



Spring 2010

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 global reach 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.



“ The Growth Capital Fund will continue our existing Growth Capital strategy and make minority investments in growing businesses across Europe, Asia and North America. ”

Guy Zarzavatdjian, Managing Partner, Growth Capital

I am pleased to introduce 3i's latest "Eyes on Growth" newsletter which provides an overview of activity across our international Growth Capital portfolio. We have created this edition around the theme of Growth Capital investment being an important building block in the success of a company and a possible stepping stone to IPO.

I am also extremely proud to announce the closing of our Growth Capital Fund, at €1.2 billion, the largest global fund dedicated to minority investments today. This is an exciting development for 3i as it allows us to accelerate our investment at a time of terrific global market opportunity.

The Growth Capital Fund will continue our existing Growth Capital strategy and make minority investments in growing businesses across Europe, Asia and North America.

We will invest in approximately 15 mid-market companies in the next couple of years, typically investing €25 million to €150 million of equity.

In conjunction with this, we have also completed our first Growth Capital investment from the new fund, an €84 million investment in Refresco, a leading European fruit juice producer. We believe this will be just the start of an exciting programme of investment for 3i in 2010.

Finally, we welcome an expert view on the Asian insurance and reinsurance market by John Tan, CEO of our investee company Asia Capital Reinsurance, which has achieved strong growth despite difficult market conditions.

Investment news



3i invests for a minority share in Refresco

“Through our “buy-and-build” strategy, we can now further extend our presence in the European market through acquisitions as well as by internal growth.

We know that 3i is a reliable and dedicated partner who will support us in achieving our goals. ”

Hans Roelofs,
CEO, Refresco

We're pleased to announce our investment in Refresco, the European market leader in the production of fruit juices and soft drinks. Since its establishment in 2000, the Netherlands based company has grown to 19 production sites in 8 countries across Europe with more than 2,200 employees.

Refresco's “buy-and-build” growth strategy aims to strengthen its market-leading position in the European market, through acquisitions and organic growth. Our new shareholding represents a 20% stake in the total share capital of Refresco. We have made a total commitment of €84 million which will be fully utilised to realise further growth.

“Our investment in Refresco provides an excellent opportunity to back a clear European market leader to fulfill its growth potential. Our advanced knowledge of the business, combined with an excellent working relationship with a world-class management team, presents exactly the kind of active partnership which our Growth Capital team is attracted to.” Pieter de Jong, Partner, 3i.



3i celebrates PCD Stores' successful IPO

“Given impressive business growth and value creation over the last four years, PCD Stores is now in an excellent position to further reinforce its brand recognition and image as a high-end luxury store operator. ”

Anna Cheung,
Partner and Co-head of
China, 3i.

PCD Stores, a rapidly growing department store group in China with an emphasis on high-end luxury products, successfully floated on the Hong Kong Stock Exchange in December 2009. The IPO valued the company at US\$1bn.

We invested in October 2005, with Anna Cheung, 3i Partner, taking a Board role to support PCD's expansion. Since our investment PCD Stores has demonstrated impressive growth, achieving revenue and profit CAGR of c.100% in the last two years alone. Its network of self-owned stores has risen from four to nine since January 2006 and PCD currently operates or provides management consultancy services to sixteen department stores and one outlet mall in Beijing and across seven provinces in China.

Our local knowledge and experience in the consumer sector both domestically and in Europe helped to identify the investment opportunity and recognise PCD Stores' potential.

“We have been proud to work as an active partner with PCD Stores' excellent management team, led by Mr Alfred Chan. Given impressive business growth and value creation over the last four years, PCD Stores is now in an excellent position to further reinforce its brand recognition and image as a high-end luxury store operator. China is an important investment market for 3i and we will continue to look for attractive opportunities to grow the value of ambitious businesses.” Anna Cheung, Partner and Co-head of China, 3i.

3i Growth Capital:





Our approach to investing in partnership

Our Growth Capital business is a world 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 and market insight to help our investee companies build exceptional businesses.

We've been helping businesses 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 while retaining control
-  **Deleveraging balance sheets:** Normally in preparation for an ambitious growth strategy, overseas expansion, new service offering or M&A

Growth Capital: A stepping stone to successful IPO

“ Our Growth Capital business has over 60 years’ experience of investing in growing businesses and we have a long, successful IPO track record.”

For many entrepreneurs an initial public offering (IPO) is the ultimate ambition. It brings capital, raises their profile and sets a value for their wealth. For some it is definitely the right option, but many ambitious companies float too early in their development and as a result, can underperform.

We explain why partnering with 3i Growth Capital is a more flexible and lower-risk way to raise capital and build sustainable growth – and also act as a stepping stone to a successful IPO.

Size matters

Firstly, there is the question of size. In the US, for example, there is no point considering an IPO with a market capitalisation of less than around \$300m. Analysts will not follow you and there will be limited research and liquidity in the stock. Smaller companies are also typically less mature and may not have fully refined the business model.

Public markets are demanding, with quarterly reporting expectations and targets to meet and this can be problematic for a growing business with an uncertain strategy or under-developed processes and systems.

Then there is the cost, both in terms of time and money. A minimum of six months is usually required to prepare for listing, with adviser fees and broker costs up front and annual recurring costs for reporting and monitoring post IPO. The process of preparing for an IPO is a serious burden on a company’s resources and can affect performance and development. Furthermore, for smaller companies, the costs of floating may end up being a significant percentage of the capital raised.

Understanding the cost

With 3i Growth Capital, the investment can be structured in a number of ways to suit the situation, for example equity release, deleveraging the balance sheet or planned further investment. We take a tailored and flexible approach to deal structuring, for example when we partnered with global insurance group Hyperion in August 2008, the investment included £25m of pre-priced equity for acquisitions, alongside further bank funding. Costs where appropriate are agreed upfront.

In June 2009, this funding enabled Hyperion to acquire Hendricks, a market leading specialist insurance broker in Germany. The acquisition was significant but small and, if Hyperion had been listed, it would not have been able to justify the cost of a rights issue to fund the deal.

A further benefit of our Growth Capital investment is that we only take a minority stake, aligning our interests closely with your goals but leaving you in control. This means there is no short-term focus on the share price or satisfying analysts’ expectations, which allows for stability and flexibility around strategy.

We also have significant experience advising on key issues such as international expansion. For example, our Indian investee company Siro Clinpharm, was able to leverage our international network and work closely with us on the acquisition of German clinical trials company, Omega Mediation Group in May 2008.

An outstanding IPO track record

Our Growth Capital business has over 60 years’ experience of investing in growing businesses and we have a long, successful IPO track record. In the last five years alone we have floated ten businesses, including Singapore-based oil exploration and production company Pearl Energy, French internet property company Se Loger and Spanish ophthalmological clinic, Clinica Baviera.

Most recently we have completed two successful IPOs on the Hong Kong Stock Exchange. In December 2009 we supported the US\$1bn flotation of Chinese retailer PCD Stores and in June 2008, the US\$419m IPO of Chinese fast-food chain Little Sheep.

Research also shows that private equity backed IPOs have historically performed strongly after flotation, one key reason being the work done by private equity on process improvement and governance which puts companies in a stronger position for IPO*. We are working closely with management of our New York-based investee company GAIN Capital on governance and reporting and the company has recently filed a registration statement with the SEC, a precursor to IPO.

An IPO remains a valid goal for many entrepreneurs, but they need be sure their business is ready for it and that the market is ready for them. Taking all these factors into account, a Growth Capital investment from 3i can be just what a growing business needs to make sure the IPO dream does not turn into an IPO nightmare.

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

*Research by Cass Business School into 1735 IPOs in the UK between 1995 & 2006.

Supporting our investments



➤ SLR continues on acquisition trail

International environmental consultancy, SLR, has continued its acquisition strategy, acquiring Australia-based Heggies Pty Ltd. Headquartered in Sydney, Heggies has 130 employees and six offices across Australia and is the leading independent acoustic and vibration consultancy. We worked closely with SLR's management, using our international network and M&A expertise, to identify and execute this exciting opportunity.

The acquisition is SLR's sixth in 18 months, and it closely follows the acquisition of UK-based ecology consultancy Andrew McCarthy Associates. The acquisitions represent a further milestone in SLR's strategy of supplementing strong organic growth with key, high-calibre acquisitions to extend its technical and geographic coverage.

"SLR continues to out-perform the market and our view that we are backing the best team in the sector has only increased with time." Richard Bishop, Partner, 3i.

➤ Siro Clinpharm expands European presence

India's largest clinical trials organisation, Siro Clinpharm, consolidated its position in Europe in 2009 by opening a new office in Prague, Czech Republic, with the aim of further strengthening its operational capabilities. In addition, in late 2009, SIRO formed significant alliances with CambReg UK, a European Regulatory services provider, and French company Mediscis, an Early Phase specialist Clinical Research Organization and a world class logistics company which will support SIRO's Clinical Trials Supplies business.

We first invested in Siro in May 2007 with the aim of supporting the company's ambitious international growth strategy.

➤ Giraffe accelerates UK roll out

The UK based Giraffe family restaurant chain will continue to grow in 2010 thanks to the purchase of 11 new sites from the administrators of the Tootsies Restaurant chain. The acquisition, in November 2009, allows Giraffe to continue its strategy of growing the brand nationally, year on year. Giraffe now has 36 restaurants plus five airport franchises.

"Giraffe's exceptional performance has defied the downturn and this deal will give the brand further room for growth – we believe there is plenty more to go for." Justin Maltz, Director, 3i.

➤ GAIN Capital continues Asian expansion

New York based GAIN Capital, a global provider of online trading services, has announced the opening of its newest office in Hong Kong, further extending its presence in the Asia-Pacific region alongside offices in Tokyo and Seoul.

A pioneer in online forex trading, GAIN has also launched GAIN GTX, an independent FX trading platform that provides access to diverse and deep FX liquidity solutions. We partnered with GAIN in January 2008 and are actively supporting business development in key Asian geographies.

"Our new Hong Kong office will act as a regional business development hub and help us reach and address the needs of partners and clients locally." Glenn Stevens, CEO, GAIN Capital.

➤ DNA: A successful partnership

In December 2009 we agreed to divest our 13% shareholding in Finnish telecommunications business DNA Oy. We first invested in 2007, working closely with management to assist DNA achieve its goal of establishing itself as a leading, national, full-service telecommunications group providing state of the art data, mobile and television services throughout Finland. During the period of our investment, DNA almost doubled its mobile subscriber base from c.821,000 to 1.9m, a market share of 25%.

"We are impressed how quickly DNA strengthened its market position and believe the company is optimally positioned to succeed in the next stage of its development." Erkki Nikoskelainen, Associate Director, 3i.



Asia
Capital
Reinsurance
Group



John Tan

Chief Executive, Asia Capital Reinsurance Group

Despite the global economic and financial turmoil of the past 18 months, Asia's insurance and reinsurance markets have remained resilient. John Tan, Chief Executive of Asia Capital Reinsurance Group explains why this is a highly attractive market and outlines how ACR's uniquely 'In Asia, for Asia' approach ensures the company is well positioned for growth.

This optimism is underpinned by the region's robust economic recovery and the continuing growth of new assets and infrastructures to support social, economic and industrial development. This will continue to fuel the demand for insurance and reinsurance. In addition, given Asia's huge population base, prevailing low insurance density and a rapidly growing middle class, the potential growth arising from increasing the level of insurance penetration will be immense.

The region's reinsurance markets are also highly attractive as the footprint of most domestic insurers remains underdeveloped and their lack of diversification gives rise to a significant reliance on reinsurance. Reinsurance demand in Asia is further bolstered by recent changes to capital requirements and solvency regulations in many countries, in particular the introduction of risk-based capital regimes which requires insurers to hold more capital.

Domestic insurers are also increasingly seeking collaborative relationships with their reinsurers to help them capture new market opportunities through pricing and product development support. With a clear positioning as a uniquely "In Asia for Asia" reinsurer bringing capital and specialist expertise to serve the Asian markets, ACR is indeed well placed to build a growing and enduring portfolio of Asian risks. ACR's pan-Asian facultative focus enjoys substantial first-mover advantage to write large complex risks in lines that include Aviation, Casualty, Credit & Surety, Energy, Engineering, Group Medical, Marine, Motor, and Property.

ACR also works towards a deeper understanding of the impact of globalisation. Risks are increasing in complexity in terms of detection and consequences and the recent eruption of Volcano Eyjafjallajokull in Iceland and the subsequent closure of airspace in Europe has disrupted flights, impacting freight and travel across the globe. Personal and economic losses incurred by affected individuals and businesses beyond just the aviation industry have exemplified the connectedness of the world's social and economic activities.

From the (re)insurance point of view, it also illustrates the growing need for the industry to support and partner a wide range of stakeholders including governments, organisations, agencies and businesses to monitor closely and seek solutions for pan-regional risks and issues management.

In turn, this will inevitably strengthen the respective insurance systems in the region by achieving optimum pooling of risks, fairness of funding and equitable distribution of losses and expenses.

Within its 3 years of operation, ACR, though headquartered in Singapore, has grown to include offices and affiliates in Bahrain, Dubai, Hong Kong, India, Malaysia and Taiwan. It currently serves 600 clients in more than 50 countries and with its associated companies has a group capitalisation of close to US\$1 billion. ACR is rated 'A- (Excellent)' by A.M. Best and A- (Strong) by Standard & Poor's for its financial strength.

www.asiacapitalre.com

About 3i

3i is an international investor focused on Buyouts, Growth Capital and Infrastructure, investing in 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, shareholders and 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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