



**Midcap goes China**



# Mandarin Capital Partners – Introduction

## Mandarin Capital Partners at a glance

- **Mandarin Capital Partners (MCP)** is a private equity fund investing into niche, sector leading, export-led Mid Market Italian and German/Swiss businesses that can benefit from **enhanced growth and sourcing strategies in international markets, including China**
- Based on a **network of international offices located in Milan, Shanghai, Frankfurt and Luxembourg**, MCP is uniquely able to offer critical value added international and local support to portfolio companies for organic and/or acquisition led growth strategies as well as assistance in sourcing and/or local production needs

### MCP Funds & Investors

- Three SICAR-Fonds:
  - Mandarin Capital Partners S.C.A. (2007; 330m EUR)
  - Mandarin Capital Partners II S.C.A. (2015; 200m EUR)
  - MCP III (2019; 250-300m EUR) is fundraising
- Investors of MCP II are Family Offices and institutional investors **from Europe und USA** (e.g.. HarbourVest Partners, HQ Capital, Idivest, LGT Capital Partners, Neuberger Bergman, Roland Berger etc.)

### Size and type of investments:

- The average equity investment per target company is between **€ 10 million and € 25 million**. To an initial injection, others can follow in case of further needs for business development, up to a **total commitment of €30 – 35 million**
- **Acquisition of majority equity stakes** from existing shareholders (Buy-Out) with a particular focus on deals with the management team of the company (Management Buy-out)
- **Acquisition of minority equity stakes** through one or more capital increases (Growth Capital) and / or through the replacing of existing shareholders (Replacement Capital)

# Mandarin Capital Partners - Investment Strategy

- MCP investment strategy is focused on **accelerate the growth process** of the target company, by leveraging on:
  - Aggregation with national players
  - Strong internationalization support, in all its forms
  - In particular, development of China markets, even through a greenfield or the acquisition of a local player
- MCP typically invests in **Italian companies**. Investments in the **DACH region** (Germany, Switzerland, Austria) are also considered an opportunistic basis
- **Multi-industry approach**, with a particular focus on high-value added industrial goods' sector. Financial sector and Real Estate are excluded from the investment universe
- Target Companies' characteristics: **Mid-sized businesses**, typically with revenues between €30–150 million, export driven, profitable and leader in market niches

MCP's **core competitive factors** are:

- An **established brand since 2007** as a well positioned firm for mid-market companies seeking cross-border links and growth.
- **Well integrated teams with a direct presence both in China and in Europe** (Milan, Frankfurt, and Shanghai), composed of investment professionals who are working together since 2006.
- **Established local networks both in Europe and in China** able to develop and consolidate commercial and industrial relationship and advisory board

# Mandarin Capital Partners - We provide „intelligent money“

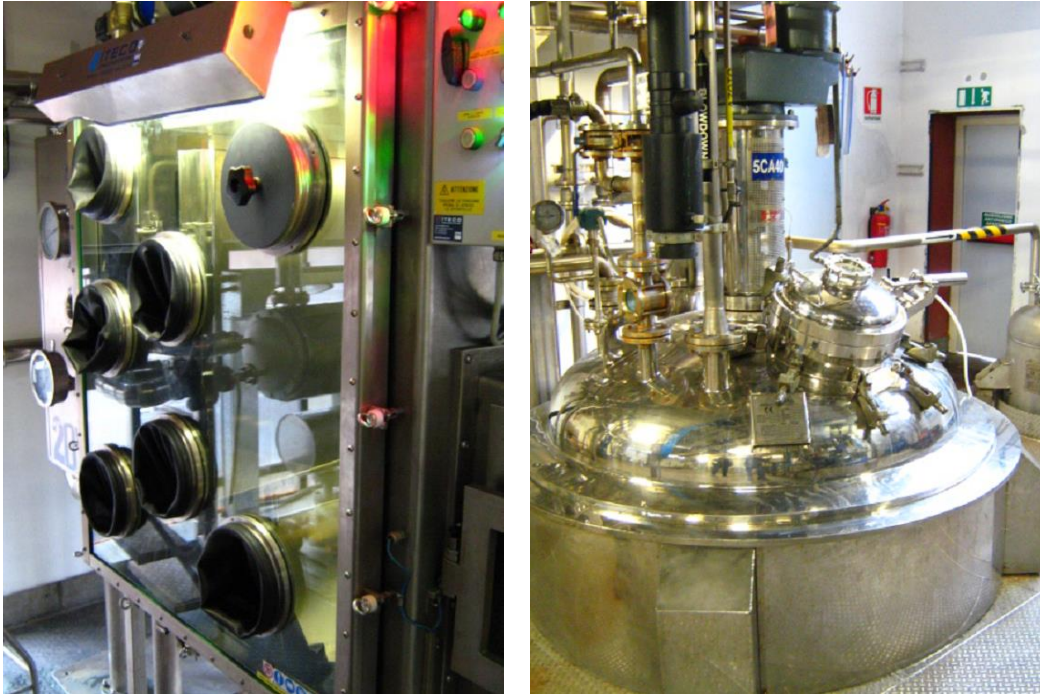
- Besides the usual value creation measures and injection of capital, MCP helps portfolio companies in several ways:
    - Support for the **growth strategy in China** and in other foreign markets both in **Acquisition / Investment**
      - Identification of the right Target Company, greenfield sites and industrial / commercial partners;
      - Quantitative and qualitative valuation of the selected Target;
      - Assistance in negotiations with Target (e.g. Share purchase and shareholders' agreements, local partnerships, etc.);
    - And **in managing / monitoring phase** through, for example:
      - screening and selection of Chinese local management,
      - board membership in the Chinese target,
      - relations with local and central government.
- ⇒ It is important for success that both are working in the same direction, i. e. that entrepreneurs and investors pursue the same goals.
- ⇒ Outstanding Track Record:
- ✓ MCP I (2008) – 10 investments, fully liquidated; **a top Quartile European Mid Market Buyout Fund (DPI)**
  - ✓ MCP II (2014) – 8 investments, 5 exits at realized **39% IRR and 2.2x MOC**
  - ✓ Portfolio companies show **20% revenue CAGR and ca. 24% EBITDA CAGR** during MCP ownership
  - ✓ **Exports to China have increased 6x** on average.





# Midcap goes China – Case Studies

# Case Study 1 - Euticals, MCP I



## MCP's value creation actions

- Since MCP's investment in December 2008, Euticals has implemented an aggressive Buy & Build strategy:
  - i. March 2010, acquisition of Polichimica (Italy), adding biotechnology (i.e. fermentation) and steroids to its know-how portfolio;
  - ii. February 2011, acquisition of Archimica (Italy), diversifying the industrial platform with 6 more plants around Europe (5) and US (1);
  - iii. September 2011, acquisition of a minority stake into Pharmintraco (Switzerland), entering the dosage form business
- MCP helped the management to put in place an aggressive cost saving program in China focused on efficiency of the supply chain.
- MCP co-invested with Euticals in Suzhou Tianma Tianji Bio-Pharmaceutical ("TT") - a Chinese manufacturer of dosage form drugs – so as to co-develop and market API-peptides and peptide-based drugs, improve Euticals supply chain, and develop TT portfolio.

## Exit

- On April 2012, MCP sold the entire equity stake. The deal was awarded as "LBO transaction of the year" by the Italian Private Equity Association.



- Euticals is a leading player in the chemical-pharmaceutical business. The company produces Active Pharmaceutical Ingredients (API) and Dosage Form products for the Pharmaceutical industry. Euticals is headquartered in Northern Italy and has 10 plants: 6 in Italy, 2 in France, 1 in Germany and 1 in the USA.
- In contrast to the small size of the vast majority of competitors, the activity of Euticals encompasses a significant number of molecules and therapeutic solutions. A significant share of clients is made up of generic producers, alongside branded product makers (Roche, Pfizer, Merck, Johnson & Johnson, Boehringer Ingelheim, etc.).

[www.euticals.com](http://www.euticals.com)  
[www.tianjibio.com](http://www.tianjibio.com)



## Case Study 2 - Gasket, MCP I



- Gasket International is a leading Italian manufacturer of ball / gate valve components (seats, balls, rings) with main applications in the oil & gas pipelines. With 3 manufacturing plants (2 in Italy, 1 in China) and around 240 employees the company exports in all the 5 continents.
- In May 2008 MCP acquired the 70% stake in the company in order to develop the Chinese potential of the group. The Chinese plant was opened in Suzhou on December 2009. Local revenues have grown fast, to nearly €18M in 2012.

[www.gasket.it](http://www.gasket.it)  
[www.gasketsuzhou.cn](http://www.gasketsuzhou.cn)

### MCP's value creation actions

- MCP hired a new CEO, Paolo Bergamini, chosen for his experience with PE and his technical background, and who also invested in the company. MCP also hired a high profile sales consultant in Italy, who brought many additional customers.
- The China team evaluated several acquisitions but the final decision was to go for a greenfield site, as local companies were too costly and owned low technology.
- MCP China team hired the new Chinese CEO and fully supported the set up of Gasket China operations.
- A new plant was opened in Suzhou on December 2009, after only 8 months. Local revenues have grown fast, to nearly €18M in 2012. More than half of the client base is made by local valve makers, previously not known by Gasket. Also, the Chinese plant works as an excellent springboard to the US market.
- In Italy MCP supported the creation of a joint venture for the production of balls over 24", eventually taken under full control in 2012. This business generated over € 10 M additional sales in 2012.
- The EBITDA at the time of disinvestment was double what it was at the time of investment.

### Exit

- On July 2013, MCP sold the entire equity stake to Hutchinson SA, a French industrial player.



## Case Study 2 - ItalcCer, MCP II



- ItalcCer is a build-up project aiming at the creation of a leading global player in the Italian luxury ceramic tile sector.
- The group is currently made up of Rondine, La Fabbrica and Elios both engaged in the production of ceramic tiles for floors and walls and Devon&Devon (“D&D”), specialized in the design of luxury bathroom interiors.
- The group employs around 450 people

### MCP's value creation actions

- The build-up project started in 2017 and is still ongoing:
  - In May 2017, the first acquisition of La Fabbrica occurred
  - In August 2017, ItalcCer, holding company of La Fabbrica S.p.A., completed the acquisition of Elios Ceramica S.p.A
  - In December, ItalcCer S.p.A., through the fully owned vehicle Devon&Devon Holding, completed the acquisition of Devon&Devon S.p.A.
  - In October 2018, ItalcCer S.p.A. completed the acquisition of Rondine SpA
- MCP alongside with management has already defined a plan to establish a local presence in the U.S. in late 2017. Supporting the management in defining a commercial agreement with a player already established on the US market
- Value Creation in China:
  - Supporting the sales and marketing team in market processing (B2C) by setting up the local sales organisation and setting up collaborations with sales partners of different brands
  - MCP introduces ItalcCer to key trading contacts and potential clients, including famous architects, property developers, hotel owners, etc., to tap into the B2B market (e.g. building a luxury hotel)
  - MCP established a collaboration with a leading tile manufacturer (for local production) and with a leading home decoration provider (as a central support for the retail sector)



**Contact**

# Contact

MCP - worldwide



MCP

[www.mandarincp.com](http://www.mandarincp.com)

[www.mandarincp.com.cn](http://www.mandarincp.com.cn)

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