ACCESS CAPITAL PARTNERS

PRIVATE ASSETS IN EUROPE

2022 GENERAL PARTNERS MEETING

SUMMARY OF MARKET VIEWS

On 29 November 2022, Access Capital Partners ("Access") held its 20th Annual General Partners Meeting and gathered 70 of its European smaller buy-out General Partners ("GPs") to exchange views on the current state of the market

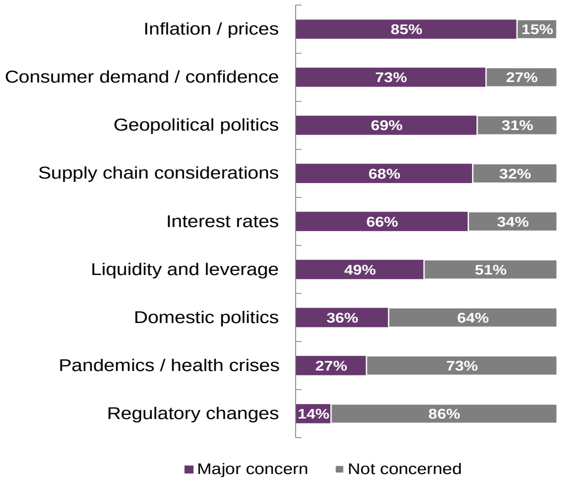
SUMMARY OF MARKET VIEWS

INTRODUCTION

Few could have predicted the confluence of issues that the world was faced with in 2022, with severe geopolitical tensions, disruption of energy markets and global supply chains, inflationary pressures and rising interest rates adding to the residual effects of the sanitary crisis.

For Access' fund managers, inflation, consumer demand and confidence, geopolitics, supply chain disruptions and interest rates were top concerns.

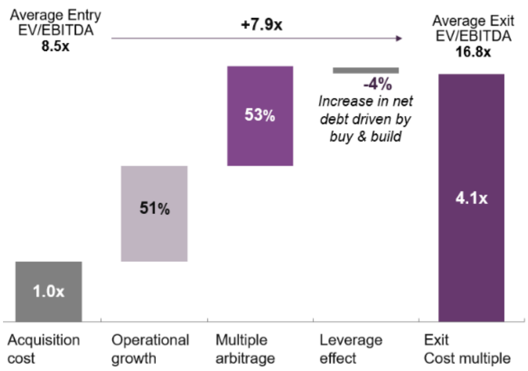
ISSUES OF CONCERN FOR FUND MANAGERS



Source: 2022 Access GP Meeting Survey

While these concerns had already been priced in by public markets, Private Equity had not yet adjusted. 2021 and 2022 were successful years for Access' portfolio GPs, with robust progression of Net Asset Values - despite a conservative valuation approach - and a strong exit momentum, with 35 exits completed at a staggering average of 4.1x cost multiple as of the third quarter of 2022. Value creation in Access' 2022 exits was driven by record high multiple arbitrage, the average exit multiple standing at 16.8x EV/EBITDA vs. 8.5x at entry.

VALUE CREATION BRIDGE FOR ACCESS' 2022 EXITS



Source: Access Capital Partners portfolio

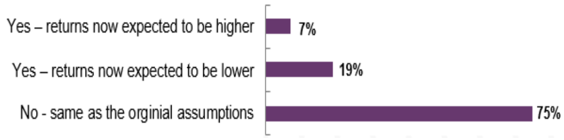
As of November 2022, at the time of the Annual GP Meeting, momentum was just starting to slow down, with margin compression in certain sectors due to rising labour costs, energy prices and cost of raw materials, as well as delayed exits due to lack of visibility on 2023, and softer trading to a lesser extent.

Yet, Access' fund managers remained cautiously optimistic, recognizing that they will be faced with challenges but, as evidenced by prior cycles, a market downturn will also bring substantial buying opportunities.

HOW TO INVEST IN AN UNCERTAIN ENVIRONMENT?

While deal activity experienced a slowdown in the first three quarters of 2022 as the market adjusted to tighter conditions, fund managers continued to transact and emphasized the need to continue investing, with 75% stating that return expectations were not impacted by the current environment.

REVISED RETURN EXPECTATIONS



Source: 2022 Access GP Meeting Survey

Despite the reduced macro-economic visibility, compelling investment opportunities continue to be sourced at the lower end of the buy-out market, which should be less affected by interest rate hikes than larger caps, where deal financing will probably be harder to come by.

Softened deal making was and remains due to heightened caution and not to reduced deal flow; the latter has actually increased for Access' GPs who operate in the smaller segment, often partnering with founder-led businesses. Having already been through difficult times during the covid crisis, management teams increasingly recognize Private Equity managers as valuable partners to navigate a turbulent macro environment and to continue growing their businesses. Hence, a growing number of entrepreneurs turn to Access' fund managers, increasing the deal flow of attractive off-market opportunities.

"Market uncertainty makes sellers nervous and more willing to transact rapidly, with less of that wait-and-see attitude"

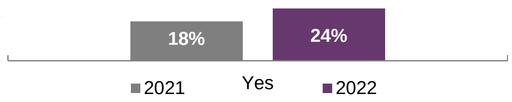
Although the valuation gaps between hopeful sellers and scrutinous buyers have increased in the overall Private Equity market, the smaller buy-out segment has so far been modestly impacted. The flight to quality phenomenon combined with increased focus on non-cyclical assets have maintained pricing for resilient assets, which nonetheless remains below the market's average. Relative stability of entry multiples allows the transactional processes to carry on, contrary to the upper end of the market which saw numerous deals suspended because of the pricing mismatch issue.

Access' fund managers acknowledged that, as the buy-side remains competitive despite a challenging environment, investment discipline is crucial. When assessing new investment opportunities, it is vital to examine companies' structural growth potential irrespective of macroeconomic conditions, the resilience of their business models, the robustness of the capital structures and the levers of sustainable value creation.

"We focus on companies which are difficult to replace in the value chain, and therefore have strong pricing power"

Access' GPs will continue focusing on businesses with recurring revenues and pricing power, a feature that has become fundamental in the current inflationary context. In 2022, 24% of them reinforced their exposure to defensive sectors and sub-sectors providing non-discretionary products and services such as healthcare, business services, or software and telecoms.

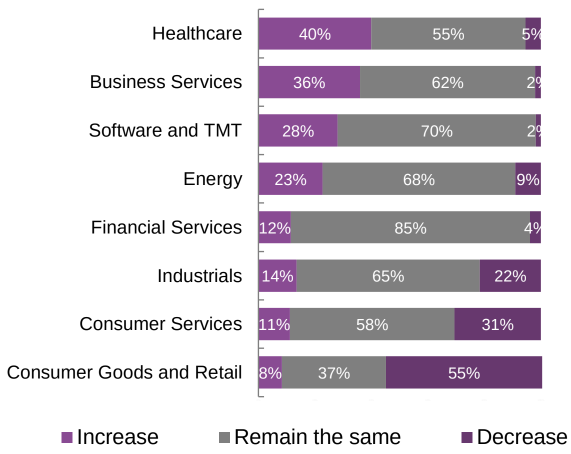
CHANGE OF SECTOR FOCUS



Source: 2022 Access GP Meeting Survey

These sectors are indeed better positioned to withstand the impacts of a slowing economy and high inflation thanks to their reduced cyclicality and low capex intensity.

SECTOR FOCUS GOING FORWARD



Source: 2022 Access GP Meeting Survey

Creative approaches to sourcing, seeking off-market transactions, leveraging local networks to source proprietary deals and exploiting complex situations with information asymmetries also allow Access' GPs to stay ahead of the competition and to pursue compelling investment opportunities.

In addition, implementing downside protections at the time of investment has become increasingly important. Access' GPs have structured transactions with deferred payments, earn-outs and various warranties, getting preferred position in the capital structure and keeping management with a substantial equity stake, as mechanisms that may mitigate risk and preserve assets' value.

Integrating sustainability considerations in the investment process has also been acknowledged as key to improve the risk/return profile, competitiveness, and strategic value of a company as well as to help achieve higher levels of resilience in times of crisis.

PRESERVING AND CREATING VALUE

Although managers in Access' portfolio generally had a confident outlook for 2023, they admitted that several exits would likely be delayed. To make the most of these elongated holding periods and to preserve and continue creating value, spending extra time on portfolio monitoring and management will be crucial.

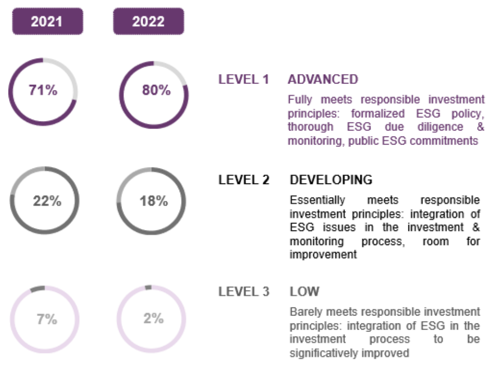
Given the inflationary environment, 57% of managers concurred in saying that working on their portfolio companies' top-line and pricing strategy was a central priority and 40% indicated that supplier negotiations would be necessary, not least for energy cost savings. In addition, liquidity management and covenant negotiations will be top-of-mind concerns for companies and their investors in the coming months.

Liquidity management was highlighted as a focus area not only for downside protection reasons, but also to allow continued investment in portfolio companies, particularly through add-on acquisitions. 29% of managers indicated that they would use the momentum to increase their buy & build activity (+10% vs. 2021), as this is an efficient way of deploying capital at relatively low entry multiples and of creating synergies and value through platform building in an environment of limited organic growth. GPs concurred that now was a good time to consolidate platform investments, as these are perceived as lower risk (starting from a known company) and less expensive than buying a new company, as well as being a good way to access new talent pools.

"Target company owners are aware that times are going to get tough and are more willing to sell, so now is a good time to consolidate, at reasonable pricing"

In addition to inflation, GPs identified labour shortages as another area for concern and highlighted the importance of preserving human capital through thoughtful talent retention and adequate incentivisation. Concerning extra-financial matters, participants admitted that whilst Private Equity had always been good on the Governance front and that Environmental considerations had become increasingly important in the industry, a lot more needed to be done to improve the Social performance of portfolio companies. That said, GPs in Access' portfolios have made good progress on the ESG front, with 80% classified "Level 1" by Access - demonstrating active ownership approach in improving and reporting on ESG factors - in 2022 versus 71% the previous year.

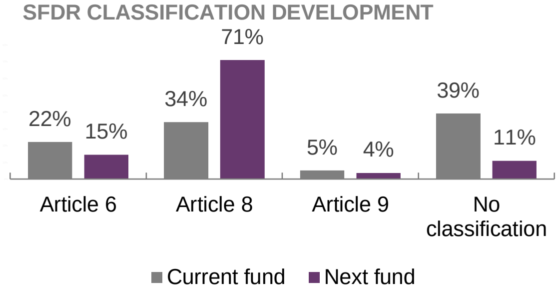
GLOBAL GP ESG SCORING



Source: 2022 Access GP Meeting Survey

Further, 75% of respondents stated that their next fund would be classified Article 8 or Article 9 under SFDR (the remainder being Article 6), and a handful of GPs indicated that they were aiming for the B-corp certification, which identifies companies that meet the highest standards of verified social and environmental performance, public transparency, and legal accountability to balance profit and purpose.

SFDR CLASSIFICATION DEVELOPMENT



Source: 2022 Access GP Meeting Survey

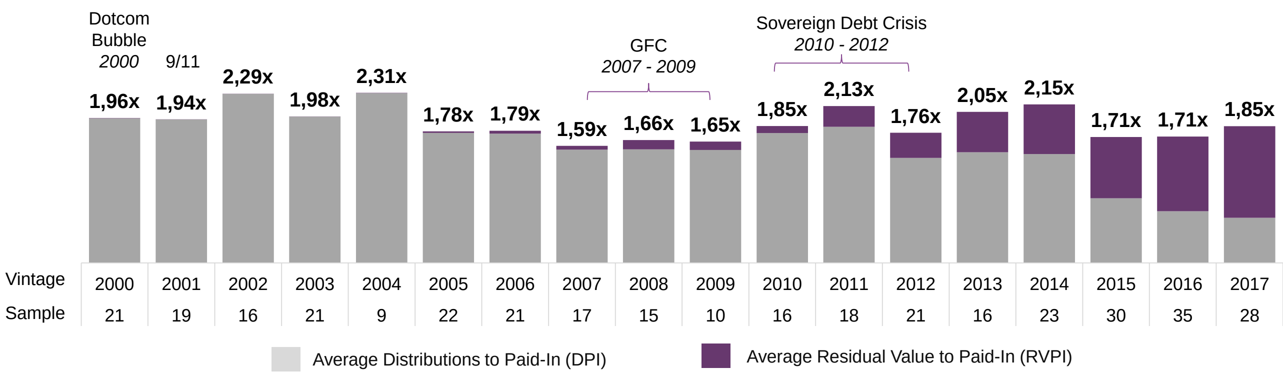
All of the above value preservation and creation initiatives will help position portfolio companies for exit. Exits will likely take longer - 41% of GPs stated that they would need more time to prepare investments for exit – but Access and its GPs are convinced that good assets can be sold at attractive valuations.

Given the extra time needed and the uncertain economic environment, it is important to anticipate and prepare exits well in advance, to set up a compelling equity story and to target the right buyers. In addition, GPs are particularly mindful of ESG – having strong ESG performance can widen the buyer pool (impact funds for example), de-risk an acquisition for a potential buyer…or be a deal breaker.

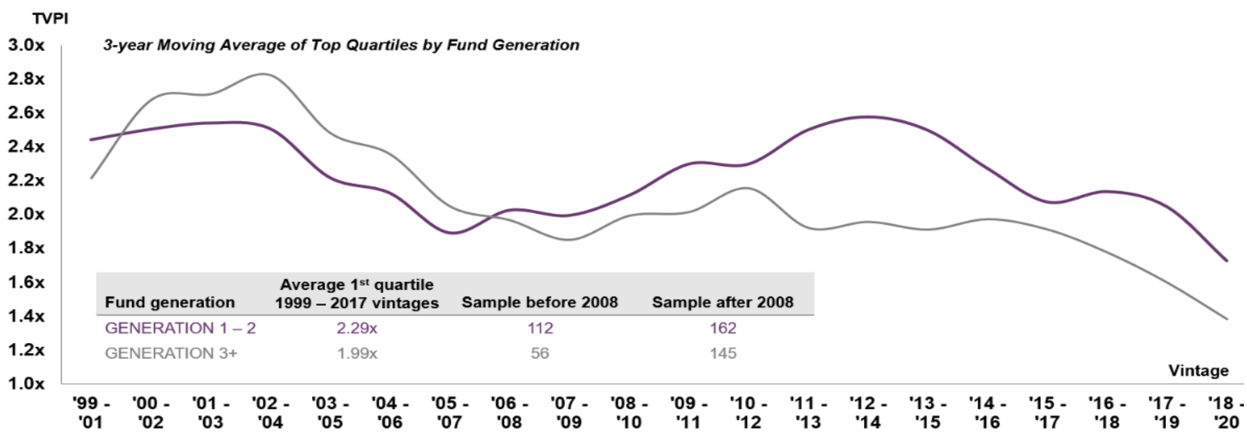
"Acquirers will pay up for good ESG performance simply because this reduces their risk"

Finally, and to put matters in perspective, it is worth highlighting that Private Equity investments made in the aftermath of crises – during the "recovery" vintages – seem to out-perform the long-term averages. The performance analysis by fund generation further shows that best performing emerging managers (fund generation 1 to 2), which have always naturally been an important component of Access' strategy, have consistently outperformed established funds, however with higher return dispersion, making fund selection critical.

PERFORMANCE (TOTAL VALUE TO PAID-IN) OF SMALL & MID-CAP EUROPEAN FUNDS SINCE 2000



OUTPERFORMANCE OF FIRST QUARTILE EMERGING MANAGERS SINCE THE FINANCIAL CRISIS



Source: Access Capital Partners; data from funds in which Access is an investor, from Preqin data base and various external sources

OUTLOOK

Access' portfolios have weathered multiple crises since 1998 and have consistently demonstrated their resistance to turbulent recessionary environments by delivering stable returns, and inflationary periods are no different. Access has historically committed to the smaller end of the buy-out market, maintaining a strict investment discipline as a way to safeguard portfolios in the event of economic turmoil. As such, it is believed that certain portfolio characteristics are a natural hedge against the current headwinds:

- **Focus on SMEs with strong market positions**, predominantly operating in defensive or niche market segments - IT, Healthcare, essential B2B services, education – and with resilient business models;

- **Attractive acquisition prices,** with an average 8.2x EV/EBITDA entry multiple, lower than the comparable market average of 9.5x, allowing for positive evolution of multiple regardless of the cycles;

- Transactions completed with **low levels of leverage,** with a 2.5x average net debt/EBITDA at entry, substantially lower than the comparable market average of 4.9x, preserving equity value and allowing comfort in a higher interest rate environment.

Under the support and leadership of fund managers, these small & medium sized companies can more easily adapt and implement value preservation and creation initiatives such as acquisitive growth plans and progress on sustainability. With their full ownership model and relative freedom from short-term pressures, fund managers are indeed well placed to drive and scale ESG best practices, capturing long term strategic value.

In these challenging times, Access remains more committed than ever to the smaller end of the buy-out market which has demonstrated its ability to select investments better suited in nature to thrive throughout different economic cycles. Access will continue working alongside smaller buy-out fund managers, providing guidance and sharing knowledge to bring additional value whenever possible.

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 c. €14 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.

€14bn AUM	300+ INVESTORS	6 EUROPEAN OFFICES	90+ PROFESSIONALS	50 ESG & PRINCIPAL ADVERSE IMPACT INDICATORS

CONTACTS

Agnès Nahum
Managing Partner
agnes.nahum@accesscp.com

Philippe Poggioli
Managing Partner
philippe.poggioli@accesscp.com

Cécile Croissant
Partner Investor Relations & Communication
ccroissant@accesscp.com

Tel. +33 1 56 43 61 00
www.access-capital-partners.com