

Introduction to NorthEdge Capital

18th January 2017

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NorthEdge is the leading and most active lower mid-market private equity firm in the North of England, focused on backing high quality management teams and growing businesses with a national and international reach

£525m

Funds under management

21

Investment professionals based across the North

200+

Combined years experience in the North of England market

60%

NorthEdge deals have been sourced off market through our local network

50+

Lower mid market Private Equity deals completed in the last 16 years by the investment team

2.5x

Average return on investment based on realised investments

£5-50m

Equity investment range and the most active investor in the North

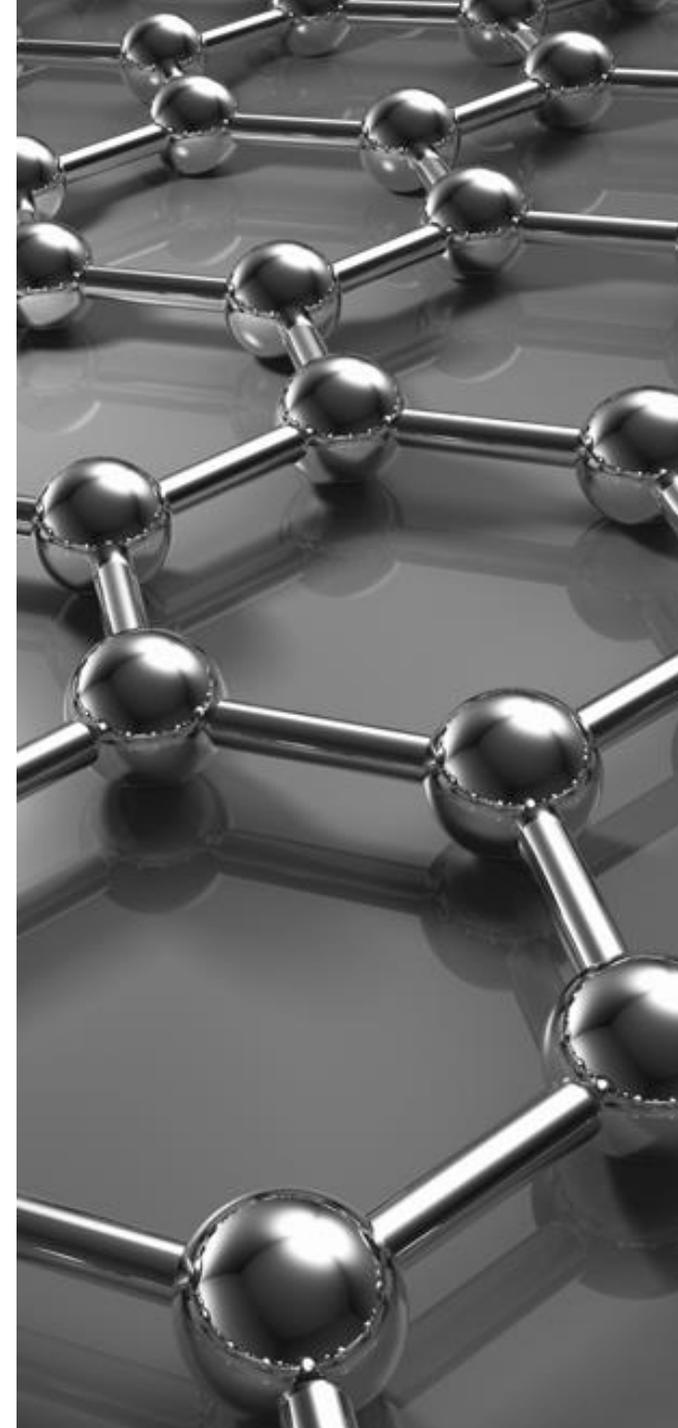
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New investments completed since fund I closed in March 2013

About Us

*Formed by a number of highly experienced private equity investors based in the North of England, **the NorthEdge team has over 200 years combined experience in our core market***

- » **Closed Fund II at £300m in March 2016**, following on from Fund I at £225m which closed in March 2013
- » **Strong track record** having made in excess of 50 investments over the past 16 years representing c.£750m of capital investment, 36 of which have successfully realised to date (c.2.5x return on investment)
- » **Local decision making** and the ability to transact deals quickly
- » **We back management**, it's their growth plan that we help them to deliver. We are not involved in the day to day operations of the business
- » **Largest team in our chosen market** with 21 investment professionals including portfolio resource to support investments effectively throughout our life cycle together
- » **Dedicated in house origination capability** enables off market opportunities and provides support to portfolio company bolt on acquisition strategies



The Team

- New Business Team
- Portfolio Team
- Operations Team



DEAL ORIGATION TEAM



Catherine Britten
PA

Magdalena Rusek
New Business PA

Alison Pearce
Portfolio PA

Jake Jones
Office Administrator

Investment Profile

Management

- » Entrepreneurial teams with experience in their core markets
- » Track record of delivering shareholder value growth
- » Ambition to create further value
- » Desire to engage and partner with the NorthEdge team

Equity Investment

- » Sweet spot for equity investment of between £10m and £35m
- » Can invest up to £50m into any single investment
- » Typical hold period of 3-5 years

Core Focus

- » Primary MBO's
- » Secondary MBO's
- » Cash out/reallocation of equity
- » Development capital
- » Buy and build

Business Characteristics

- » >£2m operating profit
- » Cash generative
- » Tangible earnings growth potential
- » Defensible market position



The NorthEdge Approach

Execution – A reputation for delivery

- » **Local decision making** – All decisions made in the North by an easily accessible partner led team
- » **Honest feedback** – Quick decision making and direct feedback. Our reputation across the North is crucial
- » **Efficient approval process** – Two stage and local Investment Committee approval process
- » **Pragmatic and proactive in finding solutions to deal issues** – Trusted to deliver based on a strong, consistent track record
- » **Significant experience across deal structures** – Experienced in cash out transactions, have expertise on delivery of buy and build and have executed a full range of exit strategies

“ *The two-year journey has been absolutely fantastic, all our fears and reservations never materialized. All of those promises and guidance that NorthEdge have given us about how it would be working with NorthEdge were all true one-hundred percent* ”

Majid Hussain, family shareholder and CEO, Accrol Papers

“ *NorthEdge’s proximity and local decision making has been a great advantage given the pace at which our business has evolved* ”

Carl Cavers, CEO at Sumo Digital

“ *The team at NorthEdge have been honest and direct throughout – they make decisions quickly and have delivered on everything that was promised* ”

Steve Granite, CEO, Abbey Logistics

“We are fortunate to be working with a team who not only share our vision for business growth, but fully support our dedication to customer value

Graham Ewart, CEO, Direct Healthcare Group ”

“If the business has a challenge in any particular area, whether it be Sales, Operations or Logistics, I know that I can pick up the phone to any member of the team at NorthEdge

Peter Cheung, Chairman, Accrol Papers ”

“We approached NorthEdge to support the next growth phase as their admirable values and approach to business make them the ideal partner

Warwick Ley, Chairman, Total Fitness ”

“All of the team at NorthEdge are very commercial in their approach, the investment that we have received and support provided will help catapult us to be a true market leader

Gareth Mobley, CEO, DW3 Group ”

The NorthEdge Approach

Post deal – A partnership approach

- » **Importance of the strength of the relationship with management –** Relationships based on our proximity, accessibility and candid approach
- » **Allow management to run the business –** We back management to execute their plan. We are not involved in day to day operations
- » **Support through strategic debate and focus on value drivers –** Development of a clear, succinct growth strategy
- » **Non-executive board position–** NorthEdge board representation from a deal team member who has the ability to make decisions, provide support and challenge
- » **Mutual appointment of independent chairman –** Discussed and mutually agreed prior to investment

Adding Value To Your Business

Growth Acceleration

- » Identifying and maximising sales growth opportunities
- » Funding to support expansive growth strategy
- » Pursue a clear growth strategy agreed with management

Operational Improvement

- » Early identification of performance enhancing opportunities pre-deal in due diligence
- » Commitment to transformational improvement
- » Driving cost saving efficiencies

Digital & Data Improvements

- » NorthEdge Digital and Data Director, Dave Walters, provides in house capability to support digital opportunities
- » Early identification and action on technological improvements

Bolt on Acquisitions

- » In house origination capability enables sector 'deep dives' to identify opportunities
- » Significant NorthEdge resource to provide outsourced M&A function

Cash Improvement

- » Working capital assessment and improvement
- » Deep experience in executing improvements in cash generation

Management Support

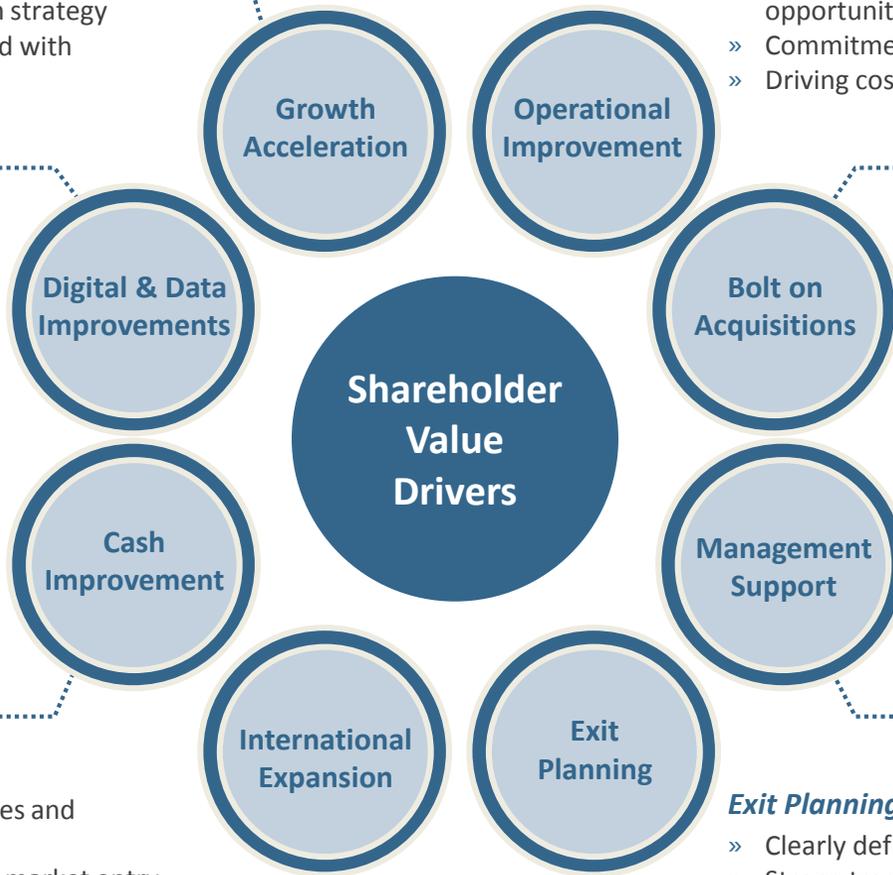
- » Support management teams to achieve company and individual objectives without intrusion
- » Access to NorthEdge's extensive network across the North and wider UK

International Expansion

- » Identification of market opportunities and operational requirements
- » NorthEdge network able to support market entry and growth

Exit Planning

- » Clearly defined and agreed exit strategy
- » Strong track record of positioning businesses for trade exit, MBO or flotation



Long Term Track Record



Invested in Liverpool

We are committed to investing in Merseyside and have completed two deals in this region in the last 6 months

- » Our local presence helps us build and maintain relationships in the region
- » Dedicated resource focussed on targeting businesses in the region
- » We are committed to using local advisors to maximise investment in the area
- » We have a long track record of investment in the region (Mersey Television, Ethel Austin etc.)

The number of private equity investments in the region in the last 12 months demonstrates the strength of local businesses and high quality management teams

Case Study: Abbey



£16.7m

Day one capital investment

100%+

*Revenue growth in the past
5 years*

£5.5m

*FY16 EBITDA on
investment*

£10m

*Banking facilities agreed to
support future acquisitions*

Our investment in August 2016 provided the family majority shareholders a full exit, whilst providing support to the current management team in order to accelerate their growth plan and pursue bolt on acquisitions

Key attractions of the business

- ✓ Niche market operator – market leader in a niche area of bulk logistics
- ✓ Track record of new business wins through acquisition and organic growth
- ✓ Backing an ambitious CEO who has spent 20 years with the business whilst under family ownership
- ✓ International expansion opportunities

Value creation plan

- ✓ Convert the pipeline of new sales opportunities, improve sales
- ✓ Successful integration of recent landmark new contract win
- ✓ Broaden the senior management team through further appointments of Finance, Sales and Operations Directors
- ✓ Execute complementary bolt-on acquisitions

Case Study: ITC Luxury Travel

£17.9m

Day one capital investment

£80m

FY16 revenue on investment

£4.3m

FY16 EBITDA on investment

In September 2016 we supported the MBO of ITC, a luxury tour operator, from an angel investor to support investment into technology and pursue a number of acquisitions.

Key attractions of the business

- ✓ Leading brand in a highly resilient growth sector
- ✓ Backing a CEO with a track record of value creation
- ✓ Proven capability to execute and integrate acquisitions
- ✓ Underinvested IT and technology platform provides growth opportunity

Value creation plan

- ✓ Invest in the technology platform to improve customer engagement
- ✓ Drive conversion and cross sell
- ✓ Broaden the product portfolio to increase share of spend
- ✓ Execute complementary bolt-on acquisitions

Case Study: Accrol Papers

£63m

EV at investment

£20.5m

Day one capital investment

40%

*Increase in capacity over the
2 year investment period*

£8m

*Invested in capex over
a 2 year period*

£116m

*Market cap on flotation on AIM
in June 2016*

2.4x

*Return on investment in less
than 2 years*

Our investment in July 2014 gave the family shareholders a significant ‘day one’ cash realisation, enabling them to drive accelerated future growth plans, implement a succession plan and realise a far larger capital gain at IPO

Value add during our investment

- » During our investment period, we supported management to:
 - ✓ Increased capacity by c. 40% (an investment of >£8m)
 - ✓ Committed to double capacity pre-IPO (the result of an opportunistic acquisition of a competitor)
 - ✓ Supported sales development and won key strategic accounts with Lidl, Aldi and WM Morrison
 - ✓ Increased utilisation through introduction of new manufacturing techniques
 - ✓ Introduced an industry and PE experienced Chairman and Finance Director – both played integral roles at IPO and were introduced from the NorthEdge network
 - ✓ Positioned the business for a successful IPO

Accrol floated on AIM in Jun-16 with a market cap. of £116m, achieving c.100% value growth and a 2.4x return on investment in less than 2 years

Case Study: Sumo Digital



£12.3m

EV at investment

£9.5m

Day one capital investment

50%

*Workforce expansion during
our investment*

22

*Month hold for the investment
from acquisition to exit*

4.4x

*Return on investment in 22
months*

127%

IRR on our investment

Our investment in November 2014 was to support a historically resource-constrained management team to achieve a number of value creation opportunities identified once released from the remote US corporate owner

Value add during our investment

- ✓ Expanded its workforce by 50%, through investment into its Indian operations and the opening of a second UK studio in Nottingham
- ✓ Appointed a well recognised industry NXC to assist with new strategic initiatives and raise the profile of the business
- ✓ Expanded its client base to reduce perceived concentration issues
- ✓ Introduced new MI reporting procedures to enable better visibility on project profitability
- ✓ Shifted its commercial model to provide increased exposure to royalty streams
- ✓ Launched an in house publishing division to create and develop original IP

Sumo was sold to Perwyn Private Equity in a secondary management buyout for a value of £54m. This achieved a return on investment of 4.4x in 22 months for NorthEdge and proceeds of £12.8m for the management team

Summary: Why Partner With NorthEdge?

- » **Leading and most active** lower mid-market private equity firm in the North of England
- » **Local decision making, consistent approach,** commercial, find solutions to deal issues and **trusted to deliver**
- » We **back management to execute their plan** and are supportive and committed investors
- » Highly experienced team with **a long term track record** of successfully executing deals (c.2.5x money multiple)
- » Access to capital from our £300m fund and **can invest up to £50m** in support of any single investment
- » Can hold either a majority or a minority stake, **flexibility on investment structure**
- » Experienced on cash out transactions, have expertise on delivery of buy and build, **have executed a full range of exit strategies**
- » **Strong network of support capabilities** pre and post investment; substantial disposal experience

Contact Details

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