



ESG REPORT

2023

Aurica Search Fund I

AURICA

SEARCH FUND

A new business model

Aurica Capital is the first Private Equity manager in Europe to launch a Search Fund (hereinafter, "Aurica Search Fund I", "ASG or "Fund") with sustainability objectives and registered as Article 8 SFDR, ensuring the active management of sustainability issues at the corporate level of all the companies that make up the Fund.

What is a Search Fund and how does it work?

A Search Fund is an investment vehicle in which one or two entrepreneurs (a duo) raise capital to search, acquire, and manage a single private company as CEOs. Search Funds have been successful because of their rigorous investing policies and reward system that aligns everyone's interests. Over the past 35 years, Search Funds have proven to be more profitable than other traditional types of investments.

The investment strategy is broad but with a focus on digitization, technology, wellness/health, sustainability, and the silver age. The Fund will target attractive companies with high cash generation. Aurica's differential approach is based on five key pillars: (i) access to talented entrepreneurs (many of whom have studied at the top business schools worldwide), (ii) being part of the investment community, (iii) supporting the searcher during the search and transaction closure phase, as well as during the investment period, (iv) a determined investment strategy, and (v) high-quality analysis and compliance and sustainability requirements for target companies.

After the first investment in 2023, Aurica Search Fund I's initial objective will be to promote the calculation of Scope 1 and 2 carbon emissions in 2024.

While the Fund has not defined a specific sustainable investment objective, but it aims to promote environmental or social characteristics.



2-6 months
Entrepreneur fundraising and Business Plan preparation (PPM)



12-24 months
The entrepreneur searches for a suitable SME and the Search Fund invests



4-7 years
The entrepreneur becomes the CEO and starts operations to grow the company



3-6 months
Divestment and capital return

Aurica Search Fund's team



Ricardo Velilla



Héctor Pont



€30m
target size



Search Phase 1 or 2 units

per searcher
55% Mediterranean Arc, 20% UK
and DACH, and 25% RoW



Portfolio companies

20 companies with > 5% ownership
Low Mid – market
Recurring revenues, non-cyclical,
and asset light
Sectors: (i) digitization and
technology, (ii) wellness/health, (iii)
sustainability, (iv) silver age



5 years
investment period
10 years
holding



75% Europe
25% International



+3.0x MOIC
+25% IRR



**Pioneering
team**

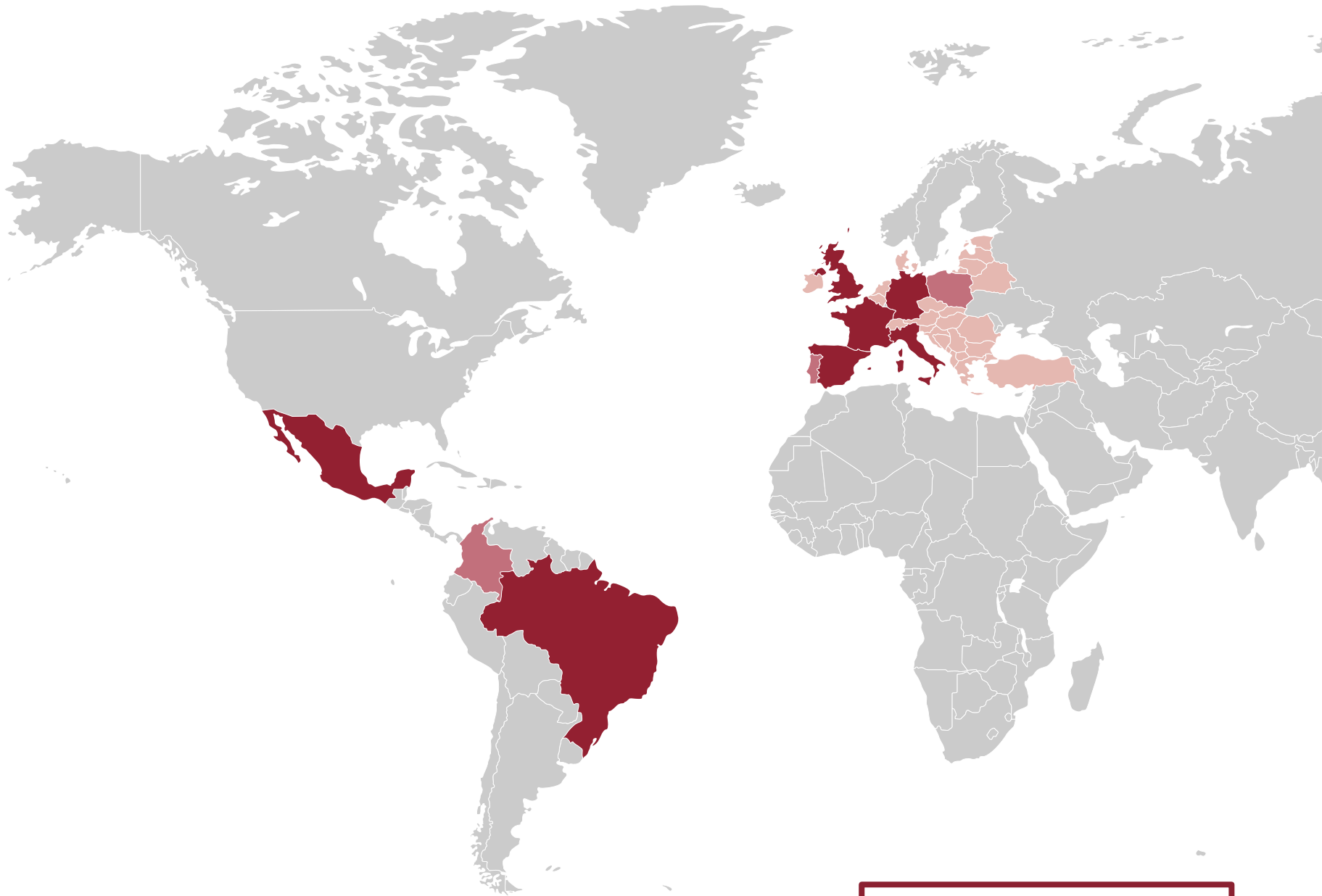
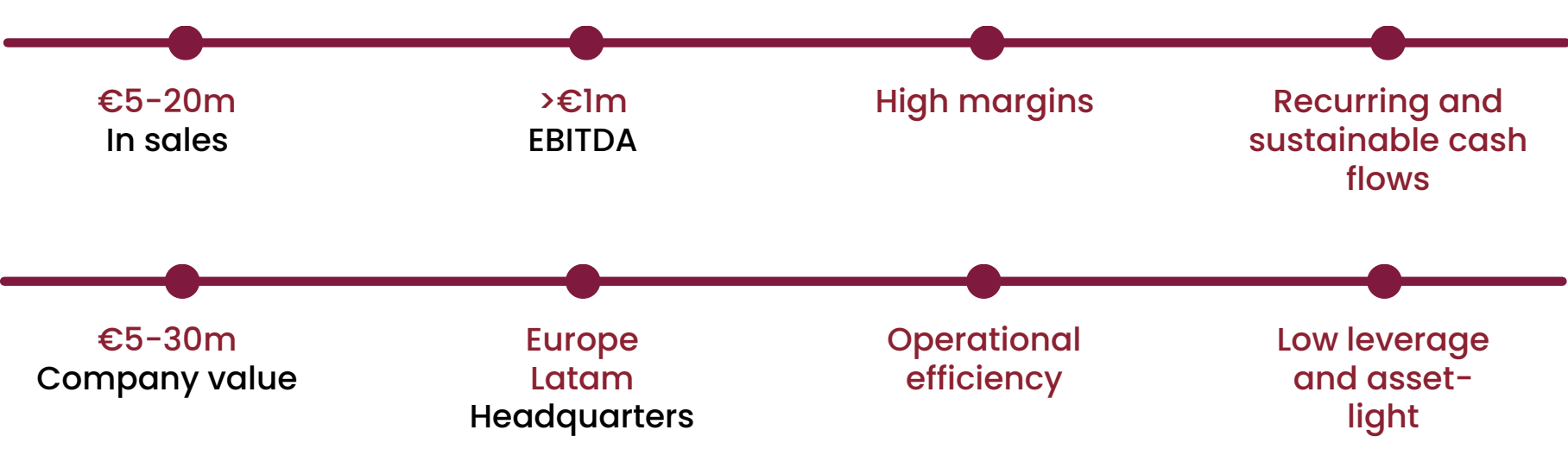
INVESTMENT STRATEGY

APPROACH

Search Fund Model

- High-potential executives (searchers), most of whom graduated from business schools where they have obtained an MBA.
- Are seeking investors with an active and participatory role.
- The objective is to provide succession solutions to entrepreneurs by supporting the executives.

COMPANY



Sustainable competitive advantages in its sector, ideally if it is fragmented

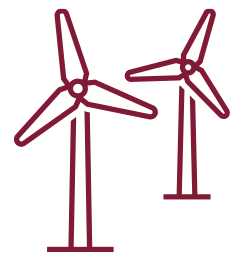
INVESTMENT STRATEGY

INVESTMENTS

- Co-investment model: Partnership agreements with executives (searchers) and other investors that can be structured through minority stakes (5%-20%).
- Partnership agreements with active representation in governance bodies (management committee and board of directors) and exit clauses (tag and drag-along).
- Alignment of interests with incentive plans for executives and preferred shares for investors.
- Strengthening of the management team, execution of the Business Plan, financial deleveraging, multiple arbitrage.

Main investment sectors:

Aurica Capital is a manager with a sector-agnostic strategy, although it focuses on international megatrends and sectors with strong traction due to robust growth drivers. While it does not have specific sectors defined in its investment profile, it has achieved notable success in specific industries where Spain is a global leader. As a result, the following sectors align with its investment strategy, among others:



Sustainability



Digital and technology



Senior citizens



Health and wellness

Company

- with potential for organic and inorganic growth.
- Family-owned businesses without a succession plan.
- Seeking an investor with an active and participatory role.
- Excluded sectors: real estate, infrastructure, construction, financial sectors, and those not aligned with ESG criteria.
- Leveraged transactions.

“ Our strategy involves investing in sectors with a favorable market trend and clear growth prospects at an international level. ”



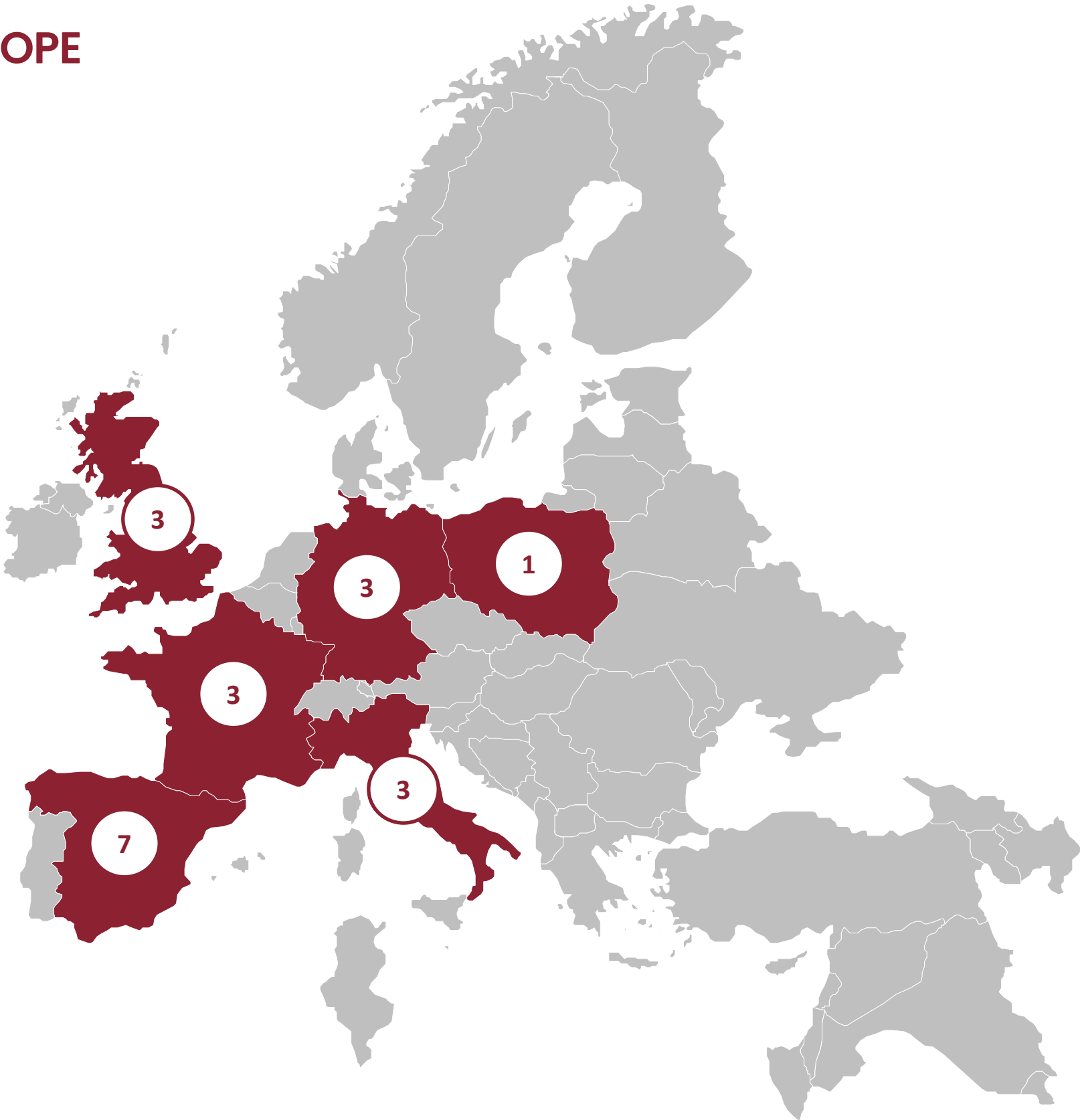
4-7 years
Investment timeframe

€1-2 m
Investment range of
€6 m with co-investments

SEARCHERS

Searchers Portfolio

EUROPE



UNITED KINGDOM



FRANCE



SPAIN



GERMANY



POLAND



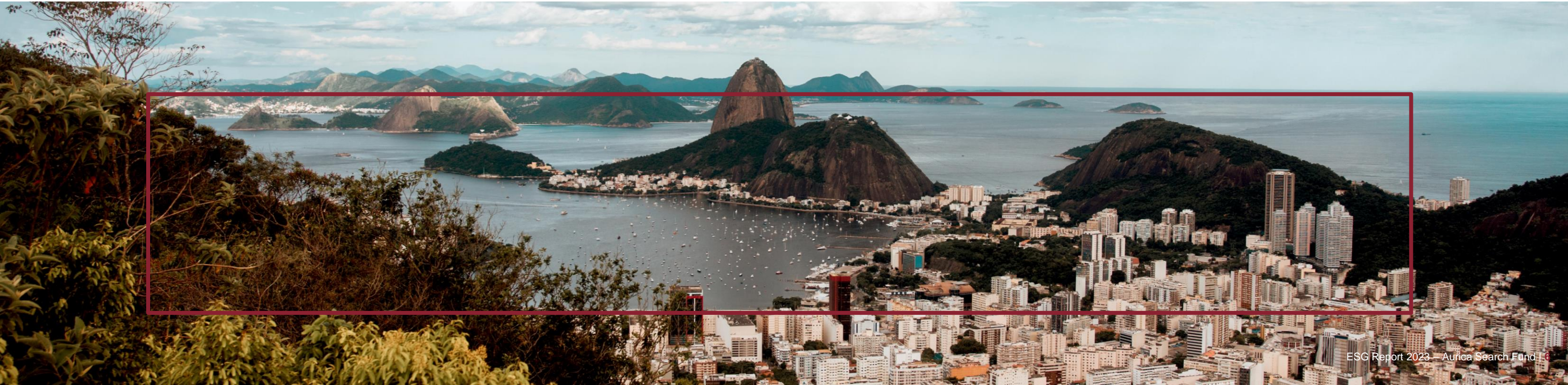
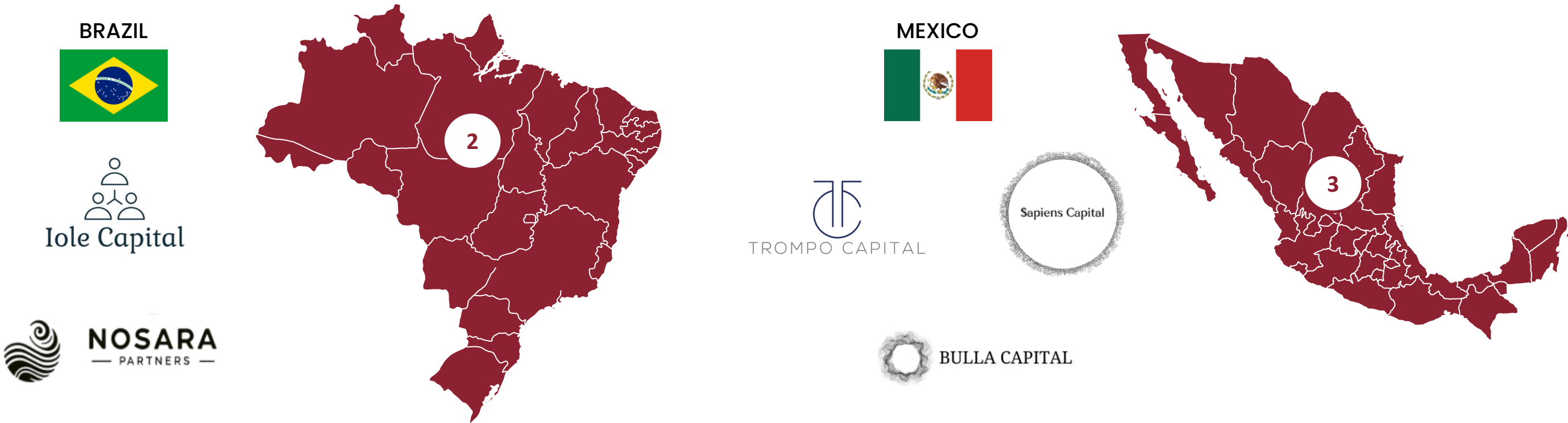
ITALY



SEARCHERS

Searchers Portfolio

REST OF THE WORLD



SEARCHERS

Responsible Investment Policy

In 2023, the Fund developed a Responsible Investment Policy, outlining key actions to be taken regarding sustainability throughout the investment process of Aurica IV, from (i) identifying potential companies, (ii) analyzing them through Due Diligence, (iii) making investments, (iv) monitoring assets, and (v) divesting. This policy is being applied during every phase of the investment process.

By incorporating ESG considerations at every stage, the Fund demonstrates its commitment to responsible and sustainable investment, aligning with long-term values and business objectives.

It is worth noting that searchers often have limited resources during the Due Diligence phase due to the complexity of acquiring companies. To address this, Aurica has implemented a simplified Due Diligence process to assess the target company's sustainability status.

Although target companies in the low-mid market typically have limited progress in sustainability, Aurica supports searchers and future CEOs in implementing responsible investment policies. This includes setting short, medium, and long-term goals, establishing indicators to monitor, and incorporating sustainability reporting for investors.

Aurica is one of the 10–15 investors a searcher can partner with for a transaction. As the primary investor, Aurica often holds a position on the Board, providing valuable expertise. It is crucial to co-invest with like-minded investors or those with similar investment models.

The searcher takes the lead in the transaction, while Aurica provides guidance, requests information, and suggests specific analyses and investment procedures. The Fund has a rigorous selection process for searchers and ensures a smooth onboarding experience.

Origin and screening of potential investments

- Generation of a constant and abundant deal flow that integrates ESG criteria and has low sustainability impact
- Consideration that the target company is not included in excluded sectors
- Preliminary identification of potential ESG risks

Investment analysis

- Comprehensive analysis of various aspects of the company, both financial and non-financial
- Identification of potential ESG risks and opportunities to ensure decision-making bodies take actions to drive opportunities, minimize potential risks, and maximize sustainable value creation
- Climate risk heat map

Due Diligence

- Hiring advisors to conduct financial, commercial, legal, labor, technical, and ESG due diligence
- Conducting specific environmental due diligence if significant impacts are identified
- Defining an Action Plan with short, medium, and long-term ESG objectives

Investment execution

- Presenting the conclusions of the aforementioned analyses to committees
- Structuring the operation according to committee approvals to be finally negotiated and closed
- Signing and closing contracts that regulate the governance of the company

Investment monitoring

- Development of a 100-day Plan to address critical aspects identified, including ESG risks
- Proactive monitoring of defined ESG objectives
- Regular collection of a set of business, financial, and ESG indicators

Divestments

- Evaluation of ESG performance with the aim of creating ESG value and maximizing the sale price

SEARCH FUND PORTFOLIO



Headquarters
United Kingdom



Sector
Traffic management,
security, and parking
management services



Investment year
2023

CSP – First ASF I investment

Founded 20 years ago and based in Watford, United Kingdom, the company specializes in traffic and parking management, crowd control, and security at sports events and large-scale occasions. It primarily operates in the London area, with a particular focus on southeast England.

The company has two main sources of revenue:

- Recurring revenues from contracts and repeat business from a variety of high-level clients with whom the company maintains long-term relationships.
- Ad hoc services offered at international events in the UK, which historically have been repeated year after year (e.g., the Commonwealth Games), or other major globally significant events such as the coronation of the king.



Recurring revenues
and low CAPEX-
intensive business



€4.7m EBITDA FY22
€3.3m recurring
EBITDA FY22



Attractive entry
valuation and exit
options



Growing niche sector
with high margins



Independent
management team



Solid customer base



In 2024, Aurica will continue to strive to promote practices that meet ESG criteria in CSP by establishing monitoring mechanisms to increase transparency and encourage sustainable actions to progressively improve the company's impact on society.

SEARCH FUND PORTFOLIO

CSP – First ASF I investment

Since Aurica Search Fund's entrance into the company's equity, significant efforts have been made to work in line with the sustainability plan, and goals have been defined to be carried out in the coming months. In 2023, the following actions have been taken:

ENVIRONMENTAL

The ESOS (Energy Savings Opportunity Scheme) audit has been conducted to identify customized and cost-effective measures that enable savings in energy, carbon emissions, and other costs. Based on the conclusions of this audit, a tree planting plan has been implemented to offset the associated emissions.

SOCIAL

- The minimum wage for employees has been updated.
- The employees' health insurance has been reviewed, improving their conditions and encouraging them to be healthier.
- The directors and supervisors have completed the "IOSH Managing Safety Training" course.

GOVERNANCE

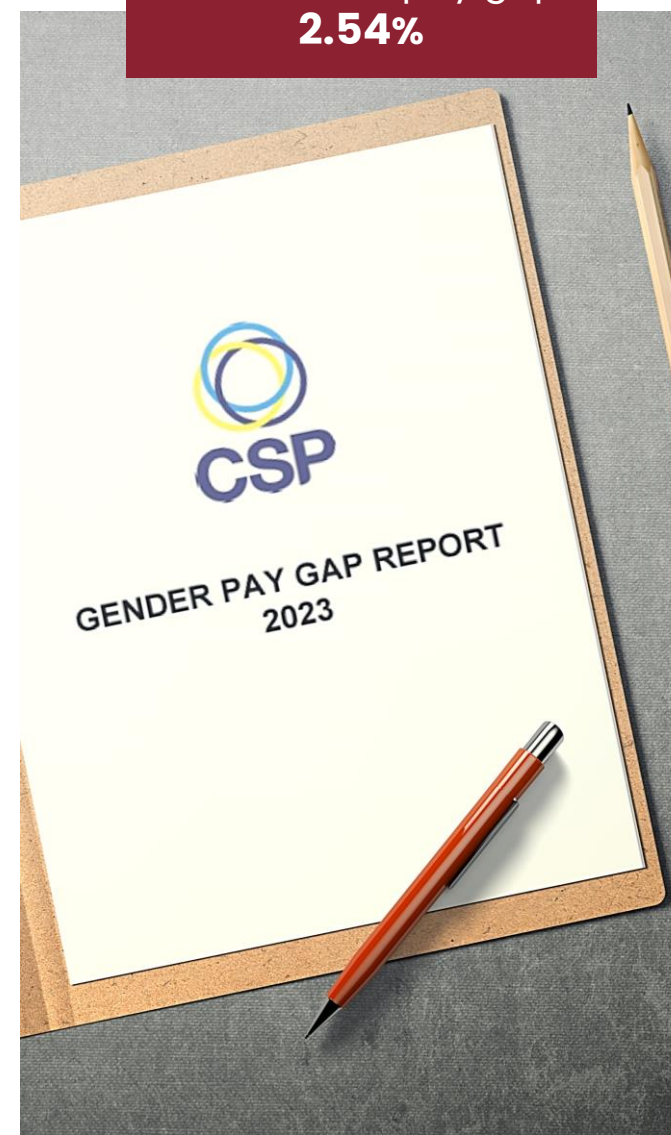
- A Management Committee and a Board of Directors have been created with the inclusion of Aurica, some investors, and independent advisors. The 100-day plan has been executed to cover the main compliance requirements.
- The company's mission has been updated: "We deliver exceptional event day experiences, from first contact to last."
- Customer satisfaction surveys have begun to be conducted to improve and tailor services.
- The Gender Equality report has been updated.
- An ESG responsible has been appointed.

CSP is aware that by ensuring inclusion and having a diverse workforce, better results are achieved, thanks to innovation, better decision-making, and attracting and retaining excellent people.

The gender pay gap at CSP is below the UK average and lower than its competitors. However, they believe that focusing on taking meaningful actions to drive equality and inclusion is much more important than just focusing on the numbers.

Therefore, as part of their sustainability plans, they are taking steps to close any gaps and will continue to annually publish gender pay equality figures and report on their objectives.

2023 Gender pay gap:
2.54%



2024 OBJETIVES

- Increase the number of women on the Management Committee.
- Volunteer with local communities.
- Calculate the carbon footprint and set reduction targets.
- Reduce the salary gap.
- Conduct training for the development of Senior Supervisors.
- Create an apprenticeship program for youth and communities with special education needs.
- Incorporate new eco-friendly and recyclable uniform for all CSP managers and T-shirts for all employees.

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