

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 \$210 billion of assets under management across 335 investment vehicles as of June 30, 2018. 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 Credit 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 31 offices across six continents.

Set forth herein is a selected case study that Carlyle believes illustrate its ability to create value at, and improve the performance of, its portfolio companies. The performance of these portfolio companies is not necessarily indicative of the performance of all of Carlyle's portfolio companies. The information provided herein is for informational purposes only and is not 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 (the "Interests") in any fund or other product sponsored or managed by T.C. Group, L.L.C. or any of its affiliates (together, "Carlyle"). Any such offer or solicitation shall only be made pursuant to a final confidential private placement memorandum (as amended and/or restated from time to time) and the applicable fund's subscription documents, which will be furnished to qualified investors on a confidential basis at their request for their consideration in connection with such offering.

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.