



Three real world examples of the value-creating powers of private equity

At their core, private equity trusts like NBPE create value by supporting growing companies - here, we discuss three such companies and how the investments worked...

With the number of companies staying private growing every year, and a clear diversification benefit on offer, the case for private investors to consider a private equity allocation is compelling. Listed private equity (LPE) trusts offer investors access to this asset class – but **as we have discussed in detail, not all LPE trusts are made equal.**

By co-investing with other private equity sponsors or managers, NBPE has access to a vast array of deals, spread across different sectors and geographies, with Neuberger Berman's scale meaning that it sees an especially high number of private equity opportunities each year from which it can select the most attractive. Many of the companies in its portfolio are very different in nature to those available in public markets.

While NBPE focuses on direct equity co-investments, NBPE's private equity deals can vary quite considerably. The size of NBPE's investment can generally range between \$5 million to \$25 million in companies which might be considered small & mid-cap when compared to listed markets. By co-investing alongside other private equity managers, largely on a management fee and carried interest free basis, shareholders stand to benefit from their efforts to improve business operations through 'active ownership', where the sponsor advises on or can even get involved in the management of a business to drive growth.

Here, we discuss three of the most recent private company exits (two announced and pending close and one closed) which are expected to produce aggregate returns above the weighted average gross multiple of invested capital of 2.5x that NBPE achieved from 2019 exits, the reasons NBPE invested in the first place and the exit outcome, demonstrating the various life cycles of private equity deals. Whilst NBPE's investments won't necessarily always result in such strong returns, we hope to illustrate the variety of businesses represented in the portfolio and the various methods by which value is created, and ultimately crystallised through an eventual sale.

The Hilsinger Company: global eyewear distributor

The Hilsinger Company, which does much of its business from its Massachusetts base under the name Hilco Vision, manufactures and sells an array of eyewear products under several sub brands through subsidiaries in markets as varied as the US, UK,

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Germany and China, among others. Its products run the gamut from protective glasses, through to optometrist's tools and accessories for consumer products. NBPE invested \$4.5m in the company in May 2014, alongside Blue Point Capital.

The company had clear prospects for growth, with Blue Point coming in with a plan to catalyse on these. This included expanding its footprint globally, broadening its product and brand portfolios, and increasing its distribution network. Blue Point helped Hilsinger execute these plans successfully, including a series of eight add-on acquisitions, ultimately nearly doubling sales and EBITDA over the course of its ownership.

The company was sold to another private equity firm in September 2019.

LGC: UK-based life sciences group

NBPE invested \$10.4m into life sciences group LGC in March 2016, alongside KKR - a private equity manager with which Neuberger Berman has co-invested on multiple occasions. LGC's technologies are applied to a range of industries, including healthcare, agriculture and environmental sciences.

As with many companies operating in the life sciences space, LGC offered significant potential for growth due to several global megatrends that are driving demand for the industry's products. KKR planned to focus on continuing the development of the business, with a particular focus on the U.S. and Asia. The company also benefitted from products serving wide end markets offering safety, health and security to the public, all of which combined to make it an attractive proposition for KKR and NBPE.

KKR worked with management to support the company's accelerating growth by making several acquisitions and building its business in the US and Asia. These efforts ultimately paid off, with LGC's organic revenue growth accelerating to 10% per annum.

In November 2019, the company announced a sale which valued LGC at approximately £3.0 billion to private equity managers Cinven and Astorg.

Engineering Ingegneria Informatica (“Engineering”): Italian digital technology company

NBPE invested in Engineering in May 2016 alongside NB Renaissance Partners, Neuberger Berman's Italy-based private equity group focused on Italian middle-market buyout transactions. NB Renaissance Partners partnered with Apax Partners, NB and Management in the acquisition of the business, which was acquired for approximately €681 million in a public to private transaction. The purchase price represented approximately 6.5x 31 December 2015 reported EBITDA (excluding fees and expenses).

Engineering is the largest Italian information technology consulting company that designs, develops and manages innovative digital technology solutions in the areas including smart government and E-health, digital industry, smart energy and utilities and digital telecommunications and multimedia. The company has over 11,000 professionals in 65 locations globally.

A number of factors made this an attractive investment: positive market dynamics, a leading market position in selected market niches, an attractive entry valuation, financial performance, and a strong management team. During the four-year ownership period, revenue and EBITDA each grew by 11% CAGRs and the company completed 19 acquisitions in Italy and abroad. Company headcount increased by 3,000 full-time employees.

In February 2020, the sale of Engineering to Bain Capital was announced and the transaction is expected to close by the end of April. NB Renaissance is re-investing in Engineering as part of the transaction.

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