



Creating an independent organization operating outside the structures of an international corporation. Success of the management group.

Investor: **Avallon MBO Fund**

Industry: **Hygiene products**

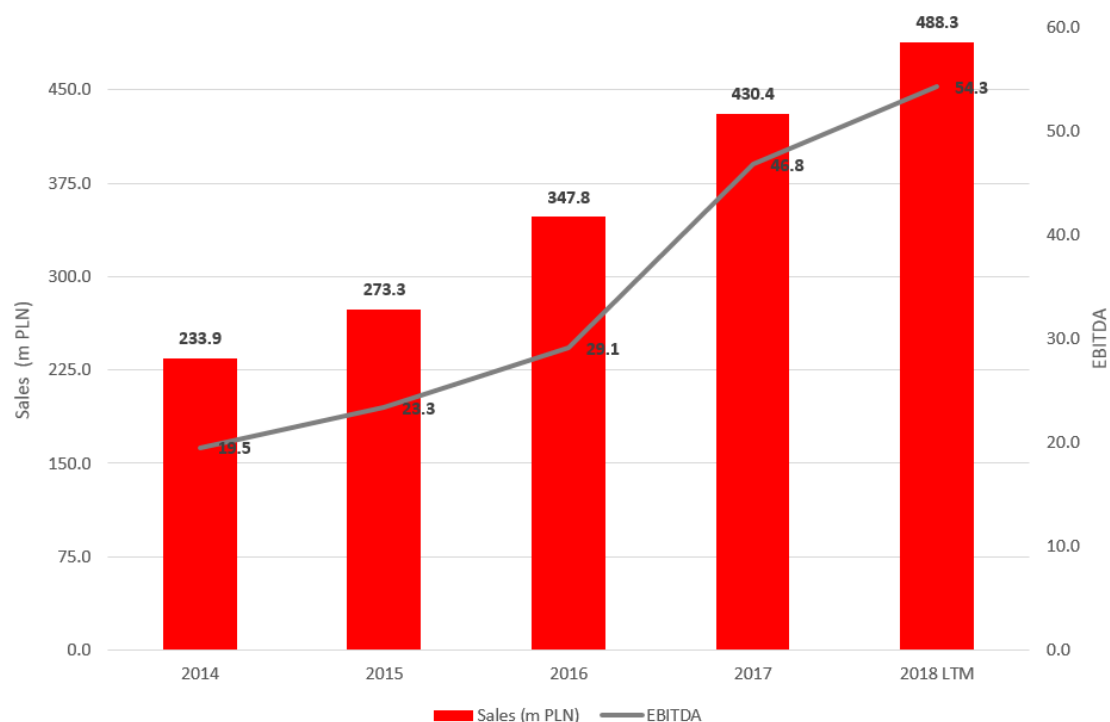
Year of investment: **2013**

Company

Velvet Care is the Polish number 1 manufacturer of branded hygiene products (toilet paper, tissues and kitchen towels). The company has a 120-year history.

The company was created in 2013 in an MBO transaction as an independent organization operating outside the structures of an American corporation, Kimberly-Clark. Thanks to an ambitious development plan that included a PLN 250 million investment, the company has become a key player in the CEE region. The Velvet brand has held the leading position on the market in the main tissue categories: it is the number 1 player in the toilet paper and tissue segment, and number 2 in the kitchen towel segment.

Growth

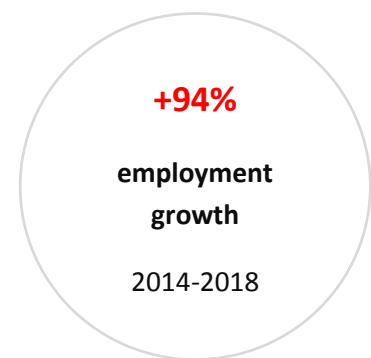
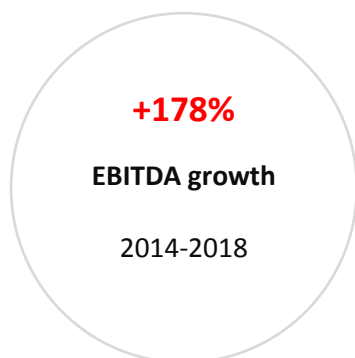


Main objectives of funding

- > creating an independent organization operating outside the structures of an international corporation;
- > co-financing an ambitious development plan with the company's managers that included the investment of PLN 250 million into new product lines and consistently strengthening the Velvet brand's position;
- > supporting the company's growth by launching new products under the Velvet brand and by introducing new distribution channels;
- > arranging financing of the investment programme.

Achievements of the company

- > doubled growth from PLN 234 million to PLN 488 million (from 2014 to the Fund's exit in May 2018) and accomplished strong geographical and product expansion;
- > increased EBITDA profitability to over 11% despite dynamically rising prices of the main raw material;
- > strengthened its leading position on the market of paper hygiene products in Poland – in 2018 Velvet became the leader in the branded toilet paper and tissues category and was second in the kitchen towels category;
- > implemented an ambitious investment programme (in total approx. PLN 250 million) that led to doubling of both generation capacity (new paper machine) and processing (new processing lines), as well as enabling investment in a modern warehouse for finished products;



Value added by PE/VC fund

- > creating the basis for developing an independent organization operating outside the structures of an international corporation: launching new credit lines, introducing a new brand identification and corporate visualization, building a purchasing department, reconstructing IT systems, optimizing costs and financing;

- > acquiring the position of the undisputed market leader in the main product categories (toilet paper tissues; face tissues);
- > doubling of sales (from PLN 234 million to PLN 488 million) thanks to the introduction of new sales segments such as private label channel, gaining new export markets (DACH markets) and development of new product categories under the Velvet brand;
- > joint venture with a German partner combined with expansion to DACH markets;
- > consistent implementation of development investments – in total, between 2013 and 2017 approximately PLN 250 million was invested in machinery, which allowed the company to double production capacity and build the largest investment in its history – a new paper machine.