

Overview

In our latest newsletter we provide a synopsis of the Half Year results of our major client, Electra Private Equity PLC ("Electra"), together with our recent acquisition of Daler-Rowney and investments in Steadfast Capital's funds. We also cover the recruitment of Alex Fortescue to the new role of Chief Investment Partner alongside updates on a number of our portfolio companies.

Finally, Partner Rhian Davies and Investment Partner Alex Cooper-Evans discuss the key benefits that listed private equity can bring to helping businesses undergo the transition from regional to global.

Half Year Results

- NAV per share up 6.9% (diluted)
- Portfolio net valuation up £67 million
- Investment capacity of over £300 million

In May 2011 Electra announced its unaudited results for the half year ended 31 March 2011, reporting a diluted NAV per share increase over the six months of 6.9% to 2,193p. In the same period the share price rose by 21.6% compared to an increase in the FTSE All-Share Index of 7%.

Over the period Electra Partners made investments of £73 million and realisations of £82 million. The portfolio reported a net valuation increase of £67 million, largely due to increases in profitability of portfolio companies and increases in earnings multiples.

At 31 March 2011 Electra had an investment capacity of over £300 million.

Commenting on the results, Colette Bowe, Chairman, said:

"Electra's portfolio has shown considerable resilience during the downturn. Electra Partners has extensive experience of investing through a number of economic cycles and ... the Board believes these attributes, together with our increased investment capacity, will enable Electra to benefit from new investment opportunities and continue to achieve attractive returns for shareholders."

If you would prefer to receive this newsletter electronically please email Nick Board at nboard@electrapartners.com.

New Investments

DALER ROWNEY

Deal team: Rhian Davies, Alex Cooper-Evans, John Martin

In March 2011 we led the £26 million buyout of fine art materials supplier Daler-Rowney.

Based in Bracknell, Berkshire, Daler-Rowney is one of the largest suppliers of fine art materials in the world. Its product range includes artists' paints, brushes, canvases, papers and accessories which meet the needs of beginner, amateur, student and professional artists. The company manufactures its products in the UK and the Dominican Republic and exports to over 90 countries worldwide.

The management team is headed by industry veteran Patrick Giraud, who previously had a successful twenty-year career at Arjo Wiggins.

The fine art materials market is a niche market with high barriers to entry around products,



brands and supply chain complexity. Daler-Rowney owns a number of strong heritage brands which command high levels of consumer loyalty.

"Daler-Rowney is a leading player in a niche market led by an entrepreneurial and passionate management team. The business has a bright future and we will be looking to help create value through an industry roll-up."

Rhian Davies
Partner

Steadfast Capital

Deal team: Tim Syder, Charles Elkington

In June 2011 we extended our relationship with our German investment partner, Steadfast Capital GmbH ("Steadfast"), by investing €26 million in a secondary investment in Steadfast's second fund ("Fund II").

Fund II is fully invested and comprised of five investments the largest of which are: FEP (automotive connectors); Kautex (specialist manufacturing equipment); and Falk & Ross (promotional clothing distributor).

Electra Partners is looking to repeat the success we had with the €36 million secondary investment in Steadfast's first fund in 2008. At the time the fund comprised of 13 investments, the largest of which, MPS, was successfully sold in August 2010. This netted proceeds of £34 million for Electra at a return of 1.9x original cost and an IRR of 46% in under two years.

In addition to the investment in Fund II, we made a cornerstone commitment to Steadfast's third fund. Steadfast is targeting a final close of over €200 million.



Steadfast invests in medium-sized businesses in German-speaking markets across a broad range of business types and sectors and specialises in management buyouts of firms with an enterprise value of up to €150 million.

"We are very pleased to be working with the Steadfast team again and look forward to building on the past success we have had with our 2008 investment in Fund I."

Charles Elkington
Investment Partner

Portfolio Progress



Capital Safety Group ("CSG") has made a number of strategic acquisitions this year, the largest of which, Arseg, Pass and Clasi, a manufacturer and provider of personal protective equipment in Latin America, was made in May 2011. In March 2011 CSG confirmed the purchase of Uniline Safety Systems, a leading fall protection systems design and manufacturing company in Worcestershire, UK and, in a separate transaction, the acquisition of Single Rope Technique Equipment, the leading supplier of rescue equipment for the majority of emergency services entities across Australia.

These three acquisitions reinforce CSG's commitment to strengthening its existing global leadership position in fall protection equipment and services, while at the same time securing a strategic position in regions expected to experience significant growth.



London & Stamford has continued to invest steadily. In April 2011 it acquired two adjacent properties in the City of London: One Carter Lane and Two Old Change Court for £75 million. This long leasehold site occupies a prominent site south of St Paul's Cathedral.



Leading contract pharmaceutical manufacturer, CH Pharma, a secondary investment through our partner in France, TCR Capital, successfully sold one of its subsidiaries; Lab de La Mer, in April 2011. Electra received proceeds of €7.4 million from the sale, representing over 90% of our original Euro cost in Ch Parma. Ch Parma's core business continues to perform strongly.



In January 2011, BDR Thermea, the third largest player in the European heating market, refinanced its existing debt facilities, allowing the repayment of £11.5 million of mezzanine debt to Electra. More recently, in May 2011, the company increased its stake in Turkish competitor Baymak, from 50% to 90%, with the remaining 10% agreed to be acquired over time. This follow-on investment provides BDR Thermea with a solid platform for strengthening its position in the Central Asian heating market.



esure announced in May 2011 that it intended to move into the broker market. Its new venture, esure broker, is intended to widen the esure and Sheilas' Wheels brand footprint and will create a third revenue stream alongside its core motor and home underwriting activity and its investment in Gocompare.com.



SAV Credit, the UK's leading specialist credit card provider, has diversified and strengthened its funding support by securing new loan facilities totalling more than £265 million for its Aqua and Marbles branded credit card portfolios. The refinancing agreements will provide a solid platform for continued business development and growth. SAV manages more than 600,000 credit card accounts and has in excess of £700 million in credit card assets under management.



Leading legal services outsourcing provider CPA Global has climbed to 23rd place in the 2011 Global Outsourcing 100, an improvement on its 42nd place in the 2010 ranking. The company was also identified as one of the top 20 providers to both the financial services and technology sectors.

Chief Investment Partner Appointed



In April 2011 we were delighted to welcome Alex Fortescue to Electra Partners. Alex steps into the new role of Chief Investment Partner, with specific responsibility for strengthening deal origination and investment processes. He also joins the firm's investment committees.

Alex has significant experience in private equity having previously worked at Apax Partners for eleven years, most recently as Global Head of their Retail and Consumer Group. His investments included New Look, Focus/Wickes, Somerfield and Plantasjen. Prior to joining Apax, Alex was at OC&C Strategy Consultants for nine years.

"Electra Partners is moving forward with purpose and momentum and Alex's arrival will further enhance our investment capabilities. We place considerable focus on building the strength of our team and the creation of this role is part of Electra Partners' ongoing development and commitment to being an active player in the mid-market over the coming years."

Hugh Mumford
Managing Partner

"I am delighted to be joining Electra Partners. The team is well respected in the industry; they have a strong portfolio and are strategically well placed to take advantage of investment opportunities. I look forward to contributing to their on-going success."

Alex Fortescue
Chief Investment Partner

Outlook

In general, 2011 has seen a continuation of the improved trends in both deal activity and lender interest, both for Electra Partners and across the sector as a whole, and this we believe is mirrored in our recent acquisition of Daler-Rowney and investments in Steadfast.

We continue to remain selective in our approach to new investment opportunities, targeting successful mid-market businesses requiring equity capital in order to grow and maintain their competitive edge. Whilst the issues which continue to face UK and European businesses are likely to present increased opportunities for new investment in the medium term, earnings visibility is still challenging and so we look forward with cautious optimism.

Interview with Rhian Davies and Alex Cooper-Evans

“Transitioning from regional to global”

Electra Partners LLP

The following is an extract from June 2011’s edition of *Mergers & Acquisitions / Business XL* by Hunter Ruthven. The article outlines how management teams looking to transform their regional businesses into global companies can benefit from the flexible capital of listed private equity.

The flexible capital a listed private equity firm such as Electra can provide sets it apart from the traditional ‘Limited Partnership’ model of many private equity firms, says Alex Cooper-Evans of Electra Partners:

“With most private equity firms the involvement time is limited. After the five year investment period the fund investors want their money back, but we don’t have that pressure.”

One of Electra’s key differentiators is the ability to hold investments in portfolio companies for longer than the traditional five to seven year investment period, supporting management teams through more than one phase of growth.

Specialist safety equipment business Capital Safety was the subject of a £98 million buy-out by Electra in 1998. Since then, the business has been transformed from having a regional focus into an international brand. It was only in 2007 when the management team of Capital Safety wanted to make a sizeable acquisition that Electra Partners decided it was the right time to exit the investment. It has since reinvested in the company and is one of Electra’s largest holdings today.



Cooper-Evans comments: “The Capital Safety deal is a good example of where the business strategy drove the investor exit strategy, rather than the other way round.”

One of Electra’s key differentiators is the ability to hold investments in portfolio companies for longer than the traditional five to seven year investment period.

Meanwhile, Allflex, an animal identification product business, is Electra Partners’ largest investment having been acquired in 1998 as part of a £23 million investment.

Rhian Davies of Electra Partners explains: “Allflex did have a presence in a number of markets but the first thing we enabled the business to address was the development in technology towards electronic animal tagging.”

This drive towards innovation enabled Allflex to grow from a regional business into a global market leader with products distributed in 80 different countries.

As for what private equity brings to the table, Davies suggests that the greatest benefit is the expertise and experience from previous investments. She says that Electra Partners frequently leverages the knowledge of fellow portfolio companies so that investee businesses have a sounding board for advice.



This company interaction can be pivotal in ensuring the regional to global shift, says Cooper-Evans. For example, in assisting Capital Safety to buy a new electronic tag from Allflex for its safety equipment, Capital Safety was able to offer a unique product to its customers where they could manage and track their stock and comply with legislation more effectively.

“This is a classic example of being able to leverage know-how between two investee companies” he says.

“Whilst there are a number of options for financing growth”, he concludes, “choosing a long-term partner in private equity, whose interests are aligned with that of management, is in our view an excellent way of accessing the expertise and capital needed to transform a regional business.”



Rhian Davies
Partner



Alex Cooper-Evans
Investment Partner

ELECTRA PARTNERS LLP

Electra Partners is an independent private equity fund manager with over 25 years experience in the mid-market buyout sector.

Our flexible investment approach allows us to invest across a broad range of sectors and financial instruments including equity, senior equity, convertibles and mezzanine debt.

Concentrating principally on Western Europe and with the majority of investments expected to be made in the United Kingdom, we typically seek to invest in the region of £40 million to £100 million per transaction.

FURTHER INFORMATION

Alex Fortescue
Chief Investment Partner
+44 (0)20 7306 3982
afortescue@electrapartners.com

Alex Cooper-Evans
Investment Partner
+44 (0)20 7306 3896
acooperevans@electrapartners.com

Charles Elkington
Investment Partner
+44 (0)20 7306 3929
celkington@electrapartners.com

John Martin
Investment Manager
+44 (0)20 7306 3889
jmartin@electrapartners.com

Sarah Williams
Investment Manager
+44 (0)20 7306 3970
swilliams@electrapartners.com

Monique Dumas
Investor Relations Partner
+44 (0)20 7306 3911
mdumas@electrapartners.com

SENIOR PARTNERS

Hugh Mumford
Managing Partner

Tim Syder
Deputy Managing Partner

David Symondson
Deputy Managing Partner

Alex Fortescue
Chief Investment Partner

Rhian Davies
Partner

Philip Dyke
Partner

Steve Ozin
Partner

Electra Partners LLP
Paternoster House
65 St Paul's Churchyard
London EC4M 8AB
T: +44 (0)20 7214 4200
www.electrapartners.com

Not for release, distribution or publication into or in the United States, Australia, Canada, Japan and New Zealand. No information contained in this publication shall form the basis of, or be relied upon in connection with, any offer or commitment whatsoever in any jurisdiction.

Authorised and regulated by the Financial Services Authority.