

**Long-Term Equity for Recurring Revenue Businesses**

**Private Equity GmbH**

**FORUM**



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# Mission Statement

As part of Forum Family Office („FFO“), Forum Private Equity („FPE“) is **responsible for investments in privately held businesses**. Sticking to group philosophy we only invest in businesses with a high degree of visibility and sustainable competitive advantages.

Our approach to value creation ist a combination of

- a) Adding industrial expertise to develop processes and management, including restructuring
- b) Increasing the moat around a business
- c) Long-term perspective on decision-making

To achieve this value creation we need control. Therefore we look for **majority stakes resp. 100%**.

Our targeted transaction value is € 2 – 20m.

We focus on **investment situations which are driven by the search for „a good home“ (owner?):**

- Corporates which want to divest non-core parts of their business with the responsibility to secure their future developments
- Entrepreneurs looking for a stable succession

# Private Equity within a Family Office

The main factor differentiating us from most Private Equity Funds is **our history as part of a family office with an industrial background:**

- The family used to own a large company and has **industrial – not financial – way of thinking** about companies
- The investment history of FPE shows that we can restructure companies successfully and lead them towards a growth path

The second differentiating factor which is derived from being part of a family office is our **long-term perspective:** FPE is not a fund with a limited term and a mandatory liquidation, but can give investments enough time for development:

We want to build up professional companies, which have long-term compounding characteristics preferable for the next generation of the family.

# Screening Criteria for Businesses

1



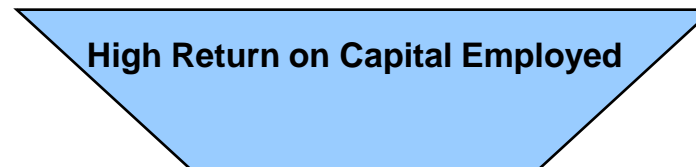
- a) Significant and quantifiable user benefits
- b) High switching costs for customers/stickiness
- c) High share of after-sales revenues

2



- a) Patents, technology, scale advantages
- b) Organisational skills, e.g. sales or process efficiency

3



- a) Tangible fixed assets plus net current assets <20% of turnover
- b) IRR for internal investment projects > 25% pre-tax

4



- a) Fast roll-out resp. fast internationalisation

# 1. Screening Criterium : Recurring Revenues?

The first screening criterium we apply to a proposed deal is „**recurring revenues**“. We are looking for revenues with a high stickiness and visibility. Typical questions we ask are:

- Does the business create **significant user value**? Are the savings or benefits for the client quantifiable and does he feel them?
- Are **switching costs to another supplier high**, e.g. regulatory requirements, existing specifications, required investments or high (perceived) risk in relation to the achievable savings?
- Does the business generate **significant after-sales revenues, e.g. by selling consumables, service or spare parts**?
- Does the **contractual relationship secure recurring revenues, e.g. from subscriptions, b.o.t. models or long-term contracts**?

If the proposed investment does not have significant visibility and recurring revenues we are not interested.

# Sector Focus

	First Priority	Opportunistic	Avoided Sectors
1	<b>Consumer Goods and Retail</b>	Any Business with one-of-a-kind Characteristics	Technology Companies
2	<b>Direct Marketing, Direct Selling to Consumer, e.g. Internet-based Businesses</b>		Telecommunication
3	<b>Media</b> , particularly on a subscription basis		Producers with < 30% After-Sales Business
4	<b>B-to-B Service Companies</b>		Software Companies
5	<b>Producers with &gt;30%</b> After-Sales Business (particularly Service)		Logistics Companies
6	<b>Med-Tech</b> and Healthcare		








# Other Investment Parameters (I)

- **Profitability**
  - All situations, including turnarounds / restructuring / insolvencies
- **Type of Capital**
  - Only equity
- **Regions**
  - In general only Germany
  - Outside of Germany only in industries which we know from previous investments
- **Management**
  - We prefer an experienced management team with a strong track record
  - At present we are also looking for investment opportunities in need of management as we are in contact with several MBI candidates.

## Other Investment Parameters (II)

- **Transaction volume**
  - At least € 2m, not more than € 20m per investment
- **Required Equity Participation**
  - In the case of corporate divestment and succession deals we prefer 100%, at least a majority
  - In the case of growth capital we accept a minority position if we have an option for a majority or the possibility of an exit.

# Investments: 1992-2008

Goods / Retail	Production with After-Sales-Service	B-to-B Service Companies
		
		
		

## Investments: 1990-2000

Company	Sector	Revenues €m	Acquisition	Investment Case	Basis for Value Creation	Sale	Selling Situation
Total-Gruppe	Fire Protection	60	1992	Purchase from THA / Corporate Divestment	Financial Restructuring / Forward Integration	1997	Sale to foreign competitor
Catrin-Gruppe	Textile Leasing	12	1992	Purchase from THA	Restructuring / Development of Rental Business	2000	Sale to foreign competitor
GPE	Construction Technology	12	1992	Purchase from THA	Restructuring	1993	Sale to Management
Servitec-Gruppe	Kitchen Furniture	30	1992	Purchase from THA	Restructuring / Forward Integration into own outlets	2001	Sale to Management

## Investments: 2000 -

Company	Sector	Revenues €m	Acquisition	Investment Case	Basis for Value Creation	Sale	Selling Situation
Rena GmbH	Address Printing	7	2003	Re-Start from Insolvency	Restructuring	2007	Sale to Management
Cobos Fluid Systems GmbH	b.o.t. models for waste disposal	2	2007	Corporate Divestment	Restructuring/ Roll-Out		

# Why FORUM (I): Corporates with Plans for Divestments

Being part of Forum Family Office FPE approaches transactions with an **industrial perspective**, combined with a long-term approach.

Therefore FPE considers itself an attractive buyer for corporate disposals with a transaction value up to € 20m:

- A family office can be **communicated well internally** as it implies a focus on the long-term
- **Professional, speedy completion of the Due Diligence process**, mostly with own staff
- If required **Know-How for turnarounds**
- **Little or no debt financing**, thus little risk of deal cancellations.

FPE offers corporates a high degree of security that the divested business does not fall into the hands of financial engineers.

# Why FORUM (II): Entrepreneurs as Target Group

With our background as part of a family office we also view ourselves as an **attractive partner for entrepreneurs in search of a succession or for growth capital** :

- You negotiate from the beginning with the final decision maker. We do not have committees or foreign headquarters
- You can be sure that we do not want to buy your business **to „flip“ it after 1-2 years**
- Pragmatic execution of the Due Diligence, **German „Mittelstand-based“ legal contracts**
- Sufficient capital** for the required growth financing or industry consolidation.

We are not interested in selling situations which are driven by the maximization of the purchase price: These prices can only be paid by aggressive financial players with the intent to re-leverage and/or „flip“ the deal quickly.



# Contact

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