



Graphite Enterprise Trust PLC
Investing in long term growth

Q1 results
12 June 2015

Graphite Enterprise
Q1 results – June 2015

1. Performance and balance sheet
2. Investment activity and portfolio
3. Outlook

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Summary

Highlights of the quarter ended 30 Apr 15

- **Little new valuation info** – mostly based on Dec valuations
- **NAV rose by 0.4%** - up 3.7% over 12 months on a total return basis
- **Share price rose by 0.5% to 578p** – discount was 17.2%
- **Relatively subdued new investment** – lower level of drawdowns
- **Stronger realisation activity** – including NFA from the top 10 companies
- **Buy-backs of £3.5m completed YTD** – £0.9m in the quarter
- **Adjusted for the dividend, cash is £85m** – buy-backs are likely to continue

1. Performance and balance sheet

The NAV performance reflected the lack of new valuation information

	Apr 2015	Jan 2015	Total return 3 months	Total return 12 months
Net asset value per share	697.9p	695.2p	+0.4%	+3.7%
Share price	578.0p	575.0p	+0.5%	+3.6%
FTSE All-Share Index	3,760	3,622	+5.1%	+7.5%

- 58% of the portfolio was valued based on March reports
 - But many managers do not perform full revaluations until June
- Disposal of National Fostering Agency was the largest gain, adding 0.5% to NAV

1. Performance and balance sheet

The Company was **83%** invested at the quarter end

	Apr-15	Apr-15	Jan-15	Jan-15
	£m	%	£m	%
Investments	427	83%	432	84%
Net current assets	90	17%	85	16%
Total assets less current liabilities	517	100%	517	100%
Outstanding commitments	228		234	
Undrawn bank facility ¹	95		96	
Total liquidity ²	184		187	
Overcommitment ³	44		48	
Overcommitment %	9%		9%	

- The projected rate of drawdown for the next 12 months is now £60m

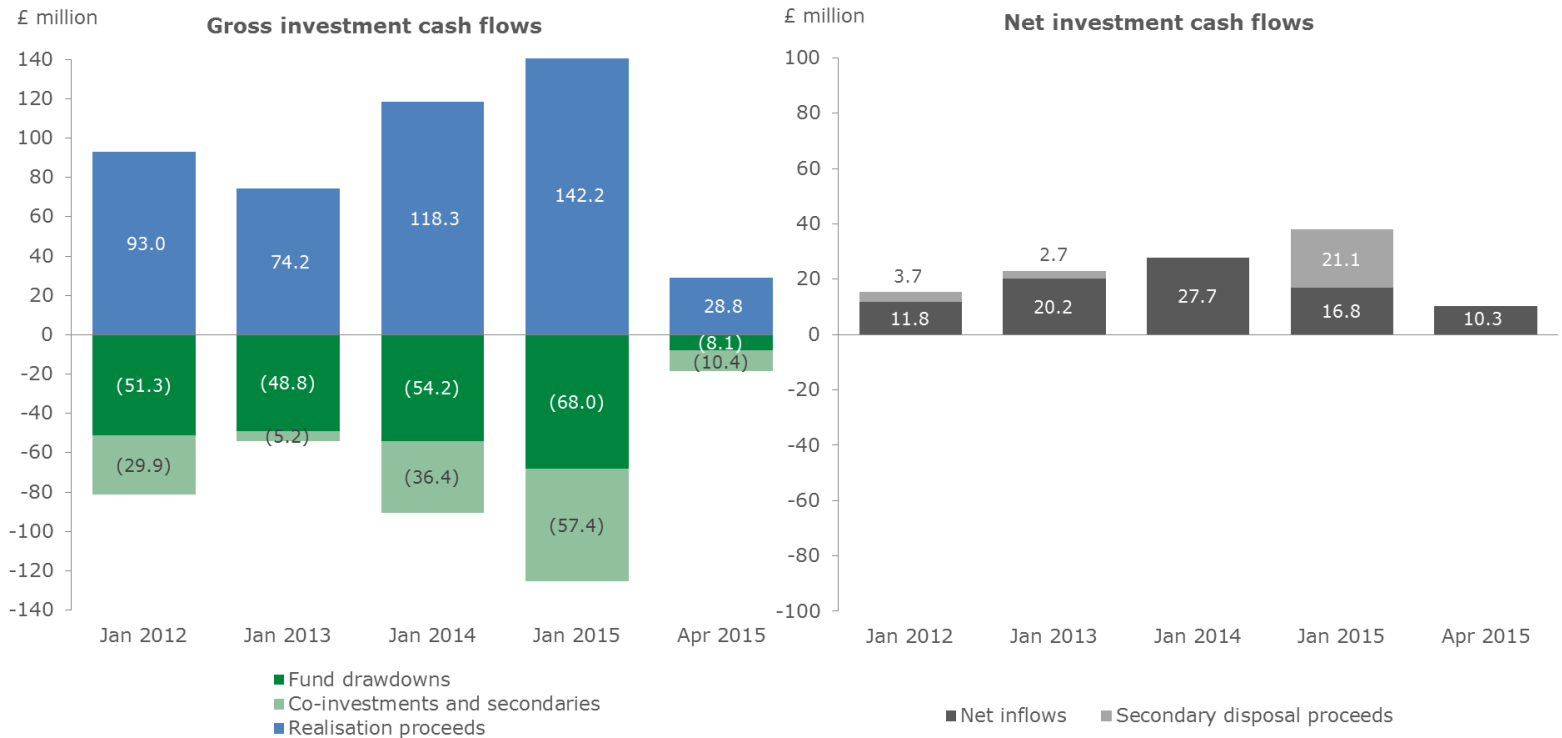
1. Performance and balance sheet

Share buy-backs are set to continue

- Cash at 10 June was £95.9m
 - Since Q1, the portfolio has generated a net inflow of £9.8m and buy-backs were £2.6m
- When adjusting for the £11.2m dividend to be paid 18-Jun, cash falls to £84.7m
- The secondary market remains challenging and co-investment dealflow is unpredictable
- We are likely to continue buying back shares if:
 - the environment doesn't change
 - pricing is attractive
- The amount we can return in this way remains to be tested

2. Investment activity and portfolio

The portfolio has continued to generate net cash inflows



Note Gross investment cash flows in the left-hand chart exclude proceeds from secondary sales.

2. Investment activity and portfolio

Realisations have continued to be strong

- £28.8m was received in the period and £9.7m further proceeds from NFA received in May
- The total of £38.5m represents 8.9% of the opening portfolio,
 - This compares with 33% for year to Jan-15
- 55% of proceeds was generated from nine full exits
 - The majority of these investments were made after the financial crisis
- The uplift on full disposals was 33% vs 36% last year
- Full exits were completed at a multiple of 1.9 times original cost
- The average exit valuation multiple was in line with the year to Jan-15

2. Investment activity and portfolio

New investment has been weaker than in recent periods

- £18.4m invested in the period
- We completed one co-investment and one secondary purchase for a total of £10.4m
- Drawdowns of £8.0m were lower than previous periods
 - There were no drawdowns by Graphite VIII
- 10 new investments by 3rd party managers implies an investment rate well below prior year
 - However, it is too early to draw firm conclusions from this
- Average entry and leverage multiples both decreased slightly from year to Jan-15
 - Given the small sample size, it is not meaningful to extrapolate trends
- No new primary commitments were completed in the period
 - We expect to make several commitments this year

2. Investment activity and portfolio

New secondary purchase – BC Partners IX

Background

- £7.2m secondary purchase of an additional interest in BC European Capital IX
 - €6.7 billion 2011 vintage large cap buy-out fund
- Highly sought-after position in the secondary market
- Strong relationship with BC, including a new co-investment
- Acquired from a large US endowment fund

Rationale

- In line with our strategy of acquiring additional interests in portfolios we know well
- Relatively immature fund with an attractive balance of upside potential and relatively low downside
- The fund is almost fully invested, limiting the blind pool risk
- Portfolio of 9 underlying companies generally performing strongly and reasonably valued
- Good diversification by size, industry sector and geography with defensive characteristics
- Early realisation of the largest investment in May 2015 represents a positive start
 - US cable operator Suddenlink sold to Altice at a significant premium to our entry price

2. Investment activity and portfolio

New co-investment in PetSmart (£3.2m)



Background

- Largest US speciality retailer of pet products and services
- Sales of \$7 billion and EBITDA of \$1 billion from over 1,300 stores
- Listed on NASDAQ in 1993
- Put up for sale in July 2014 following operational underperformance
- Acquired by BC European Capital IX in December 2014
- Co-investment finalised in March 2015 when the company was de-listed

Opportunity




- Growing market in the US driven by demographic factors leading to higher pet ownership
- General trend of 'humanisation' is continuing to increase average spend per pet
- Economic recovery also contributing to sales growth
- Developing market for in-store services such as grooming, accommodation and clinics

Why PetSmart

- Dominant market share and track record of profitable growth (including during the recession)
- Diversified earnings stream with increasingly valuable contribution from services
- Scope to make significant operational improvements
- Additional upside potential from e-commerce, new store formats and international expansion

2. Investment activity and portfolio

Discretionary investments make up 55% of the total portfolio











Graphite portfolio	Third party portfolio	
 <p>Graphite Capital</p>		
26%	Funds 59% (of which secondaries: 14%) Direct co-invests 15%	

- 25 active third party manager relationships
- 3 Graphite Capital funds, 53 third party funds and 18 co-investments
- Over 380 underlying companies in total, but the top 30 make up 45% by value

Note All figures as at 30-Apr-15.

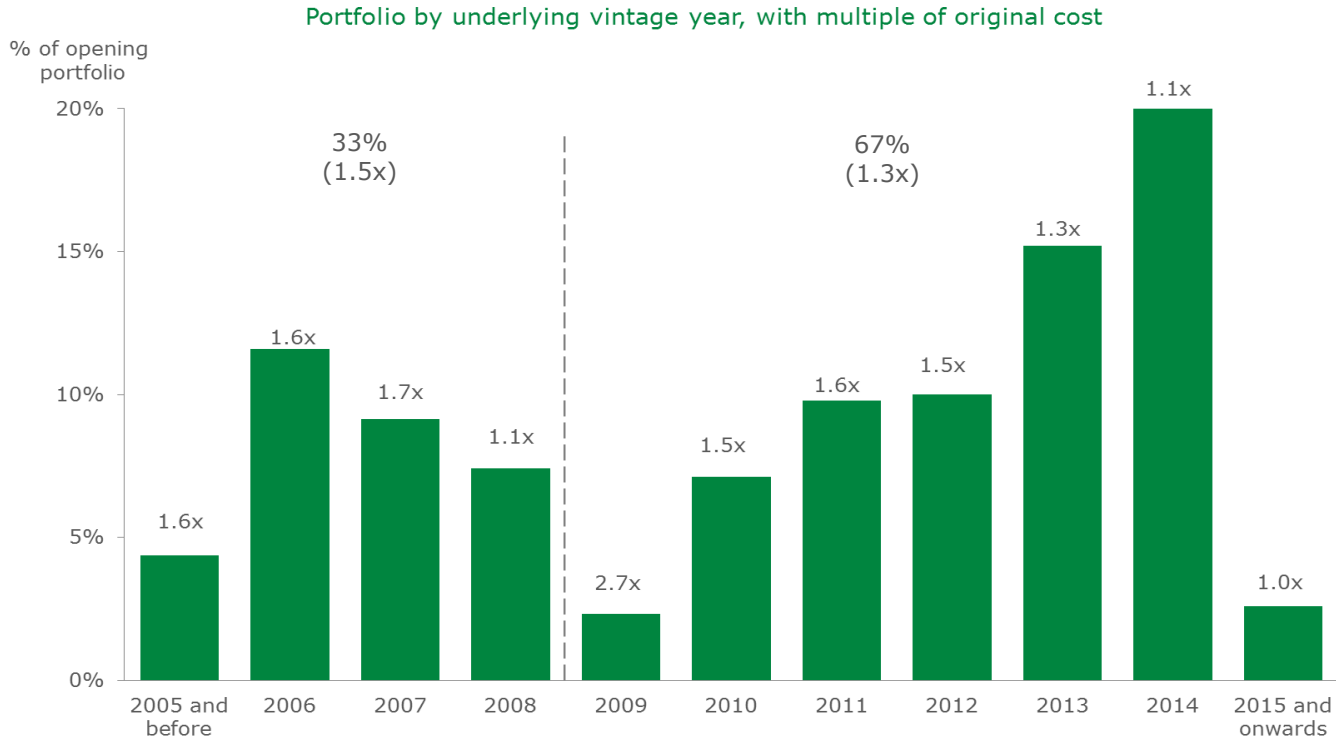
2. Investment activity and portfolio

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	5.4%
2	 Provider of home care services	UK	Graphite	3.2%
3	 Provider of repair services to energy companies	UK	Graphite	3.1%
4	 Provider of temporary education staff	UK	ICG	2.4%
5	 Provider of recruitment services	UK	Graphite	2.0%
6	 Provider of off the shelf e-learning content	USA	Charterhouse	2.0%
7	 Supplier and operator of modular buildings	USA	TDR	1.9%
8	 Manufacturer of automotive refinishing products	UK	Graphite	1.5%
9	 Operator of premium health and fitness clubs	UK	TDR	1.5%
10	 Manufacturer of fire lighting products	UK	Graphite	1.4%
				<u>24.4%</u>

2. Investment activity and portfolio

The portfolio was valued at 1.4x cost¹ and its average maturity was 4.5 years



3. Outlook

The European buy-out market

New buy-outs

- Prices are significantly higher than 2013, at 9-10x EBITDA vs 8-9x¹
 - Prices paid are now as high as in 2007
- Debt levels are higher than 2013, at 5.0-5.5x vs 4.5-5.0x
 - Higher incidence of “covenant-lite” deals means lower default risk despite higher leverage
 - Remains below the 6.0x average debt in 2007 – only a small number raise debt of 6-7x
 - The number of deals last year was around half the level in 2007
 - Deal timetables are not as compressed as at the peak

Secondary purchases of funds

- Pricing remains highly competitive
 - Use of leverage
 - Demand vs supply

3. Outlook

Graphite Enterprise is well positioned to grow further

- **The environment for realisations remains strong**
 - Private equity, trade buyers and public markets are all possible exit routes
- **The portfolio continues to perform well**
 - Realisations continue to generate strong valuation uplifts
 - The maturing of the portfolio should be positive for returns
- **The discount remains above levels normally seen in an economic upturn**
 - The valuation remains attractive
- **We are committed to maintaining capital discipline**
 - Share buy-backs will be used to return surplus cash to shareholders

Further information

Further information

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

FOCUSED STRATEGY

European buy-outs - mature, profitable companies - both through funds and directly

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 consistently outperformed the peer group average

STRONG BALANCE SHEET

Well placed to take advantage of current opportunities

FLEXIBLE APPROACH

Portfolio construction and balance sheet management adapted to market conditions

Further information

Little new valuation information was received in the quarter

Quarter to Apr-15	% of opening portfolio	% of opening NAV	£m
Underlying valuation gains	2.8 %	2.3 %	11.9
Currency	(1.7)%	(1.5)%	(7.5)
Total portfolio	1.1 %	0.8 %	4.4
Expenses and other		(0.4)%	(3.4)
NAV total return		0.4 %	1.0

Further information

Graphite Enterprise has outperformed the peer group over 3, 5 and 10 years

Years to Apr-15^{1,3}

Total return	1	3	5	10
Graphite Enterprise NAV growth	4%	24%	57%	134%
Peer group ² average NAV growth	10%	22%	47%	127%

- The Company has taken lower balance sheet risk than the peer group
- Short term relative performance is affected by exposure to euro / dollar assets

Notes 1. 12, 36, 61 and 121 month periods to 30-Apr-15

2. Peer group : Aberdeen, F&C PE, HarbourVest, JPM PE, Pantheon, Princess, Private Equity Holding, SLEPET, Better Cap 2009, Better Cap 2012, Candover, Dunedin, Electra, HgCapital, NB Private Equity, SVG Capital

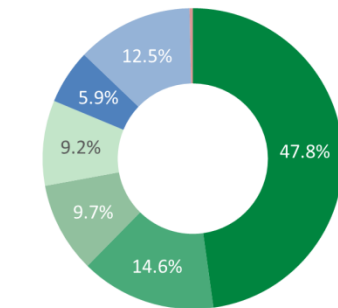
3. Data: total return, GBP (Morningstar, Company)

Further information

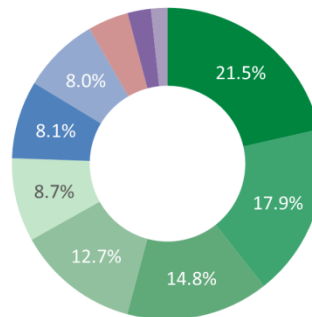
The portfolio is balanced and well diversified

- The portfolio strikes a good balance between diversification and concentration
 - Exposure to over 380 underlying companies
 - The top 30 underlying companies represent 45% of the portfolio value

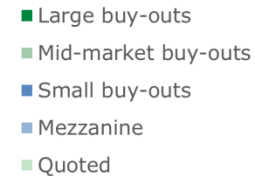
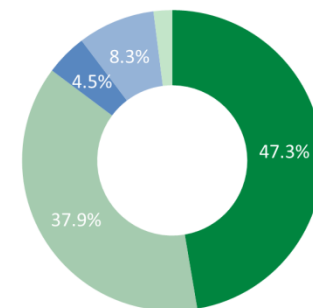
Geography



Sector



Deal type



Note At 30-Apr-15. Geography denotes where a company is headquartered

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

Website: www.graphite-enterprise.com

Broker: J.P. Morgan Cazenove

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Manager: Graphite Capital Management LLP

Authorised and regulated by the Financial Conduct Authority under the Alternative Investment Fund Manager Directive

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