

capitonnews

Newsletter Spring / Summer 2020

www.capiton.de

Commentary



Dear friends of capiton,

The onset of the Covid-19 pandemic across the globe has affected all of us both personally and professionally. While it is still too early to ascertain the full effects of this crisis, it is clear that the repercussions will be significant even if the spread of this virus can be mitigated in the near future.

Our portfolio has shown a resilient performance in recent months and we firmly believe that our positioning as a conservative, long-term investor will continue to serve us well going forward. With one exception (HR Group) our portfolio companies have shown no or only minor deterioration in current trading and order outlook. There have been no Covid-related funding requirements in portfolio firms to date and one company, GPE Group, has increased its forecast significantly

given a strong increase in demand.

On a macro-level we are fortunate that the DACH region has enjoyed a balanced budget and low levels of debt over the past years, enabling the government to provide substantial financial support to stabilize the economy. A whole range of measures have been announced and implemented already and we have established an internal task force to identify suitable programs that can be used to support our portfolio companies where necessary and appropriate. Indeed, the application for such a loan guarantee will be critical for our portfolio company HR Group.

On a more personal note, we are also pleased to confirm that we have not had a corona case at capiton so far. We have implemented appropriate measures at the capiton office and at our portfolio companies to ensure that all social distancing guidelines are followed rigorously.

Despite the lockdown capiton remains very much "open for business" and we are currently working, albeit with caution, on a strong pipeline of discretionary transactions, with two potential new deals in exclusivity.

We are proud of what we have achieved in 2019 and 2020: We have already acquired three new companies (GPE, DEC, AlphaPet) for capiton V, realized two add-on acquisitions (Koch IT, Nicolay), one exit (LAP) and one

recap (Raith). In 2019 we have also completed the successful and oversubscribed fundraise for the € 235 million capiton Omega fund, a single asset continuation vehicle involving one of capiton's most promising portfolio companies, KD Pharma.

We are looking ahead with cautious optimism despite the volatile macro-economic environment. The partners at capiton have worked together during the global financial crisis and bring considerable experience in working with portfolio companies in challenging times. As previous crises have shown, attractive investment opportunities will emerge after a crisis. capiton is well positioned – with fresh money out of a new fund – to generate deals, especially in our focus sectors pharma, med-tech, industrial automation and sustainable consumption, where we have a strong track record and network.

We are looking forward to creating new opportunities and realizing these together with you.

Stay well and healthy.

Frank Winkler

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KD Pharma

capiton closes single-asset GP-led secondary transaction of KD Pharma Group and raises new single-asset fund

With the successful closing of the single-asset GP-led secondary transaction in December 2019, capiton IV sold its majority stake in KD Pharma Group to a newly raised single asset continuation fund. The transaction, advised by PJT Park Hill, was highly oversubscribed and provides KD Pharma with the necessary duration and follow-on capital to finance the significant future growth potential expected.

KD Pharma Group is a leading global producer of omega-3 ingredients focused on highly purified omega-3 fatty acids for pharmaceutical and nutra-

ceutical products. Since the acquisition by capiton IV in 2013, KD Pharma has grown from a single-digit revenue business to one of the industry's largest players.

Through a competitive bidding process, the transaction gave existing limited partners of capiton IV fund the option to (partially or fully) sell their stake in KD Pharma or to stay (partially or fully) invested in KD Pharma via a continuation fund and participate in the expected upside potential. The transaction also gave new investors the opportunity to invest in a very attractive, strongly growing portfolio company.

Under the new fund structure capiton continues to manage its portfolio company KD Pharma as a general partner. capiton is planning to further grow the business organically both via increased internationalisation and product expansion, leveraging KD Pharma's leading market position, as well as through targeted acquisitions. For this, a new debt package has been secured for KD Pharma Group in parallel to the secondary transaction.

www.kdpharmagroup.com

Exit LAP Laser Applikationen

Successful divestment in a structured sales process

Following a sales process conducted by William Blair, capiton successfully divested its shares in LAP Laser Applikation (LAP), a globally active supplier of laser projection and measurement systems, in July 2019 to IK Investment Partners.

capiton acquired a majority share together with the management in January 2016. During capiton's hold period, the company continued to strengthen its leading global market position. Organic growth was supported by two add-on acquisitions (Germany and USA) in the quality assurance hard- and soft-

ware segment ensuring the correct positioning of patients in oncological radiation therapy. The company also provides solutions for projection and touch-free measurement for a variety of industrial applications, e.g. in aerospace, wind power and steel industries. Sales growth was accompanied by improving internal structures and investing into new office buildings and assembling facilities, which form the basis for further organic and inorganic growth. LAP grew worldwide by around 30% during the investment period, with sales of approx € 60 million and a total workforce of

350 employees, which marks the highest result in company history.

The sale to IK Partners resulted not only in an attractive return for capiton, but was also the best option to secure a successful future of the company and management, which still holds a significant stake.

We are also happy to welcome part of the LAP management as investors in our new fund and continue the successful collaboration.

www.lap-laser.com

GPE and NICOLAY Group

capiton acquires GPE and NICOLAY Group as the start of a MedTech Buy & Build concept

GPE Group, with locations in Dassow, Neumünster and Seebach, Germany, is a specialist for MedTech systems and components – with special know-how in anesthesia and ventilation technology, a key technology fighting the Corona pandemic. As a systems supplier, GPE covers the entire supply-chain from design, development and manufacturing to packaging and logistics of medical technology products.

NICOLAY's core competences lie in the development and production of non-invasive patient surveillance equipment. The product range extends from existing in-house developments, which can be individually

adapted, to tailor-made solutions according to customer-specific requirements. The combined group will generate revenues of over € 100 million annually.

Both companies complement each other with their different core competences and will be able to satisfy the growing demand for complex components in the med-tech industry from a single source.

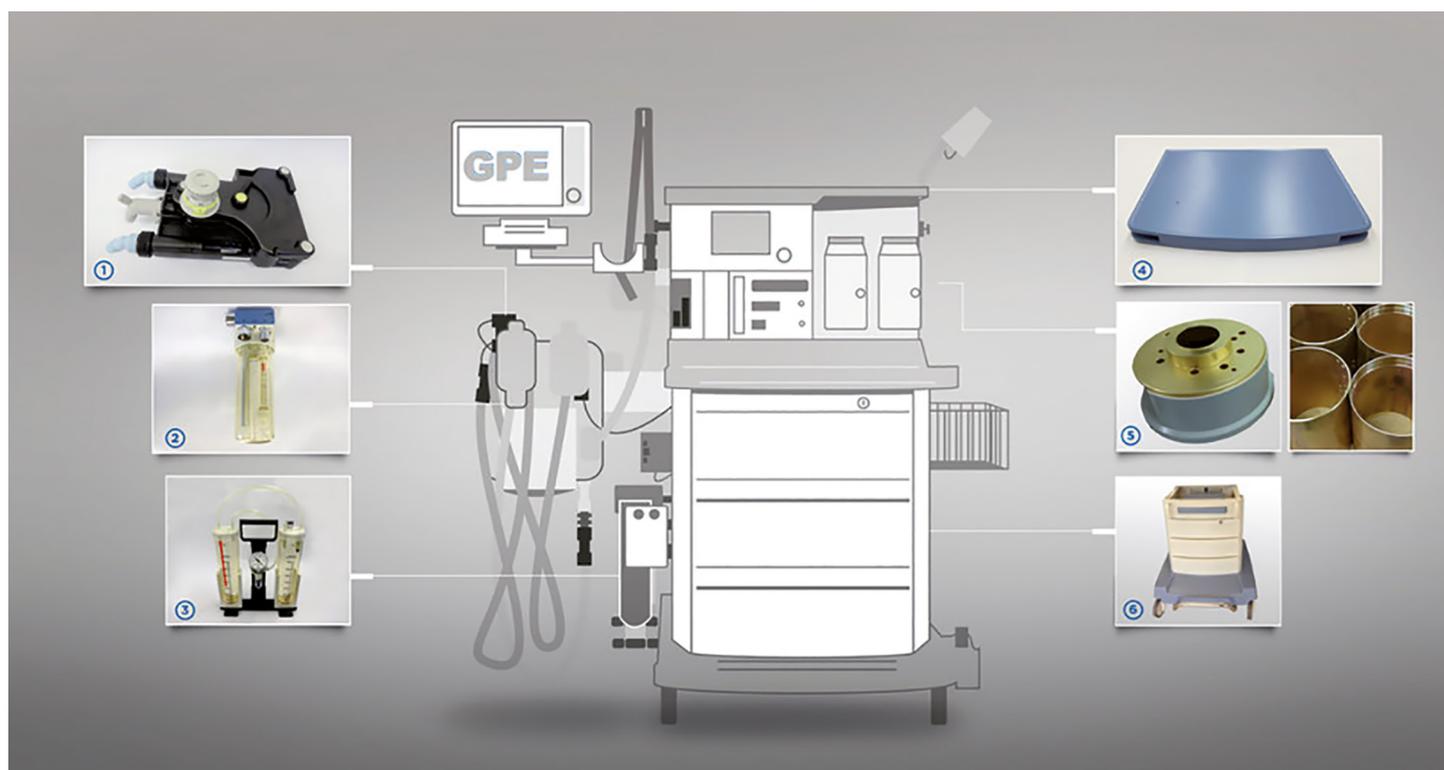
Based on the strong existing market position and the impact of tighter regulation for medical technology products (MDR), capiton plans to grow the company

in the coming years organically and through further targeted acquisitions.

capiton acquired GPE and NICOLAY from the current shareholder together with the management team, including Mr. Steven Anderson, the former managing director of Hartmann Germany.

www.gpe-group.de

www.nicolay.de



capiton investment to merge two successful companies in the premium pet food space – AlphaPet and Healthfood 24

AlphaPet, based in Munich, is a strongly growing multi-channel provider of own and third-party brands in the dog and cat food market. The company has successfully developed own brands like “Wildes Land” or “Müller’s Naturhof”. The main distribution channels of the products are three individual digital platforms. Additionally, AlphaPet has successfully entered the retail segment and is selling its own brands in more than 10.000 shops in Germany and Austria.

Healthfood24, based in Leipzig, is the pioneer for sustainable and high-quality pet food in the German premium pet food market. Healthfood 24 has created and developed the well-known premium brand “Wolfsblut” which is now marketed directly via AlphaPet’s online and offline platforms.

The combination of both companies enables significant value creation potential, primarily driven by sales growth (e.g. Wolfsblut marketed via AlphaPet platforms and new listings in retail) as well as material cost/sourcing improvements. Additionally, further buy-and-build projects are constantly evaluated.

Based on the experience of the management team in the online and offline pet food markets, the transaction aims to create a leading player in the premium pet food segment in the DACH region. Today, the newly formed group is targeting a run-rate revenue of more than € 100 million with significant growth in sales and EBITDA planned for the coming years.

capiton participated in the capital increase at AlphaPet Group together with relevant existing

shareholders (primarily the venture capital fund VentureStars and the family office Reimann Investors) in order to finance the acquisition of Healthfood24. In addition, capiton acquired secondary shares from existing investors. Mr. Becker, the founder of Healthfood 24, substantially re-invested in the transaction.

www.alpha.pet



DIGITALER MARKENAUFBAU VON PREMIUM BRANDS



capiton acquires an interest in Dietrich Engineering Consultants Group

Dietrich Engineering Consultants Group (“Dec”), headquartered in Switzerland, is a leading and globally operating supplier of powder handling and process containment systems with a focus on the pharmaceutical industry. Dec’s custom designed

systems enable the safe and sterile transport of hazardous and explosive powders, thereby increasing safety, hygiene, containment and productivity of the production process.

Based on its leading technology, Dec was able to expand its product portfolio covering various process steps such as mixing, micronization, dosing, emptying and filling in addition to powder transport.

The two founders and shareholders of Dec have developed the company into a leading system supplier with annual sales of over CHF 50 million. In order to fully implement the firm’s ambitious organic and inorganic growth plan the Dietrich family were looking for a partner with significant expertise in working with founder-led firms. Both brothers will remain shareholders and will continue to run the day-to-day operations of the company.

Management and capiton already successfully closed the first add-on acquisition, Inno4Life, a Netherland-based specialist with a complementary product portfolio of filling equipment for the pharmaceutical industry. The acquisition enables Dec to further expand its position as a single-source global solution provider and gives Dec the opportunity to expand its product offering strategically.

www.dec-group.net



AEMtec

capiton acquires German micro- and opto-electronic component provider

The DACH region is home to a great number of hidden industry champions seeking growth capital to further expand their business globally. With its strong track record in former and current high-tech portfolio companies (e.g. Raith, LAP Laser, Trioptics, Engelmann) capiton is well positioned to support these hidden champions in their growth prospects as a reliable strategic partner.

In October 2018 capiton added the micro- and opto-electronic component provider AEMtec to its existing portfolio of industry-leading high-tech companies. AEMtec's head office and production site are located in Berlin-

Adlershof, Germany. The company's products are aimed at blue-chip customers in the business segments medical, industrial automation, semiconductor as well as data & telecommunications. Based on its leading European market position, AEMtec is currently expanding its US footprint. For this, a US tech center is currently being built on the campus of Boston University – Photonic Center. In addition, a new production site is planned to be built in Berlin doubling AEMtec's production capacities going forward in order to set the foundation for the strong growth trajectory anticipated.

<https://www.aemtec.com>



ESG-responsible investment

capiton became a signatory to the United Nations Principles of Responsible Investment in December 2019 as a next step in the

continuous development of the capiton ESG concept and as a sign of capiton's commitment to responsible investment.



capiton appointments

**Associate**

Lukas Neske Before joining the capiton team in September 2019 Lukas worked at Goldman Sachs in the investment banking division in New York from 2017-2019. At Goldman he worked in the healthcare sector focussing on large-cap M&A transactions, equity and debt financings and restructuring. Lukas holds a university degree from Duke University, USA, where he studied Economics and Finance.

**Analyst**

Martin Gwashavanhu has been part of the capiton investment team since April 2020. Martin holds a bachelor's degree in International Relations from the University of Ljubljana as well as a double master's degree in Quantitative Finance from the University of Ljubljana and in Banking and Finance from Stockholm University. Prior to joining capiton, Martin gained relevant experience with several private equity firms in Germany.

**Receptionist and Team Assistant**

Ifeoma Aniobi joined the back office team in April 2020. Prior to that, Ifeoma worked as a receptionist in an association of personnel service providers.

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