



Rabobank

Case: Itho Group B.V.

Private Equity

Itho designs, manufactures and markets climate systems that both increase comfort and conserve energy. The company was looking for a partner to join forces with in order to conduct sustainable enterprise. It clicked immediately with Rabobank's private equity division, Rabo Private Equity, thanks to the shared commitment to a 'greener' future. Rabo Private Equity and the management ultimately acquired a 55% and 45% participating interest respectively. In partnership with Rabobank, Itho is now pursuing a range of green initiatives, including making houses energy neutral.

The Itho management team had already acquired 18% of the company's shares with the first buy-out back in 2000. Their mission from that point on was to transform Itho into a different company that independently develops energy-efficient climate systems. Prior to 2000, Itho (Internationaal

'Attracted to a shared commitment to a greener future'

technische handelsonderneming) had purchased these systems abroad. 'But we ran up against the stringent Dutch energy conservation regulations when importing these systems,' says General Managing Director Wim van den Bogerd, who has worked for 25 years at this company that was founded in 1919. 'Just continuing down the beaten path isn't our style. So we made the decision to start our own product development department that would provide young talented professionals who share our passion for the environment the opportunity to develop new, environmentally-friendly technologies and products for interior climate control. But when we tried to market these new products, we were unable to sell them at the price

Deal in a nutshell:

- **Where:** Schiedam
- **When:** 10 August 2007
- **What was the problem:** Itho sought a strong partner that wanted to acquire a participating interest in the company and that was prepared to help finance future growth.
- **Which solution is chosen:** Rabo Private Equity acquired a 55% participating interest in Itho and the management acquired the remaining shares.
- **Who were the parties involved:** Itho Group B.V., Rabo Private Equity.



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we had in mind. That's why we decided to launch our own production company in Etten-Leur five years ago.'

Extremely fast production

Thanks to smart design and a flexible workforce, the cost price of the products manufactured at Itho's production company in Etten-Leur is much lower than the cost price of competitors' products manufactured in low-wage countries. Van den Bogerd: 'By designing a heat recovery unit that enables some 100 purchased components to be

'We immediately said to each other: "This organisation fits us to a tee."'

assembled at top speed, the assembly time has been reduced from 3.5 hours to just 23 minutes. And the lead time is equally short. Super fast production and short lead times enable us to respond swiftly to demand. We hire people from the social employment service for the simple jobs, and we can vary the number of employees we hire from week to week. The flexibility that this gives us in terms of our workforce is even more important than the low costs. After all, if we import a machine from the Far East, we have to easily allow for a delivery time of 12 to 15 weeks. Our own plant has a total throughput time of less than ten days.'

The Green Bank

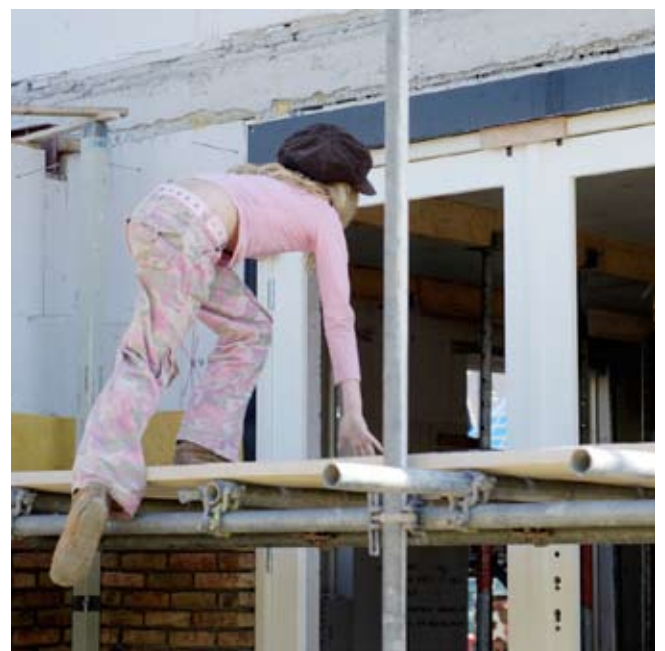
Majority shareholder AlpInvest Partners (one of the world's leading private equity investors) informed the company in 2007 that it wished to relinquish its shareholding in Itho. This was because the managed investment fund in which it had placed the 80% stake in Itho was about to expire.

'Our shares were auctioned off,' says Van den Bogerd. 'The bids were close to each other. AlpInvest gave us the first choice as the management team. We rejected a number of bidders outright. And then met with ten of the bidders. We preferred Rabobank's private equity company, Rabo Private Equity, from the outset. And one of the main reasons

why we liked them was their commitment to corporate social responsibility. They don't just talk about it at Rabobank, but also put their words into action. Another reason is that Rabobank is active in the field of sustainable energy. Take the Green Bank for example, which is the largest in the Netherlands. And other environmental initiatives such as the climate mortgage, green financing and financing offshore wind farms. It all adds up to a tangible commitment to sustainability. We immediately said to each other: 'This organisation fits us to a tee.' What's more, Rabo Vastgoed is the largest real estate developer in the Netherlands. So they can help us make newly constructed homes even more energy efficient.'

Lease construction

The deal was finalised on 10 August 2007. Rabo Private Equity acquired a 55% participating interest and the management purchased the remaining 45% of the shares. And while this transaction was still being finalised, the next deal in the pipeline – a lease construction – was already being developed. This construction was a textbook example of creative thinking. Itho supplies climate control systems, including heat pumps, for new houses, but retains ownership of these products. An amount of between six and eight thousand euros (including VAT) is then





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deducted from the new house price and is converted into a lease amount. This amount is then adjusted annually to the consumer price index for a period of 25 years. The systems are financed inexpensively (a 1%-point lower interest rate) through the Green Bank. The homeowner pays a fixed amount that is

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unaffected by fluctuations in oil and gas prices. 'We evaluated the different proposals we received,' says Van den Bogerd, 'and the lease construction Rabobank proposed was by the far the most economical.'

Energy neutral

The new homes for which these lease contracts are concluded still have to be built. The required heat pumps have yet to be manufactured. This opens up a huge growth market for Itho. Not only in the Netherlands, but also further afield. Van den Bogerd, who says he is personally dedicated to the environment, is already looking to the future. 'We have taken a major step towards making houses energy neutral. Our systems currently feature an Energy Performance Coefficient (EPC) of 0.4. And with the support of wind and solar energy, we will be able to reduce the EPC of new homes to zero.'

Key characteristics of the deal:

- Secondary management buy-out in which Rabo Private Equity and the management acquired 55% and 45% of the shares respectively.



Rabobank also invests in wind energy and will most likely also be able to help us achieve this aim.'

Interested?

Contact your account manager or your local Rabobank.