

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 29-year overall track record of investing in companies, working to make them better and serving our investors' needs.



Leveraging the *One Carlyle* culture and approach to value creation, Carlyle helped transform Service King from a quality local operator into a national powerhouse. From August 2012 to August 2014, Service King nearly quadrupled in size and expanded into 19 additional states while increasing employment from 1,457 to 4,087.

About Service King and the Transaction

Service King, headquartered in Richardson, Texas, and founded in 1976, is one of the largest and fastest-growing multiple-shop operators of automotive collision repair centers nationwide. Service King operated 177 collision repair centers across 20 states as of June 30, 2014.

In August 2012, Carlyle invested in Service King, a collision repair services company in Texas. Carlyle saw the opportunity to partner with the company's management team and expand Service King's operating practices into new markets nationwide. With a strong culture, emphasis on training and investment in IT infrastructure, Service King committed itself to repair performance and quality as well as customer satisfaction. Service King's reputation with automotive insurers, as well as its scalable operating and acquisition model, enabled it to consolidate top, highly professionalized national operators. Collision repair is an extremely fragmented industry nationally, comprising approximately 34,000 primarily independent or entrepreneur-owned repair shops. Carlyle helped Service King rapidly transform through a series of successively larger and more complex acquisitions.



AT A GLANCE

Service King

Industry: Technology & Business Services

Region/Country: United States

Fund: Carlyle Strategic Partners III
Carlyle U.S. Equity Opportunity Fund

Acquired: August 2012

Status: Current

Key Value Creation Metrics Through August 2014

- Increased footprint from 47 Texas locations to 177 locations across 20 states

177 locations

With Carlyle's assistance, Service King widened their footprint, increasing the number of locations from 47 in Texas to 177 locations across 20 states.

ABOUT THE CARLYLE GROUP

The Carlyle Group (NASDAQ: CG) is a global alternative asset manager with \$169 billion of assets under management across 125 funds and 177 fund of funds vehicles as of September 30, 2016. 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 Market Strategies 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 35 offices across six continents.

Carlyle believes these selected case studies should be considered as a reflection of Carlyle's investment process, and references to these particular portfolio companies should not be considered a recommendation of any particular security, investment, or portfolio company. The information provided about these portfolio companies is intended to be illustrative, and is not intended to be used as an indication of the current or future performance of Carlyle's portfolio companies. The investments described in the selected case studies were not made by any single fund or other product and do not represent all of the investments purchased or sold by any fund or other product. The information provided in these case studies is for informational purposes only 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 in any fund or other product sponsored or managed by Carlyle or its affiliates. Any such offer or solicitation shall only be made pursuant to a final confidential private placement memorandum, which will be furnished to qualified investors on a confidential basis at their request.

- Executed 18 acquisitions in two years
- Increased annualized revenue from \$270m to ~\$710m; annualized EBITDA grew by 84%
- Upgraded the finance and accounting department to accommodate the company's shift from a local founder-owned business to a sophisticated national operation
- Entered into an enterprise-wide supply partnership with Axalta Coating Systems (a Carlyle Partners V portfolio company), a global provider of liquid and powder coatings in the automotive industry

Major Value Creation Initiatives

Executing Effective Growth Strategy

Following Carlyle's investment, Service King and Carlyle embarked on a transformative acquisition program to deploy Service King's operating model into new markets. Service King rapidly completed two platform acquisitions, representing its initial entry into metropolitan markets outside of Texas, and subsequently worked with Carlyle to develop its internal team and strategy for sourcing, executing and integrating acquisitions seamlessly, regardless of scale or location. Service King leveraged Carlyle's expertise in arranging access to capital to fuel its growth program.

Strengthening Management Team to Support National Platform

Carlyle augmented Service King's financial and accounting team, bringing in a new Chief Financial Officer who led a staff-wide upgrade to support an expanding business. Alongside Carlyle, the Service King team was able to optimize its debt funding, particularly to support growth. Additionally Carlyle worked with Service King to refine its acquisition due diligence and transaction staffing and process, which ultimately led to the successful integration of 18 acquisitions.

Forming a Significant Partnership with Axalta

Leveraging the One Carlyle collaborative network, Carlyle facilitated the formation of a strategic partnership between Service King and Axalta, a business relationship that has resulted in substantial economic benefits to Service King. In addition to providing Service King with high quality paints systemwide, the partnership offers significant co-marketing efforts as well as dedicated paint support for transitioning Service King's acquisitions into a common platform.

Embarking on Next Phase of Growth

In August 2014, Carlyle entered into a recapitalization transaction in which The Blackstone Group, another prominent private equity firm, became Service King's majority investor. Carlyle, its co-investors, and the management and employees of Service King retain a significant minority stake in the company. As part of the recapitalization transaction, Carlyle completed a full exit from its first investment in Service King, and re-invested in the newly-capitalized company.