



EDMOND  
DE ROTHSCHILD

# EDMOND DE ROTHSCHILD EQUITY STRATEGIES

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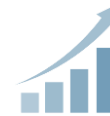
# *ERES: the collaborative capital specialist for small and medium-sized companies in Europe and North America*



A fund dedicated to  
**collaborative capital**



Investing in **Mid-caps**,  
mainly in the OECD  
region, alongside other  
shareholders and  
management



to contribute to their  
**development**

- › Through acquisitions
- › With a strong governance
- › And a tailored capitalistic approach

# ERES IN FINANCIAL SERVICES

27% of the funds deployed in 9 Financial Services transactions since 2011

## An attractive industry...

<b>Large and fragmented market</b>	<ul style="list-style-type: none"> <li>➤ One of the largest contributor to GDP in Europe and the US</li> <li>➤ Highly fragmented market, especially at the SME level</li> </ul>
<b>Fundamental growth</b>	<ul style="list-style-type: none"> <li>➤ Aging population and massive wealth creation, in particular in emerging economies, drive growth in the industry</li> </ul>
<b>Increasing regulation</b>	<ul style="list-style-type: none"> <li>➤ Regulatory pressure accelerate outsourcing of parts of the value chain to specialized players</li> </ul>
<b>Digitalization of services</b>	<ul style="list-style-type: none"> <li>➤ Significant improvement of service level and cost structure delivering more value to customers</li> </ul>

## ... in which ERES has identified key investment themes...

<b>Dislocation of large financial institutions / outsourcing</b>	<ul style="list-style-type: none"> <li>➤ Main financial institutions have been focusing on their core capabilities</li> </ul>
<b>Underserved credit markets</b>	<ul style="list-style-type: none"> <li>➤ Large banking groups have reduced appetite for risky balance sheet assets</li> </ul>
<b>Consolidation</b>	<ul style="list-style-type: none"> <li>➤ Specific market niches are particularly fragmented and suitable for consolidation</li> </ul>
<b>Growth in wealth</b>	<ul style="list-style-type: none"> <li>➤ Growing wealthy populations need more sophisticated and high quality investment platforms</li> </ul>

## ... leading to rich dealflow, followed by several investments





# GOLDEN PEAR FUNDING

## Company Profile

- Leading provider of pre-settlement litigation finance in the United States: provides non recourse advances to claimants to finance living costs for fighting a legal battle with insurance companies
- Yearly origination of \$80M, total book of \$350M, 70 employees, 10k+ cases funded per year, mainly in New York state
- Carve out from a family holding, incumbent CEO was son of the founder
- Lightly regulated industry in need of firmer guideline

## Investment Thesis

- Deep and underpenetrated market with very significant expansion potential and high historical growth, de-correlated from GDP
- Fragmented competition with a few private equity backed champions emerging
- First-time buyout with significant governance and organization potential
- Equity injection in the company to fuel portfolio growth
- Strong downside protection with book value run-off
- Opportunity to use large amount of data to streamline processes and develop new services

# LESSONS LEARNED IN GOLDEN PEAR AND FINANCIAL SERVICES

## Increasing regulation

- Creates disruptions which reshuffle market positions and change business model
- Forces fragmented industries to consolidate
- Favors players with strong governance and processes
- Creates opportunities for talented management teams

## Digitalization of services

- Forces historically sleepy sectors of financial services to change rapidly
- Creates opportunities for cost reduction (underwriting process automation)
- Fosters the creation of new services (checks -> e-credit card)

## Fundamental growth

- Driven by aging population who saves for retirement and need to manage assets
- Increasing aversion to risk boosting insurance services
- Specific sub segments increase even faster than market: number of UHNWI in 2019 grew by 12,9% to 255k and their assets grew by 16,3% to \$31,5B

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