



Sector focus Specialist Industrials

> Close Brothers Private Equity has a long pedigree, stretching back over nearly 25 years, of investing in Specialist Industrial businesses. During that time, we have invested over £200m in 28 businesses in the sector. In this issue, we consider the attractions of the Specialist Industrial sector, and some of the positive characteristics that we look for when we invest in industrial businesses.

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Close Brothers Private Equity

07/08

> In common with a number of our investments in other sectors, many of the industrial businesses that we back have a strong international presence. One example is Minova, a business supplying speciality chemicals to the mining sector. Although headquartered in the UK, over 99% of Minova's revenues are earned from its international operations, in countries which include Germany, Poland, Russia, the US, South Africa and China. Minova also made a number of acquisitions during the period of our ownership, helping it to increase its profits from £7m to £38m in just three years.

However, not all of the industrial businesses that we back operate outside the UK, nor are they necessarily acquisitive during our ownership. Within our current portfolio, Allied Glass Containers has long been the UK market leader in the manufacture of low-volume, high-specification glass containers for the spirits and premium-food sectors. Its ability to respond to complex packaging design requirements has enabled it to develop a large number of long-held customer relationships.

Another business operating in a specialist niche is Gradus, a business which manufactures high-end flooring accessories for use in both public and private sector settings. Gradus' strong design capability has allowed it to differentiate from its competitors, resulting in a 3.1x money multiple for CBPE when we exited to BOS Integrated Finance in 2007.

So what are we looking for in a Specialist Industrial business?

- > Typically, it will operate in a niche sub-sector, with strong barriers to entry as a result of IP or long-held customer relationships.
- > It is likely to see reasonable mid-term growth prospects, either organically or through acquisition.
- > And in many cases, it will be active in a number of countries, thereby diversifying the risk of exposure to one specific geography.

We believe that the next few years will continue to see attractive opportunities to invest in Specialist Industrial businesses. It is certainly a space that we will be looking at closely.

Energy Cranes acquisition

> On 31 March 2008 CBPE backed the £142m MBO of Energy Cranes International from its parent LMS Capital plc. CBPE invested c£60m and acquired the business alongside the incumbent management team led by CEO, John Jordan.

Aberdeen-based Energy Cranes, with annual revenues in 2007 of £114m, is the global leader in the supply of crane and lifting equipment maintenance and support services to the offshore oil & gas sector, with particular presence in the North Sea, Gulf of Mexico, South America, Caspian, Middle East, West Africa and Asia/Pacific regions.

The business has grown steadily in a buoyant market by incremental contract wins and acquisitions of complementary businesses that consolidate Energy Cranes' offering to customers. This strategy was typified by acquiring Baricon Systems for £8.7m on 3rd April.



The acquisition takes Energy Cranes – the world's largest offshore crane and mechanical handling services contractor – into the fast-growing subsea cable and pipe-laying markets.

John Jordan, chief executive officer of Energy Cranes, says: "Baricon is an innovative and successful business operating in the subsea pipe and cable handling market. The fit with energy cranes established skill-sets in mechanical handling and hydraulics systems is immediately apparent."

Alex Stewart Group makes first acquisitions

> Alex Stewart Group (ASG) the international provider of Commodity Inspection/Testing and Geochemical services, has made its first acquisitions since the Management Buyout in November 2006.

In March, ASG acquired Eurocontrol BV, a business based in Rotterdam and specialising in marine-survey services. On the same day, the Group also announced the acquisition of Rotterdam Analyse Services BV, which had previously supplied ASG with laboratory testing services on an outsourced basis.

The acquisitions are the first step in a strategy to develop the business both geographically, and along the specific service lines of Inspection/Testing and Geochem. They significantly strengthen ASG's analytical capability in Continental Europe, as well as broadening the service offering into the complementary Marine Survey sector.

Commenting on the acquisitions, Simon Wildig of CBPE said "ASG is positioned in an extremely attractive market with significant growth opportunities. These acquisitions enable the Group to provide an improved and more complete service to its customers".

Fund VII

> **CBPE has made three acquisitions this financial year: Protocol Skills, Away Resorts and Energy Cranes. Fund VII is now over 80% committed. We continue to actively seek investment opportunities up to the value of £150m.**

Away Resorts

> **Away Resorts is a newly established caravan park operator headquartered in Hemel Hempstead. The strategy is to use Away Resorts as a platform to support and develop a portfolio of caravan parks. The UK Caravan park industry remains highly fragmented, presenting an excellent consolidation opportunity.**

Our first park acquisition was Whitecliff Bay, completed in February 2008. This is a 'tariff biased' park located on the north east coast of the Isle of Wight. The park has nearly 700 pitches, a mixture of both static and tent and tourer. A key attraction of the park is its significant development potential.



For more information on investments,
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