



# Graphite Enterprise

Results for the year ended 31 January 2012

Presentation to analysts

5 April 2012



## Presentation to analysts – April 2012

1. Introduction
2. Performance
3. Balance sheet and liquidity
4. Investment activity
5. The portfolio at 31 January 2012
6. Share price and discount
7. Outlook and conclusions



## 1. Introduction

Graphite Enterprise has a differentiated position in the listed private equity sector

Hybrid fund of funds and direct investor

Focused strategy – European buy-outs

Highly experienced team with direct investment backgrounds

Strong performance record over 25 years

Conservative approach to balance sheet management

Well capitalised to take advantage of current opportunities



## 1. Introduction

### We apply a direct investment manager approach to our third party fund investments

- The Graphite Enterprise team has extensive direct investing experience
  - Well positioned to judge other private equity managers
  - Understanding of direct co-investment opportunities
- We benefit from the insight and market knowledge of Graphite Capital's direct investment team
  - More current market view than can be gained second hand
  - Perspectives on direct co-investments gained from 25 years of precedent transactions
- Our approach to fund investment is rigorous and analytical
  - An ability to appraise underlying companies is key to evaluating managers' performance
- Active approach to portfolio management
  - Not afraid to challenge managers or exit underperforming funds



## 2. Performance

The net asset value per share increased by 6.6% to a record level of 569.4p

	31 January 2011	31 January 2012	Change	4 April 2012	YTD change
Net asset value per share	534.0p	569.4p	+6.6%	n/a	n/a
Share price	308.0p	357.0p	+15.9%	391.0p	+9.5%
FTSE All-Share Index	3,044	2,933	-3.7%	2,967	+1.2%

- The share price and NAV per share both strongly outperformed a weak Index
- Over the 14 months to 4 April 2012 the share price is up 26.9% while the Index is down 2.5%

## 2. Performance

The net asset value per share has outperformed the All-Share over 1, 5 and 10 years

	1	3	5	10
Net asset value per share	+6.6%	+26.8%	+25.3%	+99.9%
Share price	+15.9%	+90.9%	-7.5%	+56.2%
FTSE All-Share Index	-3.3%	+32.8%	-9.0%	+16.2%

- The NAV per share has outperformed the Index in 17 of the last 20 financial years
  - It tends to only underperform when the Index is rebounding from a sharp fall
- Since inception, the Company has generated a return of more than 24x the amount subscribed

*Notes: 12, 37, 61 and 121 month periods to 31 January 2012. Capital return only.*

## 2. Performance

The growth in NAV per share was driven by the strong performance of the portfolio

Year to 31 January 2012	%	£m
Portfolio	11.0%	42.8
Currency	-1.6%	(6.2)
Total portfolio	9.4%	36.6
Dividend	-0.4%	(1.6)
Expenses and other	-2.4%	(9.1)
Total NAV movement	6.6%	25.9

## 2. Performance

Growth in the portfolio was driven by realised and unrealised gains

	Gain £m	Gain as % of opening portfolio	% of underlying gain
Gains from realisations	19.9	5.6%	46%
Other gains	22.9	6.4%	54%
Total underlying gain	42.8	12.0%	100%
Currency	(6.2)	-1.7%	
Total portfolio movement	36.6	10.3%	



## 2. Performance

Graphite Enterprise has consistently outperformed the peer group

Years to 31 January 2012	1	3	5	10
Graphite Enterprise NAV	7.1%	29.2%	31.4%	127.8%
Peer group NAV	5.8%	9.5%	17.7%	120.3%

- The strong performance is despite taking lower balance sheet risk than the peer group
- At 31 January 2012 Graphite Enterprise was:
  - The best performing fund of funds in the peer group since 1 January 2008
  - One of only four funds of funds to be above its previous peak

*Notes:*

*Peer group is: Conversus, F&C PE, HarbourVest, JPM PE, NBPE, Pantheon, Princess, SLEPET.*

*Data is total return from Morningstar (local currencies)*

*12, 37, 61 and 121 month periods to 31 January 2012.*

### 3. Balance sheet

#### The balance sheet remains strong

	Jan-12 £m	Jan-11 £m	Change £m	Jan-12 %	Jan-11 %
Investments	377.7	356.6	+21.1	89.2%	89.2%
Cash and other net current assets	45.9	42.9	+3.0	10.8%	10.8%
Total assets	423.6	399.5	+24.1	100.0%	100.0%
Outstanding commitments	142.8	173.7	-30.9		
Undrawn bank facility	60.0	-	+60.0		
Total liquidity <sup>1</sup>	104.2	43.6	+60.6		
Overcommitment <sup>2</sup>	38.6	130.1	-91.5		
Overcommitment %	9%	33%	-24%		

- The level of overcommitment is not a concern
- The balance sheet structure is simple – only ordinary shares and £60m stand-by bank facility

## 4.Activity

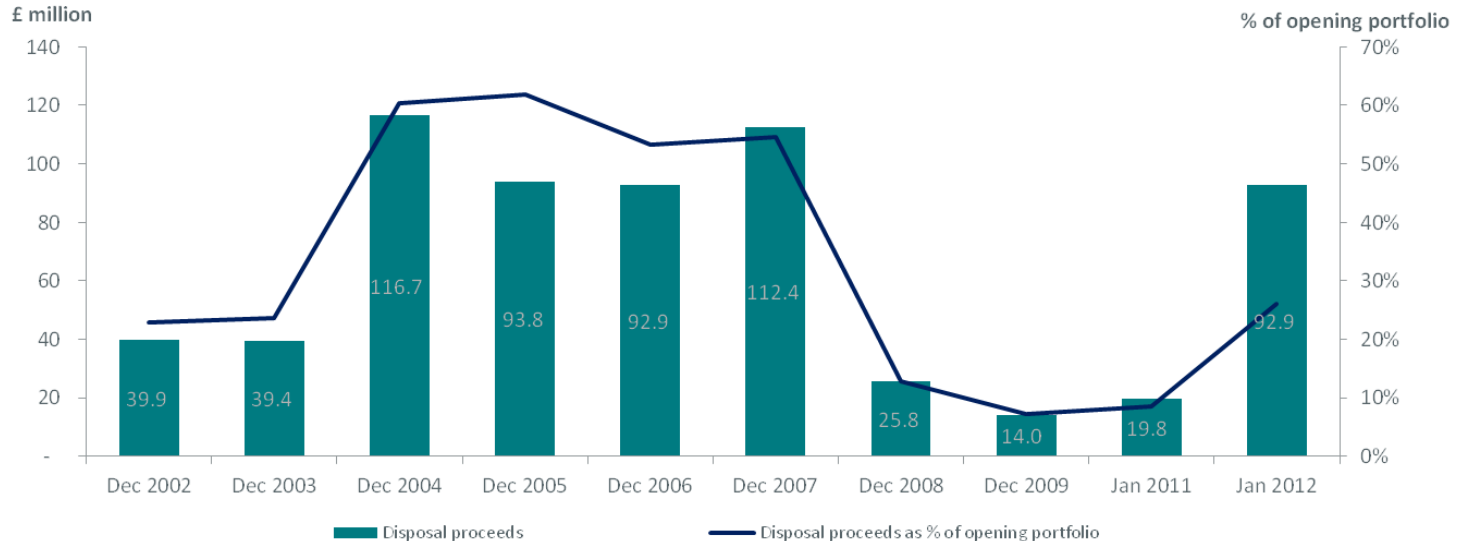
Realisations exceeded new investment by £15.5 million



- The portfolio ended the year at its highest ever level of £377.7 million

## 4.Activity

Disposal proceeds were at their highest level since 2007



Notes: Excludes proceeds from secondary sales (£3.8m in year to 31 January 2012).

## 4.Activity

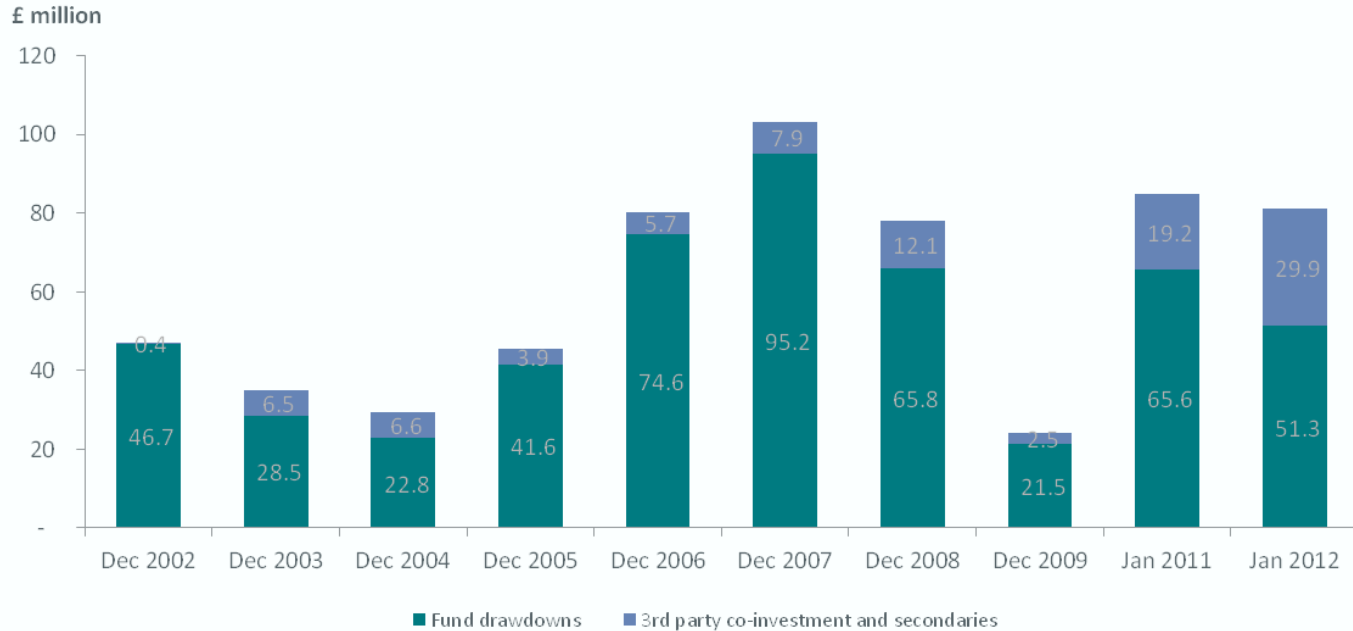
### Realisations continued to generate significant uplifts over prior valuations

Year to 31 January 2012	Number	Net proceeds £m	Gross multiple of cost	Gross valuation uplift on exit <sup>1</sup>
Realisations included in 31 Jan 11 value <sup>2</sup>	3	31.0	n/d	n/d
Full realisations	15	39.5	2.5x	51%
Partial realisations		22.4		
Total realisations		92.9		
Secondary sales		3.8		
<b>Total proceeds</b>		<b>96.7</b>		

- Ten investments were sold to trade buyers and eight to financial buyers
- The sale of Kurt Geiger had the greatest impact on NAV per share in the period

## 4.Activity

New investment was marginally lower than in the 13 months to January 2011



- Drawdowns were 22% lower than in the prior period
- We increased the amount invested through secondaries and co-investments by 56%

## 4.Activity

We completed a mix of secondaries, primaries and co-investments in the year

- We acquired 6 secondary interests in funds for £26.8 million
  - Fourth Cinven Fund
  - Charterhouse VII & VIII
  - Candover 2005
  - Steadfast II
  - Graphite VI
- We made 2 co-investments for £1.9 million
  - National Fostering Agency, alongside Graphite VII
  - Open Bet, alongside Trident III
- We made 4 primary fund commitments totalling £22.5 million
  - Fifth Cinven Fund
  - BC Partners IX
  - Steadfast III
  - Hollyport III



## 4.Activity

### Example – National Fostering Agency (Graphite Capital buy-out)

#### Background

- UK's second largest independent fostering agency (IFA)
- More than 1,500 carers looking after more than 2,000 children
- Secondary buy-out completed January 2012



#### The opportunity

- Growing number of looked after children
- Fostering is very cost effective compared with residential care
- Growing market share for IFAs – 22% to 32% since 2005
- Local authorities looking for efficiency savings likely to use IFAs

#### Why NFA?

- Proven incumbent management team with a successful track record
- Competitive pricing to local authorities
- Attractive to carers, both in terms of fees paid and support provided
- High quality of carer pool as a result of rigorous recruitment process – only 1 in 20 are approved
- Excellent record of contract wins and retentions
- Strong pipeline of contract tenders and acquisition opportunities

**Graphite Enterprise invested a total of £8.5 million through Graphite VII and directly**



## 4.Activity

### Example – Project Blackfriars (secondary purchase of funds)

#### Background

- Introduced in August 2011 by an intermediary we know well, seller was a German bank
- Portfolio of 19 funds with NAV of c.€140m
  - We bid initially on four funds, reduced to three after due diligence



#### Secondary transaction

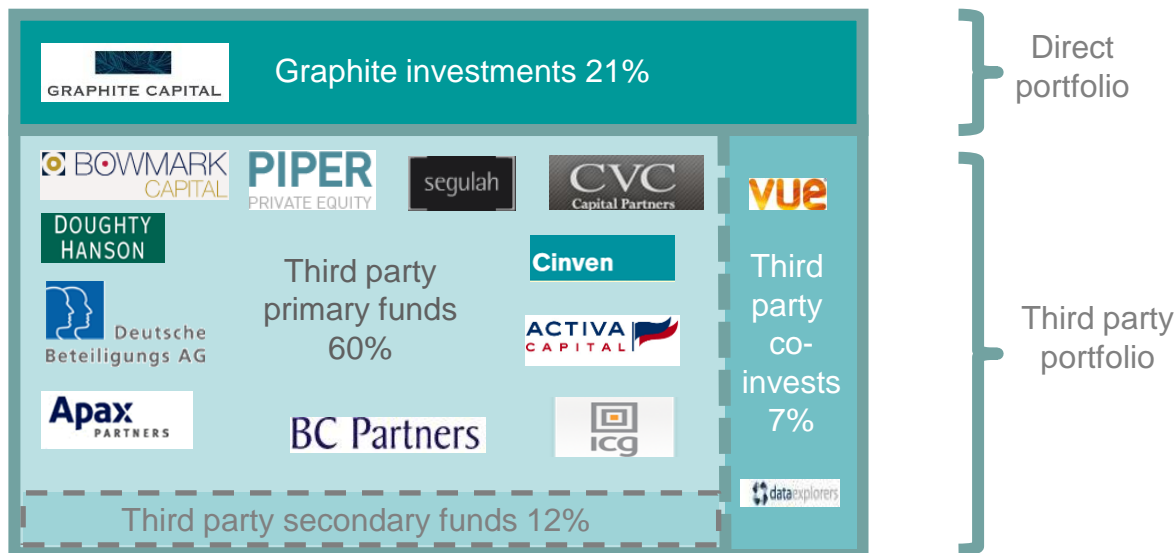
- Graphite Enterprise acquired three funds for £16.8 million
  - Fourth Cinven Fund (2006)
  - Candover 2005 (2005)
  - Charterhouse VII (2003)
- Funds were 88% drawn on average
- Pricing based on March 2011 values, transfers completed January 2012

#### Rationale

- Secondary fund purchases are lower risk and have a shorter duration than primary funds
- Manager consent is required for transfers and price is therefore not the only factor
- Two of the funds were already in the portfolio, the third is managed by an existing relationship
- Three realisation events have already been announced:
  - Capital Safety Group (Candover 2005)
  - Phadia and Ziggo (Fourth Cinven Fund)

## 5. Portfolio

The portfolio combines Graphite Capital and third party investments



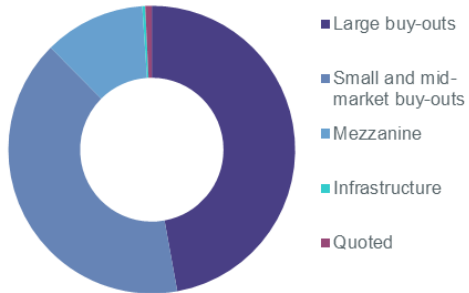
- The portfolio is more diversified than most direct funds, more concentrated than most funds of funds
  - The top 30 underlying companies represent 42% of the portfolio value
  - Ensures individual winners can make a difference

## 5. Portfolio

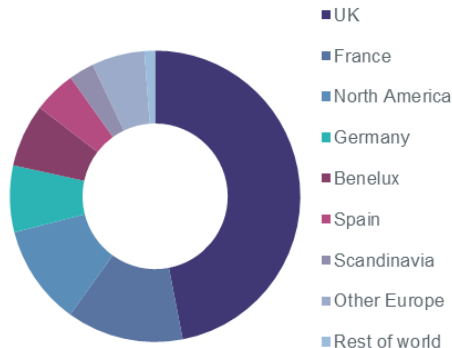
### The portfolio remained balanced and well diversified

- At 31 January 2012, the portfolio comprised 48 funds and 24 direct investments
  - exposure to 310 underlying companies

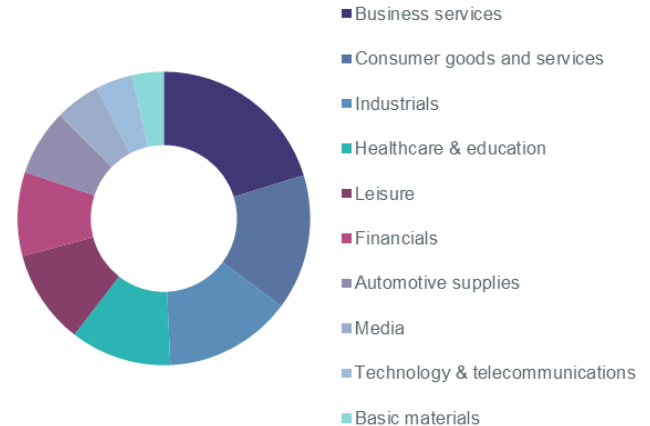
Investment type



Geography













Sector



Note: Investment type is at the fund level, Geography and Sector are on an underlying company basis

## 5. Portfolio

At January 2012, Graphite Capital directly managed six of the top ten holdings

			Country	Manager	Value £m	% of portfolio
1		Distributor and retailer of tyres	UK	Graphite	14.3	3.8%
2		Provider of recruitment services	UK	Graphite	8.7	2.3%
3		Provider of foster care services	UK	Graphite	8.5	2.3%
4		Operator of caravan parks	UK	Graphite	8.5	2.2%
5		Manufacturer of automotive refinish products	UK	Graphite	6.6	1.7%
6		Provider of information to lending industry	UK	Bowmark	6.3	1.7%
7		Provider of technical engineering services	Netherlands	Candover	6.0	1.6%
8		Operator of attraction parks	Spain	Candover	5.9	1.6%
9		Provider of recruitment process outsourcing	UK	Graphite	5.9	1.6%
10		Operator of cable TV networks	Netherlands	Cinven	5.9	1.5%
					76.6	20.3%

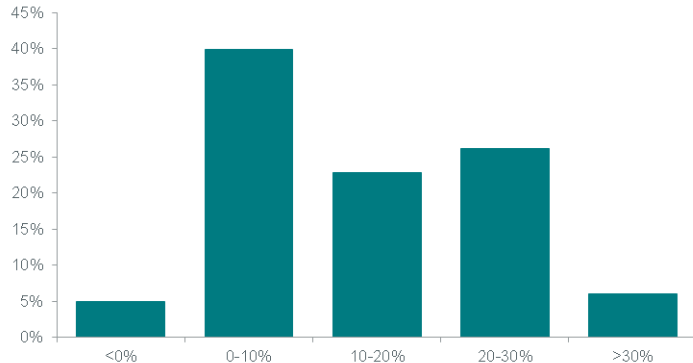
- The top 10 underlying investments represented 20.3% of portfolio value
- Since 31 Jan, Data Explorers has been sold and Ziggo floated: combined uplift of £4.6 million

## 5. Portfolio

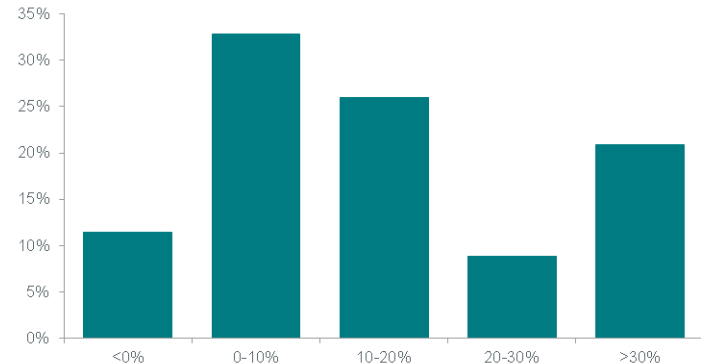
### The Top 30 companies performed strongly in the year

- At 31 January 2012 the top 30 accounted for 42% of the portfolio
- These companies performed well in the year to 31 December 2011
  - revenues grew by an average of 13%
  - EBITDA grew by an average of 14%
- By contrast, the EBITDA of the FTSE 250 was flat in 2011

% Top 30 investments by revenue growth



% Top 30 investments by EBITDA growth

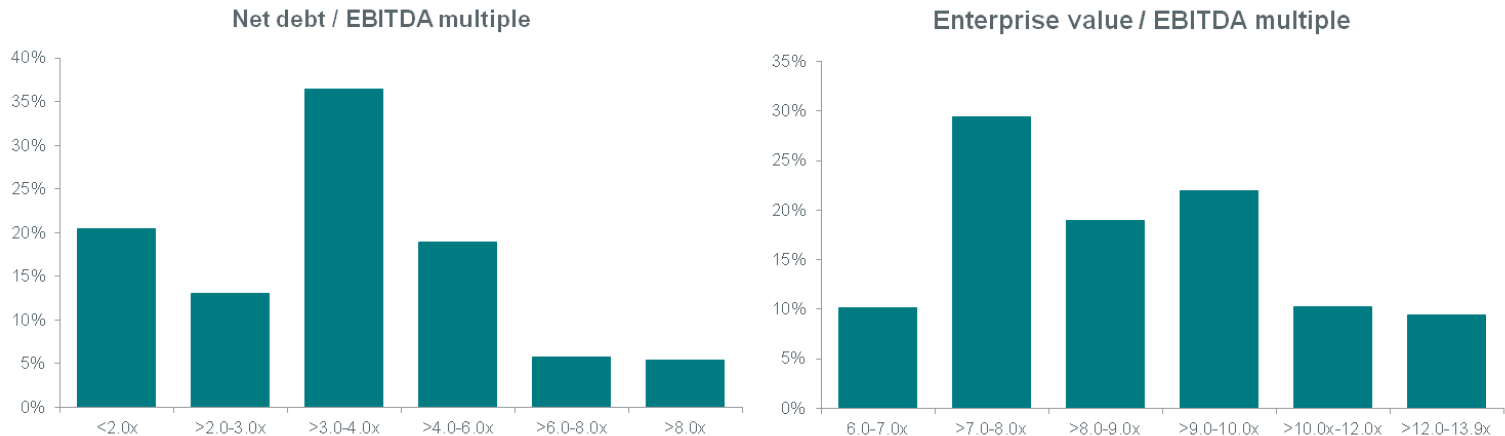


*Note: The growth data excludes two development capital investments (London Square, Willowbrook Healthcare) and Preh deferred consideration*

## 5. Portfolio

The Top 30 companies were valued at an average of 9.0x EBITDA and had 3.8x gearing

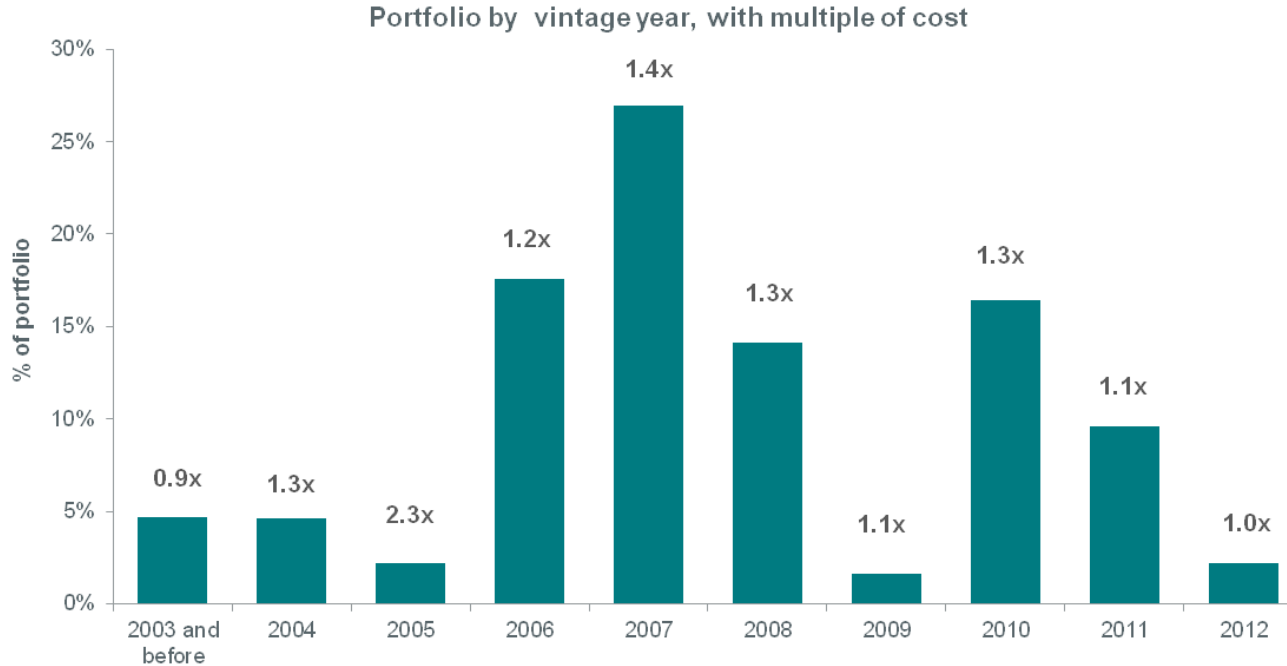
- Average valuation multiple increased slightly from 8.7x at January 2011 to 9.0x at January 2012
- Average net debt multiple increased slightly from 3.4x at January 2011 to 3.8x at January 2012
- In each case, the increase was due to the mix of companies in the top 30
  - Underlying valuation and leverage multiples fell marginally on a like-for-like basis
- Compares with 8.4x EBITDA current valuation of FTSE 250



Note: Multiples exclude two development capital investments (London Square, Willowbrook Healthcare) and Preh deferred consideration

## 5. Portfolio

There is considerable scope for future upside as the portfolio matures

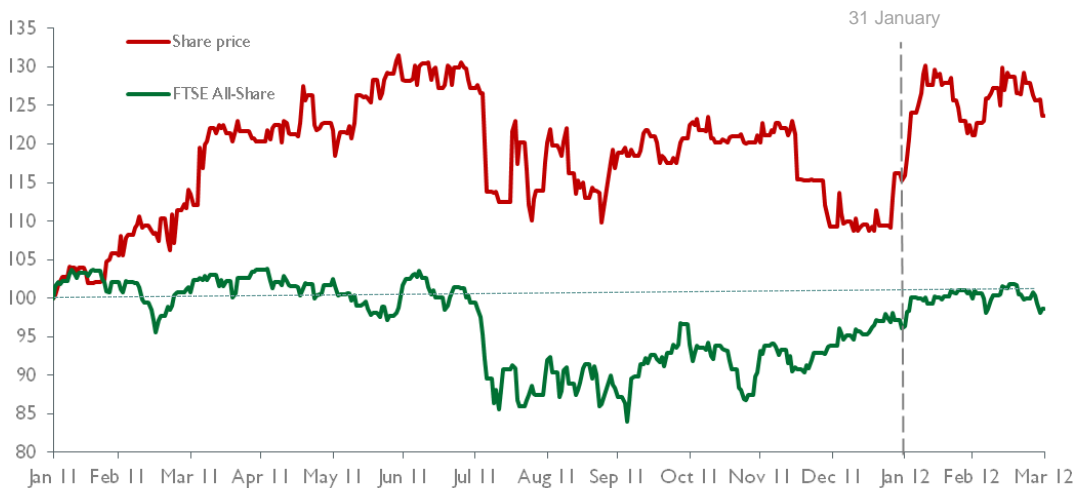


- At January 2012 the portfolio was valued at 1.2 times cost\* and had an average maturity of 4.1 years

\* Including amounts realised by current portfolio companies

## 6. Share price

The share price has strongly outperformed the FTSE All-Share since 31 January 2011

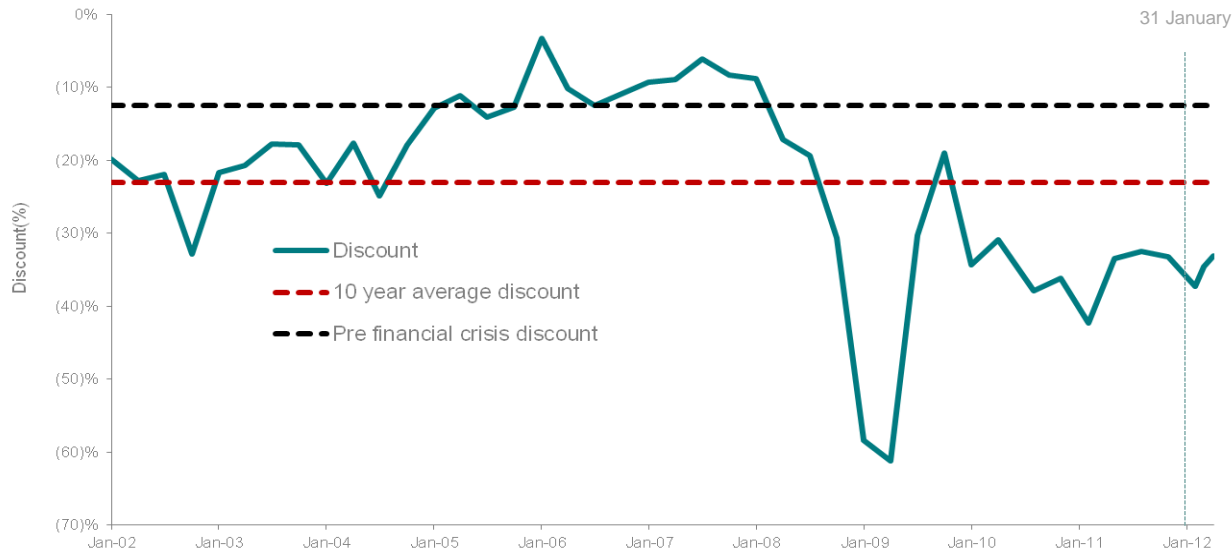


- In the year to 31 January, the share price rose by 15.9% while the Index fell by 3.7%
- Since then, the share price has risen by 9.5% and the Index by 1.2%
- Since 31 January 2011, the share price has risen by 26.9% while the Index has fallen by 2.5%



## 6. Share price

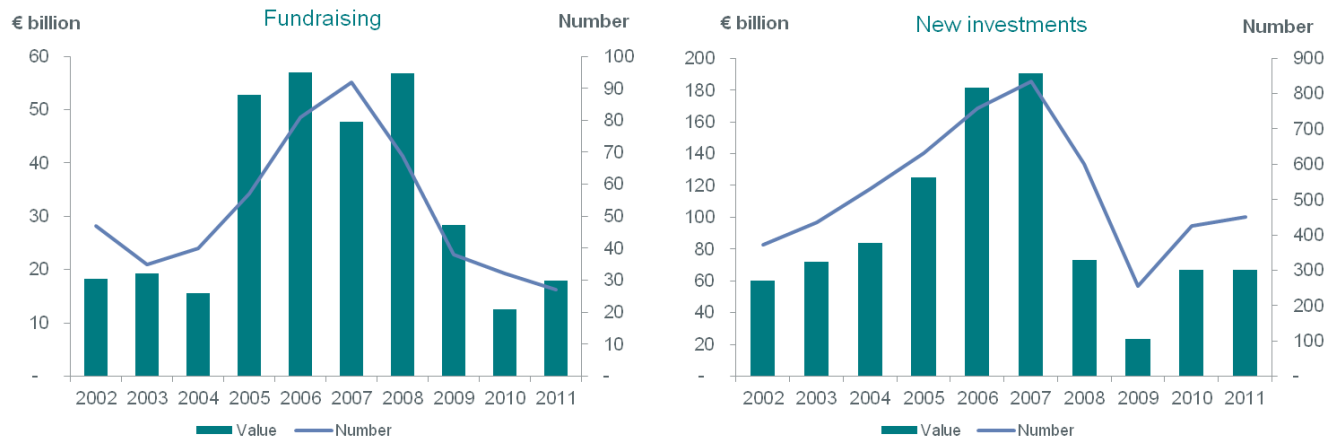
The discount has narrowed since the period end, as has that of the peer group



- At 4 April 2012 the discount was 31.3% (share price 391p)
  - The average discount over ten years is 23.0%
  - The average discount in the ten years prior to Q4 2008 was 12.4%

## 7. Outlook

### The European buy-out market



- Fund raising increased strongly in 2011, while new investment was broadly flat
- Pricing remains relatively high for good quality companies
- Debt availability remains variable depending on quality of underlying company and sponsor
- The pipeline of new funds being raised in 2012 and 2013 is strong
- Fund raising plans may influence the timing of exits

## 7. Outlook

### Graphite Enterprise is well positioned to grow further

- The portfolio is growing strongly
  - The top 30 investments (42% of the portfolio) are performing particularly well
  - Valuation multiples are reasonable given recent performance
  
- Many companies are being positioned for exit in the short to medium term
  - Realisations should be at material premiums to current valuations
  - Gearing levels enhance the impact of premiums on exit
  
- The mix of investments, liquidity and commitments looks about right
  - The Company is 89% invested
  - The cash balance offers protection if inflows fall and outflows accelerate
  - Liquidity is available to take advantage of any opportunities which might arise



## Background Info

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

Ticker: GPE.LN  
ISIN: GB0003292009  
SEDOL: 0329200

Listing: Official List (main market) in London

Broker: JPMorgan Cazenove: Sales Angus Wilton + 44 (0) 20 7155 8122  
Corporate finance William Simmonds + 44 (0) 20 7155 4579

Website: [www.graphite-enterprise.com](http://www.graphite-enterprise.com)

Manager: Graphite Capital Management LLP  
Authorised and regulated by the Financial Services Authority

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Emma Osborne	+ 44 (0) 20 7825 5357	<a href="mailto:eosborne@graphitecapital.com">eosborne@graphitecapital.com</a>
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# Appendices

## The Manager of Graphite Enterprise is Graphite Capital

- Graphite Capital is a leading UK mid-market private equity firm with £1.2 billion under management
  - Buy-out funds investing in the UK mid-market (almost £900 million)
  - Fund investments and co-investments (more than £400 million)
- Independently owned since 2001 and is based in one office in London
  - The team consists of 20 investment executives and 19 support staff
  - The senior team has an average of 20 years of private equity experience
  - Decision making is rapid, flexible and unbureaucratic
- Graphite Capital has been making direct investments in the UK since inception
  - Realised investments have generated an annualised return of more than 35% since 1991
- Graphite Enterprise has been making third party fund investments since 1989
  - Realised funds and co-investments have generated 2.0 times cost since then



## Graphite Capital – an experienced and focused team manage Graphite Enterprise



**Rod Richards**  
Managing Partner

### **Rod Richards**

25 years PE experience. Joined in 1986. Led the buy-out from F&C in 2001. Degree in PPE from Oxford, MBA from INSEAD. Leads fund and direct investment businesses.

### **Stephen Cavell**

20 years PE experience. Joined in 1993. Previously at Barings and Barclays. Degree in English and French law from Kent and Paris. MBA from Warwick.

### **Emma Osborne**

17 years PE experience. Joined in 2004. Previously at Merrill Lynch (funds & co-investments), Morgan Grenfell PE (direct buy-out) and RBS (mezzanine). Qualified as CA with Coopers & Lybrand. Degree in Economics and Politics from Bristol.

### **Tim Spence**

Joined in 2005. Previously at Deloitte (audit), where qualified as CA. Degree in Mathematics from Oxford.

### **Fiona Bell**

Joined in 2009. Previously at KPMG (audit) and JPMorgan Cazenove (corporate broking). Degree in Experimental Psychology from Oxford.

### **Andrea Fernandez**

Joined in 2011. Previously at Auda Alternative Investments (fund-of-funds and secondaries), Lehman Brothers / Barclays Capital (equity capital markets). MBA from INSEAD. Degree in Finance and Entrepreneurship from Babson.

### **Colm Walsh**

Joined in 2010. Previously at Terra Firma Capital Partners (finance) and Deloitte (audit). Degree in Economics from the LSE and is a CFA charterholder.



**Stephen Cavell**  
Senior Partner



**Emma Osborne**  
Head of Fund Investment



**Tim Spence**  
Finance Director



**Andrea Fernandez**  
Investment Manager



**Fiona Bell**  
Investment Manager



**Colm Walsh**  
Financial Controller

## Graphite Enterprise benefits from the direct investment team's experience



Rod Richards  
Managing Partner



Simon ffitch  
Senior Partner



Andy Gray  
Senior Partner



Markus Golser  
Senior Partner



Stephen Cavell  
Senior Partner



Mike Tilbury  
Senior Partner



Mark Hudson  
Senior Partner



Mike Innes  
Partner



John O'Neill  
Partner

### **Simon ffitch**

21 years PE experience. Joined in 1992. Joint head of direct investment team. Previously at LEK and Hill Samuel Development Capital. Degree in PPE from Oxford.

### **Andy Gray**

19 years PE experience. Joined in 1992. Joint head of direct investment team. Previously at Morgan Grenfell Development Capital. Degree in Economics from Stirling, MBA from Warwick.

### **Markus Golser**

14 years PE experience. Joined in 1997. Previously at Bain & Co. Degree in Business from HEC, Paris, and MBA from Oxford.

### **Investment Managers:**

Kane Bayliss  
Mark Hall  
Omar Kayat  
Jack Langdon  
Rachael Whittaker  
Simon May

### **Portfolio team:**

Jenny Michelman  
James Markham  
Mudassir Khan



## Graphite Capital's buy-out funds

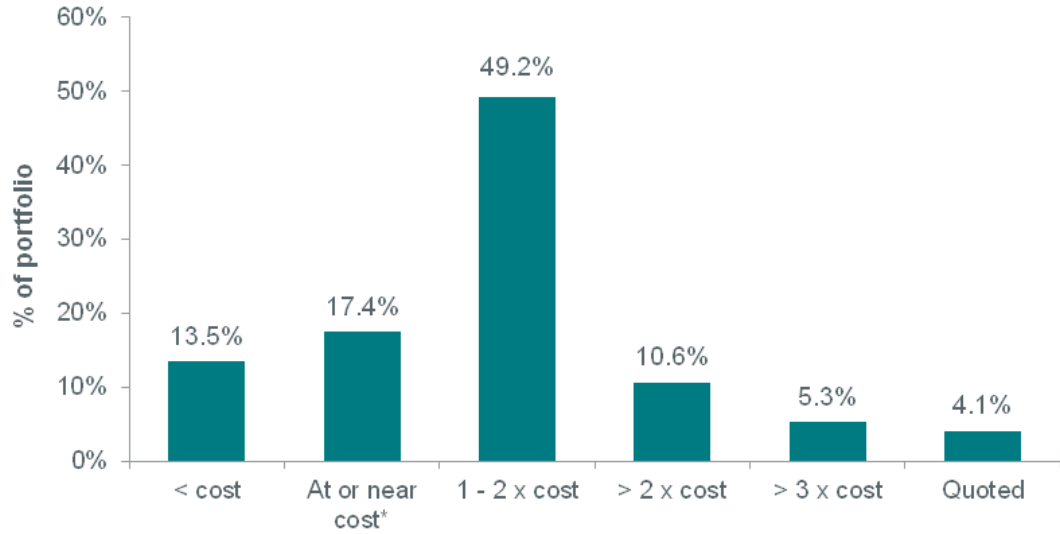
Fund	Final close	Total comms	GPE's comm	GPE's share	Allocation of Graphite investments	Investments
Graphite Capital Partners VII Main Fund	May 2007	£475m	£42.8m	9.0%	First £38m (8% of fund's total commitments)	National Fosterling Agency, AMS, U-POL, London Square, Willowbrook, Teaching Personnel, PTPG
Graphite Capital Partners VII Top Up Fund	May 2007	£80.5m	£10m	12.4%	Share excess over £38m, up to maximum of £65m, according to available commitments	National Fosterling Agency, AMS, U-POL, London Square
Graphite Capital Partners VII Top Up Fund Plus	Mar 2010	£30m	£6m	20.0%		National Fosterling Agency, U-POL, London Square

*Graphite Enterprise's share of each CPVII deal will therefore be between 9.0% and 11.0%, depending on its size.*

Graphite Capital Partners VI	April 2003	£375m	£45m	12.0%	Co-investments in Park Holidays UK and Micheldever Tyres	Micheldever, Park Holidays, NES, Optimum, Dominion, TMP plus six others
Graphite Capital Partners V *	July 1999	£262m	£78m	30%	Third party commitments were £183m. Graphite Enterprise invested in a 30:70 ratio.	Standard Brands (50:50 ratio), InnBrighton plus six others

*\* Graphite Enterprise invested alongside Graphite V, rather than as an investor in the fund as is the case for Graphite VI and VII.*

Almost half of the portfolio was valued at between cost and twice cost



\* 0.95 to 1.05 times cost

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