

CASE STUDY

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 provided consistent support to Qualicaps’ management team to improve the company’s business and expand globally, transforming a group of regional manufacturing plants into a global healthcare product provider.

About Qualicaps and the Transaction

In October 2005, Carlyle acquired a 100% stake in Qualicaps Group (formerly known as Shionogi Qualicaps) from Shionogi & Co. Ltd., and exited the investment through a sale to Mitsubishi Chemical Holdings Corporation in March 2013.

Founded in 1965, Qualicaps is a manufacturer of hard capsules - hard gelatin capsules (“HGC”) and plant origin hard capsules (“HPMC”) - mainly used in pharmaceutical industries around the world. While HGC capsule is the company’s core product, HPMC capsule has become an increasingly important business and a growth driver for the company. Qualicaps has long maintained a leading position primarily in the pharmaceutical hard capsule business segment, and is the largest pharmaceutical capsule manufacturer in Japan.



AT A GLANCE

Qualicaps Group

Industry: Healthcare

Region/Country: Japan

Fund: Carlyle Japan Partners

Acquired: October 2005

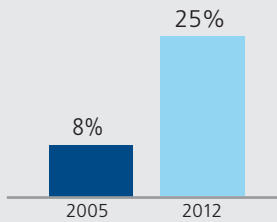
Status: Exited

Key Value Creation Metrics

- Increased sales and EBITDA by 50% and 120% respectively
- Turnaround of its U.S. operation, which had been in red for decades
- Increased employment from around 600 to 1,000
- Quadrupled HPMC capsules’ sales worldwide

U.S. OPERATION TURNAROUND

During Carlyle's ownership, U.S. market share more than tripled



About The Carlyle Group

The Carlyle Group (NASDAQ: CG) is a global investment firm with deep industry expertise that deploys private capital across four business segments: Corporate Private Equity, Real Assets, Global Credit and Investment Solutions. With \$223 billion of assets under management as of June 30, 2019, Carlyle's purpose is to invest wisely and create value on behalf of its investors, portfolio companies and the communities in which we live and invest. The Carlyle Group employs more than 1,775 people in 33 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.

Major Valuation Creation Initiatives

Turnaround of U.S. Operation

Qualicaps' U.S. operation faced great challenges and was unprofitable for decades. With Carlyle's support, the company strengthened the leadership of its manufacturing quality team, advocated best practice sharing and committed resources to enhance product quality and productivity, which resulted in a successful turnaround of the underperforming U.S. plant. Since then, the U.S. operation has become an important part of the company's production facilities, offering greater access to the world's largest pharmaceutical companies in the U.S. During Carlyle's ownership period, Qualicaps' market share in the U.S. increased from 8% to 25%.

Improving HPMC Capsules' Sales

Qualicaps is the only commercially viable provider of high-quality HPMC pharmaceutical capsules, exhibiting significant upside potential in its business. As a long-term partner with strong confidence in Qualicaps' prospects, Carlyle provided expertise and resources to support the growth of the HPMC capsules business. In addition to consolidating sales activities across different regions, Qualicaps rebuilt the global joint sales team efforts, implemented global marketing strategy to improve product/price mix, pricing strategies and global key customer relationships. The company expanded its global production capacity with dual sourcing capability, which is becoming increasingly important amid growing demand from global pharmaceutical customers. As a result, Qualicaps recorded a strong growth in its HPMC capsules business, which has become a key growth driver for the company.

Expanding Global Business Footprint, Including Roll-up M&A Activities

With Carlyle's support, including follow-on capital injection, Qualicaps rapidly expanded its global business footprint. To strengthen its in-house capsule manufacturing capabilities, Qualicaps acquired Technophar, a Canadian company specializing in the design, development and manufacture of capsule manufacturing equipment. With Technophar's newly introduced machine, Qualicaps boosted the production of high-quality HPMC capsules. The company also acquired a capsule manufacturing factory in Romania to increase the production capacity in Europe on a lower cost basis.

Establishing Global Management Infrastructure Supported by One Carlyle Approach

When Carlyle first invested in Qualicaps, the company only operated three regional factories in Japan, the U.S. and Spain without any global corporate function. Carlyle believed there was a meaningful opportunity to help the company build a global management infrastructure and improve corporate governance. With the support of Carlyle's U.S. Buyout Healthcare team and Operating Executive Tom Rabaut, Qualicaps established a global management platform. The company transformed its strategic direction with the appointment of a new global CEO and CFO, and focused on consistent key performance indicators when evaluating its financial performance across the regions.