

# 3i Group Private Equity Capital Markets Seminar



17 September 2018



**lampenwelt**



# Introduction

**Simon Borrows, Chief Executive**

# Our business model – delivering sustainable returns

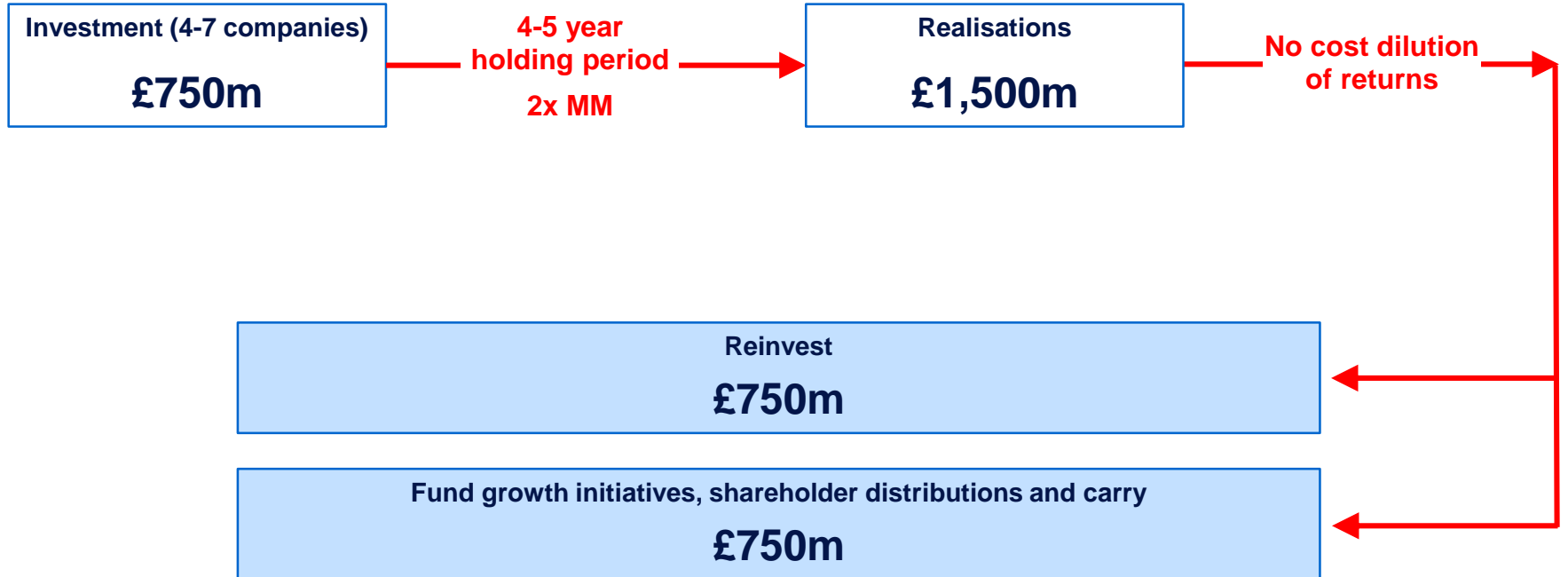


1. Invest our proprietary capital in Private Equity

2. Grow portfolio earnings and cash flow

3. Realise a money multiple of >2x in Private Equity

4. Cover costs with fee and portfolio income



# Strategic clarity and focus in our approach to Private Equity investing



## Clear focus

- Consumer, Industrial, Business & Tech Services and Healthcare
- Northern Europe, North America



## Themes/megatrends

- Flexibility to follow long-term trends that support earnings growth

**Flexible to adapt to market developments and to pursue winning themes. Focused on returns**



## Disciplined process

- Early stage commercial evaluation
- Less competitive or proprietary processes



## 3i network and BLN

- Identification of and access to targets
- Assessment, due diligence and NXD involvement

# Flexible approach to follow developing themes and megatrends

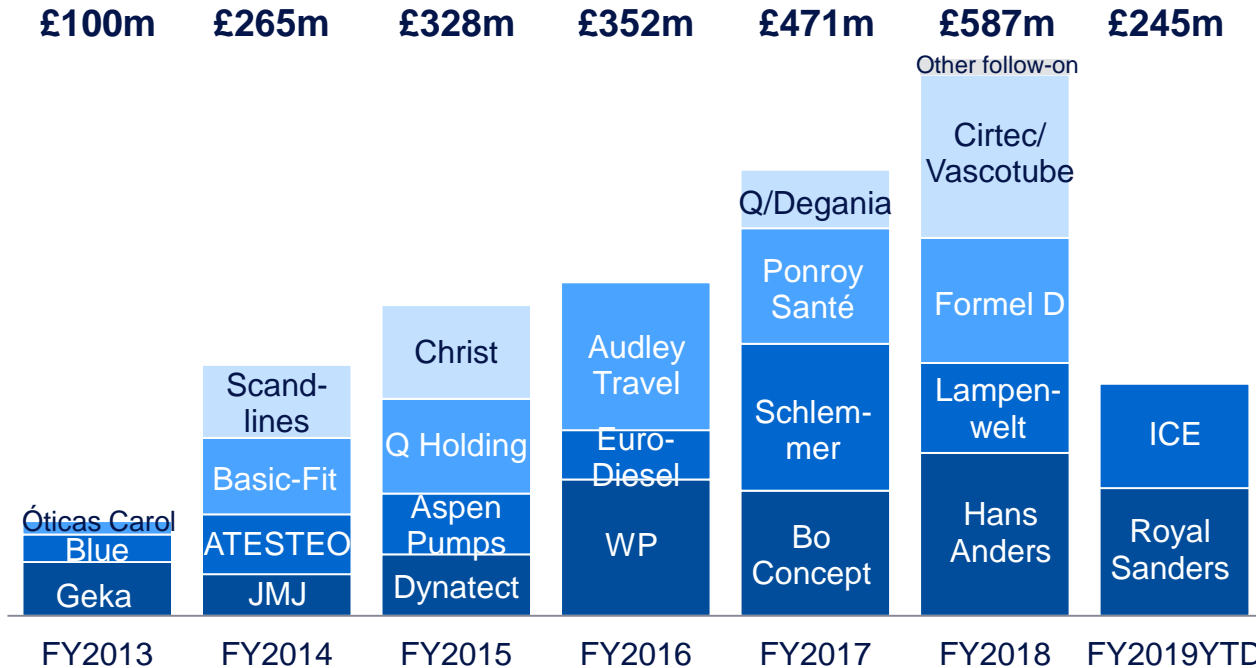


Our investments are supported by developing megatrends

# Our approach to Private Equity investing is producing good results



Proprietary capital invested in each Private Equity vintage



**c.£2.4bn** invested in FY2013-FY2019YTD

FY2013-FY2016 MM of **2.1x** as at 31 March 2018

**FY2013-2016 vintage could deliver money multiples closer to 3x than 2x**

# Today's seminar



AUDLEY

2015

Provider of experiential tailor-made travel

Original cost: £156m

Residual cost: £195m

Valuation: £233m

Cirtec  
MEDICAL

2017

Outsourced medical device manufacturing

Original cost: £172m<sup>1</sup>

Residual cost: £172m<sup>1</sup>

Valuation: £190m

 lampenwelt

2017

Online lighting specialist retailer

Original cost: £95m

Residual cost: £98m

Valuation: £111m

As at March 2018

<sup>1</sup> Including the acquisition of Vascotube

# Today's presenters



**Alan Giddins**

**Managing Partner, Head of Private Equity**

Joined 3i in 2005 and is Managing Partner, Head of Private Equity and a member of 3i's Executive Committee and Investment Committee.



**Richard Relyea**

**Partner, Managing Director  
North America**

Joined 3i in 2007 and was appointed Managing Director and co-head of 3i's North America Private Equity team in 2015.



**Peter Wirtz**

**Partner, Managing Director  
Germany**

Joined 3i in 1998 and was appointed Managing Director and co-head of 3i Germany in May 2009.





# Audley Travel

**Alan Giddins**

**Managing Partner, Head of Private Equity**





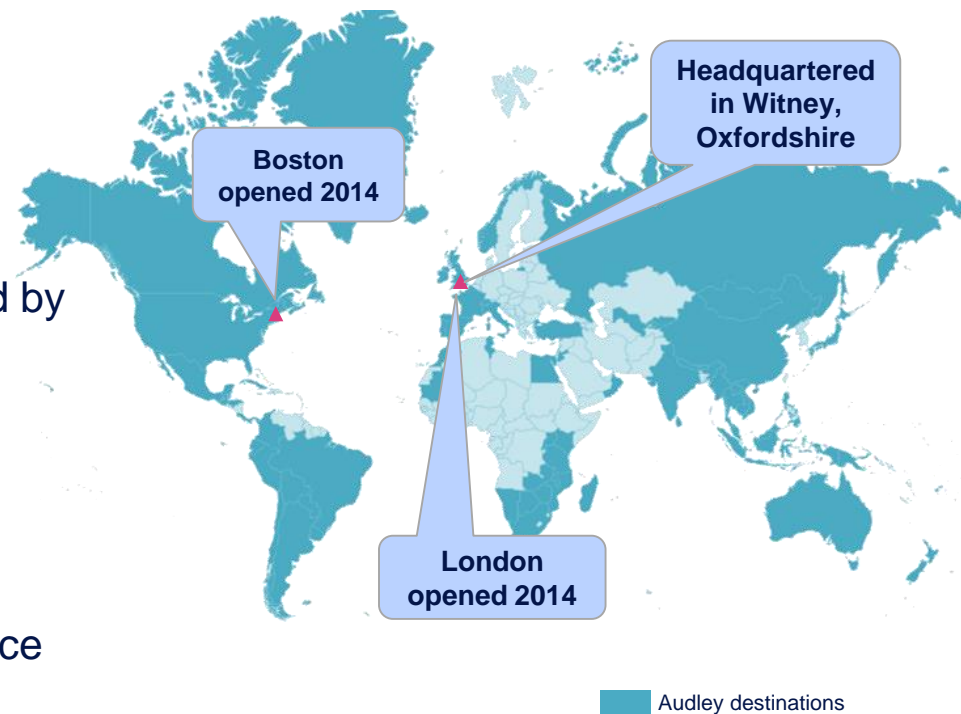
- Investing in UK growth business for 70 years+
- 11 investment professionals in the London office



# Audley is a market leader in tailor-made travel in the UK and US



- Founded in 1996 by travel enthusiasts Craig Burkinshaw and John Brewer
- UK market leader in luxury tailor-made journeys
- High quality customer service delivered by genuine specialists
- Repeat & Recommend core driver of business model
- 3i invested £156m in December 2015 alongside management
- £296m sales, 16% EBITDA CAGR<sup>1</sup> since investment



<sup>1</sup>Based on current 2018E outturn

# Audley creates complex journeys tailored to each client



**Personalised  
long-haul trips**

**80 countries  
across 7  
continents**

**Flights,  
transfers,  
accommodation  
& unique  
experiences**

**No inventory  
commitment**

**£14k+ average  
booking value**

**6 locations per  
trip on average**

**Small party size  
– 2.5 passengers  
on average**

**Book on  
average 7-8  
months ahead  
of travel**



# Growth in the tailor-made travel market is supported by strong underlying drivers

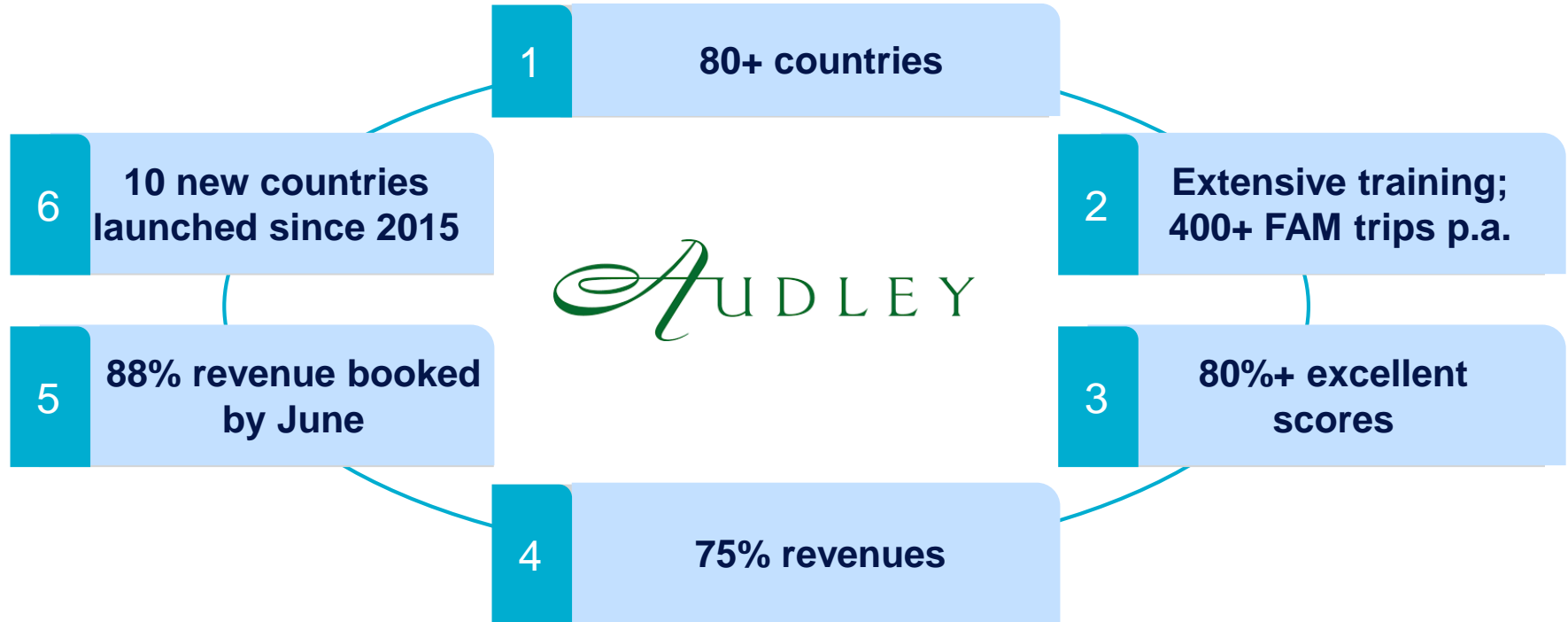


**Audley well placed to benefit as the market leader, larger than its three nearest UK competitors combined**

# The combination of Audley's positioning and business model provides an attractive platform for growth



# The combination of Audley's positioning and business model provides an attractive platform for growth



# We developed conviction early on, enabling us to acquire Audley in a process which played to our strengths



## Early identification

- Identified Audley as part of sub-sector deep dive in specialist travel
- Front loaded due diligence ahead of the process

## 3i network

- Existing relationship with Chairman through sub-sector work
- Built strong relationship with team to become management's preferred party

## Sector knowledge

- Strong consumer track record
- Relevant experience in travel with investments in FastBooking, TravelBag and Canvas Holidays

## Fit with 3i strategy

- Management team focused on finding the right partner to deliver international growth



## Market dynamics

- Large addressable tailor-made market
  - 3x size of UK
- Less developed destination expertise and personalisation
  - Agency models prevalent
- First mover advantage



## Delivered since 2015

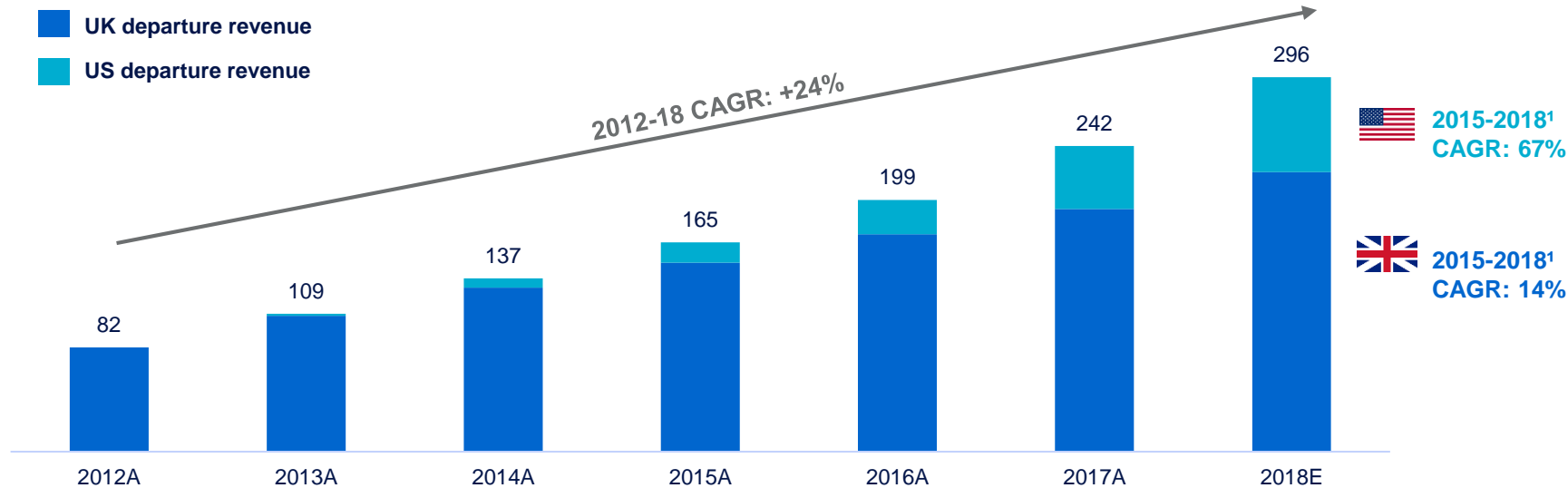
- ✓ >3.5x growth in US bookings
- ✓ More than doubled US headcount
- ✓ 25% group sales
- ✓ Successful launch of European product to six countries



# Strong growth delivered in the UK and US with attractive financial characteristics



## Departure revenue (£m)



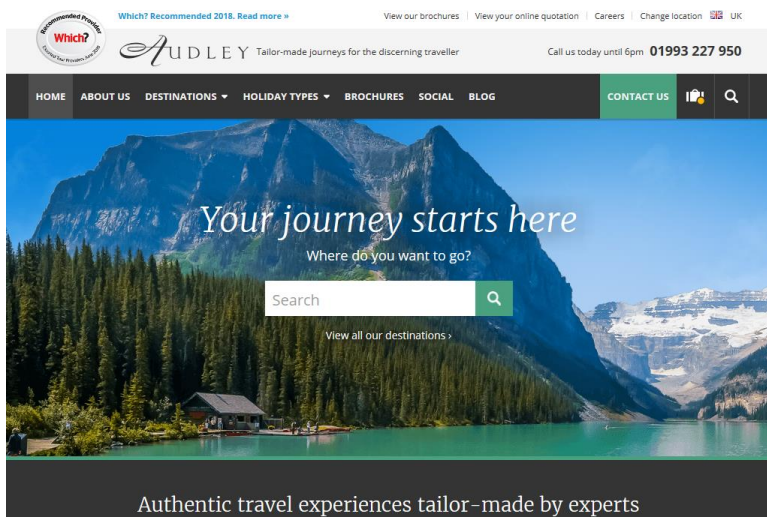
100%+ cash conversion

16% EBITDA CAGR<sup>1</sup> since 3i acquisition

Deleveraged from 4.6x to 1.4x

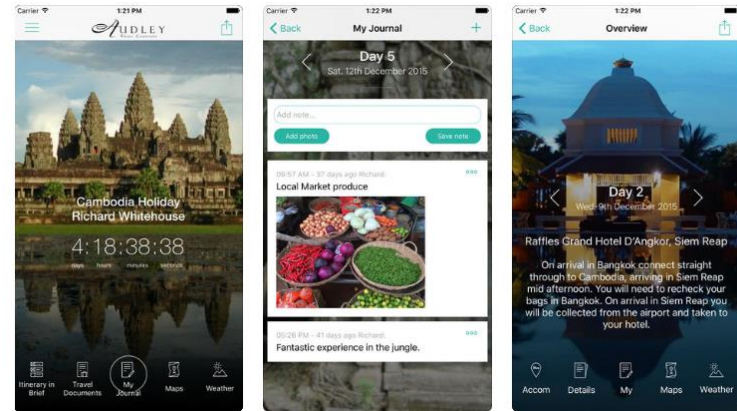
<sup>1</sup> Based on current 2018E outturn

# Ongoing digital evolution supports Audley's omnichannel model



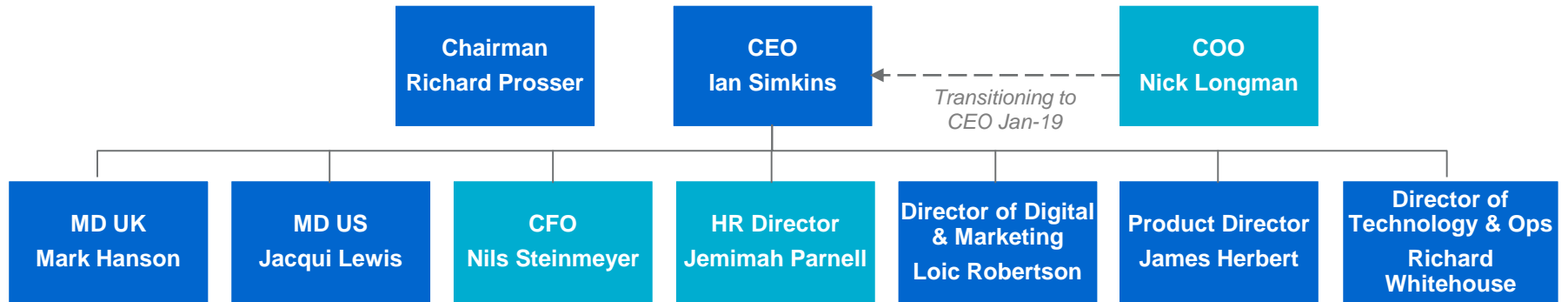
**Award-winning website**  
**7.1m unique visitors per year**  
**(+46% since investment)**

## Audley Travel Companion app launched



**Inspirational digital platforms encourage customers to enquire**  
**Phone converts 5x higher than online enquiries**

# Strong management team and Board



 Joined under 3i's ownership

Nick Longman joined the team on 10 September 2018, transitioning to CEO in January 2019



- 20+ years experience in travel, most recently as MD of Tui UK and Ireland (£6bn+ turnover)
- Experience delivering in international markets with roles in North America and Australia
- Formerly responsible for distribution of Tui across 13 European markets
- Ian Simkins will remain with the business in a non-executive role





**Repeat &  
Recommend**

**Digital evolution**

**New product  
launches**

**New source  
markets**

**Significant whitespace in US market**

**Supported by positive underlying market drivers**



# 3i's approach to Healthcare

**Richard Relyea**

**Partner and Managing Director, North America**







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





# Increasing our focus on Healthcare



1

Attractive  
sub-segments  
fit 3i model

- Steady overall market growth with attractive long-term trends
- Niche and fragmented segments growing high single to double digit
- Many examples of sub-segments being big enough to be narrow – MDO is a €30bn market growing >10%

2

Existing  
sub-sector focus

- **Industrials** – medical device outsourcing, biopharma manufacturing, specialty diagnostics and life science tools
- **B&TS** – pharma services and logistics, staffing / recruiting / training
- **Consumer** – wellness products

3

Momentum and  
strong track record



GROUPE  
PONROY  
SANTÉ



c€560mm deployed  
over the last four years

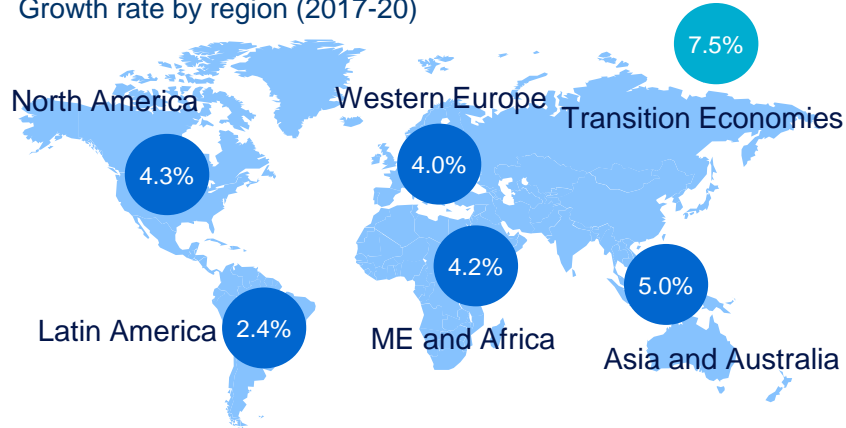
# Global healthcare

Significant market with macro trends driving long-term growth



## \$7.5 trillion

Global healthcare expenditures  
Growth rate by region (2017-20)



**+4.3%**  
total industry  
growth forecast  
(CAGR 2017-22)

**10.5%**  
of global GDP  
spent on healthcare  
by 2020

## Global healthcare drivers

- Global aging population (>65 years old) will increase by 8% through 2020
- Lifestyles and diets driving prevalence of chronic diseases
- Increasing access – India seeking to offer 0.5 billion government insurance
- Advances in treatments driven by innovation, technology, data
- Focus on patient outcomes

**\$1,120bn**  
global pharma sales  
by 2022  
**+6.5% CAGR**

**\$530bn**  
MedTech sales  
by 2022  
**+5.2% CAGR**

# Accelerating innovation unlocking new markets

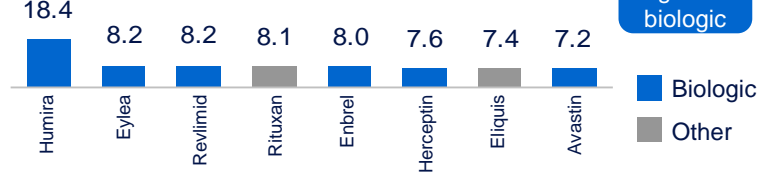
## Intersection of technology and life sciences



### Biologics

- Pharmaceuticals developed from living cells
- Unique ability to treat chronic diseases
- Cost to manufacture up to 100x regular small molecule compounds

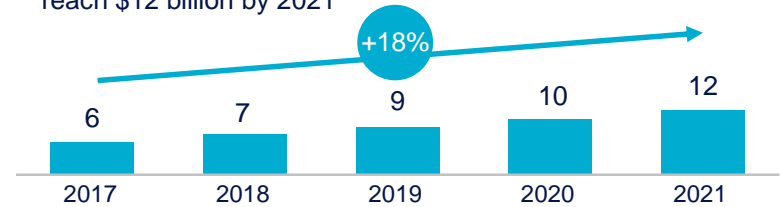
Top selling drugs by revenue (\$bn, 2017)



six out of eight are biologic

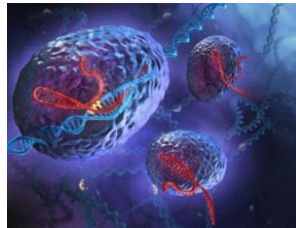
### Advanced medical device technology

- Google (Verily) and GSK create \$715m **verily** JV in bioelectronics (2015)
- Healthcare wearables – 18% market CAGR, expected to reach \$12 billion by 2021



### Genomics

- Mapping the human genome
- Future ability to treat people with customised therapies and gene editing – 10%+ market CAGR, expected to reach \$45bn+ by 2024



### Artificial intelligence

- Algorithmic solutions to optimise treatment
- Visual tools
- Medical Diagnostics



# How are we currently capitalising?

Derivative plays with strong fundamental characteristics



## Target segments

Pharmaceuticals

Pharma services  
Supply chain  
Processing products

Medical device  
technology

Medical device  
outsourced  
manufacturing

Life sciences

Specialty diagnostics  
Lab / research tools  
and supplies Services

Other

Wellness products  
Animal health  
Other

## Attractive characteristics

- Strong revenue models
- End-market growth +
- Fast growing sub-segments
- Sticky revenue base
- Cost and value-add solutions
- Limited direct reimbursement exposure
- Limited capital requirements
- Minimised regulatory and commercial risk

# 3i focus area

## Outsourced medical device manufacturing

### Segment highlights

#### Large, fast growing, non-cyclical market

- Global medtech sales growing ~4-6% p.a.
- Outsourcing market is **c\$35 bn+**, with increasing penetration driving **10-12%** growth

#### Fragmented market undergoing consolidation

- Over **500** players in the space with largest at **<5%** market share

#### High switching costs and barriers to entry

- Regulatory nature drives high switching costs

#### Attractive financial profiles

- **Target of 25-30% EBITDA** margins with attractive FCF profiles
- Industry has proven resilient during recessionary periods

### 3i experience



### 3i MDO investment strategy

Target fast growing end markets

Focus on high value capabilities

Vertically integrate

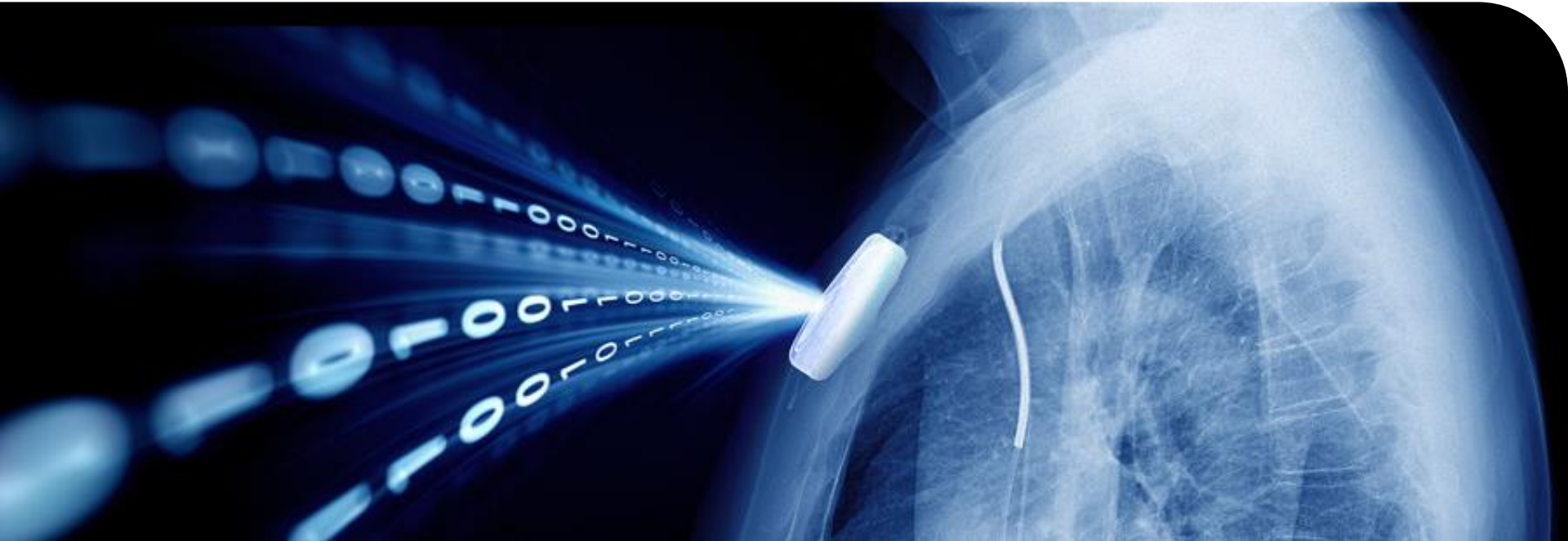
Establish low-cost footprint

# Cirtec



**Richard Relyea**

**Partner and Managing Director, North America**



### Company overview

- Focus on complex medical devices
- Design and development -> manufacturing and assembly
- Niche, fast-growing end markets
- Serves leading OEMs and innovative emerging players

### Deal metrics

- Primary buyout
- Completed August 2017, with the further investment closing in November 2017

### Active implantables



Implantable pulse generator  
(“IPG”)



Leads



Implantable pump



Leadless pacemaker



### Minimally invasive interventional therapies



Nitinol tubes



Eye stent



Minimally invasive devices



Neurovascular coils

# What we like about Cirtec

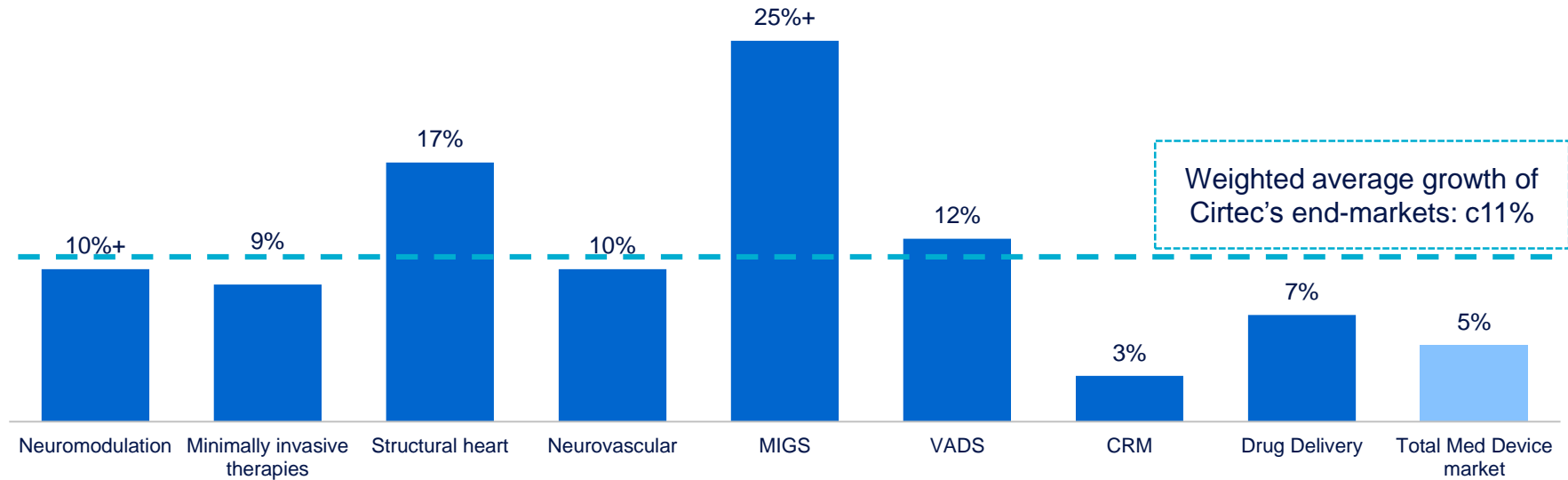
Capitalise on MDO market growth	<ul style="list-style-type: none"><li>• Overall MDO market expected to grow c9-10% due to increasing penetration</li></ul>
Attractive therapeutic sub-segments	<ul style="list-style-type: none"><li>• Focused on niche, fast-growing therapeutic segments expected to grow in aggregate at c11%</li></ul>
Leading solutions provider with sticky customer base	<ul style="list-style-type: none"><li>• Highly differentiated solutions in niche markets requiring significant expertise</li><li>• Complex medical devices require significant investment to switch suppliers</li></ul>
Opportunity to consolidate	<ul style="list-style-type: none"><li>• Platform for additional consolidation (e.g. Vascotube, Top Tool)</li></ul>
Attractive financial profile	<ul style="list-style-type: none"><li>• Base case forecasts revenue and EBITDA growing at a CAGR of c10% / 13% through 2022</li><li>• 10+ customers switching from engineering to production revenue</li></ul>



# Cirtec is exposed to some of the fastest growing, niche therapeutic areas of the medical device market

## End-market growth

Cirtec's key end-markets are driven by the increased adoption of its customers' products due to their ability to treat serious illnesses in new innovative ways

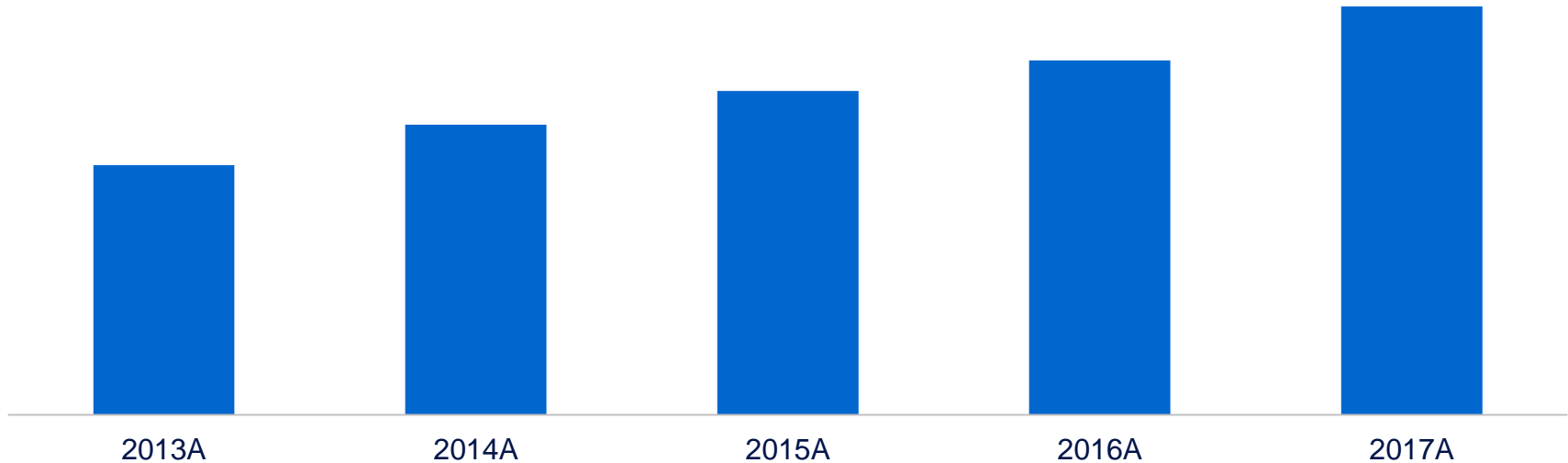


# Consolidated pro forma financials

## Strong growth trajectory since 2013



Historical PF consolidated revenue – 2013-17A CAGR: 13%



Cirtec has grown significantly over the last five years with organic revenue growth averaging 13%

## Significant new customer additions



- Numerous notable new customer wins over past 12 months
- Healthy pipeline of new targets
- Significant incremental revenue to be realised over next 18-24 months

## Fast growing customer base

- Manufacturing a number of fast growing product platforms across attractive end markets
- Top customer volume growing >10% p.a.
- Sole sourced on the majority of customer base

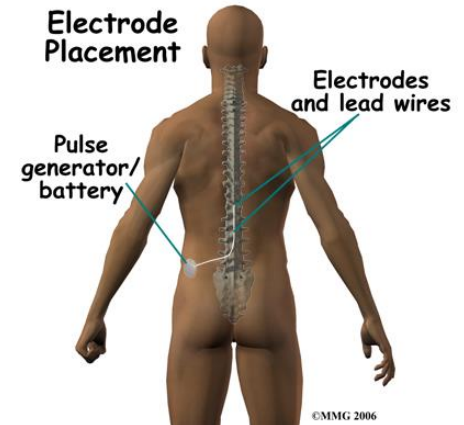
## What is neuromodulation?

- Invented in 1960s
- Electrical stimulation to produce a natural biological response
- Alternative to long-term drug therapy for the symptomatic relief of persistent or chronic conditions
- Product very similar to a pacemaker in design
- Current market size: \$2.5bn and growing 10-15% p.a.



## Usage overview

- Chronic pain (back, limbs)
- Incontinence
- Sleep apnea
- Migraine
- Parkinson's disease
- Depression
- Epilepsy
- Obesity



### Company overview

- Precision engineered nitinol and other specialty metal tubes in a wide variety of sizes and tolerances
- Market leader in tube innovation and for high-end applications
- Serves fast-growing therapeutic areas such as the structural heart (TAVR), neurovascular and cardiovascular markets



### Company highlights and acquisition rationale

- Unparalleled ability to manufacture tight tolerance tubing required for the highest-end applications
- Proprietary manufacturing process and custom built machinery
- Leading provider for nitinol-based TAVR and TMVR devices

### End markets and example products

Structural heart  
(TAVR / TMVR devices)



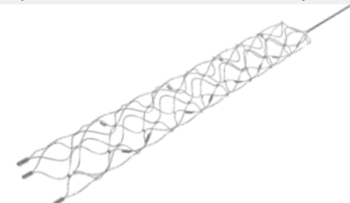
Peripheral vascular  
(PTA stents)



Orthopaedics  
(fracture management systems)



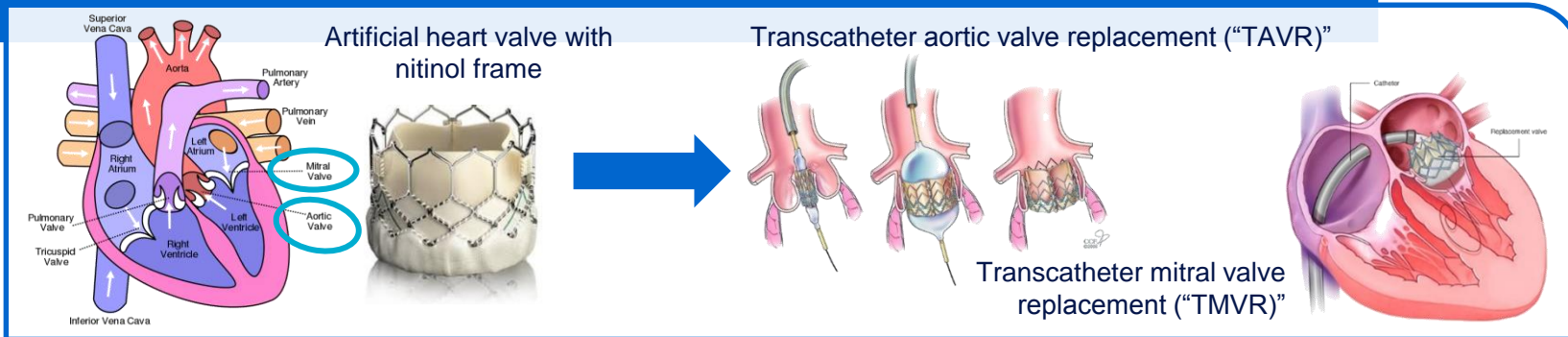
Neurovascular  
(revascularisation stents)



# TAVR and TMVR market opportunity

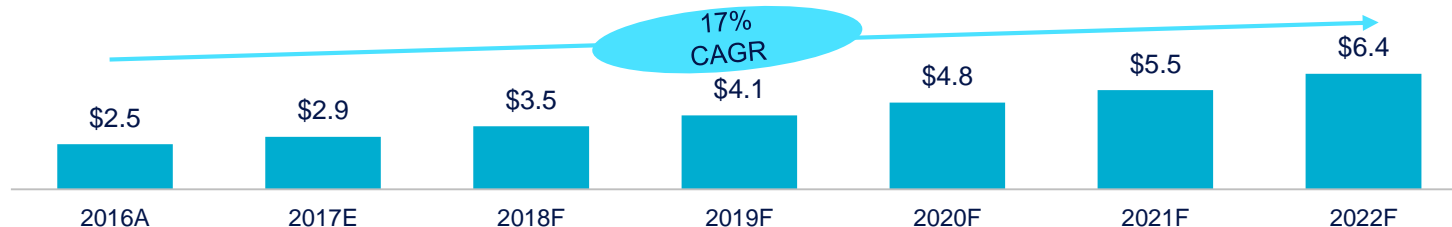


## Procedure overview



## Usage overview

The TMVR market is still in its infancy, but could be 2x larger than the TAVR market (data in \$bn)



International growth	<ul style="list-style-type: none"><li>• Significant opportunities to expand the international footprint, particularly through M&amp;A</li><li>• Opportunity to expand geographic market exposure</li></ul>
Sub-sector focus	<ul style="list-style-type: none"><li>• Large and fast-growing medical device CMO market</li><li>• Focus on attractive therapeutic areas with strong growth fundamentals</li><li>• Target niche players with differentiated capabilities</li></ul>
3i business leaders network	<ul style="list-style-type: none"><li>• Strong relationship with Brian Highley, CEO, who has over 20 years of medical industry experience and 14 years in contract design</li></ul>
Process	<ul style="list-style-type: none"><li>• Limited process. Investment thesis fully validated pre-process</li><li>• 3i sector expertise, speed and certainty drove exclusivity</li></ul>
Local network team	<ul style="list-style-type: none"><li>• Strong relationship with CEO Brian Highley unlocked the opportunity</li></ul>

# Lampenwelt



**Peter Wirtz**

**Partner and Managing Director, Germany**







- Frankfurt office since 1984
- 13 investment professionals
- Strong core team with recent new hires
- Market reputation as one of the oldest PE houses in Germany



**lampenwelt**



**Scandlines**



# Lampenwelt – it all started in a garage...



HP



Apple



Amazon



Google



Lampenwelt



1939



1976



1994



1998



2004

# Leading European eCommerce player in the lighting space



- Founded in 2004, leading European online specialist in the lighting space
- 45,000 SKUs; 50% of sales through private label products
- Web shops in 15 European countries
- Strong market position with ~10% market share in Germany, three times more than next pure play competitor
- 23% revenue CAGR in the last five years
- 3i invested £95m in May 2017, alongside minority co-investor Project A



# Broad product base and wide geographic reach



## Large collection of own brand products



## Strong third-party brands

Artemide®

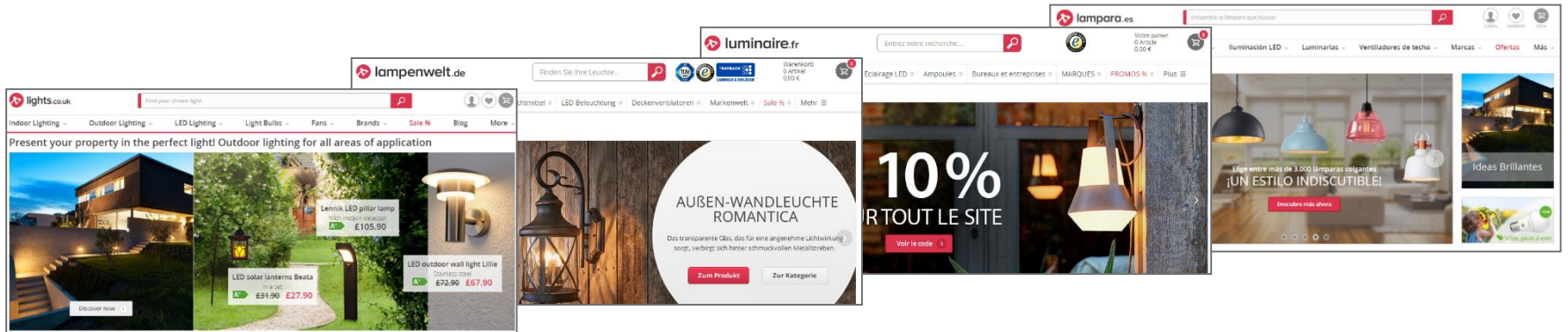
FLOS

FontanaArte

TECNOLUMEN®

OSRAM

## 15 country websites



# We acquired Lampenwelt in a proprietary process that leveraged our strengths



## Sector knowledge

- In-depth knowledge of the lighting sector through previous work on other targets in the lighting / building materials sector
- Review of many eCommerce targets over the last 2-3 years

## Process

- Direct approach resulted in an entirely bilateral negotiation
- Collaboration only with existing financing banks to minimise risk of leaks

## BLN

- Strong BLN contribution in approaching the company and diligencing the investment
- Important BLN contribution to the non-executive Board

## Local network

- 3i brand and long-standing local 3i team important in building trust with owners and management throughout the process



1

**Favourable market dynamics and shift to online**

2

**Leading online specialist with scale advantages**

3

**Resilient financial profile & cash generation**

4

**Dedicated and proven management team**



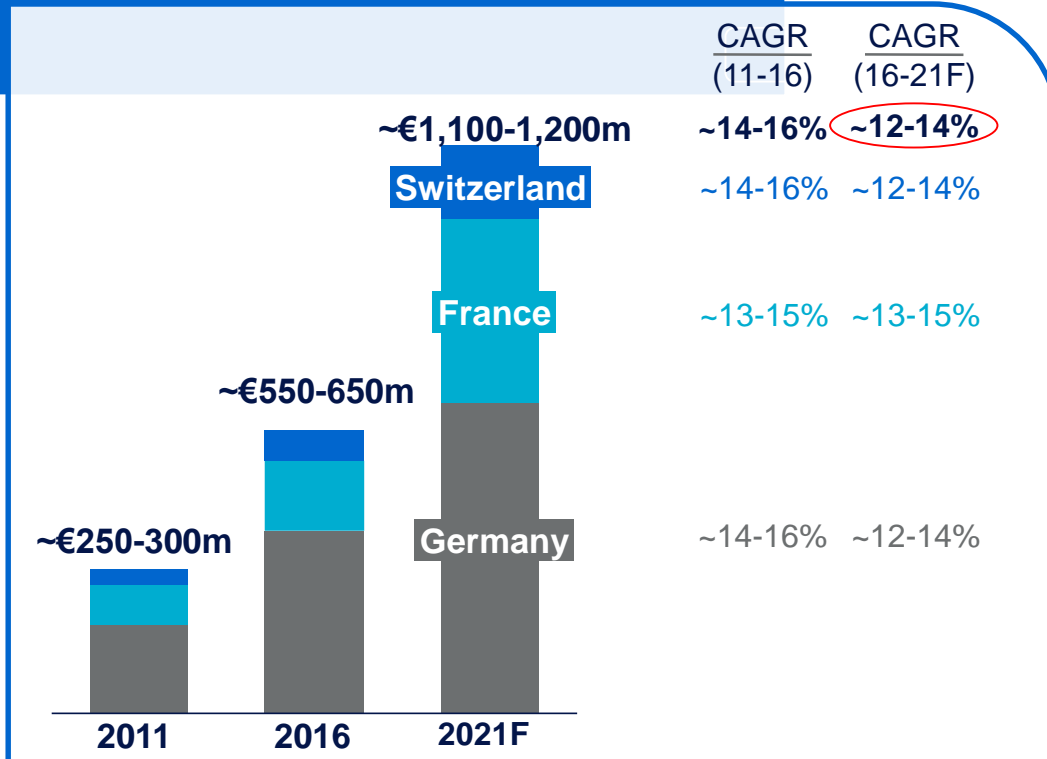
1

# Favourable market dynamics

Growth in online lighting market supported by strong underlying drivers



## Online lighting fixtures market



- Overall lighting fixtures market expected to continue to grow by 3-3.5% in Lampenwelt's key geographies, mainly driven by renovation activity
- Online penetration projected to increase to 10-13% in Germany / France / Switzerland by 2021, yielding a 12-14% growth rate in the online lighting fixtures market
- High margins in the value chain and stable profit pools

Note: market size based on retail values. Source: leading consulting firm

2

# Leading online specialist with scale advantages

## Differentiated proposition vs Amazon and large online generalists



### Market structure

- Lighting market is fragmented along a range of dimensions: # retailers & installers, # of wholesalers, # manufacturers, # brands, ...
- Compared to other end markets, the lighting market is niche and generalist online retailers put more focus on larger themes (ie food, fashion, etc.)

### Lampenwelt's differentiation

#### Curated offering, strong customer service

- Human effort required to select the best curated offering of lighting fixtures from a fragmented market
- Content-related advice from native speakers represents key differentiating element

#### Private label assortment

- Lampenwelt's private label products are directly sourced from the manufacturers and not available anywhere else

#### B2B

- Lampenwelt's B2B offering targeting installers and electricians will provide a further element of differentiation vs online generalists



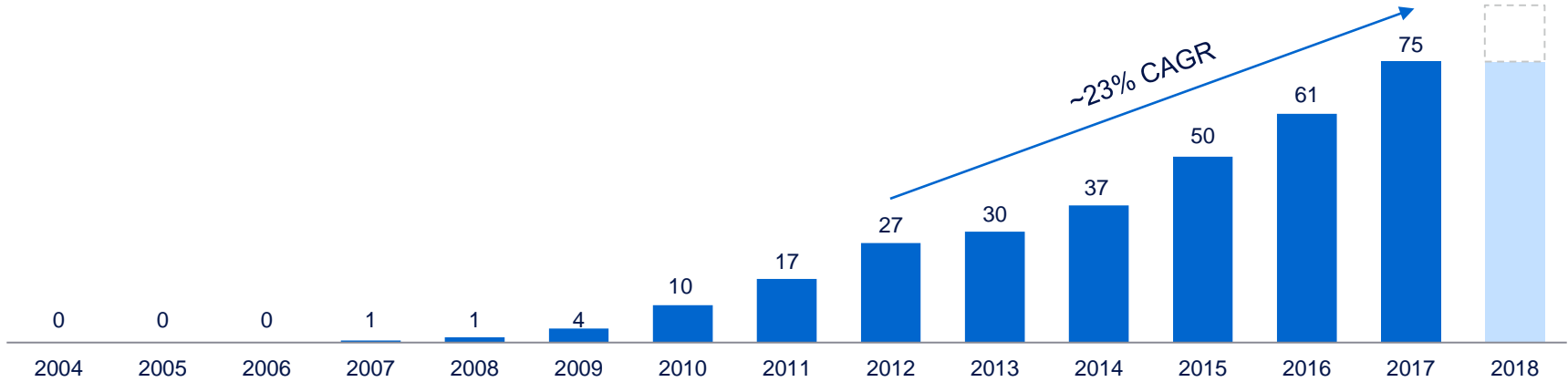
# 3

## Resilient financial profile

Strong track record of profitable growth and cash generation



### Financial profile and track record (sales, €m)



### Accelerating professionalisation and internationalisation





### Strong founder team

- Thomas Rebmann founded the business in 2004 together with his brother Andreas, when they started to sell lighting fixtures via eBay
- Since then, they built the business to today's size and geographical footprint

### Aligned with 3i

- Founders continue to lead the business as CEO and COO, respectively
- Significant (re-)investment into the 3i buyout

# Strong BLN contribution

## Approach, diligence and ongoing support as non-executive directors



- Worked with 3i on the approach and due diligence of Lampenwelt
- Previous collaboration on a previous deal in the lighting space, as well as on a number of potential eCommerce investments
- Former Schüco and Grohe manager
- Deep know-how at the crossroads of the building supplies industry and digital models
- Experienced start-up investor

### Jochen Wilms

#### Executive Chairman



- Successful IT entrepreneur, CEO of CompuSoft Germany
- Continuity both as co-shareholder and as a member of the Lampenwelt Board

### Walter Neumüller

#### Board member



- Co-founder and Managing Partner at Project A Ventures
- Areas of expertise include online marketing, CRM, PR/Communications and Business Intelligence
- Former MD at Rocket Internet, with a large role in setting up Zalando

### Florian Heinemann

#### Board member

# Project A involved as minority co-investor to support further eCommerce professionalisation



## Project A

- Berlin based operational venture capital fund founded in 2012
- €260m assets under management across three funds
- Focus on early stage digital / ecommerce / internet businesses
- Team of ~100 operational experts
- Investment strategy: mix of early stage venture and private equity co-investments
- In-depth expertise in areas such as business intelligence, online marketing and information technology

### Early stage investments

### Private equity co-investments



# Significant opportunities for value creation over the next 3-5 years



## Germany

- Strengthen leading positioning in Germany
- Further strengthen product portfolio & private label

## International

- Penetration and scale in existing international markets
- Enter select number of additional international markets

## B2B

- Upside from B2B segment with focus on electricians & installers
- Potential market entry via buy-and-build

**Business professionalisation**

## brand eins



*“Some businesses take time to ripen”*

brand eins  
May 2018

## Frankfurter Allgemeine

SONNTAGSZEITUNG



*“Growth with lighting fixtures”*

Frankfurter Allgemeine Sonntagszeitung  
August 2018

...and a final aside on Action



## New store opening in Angers, France

13 September 2018