www.slv.com   Sector: Industrials   Geography: Germany

SLV ×Hg

SLV

Demonstrating understanding, winning trust and showing how strongly we believed in potential to grow.

About SLV

SLV is one of the fastest growing providers of indoor and outdoor lighting in Europe.

Why did we invest in SLV?

SLV is part of a recession-resistant, niche, growth market, with a protected business model. Its vertically integrated model delivers competitive advantages in development, sourcing, logistics and distribution. This means SLV is able to offer high-quality products at attractive prices, with leading levels of service. We regarded SLV as a 'hidden champion' of the 'Mittelstand' - a successful niche player, that had grown faster, and with higher margins, than its competitors.

Our experience and expertise, drawn from working with similar businesses in this sector, meant that we were able to pinpoint a number of areas of outperformance that made SLV attractive. These included: an understanding of customer needs, leading to long-lasting relationships; a differentiated model across the value-chain, making SLV lean and effective; outsourced production, with in-house know-how, developed from strong supplier partnerships, resulting in a maintained quality; and a strong culture, and well-known brand, amongst customers.

“Hg saw the potential in our model and used their knowledge and experience to scale the business successfully.”

Detlef Harms, CEO of SLV

On looking at the business further, prior to investment, we considered that growth was achievable, given the relatively low market penetration at that time and SLV’s record of successfully entering international markets. Margins were sustainable, due to multiple suppliers, disciplined pricing and cost approaches, product portfolio monitoring, and efficient operations, with low marketing spending and overheads.

Finally we would keep the existing, experienced management team. This team had built and refined SLV’s business model over years, giving us the confidence that they could lead, with our support, the next phase of SLV’s growth plan.

The investment process

In 2006, SLV’s founder decided to step down and the decision was taken to sell the business. We were shortlisted by the sellers, due to our track record amongst German ‘Mittelstand’ companies, such as Schleich, the German toy producer.

Our experience of working in this sector meant we were able to establish a rapport with management, demonstrating that we understood SLV’s business, winning their trust and showing how strongly we believed in its potential to grow, both at home and internationally.

Importantly, our investment proposition allowed for re-investment by shareholders and management who, like us, believed in SLV’s future. Therefore, although we did not offer the highest bid, we were chosen to take SLV forward.

How did we support them and create value?

Working collaboratively with the experienced, existing management team, we helped SLV gain control over marketing and sales in its most important international markets by acquiring majority holdings in crucial distributors. We also helped them develop a strategy for entry into a number of new European markets and the USA. We supported business function expansion, investment in warehouse space and equipment to increase efficiency, as well as hiring an experienced CFO to improve reporting and control processes.

What was the result?

SLV proved to be resilient through the recession, driven by market share gains, a scalable platform, cost discipline and control over its value chain.

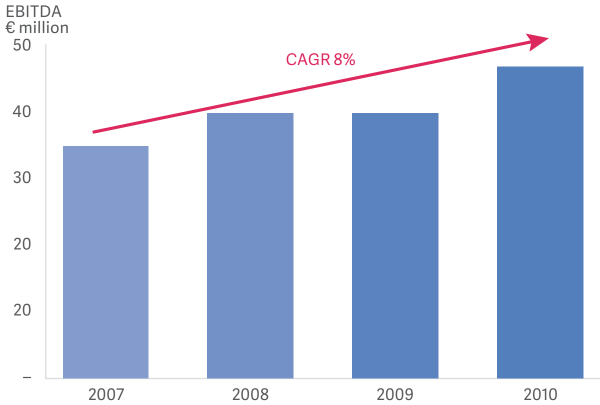
Since we acquired SLV, in August 2007, it has consistently outperformed. We feel that, working together, SLV has become a stronger and more competitive business, benefitting its employees, its customers, and its owners.

Between 2007 and 2010 EBITDA increased by 34%, revenues grew by an average of more than 8% p.a., margins rose by 3% and employees increased from around 155 to around 230.

What was the exit?

SLV’s strong performance, during our investment cycle, led to approaches from potential purchasers, from 2009 onwards.

In 2010 we started a sales process, with the goal of finding an investor that could help drive future growth, through bringing new skills and experiences. We chose Cinven, who agreed to acquire SLV in April 2011, delivering a return for our investors of 4.0x and an IRR of 45%.



3.1x – Investment return multiple of cost

26% p.a. – Gross IRR