



Cinven acquires Germany-based lighting products provider SLV Elektronik



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Innovative company has differentiated business model and international growth potential

Cinven has acquired SLV Elektronik for the fourth Cinven fund in a transaction which closed in May 2011. SLV Elektronik is an innovative business-to-business provider of residential and technical lighting products for indoor and outdoor use. Founded in 1979 and based in Übach-Palenberg, Germany, SLV is one of the fastest-growing and most successful providers of lighting products in Europe.

Market outperformance

SLV has consistently outperformed market growth (on average by 13.5% per annum over the last five years) and has increased its market share in Germany and internationally. SLV operates subsidiaries and associated companies in Germany, France, Italy, Belgium, Switzerland, Hong Kong, the US and Russia.

SLV sources its products mostly from Asia and distributes them through a wide range of electricians, specialised retail partners, internet shops, wholesalers, multipliers, and other resellers in 60 countries, while managing product development, marketing and order fulfilment in-house. This business model combines German efficiency and innovation as well as European design with cost-efficient production and first class services, enabling SLV to offer innovative, well-designed products at attractive prices.

Differentiated business model

Cinven identified SLV as an attractive investment based on its differentiated business model, value-for-money proposition, international growth potential and high cash conversion. The business model is based on four closely-integrated elements: (i) fast-track product development and rigid product selection; (ii) lean operations and a high degree of flexibility due to outsourced production, mainly in Asia; (iii) superior logistics and service, delivering within 24/48 hours in Germany/Europe and with 98% product availability; and (iv) lean and scalable B2B sales model with distribution partners acting as the sales force. This approach has been developed and perfected by SLV over many years and has proved itself in Germany, France, Belgium and other European markets.

Origination draws on Cinven's core skills

Cinven's Frankfurt-based Industrials team identified SLV as an attractive acquisition a year before the transaction, utilising the firm's local network in Germany and the findings of a 2010 sub-sector review covering the LED lighting value chain.

Ahead of the acquisition, the Cinven team built a deep understanding of the company's business model. As part of this process, Cinven partnered with a leading specialist advisory firm, which had a history of involvement with SLV and a strong relationship with the management team.

Cinven also involved its Asia Portfolio team, which contributed detailed knowledge of the impact of Asian sourcing. The involvement of the firm's Portfolio team, our experience with asset-light business models (gained through our investment in companies such as CBR, which generated a multiple of 4x the original investment and an IRR of 99%) and our local presence gave Cinven an important competitive advantage.

As a result of this detailed pre-emptive work, Cinven was able to act swiftly as soon as a sale process was announced, utilising its knowledge of the company and industry to build a rapport with management. The transaction team worked alongside Cinven's financing team to put in place an all-senior financing package on attractive terms, beating competition from other private equity firms.

Cinven partner, Bruno Schick, (who was also a member of the deal team responsible for the successful CBR investment) said: "SLV operates a successful business model that delivers a superior value proposition for suppliers, partners and clients. SLV has significant potential and we are looking forward to developing and growing the business. With our pan-European team and our office in Hong Kong, we can provide SLV with the expertise and an extended financial framework to further push the internationalisation of the business."

Dual honours for Cinven at Private Equity News awards

Awards for Amadeus IPO and Cinven's Chairman Robin Hall

Cinven was presented with two awards at an event in June 2011 hosted by Private Equity News, the private equity industry publication. The European Exit of the Year Award went to Amadeus. The judges commented: "At a time when other IPO exits were being pulled last year, the listing of travel booking company Amadeus, which raised €1.44 billion, and subsequent share offerings gave some hope to the industry that the IPO exit route was not dead."

The Hall of Fame / Lifetime Achievement Award went to Cinven Chairman, Robin Hall. The judges commented: "Robin Hall spent more than twenty years as Managing Partner of Cinven, during which he built the former investment arm of the UK coal miners' pension fund into one of the biggest private equity firms in Europe."

