



Graphite Enterprise Trust PLC
Investing in long term growth

Full year results presentation
27 March 2014

Graphite Enterprise

Full year results presentation – March 2014

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Tim Spence
Senior Partner,
Finance Director



Emma Osborne
Senior Partner,
Head of Fund Investment



Kane Bayliss
Partner,
Fund investment



Rod Richards
Managing Partner



1. Introduction

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

FOCUSED STRATEGY

Backing high quality managers of European buy-outs – mature, profitable companies

DISTINCTIVE INVESTMENT STYLE

Focus on analysis of underlying companies and building long-term relationships

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 average over 1, 3, 5 and 10 years

STRONG BALANCE SHEET

Well placed to take advantage of current opportunities

FLEXIBLE APPROACH

Portfolio construction and balance sheet management adapted to market conditions

1. Introduction

Highlights of the year ended 31 January 2014

- **Strong share price growth** – 16% in the year, 23% since Jan-13
- **Good underlying portfolio performance** – 14%, in line with prior year
- **Solid NAV performance** – 7%, held back by adverse currency
- **Record realisations in cash terms** – £118m, 28% of opening portfolio
- **Strong increase in new investment** – two-thirds more than prior year
- **Record dividend** – 15.5p per share

2. Performance

The share price and NAV both outperformed the FTSE All-Share Index

	Jan 2014	Jan 2013	Change 12 months
Net asset value per share	677.2p	631.5p	+7.2%
Share price	563.5p	487.0p	+15.7%
FTSE All-Share Index	3,497	3,287	+6.4%

- The share price has increased by a further 6.5% since 31 January to 600p
 - The increase since Jan-13 is now 23.2%
 - The Index has increased by 8.2% over the same period
- 98% of the portfolio was valued based on December reports

2. Performance

The portfolio performed well, increasing by 13.8% in local currencies

Year to Jan-14	% of opening portfolio	% of opening NAV	£m
Underlying valuation gains	13.8%	12.4%	57.4
Currency	(2.8)%	(2.6)%	(11.5)
Total portfolio	11.0%	9.8%	45.9
Expenses and other		(1.8)%	(9.0)
Total return before dividend		8.0%	36.9
Dividend		(0.8)%	(3.6)
Total NAV movement		7.2%	33.3

- 57% from realisations – the largest exit was AMS
- 43% of gains were from valuation movements – driven mainly by earnings growth
- Sterling : euro was 1.17 at Jan-13 and 1.22 at Jan-14 (1.20 now*)

* Close of business 26.03.14

2. Performance

Second half performance was affected by currency and lower underlying growth

Year to Jan 2014	% of Jan-13 NAV		
	1 st half	2 nd half	Year
Underlying valuation gains on portfolio	9.3%	4.5%	13.8%
Currency	1.7%	(4.5)%	(2.8)%
Portfolio gains after currency	11.0%	0.0%	11.0%
Effect of holding cash	(1.1%)	(0.1%)	(1.2%)
Portfolio gains as % of NAV	9.9%	(0.1%)	9.8%

- Returns on realisations were slightly lower
- Some company specific write-downs – limited further downside risk
- Sterling rose against € from 1.17 (Jan-13) to 1.14 (Jul-13), then fell to 1.22 (Jan-14)

2. Performance

Graphite Enterprise has consistently outperformed the fund of funds peer group

Years to Jan 2014¹

Total return	1	3	5	10
Graphite Enterprise NAV growth	8.0%	29.4%	56.2%	164.4%
Fund of funds ² average NAV growth	6.8%	19.8%	17.6%	143.0%

- This outperformance is despite taking lower balance sheet risk than the peer group
- The Company has also outperformed the average of the direct PE funds³ over 3, 5 and 10 yrs

Notes 1. 12, 36, 61 and 121 month periods to 31 Jan 2014

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

3. Peer group (directs): 3i, Candover, Dunedin, Electra, HgCapital, NB Private Equity, SVG Capital

(NAV performance: 1 yr – 13.2%, 3 yrs – 20.9%, 5 yrs – 24.2%, 10 yrs – 115.7%)

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

3. Balance sheet

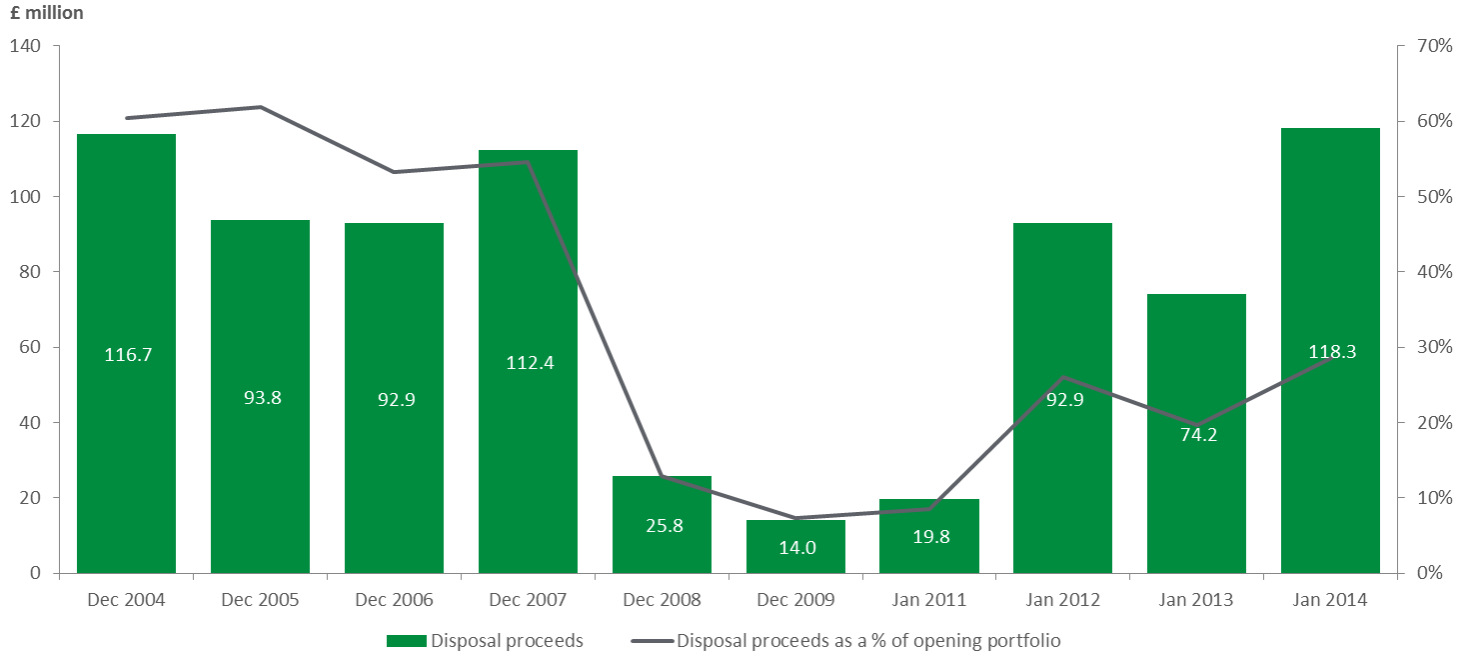
As a result of strong cash inflows, the Company was 86% invested at the year end

	Jan-14 £m	Jan-14 %	Pro forma ⁵ £m	Pro forma %
Investments	433	86%	445	91%
Net current assets	69	14%	46	9%
Total assets less current liabilities	502	100%	491	100%
Outstanding commitments	277		260	
Undrawn bank facility ¹	98		98	
Total liquidity ²	166		143	
Over/(under)commitment ³	111		117	
Over/(under)commitment %	23%		24%	

- We made commitments of £213m⁴ including £100m to Graphite VIII
- The annualised rate of drawdown is now £55m
- £10.9m was invested in ICR in March and the dividend payable in June will be £11.3m

4. Investment activity

The rate of realisation increased significantly; cash proceeds were a record high



Note Excludes proceeds from secondary sales in all periods

4. Investment activity

Realisations continue to generate significant uplifts over prior valuations

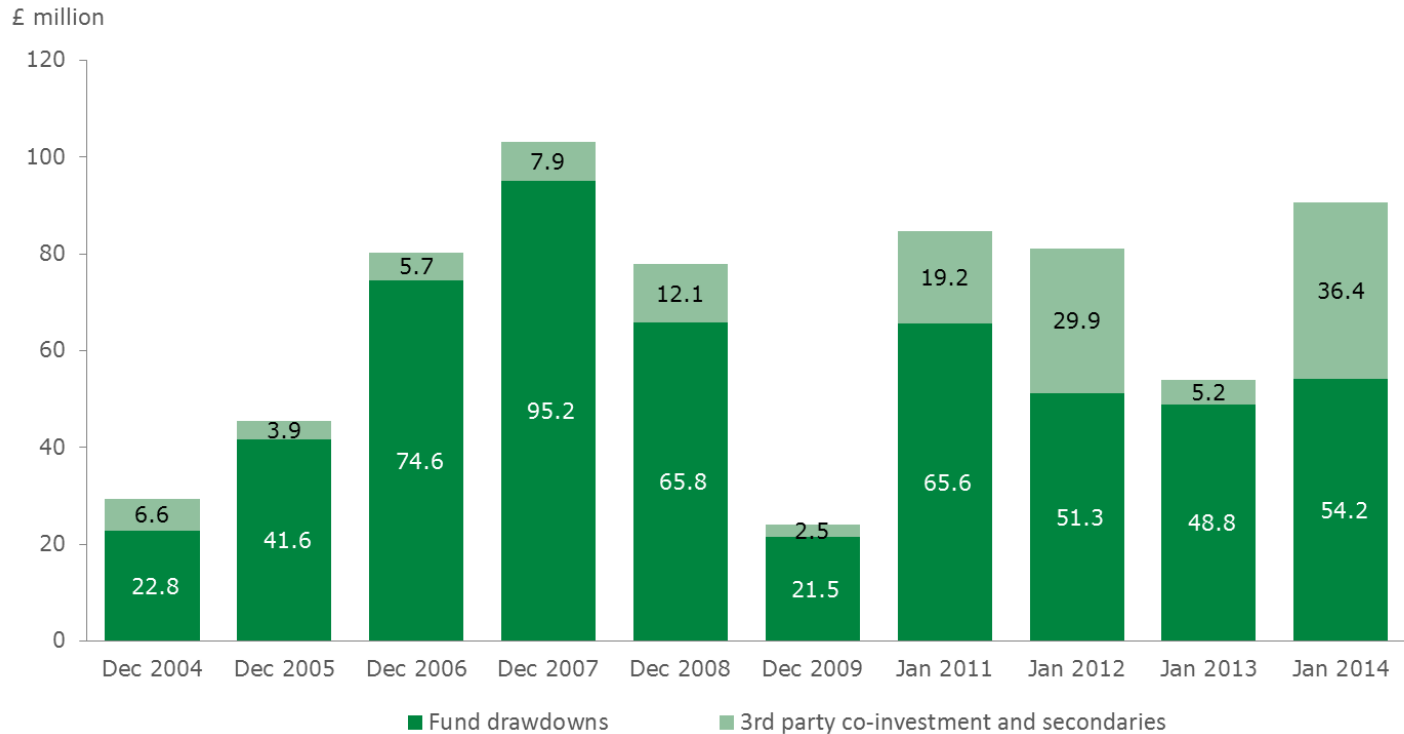
Year ended	Jan-12	Jan-13	Jan-14
Valuation uplift ^{1,2}	51%	49%	36%
Number of full realisations	18	14	33
Multiple of original cost	2.5x	2.7x	2.1x

- The multiple of original cost remained high, but holding periods were extended
- As exit conditions have improved, managers are realising less strong performers
- 17 of the 33 realisations were of investments made in 2006 and 2007

Notes 1. From most recent valuation prior to any uplift on disposal.
2. Jan-13 figure restated for change in weighting of exits. Previously 52%.

4. Investment activity

Secondaries and co-investments significantly increased the rate of new investment



4. Investment activity

Case study – City & County Healthcare (Graphite Capital buy-out)

Background

- A leading provider of home care services in the UK
- 64 branches across England, Wales and Northern Ireland
- 5,725 employees providing care to c.16,000 individuals annually
- £110m secondary buy-out completed in December 2013



Opportunity

- UK home care market has favourable demographic and economic drivers
- Number of over-75s expected to increase by 69% between 2012 and 2032
- Increased outsourcing to the private sector of home care provision
- Highly fragmented market with the top 10 providers accounting for only 15%

Why City & County

- Fourth largest provider of home care services in the UK
- Proven incumbent management team, integrating 15 bolt-on acquisitions in four years
- Organic growth rate consistently stronger than the market

£14.2 million was invested through Graphite VIII

4. Investment activity

Case study – ICR (Graphite Capital buy-out)

Background

- Provider of repair and maintenance service to the global energy industry
- Four niche businesses operating mainly in the UK and Middle East
- Pipe repair, corrosion monitoring and prevention, engineering solutions
- Tertiary buy-out completed in March 2014

Opportunity

- Operators are extending the lives of ageing energy infrastructure
- E.g. North Sea operating expenditure has increased from £5.5bn to £8.5bn (2004-2013)
- ICR's services represent only small fraction of total operating expenditure
- Graphite has extensive experience in oil and gas services (Dominion Gas 2.3x, NES 4.7x)

Why ICR

- Organic growth through cross-selling, UK onshore expansion and international growth
- Expects to continue successful bolt-on acquisition strategy
- Senior management team remain in place and re-invested substantial proceeds

£10.9 million was invested through Graphite VIII




4. Investment activity

We have had a very active new investment programme

Primary commitments £201m	Secondary purchases £24m	Co-investments £12m
 <p>CVC Capital Partners</p> <p>TOWERBROOK</p> <p>Cinven</p> <p>Investment Partners</p> <p>BOWMARK CAPITAL</p> <p>Graphite Capital</p> <p>ACTIVA CAPITAL</p> <p>PAI partners</p> <p>TDR Capital</p> <p>NORDIC CAPITAL</p> <p>HOLLYPORT CAPITAL</p> <p>Permira</p>	 <p>DOUGHTY HANSON & Co</p> <p>KESTER CAPITAL</p> <p>CVC Capital Partners</p> <p>CHARTERHOUSE</p> <p>Permira</p>	 <p>R&R Ice Cream</p> <p>David Lloyd</p> <p>frontiermedical group</p>

5. Portfolio

Graphite Capital directly manages 21% of the portfolio

Graphite portfolio	Third party portfolio			
 <p>Graphite Capital</p>	  	  	  	  
21%	Funds 71% (of which secondaries: 14%)			Direct co-invests 8%

- 43% of the portfolio is discretionary:

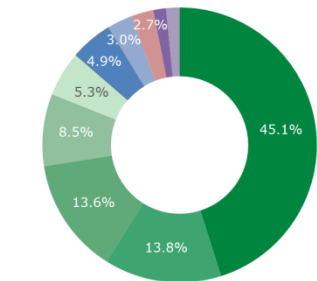
- Graphite portfolio 21%
- Secondaries 14%
- Co-investments 8%

5. Portfolio

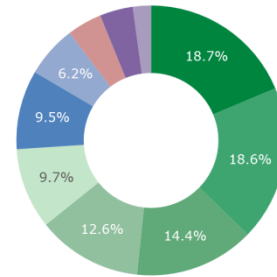
The portfolio is balanced and well diversified

- The portfolio strikes a good balance between diversification and concentration
 - Exposure to 387 underlying companies
 - The top 30 underlying companies represent 43% of the portfolio value

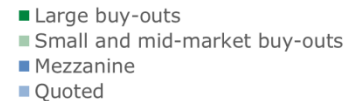
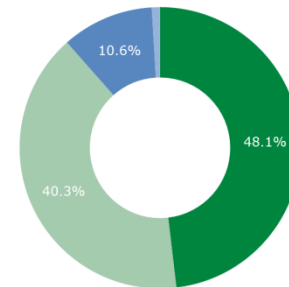
Geography



Sector



Type



Note Geography denotes where a company is headquartered

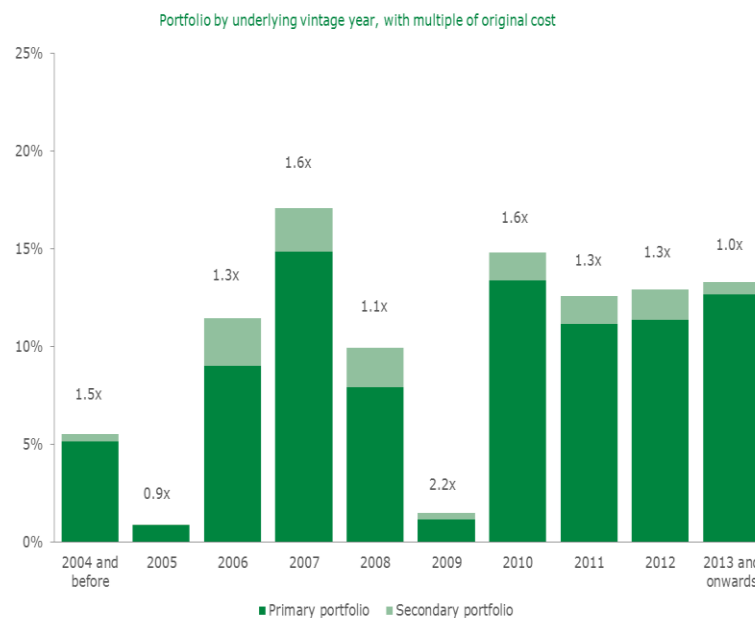
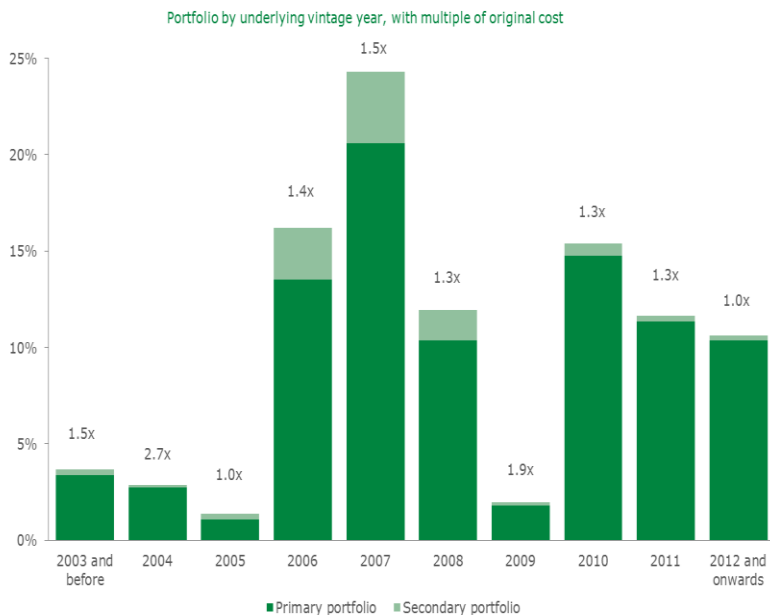
5. Portfolio

The portfolio was valued at 1.4x cost and its average maturity was 4.6 years

Jan-13



Jan-14

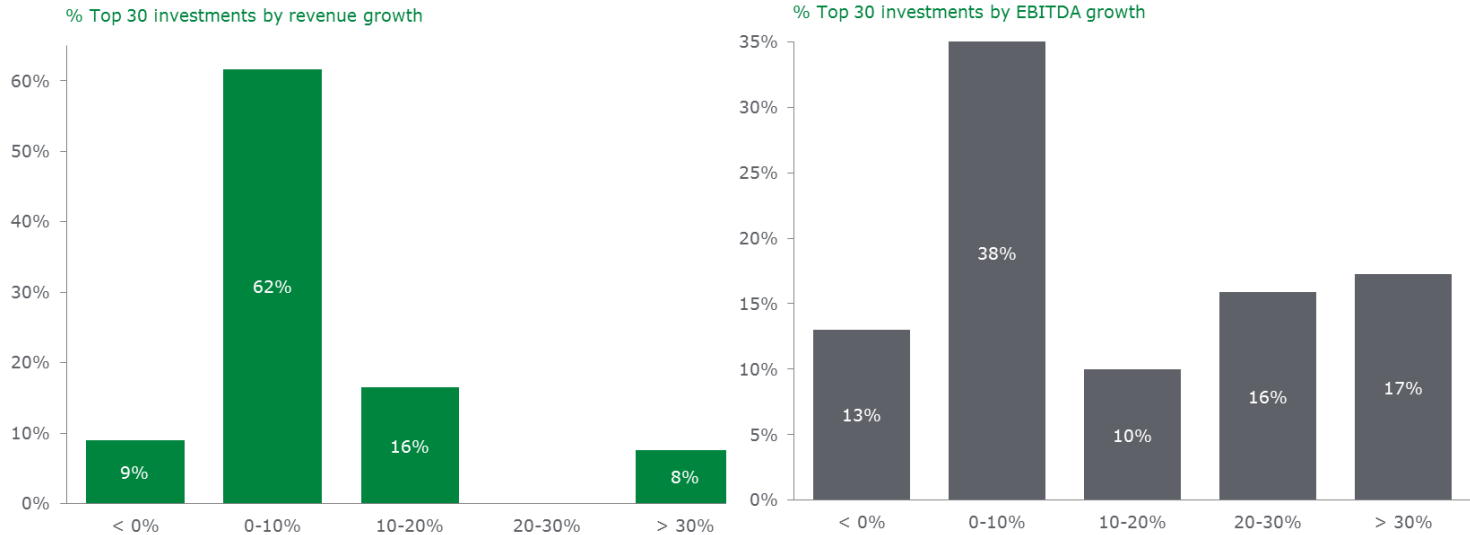


- The portfolio has considerable upside potential as it matures

5. Portfolio

The Top 30 companies continue to perform strongly

- Revenues and EBITDA grew by an average of 7.4% and 13.6% respectively (LTM to Dec-13)
- By contrast, revenues and EBITDA of the FTSE 250 grew by 2.3% and 4.8% respectively

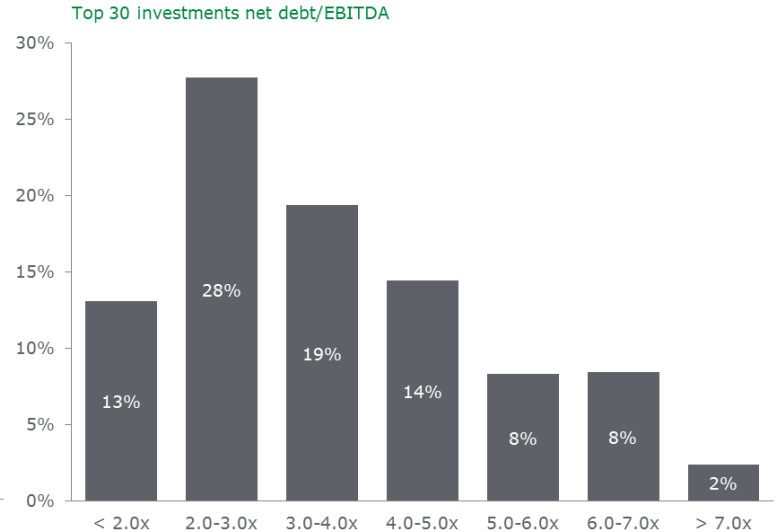
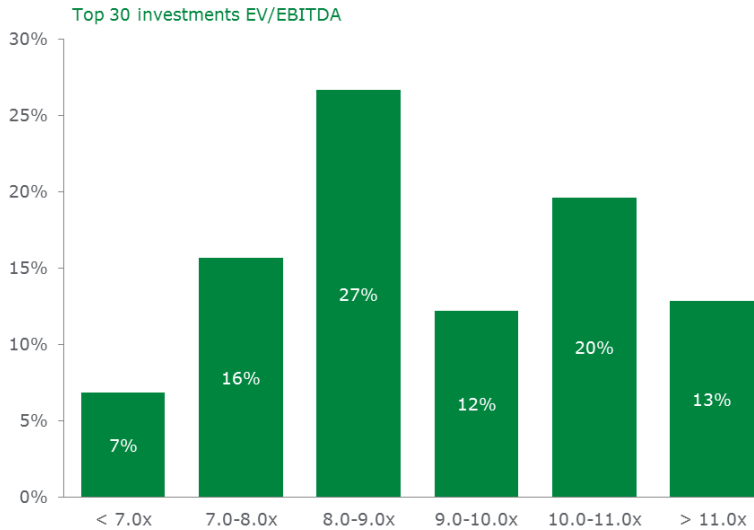


Note: Revenue growth excludes London Square (development capital investment) and Guardian Financial Services (insurer); EBITDA growth excludes London Square.

5. Portfolio

The Top 30 were valued on average at 9.2x EBITDA and had 3.6x EBITDA net debt











- Compares with 9.3x EBITDA current valuation of FTSE 250



Note: Excludes three Top 30 companies (Intermediate Capital Group, Partnership and Guardian Financial Services).

5. Portfolio

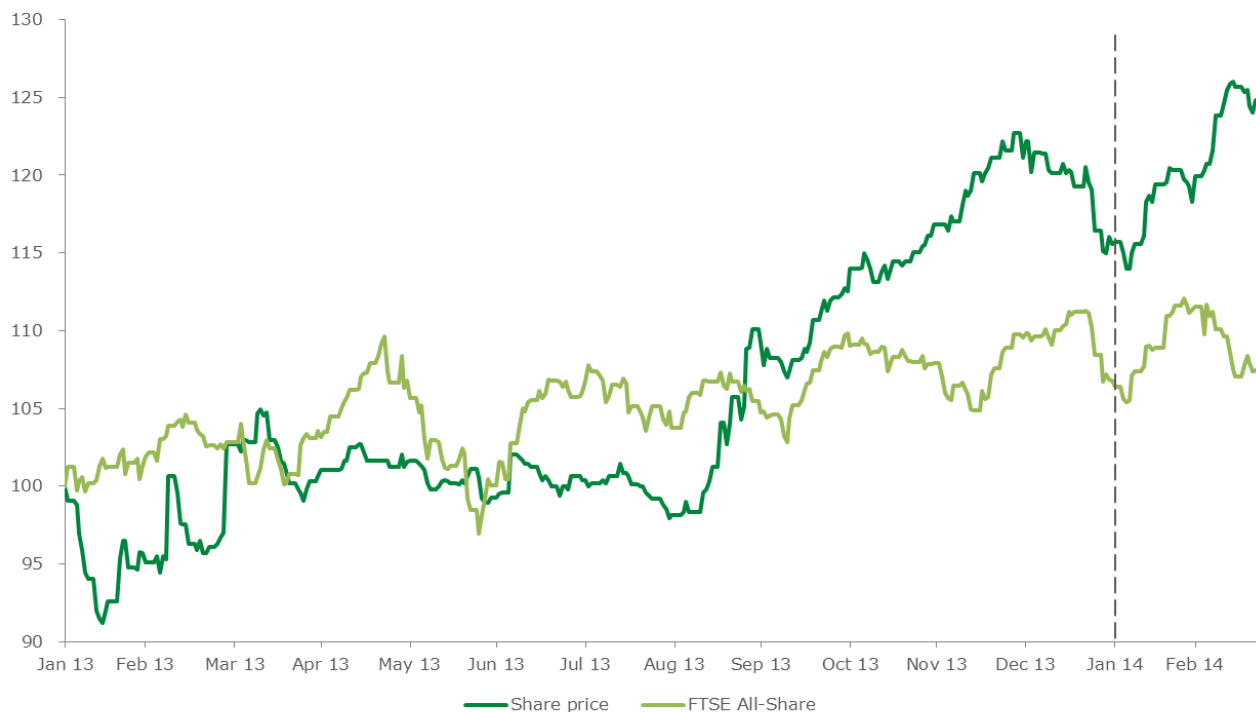
Six of the top ten holdings are managed directly by Graphite Capital

	Company	Country	Manager	% of portfolio
1	 Distributer and retailer of tyres	UK	Graphite	3.9%
2	 Provider of home care services	UK	Graphite	3.3%
3	 Manufacturer of animal health products	France	Euromezzanine	3.2%
4	 Provider of foster care services	UK	Graphite	2.7%
5	 Supplier and operator of modular buildings	USA	TDR	2.4%
6	 Provider of temporary education staff	UK	Graphite	2.0%
7	 Manufacturer of automotive refinishing products	UK	Graphite	1.8%
8	 Developer of residential housing	UK	Graphite	1.5%
9	 * Operator of premium health clubs	UK	TDR	1.4%
10	 Global reach Local knowledge Provider of outsourcing services	Netherlands	Doughty Hanson	1.4%
				<u>23.6%</u>

* Including co-investment of £5.6 million made alongside TDR III.

6. Share price and discount

The share price has outperformed the FTSE All-Share by 15% since 31-Jan-13



- The discount is currently 11.4% to the 31-Jan NAV

7. Outlook

The European buy-out market

New investments

- Activity in the mid (€50-250m) and large (€250m+) buy-out markets increased in 2013
 - +15% by number, +4% by value
- Pricing remains relatively high for good quality companies
 - Appears broadly stable relative to 2012 (8-9x EBITDA)
 - Remains significantly below 2007 (9-10x)
- Debt availability in 2013 improved in the mid and large buy-out market
 - Average debt levels 4-5x EBITDA
 - Average remains below 2007 (5-7x) but the best credits are raising debt at these levels

Fundraising

- Fundraising for mid market (>€250m) and large (>€1 billion) funds increased materially
 - +69% by number, +96% by value
- Market remains bifurcated which represents an opportunity
 - Some fundamentally good managers raising smaller funds
 - Potentially greater need for co-investment

7. Outlook

Graphite Enterprise is very well positioned to grow further

- The environment for realisations remains favourable and managers will be seeking exits
 - 45% of the portfolio is more than 5 years old
 - Realisations continue to be achieved at substantial uplifts
- Market for new investment may become more challenging as prices rise
 - But flow of opportunities is increasing
 - Experienced managers are able to select investments which justify the premium
- The portfolio continues to perform well
 - The top 30 companies grew EBITDA in the 12 months to Dec-13 by 14%
 - The performance of more recent vintages is encouraging
- The valuation remains attractive compared with quoted markets:

	Top 30	FTSE 250
EBITDA growth 12m to 31-Dec-13	14%	5%
Implied EBITDA multiple at 26-Mar-14*	8.5x	9.3x

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
Authorised and regulated by the Financial Conduct Authority

Contacts: Tim Spence + 44 (0) 20 7825 5358 tspence@graphitecapital.com
Emma Osborne + 44 (0) 20 7825 5357 eosborne@graphitecapital.com

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