

IFCO

IFCO

A green revolution

IFCO's reusable plastic containers offer large retailers the opportunity to save money and reduce emissions at the same time.



Use once.



Use once...



and again...



and again...

IFCO continued

66

✕ Identify

We are all becoming increasingly conscious of sustainability and the need to use finite resources in a responsible way.

IFCO Systems, which owns and operates a pool of more than 100 million reusable plastic containers, plays into this trend by replacing the traditional cardboard and wood containers that were used to transport fruit and vegetables with plastic crates that can each be used up to 100 times. A recent study found that these reusable plastic containers reduce packaging waste by 95% and require 29% less total energy. The company's pallet management services operation offers recycling, back dock management and supply services to wooden pallet users in the United States.

Apax Partners' Business Services team in Munich identified these trends early on and saw in IFCO a company that was well placed to benefit from moves towards a greater appreciation of sustainability issues and also a continuing trend toward outsourcing amongst major retailer groups.

Retail trend

What became clear was that retailers were increasingly outsourcing logistics to specialists like IFCO. As well as enabling a retailer to minimise its environmental impact, using a specialist provider of reusable crates lowers the retailer's overall logistics costs through improved product handling and space efficiency, as well as packaging and waste disposal costs. Although cardboard is still the dominant packaging in both Europe and

the US, environmental and cost pressures on retailers have led to a continual shift towards reusable plastic packaging.

IFCO was acquired by the Apax Europe V fund in 2003. Apax Partners' Michael Phillips, Ralf Gruss and Korbinian Knobloch currently serve on the company's Supervisory Board.

100^m

IFCO owns 100 million reusable plastic containers.

-95%

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and again...

and again...



Support

With €0.5bn of plastic crates on its balance sheet and significant ongoing investment requirements to fund the expansion of the plastic crate pool, IFCO's is a capital-intensive business, which needed a long-term investor willing to support investment to enable the company to fulfil its growth potential.

The Apax Europe V fund replaced the more short-term focused shareholders at the time of investment with long-term equity and also supported the company in practical ways, chiefly through its experience in financing and governance.

Restructured financing

At the time of its acquisition by Apax Funds, the company had a relatively weak reputation in the financing capital markets, which hampered its growth plans. Concurrently with the investment of the Apax Funds, the Apax team helped and supported the company to re-finance and strengthen its debt structure such that future growth was supported and financed through an appropriate mix of long-term equity and debt.

Apax encouraged IFCO to grow both organically and by acquisition, and the company added acquisitions in 2006, 2007 and 2008, including key competitors in the

United States and Europe and its market entry into the South American market. Apax aided this process by supporting management in due diligence, deal structuring and contract negotiations.

At the time of Apax Funds' original investment in IFCO, the US market for reusable plastic crates was still in its infancy but had enormous growth potential. The Apax team supported additional investment in the core business as well as an acquisition in the US which were instrumental in enabling IFCO to shape the form of the market and to increase its market share and capture significant retail customers. Leading retail groups such as WalMart, Kroger and HEB are among the system partners of IFCO in the United States today.

Despite significant capital investment, the company's debt levels are at a modest 2x EBITDA, only slightly higher than they were at the time of its acquisition by Apax Funds six years ago.

Governance

Apax helped to strengthen the company's corporate governance, replacing the single-tier board with a two-tier structure consisting of a Board of Managing Directors, who are in charge of managing the company, and a Supervisory Board, whose function is to advise the Board of Managing Directors on the broader policy and direction of the company. This new structure means that the day-to-day operational expertise of the executive management is bolstered by the contribution of the experienced, commercially-minded Supervisory Board members brought in through Apax's network.

The Apax team has continued to support IFCO's management team, the senior members of which have remained unchanged since the time of acquisition.

100

IFCO plastic crates can be reused 100 times.



and again...

and again...