



capiton – member of the Global GP Alliance network

In 2010, capiton was accepted as member of the Global GP Alliance network, an alliance of regionally operating private equity management firms focusing on medium-sized companies.

Partners in the alliance are the “top tier” private equity funds ISIS (UK), FSN (Scandinavia), Innova (Eastern Europe), Turkven (Turkey) and IVFA (India). The network is planned to be expanded further with additional focus on China, North and South America. In addition to a similar history and the strong partnership approach, all members focus on medium-sized companies and invest in companies of comparable sizes.

Global challenges for our medium-sized and frequently export-oriented portfolio companies are increasing. Therefore, the network partners are committed to offering best possible support for the internationalisation process of the investment companies. A network such as Global GP, which combines local expertise with global perspectives, is highly suitable for this purpose. capiton is now able to establish fast access to international experts in relevant industries and countries which will be used to the advantage of its portfolio companies.

Various committees were defined within Global GP, e.g. for fundraising, dealflow,,

operations etc. These work together closely to exchange best practices but also support one another with transactions. The network allows for a well-funded initial evaluation of business models – either through talks with the relevant project managers at the partner companies and/or through improved access to external industry experts or the CEOs of existing or former portfolio companies. A transaction database established by the network partners allows capiton online access to the Global GP colleagues’ longterm experience with investments abroad as well as specific contacts. The annual partner meeting not only provides an opportunity to intensify personal contacts, but also to discuss current issues in the private equity environment and thus helps to improve the competitive strength of both Global GP members and their portfolio companies .

capiton sees the invitation to join the Global GP network as a recognition and positive perception of our activities in the field of medium-sized companies in the DACH region (D, A, CH).

General parameters and planning security for companies in a time of sovereign debt crises



Numerous medium-sized companies, among them some of capiton’s portfolio companies, are currently facing the greatest entrepreneurial challenge in their

history: the internationalisation not just of their markets but also their production.

Parameters valid in the past such as stability in the euro zone or energy policies are currently challenged by political decision makers. Raw material costs, which have already increased strongly, will tend to rise even higher in case of a sustained weak euro. A continued shift to alternative energy sources will provide for a further sharp increase in what are already very high energy prices in Germany. In addition to that there is lack of trust in Germany’s and many other European states’ political leaders: political decision makers refuse to recognise real and inevitable developments and therefore fail to create sustainable solutions – and this in the midst of a sovereign debt crisis. Entrepreneurs will observe political agendas for debt reduction very closely when making their decisions pertaining to new locations. Indeed, in contrast to politicians, entrepreneurs recognise new realities, develop concepts and implement them accordingly. So far, both employees and employers in medium-sized companies try to maintain their industrial base in Germany, only investing abroad to secure their domestic mainstays.

Stefan Theis, CEO



capiton IV invests in Poli-Tape

...a leading manufacturer in the growth markets digital printing and textile transfer foils.

In May 2011, capiton acquired a 49% stake in the Poli-Tape Group as part of an owner buy-back transaction. The current owners maintain their management positions and keep the majority of shares. Together with them, capiton will drive the group's growth. Poli-Tape is an owner-led company specialising in coated foils used for the individual inscription and printing of textiles and marketing materials. The company's business focuses on attractive niche products where it strives to become quality leader in the market. The market for the company's products shows above-average growth due to new areas of application such as car wrapping and strong consumer demand with a particular strength in developing countries and emerging markets. Additional growth drivers are large sporting events such as the European football championships.

The company was founded in 1993 as a pure packaging and assembly company. The purchase of its first coating system in 1998 allowed Poli-Tape to manufacture its

own products. After that, the production facilities at its main site in Germany were expanded continuously. A sales organisation was established in the US, and production sites were acquired in Italy and successfully integrated into the group. Particularly due to the engagement in Italy, Poli-Tape boasts the industry's deepest vertical integration along the steps in the value chain – it's PU foils for the textile transfer business, for example, are produced in-house. In 2009, the company successfully entered the rapidly growing market for digital printing foils. Among its customers, Poli-Tape is known for its quality, flexibility and innovative strength.

The company's products are sold around the globe via a constantly growing network of dealers already spanning 75 countries. Main customers are wholesalers for printing and advertising technology as well as, to a lesser degree, large sporting goods corporations or companies operating in the field of adhesive products. Customer concentration

is moderate – the top 10 customers generate about 20% of total sales.

Poli-Tape's sales revenues grew from € 320k in the year of its foundation to € 13.7 million in 2000 and more than € 60 million today. From the second year of its existence, the company managed to generate annual net profits each year.

The rapid growth of Poli-Tape was one of the main investment motives. Some of the funds invested by capiton will be used to finance the expansion of production capacities at the company's headquarters. This capacity increase is one prerequisite for further growth. The expansion, which includes additional machines as well as a new production hall, is supposed to be finalised in 2011, so that production with the new system can commence in 2012.

In order to finance both the acquisition and the investment, capiton and the founder family have developed an innovative structure that adds a contribution of the seller (vendor note) and a credit facility granted by the local savings bank to the capiton shareholders' loan. As a result of this innovative structure, the maintenance covenants traditionally associated with a leveraged buy-out were not imposed on the company.

The company's business plan is based primarily on organic growth. Sales in the new digital printing division will be driven by utilizing synergies within the existing agent and wholesale network. Additional strategic growth initiatives such as acquisitions will be reviewed. capiton has reserved further funds in the capiton IV fund for this purpose.



InBrief

Addition to the capiton team



capiton has strengthened its investment team by adding Alexander Marxen, who has been working at capiton as an analyst since 2010. Prior

to joining capiton, Mr Marxen completed a Bachelor degree (B.Sc.) in Business Studies at the European Business School (ebs) in Oestrich-Winkel as well as a Master degree (M.Sc.) in Finance at the University of St. Andrews in Scotland. Several assignments in private equity and consulting companies provided Mr Marxen with practical work experience in the fields of private equity and corporate finance.

Buy & build in the growth market of temporary employment

Since August 2010, capiton is implementing a buy-and-build concept in the temporary employment industry. By purchasing a 68 % stake in the nucleus company Gess & Partner GmbH ("Gess"), capiton also found a solution concerning the succession from the company's founders to new management. In the past capiton has already successfully implemented a buy-and-build strategy in the temporary employment market with its investment in Trenkwalder (2003 to 2007).

As part of a pro-active sector concept, capiton started again to analyse the temporary employment market intensively from the end of 2009 and already held concrete talks discussing a potential participation with 15 companies or their owners. Temporary employment as a measure to increase the flexibility of a company has proven particularly successful during the financial crisis. Since then, both employers and employees have shown an increased acceptance of this concept, which in combination with economic and structural growth as well as strong cash flow generation are good arguments for a new investment in this sector. However, opportunities are also accompanied by risks such as cyclical, "walking assets" and regulatory changes.

The first objective of our active involvement in the market was the identification of a suitable nucleus company with a good reputation in the market for higher-qualified temporary staff in combination with a management capable of and willing to pursue a buy-and-build strategy. Gess met these requirements in an ideal way, as the company specialises in higher-qualified personnel in the areas of engineering, IT, medicine and commercial/administrative services. Moreover, CEO Dr von Zimmermann already has experience in the implementation of a buy-and-build strategy. After he had developed the temporary employment group "orizon" through a buy-and-build concept and successfully sold the group to a private equity investor in 2006, Dr von Zimmermann invested in Gess in 2008, thus facilitating the succession of the founders Mr and Mrs Gess.

What makes the temporary employment market so attractive for buy-and-build is the extreme fragmentation on the supply side and the consolidation needs of small to medium-sized providers. One of the arguments for the investment was and still is the existence of a sufficient number of potential M&A targets at attractive valuation levels. With the Best-Job Group, Hamburg/Berlin, the first target had already been added in December 2010. Best-Job IT GmbH founded in 1999 is one of the leading project and personnel services providers with an applicant pool of more than 25,000 IT specialists hired by leading IT companies and system houses. The recently established healthcare division, in which Gess & Partner is currently bundling its expertise in the field of health care services, can benefit from Best-Job's expertise in this field, as their competence centre "Medical Services" has been leasing out nurses, medical assistants and paramedics for years.

The second acquisition for Gess Group was carried out in April 2011 when the company bought Graeber & Partner (Graeber) based in Münster. Graeber is also very well positioned in the higher-qualified temporary employment market with a clear focus on machine building as well as the metal and electronics industry. Additional segments are commercial/administrative qualifications and professions in the medicine/health care segment, which in turn fit extremely well with Gess Group's own focus.

As a result of these two acquisitions, Gess already managed to more than double sales and earnings after not even six months and positioned itself as sector-oriented provider of higher-qualified temporary staff in the commercial, industry, IT, engineering and medical sector.

A CFO and a COO were added to the top management team in order to strengthen the company as planned. The COO, who has many years of management experience gained at a market-leading competitor, is focusing on further expansion of the branch network as well as entry into other attractive business areas such as outsourcing and onsite management.

capiton is very confident that additional interesting add-on acquisitions can be realized, developing Gess Group into a leading provider of higher-quality temporary staff, active across all regions.

Exit Metrawatt Group

Sale of shares to management and M Cap Finance.

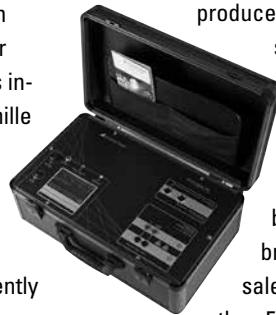


Following a broad auction process, capiton has successfully sold its shareholding in the Metrawatt Group, a leading supplier of test and measuring equipment to the electronics and energy industry, in June 2011. The Managing Director of the company has acquired a majority position in the company, with M Cap Finance holding the balance of the shares.

In 2005, capiton together with the former manager of the company bought all assets of the parent company in Nuremberg as well as the major German and European affiliates including Switzerland-based Camille Bauer AG out of insolvency. Supported by a base of loyal customers and an outstanding market position, almost the entire product portfolio was subsequently complemented and renewed.

A regional expansion was also driven forward. In 2007, Metrawatt bought several companies in the US. These acquisitions allowed Metrawatt to substantially expand the Power Quality business which was gaining considerable importance. In 2008, this was followed by the takeover of a product

portfolio including the associated team of engineers in the UK. This unit develops and produces high-quality measurement sensors, complementing the group's value chain in this strategically important field. Furthermore, Metrawatt recently entered the highly promising Chinese market by establishing its first local sales branches. Metrawatt generated sales of about €80 million with more than 500 employees world-wide.



The management and M Cap Finance, which recently became a new shareholder, are planning to drive this internationalisation process further. In the context of the shareholder exchange capiton sold its entire majority stake.

RTS takes over repair centre from Siemens

capiton portfolio company RTS is a service company providing complex after-sales services for the electronics industry in Europe. Its services range from repair, warranty and reverse logistics to complete outsourcing deals where the entire spare parts management for globally operating OEMs is taken over.

In addition to carrying out repair services in its central workshop, RTS Group also offers efficient technical customer services on site at customer locations.

The wide range of services from stationary repairs for small and medium-sized appliances to on-site repair handling for large appliances at the end user's site makes RTS an ideal partner for international electronics companies with a broad product range. RTS offers repair logistics all over Europe and is currently also evaluating its entry in the North American market. As per 1 June 2011, RTS took over Siemens' repair centre

in Augsburg. This repair unit focuses on flat screen TVs, monitors and LCD panels. The facilities include a clean-room, which can now be used by the entire RTS Group and will further boost RTS' market leadership. The Augsburg unit currently generates sales of about €20 million.

In addition to the company's successful strategy and sound business position, the "good home" factor was particularly crucial for Siemens' decision to sell this unit to RTS. The transaction takes RTS' sales significantly beyond the €100 million threshold.

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