

### How Carlyle Creates Value

Deep industry expertise. Global scale and presence. Extensive network of Operating Executives. And a wealth of investment portfolio data; we call it The Carlyle Edge. These are the four pillars of Carlyle's value creation model. By leveraging these core capabilities and resources—Carlyle has established a 30-year overall track record of investing in companies, working to make them better and serving our investors' needs.



#### About B&B Hotels and the Transaction

Headquartered in Brest, France, B&B Hotels is a budget hotel chain with a presence in France, Germany, Italy, Spain, Poland and Czech Republic as well as Morocco through franchising.

B&B Hotels' business model relies on a simple and efficient concept based on value: affordable and large hotel rooms with limited service but with a strong focus on the quality of the room, with offerings such as free high speed WiFi and breakfast. B&B's success is also based on its homogeneous hotel network, which ensures a consistent customer experience across the network to foster customer loyalty and a reliable brand experience.

Carlyle acquired B&B Hotels in September 2010 through its Carlyle European Partners III and Carlyle Europe Real Estate Partners III funds and a specific real estate vehicle (Carlyle PropCo) designed to support the development of the company, particularly in Germany.

#### Key Achievements Under Carlyle's Ownership

B&B Hotels exemplifies a typical Carlyle Europe investment where Carlyle supports the international expansion of a company beyond its national footprint. The implementation of Carlyle's investment strategy was enabled further by the One Carlyle approach combining contributions from the Europe Buyout and Real Estate teams to provide the company with the necessary resources to execute on an ambitious growth plan.



### AT A GLANCE

#### B&B Hotels

**Industry:** Hospitality

**Region/Country:** Brest, France

**Funds:** Carlyle Europe Partners III & Carlyle Europe Real Estate Partners III

**Acquired:** September 2010

**Status:** Exited

# 110 hotels opened

During Carlyle's ownership, B&B opened 110 new hotels, bringing the total network to 321 hotels on exit.

#### ABOUT THE CARLYLE GROUP

The Carlyle Group (NASDAQ: CG) is a global alternative asset manager with \$169 billion of assets under management across 125 funds and 177 fund of funds vehicles as of September 30, 2016. Carlyle's purpose is to invest wisely and create value on behalf of its investors, many of whom are public pensions. Carlyle invests across four segments – Corporate Private Equity, Real Assets, Global Market Strategies and Investment Solutions – in Africa, Asia, Australia, Europe, the Middle East, North America and South America. Carlyle has expertise in various industries, including: aerospace, defense & government services, consumer & retail, energy, financial services, healthcare, industrial, real estate, technology & business services, telecommunications & media and transportation. The Carlyle Group employs more than 1,625 people in 35 offices across six continents.

Carlyle believes these selected case studies should be considered as a reflection of Carlyle's investment process, and references to these particular portfolio companies should not be considered a recommendation of any particular security, investment, or portfolio company. The information provided about these portfolio companies is intended to be illustrative, and is not intended to be used as an indication of the current or future performance of Carlyle's portfolio companies. The investments described in the selected case studies were not made by any single fund or other product and do not represent all of the investments purchased or sold by any fund or other product. The information provided in these case studies is for informational purposes only and may not be relied on in any manner as advice or as an offer to sell or a solicitation of an offer to buy interests in any fund or other product sponsored or managed by Carlyle or its affiliates. Any such offer or solicitation shall only be made pursuant to a final confidential private placement memorandum, which will be furnished to qualified investors on a confidential basis at their request.

Key value creation initiatives included:

- Reignited the pace of hotel openings following many years of funding constraints through the creation of Propco with dedicated real estate financing
- Accelerated B&B's expansion strategy outside of France with a strong focus on Germany where B&B has become a market leader in budget hospitality
- 110 hotel openings under Carlyle ownership (69 outside France) bringing the total network to 321 hotels on exit
  - France: 41 openings under Carlyle, +24% increase in footprint
  - Germany: 44 openings, +140% increase in footprint
  - Italy: 18 openings, +360% increase in footprint
  - Other geographies (Spain, Poland, Czech Republic): 7 openings
- Diversified third-party real estate financing sources beyond the Carlyle PropCo to establish an "industrialized" development model
  - Under Carlyle, B&B managed to secure several partnerships with third-party financing sources such as Foncière des Murs and ArtInvest for the financing of new hotel development
- Rapid deleveraging through implementation of sale & leaseback transactions with Foncière des Murs and PropCo taking advantage also of favourable market conditions to refinance B&B to improve its financial strength and flexibility
- Significant EBITDAR expansion with a 13% EBITDAR CAGR from entry to exit
  - At exit, EBITDA for international activities accounted for 58% of Group EBITDA, correlating to the original investment plan

#### Key Environmental and Sustainability Achievements

As a responsible automotive services provider RAC recognizes that its activities, products and services have an impact on the environment.

As such, RAC is committed to not only being compliant with all relevant environmental legislation and regulations, but also to the principles of prevention of pollution and to continuous improvement by introducing ISO14001 environmental management systems across all RAC sites and roadside operations. RAC will continue to take a lead in influencing motorist behavior, government transport strategy and motor industry practices as together we can reduce the impact on the environment from motoring.

#### Exit

In March 2016, Carlyle completed the sale of B&B Hotels to PAI Partners and completed partial sales of its real estate vehicles to Foncière des Murs.