

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.



Carlyle accelerated Haier's transition from a white goods manufacturer to a top online-to-offline integrated channel service provider for household-related products in China.

About Haier Electronics Group and the Transaction

Haier Electronics Group is one of the largest integrated channel service providers for home appliances in China, and a prominent global manufacturer of washing machines and water heaters. Headquartered in Qingdao, China with approximately 15,000 employees worldwide, Haier is listed on the Hong Kong Stock Exchange under ticker 1169.HK.

The Carlyle Group invested in Haier in July 2011 and obtained one board seat. Carlyle saw the opportunity to capitalize on the rapid growth of China's white goods industry in 3rd and 4th tier cities. Haier's extensive distribution network in these cities helped to create a distinct competitive advantage.

During Carlyle's investment, Haier successfully transitioned from a white good manufacturer to a top online-to-offline integrated channel service provider for household-related products in China. Between 2010 and 2014, Haier achieved CAGR in revenue, EBITDA and net income at 16%, 21% and 26%, respectively. Carlyle completed its exit from Haier in April 2015.

Haier

AT A GLANCE

Haier Electronics Group

Industry: Consumer

Region/Country: Qingdao, China

Fund: Carlyle Asia Partners III

Acquired: July 2011

Status: Exited

Haier



Carlyle helped Haier form a strategic partnership with Alibaba Group, the prominent e-commerce platform in China.

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

- Provided strategic support by helping the board set up a three-member Strategy Committee (including the CEO, an independent director and Carlyle's director) to guide the company's major strategic decisions
- Provided operational support through assistance in recruiting, designing management incentive plans and organizing visits to Carlyle's portfolio companies in the U.S. to share best practices in distribution strategies
- Improved corporate governance by increasing the number of external directors
- Provided public market support by leveraging Carlyle's global resources and network to improve Haier's investor relations and research coverage

Accelerated Business Model Transition

With Carlyle's support, Haier successfully refined its position to become an online-to-offline integrated channel and logistics service provider for household-related products. In 2013, Carlyle helped Haier form a strategic partnership with Alibaba Group, the prominent e-commerce platform in China, and formed a logistics JV for the last-mile delivery and installment service for bulky e-commerce products. Carlyle also helped Haier recruit multiple senior management executives for the distribution and logistics businesses. During Carlyle's investment period, Haier's integrated channel service's EBITDA as a percentage of total EBITDA increased from 25% in 2010 to 40% in 2014. The channel business has transitioned from a traditional offline brick-and-mortar distribution network into an online-offline integrated business model with a focus on logistics and after-sale services. The logistics business saw a strong 22% CAGR from 2010 to 2014, driven by the ramp-up of the 3rd party logistics business leveraging the Alibaba partnership.

Improved Corporate Governance

Carlyle has helped Haier improve its corporate governance as a publicly listed company on the Hong Kong Stock Exchange. After Carlyle's investment, Haier increased the number of external directors from three to six out of a total of nine Board seats. Carlyle also helped introduce multiple external directors, including the former CEO of Amazon China, the Senior Vice President of Yahoo Asia, the former Executive Chairman of Amway Asia, and the CEO of Alibaba Group. The new external directors have played an important role in Haier's strategic transition to the online-to-offline model and in optimizing its channel strategy and global expansion.