

# Vantage Private Equity Growth Limited

Quarterly Investor Report — Quarter Ending 30 September 2014

< Diversify  
< Grow  
< Outperform

## Special points of interest:

- Crescent Capital Partners III sells 80% of its shares in Metro Glass into a NZ\$315m IPO and listing on the NZX & ASX.
- Next Capital II refinances Onsite, providing a return of capital and dividend distribution to shareholders including VPEG
- Next Capital II completes the sale of GoBus to an Iwi consortium delivering a 2 X multiple of investment and a 36% IRR.

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## SUMMARY

### Background

Vantage Private Equity Growth Limited (VPEG) is a multi manager Private Equity investment company structured as an unlisted Australian public company. VPEG is focussed on investing in professionally managed Private Equity funds that invest in businesses that are at a more mature stage of development, and in particular the Later Expansion and Buyout stages of Private Equity investment.

The Company's investment objective for its Investment Portfolio is to achieve attractive medium to long-term returns on Private Equity investments while keeping the volatility of the overall investment portfolio low. This is achieved by investing across a highly diversified portfolio of Private Equity assets with diversification obtained by allocating across manager, geographic region, financing stage, industry sector and vintage year.

VPEG has invested the majority of its Investment Portfolio into Australian based Private Equity funds who in turn are focused on investing into small to mid market sized companies with enterprise value at initial investment of generally between \$20m and \$500m.

VPEG's investment portfolio is now being divested over time and with total commitments of \$43m across seven private equity funds, it currently holds interests in 25 underlying companies with 23 exits now completed from the portfolio.

As at 30 September 2014, VPEG's investment commitments included, \$8m to each of Archer Capital Fund 4, Catalyst Buyout Fund 2 and Quadrant Private Equity No. 2, \$7m to Next Capital II and \$4m to each of Advent V, Crescent Capital Partners III and Equity Partners Fund No. 3.

### Important Information

This report has been prepared by Vantage Asset Management Pty Limited (ABN 50 109 671 123) AFSL 279186 (VAM) (in its capacity as Investment Manager of Vantage Private Equity Growth Limited (ABN 51 112 481 875)). It has been prepared without taking into account the objectives, financial situation or needs of any investor, which should be considered before investing. Investors should seek their own advice about an appropriate investment or investment strategy. It should not be relied upon as personal advice nor is it an offer of any financial product.

## Performance

The period 1 July 2014 to 30 September 2014 again saw continued activity within VPEG's private equity investment portfolio.

During the period two follow on investments were completed into existing underlying companies. In addition two underlying company investments were exited, both of which were completed during September 2014 and one other company was refinanced allowing for a dividend distribution to be paid to its shareholders.

As a result of the two exits, the total number of investments held within VPEG's underlying private equity portfolio at quarter end, reduced to twenty five.

The table to the right provides a summary of the performance of VPEG's portfolio during the September 2014 quarter. As demonstrated VPEG's NAV increased from \$0.897 to \$0.912 per share.

The increase in VPEG's NAV during the period resulted from an increase in value to sale price, of the two exited private equity investments, above their previously held value at the end of the prior quarter.

| Month Ending | VPEG NAV per Ordinary Share* |
|--------------|------------------------------|
| 30-Sep-14    | 0.912                        |
| 31-Aug-14    | 0.892                        |
| 31-Jul-14    | 0.892                        |
| 30-Jun-14    | 0.897                        |

\*Net Asset Value (NAV) per share post tax

## Key Portfolio Developments

During the period 1 July 2014 to 30 September 2014, continued activity within VPEG's portfolio of private equity investments, saw two follow on investments completed and two portfolio companies exited (sold).

Draw downs during the quarter totaling **\$327,319**, were made by Advent V, Archer Capital Fund 4, Equity Partners 3 (EP3), Catalyst Buyout Fund 2 and Quadrant Private Equity No.2.

The majority of these draw downs were called by EP3 for its follow on investment into existing portfolio company, **Tasman Market Fresh Meats**, to assist with its store expansion.

Further Capital was called by Advent V for its follow on investment into existing portfolio company, **Orionstone**.

The remaining capital drawn from VPEG during the quarter contributed toward working capital expenditure (i.e. underlying fund costs and management fees) for those funds that did not make any specific acquisitions during the quarter.

Also during the quarter a total of **\$1,173,548** in distributions were received by VPEG from Advent V, Crescent Capital Partners III (CCPIII) and Next Capital II (Next II).

Distributions received from **CCPIII**, during the quarter, resulted from the Initial Public Offer (IPO) and listing on the NSX and ASX of portfolio company **Metro Glass** which was completed in July 2014.

In addition, during August 2014, **Next II** completed the refinancing of their hire equipment, portfolio company, **Onsite**, which provided a return of the capital invested in the company as well as a dividend distribution to shareholders, including VPEG.

Furthermore, during the quarter, **Advent V** distributed dividends to its investors, including VPEG, resulting from the net profits earned across several of their portfolio companies during FY14.

Finally, during the quarter, **Next II** completed the sale of their New Zealand portfolio company **GoBus**, to an Iwi consortium on 30 September 2014. The proceeds from this sale were distributed to Next II investors including VPEG in early October 2014

With 23 exits now completed, 25 underlying private equity company investments remain within the portfolio as at 30 September 2014.

**"A total of \$1,173,548 in distributions were received by VPEG during the quarter, resulting mainly from the exit of Metro Glass and the refinancing of Onsite."**

## Overview of Recent Exits

### Metro Glass - Crescent Capital Partners III



In June 2008 Crescent Capital Partners III (CCPIII) purchased subordinated mezzanine debt in NZ Glass Investment Company Limited (Metro Glass), the leading value added processor of glass in New Zealand.

Metro Glass which processes more than two million square metres of glass annually and has a 50 per cent share of the New Zealand market, has more than 21 decentralised sites across the country, including five major processing facilities, and more than 700 staff. The business operates on a "Just in time" basis and handles its own logistics through a fleet of 50 trucks.

In January 2012, a debt restructure of Metro Glass occurred delivering operational control to Crescent and providing CCPIII 40% of the shares on issue in Metro Glass

During July 2014, Metro reported a forecast net profit of NZ\$14.3m for the year to 31 March, 2015, up from NZ\$12m in the same period a year earlier. Full-year sales were forecast to rise to NZ\$171.9m in 2015 from NZ\$155.4m in 2014.

On 30 July 2014, Metro Glass was successfully listed on both the NZX and ASX with a market capitalisation of circa NZ\$315m. The IPO allowed Crescent to realise 80% of its investment in Metro for cash with the remaining 20% held in escrow until September 2015. The resulting distribution in August 2014, provided another strong investment return to CCPIII investors including VPEG.

### Go Bus - Next Capital II

In May 2012, Next Capital led the acquisition of the New Zealand bus company GoBus.

At the time of the acquisition GoBus provided urban, school and charter bus services to four of the six largest public transport markets in New Zealand (Hamilton, Napier, Tauranga, and Christchurch), with a strategy to expand into the remaining key markets (Auckland, Wellington).



During Next Capital's ownership GoBus achieved an EBITDA CAGR of 38%, having successfully delivered growth initiatives including:

- Acquisition of two major South Island businesses to build out GoBus' South Island presence;
- "Tuck-in" acquisitions of a number of smaller operators, leveraging existing operational infrastructure;
- Successfully tendering for Special Needs School contracts across New Zealand, including a key entry point into the Auckland market; and
- Like-for-like performance improvement driven by enhanced operational efficiency.

On 11 August 2014 Next Capital entered into a binding agreement with an Iwi Consortium for the sale of GoBus. The transaction completed on 30 September 2014, delivering a 36% IRR over a holding period of just over two years.

The top quartile return delivered by this investment was the result of the strong earnings growth within the business during Next II's two year investment period, with EBITDA increasing from NZ\$13.2 million to NZ\$24.3 million.

## PORTFOLIO STRUCTURE

### VPEG's Portfolio Structure – 30 September 2014

The tables and charts below provide information on the breakdown of VPEG's investments as at 30 September 2014.

#### Current Investment Portfolio Allocation\*

The following table provides the split of VPEG's current investment portfolio across cash, fixed interest securities (term deposits) and Private Equity.

The Private Equity component of the portfolio is further broken down by the investment stage (Later Expansion or Buyout) of the underlying investments that currently make up VPEG's Private Equity portfolio.

| Cash | Fixed Interest | Private Equity |       |
|------|----------------|----------------|-------|
|      |                | 16.2%          | 21.4% |
|      |                | Buyout         | 43.0% |

\*As a percentage of VPEG's Investment Portfolio (or Gross Assets). As at 30 September 2014 VPEG's Gross Assets were \$ 34.56 million pre tax.

With the receipt of proceeds from one exit and the dividend distribution from the refinancing of another portfolio company received by VPEG during the quarter, VPEG's exposure to private equity investments reduced from 63.8% to 62.4% with the cash and fixed interest component of the portfolio increasing from 36.2% to 37.6%.

#### Private Equity Portfolio

VPEG, with commitments to seven Private Equity funds, ultimately held interests in twenty five underlying company investments, at quarter end. VPEG's Private Equity portfolio and commitments, as at 30 September 2014, were as follows:

| Private Equity Fund Name      | Fund Size | Vintage Year | Investment Focus                       | VPEG Commitment | Capital Drawn Down | Total No. of Investee Companies | No. of Exits |
|-------------------------------|-----------|--------------|--|-----------------|--------------------|---------------------------------|--------------|
| Advent V                      | \$300m    | 2006         | Small to Mid Market Expansion / Buyout | \$4.0m          | \$3.87m            | 8                               | 4            |
| Archer Capital Fund 4         | \$1,360m  | 2007         | Mid Market Buyout                      | \$8.0m          | \$7.26m            | 10                              | 6            |
| Catalyst Buyout Fund 2        | \$438m    | 2008         | Mid Market Buyout                      | \$8.0m          | \$5.82m            | 6                               | 1            |
| Crescent Capital Partners III | \$400m    | 2006         | Small to Mid Market Expansion / Buyout | \$4.0m          | \$3.90m            | 6                               | 4            |
| Equity Partners Fund No. 3    | \$76m     | 2007         | Small Market Expansion / Buyout        | \$4.0m          | \$3.40m            | 6                               | 1            |
| Next Capital II               | \$285m    | 2008         | Small to Mid Market Expansion / Buyout | \$7.0m          | \$5.78m            | 7                               | 3            |
| Quadrant Private Equity No. 2 | \$500m    | 2007         | Mid Market Expansion / Buyout          | \$8.0m          | \$7.04m            | 5                               | 4            |
| <b>Total</b>                  |           |              |  | <b>\$43.0m</b>  | <b>\$37.07m</b>    | <b>48</b>                       | <b>23</b>    |

**"At the end of the September 2014 quarter, VPEG ultimately held interests in twenty five underlying company**

## PORTFOLIO STRUCTURE – continued

### Summary of VPEG's Top 10 Underlying Private Equity Investments

The table below provides an overview of the top ten underlying private equity investments in VPEG's portfolio, for which funds had been drawn from VPEG, as at 30 September 2014.

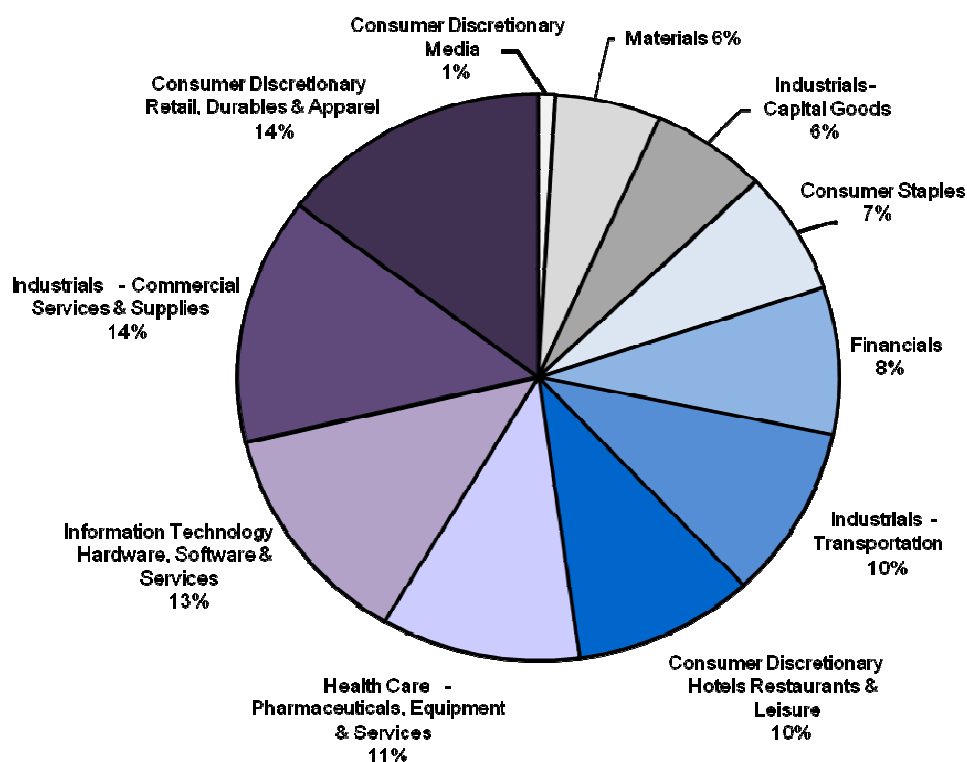
| Rank | Investment  | Fund                          | Description   | % of VPEG NAV* | Cumulative % of VPEG NAV* |
|------|---|-------------------------------|---|----------------|---------------------------|
| 1    | Home & Decor Holdings (Adairs & Dusk)                                 | Catalyst Buyout Fund 2        | Specialty Retail - Homewares  | 6.2%           | 6.2%                      |
| 2    | Health Care   | Archer Capital Fund 4         | Owner & Operator of Private Hospitals                               | 6.2%           | 12.4%                     |
| 3    | iSentia Media (value of remaining shares held following IPO in Jun14) | Quadrant Private Equity No. 2 | International Media Services Business                               | 5.2%           | 17.6%                     |
| 4    | GoBus (Sold 30 Sep 14, Proceeds received 02 Oct 14)                   | Next Capital II               | Urban and School Bus Operator                                       | 4.2%           | 21.8%                     |
| 5    | Integrated Packaging Group  | Advent V                      | Manufacturer & Distributor of Packaging Products                    | 3.6%           | 25.3%                     |
| 6    | Scottish Pacific  | Next Capital II               | Provider of Debtor Finance Services                                 | 3.6%           | 28.9%                     |
| 7    | Quick Service Restaurants Holdings                                    | Archer Capital Fund 4         | Chicken Fast Food Retailing   | 3.1%           | 31.9%                     |
| 8    | MYOB (Value of Archer Vendor Loan Note Payable between 2015 & 2018)   | Archer Capital Fund 4         | Developer, Marketer & Distributor of Business Software Systems      | 2.8%           | 34.8%                     |
| 9    | Onsite Rentals  | Next Capital II               | Commercial Rental of Portable Buildings, Toilets & Access Equipment | 2.3%           | 37.1%                     |
| 10   | Bhagwan Marine  | Catalyst Buyout Fund 2        | Offshore Transport Servicing the Oil & Gas Industries               | 2.0%           | 39.1%                     |

\*As at 30 September 2014 (unaudited) calculated on VPEG's pre tax Net Asset Value (NAV).

### Industry Spread of VPEG's Underlying Investments

With the IPO sell down and NZX and ASX listing of Metro Glass during the quarter, VPEG's "Industrials—Capital Goods" sector exposure reduced from 8% to 6%.

The "Industrials - Commercial Services & Supplies" and the "Consumer Discretionary" sectors share the position as VPEG's largest industry exposures, each representing 14% of the value of VPEG's total Private Equity portfolio at 30 September 2014



## CONTACT DETAILS

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