ACCESS CAPITAL PARTNERS

PRIVATE ASSETS IN EUROPE

2021 GENERAL PARTNERS MEETING

SUMMARY OF MARKET VIEWS

On 30 November 2021, Access Capital Partners ("Access") held its 19th Annual General Partners Meeting and gathered 68 of its European smaller buy-out General Partners ("GPs") to exchange views on the current state of the market.

SUMMARY

Reflecting on the rollercoaster year 2020 which mobilized considerable resources to support portfolio companies in the first months of the sanitary crisis and on the swift recovery experienced in 2021, the fund managers backed by Access gathered to discuss whether the covid-19 pandemic was a major market shock and what changes it has brought to the Private Equity industry.

AND THE COVID-19 OUTBROKE…

Despite an excellent start of 2020 which was poised to register record volume, the private equity deal making has been impacted by the covid-19 onset, with most transactions initially put on hold or abandoned.

Fund managers' first reaction was to quickly assess the situation of portfolio companies with a focus on liquidity, securing debt financing for the longest maturities possible.

"We put ourselves in the worst-case scenario"

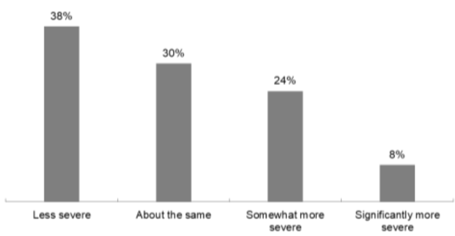
Navigating through the unheard-of type of uncertainty, the GPs' objective was to be prepared for whatever could come. Many pivoted to remote work by leveraging technology tools to maintain close contact with their portfolio companies and investors.

These extraordinary conditions have also led fund managers and management teams to foster their partnership relations by working even more closely to resolve the operational challenges and continue to create value (e.g., human resources management during lockdowns in portfolio companies directly affected by the crisis).

Several GPs pointed out that they were prompted to think about much longer term when interacting daily with management of portfolio companies. This spurred many of them to seize strategic opportunities once the initial shock was dealt with.

One Nordic GP noted that the covid-19 crisis was much broader and differentiated comparing to the Great Financial Crisis of 2008 – 2009 ("GFC") with unprecedented challenges such as disruption of supply chains, political disarray, or portfolio companies' staff no longer able to continue working as usual. The economic and operational shock was undeniably abrupt and severe. Nonetheless, the vast majority of Access' fund managers believed that its impact would be less severe or about the same compared to the GFC.

EXPECTED IMPACT OF COVID-19 OUBTREAK ON PRIVATE EQUITY COMPARED TO THE 2008 CRISIS



Source: 2020 survey of Access GPs

Supported by the prompt policy makers' response and the exceptional stimulus package (€807 billion in the European Union, €1.4 trillion globally[1]), the recovery was swift, allowing 72% of portfolio companies to return to pre-pandemic trading levels in less than a year, according to the survey of fund managers conducted by Access in 2021.

…LEADING TO MAJOR EVOLUTIONS…

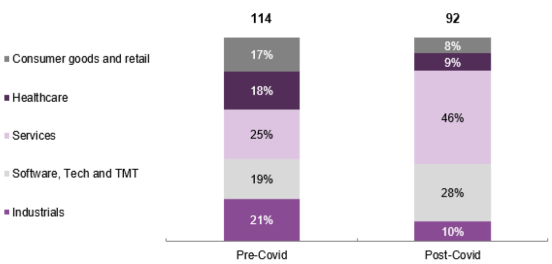
Although fund managers are still working their way through the side and after-effects of the Covid-19 pandemic, they consider the sanitary crisis as a momentous challenge since it has admittedly consumed capital and focus over the past two years. It was however highly instructive for the GPs.

While fund managers backed by Access did not radically change their general investment strategy, they adapted swiftly to the trends accelerated by the pandemic to enhance value creation and to be better prepared to withstand future shocks.

Sector shift

Whilst the vast majority of the GPs did not make major internal changes, they were 18% to have altered their sector focus. Key reasons for these changes included moving away from cyclical sectors (e.g., automobile, hospitality, etc.) and enlarging the scope away from pricier assets.

SECTOR FOCUSED ON FOR PRIMARY ACQUISITIONS



Source: 2021 survey of Access' GPs

In 2021, Access observed a clear sector shift to business and software-related services, with deal-making decreasing sharply in industrials, consumer goods and retail sectors. This trend is largely in line with the flight to quality seen in the market as fund managers seek to invest in resilient sectors and business models with inherent protections against macroeconomic shocks.

Accelerated transition to digital

The paradigm shift was, according to all of the GPs, enhanced digitalisation. While the trend is far from recent, the pandemic has sharply accelerated it. For some GPs, the digital transformation was a proof of how a change of the business model due to a major shock may be positive. An interesting example was given by one of the Spanish-based fund managers which cited a portfolio company specialised in after school language tutoring. Due to the lockdowns, the company could not continue operating normally. Within a month, the business transformed completely by creating a full digital platform, allowing it to pursue its operations successfully (90% clients' retention rate). Furthermore, this shift has allowed the company to expand into new geographies where the establishment and operation of physical facilities is not straightforward. Another fund manager from France shared that before the crisis c.50% of its portfolio companies were not active in e-commerce or on the digital front vs. 0% today.

All of the GPs acknowledged that digitalisation is a major element of international growth and that companies that were already active digitally before the pandemic have proved to be more resilient.

Furthermore, the GPs specialised in buy-and-build underlined that digitalization plays a key role in making a platform successful by speeding up integration and fostering synergies. Hence, the fund managers focus increasingly during the due-diligence process on the digital component of the business and on

[1] *Sources: European Commission, McKinsey*

its ability to transform part of its activities through digital.

Embracing virtual interactions

As most of the investors in Europe have endorsed virtual fundraising, due diligence and deal making, fund managers supported by Access were no exception. Many GPs came to realise that "virtualising" interactions, at least partially, allows to save considerable financial and human resources.

ESG integration

The pandemic exacerbated the importance of ESG themes, with the new European Sustainable Finance Disclosure Regulation ("SFDR") and upcoming taxonomy for sustainable activities putting further emphasis on sustainability considerations.

With the 26th UN Conference of the Parties (COP26) marking the 5-year deadline for countries to deliver improved emissions reduction plans since the Paris Agreement, there is naturally increased focus on the actions of governments and private sector. One of the French GPs emphasized that the stark reality is that the climate change is already affecting substantially a lot of businesses. A growing number of companies are materially impacted by the climate change, leading for instance insurance companies to incorporate weather-related physical risks on the operations in their risk assessment.

"Climate change and the stances that various governments are taking on it is very possibly the next disruption"

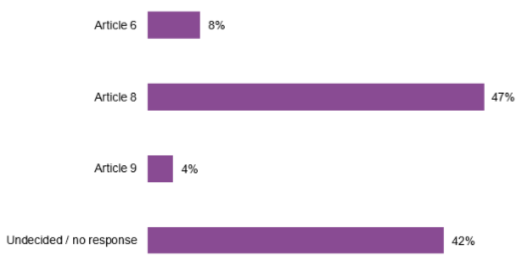
Put on the forefront, the ESG themes are now becoming an integral component of portfolio management within the private equity industry. According to the survey conducted by Access, 29% of fund managers have made portfolio monitoring changes between pre-covid-19 and now, further implementing ESG indicators in company monitoring. Of note, 71% of fund managers backed by Access fully meet responsible investment principles with formalized ESG policy, thorough extra financial due diligence and monitoring.[2]

The fund managers backed by Access have recognized that the playbook has expanded to take ESG into serious consideration throughout the investment process to foster value creation and optimise the divestment. Previously considered as risk factors to be managed, ESG criteria have evolved into a key value creation lever.

"ESG has become a strategic weapon for us, when looking at how we make our portfolio companies more valuable for the future"

As there is more clarity on SFDR's implementation provisions, a choice of the article needs to be made ahead of the next fundraise. Although there are still 42% of fund managers who are undecided, 51% of GPs intend to launch an Article 8 or 9 fund, either promoting environmental and/or social characteristics or pursuing a defined sustainable investment objective.

SFDR CLASSIFICATION OF THE NEXT FLAGSHIP FUNDRAISE PLANNED



Source: Survey of Access' GPs

Several GPs noted that although they are not impact investors, they want the businesses they invest in to have an impact, further acknowledging the importance of sustainability integration.

[2] *Source: Access Capital Partners.*

… AND TO A VALUATION PUZZLE

The onset of the covid-19 has brought uncertainty and confusion to valuations as it became unclear what the right method to continue to fair value the portfolio companies was, at least in the beginning of the pandemic.

As the sanitary crisis evolved new challenges arose: should the valuation be based on covid-19-adjusted EBITDA? How does one value the covid-19 "benefits" when the company's trading was favourably impacted by the pandemic? Are these benefits sustainable? Is the trend of increasing valuations in some sectors viable?

"Pricing has come back with a vengeance"

Access' fund managers' views on these questions diverged. Some GPs stated to be unwilling to pay "exceptional multiple on exceptional recovery EBITDA", finding current valuations excessive and advocating cautiousness. The skyrocketing valuations led to clear sector polarisation, leading some GPs to divert their focus from assets judged too pricy in the technology sector.

"We prefer to be the idiot who misses an opportunity rather than the idiot who buys in"

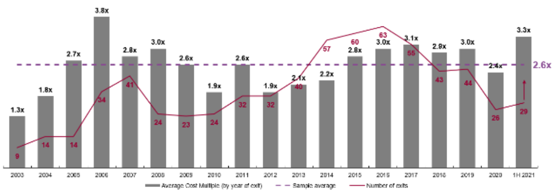
Other GPs argued that to take part in the post-pandemic trend, higher prices need to be paid, especially on the assets that have performed well during the hardest time of the pandemic. Nevertheless, one Dutch GP stated that if a company had a drop in terms of trading during the sanitary crisis, it becomes easier to understand and evaluate. Indeed, this makes clear the improvements to be made, creating an explicit path for growth.

Both sides have however conceded that it is crucial to identify the long-term underlying trends supporting a given sector in order to avoid the "fashion risk" of investing in sectors that were temporarily boosted by the pandemic such as gardening for instance.

Although rising valuations have been fund managers' concern for some time, the rise of entry multiples since the covid-19 outbroke clearly exceeded GPs' expectations. As of the third quarter 2021, the average EV/EBITDA multiple over the preceding 12 months for European PE-backed transactions climbed to 11.8x[3], establishing a new record which follows an unbroken run of five quarterly increases. The GPs backed by Access concurred that the bullish trend is likely to continue as the governments and central banks continue to inject substantial amounts of money in the system.

While fund managers as buyers are concerned with the current level of valuations, as sellers they have been taking advantage of it. The buoyant exit market has allowed many of them to accelerate divestments.

AVERAGE COST MULTIPLE AT EXIT YEARLY



Source: Access Capital Partners' portfolio exits

As demonstrated by the Access data on portfolio exits of the underlying funds, first semester 2021 exits have recovered and rebounded, showing the strongest performance since 2006, well above the average 2.6x cost multiple over the last 18 years. While the 2021 full year figures are not yet available, Access expects the number of exits to surpass 2019 levels.

[3] *Source: Clearwater Multiples Heatmap*

CONCLUSION AND OUTLOOK

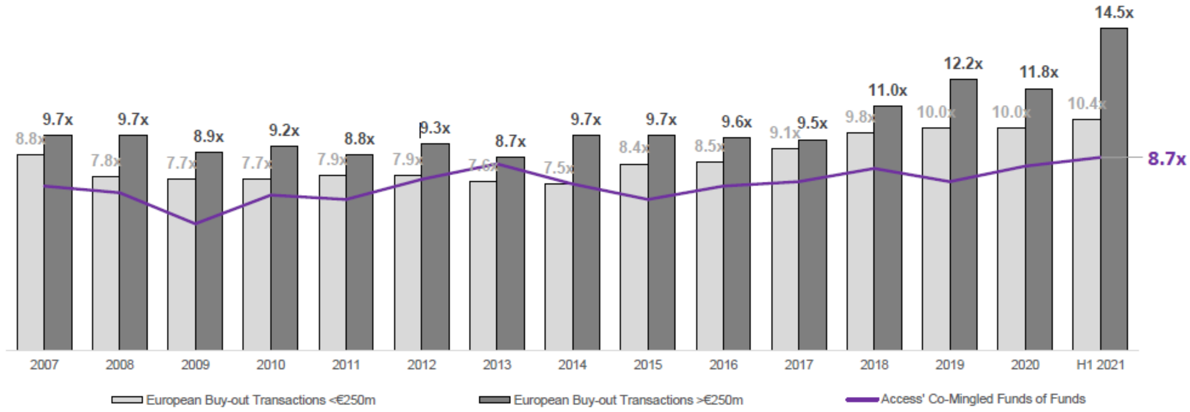
Although the pandemic continues to hamper visibility with unfortunate recent developments, Access' fund managers remain cautiously confident. In the early days of the sanitary crisis, they have made necessary adjustments to be able to operate in whatever environment they found themselves in, which allows them to have the right processes in place to continue their operations successfully. The robustness of processes is of crucial importance in a market environment characterised, according to Access' fund managers sentiment, by an accelerated pace for due diligence and investment decision making.

Beyond efficient management and organisation, the sanitary crisis has also proved that the moderation in leverage, sufficient cash on the balance sheet and professional management are key elements of protection against negative macroeconomic headwinds.

In 2022, according to Access' survey, the fund managers expect the status quo with an important number of deals done on better quality assets and a pricing premium that reflects this.

When it comes to the GPs' concerns going forward, they include inflationary pressures driving interest rates higher and the resulting impact on debt. Geopolitical tensions as well as the supply chain issues are also the matters closely watched by the fund managers. Interestingly, pricing is not a major subject of concern to the GPs. Historically, the GPs in Access' portfolio have maintained an impressive average EBITDA multiple at entry c. 2 turns lower than the market average at a similar size range, demonstrating an impressive skillset to avoid overpaying, and crucially, deliver future growth.

AVERAGE ENTRY MULTIPLE PER ANNUM IN THE EUROPEAN BUY-OUT MARKET AND IN ACCESS' CO-MINGLED FUNDS OF FUNDS PORTFOLIO



Source: Statistics are computed using data from S&P, Unquote, Argos / Epsilon Mid-Market Index and Access Capital Partners[4]

While the future remains uncertain and despite the potential risk of rising interest rates, the GPs as well as Access believe that private assets remain an attractive asset class, offering some protection against inflation and prospects of higher returns, especially in such times of volatility.

[4] *Access Capital Partners Statistics as following GP reports June 2021 on primary buy out deals across ACF I MMBO, ACF II MMBO, ACF III MMBO, ACF IV GBOE, ACF V GBOE, ACF VI GBOE, ACF VII GBOE and ACF GBOE VIII. Primary buy out transactions including minority positions made with an acquisition debt representing more than 1x EBITDA and majority positions with an acquisition debt representing less than 1x EBITDA. Excluding add on investments.*

ABOUT ACCESS CAPITAL PARTNERS

Established in December 1998, Access Capital Partners is an independent Private Assets manager, majority owned by its management. With offices in six European countries and aggregate historical investor commitments of €12.4 billion, Access' integrated expertise offers exposure to Smaller Buy-outs, Infrastructure, and Private Debt through funds of funds, direct & co-investment funds and customized client solutions.

The team is fully committed to integrating Environmental, Social and Governance best practices into its investment strategies, acknowledging that a responsible investment approach partially mitigates investment risk and enhances long term returns.

€12.4bn AUM	300+ INVESTORS	6 EUROPEAN OFFICES	90+ PROFESSIONALS	45 ESG & PRINCIPAL ADVERSE IMPACT INDICATORS FOLLOWED-UP

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