



Bloomsbury Capital - Final Report

Evaluation of Investment Opportunities

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Entrepreneurial Finance

Professor Liu

Michael Murawski

Banque Pierre Malland & Cie (BPMC)

Overview Target Company and Transaction Structure

- Pure-play Swiss Wealth Management Private Bank (Mid-size)
- Focused on Client Portfolio Management only
- Strong brand reputation and existing client base
- Spin-Off from US-based owner Richardson Family



4.1 bn AuM

~20% CAGR over last 3 years



CEO - Jerome Lager

20+ years of experience



4 branches across CHE
new branch in Nyon

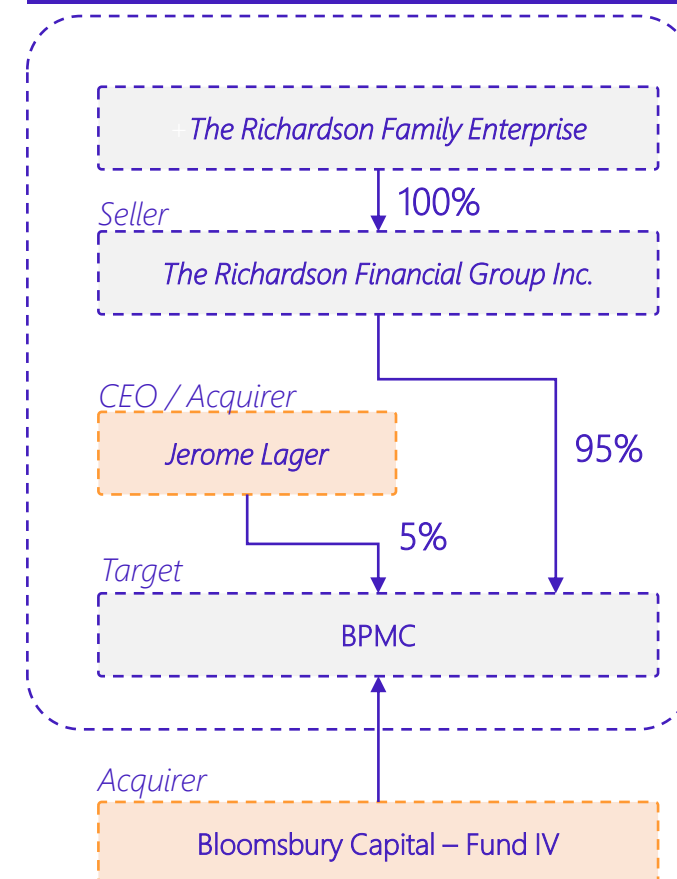


86 employees

12 hires in 2007

Selected Financials (CHFm)	2004	2005	2006
AuM (in bn)	2.9	3.5	4.1
Total assets	243.8	233.7	276.6
Shareholder equity	49.4	52.4	60.7
Total income	49.4	52.4	60.7
Operating expenses	(21.5)	(24.4)	(25.8)
Operating profit	9.4	12.6	17.1
ROAE		14%	18%
Dividend payout	3.5	5.2	6.8

Ownership Structure

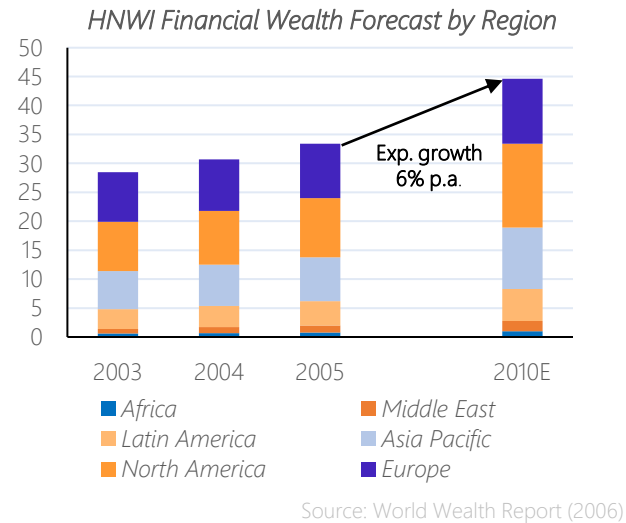


- BPMC considered non-core by US owner
- Acquisition structure not determined yet

Business Environment

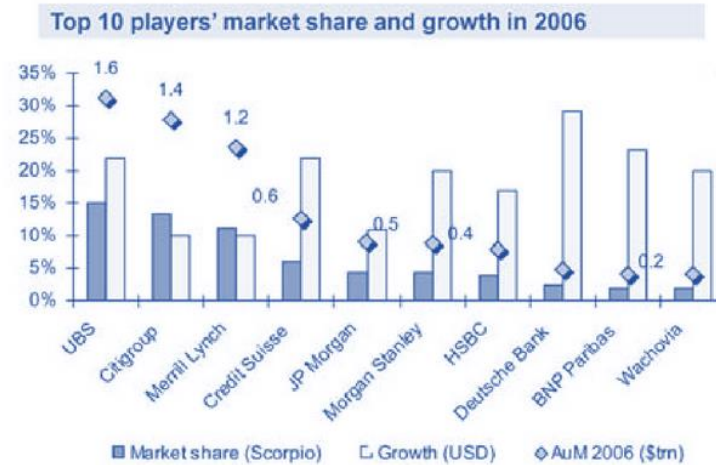
Market Outlook and Competitive Landscape

- Moderate global HNWI growth



- Attractive Sub-Sector
High growth banking sector (UBS)
Profitable profitable, strong CFs (CS)

- Growth Opportunities across sector including big players



- Fragmented Sector
Consolidation/Acquisitions expected
- Current Exit opportunities
Successful IPOs, market is "fairly hot"

- Clouded Outlook

- "Mid-sized (Trap) Swiss private banks likely to struggle"
(Bank secrecy and tax programs)
- "Market growth will be slow"
– Credit Suisse

- HNWI growth (demand) is expected, but so is an overall market slowdown.
- Fragmented market offers acquisition potential
- Acquisition potential must be utilized to avoid being in the "mid-size" trap

Company In-depth

Value creation

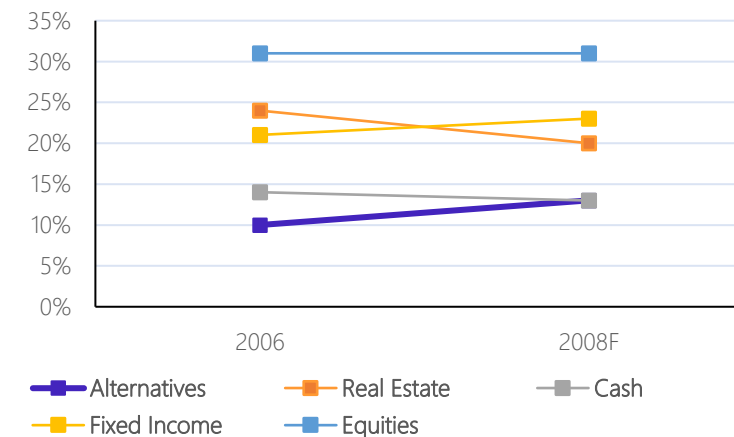
Income Statement	2004	2005	2006	CAGR
Net interest income	3.2	4.1	6.3	40%
Net fee income	23.4	27.4	32.1	17%
Net trading income	26.6	31.5	38.4	20%
Net profit	4.7	6.9	10.2	47%
Dividend payout	3.5	5.2	6.8	39%

>80% of stable
Net fee income

>60% of Net profit
distributed as dividend

- Stable Income and high dividend payout policy
- Expected Alternatives-Investments growth (competitive advantage) due to self-proclaimed expertise in Alternatives

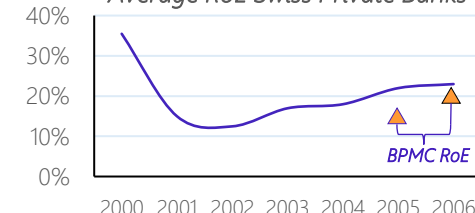
AuM by Investment Class



- McKinsey (Europe) Report:
 - Market performance is highly relevant to attract AUM
 Market Performance data missing

- Seizing External Growth:
 - External growth requires additional capital and
 - Expansion strategy

Average RoE Swiss Private Banks



- Peer-Group Underperformance
- Internal difficulties (Rumors)

Source: The International Private Banking Study (2009)

- High, stable cashflow provision to shareholders and good market position to address forecasted Alternatives Investment demand
- Missing information on market performance, existing debt and debt capacity, and rumored internal difficulties

Investment Recommendation

Overall decent investment opportunity, however strategic alignment is doubtful

	Upside Case	Base Case
Assumptions		
<i>Holding Period in years</i>	7	7
<i>Buy Price</i>	CHF 190m	CHF 250m*
<i>Dividend in t=0</i>	CHF 6.8m	CHF 6.8m
<i>Dividend growth rate p.a.</i>	6%	6%
<i>AUM growth rate p.a.</i>	14%	14%
<i>Sales Price*</i>	CHF 615m	CHF 615m
<i>Implied Sales Multiple</i>	3.25x	2.50x
Achieved IRR	22%	17%



Fair IRR, but below expectations
(33% is average IRR of recent realizations)



- High, stable cashflows
- Good reputation and market position for new trends (Alternatives)
- Engaged and experienced CEO
- Growing demand for Private Banking
- Currently attractive exit opportunities (IPO, "fairly hot" acquisition market)
- Opportunity for Bloomsbury to enter financial sector and CHE (!)
- LP recommendation, majority stake



- Expected IRR below recent transactions
- Underperformance 2005 & 2006 in comp. to peers (Private Banking Study)
- Cloudy Outlook, according to market leader and investee
- Key data missing, internal issues
- Lack of strategic alignment with Bloomsbury portfolio and concept

- While stable cashflows and an engaged CEO serve as big plus points, more information is required to make an appropriate decision. **With current information set, no investment should be carried out!**
- Several questions need to be addressed before further evaluating this opportunity
 - How will BPMC attract new AUM? How will BPMC address cloudy market outlook and mid-size trap? Acquisitions? How much capital could be made available for external growth? Acquisition strategy? Why did BPMC underperform in peer group? Which internal problems persist? How could Bloomsbury boost IRR, more leverage?
- Despite LP recommendation, **lack of strategic alignment** – Bloomsbury has no expertise in this sector and therefore couldn't properly utilize its majority vote.
- While this deal potentially opens up a new sector/country, it appears overly risky to simultaneously invest into a new sector/country and a potentially struggling company (internal issues)

Appendix BPMC

Income Statement	2004	2005	2006	CAGR
Net interest income	3.2	4.1	6.3	40%
Net fee income	23.4	27.4	32.1	17%
Net trading income	26.6	31.5	38.4	20%
Other income	4.3	5.5	4.5	2%
Total income	30.9	37.0	42.9	18%
Operating expenses	(21.5)	(24.4)	(25.8)	10%
Operating profit	9.4	12.6	17.1	35%
Tax	(1.8)	(2.4)	(3.6)	41%
Other	(2.9)	(3.3)	(3.3)	7%
Net profit	4.7	6.9	10.2	47%

Balance Sheet				
Amounts due from clients	77.5	71.5	69.3	-5%
Amounts due from banks	116.3	114.8	102.2	-6%
Total assets	243.8	233.7	276.6	7%
SH equity	49.4	52.4	60.7	11%

KPI				
AuM	2.9	3.5	4.1	19%
ROAE		14%	18%	
ROAA		3%	4%	
Dividend payout	3.5	5.2	6.8	39%

		Hold Period in years							Net Sale
		0	1	2	3	4	5	6	7
Best	Dividend Growth rate	6%							
	Net Buy	-190							
	Dividends	6.8	7.21	7.64048	8.098909	8.58484333	9.099933928	9.645929963	10.22468576
	Sale								615
Base	Net	-183.2	7.21	7.64048	8.098909	8.58484333	9.099933928	9.645929963	625.2246858
	Dividend Growth rate	6%							
	Net Buy	-246							
	Dividends	6.8	7.21	7.64048	8.098909	8.58484333	9.099933928	9.645929963	10.22468576
AUM	Sale								615
	Net	-239.2	7.21	7.64048	8.098909	8.58484333	9.099933928	9.645929963	625.2246858
	AUM Growth rate	14%							
	Expected Sales Price	4100	4674	5328.36	6074.33	6924.73666	7894.199788	8999.387758	10259.30204

190 is price CEO might negotiate,
250 is based on AUM rule

Assumptions

Holding Period in years	7	7
Buy Price	CHF 190m	CHF 250m*
Dividend in t=0	CHF 6.8m	CHF 6.8m
Dividend growth rate	6%	6%
AUM growth rate	14%	14%
Sales Price*	CHF 615m	CHF 615m
Implied Sales Multiple	3.25x	2.50x
Achieved IRR	22%	17%

* AUM (t=0) x 6%

** 1) AUM (t=7) x 6%

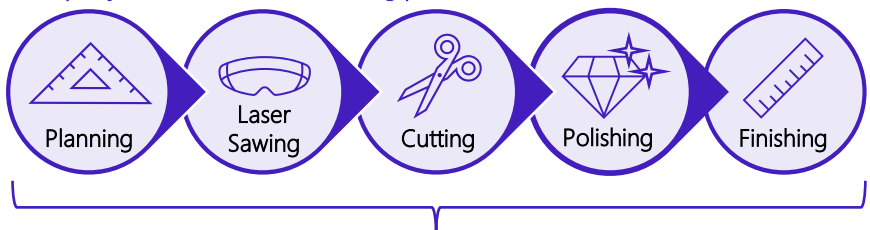
2) Buy Price x Avg. Cost multiple

Niras Technologies Ltd

Overview Target Company

- High-end Diamond manufacturer/service firm based in Belgium, founded 1988
- Development, manufacturing and marketing of marking systems
- Strong brand reputation and management team
- Founded by scientists and strategic investors – exit due to growing disparity

Exemplary Diamond Manufacturing process



Niras caters the entire diamond manufacturing value chain



31m revenue

~37% CAGR over last 5 years



Proprietary technology

loyal R&D team with track record



Global activity

incl. IND, USA, RUS, CHN, ZAR



123 employees globally

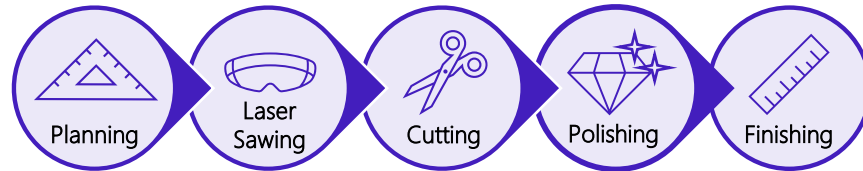
19 in engineering

Selected Financials (EURk)	2002	2003	2004	2005	2006
Gross Profit	5,910	10,222	12,673	20,742	20,413
Total Assets	3,950	8,147	12,026	29,551	32,841
Cash and Equivalents	1,384	3,965	5,496	11,700	13,386
Shareholder Equity	1,315	5,809	7,186	21,693	26,907
RoAE			69%	65%	34%
Revenue in India	69%	67%	70%	77%	0.72
Avg. Debtor turnover (in days)			21d	27d	34d

Products

Diamond manufacturing and diamond grading

Diamond Manufacturing process



Existing product lines

Dia Expert Nano
DiaMark

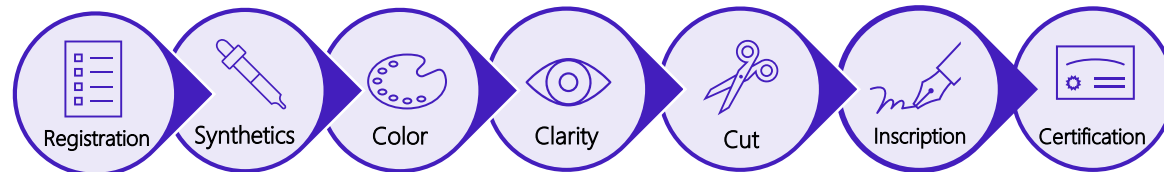
Quazer Laser
Cutting System

Disposable
Polishing Discs

DiaVision
DiaScan
DiaMension

- Relatively low market share
- Issues with new Nano product line should be addressed to avoid further losses

Diamond grading process



Existing product lines

DC3000
Colibri

! Future Products
Potential Synergy with
acquired Benelux
Industrial firm

DiaVision
DiaScan
DiaMension

DiaScribe

- Approx. 60% market share
- Future product development could fill the gap in "clarity" offering

Product related issues

- Israeli competitor
Low-End player, but also global outreach,
- Canadian competitor
low market penetration so far
potentially dangerous
- Indian Competitor founded by former employee
potentially dangerous
- Intellectual Property dispute with Russian competitor
Low-cost competitor but could erode margins

- Niras is high-end product leader with high market share in grading, no direct competition yet, further growth plausible
- Low market share in manufacturing could be addressed by fixing issues related to new Nano product line and acquisition of emerging competitors

Company In-depth

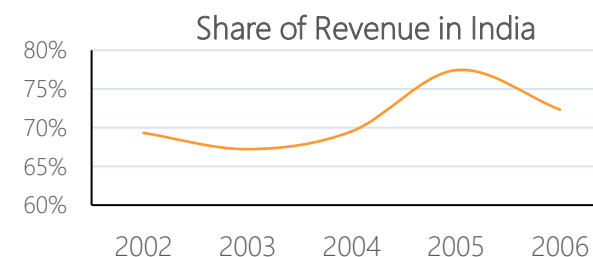
Value creation

Selected Financials (EURk)	2002	2003	2004	2005	2006	2007E	2008E	2009E
Revenues	8,909.00	14,694.00	18,822.00	30,291.00	31,327.00	38,532.00	46,239.00	55,486.00
Profit after Taxes	2,158.00	5,329.00	4,467.00	9,350.00	8,378.00	9,440.00	12,947.00	14,426.00
PAT Margin	24%	36%	24%	31%	27%	25%	29%	25%
Cash and Equivalents	1,384.00	3,965.00	5,496.00	11,700.00	13,386.00	Utilized for <i>Downside protection</i> OR <i>Acquisition</i> OR <i>Product development</i> - depending on environment		
Interest bearing debt	3.00	5.00	-	-	-			
RoAE			69%	65%	34%			

- Stable, pos. PAT and FCF
- >70% expected top- and bottom-line growth without synergy or acquisitions with stable margins

Enormous historical equity profitability

- Debt turnover slowdown (see Overview, Appendix)
 - Potential signal for economic distress of customer base
 - Reason for slowdown?



- Market and Macro exposure India
Mitigation could be costly
- New markets in CHN and ME could further reduce diversify revenues

- Niras boasts stable, positive cashflow, very high equity return and significant cash holdings. Cash holdings can be used flexibly depending on environment
 - Either to protect against India risks (Buy currency futures/options), to expand via acquisition or to develop new products
- India Risk already shrinking, further decline possible as Chinese and Middle East markets grow
- Debt turnover slowdown to be clarified before moving ahead with transaction

Investment Recommendation

Good stand-alone opportunity with strategic portfolio fit, but also additional synergy potential

Details

Equity stake	58%
Estimated Buy Price	GBP 100m
Historical Avg. PAT Margin	28%
Mgt.: Revenue growth (forecast)	>75%
Mgt.: PAT growth (forecast)	>70%
Mgt.: Avg. PAT Margin (forecast)	~26%

Product, Revenue and Cost Synergy Potential

- Majority stake acquisition with good upside
 - Mngt considers 70% more income over 3 years plausible, without external drivers!
 - Synergies or acquisition could double income



High revenue and GP growth, pos. FCF
high historical RoE

- Diversified, vertical product offering in diamond industry with recurring sales
- Market leader in diamond grading (60% share)
- Strategic investor divestment but upholding of respective sale contracts
- Experienced researcher, low staff turnover rate, IP assets, strong reputation
- Significant cash reserves and no debt, Flexibility and leverage potential
 - Buy dangerous competitors
- High synergy potential with existing portfolio company (Benelux, Measure/weight firm)
- Majority owner and strong alignment with Bloomsbury DNA



- Slowdown in Debtor Turnover
Solvency issues of customers?
- Lack of revenue diversification
India accounts for >70%
- Macroeconomic India exposure
Exchange and inflation rate

- Niras is in great shape – best of both worlds, existing strategic investors want to divest but contracted revenues with them remain,
- Loyal and experienced workforce, including executives but also researchers
- High profitability already, further growth expected -> very attractive deal by itself
- Synergy opportunity with existing portfolio company – geographical proximity (both Benelux) for (transport) cost savings, joint product innovation... no additional cost!
- Deal is in alignment with Bloomsbury concept and company will benefit from deep industrial sector knowledge – win-win situation which should convince the Niras management
- High cash levels offers even more upside potential (acquisition of competitors, product development) but can also be utilized to protect against India risk (Hedging)
- Very attractive opportunity, further steps should be initiated, investment is strongly recommended

Appendix Niras

Income Statement (EURk)	2002	2003	2004	2005	2006	2007E	2008E	2009E
Revenues	8,909.00	14,694.00	18,822.00	30,291.00	31,327.00	38,532.00	46,239.00	55,486.00
Gross Profit	5,910.00	10,222.00	12,673.00	20,742.00	20,413.00	24,661.00	30,518.00	37,731.00
Profit before Taxes	2,654.00	5,919.00	6,323.00	11,709.00	8,915.00	13,486.00	14,334.00	16,311.00
Profit after Taxes	2,158.00	5,329.00	4,467.00	9,350.00	8,378.00	9,440.00	12,947.00	14,426.00
Balance Sheet (EURk)								
Shareholder Equity	1,315.00	5,809.00	7,186.00	21,693.00	26,907.00			
Total Assets	3,950.00	8,147.00	12,026.00	29,551.00	32,841.00			
Cash and Equivalents	1,384.00	3,965.00	5,496.00	11,700.00	13,386.00			
Interest bearing debt	3.00	5.00	-	-	-			
Financial Ration (%)								
Gross Profit Margin	56%	70%	67%	69%	65%	64%	66%	66%
PBT Margin	30%	40%	34%	39%	29%	35%	31%	33%
PAT Margin	24%	36%	24%	31%	27%	25%	29%	25%
Revenue in India	69%	67%	70%	77%	72%			
Efficiency ratio (%)								
RoAE			69%	65%	34%			
RoAA			44%	45%	27%			
Avg. Debtor turnover (in days)			21d	27d	34d			
Avg. Payables turnover (in days)			90d	53d	74d			
Avg. Inventory turnover			63%	53%	54%			

References

London Picture

<https://pixabay.com/photos/city-of-london-bank-london-england-4481399/>

Swiss Flag

https://de.wikipedia.org/wiki/Fahne_und_Wappen_der_Schweiz#/media/Datei:Flag_of_Switzerland.svg

Belgian Flag

https://de.wikipedia.org/wiki/Flagge_Belgiens#/media/Datei:Flag_of_Belgium.svg

The International Private Banking Study 2005

https://www.google.com/url?sa=t&rct=j&q=&esrc=s&source=web&cd=&cad=rja&uact=8&ved=2ahUKEwjBu9m9zp35AhWGNt4KHQxCAHkQFnoECAMQAQ&url=https%3A%2F%2Fub.unibas.ch%2Fdigi%2Fa125%2Fsachdok%2F2012%2FBAU_1_5308433_2005.pdf&usg=AOvVaw2JAxEMLCe2uBL-_c5kPf3Y

The International Private Banking Study 2009

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World Wealth Report

<https://www.google.com/url?sa=t&rct=j&q=&esrc=s&source=web&cd=&cad=rja&uact=8&ved=2ahUKEwivpsjlzp35AhWLCd4KHSsiBZMQFnoECAIQAQ&url=https%3A%2F%2Fworldwealthreport.com%2Fwp-content%2Fuploads%2Fsites%2F7%2F2021%2F06%2FWorld-Wealth-Report-2006.pdf&usg=AOvVaw0loLo3X-dtVL7LKmdffbp8>

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