



Graphite Enterprise Trust PLC
Investing in long term growth

Interim results presentation
25 September 2013

Graphite Enterprise

Interim results presentation – September 2013

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1. Introduction

Graphite Enterprise has a distinct offering in the listed private equity sector

HYBRID MODEL

Investor in funds and directly into companies

FOCUSED STRATEGY

European buy-outs – mature, profitable companies

HIGHLY EXPERIENCED TEAM

The senior team has over 20 years of private equity experience

CONSISTENTLY STRONG PERFORMANCE RECORD

NAV per share has outperformed the peer group over 1, 3, 5 and 10 years

CONSERVATIVE APPROACH

Balance sheet management and portfolio construction are both conservative

STRONG BALANCE SHEET

Well placed to take advantage of current opportunities

2. Performance

The NAV grew strongly in the half year to July 2013

	Jul 2013	Jan 2013	Change 6 months	Change 12 months
Net asset value per share	682.3p	631.5p	+8.1%	+18.2%
Share price	489.0p	487.0p	+0.4%	+27.1%
FTSE All-Share Index	3,510	3,287	+6.8%	+19.9%

- 99% of the portfolio was valued based on June reports

2. Performance

The portfolio performed well, increasing by 9.3% in local currencies

6 months to July 2013	% of opening portfolio	% of opening NAV	£m
Underlying valuation gains	9.3%	8.3%	38.4
Currency	1.7%	1.6%	7.1
Total portfolio	11.0%	9.9%	45.5
Expenses and other		(1.0)%	(4.8)
Dividend		(0.8)%	(3.6)
Total NAV movement		8.1%	37.1

- 64% of gains were from valuation movements – driven mainly by earnings growth
- 36% from realisations - the largest exits were Dominion Gas and Vue Entertainment
- Sterling : euro was 1.14 at 31 July but has since moved to 1.19

2. Performance

Graphite Enterprise has consistently outperformed the peer group

Years to July 2013¹

Total return

	1	3	5	10
Graphite Enterprise NAV	19.1%	48.2%	35.7%	183.0%
Peer group ² average NAV	5.7%	26.3%	4.2%	169.6%

- This outperformance is despite taking lower balance sheet risk than the peer group
- Over 1, 3 and 5 years the Company is the best performer of the funds-of-funds
- The Company has also outperformed Electra and HgCapital over 1, 3 and 5 years

Notes 1. 12, 36, 61 and 121 month periods to 31 July 2013

2. Peer group (funds-of-funds): Aberdeen, F&C PE, HarbourVest, JPM PE, NBPE, Pantheon, Princess, SLEPET.

3. Data: total return, local currencies (Morningstar)

3. Balance sheet

The Company remained nearly 90% invested, while commitments increased

	Jul 2013	Change	Jul 2013	Jan 2013
	£m	Jan to	%	%
		Jul £m		
Investments	451	+35	89%	88%
Net current assets	57	+1	11%	12%
Total assets less current liabilities	508	+36	100%	100%
Outstanding commitments	154	+27		
Undrawn bank facility ¹	101	+1		
Total liquidity ²	156	+1		
Over/(under)commitment ³	(2)	+26		
Over/(under)commitment %	-0.4%			

- We made commitments of £42 million in the first half, including four primary funds
- We also completed two secondary purchases and a co-investment

3. Balance sheet

Since the half year end, commitments have increased substantially

	Pro forma¹ £m	Jul 2013 £m	Change Jul to pro forma £m
Investments	441	451	-10
Net current assets	67	57	+10
Total assets less current liabilities	508	508	-
Outstanding commitments	251	154	+97
Undrawn bank facility	99	101	-2
Total liquidity	164	156	+8
Over/(under)commitment	87	(2)	+89
Over/(under)commitment %	17%	-0.4%	

- £100m has been committed to Graphite VIII
- The annualised drawdown rate has increased to over £50 million per annum
- We continue to have significant new investment capacity

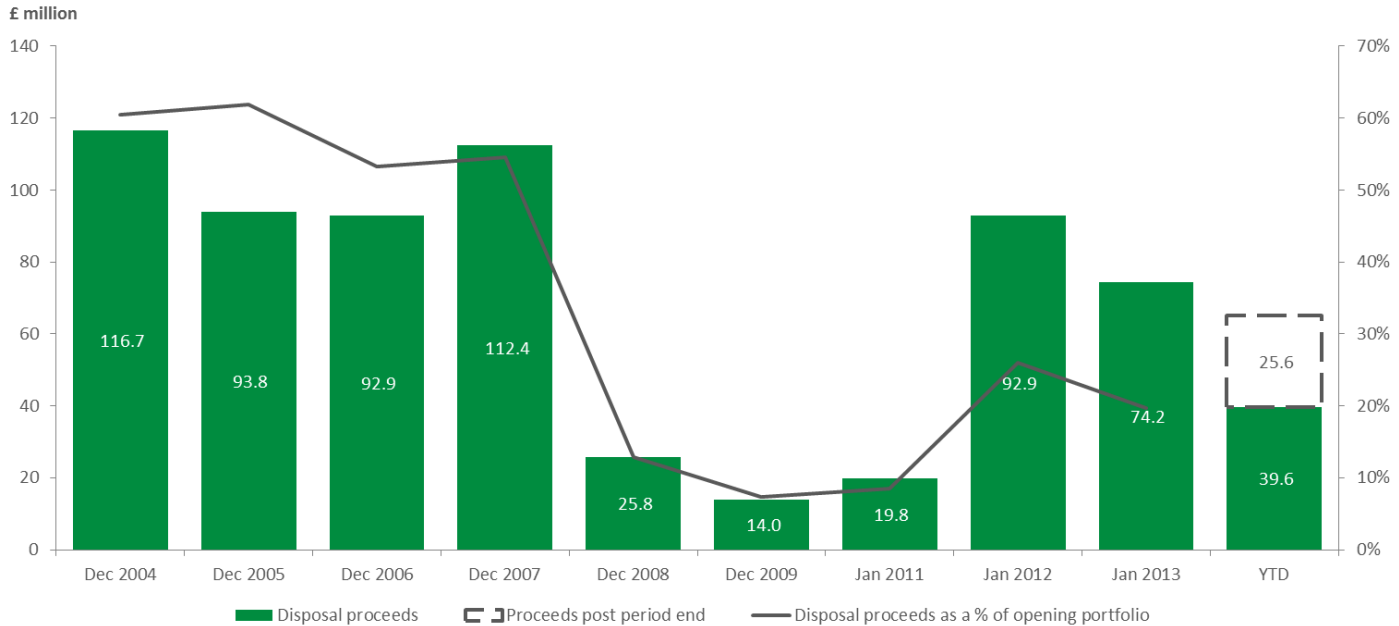
3. Balance sheet

Graphite Capital has raised £475m for its latest UK mid-market fund

- Further commitments are likely to bring the total to over £500m
- Existing investors provided over 85% of the fund
- There is broad geographical spread of investors between the UK, Europe and elsewhere
- Graphite VIII is the largest fund investing solely in UK companies raised in the last 5 years
- Mid-market focus will be maintained:
 - Buy-outs valued at between £40m and £150m
 - Smaller roll-out opportunities
- Success of the fund raising reflects:
 - Strong performance through the downturn
 - A series of successful recent realisations including NES, Optimum, Willowbrook, Dominion

4. Investment activity

The rate of realisation is significantly higher than the prior year



Note: 1. Excludes proceeds from secondary sales 2. YTD to 23.9.13. Includes £8.2m for Vue Entertainment.

4. Investment activity

Realisations continue to generate significant uplifts over prior valuations

	Jan-11	Jan-12	Jan-13	Half year to Jul-13
Valuation uplift	70%	51%	52%	53%
Number of full realisations	6	18	14	16

- The multiple of original cost remained strong at 2.1x over 5.3 years
 - In the secondary portfolio it was 2.3x cost over 1.6 years
- The split of trade buyers and secondary buy-outs was even in the first half
- 2006 and 2007 vintage investments represented 12 of the 16 realisations

Note 1: From most recent valuation prior to any uplift on disposal

4. Portfolio

Example – Dominion Gas (Graphite Capital realisation)

Background

- Supplier of specialist gases and chemicals to offshore oil & gas clients
- Acquired in a primary management buy-out in May-07
- Enterprise value of £37m on acquisition

Performance

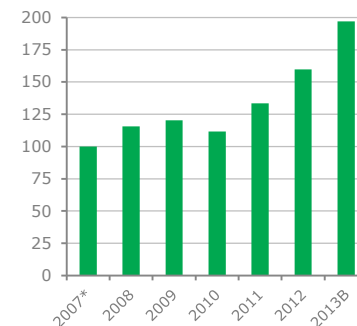
- Acquired its main competitor in Sep-07 creating significant scale
- Achieved international growth organically and through a small add-on
- Developed new, more efficient products and added new services
- Diversified its revenue base by decreasing exposure to helium
- Secured helium supply in a tight market through a long-term contract
- Strengthened the management team significantly
- Reduced debt by more than 2x EBITDA

Exit

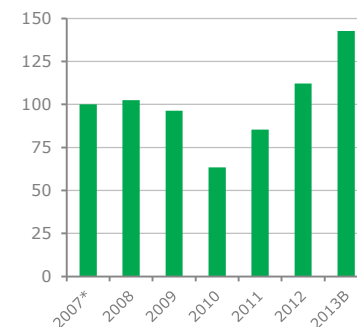
- Acquired by Praxair, a US trade buyer, in May-13
- Proceeds of £7.9m received from Graphite Capital Partners VI
- A gross valuation uplift of 44% from January 2013 (+0.5% of NAV)
- Achieved a multiple of cost of 2.3x and an IRR of 16%



Turnover



EBITDA



*Pro-forma for the Sep-07 acquisition

4. Investment activity

Example – Vue Entertainment (co-investment realisation)



Background

- Vue is the UK's third largest cinema chain
- Doughty Hanson acquired Vue in a £450m secondary buy-out in Dec-10
- We were one of only two co-investors alongside Doughty Hanson V
- In Jun-13 we acquired a secondary in Doughty Hanson V, increasing our interest

Performance

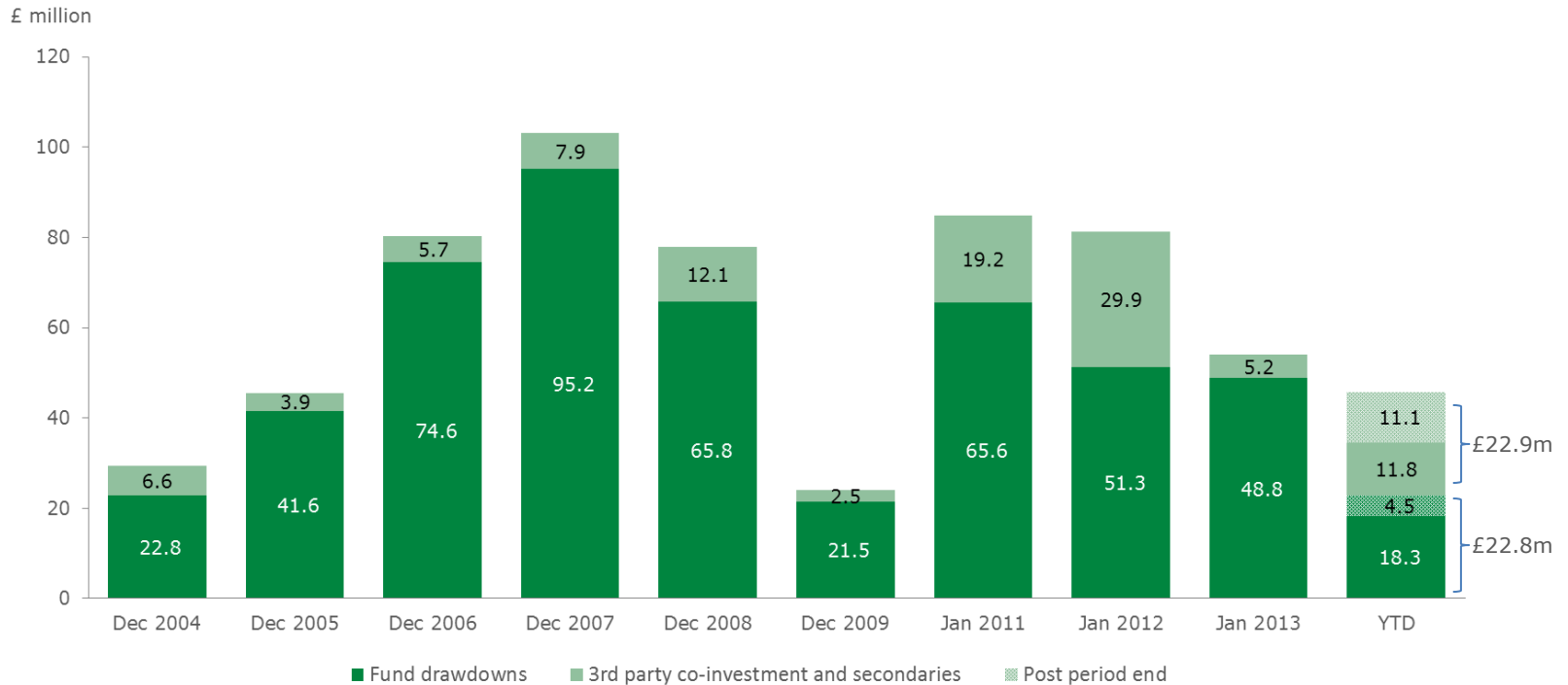
- Doughty Hanson supported Vue in three accretive acquisitions (UK, Germany and Poland)
- Digital technology was rolled out across the network
- New cinemas were opened including the 17-screen Vue Stratford

Exit

- In Jun-13 Doughty Hanson sold Vue to OMERS and AIMCo for £935m
- The disposal achieved an uplift of 68% from the 30 April carrying value (+0.7% of NAV)
- Cash proceeds of £8.2m were received in Aug-13

4. Investment activity






Secondaries and co-investments have increased new investment in the first half



Note 1: YTD to 23.9.13

4. Investment activity

Recent activity includes a mix of primary, secondary and co-investment

	Primary	Secondary	Co-investment
<p>Half year ended 31 Jul 2013</p>	<p>£42.0m</p> 	<p>£9.0m</p> 	<p>£2.6m</p> 
<p>Since period end</p>	<p>£100.0m</p>  <p>Graphite Capital</p>	<p>£11.3m</p> 	

- In the remainder of the year we expect to make further primary commitments
- We also aim to complete more co-investments and secondaries
 - these are less predictable but we have a number under active review

5. Portfolio

Graphite Capital directly manages 22% of the portfolio

Graphite portfolio	Third party portfolio			
 <p>Graphite Capital</p>	  	  	  	  
22%	Funds 71%		Direct co-invests 7%	

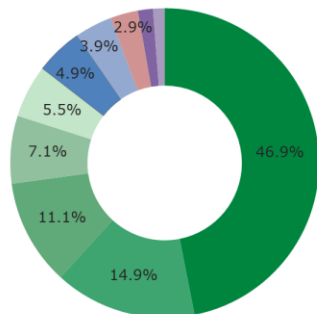
- 12% of the portfolio was acquired through secondary fund purchases

5. Portfolio

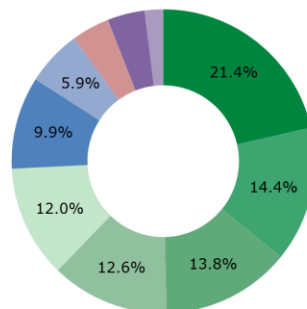
The portfolio is balanced and well diversified

- The portfolio strikes a good balance between diversification and concentration
 - Exposure to 355 underlying companies
 - The top 30 underlying companies represent 43% of the portfolio value

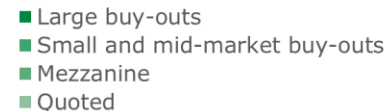
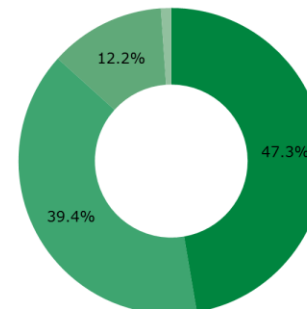
Geography



Sector













Type



Note Geography denotes where a company is headquartered

5. Portfolio

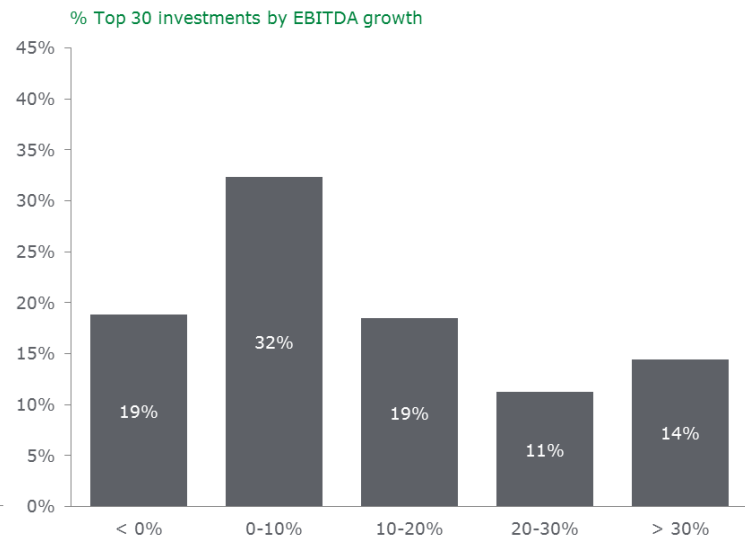
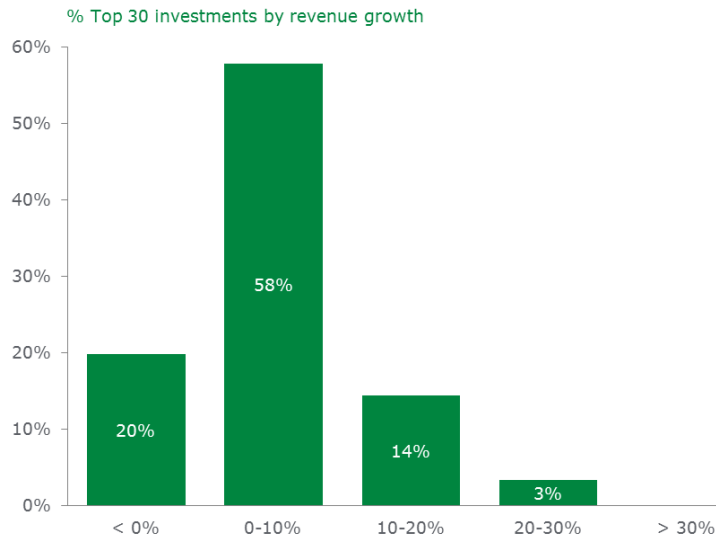
Six of the top ten holdings are managed directly by Graphite Capital

	Company	Country	Manager	% of portfolio
1	 Distributer and retailer of tyres	UK	Graphite	3.7%
2	 Supplier and operator of modular buildings	USA	TDR	3.2%
3	 Manufacturer of animal health products	France	Euromezzanine	3.0%
4	 Provider of foster care services	UK	Graphite	2.6%
5	 Operator of caravan parks	UK	Graphite	2.4%
6	 Provider of recruitment process outsourcing	UK	Graphite	2.3%
7	 Provider of temporary staff to schools	UK	Graphite	1.6%
8	 Manufacturer of automotive refinishing products	UK	Graphite	1.6%
9	 Provider of retirement annuities	UK	Cinven	1.4%
10	 Manufacturer of aerospace engine components	Italy	Cinven	1.4%
				<u>23.2%</u>

5. Portfolio

The Top 30 companies continue to perform strongly

- Revenues and EBITDA grew by an average of 6% and 11% respectively (LTM to June 2013)
- By contrast, revenues and EBITDA of the FTSE 250 fell by 3% and 5% respectively in the same period

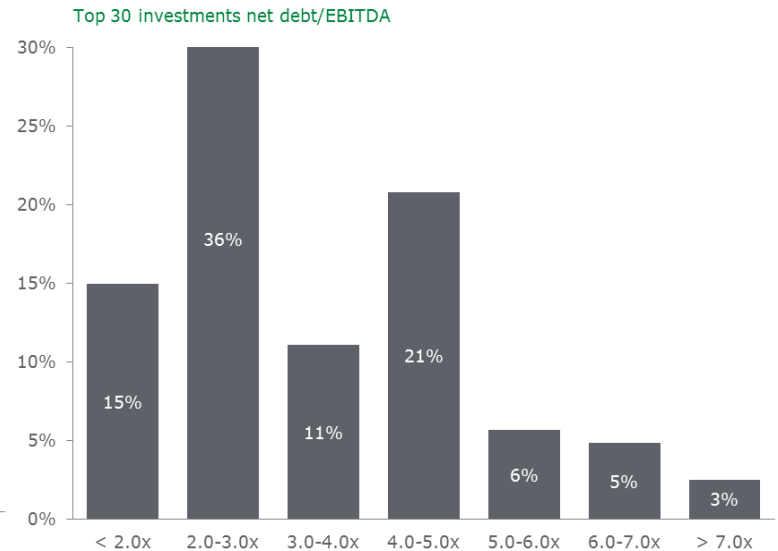
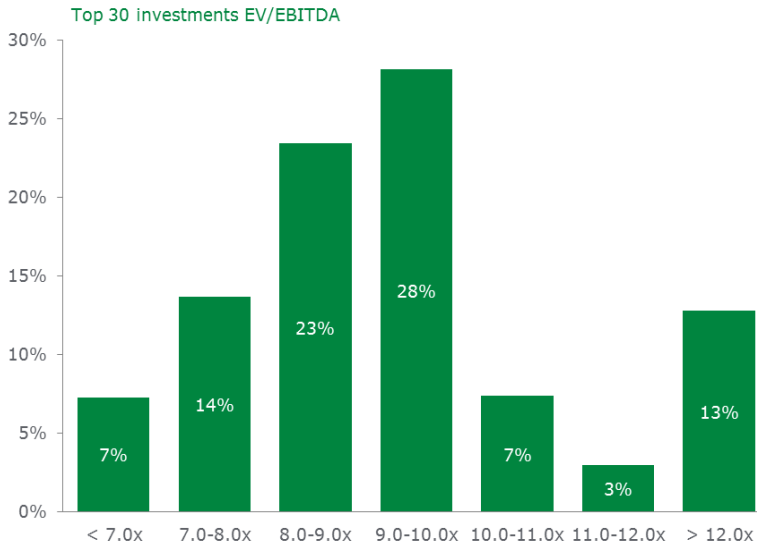


Note: Excludes two top 30 companies (London Square and Guardian Financial) where EBITDA / growth is not a meaningful measure.

5. Portfolio

The Top 30 were valued on average at 9.5x EBITDA and had 3.3x EBITDA net debt

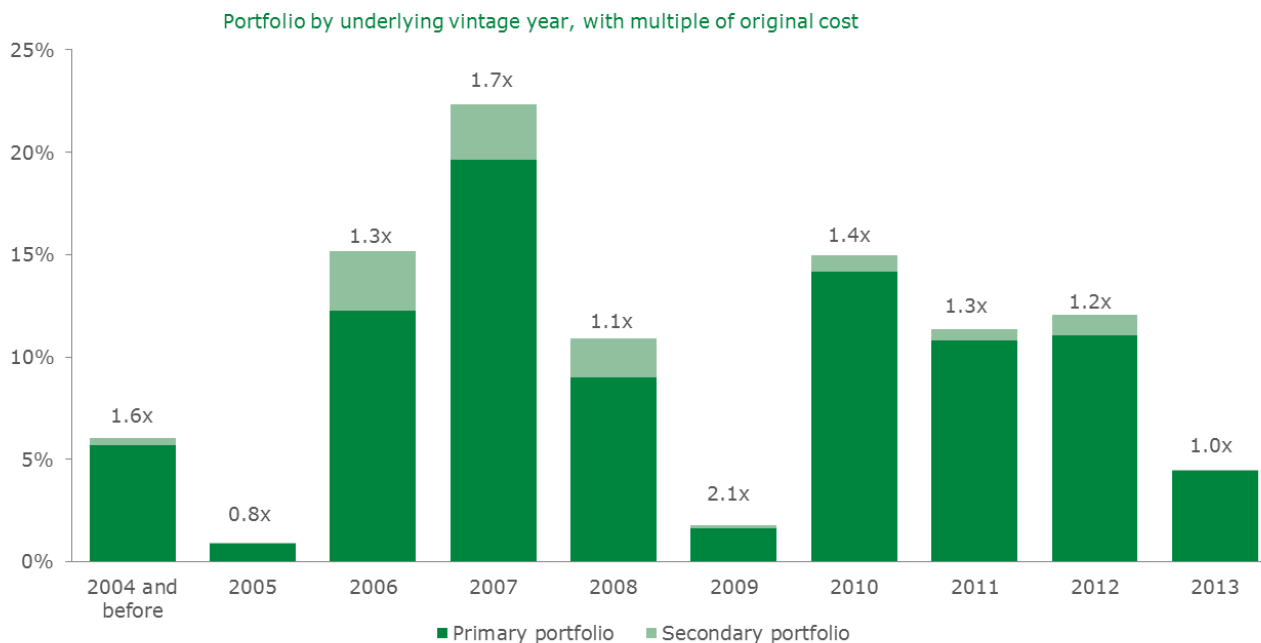
- Compares with 9.4x EBITDA current valuation of FTSE 250



Note: Excludes two Top 30 companies (Intermediate Capital Group and Guardian Financial).

5. Portfolio

The portfolio was valued at 1.4x cost and its average maturity was 4.8 years

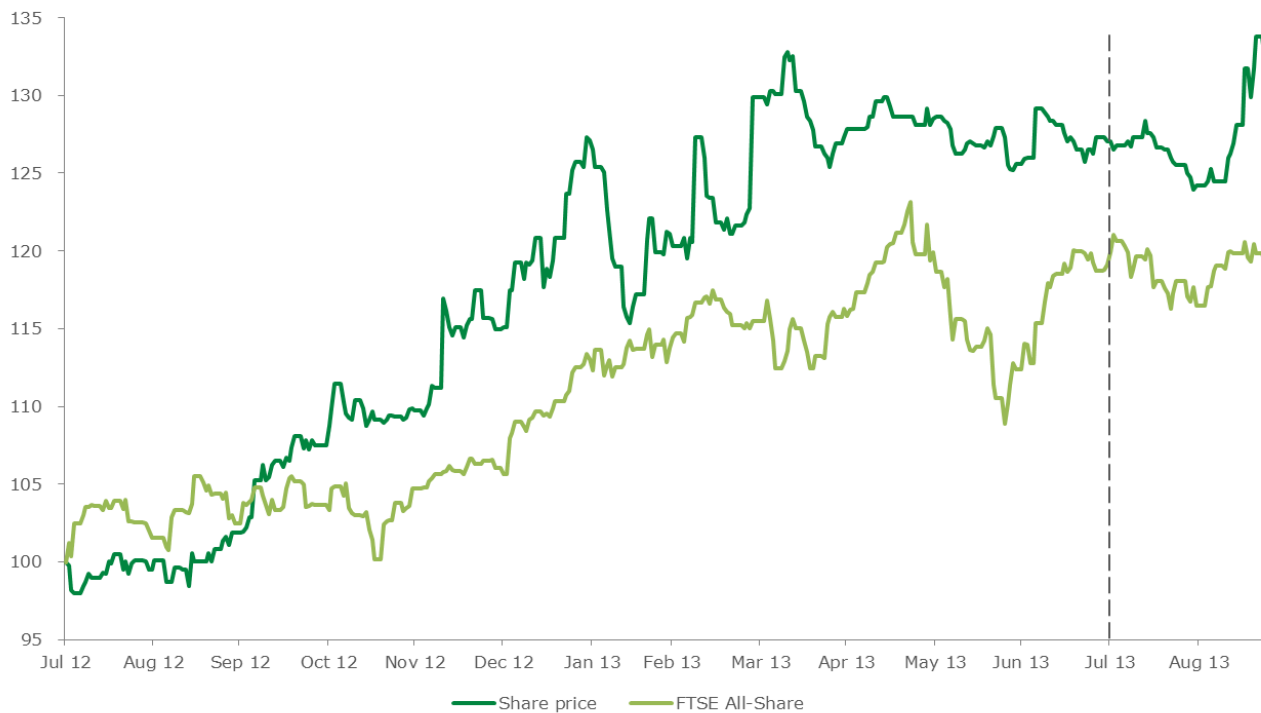


- The portfolio has considerable upside potential as it matures

Note 1. Multiples of cost include amounts realised by current portfolio companies of 0.4 times and reflect managers' gross valuations.

6. Share price and discount

The share price has outperformed the FTSE All-Share by 13.9% since 31 Jul 2012



Note To the close on 24 Sep 2013 (SP = 512p, FTAS = 3,487.2). Increases from 31 Jul 2012: SP +33.0%, Index +19.1%

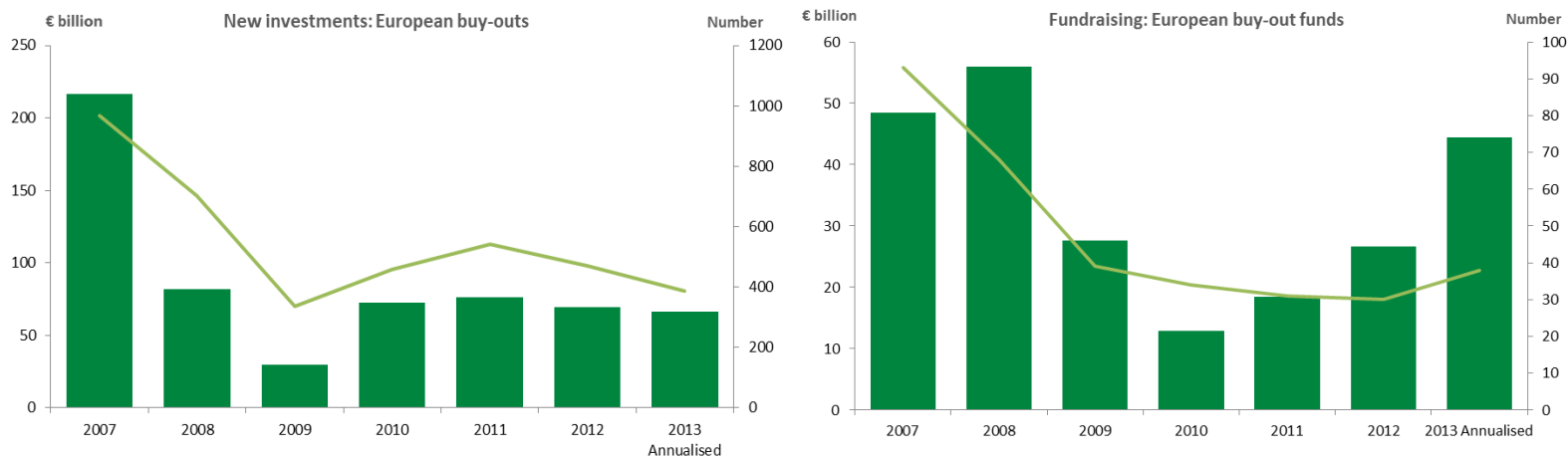
6. Share price and discount

The Company's discount has not reflected its recent NAV outperformance of the sector

- The market was underestimating the NAV at 31 July
 - The share price of 489p represented a 28.3% discount to the NAV just reported
- By 24 September, the share price had increased to 512p
 - The discount had narrowed to 25.0%
- Many peers are currently trading on lower discounts, despite the performance differential

7. Outlook

The European buy-out market



- New investment activity remained broadly stable on the first half
- Pricing remains relatively high for good quality companies
- Debt availability is improving
 - But remains variable depending on the quality of company and sponsor
- Fundraising is picking up materially as expected

7. Conclusion

Graphite Enterprise is very well positioned to grow further

- The portfolio continues to perform well
 - The Top 30 companies grew EBITDA in the 12 months to Jun-13 by 11%
- The portfolio is mature and managers will be seeking exits in the short term
 - 57% is more than 4 years old
- Recent exits have been at substantial uplifts to prior valuations
 - Over 50% on average for the last three years
- The valuation is attractive compared with quoted markets:

	Top 30	FTSE 250
EBITDA growth 12m to 30 June 2013	11%	-5%
Implied EBITDA multiple at 24 September 2013*	7.8x	9.4x

- The discount remains above the long term average

* Applies share price discount to the valuation of the 30 largest underlying companies at 31 July.

Appendix

Net asset value total return performance: selected peer group companies

Years to 31-Jul-13, %	1	3	5	10
Graphite	+19.1	+48.2	+35.7	+183.0
F&C PE	+7.4	+33.5	+7.5	+183.8
Pantheon	+12.9	+39.6	+20.8	+144.8
Standard Life	+5.1	+36.1	-5.3	+180.1
HarbourVest	+11.9	+41.4	+22.1	-
HgCapital	+11.6	+33.6	+27.0	+320.8
Electra	+12.1	+42.6	+34.6	+296.4
3i	+19.8	+7.4	-58.4	+53.8
SVG Capital	+22.3	+106.0	-43.3	+6.4

Useful information

Structure: Company registered in England and Wales
Investment trust tax status
Registered company number: 01571089

Ticker: GPE.LN
ISIN: GB0003292009
SEDOL: 0329200

Listing: Premium London listing

Broker: J.P.Morgan Cazenove Angus Wilton (sales): + 44 (0) 20 7155 8122

Website: www.graphite-enterprise.com

Manager: Graphite Capital Management LLP
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