TRILANTIC | CAPITAL PARTNERS EUROPE

# Trilantic Capital Partners – Trilantic Europe IV
# 2016 Annual Report

## Edited for Public Disclosure

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# SECTION I

## LETTER FROM THE CHAIRMAN OF TRILANTIC EUROPE

# LETTER FROM THE CHAIRMAN

Dear Investor,

This year we celebrate our 8th year anniversary as an independent firm and I am happy to say that we are very satisfied with the way our team has evolved both in terms of sector expertise, geographic reach and our access to proprietary deal flow. With 18 professionals and 12 industry and country advisors spread among five offices, we are fully equipped to manage and invest the €1.5 billion of committed capital that you have entrusted to Trilantic Europe between the two funds that are currently active.

Looking back at 2016, it was a year where, globally, politics had a major role in valuations, both in public and private equity markets. During the year the perception of an improving global macro environment in investors' mind became partially clouded by, in sequence, Brexit, then Donald Trump's unexpected victory, followed by the failed Italian referendum. The resulting volatility of the first two quarters was overcome by positive momentum even in the aftermath of the truly unexpected political outcomes. It therefore appears that the markets are attracted more by low interest rates and abundant liquidity than scared by the prospects of a new world political landscape - one which, during the year, has shown a tendency both in US and Europe to move away from a decade of reforms for freer trade and support for globalisation.

Against this backdrop, valuations in the buyout markets have risen considerably, supported by a resurgence of credit investor appetite for High Yield bonds which have reached unexpectedly low yields in euro terms, where B rated paper trades at less than 5%YTM. The outlook for growth and inflation for 2017 appears positive both at the aggregate level for the European Union, but also for the five major Eurozone economies. So, all in all, 2016 could be viewed as a positive year for European private equity notwithstanding the many black swans that have taken wing.

The outlook in 2017 for European private equity investing is looking a little more complex. Private equity funds are confronted with the challenge of a market where we have the highest multiples seen in a decade, as we enter - yet again - a complicated political period:

- France and Germany are holding political elections respectively in May and September, while Italy will have an election at some point before April 2018. The electoral results will contribute hugely to shaping the future of Europe, as will the outcome of the Brexit negotiations.
- The negative interest rate policy from the European Central Bank is now being extended even though the original inflation targets are being met. In our opinion, this approach is unlikely to last. Short term euro interest rates will revert to positive, and the differential with the US dollar rates will decrease in nominal and real terms making the cheap euro export bonanza more difficult.
- Germany, France, Italy and Spain have begun to talk openly about a two-speed Europe. This is a truism given that we have lived with it for the last five years. However, the fact that it is now a topic for public political debate represents significant political news which could alter the future of the EU in a very positive way.

Our view is that, notwithstanding the Euro area's need to come up with a plan that satisfies the electorate of the major countries, there has been - and will continue to be - progress in economic growth. As a result, corporate profits will continue to grow and, in a number of countries, corporate taxation will decrease, while structural reforms will favour a further decrease in unemployment. These generally positive trends will impact different sectors in different ways. Overall, we believe that sector forces will drive investment performance in the next few years more than geography and that the true differentiating factor for private equity funds will be their impact and value added in post-acquisition work, as well as the ability to select and recruit the best management teams. The latter is an area where Trilantic Europe, with the help of our industry experts, is devoting more and more time and resources.

In order to try to capture winning investment themes within the five sectors on which we focus, we have continued to hire as operating partners industry veterans who help us to assess which themes and trends to pursue, and to best identify which type of companies we should be targeting. On this front, we are advanced on the search to incorporate an operating partner with a strong technology background to help us not only assess new opportunities with a deeper IT/technology focus but also support the team more broadly in reviewing all our portfolio companies' exposure to new technologies, software and innovation, all fundamental aspects that are no doubt impacting the portfolio's day to day operations, distribution models and strategy. In terms of geographies, we feel that the North/South valuation multiple differentials have narrowed with respect to the 2012 peak and financing is readily available in all of the countries where we invest, at very attractive spreads.

Based on this macro assessment, we are (i) actively managing the Trilantic Europe IV portfolio where we are working on a number of monetisations of investments and (ii) working on closing the two recently signed deals by Trilantic Europe V. If completed, these two transactions will bring us in the next two months to a position where Trilantic Europe V will have committed close to 50% of capital, which is in line with our natural investment pace. In relation to Trilantic Europe IV, the General Partner of the fund extended the term of the fund by a one year period through to and including 7 May 2018. A further one year extension as permitted by the LPA will be assessed in 2018 depending on the planned monetisations and the status of the portfolio.

The two transactions signed by Trilantic Europe V – the acquisitions of Grupo Pacha, a Spanish leisure, hospitality and entertainment group, and of the BioEthanol plants from Abengoa - are true to Trilantic Europe's strategy of making primary investments by acquiring directly from the founders and achieving transactions that are negotiated on a bilateral basis, outside of a competitive auction process.

As always, we would like to encourage each of you to contact us with questions or enquiries that you may have about the portfolio, our strategy and performance.

**Vittorio Pignatti-Morano**

Chairman

31 March 2017

## Trilantic Europe in Figures

**15** investment professionals with **155** years of cumulative private equity experience

**12** operating partners / senior advisors

**18** advisory council members

**€1.5 billion** of Assets Under Management[1]

**Since 2004:**

**€1.8 billion** committed in **20** transactions in Europe[2,3]

**Notes**

Figures above are updated as of the date of issuance of this report.

1. Includes Trilantic Europe's funds and other co-investments managed / advised by Trilantic Europe.
2. €1,289mn from Trilantic Europe's funds and €530mn from Trilantic IV Global side-by-side, co-investors managed/ advised by Trilantic Europe and invited GPs.
3. Includes Grupo Pacha and Abengoa Bioenegia, signed respectively in February and March 2017. Invested amounts are estimates and pending confirmation at the time of closing of the transaction.

# Section II

## Trilantic Europe IV - Activity and Year-End Summary

## OUR PEOPLE

We remain committed to recruiting top talent, retaining our best people and recognising excellent performance. At the beginning of 2016, we promoted Javier Olascoaga to Partner and Romain Railhac, Victor Garcia and Marco Conte to Principals. More recently, in January 2017, we were pleased to promote Fernando Tomé, to Partner, having joined the firm as an Associate in 2007. We are currently looking to continue strengthening our team with the addition of three investment professionals during 2017. Trilantic Europe's strategy of supporting our growing investment team with the expertise of senior advisors and operating partners continues. Jean Mouton (Senior Partner at The Boston Consulting Group) and Massimo Tosato (Executive Vice Chairman of Schroders plc) have joined the Trilantic Europe Advisory Council while Dr. Ulrich Wandschenider has more recently joined us as Senior Advisor focused on the DACH region. As we outlined in the Chairman's Letter, we are also working to incorporate a technology operating partner to both focus on the evaluation of new opportunities with a technology angle and support the team on the review of the overall portfolio's exposure to technology and innovation. We look forward to the contributions of all our new people as they bring a wealth of industry know-how and contacts and help strengthen our team of 18 Advisory Council Members and 12 Industry and Country advisors.

## TRILANTIC EUROPE IV – REALISATIONS

In 2016 we have focused on supporting our portfolio companies, this follows the strong liquidity in 2015 when we returned 88% of aggregate commitments to Trilantic Europe IV

In the spirit of close collaboration with the portfolio companies' management that characterises Trilantic Europe's approach, our team has, as an example:

- assisted Gamenet in refinancing a €200m high yield bond, achieving more attractive terms as well as orchestrated the highly synergetic acquisition of the Italian activities of Intralot;
- supported Talgo's management on (i) its commercial activities, resulting in new order intake of €716 million, including the successful win of the highly contested tender for 15 high-speed trains by Spanish rail operator, Renfe as well as (ii) Talgo's new product development activities;

As the portfolio of Trilantic Europe IV matures, we have been closely working with the portfolio companies to maximise value and explore strategic opportunities for 2017.

## FUND V EUROPE – INVESTMENTS

In parallel to managing the portfolio of Trilantic Europe IV and providing liquidity to its investors, the team has been focused on deploying capital for Trilantic Europe V.

In October 2016 we closed our third investment from Trilantic Europe V, acquiring a stake in ICS Maugeri.

In 2016, we have also conducted most of the due diligence work and negotiations that led us to sign an agreement with the founder and controlling shareholder of Grupo Pacha to acquire a majority stake in the Ibiza-based leisure, hospitality, and entertainment group. The group currently owns an iconic brand, hotels, restaurants and the Ibiza club and is also active in magazines, events organisation, franchises, music production and clothing and accessories stores.

During 2016 we also performed the bulk of the due diligence in relation to the acquisition of the four bioethanol plants in Spain and France from Abengoa Bioethanol. As a renewable energy source, bioethanol is a key contributor in the continued worldwide commitment to reduce emissions of greenhouse gases, in order to address global warming. Trilantic Europe is highly committed to addressing environmental matters and believes bioethanol is currently one of the most effective ways to reduce emissions from transportation.

Both transactions were successfully closed in April and June 2017 respectively. These transactions underline Trilantic Europe's approach of investing in proprietary, primary opportunities, partnering with high-profile entrepreneurs and identifying growth companies with an international footprint.

Vittorio Pignatti-Morano

Javier Bañon

Joe Cohen

# RESPONSIBLE INVESTING

Trilantic Europe is committed to address environmental, social and governance (ESG) issues. We became a signatory of the United Nations Principles for Responsible Investment (UN-PRI) in March 2014 and we will remain a responsible and attentive investor, considering a wide array of non-financial indicators when evaluating a transaction and during the life of our investments. We are pleased to report that positive ratings were obtained from UNPRI in 2016 - B on Strategy & Governance (up from C in 2015 and in line with market average) and A on Direct & Active ownership (up from C in 2015 and above the market average of B).

Trilantic Europe continues to implement and improve its ESG policies with specific due diligence and focus on ESG as part of the 100 day plans created in all Trilantic Europe V investments, with the support of external advisors.

To minimise the impact of our operations on climate change, and with the support of The CarbonNeutral Company, we offset the emissions generated during the year as a firm and aim at minimising our carbon footprint. In recognition of this, we have been awarded the CarbonNeutral® certification.

Signatory of:

PRI Principles for Responsible Investment

CERTIFIED CARBON NEUTRAL® Global Standard CarbonNeutral.com

# Section III

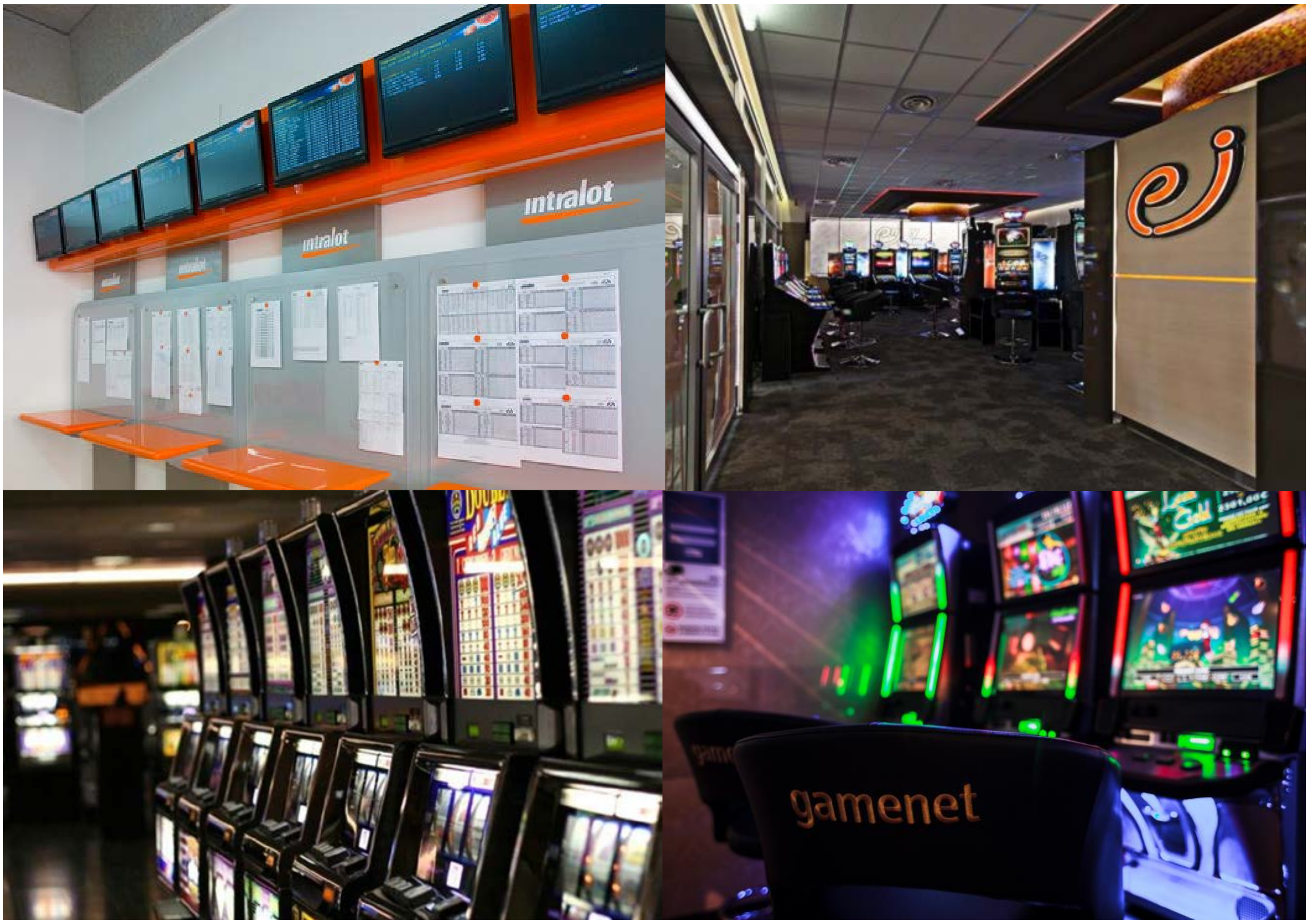
## Trilantic Europe IV -
## Individual Current Portfolio Company Summaries

Marex Spectron

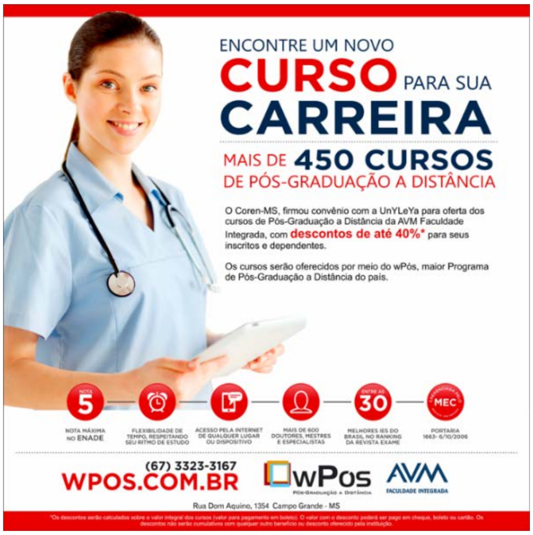
## THESIS: DEVELOP THE COMPANY INTO A MARKET LEADING GLOBAL COMMODITIES FRANCHISE



## THESIS: INTRODUCTION OF VIDEO LOTTERIES AND OPPORTUNITY TO IMPROVE THE COMPANY'S PERFORMANCE



## THESIS: FUND ORGANIC AND ACQUISITION-BASED GROWTH OF LEYA IN BRAZIL





Talgo

## THESIS: EXECUTE ON STRONG CURRENT BACKLOG WHILE CONTINUING ITS INTERNATIONALIZATION STRATEGY AND EXPANSION OF PRODUCT RANGE

ELISABETTA FRANCHI

## THESIS: SUPPORT INTERNATIONAL GROWTH IN THE RETAIL SEGMENT AND EXPAND THE PRODUCT RANGE IN THE ACCESSORIES

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