



## CFO Summit

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**Cross-Border M&A:  
Market Access and Brand Are  
Major Reasons**

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## Market Access and Brand are Major Reason

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# Overview of Oaktree – Profile

- Founded April 1995
- Over \$58 billion of assets under management as of June 30, 2008
- Invests in less efficient markets and alternative investments
- 19 synergistic fund platforms
- Office Locations
  - U.S.: Los Angeles (headquarters), New York and Stamford (Connecticut)
  - Europe: Frankfurt, London, Milan, Paris and Luxembourg\*
  - Asia: Beijing, Hong Kong, Seoul, Shanghai, Singapore and Tokyo
- Over 445 employees

*\* Office of affiliates of Oaktree-managed funds*

# Overview of Oaktree – European Principal Opportunities Fund

- Founded April 2005
- Focuses on special situation and transformational investing
- European team:
  - 30 investment professionals
  - Invested over €1.5 billion since 2005
  - Investments in UK, Germany, France, Italy, Spain, Czech Republic and Poland
- Invested over €400 million in CEE deals
- Record of working in partnership with management teams and original owners
- Conservative leverage structures; tend to over-capitalise businesses
- Strong operating model to support transformation of businesses and consolidation platforms
- Capitalise on industry-specific trends in targeted sectors

## Overview of Oaktree – European Principal Opportunities Fund

- Stock Spirits Group: No. 1 spirits company in Czech, No. 3 in Poland and No. 4 in Italy
- R&R Ice Cream: No. 1 private label ice cream company in Europe
- Groupe Smithfield: largest processed meats player in Europe
- Nordenia: German-based flexible packaging business
- Conbipel: fourth largest Italian apparel retailer
- SMI: joint-venture with Stroer Media to consolidate outdoor advertising sector in emerging markets
- Deko: leading German commercial real estate platform
- Gehag: Berlin-based residential real estate business

# Case Study: Stock Spirits Group – Overview

- Stock Spirits Group (“SSG”) is Oaktree’s CEE spirits consolidation platform and is comprised of:
  - The Stock companies, primarily No. 1 player in Czech Republic and No. 4 in Italy; acquired in August 2007
  - Polmos Lublin, No.3 player in Poland; acquired in September 2006
  - Both companies were merged in January 2008
  - Key player in Slovakia, Balkans and Baltics
- SSG is run by Neil Everitt, the ex-CEO of Allied Domecq in Europe, and his management team
- The group has four plants and produces approximately:
  - €250 million of net sales (net of excise tax); and
  - 90 million litres of alcohol
- Global export platform
  - Over 15 employees in U.S., 10 in Europe and partner in South East Asia

## Case Study: Stock Spirits Group – Macro Thesis

- Establish leading spirits company in CEE
- Tap into growth of local markets
- Create pan-CEE branded player with cross-selling and export opportunities
- Take leading brands in one country and expand into CEE
- Professionalize management practices and realize consolidation synergies
- Lack of multinational focus on the region
- High cash flow generation and ROIC
- Build scale and sell to multinational or IPO

# Case Study: Stock Spirits Group – Value Creation Initiatives

- Establish worldwide headquarters in UK with Neil Everitt as CEO of combined company
- Implement best practices across all countries
  - SKU reduction, product innovation and servicing of large retailers
  - Permanent reduction of working capital
  - Restructuring and rationalization of Italian operations
- Develop export platforms
  - Drive cross-selling opportunities across CEE
  - Consolidate platforms and leverage existing strength of Stock brands in U.S.
  - Launch Polmos brands in U.S.
  - Additional focus on Western Europe, Asia and India
- Aggressively pursue CEE acquisitions
  - Category leaders in additional countries
  - Leverage Stock's production expertise/excess capacity
  - Capitalize on scalability of export platform

## Case Study: Stock Spirits Group – Progress to Date

- Fully consolidated both platforms
- Management team in place and internal controls fully developed
- Significant gains from transformational initiatives, especially with regard to cash flow and profitability
- Good growth in local markets
- In progress on 3-4 acquisitions
  
- Cross-selling local brands into other CEE markets

## Case Study: Stock Spirits Group – Key Lessons Learned

- Multinationals less inclined to consolidate highly fragmented CEE markets
- Be prepared to invest behind growth
- Local businesses can benefit from Western-style management techniques
- Taking local brands into other CEE markets is challenging
- Synergy potential is more operational than commercial
- Hiring good local managers is getting tougher
- CEE markets have been more resilient to the credit crisis and economic downturn – but for how long?

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