

December 2017

Notes on Plus Capital's meetings with the Founding Partners of The Entrepreneur's Investment Office Limited in both Dubai and London.

Plus Capital is proud to represent The Entrepreneur's Investment Office Limited ("EIO") in Australia. EIO is a global investment company owned by a number of highly successful entrepreneurs and the Founding Partners. EIO focuses on building businesses and investing in high-growth opportunities - typically in private markets. As always, these Notes are intended to be the "next best thing to being there".

The genesis of EIO can be traced to Nick Levitt during his 25-year history in senior roles with HSBC in Asia and the Middle East where he dealt with numerous ultra-high net worth individuals (UHNWI) and entrepreneurs. Nick saw there was a material gap between what was being produced by the investment management community and banks, and what was in demand from the investors' perspective. He noticed that there was a significant improvement in client engagement and returns the clients were able to achieve when they were shown investment opportunities that they wanted to see, rather than pushing commoditised product as many organisations did.

Many of the world's UHNWIs had similar traits – interest in buying companies (SMEs rather than just large, listed companies), real estate (with yield or higher IRRs) and venture investment. They were all seeking returns above those normally available in public markets and, using good entrepreneurial judgement and de-risking through structure and security, there was an opportunity to achieve those returns through creative structuring and impeccable investment opportunity selection.

This was the opportunity Nick along with four other diversely experienced investment professionals identified, and was the reason why EIO was created. All five had either worked together or interacted with Nick in London or the UAE and welcomed a shift in investment management to a more direct, better aligned and less expensive model of co-investment in private markets. Critically they also have the skill set to originate and manage such investments.

In order to best deliver this concept, the Founding Partners have sourced the equity backing of over a dozen entrepreneurs, including some UHNWIs, as well as providing their own capital. EIO is owned by entrepreneurs and is the investment team for entrepreneurs.

In describing EIO, Nick and another of the Founding Partners, Dr. Nigel Meir (who is a former work colleague of Plus Capital's), start by saying what EIO is not, and then provide examples of what they have done. That is, while EIO has some similarities to a Multi Family Office, it does not undertake any of the classic functions such as asset allocation, governance, structuring, concierge and trust issues. Nor is it a broker or "middle man".

Nick and Nigel described EIO's three core business lines:

- + **EIO Capital** – creates pools of capital focused on a particular investment thesis that has the conviction of both EIO and also either a Joint Venture partner or an anchor investor. EIO then typically obtains institutional funding to support the partnership and drive improved returns.

An example is the capital for the first direct private equity platform, EIO-Abercross. This is a pledge fund, in joint venture with Abercross Holdings Ltd., where four of the largest commercial families from the Middle East have committed USD100mm and EIO has provided matching funds and expertise. The focus is to provide growth equity and buyout capital to profitable, mid-market UK-based businesses.

The first transaction which EIO-Abercross has completed was a significant minority equity stake in Typhoo Tea Ltd, the second largest UK tea player. This was closely followed by a majority and controlling stake in B4U Networks, one of the largest UK TV networks hosting some of the most popular Indian series and Bollywood films.

Another example of a platform / pool of capital which has been developed by EIO supports the acquisition, build-out and development of a portfolio of six to eight boutique, 5-star resort hotels across Europe together with the ancillary real estate developments. The investment proposal also includes a minority equity stake in the prestigious hotel operator who currently manages numerous resorts and spas around the world.

The objective of the EIO Capital business is to build and manage further capital pools each with specific investment themes aimed at generating above market returns relative to risk.

- + **EIO Special Situations** – is primarily focused on identifying unique direct investment opportunities mainly in real estate and private equity where there is an opportunity to create material value through defining and implementing the correct strategy and through the provision of capital.

For example, EIO has an exclusive opportunity to develop a business jet airport for London where the investor initially acquires an operating lease for 99 years for the land and also obtains all commercial rights in partnership with the airport's Fixed Base Operator (FBO).

- + **EIO Ventures** - works on behalf of investors and shareholders to build businesses, by the hiring of high caliber management teams, setting business strategy, providing relevant connectivity and ensuring there is initial seed funding. EIO will use its connections and expertise to turn ideas into businesses. Twelve such concepts have been built this year alone. One such deal is Prime Locality – a real estate business in UAE that will develop from its founding position as a classic brokerage business into a business that will ultimately be very different!

Finally, Nigel detailed how EIO has also developed the **EIO Alliance** – a leading global network of boutique investment firms and advisors that provide capital in support of EIO and its investors and a framework for “reverse enquiry” of their investment opportunities. The objective is to combine the benefits of independence with global scale.

We asked Nick and Nigel about the depth of experience the five Founding Partners bring to EIO. They noted that despite the diversity in their backgrounds, there were a number of common themes including the geographies in which they had each worked including the Middle East, Europe, Asia and the United States and in having worked for and with entrepreneurs, frequently connecting them to quality institutions to develop great partnerships.

Nick described that his 25 years with HSBC in a range of business units in Asia, Middle East and Europe culminated in being on the Global Executive Committee of one of the bank's four business lines. Nigel originally qualified and practiced as a medical doctor before being a diplomat in the Middle East and then moving, 25 years ago, into asset management and private equity.

They summarised the backgrounds of their colleagues: Ilan Azouri, over the last 22 years after an initial career in law has focused on private equity and real estate within his own family office and with other families & institutions; James Clifford was previously with Barclays Leveraged Acquisition Finance and was involved in a significant volume of private equity and financing transactions in Europe, Middle East and Africa; Majed Roz worked in the Middle East across various areas of banking with HSBC and Standard Chartered.

Both Nick and Nigel stress that while EIO raises operational capital, it will always remain aligned with the sources of that capital by co-investing. This is the characteristic which draws Plus Capital to work with EIO, as we recognise that institutional investors in Australia are seeking both "real returns from real assets" and to co-invest with the most successful business operators. We asked them to elaborate by way of an example using the hotel project referred to above.

The hotel project is the acquisition, build-out and development of 6-8 resort hotels in Europe for a well-established brand and Operator, along with ancillary residential real estate development as appropriate. The hotels will be managed by the Operator, but the assets will be owned by the Equity Investor (80%) and EIO (20%) via an SPV whose primary assets will be:

- + 6 to 8 underlying SPVs each owning an individual hotel in Europe (such as the ones below)
- + Minority shareholding (c.6%) in the Operator with earn-outs for future equity



Two of the properties under advanced discussions include one in Bordeaux and one near Madrid.

Importantly each of the SPVs will be managed by a management company owned by EIO and staffed and run by industry professionals experienced in world class hotel development, management and financing.

The Operator is known for sustainability and wellness and their hotels are renowned for being located in unique locations of natural beauty with the highest standards of luxury.

Currently discussions are advancing for French, Italian, Spanish and Portuguese assets.

Each proposal will be generated in a standard format that includes:

- + An extensive market opportunity assessment
- + A market feasibility report on the individual asset
- + A review of the Hotel Management Agreement and competitive options
- + A thorough highest and best use analysis
- + A full business plan including financial models and returns
- + A review of hotel services (spa, facilities, activities etc.)
- + A proposal on optimal capital structure

Target IRR for the portfolio of hotels will be > 17%, with a blend of higher returning developments and more established hotels generating a running yield of at least 6%.

Plus Capital looks forward to hosting EIO during the first quarter of 2018 to a series of meetings in Australia with institutional investors and their advisors.

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