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# Exit focus: Italy's Ambienta reaps three-digit IRR

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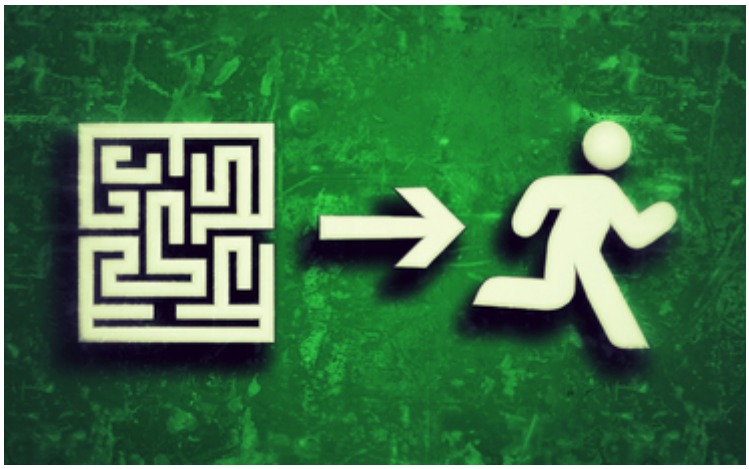
12 Aug 2013, Amy King, unquote



In late July, Italian environmental investor Ambienta divested its majority stake in lighting tower producer Tower Light to US-based generator manufacturer Generac. The brevity of the holding period made the exit remarkable: divesting after just 18 months, the GP defied the European convention that has seen average holding periods lengthen to nearly six years.

But it was the sky-high returns that really caught the eye: information gathered on the market suggests the GP reaped a three-digit IRR, a stand-out example given the current status of the Italian market.

In February 2012, Ambienta acquired an 82% stake in the firm as part of a leveraged buyout. Capital was committed from Ambienta I, which closed on €217.5m in October 2009. Tower Light CEO Andrea Fontanella reinvested a portion of the sale's proceeds to retain the remaining stake in the company, which recorded a €30m turnover at the time of the deal.

Generac was introduced to the firm shortly after the Ambienta buyout by the investment banker that had led the Generac IPO in 2010. The company, backed by CCMP Capital since 2006, sold 18.75 million shares for $13 each, raising about $243.8 million, though it was reported to have sought to raise more.

"At first the idea was to establish a commercial relationship," explains Mauro Roversi, partner at Ambienta. "We wanted to sell our tower lights in the US and they wanted to use our network to distribute their product. It all started under a very commercial umbrella."

But in April 2013, Generac expressed its interest in a potential acquisition of Tower Light, convinced

of the firm's steady grounding as a platform into Europe. A pricing agreement was reached in a very short space of time, with the vendor supporting a short due diligence process. The deal closed at the end of July.

"It was very quick. The fact that we were so successful in selling the company was due to their genuine interest. They were really looking for a platform in Europe to develop and distribute their core products," says Roversi. Other industrial buyers were interested in the asset, but given the cemented relationship between the two firms and the swift agreement on valuation, the exit route seemed natural.

So how did Ambienta double the company's EBITDA and drive revenues to €37m under such a short ownership period? "We continued the internationalisation of sales, so on one side we consolidated our leadership in key European markets like the UK, the Netherlands and France," explains Roversi. "We also started a business in Germany, which was really successful after a year. Then we opened in new markets such as the Middle East and South America, where we established a subsidiary in June 2013."

The GP's strategy was introspective too. "Our input was mostly in improving systems, reporting and production efficiency - we had to cope with increasing demand so we really had to improve efficiency," Roversi says. "We entered the company at a very good entry price. We also doubled EBITDA and we deleveraged the firm. The combination of the three elements made an early exit very attractive," he adds.

An early exit it may have been, but it couldn't have come at a better time for the Ambienta: a first closing on the firm's second fund is expected on around €150m in mid-September 2013. The documents are currently being finalised, with LP commitments lined up for after the summer break.

And with a final target of €300m, as reported by *unquote*" in February, the vehicle will be 38% larger than its predecessor - an unusually bold move in a country where fundraising activity has fallen ominously quiet. The exit appears to have proved that there are big bucks to be made for hard-hitters. "It proved the concept," says Roversi. "It showed you can achieve outstanding results despite the difficult market conditions."

Like its predecessor, the fund will focus on European companies in energy saving, gas and pollution control technologies. "But the big difference between Fund I and Fund II is that this latest raise is directed more towards international investors. We want to expand the percentage of international investors this time. Mainly funds-of-funds," Roversi explains. Though this time around, onlookers can expect an accelerated pace. Since the last fundraise, the firm has expanded its headcount and opened a Munich office with the hope of packing a quicker punch.

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