



Summer 2009

Eyes on Growth

Latest news from 3i Growth Capital



We are a leading international mid-market Growth Capital business, investing in privately-owned, high growth, profitable businesses across Europe, Asia and North America. Using 3i's unparalleled resources and benefits of scale, we work alongside entrepreneurs and management teams, providing both the strategic and financial support needed to realise a step change in scale and profitability.



“ We firmly believe that our strategy of partnership with entrepreneurs to deliver value through growth and help companies achieve their full potential is even more relevant in current times. ”

Guy Zarzavatdjian, Managing Partner, Growth Capital

I am pleased to introduce 3i's latest "Eyes on Growth" which provides an overview of activity across our international Growth Capital portfolio. We have created this edition around the theme of "Opportunities in a Downturn" and we outline just how important Growth Capital can be for a business in this challenging economic climate. In addition we welcome a view on the environmental issues facing companies by David Richards, CEO of our award winning investee company, SLR Management Limited, which has seen continued growth and success throughout recent times.

Drawing on the theme of this edition, my colleagues and I have seen many opportunities for growth in recent months and we are proud to note that aggregate EBITDA growth was 14% across our Growth Capital investments in 2008. This was achieved through a mix of organic and acquisition-led growth, with c.75% delivered organically, demonstrating strong underlying performance. Our portfolio has made over 40 strategic acquisitions with our support this year and we have invested £343m in Growth Capital in the year to 31 March 2009. We will continue to find ways to support our investee companies, including adding value through our Active Partnership Programme and providing access to our international network.

We firmly believe that our strategy of partnership with entrepreneurs to deliver value through growth and help companies achieve their full potential is even more relevant in current times. 3i is in an exciting position to exploit the market opportunities which will emerge, both for pursuing new investments and supporting our investee companies.



3i Portfolio news



Foster + Partners



GAIN CAPITAL

➤ GAIN Capital launches the award-winning FOREX.com in the UK and Europe

3i portfolio company GAIN Capital has successfully launched its FOREX.com trading platform in the UK and Europe. GAIN Capital is a market leader in the rapidly growing online foreign exchange industry, with clients in over 140 countries and an average trade volume of nearly \$200 billion per month.

In addition, in June 2009, for the second consecutive year, Profit & Loss Magazine announced FOREX.com as “Best Retail FX Platform” at the 2009 Digital Markets Awards Ceremony. The awards recognise the efforts of the forex services industry in providing the tools and functionality that make trading forex more efficient. Winners are selected by professionals in the industry.

We invested in Gain Capital in January 2008 and are actively supporting GAIN’s business development in key Asian geographies with introductions in both the public and private sectors.

“FOREX.com has established a strong leadership position in the United States and we believe our service will be well-received by traders in the UK and European markets.”

Glenn Stevens, CEO, GAIN Capital

➤ Little Sheep: A successful partnership

We have divested our 11.32% stake in China’s leading hotpot restaurant chain, Little Sheep Group Ltd, to Yum! Brands Inc, the US fast food operator of brands such as KFC and Pizza Hut.

Little Sheep has performed strongly since our \$20m investment in June 2006, reporting a 34% increase in revenues and a 41% rise in profits in 2008. We had retained an 11.32% stake following the successful HK\$3bn IPO in June 2008.

Our international network played an important role in our partnership with Little Sheep and during our investment we introduced industry leaders as Non-executive Directors to the Board, advised on business strategy and developing the franchise model, and played a pivotal role in supporting the highly successful 2008 IPO.

➤ AES wins four Queen’s Awards for Enterprise

AES Engineering Ltd has received the Queen’s Award for Enterprise: Sustainable Development 2009 and the Queen’s Award for Enterprise: Innovation 2009 (LabTecta product). In addition, their Belfast subsidiary, AESSEAL (MCK) Ltd



applied for and has been granted two Queen’s Awards for Enterprise; for International Trade 2009 and Innovation 2009 (Flow Fuse product).

➤ Foster + Partners and SLR best in class

Two of our Growth Capital portfolio companies were presented with awards at the Sunday Times Buyout Track 100 owners and directors dinner in March. The annual league table ranks Britain’s 100 private equity-backed companies with the fastest growing profits measured over the latest two years of available figures.

Foster + Partners was awarded ‘fastest growing company’ and SLR was awarded ‘best management team’. Foster + Partners, ranked number one in the list, is responsible for iconic architectural projects across the world, from Beijing Airport to the Gherkin in London. The company’s profits increased at a rate of 147% a year from £8m in 2006 to £49.2m in 2008.

SLR, a world leader in environmental consulting, was ranked 56 in the list, up from 64 in 2008. SLR’s profits have grown by almost 45% a year since 2006.

3i Growth Capital:

Our approach to investing in partnership



Our Growth Capital business is the world's leading dedicated growth investor. We invest in privately-owned, high growth, profitable international businesses across Europe, Asia and North America. Typically we invest up to €150m in businesses with enterprise values ranging from €100m - €1bn, taking a non-controlling minority stake.

Once we have invested, we are committed to working in partnership – delivering our international network, Active Partnership Programme and market insight to help our investee companies build exceptional businesses. We've been helping to deliver ambitious growth for more than 60 years, through 3i's knowledge, experience and global network of relationships.

We provide funding and strategic support for a wide variety of situations including:

- **Supporting growth strategies:** Including acquisitions, roll-outs, international expansion and new market entry
- **Restructuring shareholdings:** Including the departure of a major shareholder, transitioning of ownership, or pre-IPO placing
- **Equity release:** Unlocking value for existing shareholders, allowing them to de-risk their positions whilst retaining control
- **Deleveraging balance sheets:** Normally in preparation for an ambitious growth strategy, overseas expansion, new service offering or M&A

Profile: Opportunities in a downturn

“ Our global portfolio achieved profit growth of over 14% in the last 12 months despite the worst economic conditions for over 25 years. ”

The once buoyant business world has seen a rapid reversal of fortune over the past 18 months. With the global economic outlook continuing to look challenging we reflect upon how a minority investor can provide more than just money to help a business take advantage of the opportunities the downturn is presenting.

Following the period of sustained economic growth we have seen over the past 10 years, the stage is set for the next 10 years to be something altogether very different. Successful businesses will be those that are able to adapt to meet future challenges and opportunities. New skills and tools will be required to deal with these issues and many entrepreneurs and management teams will encounter challenges they haven't had to face before in their entire working lives.

➤ More than money

It is well documented that there is a lack of capital available to companies, but the problems caused by the downturn that businesses must face go beyond money. Successful companies are those that constantly review their business model and proposition, focusing on areas such as cost control, operational efficiency, headcount, overleveraged balance sheets, supplier concentration, profitability of customers, product and geographic markets and bolstering quality management.

Some of the most successful businesses today are those that were proactive in previous downturns, having invested to ensure they were lean and efficient and therefore best placed to take advantage of the prolonged phase of growth which followed.

Our Growth Capital business has invested through many economic ups-and-downs across different global markets and we have built up significant experience of working in partnership with our portfolio, investing to help develop them into class leaders even during tough times. This experience allows us to share both our knowledge and skills with our investee companies, supporting improvements to their operational effectiveness. Indeed, our global portfolio achieved profit growth of over 14% in the last 12 months despite the worst economic conditions for over 25 years.

Our active partnership approach has created many situations where investee companies have achieved dramatic transformations in performance as a result of our direct support. For example, since we first invested in Butterfield Fulcrum two years ago, revenues have grown from \$10m to c.\$55m for 2009 and we have helped

by advising on the transition of 60% of the 475 strong work force to low cost jurisdictions, transforming the cost structure and performance of the overall business. At Targetti Poulsen, we assisted in the launch of a sales force effectiveness project targeting the 200 strong sales force with the goal of improving the sales per salesperson through better sales techniques, performance management systems, clear KPIs and sales support tools.

➤ Growth opportunities

Limited access to capital is restricting companies' M&A activity, putting constraints on working capital and limiting expansion into new markets and geographies. At a time when the adverse economic conditions are providing stronger businesses with exciting opportunities, this restriction is stifling growth. Partnering with 3i can provide companies with the financial firepower to pick up this additional demand and make bold acquisitive and expansionary moves when opportunities present themselves. For example, we have recently backed investee companies Hyperion and Labco with further funding to make such acquisitions and take advantage of new opportunities as they arise.

➤ International expansion

Capital will also be required to support international expansion, ensuring that companies can decrease their reliance on one market. With some economies around the world still growing, albeit at a slower rate, it is still possible to benefit from the growth and the cost economies that are still available from these markets. India and China for example are still seeing growth of 6% - 7% per annum.

3i Growth Capital can therefore play an important role in partnering with companies who aim to succeed during this tough economic period. We have an international network of over 60 professionals in 12 countries, including a significant presence in India and China and can support key business introductions, outsourcing, production and M&A activity.

For further information about Growth Capital please contact your local 3i Partner.

Supporting our investments



Supporting European expansion | Healthcare | France

“ We are delighted to be supporting the continued growth of Labco and to help its very high calibre management team execute Labco’s strategy. With this investment, and in the current climate where capital markets are often constrained, 3i has found many investment opportunities in SME’s. ”

Denis Ribon

Partner, 3i and NXD, Labco

We are backing Labco through a combination of €65m in additional funding and, through our European network and expertise, supporting a programme of strategic acquisitions.

Labco is Europe’s fastest-growing medical diagnostics group, based on a network of local and regional clinical laboratories in six European countries. In 2008 Labco achieved pro-forma sales of €410m, an increase of 85% compared to 2007.

In March 2009, we invested a further €65m of additional funding bringing our minority stake up to almost 20%, underlining our confidence in Labco, even at a time of challenging financial market conditions. The funds raised will allow Labco to continue its acquisition strategy, the latest of which is the acquisition of AescuLabor Karlsruhe, a leading German medical laboratory.

We first invested in July 2008 and introduced 3i Partners Denis Ribon and Richard Bishop to the Labco Board and Daniel Bour, former CEO of Générale de Santé as Non-executive Director.



Accelerating International Growth | Financial Services | UK

“ Hyperion has a fantastic entrepreneurial culture and continues to attract talent from across the globe. We are privileged to be part of this successful growth story, bringing our expertise and resources to bear to further Hyperion’s long term ambitions. ”

David Whileman

Partner 3i and NXD, Hyperion

We invested for a 27% stake in global insurance specialist Hyperion in April 2008 and have played an active role in their rapid growth through our financial resources, strategic input and by leveraging our international network. In addition to assisting with the recruitment of a new Chairman and CFO, we have also set aside further funding of up to €30m for strategic acquisitions.

Most recently in May 2009, we have worked closely with Hyperion’s broking arm, Howden, to support the business in acquiring Hendricks & Co GmbH, the leading specialist Directors and Officers (D&O) and Commercial Legal Expenses broker in Germany. The acquisition will further expand the Hyperion Group’s international distribution network, which in the last 12 months alone, has seen new offices open in Hong Kong, the Middle East and Latin America. Hendricks will be able to draw upon Howden’s internationally recognised expertise in the field of professional indemnity, giving it access to a wider range of services and a global customer base.

Joining forces with the number one specialist D&O broker in Germany will give Howden immediate market leadership and allow for the expansion of its retail distribution network in the EU’s largest economy.

Hyperion is a truly entrepreneurial business and has seen growth of over 30% per annum over the last ten years. The Group is headquartered in the City of London and now employs over 700 people in 51 offices, operating in 17 countries.



David Richards
CEO, SLR Management Limited



As environmental issues become both increasingly complex and critical to business success, David Richards, CEO of SLR, explains how the right advice can minimise risk and add value. Whilst in the past, protecting the environment was seen as cost, there is increasing recognition that a focused approach to sustainability can both enhance a company's reputation and drive significant cost savings.



It is important to recognise that the environment and hence environmental regulation is all encompassing for most businesses. This can range from seeking permission for a new development, to green building design or the disposal of waste from existing facilities. Experience over the last 20 years clearly indicates that both public sentiment and the legal framework have always moved, and will inevitably continue to move, towards increasing protection of the environment.

Many of the world's leading organisations have recognised this as an opportunity rather than a threat, provided they have the right advice and make the right decisions. They have also realised that because of the breadth of the issues which they have to address there are a limited number of companies who can help them.

SLR is one of these companies, and is currently working with major energy providers, industrial companies, retailers, developers and airlines on a wide array of issues. This assistance ranges from assessing greenhouse gas emissions

and advising on their reduction by minimising energy use or even carbon sequestration, to mitigating the effects of development on sensitive environments which extend to include polar bear dens and whale migration routes.

In almost all cases there is added value for the client. This can be by facilitating the issue of an environmental permit vital to allow multi-billion dollar energy developments to proceed, or sustainable energy and waste management strategies which can actually allow commercial developments to be carbon negative, selling renewable energy to the power utilities at a profit.

For smaller companies there are a range of financial incentives to assist organisations reduce their environmental footprint and SLR works with several, including the Carbon Trust and Wrap, who will help fund studies and capital costs where significant environmental benefit can be demonstrated.

www.slrconsulting.com





About 3i



3i is an international leader in private equity. We focus on Buyouts, Growth Capital and Infrastructure and invest across Europe, Asia and North America. Our competitive advantage comes from our international network and the

strength and breadth of our business relationships. These underpin the value that we deliver to our portfolio, to our shareholders and to our fund investors.

Internationally connected:

Asia: Beijing, Mumbai, Singapore

Europe: Aberdeen, Amsterdam, Copenhagen, Frankfurt, London, Madrid, Manchester, Milan, Paris, Stockholm

North America: New York

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