

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.



Supporting an exceptional brand and accomplished entrepreneurs in capitalizing on digital media growth.

About Beats and the Transaction

The Carlyle Group acquired a minority stake in Beats Electronics LLC in October 2013 and exited the investment through a sale to Apple, Inc. in July 2014.

Beats is a creator and marketer of premium headphones, speakers and audio accessories that deliver high quality sound with an appealing design aesthetic. Dr. Dre and Jimmy Iovine founded Beats in 2006 to address the degradation in audio fidelity that resulted from music's transition to portable and digital formats, while providing improved sound quality and an attractive product design. The Beats team's significant sound and music expertise combined with their strong capability in audio engineering enables the Company to develop revolutionary products that deliver sound the way the artists intended. Since its founding, Beats has redefined the headphone industry, creating the market for premium, stylish headphones and audio accessories. At the time of our exit, the Company distributed its products through nearly 50,000 retail stores globally, including through key retail partners, its own retail store in New York and its website, and had captured the #1 market position in the U.S., EMEA, Asia and Latin America. In addition, the Company earns royalties through third party licensing partnerships.



beats by dr.dre

AT A GLANCE

Beats Electronics LLC

Industry: Consumer & Retail

Region/Country: Santa Monica, CA

Fund: Carlyle Partners V

Investment: October 2013

Status: Exited

60%

Beats is a world leader in headphones with more than 60% market share in North America alone.

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 Metrics

- Enhanced the management team by recruiting Chief Operating and Chief Financial officers
- Utilized the One Carlyle global network to help accelerate the Company's international expansion, particularly in Asia
- Prepared the Company for a sale to Apple
- During Carlyle's nine-month ownership period, the Company increased LTM Revenue by 34%

Investing Behind Worldwide Leader in Headphones with Powerful Brand and Best-In-Class Marketing

Carlyle invested behind talented entrepreneurs who revolutionized the music and headphone industries, and who have tremendous audio authority and authenticity for consumers. The Beats brand is powerful, highly differentiated and resonates with consumers around the world. The brand is bolstered by innovative, creative and best-in-class marketing with unique product and packaging design. The combination of a great brand, unique and high quality product and excellent marketing enabled Beats to become a world leader in headphones with more than 60% market share in North America alone.

Strengthening Management for the Next Stage of Growth

To prepare Beats for the next stage of its growth, the founders and Carlyle set about further professionalizing the organization by recruiting new Chief Operating and Chief Financial officers. With the new team, the Company significantly improved operations, including streamlining its manufacturing partner base, establishing and enforcing a better global returns policy, capturing sourcing cost-downs, and optimizing transportation and distribution expenses (including through the Company's partnership with Carlyle's leveraged purchasing team).

