capvis
Taking you further

PERSPECTIVE

Issue 14 / Autumn 2017

WER LIEFERT WAS
DIGITAL VISIBILITY FOR MID-SIZED COMPANIES

FELSS
MOVING UP TO AN EVEN HIGHER GEAR

GOTHA COSMETICS
KNOW-HOW AND TECHNOLOGY DRIVE INNOVATION

PROXES
AN EXCELLENT ADDITION TO THE PORTFOLIO

Capvis invests in companies that hold leading positions in their markets and are able to grow above average. We focus on the areas of "Manufacturing Technology", "Engineered Products" and "Advanced Services". Yet even companies successfully positioned in these growth segments face today's challenges of digitalisation: traditional business models, long-established production processes, even well-established products and services are challenged by the disruptive business ideas of young start-up companies. Mid-sized companies must find strategies to meet these challenges, too. Capvis supports its portfolio companies to actively tackle these tasks.

The portfolio companies ProXES and Felss discussed in this edition of "Perspective" employ aspects of digitalisation to advance their own processes and manufacturing equipment and products towards "Industry 4.0". This calls for a lot of innovation power and for a true understanding of customer needs and trends in the respective target markets. This is what true expertise in "Manufacturing Technology" and "Engineered Products" is all about.

With their innovative services, the two other companies featured in this edition, "Wer liefert was" and Gotha, enable companies to better cope with the dynamic and changing environment: "Wer liefert was" provides the necessary digital visibility into the market place and thus facilitates the digital transformation of their customers. Based on its innovation power and comprehensive production know-how, Gotha creates the trendiest colours and mixes for global cosmetic brands. At the same time, Gotha supports its customers with tailor-made development, production, and marketing services. These are examples of true "Advanced Services".

Capvis is eager to invest in companies that directly exploit the new options of the digital world or accelerate the transformation processes of their customers through their activities. Capvis supports all its portfolio companies to actively tackle the challenges of digitalsation. The digital world is not on its way; it is here already.

BORIS ZOLLER

The entrepreneurial side

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WER LIEFERT WAS

DIGITAL VISIBILITY FOR MID-SIZED COMPANIES

For any industrial, trading or service company it is very important that potential customers become aware of their specific offerings. Helping companies to become more visible in today's digital market place is the core of the business model of "Wer liefert was" (who supplies what) and EUROPAGES, a recent investment of Capvis IV.

Wer liefert was ("wlw") published its first category catalogue for purchasing departments in 1932. Since the middle of the 90s, "wlw" and EUROPAGES have led interested purchasers to matching offers on their online platform. "Being visible in the market place is a decisive success factor for small and mid-sized companies but only rarely one of their true strengths. Digital visibility is thus a huge advantage", explains Ueli Eckhardt, Partner of Capvis and Member of the Board of "wlw"/EUROPAGES. Talking about the business and growth model he adds: "Based on a subscription model, "wlw"/EUROPAGES provides its customers with the level of visibility they seek. The digital world continually comes up with new options. We use these to broaden our customers' reach internationally and to deepen the offering for our customers by means of data-based add-on services."

"wlw"/EUROPAGES has invested heavily in the Group's data base solutions over the past years and positioned itself as the market leader in Europe. Peter F. Schmid, CEO of "wlw"/EUROPAGES, sees this as a commitment to push the development even further ahead: "We soon realised that Capvis not only shares a lot of experience in direct marketing with us. They are a true partner who also have a lot of important strategic advice to offer and fully support our challenging business plan for the next years. Our goal is to substantially grow in Europe, both geographically as well as by deepening our market penetration."

With approximately 300 employees, the company achieves sales of about EUR 50 million. "Price tags on products are one important piece of information. But purchasing departments seek a lot of additional information on products and services. We want to expand the scope of the information offered, improve the customer experience, and provide exactly the matching data that brings sellers and buyers together. So, we offer services that directly influence our customers' success."

Since Capvis has been on board, the company has already achieved first milestones on its growth path: The Management has welcomed a new Sales Director who joined from within the Capvis network. In addition, the Board has broadened its competencies with new direct sales and digital specialists. /

Our services have direct influence on our customers' success.

PETER F. SCHMID, CEO OF "wlw"/EUROPAGES

FELSS

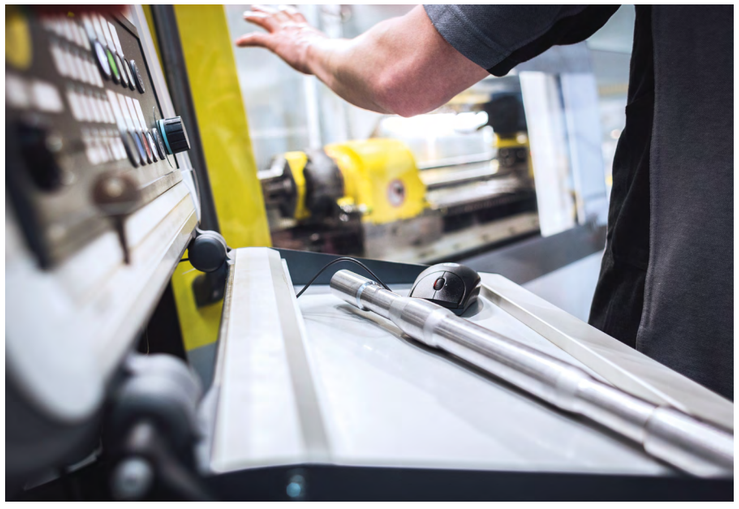
MOVING UP TO AN EVEN HIGHER GEAR

Car makers and their equipment and component manufacturers are working more closely together than most supply chain partners in other industries. Running at top speed, Felss is currently expanding its capacities, pushing innovation quickly towards "Industry 4.0" standards, and anticipating upcoming customer needs by analysing big data. With Capvis as its strategic equity partner, Felss is expanding its position and rapidly moving forward.

When former owner Christine Kienhöfer was planning her succession, she was looking for a financially strong, entrepreneurially minded partner "who shares our growth philosophy as much as our corporate values". At the beginning of the year, she sold the majority in Felss to Capvis. Working with the enhanced Management team, Capvis is now pushing various growth initiatives forward: "The car industry is booming for Felss. Globally!", says Daniel Flaig, Managing Partner at Capvis and Member of the Board of Felss. Current trends, such as the shift towards four-wheel drives, light-weight platforms for combustion and electric engines alike, as well as new security and safety schemes, advocate in many ways the replacement of traditional solid components with cold formed tubes – Felss' specialties. Felss produces manufacturing equipment for cold forming of tubes and specialises in the production of customer-specific complex parts, such as steering, rotor or side shafts. The company employs over 600 people in Europe, America and Asia. "We currently have expansion projects under way in Slovakia and in the USA to optimally respond to our global customers", Daniel Flaig adds.

"Hollow parts are considerably lighter than traditional solid components and therefore an important way to save fuel and reduce CO_2. Cold forming has a strain-hardening effect on the material and allows for a reduction in the thickness of the tubes of, for example, a rotor shaft of an electric drive. Moreover, predetermined breaking points in steering shafts allow telescope-like rods to better protect drivers in the event of a crash", explains Andreas Egelseder, Chief Marketing & Technology Officer of Felss.

The car industry is booming for Felss. Globally!



Such concepts, as well as newly developed and truly intelligent production processes, open the doors for Felss at car makers around the globe. "The automotive industry was at the forefront of globalisation. Now, this sector is leading the way towards "Industry 4.0" standards", Egelseder adds. "Our latest production machines are self-learning units. The finished parts are immediately quality inspected and tested by the equipment tool itself.

"If a flaw is detected, the machine analyses the root cause of the deviation and re-adjusts itself automatically. This is a tangible efficiency gain for our customers".

Capvis not only accompanies Felss as a financial partner. "Our goal was to rapidly gear up the Management team for the next, demanding growth phase. Felss has already welcomed Ute Salzbrenner as new Chief Financial Officer", Daniel Flaig declares. Capvis' broad industry and strategy know-how, as well as its network of Senior Industry Advisors, contribute to ongoing process and organisational optimisations, reporting adjustments, as well as the Group's sustainable global expansion. "Thanks to Capvis' targeted support in these matters, the Management team can fully concentrate on the demanding daily business and shift into an even higher gear". /

We're driving rapidly towards "Industry 4.0" standards.

IN A NUTSHELL:

ANDREAS EGELSEDER, CHIEF MARKETING & TECHNOLOGY OFFICER OF FELSS

IN WHAT AREAS, MR. EGELSEDER, HAS CAPVIS SUPPORTED FELSS MOST SO FAR?

"Capvis lives its strong conviction that Management should be in full control of the daily business. They really supported us well with the search for our new CFO to quickly complement our team. Personally, I also appreciate the strategic input of the Board as a sparring partner. This is really the kind of helpful support we seek".

CAN YOU PROVIDE AN EXAMPLE?

"We are winning additional contracts thanks to our innovative products. Yet, we also have to have the means to produce them in time. Capvis is actively supporting Felss in our current expansion project in the USA. In China, too, we are approaching full capacity load fast. For the whole Management team, it is indeed motivating to see that the majority shareholder is fully committed to our growth philosophy and backs our endeavours financially and strategically".

GOTHA COSMETICS

KNOW-HOW AND TECHNOLOGY

Capvis has closely accompanied the development of Gotha Cosmetics for the last year. The Board and Management have seen important additions and promising growth projects have been launched. Gotha's industry renowned innovation power and expertise as a production partner can best be leveraged with close customer proximity. With the foundation of Gotha Cosmetics Inc. in the USA, the company has further expanded its position in North America. In Europe, a bigger sales and consulting team helps penetrate the market further.

The combination of trendsetting innovation, technical expertise and excellent customer service is the most important value creation factor in the market for colour cosmetics", Giovanni Revoltella, Partner at Capvis and Member of the Board of Gotha, begins. "In the first year with Capvis at its side, Gotha has already implemented important steps of its global growth strategy", he added. With the creation of a local company in the USA, the Group has moved closer to its American customers. "Ease of access and an open and direct dialogue with partners are important in a market like colour cosmetics with its rapidly changing seasons and fashions. Flexibly responding to customer needs in production and even more so pro-actively creating the next trendsetting colour schemes are key", explained Shawn Sedaghat, founder and Member of the Board of the company.

Consequently, the research and development team located in Lallio near Bergamo, the company's Italian headquarter, has been expanded. "We want to support our customers as a flexible, highly responsive, and dependable outsourcing partner. In addition, capacities in Italy are currently being expanded in a newly purchased building close to the existing production facility", commented Giovanni Revoltella.

Production capacities are being expanded.

To better serve the markets in Europe and in the Middle East, Gotha has increased its sales and consultancy team headed by a new Sales and Marketing Director. "Let's conclude this trip around the globe. In summer 2017, Gotha welcomed Martin Breuer as the new CEO. As an industry insider, he brings an enormous amount of experience in Asia with him. There is definitely no lack of growth ideas!", Giovanni Revoltella added.

"Since its inception in 2005, Gotha has achieved a leading position in the global market for colour cosmetics. I am thrilled to lead the company on its success path along with Capvis", confirmed CEO Martin Breuer. "Our business is global and holds promising opportunities. The creation of trendy and trend-setting mixtures and the development of surprising products combined with our utmost flexibility as an industrialisation, production, packaging and marketing partner will remain important growth drivers. We want to meet the needs of all global cosmetic brands ranging from prestige to masstige to mass products." /

DRIVE INNOVATION

There is no lack of growth ideas!

PROXES

AN EXCELLENT ADDITION TO THE PORTFOLIO

With over 100,000 installed manufacturing tools in the food, cosmetics and pharmaceutical industries, the companies of ProXES Group – Stephan Machinery, Fryma-Koruma, Terlet und SUATEC – rank among the champions in their respective application areas. Capvis is proud to accompany ProXES on its ongoing growth path.

As a strategic equity investor, Capvis likes to invest in market leading companies that benefit from long-term megatrends and thus generate over-proportional growth in their target markets. "This is all true in many ways for ProXES", explains Andreas Simon, Partner at Capvis and Member of the Board of ProXES.

The companies of the ProXES Group have achieved leading positions as equipment manufacturers for the rapidly growing global food industry, targeting pharma and cosmetics as additional growth areas. The Group companies supply standardised equipment and tools but are mostly known for premium production systems specifically configured for the customer. "Quality and reliability are of utmost importance in a demanding market like food processing. Customer relations built on this trust are extremely valuable. This creates an excellent growth base", adds Andreas Simon.

The ProXES Group was formed through the acquisition of well-established suppliers and currently employs about 500 people. This size allows the Group – unlike the many small specialist players in this fragmented market – to embark on a true internationalisation strategy. Capvis acquired the majority of ProXES in summer 2017 and backs the Group now strategically and financially on its continued growth path. "With the support of Capvis' wide network, the Group will further expand its position in Europe, America and Asia. In addition, the closer cooperation of the Group companies in purchasing, sales and after-sales services generates valuable synergies. The development of Group-wide system solutions – for example along the food processing line or in terms of intelligent, data-based control and service schemes – creates promising growth opportunities for batch processing of liquid or semi-liquid products", explains Andreas Simon, sketching out the future for ProXES. /

ProXES has a lot of growth potential.

MEMBERS OF PROXES

A perfect fit in the portfolio.

YVES DACCORD, DIRECTOR-GENERAL ICRC

WORKING TOGETHER FOR MORE STABLE STRUCTURES IN AREAS OF DISTRESS

At this year's annual meeting with investors, Capvis visited the International Committee of the Red Cross (ICRC) in Geneva. Director-General Yves Daccord explained to the guests what it takes to run a humanitarian organisation with 15,000 own employees locally active in 80 countries – and often under very challenging conditions in a fast-changing environment.

"Trust", said Yves Daccord in a discussion with Capvis, "is largely lacking in the environment in which the ICRC operates. We have to build it first, and prove ourselves trustworthy before we can tackle the goals of our humanitarian agenda". "This is also true for the private equity business", argued Rolf Friedli, Managing Partner at Capvis. "Unabated trust from entrepreneurs who want to sell their privately-held business, trust from the Management and the workforce of companies is an important key to success. Like the ICRC, we must know the areas where we operate very well. Like the ICRC, a private equity investor is also under scrutiny. Careful risk assessments and utmost integrity in all their deeds are key to the success of the ICRC and – albeit in a completely different context – also for Capvis."

After its founding, more than 150 years ago, the ICRC was initially supported by Geneva-based private bankers. In the meantime, the range of financial supporters has grown significantly. Given the global challenges our world is facing today – not least the increasing humanitarian needs – the ICRC needs the support of a broader range of individuals and the private sector, both within Switzerland and around the world.

"One of the ICRC's challenges is to find the right balance between tradition and innovation. There is a lot the ICRC can learn from companies, and we value and appreciate our cooperation with the business community", Yves Daccord explained. "Firstly, there is our Corporate Support Group - businesses with whom we share values and which support our work financially. Secondly, we are fully aware that the business community's actions influence people, society, politics and states. That's why we have considerably stepped up our cooperation with private companies over the past ten years and improved the lives of people in need through the implementation of innovative projects."

Claude Voillat, Economic Advisor to the ICRC, added: "One viable way to sustainably improve people's livelihoods in distressed areas is the Microeconomic Initiative (MEI) Programme which generates employment and income and can thus establish more stable social structures." The MEI programme is a cash-based approach which promotes livelihoods through the provision of productive grants. This programme is implemented through a bottom-up approach, whereby each beneficiary is involved in identifying and designing the assistance to be received. Though this programme, the ICRC helps individuals in crisis areas to develop and implement business ideas with advice, active support and initial funding. "Here again we see some matches to our work. Capvis is proud to engage with the ICRC's MEI programme", concluded Rolf Friedli at the end of a very interesting meeting. /

FOR MORE INFORMATION ABOUT THE ICRC AND ITS CORPORATE SUPPORT GROUP, VISIT https://www.icrc.org/en/support-us/audience/corporate-support

CAPVIS WINS TWO PEI-AWARDS

"FIRM OF THE YEAR" IN SWITZERLAND AND "OPERATIONAL EXCELLENCE" AWARD FOR VAT

The readers of the industry magazine "Private Equity International" have again voted Capvis best private equity firm of Switzerland for the year 2016. "We are very honoured by this award. This wonderful addition to the series of prizes already won is an incentive for us to continue to give our very best", says Rolf Friedli commenting on the 12th award of this kind. Capvis achieved much in 2016: Operationally and strategically, the portfolio companies of the Capvis funds developed positively during the year. Capvis IV acquired Hennecke, SFC Koenig was sold to IDEX Corp. and VAT Group was successfully floated on the Swiss Stock Exchange. Acknowledging the operational value creation at VAT during 2016, Capvis and Partners Group also received an "Operational Excellence" award in the category large cap for the region Europe, Middle East, and Africa (EMEA). /

TEAM UPDATE

Philippe Bucher, M.A. in Economics from Zürich University, CPA, CFA, joined Capvis Equity Partners as a Partner and new Chief Financial Officer in June 2017. He has been working in the private equity sector since 2005, last as COO at Adveq, a global private equity fund of funds. Before that, he worked in the valuation & strategy department at PricewaterhouseCoopers and as auditor with Arthur Andersen.
Philippe Bucher will take over the role as CFO from his predecessor Felix Rohner by the end of 2017.

Johanna Dolci, M.Sc. in Finance from Bocconi University, Milano, joined the Investment Team in 2017. Before this position, she worked as Associate in the Industrial Team at Barclays, London, as well as in the M&A and Debt Restructuring department at CMC Capital, London.

Leif-Niklas Fanter, M.Sc. Accounting & Finance from London School of Economics and B.A. from St. Gallen University, has been working for Capvis Equity Partners since 2015. He was promoted to Associate Director and represents Capvis on the Board of "Wer liefert was".

Sebastian Kolbe, M.Sc. from ESADE, Barcelona, and B.Sc. from European Business School, Oestrich Winkel, joined Capvis Equity Partners in 2014. Newly promoted to Investment Director, he is a Member of the Board of the portfolio company Felss.

Simon Lussi, M.A. in Banking and Finance from St. Gallen University, joined Capvis Equity Partners in 2015. Now Investment Director, he represents Capvis on the Board of Hennecke Group.

Enrico Merlin, M.Sc. in Finance from Bocconi University, Milano, joined the Investment Team at Capvis Equity Partners in 2017. Prior to that, he worked as Analyst for Mediobanca, London.

Giovanni Revoltella, M.A. in International Economics from Bocconi University, Milano, has joined the group "Partners". He has been with Capvis Equity Partners since 2014 and represents Capvis on the Boards of Faster and Gotha Cosmetics.

Felix Rohner, will remain a non-executive Director of all Capvis General Partner companies in Jersey and continues to serve as non-executive Director of the Fund's Group companies in Luxembourg. In addition, Felix will continue to serve as a Member of the Investment Committee of Capvis Equity Partners AG.

Eric Stöcklin, M.A. in Banking and Finance from St. Gallen University, joined Capvis Equity Partners in 2013. He was promoted to Investment Director and represents Capvis on the Board of the portfolio company RENA.