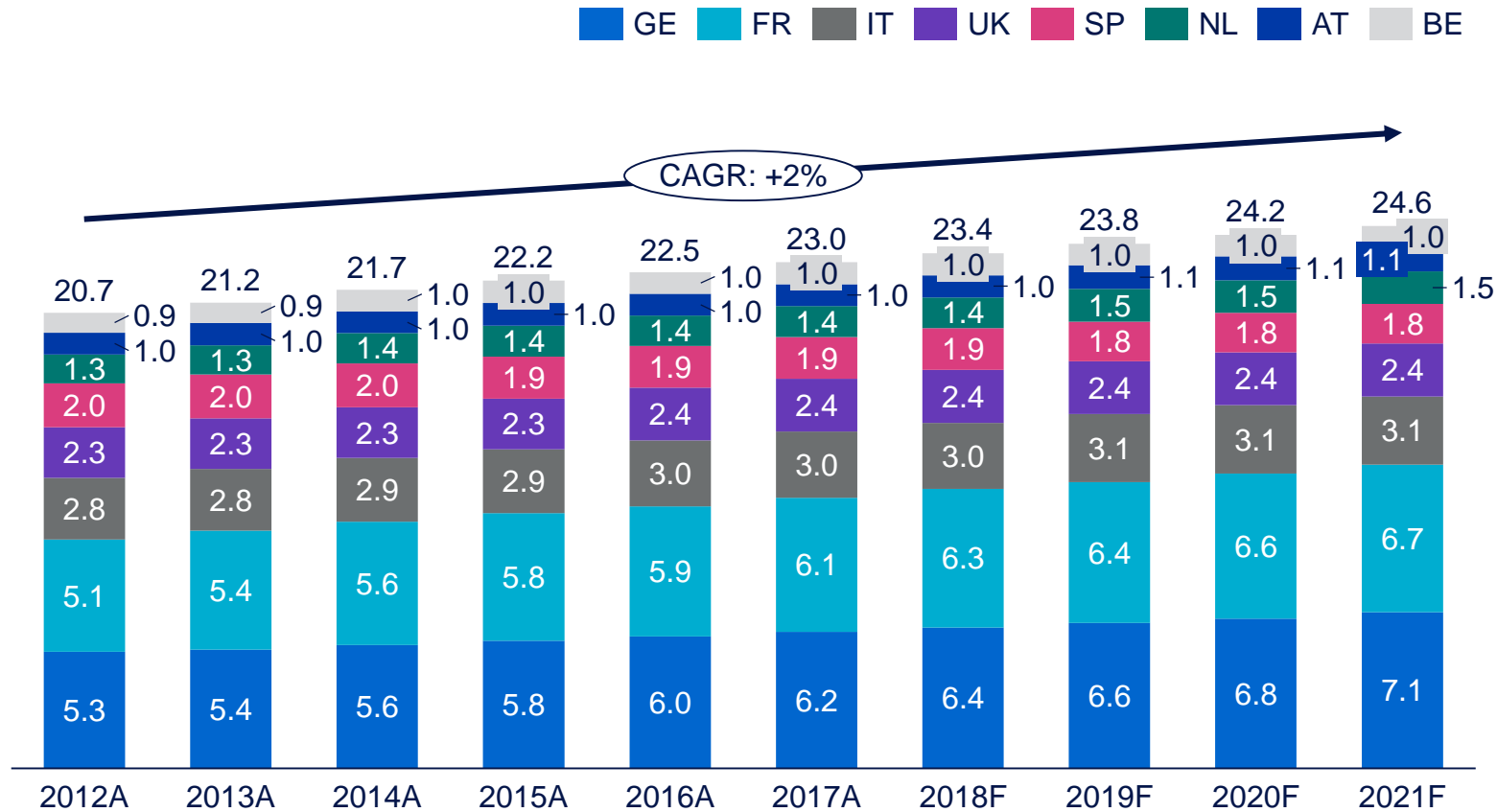
- 1 Sizeable market with structural volume growth drivers
- 2 Highly profitable segment with room for value-for-money differentiation
- 3 Fragmented market that is shifting towards retail chains
- 4 Online pure-play formats show limited traction
- 5 Resilient performance through the cycle

1

Hans Anders operates in a sizeable, structurally growing market



## Western European optical retail market, €bn



Source: Spectaris; Euromonitor; Statista; EY-Parthenon analysis

1

# Structural drivers underpin continued volume growth in the market



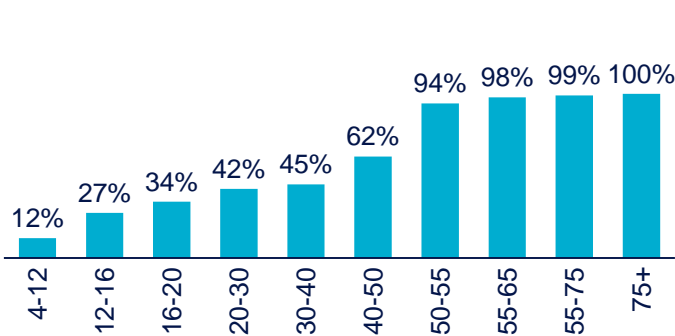
Spectacles increasingly seen as a fashion item



- Shorter replacement cycles
- More frames per customer
- Customer journey moves towards omni-channel

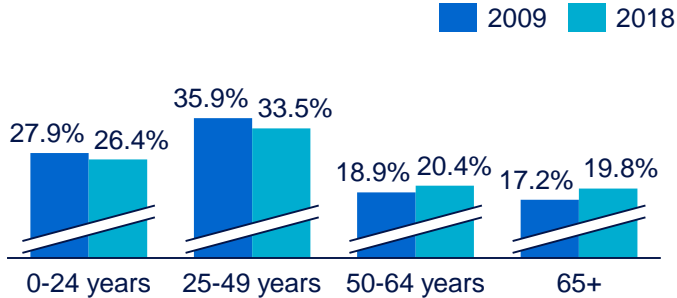
Growth of population above 50 years old

% of people who use visual aids in NL by age



- Myopia becomes increasingly prevalent as people age (key driver of demand for multi-focal spectacles)

Population structure, EU-28, % of population by age



- 50+ is the fastest growing age segment

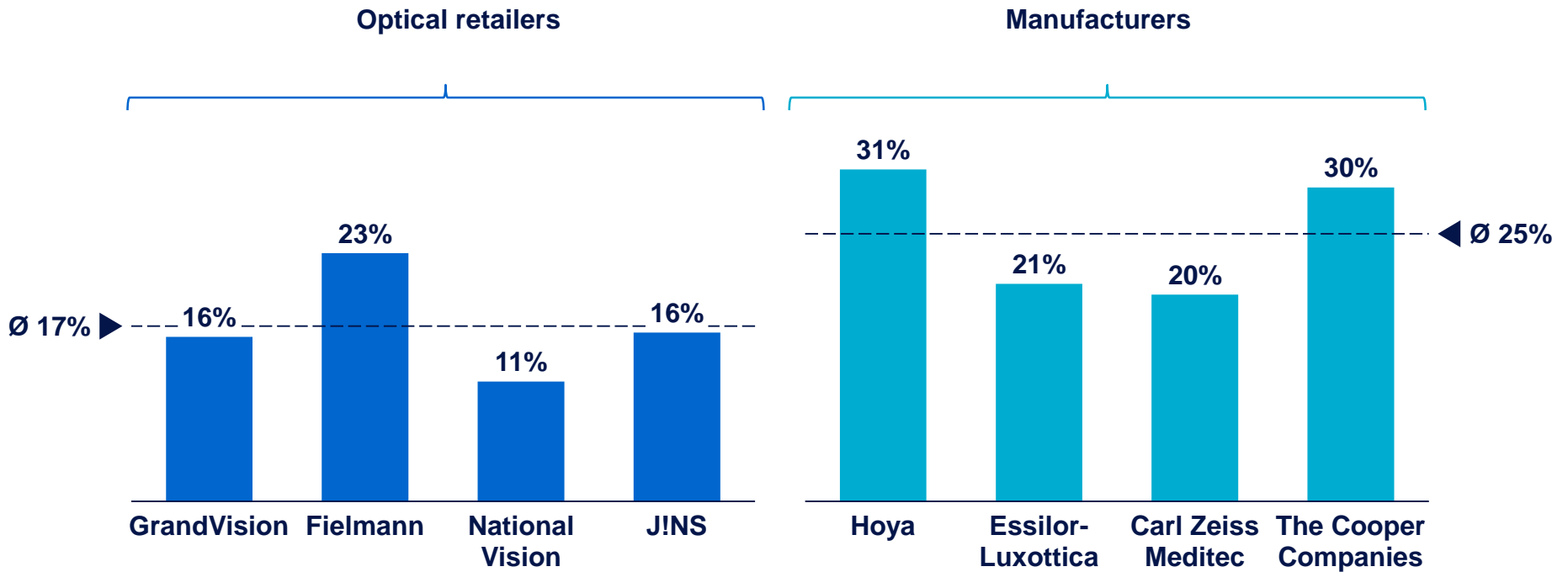
Source: Eurostat; CBS

2

Eyewear players are highly profitable across the value chain



## Adjusted EBITDA margin per latest FY reporting, % of net sales



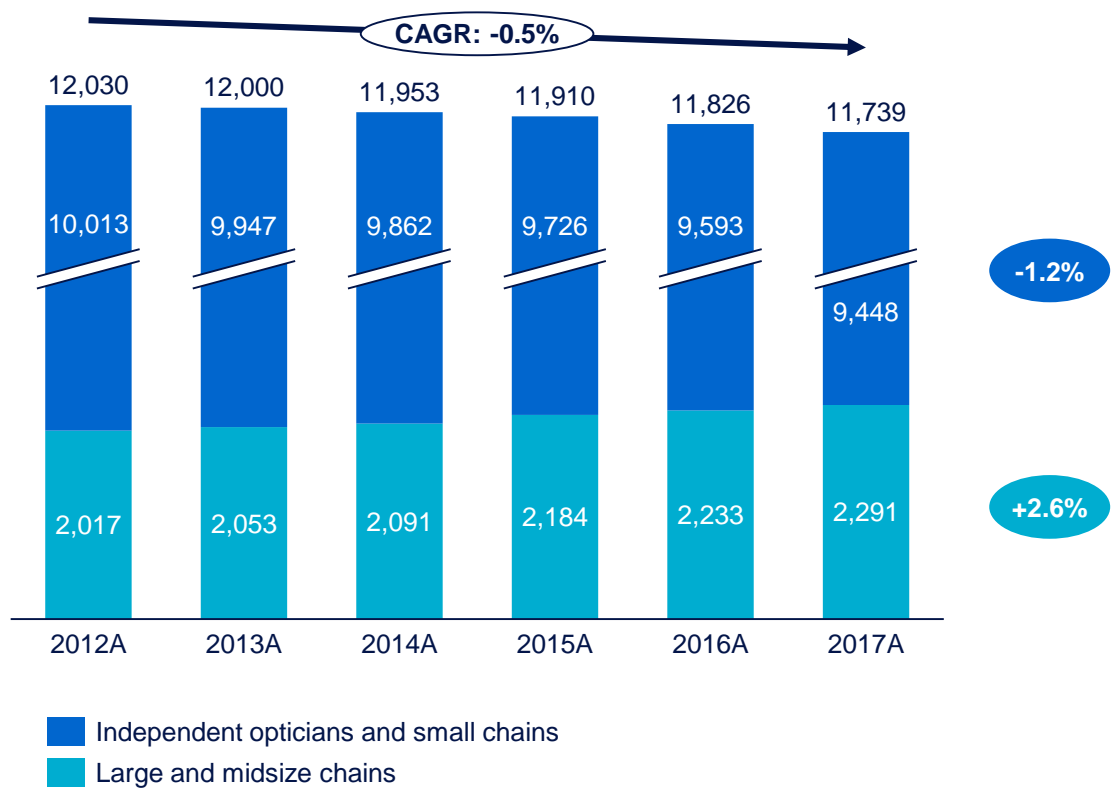
Sizeable profit pools create room for value-for-money differentiation

3 Optical retail is still highly fragmented, with a structural shift towards chains



EXAMPLE GERMANY

Total optical retail points of sale in Germany 2012-2017, # stores



### Key drivers

- ✓ Economies of scale (marketing, procurement)
- ✓ Trend towards omni-channel customer journey
- ✓ Spectacles increasingly seen as fashion items

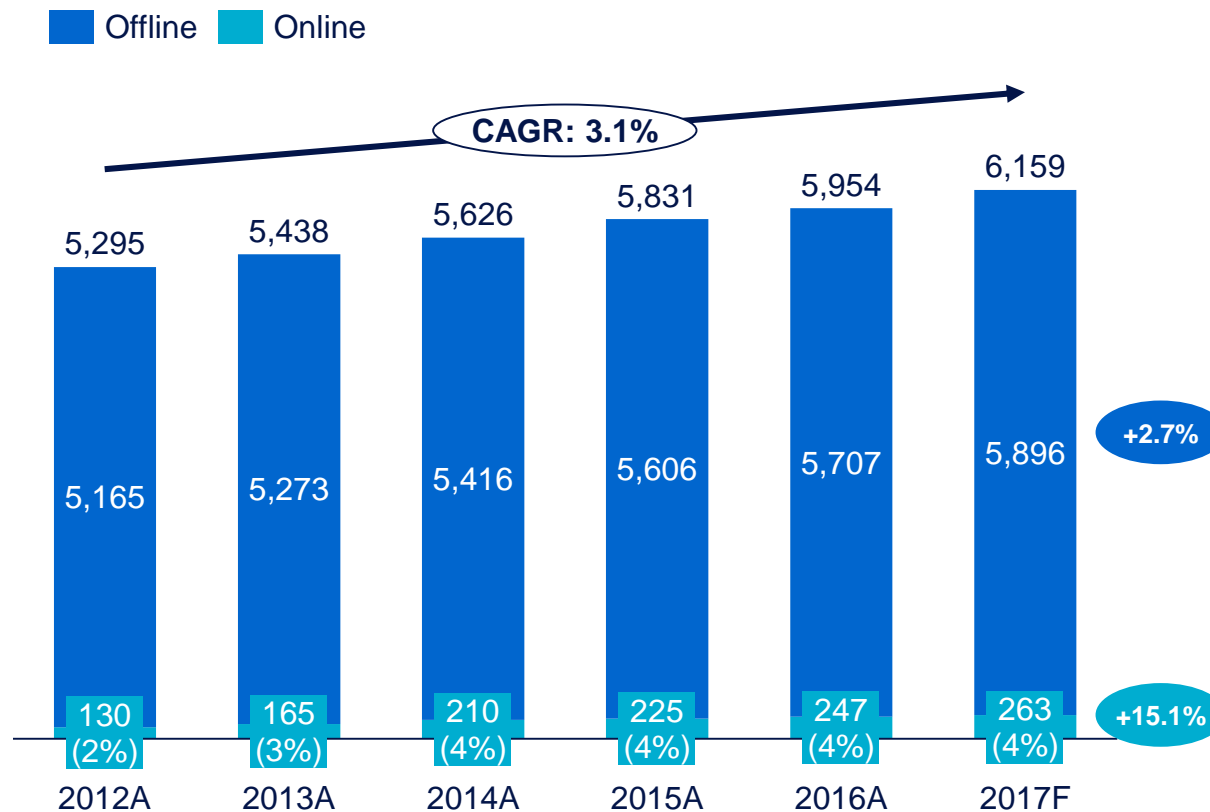
Source: ZVA

# 4 Online penetration is still relatively limited in the eyewear market



EXAMPLE GERMANY 

## Eyewear market by channel, Germany, €m



- ✓ Online penetration of prescription glasses sales still relatively low
- ✓ No reliable online eye tests currently available
- ✓ Customers prefer in-store consultation and fitting
- ✓ Especially relevant for higher-margin multifocal glasses
- ✓ However, online is an important customer acquisition channel

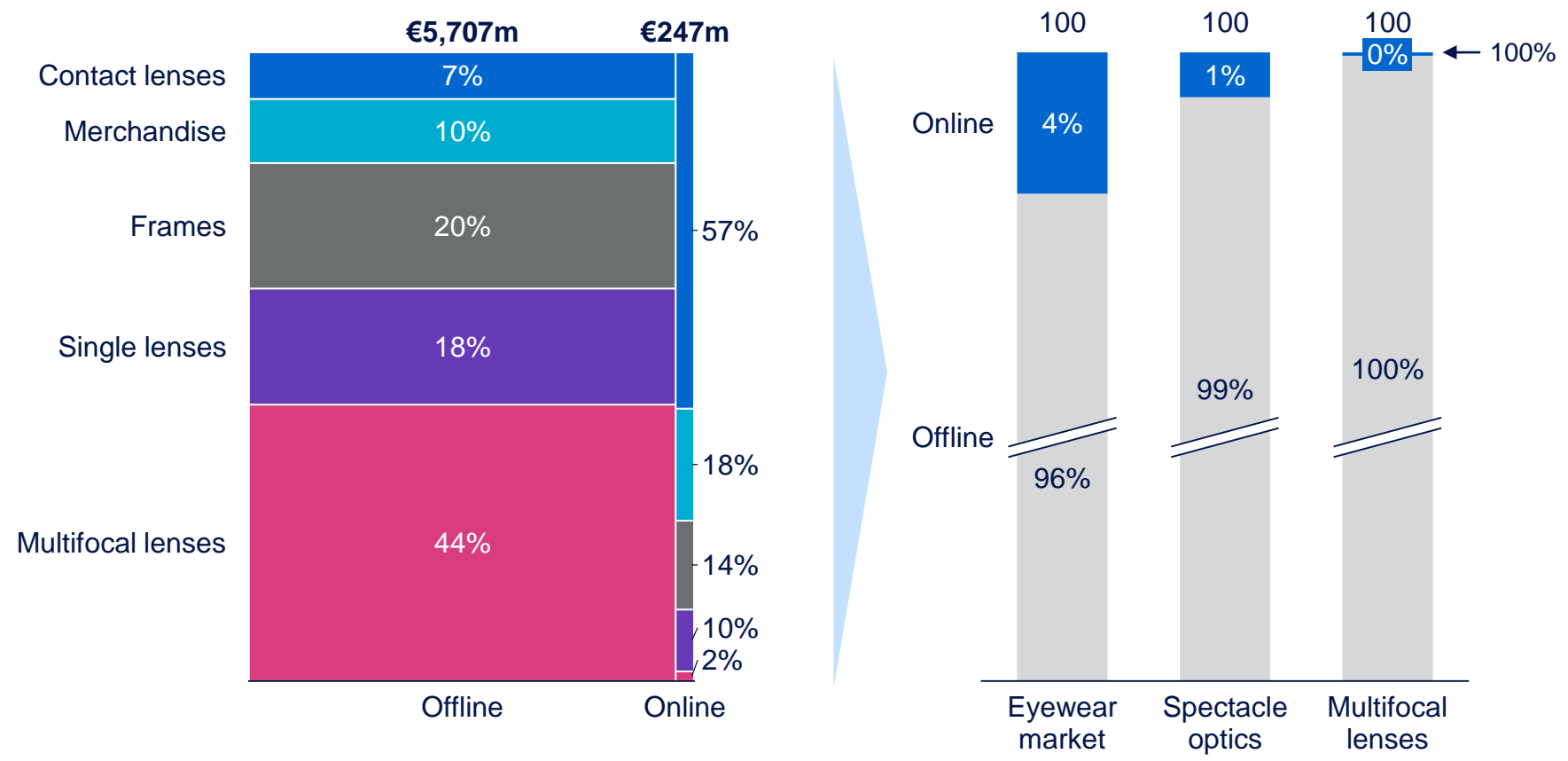
4

Product complexity and need for consultation make pure play online a difficult proposition, especially for multifocal



EXAMPLE GERMANY

### German eyewear market by channel and product category in 2016, % of total sales



Source: ZVA, EY-Parthenon analysis



4 Online-first formats realise that an online-only presence does not fit the customer journey in eyewear



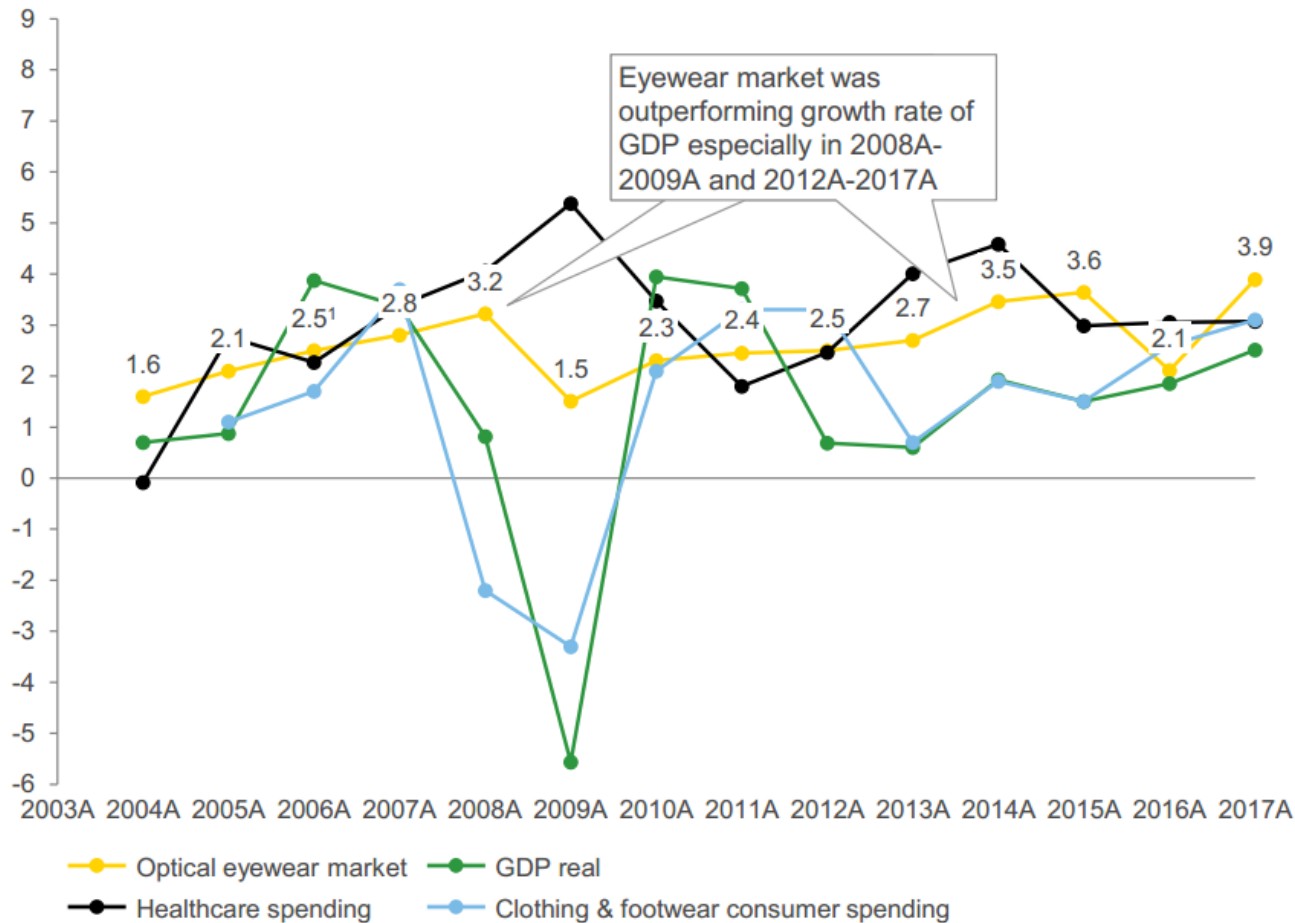
**Online-first players have tried to disrupt optical retail with pure play ecommerce strategies, but increasingly recognise that the eye test and fitting components of the customer journey are difficult to disrupt**

5

Highly resilient market, with a profile closer to healthcare than retail



## Y-o-y growth of German optical market vs. GDP, healthcare spending and general clothing & footwear



Source: Euromonitor; Deutscher Sparkassen- und Giroverband; EY-Parthenon analysis

# Hans Anders acquired eyes + more in December 2018



eyes  more<sup>®</sup>

**Strong  
value-for-money  
proposition**

**New rollout  
platform in  
Germany,  
Europe's largest  
market**

**Attractive store  
economics**

**Cost and  
revenue  
synergies**

**Highly compelling strategic rationale**

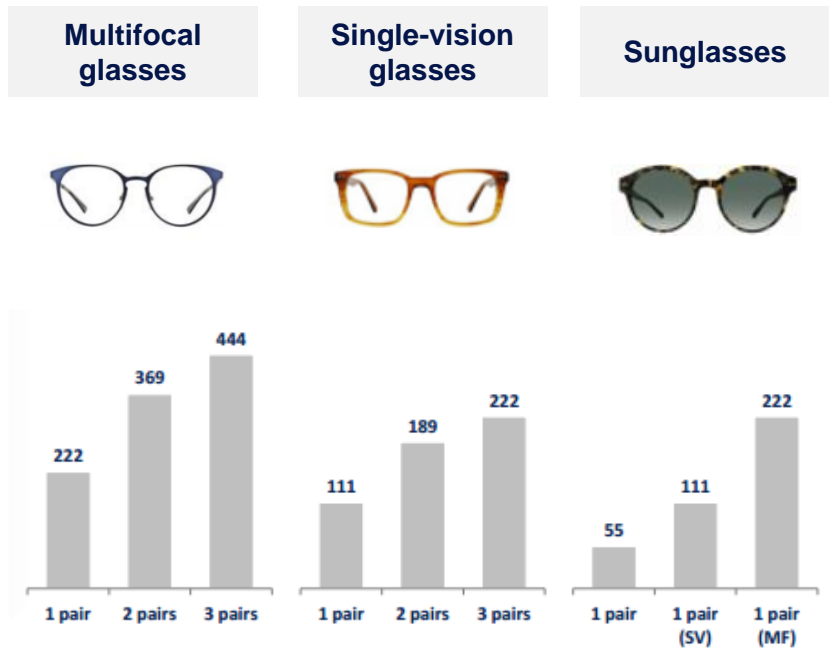
# eyes + more

Fashionable offering with a differentiated pricing model, based on uniform, low and all-inclusive prices



## eyes + more differentiates through simplicity and transparency

### One price for all frames and lenses



- Fixed price, independent of which frame is selected
- Bundle discounts when buying multiple pairs

### All regular additional options included in the price

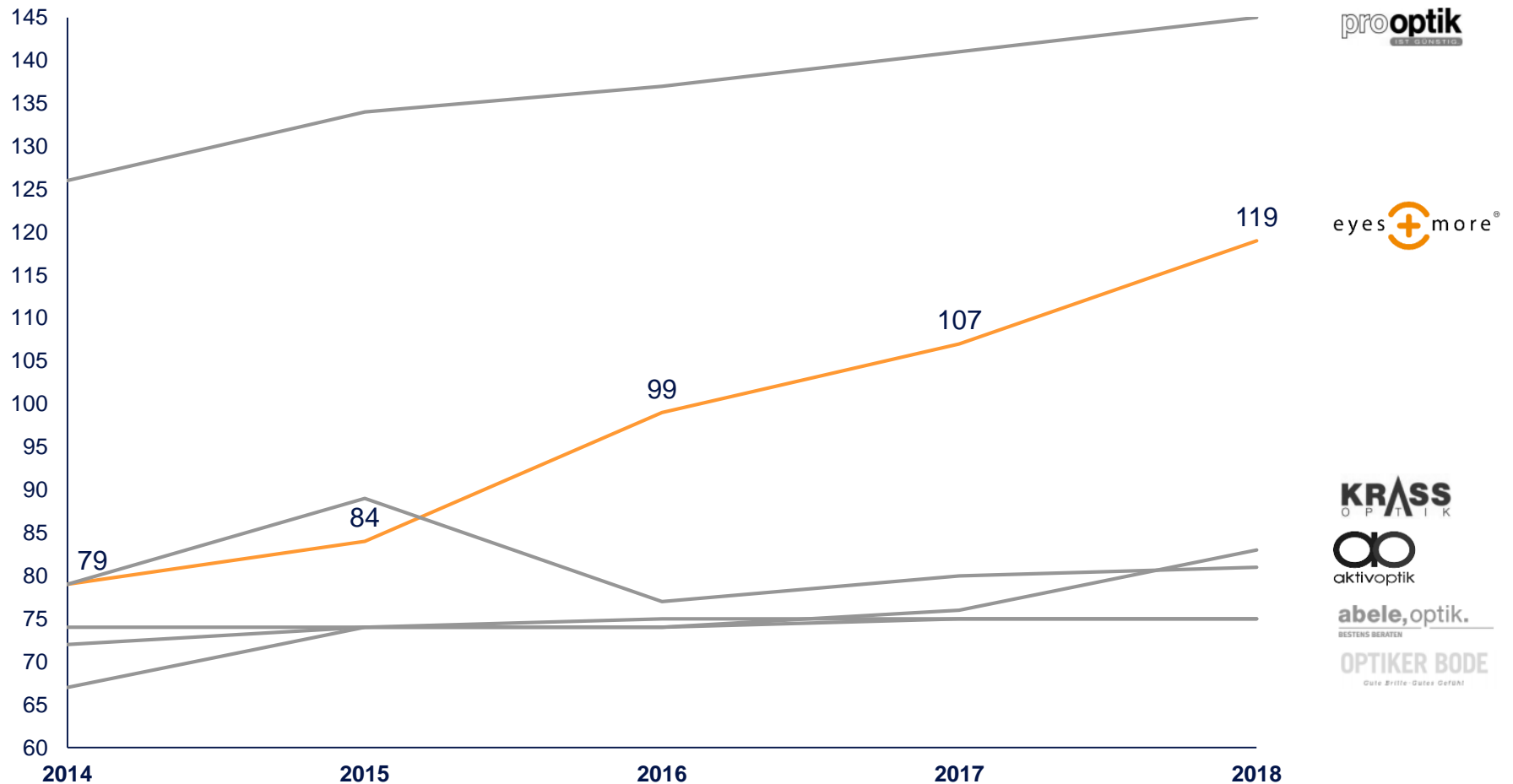
Product features	Typical optician	eyes + more®
Frame	✓	✓
Lenses	✓	✓
Hard coating	✓	✓
Anti-reflective coating	✗	✓
UV protection	✗	✓
Clean coat	✗	✓
Lotus effect	✗	✓
<1.5 index	✗	✓
Wides visual field	✗	✓
Digital blue filter	✗	✓

✓ Included in the price ✗ Available at extra cost

# eyes + more is outgrowing other mid sized optical chains in Germany



## # of stores per optical retailer in Germany



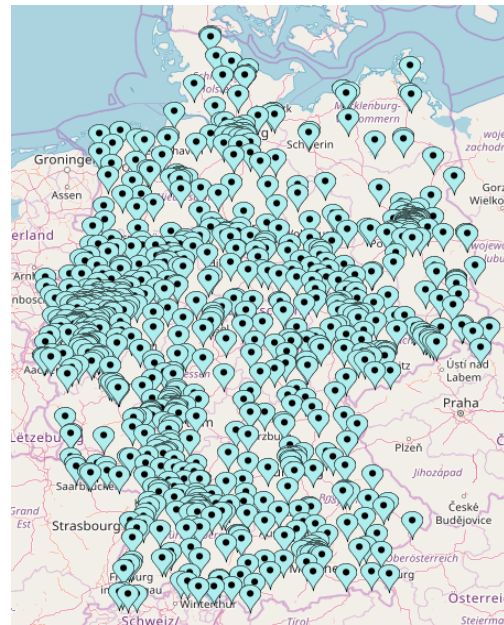
# Substantial white space to roll out the concept with attractive store economics



## Store count of e + m vs. Apollo and Fielmann (as of September 2019)



Store count: 141



Store count: c850

x > 6



Store count: c600

X > 4

In a total market of c12,000 stores in Germany