



CATHAY CAPITAL

ANNUAL REPORT
2017

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FOREWORD

CATHAY CAPITAL: AN ENCOUNTER, SHARED VISION & VALUES

CREATING VALUE THROUGH CROSS-BORDER & INNOVATION

The world is changing at an unprecedented pace with the ongoing digital transformation. Our portfolio company, Pinduoduo, is a good illustration of this trend. The three-year-old company is now one of the largest e-commerce platforms in China and one of the fastest-growing startups in the world. Cathay Capital as a group is also growing and 2017 has been a transformative year. We have kept reinventing our model and structuring our organization around three pillars.

CROSS-BORDER VALUE CREATION

Cross-border remains at the core of Cathay's investment strategy and a trademark for value creation. Our team keeps reinventing frontiers. In 2017, we have developed new geographies (reinforcing our team in Germany, investing in Glovo in Spain, planting seeds for our future presence in Israel), helped portfolio companies with build-ups (AD Education, Datawords, Juva and Ponroy for instance), and fostered international growth (Raffel, Trifacta and Smart AdServer).

INNOVATION

The final closing of Cathay Innovation's inaugural fund at €280 million, the largest first-time fund of its kind, has been a landmark of 2017. Connecting European, Chinese, and American start-ups with the whole world may seem obvious, but this approach did not exist until now in the world of venture capital. Innovation fuels our whole investment strategy, as the digital revolution in one industry can significantly affect surrounding industries. Entrepreneurs must accelerate the awareness of their solutions and quickly scale up globally. Cathay Capital's unique platform is the perfect tool to help them do so.

EXPANDING ECOSYSTEMS

Cathay's ability to connect ecosystems, cross-pollinate and create value by making those ecosystems work together is a major strength of our firm. Cathay has recently welcomed major corporate LPs from different industries. We are thus pioneering a new way for visionary entrepreneurs to collaborate with leading global corporations, and fostering innovative partnerships (e.g. between Valeo and Chinese CarTech companies). We help our LPs identify promising start-ups and in return our LPs bring them their precious expertise, nurturing a virtuous circle for Cathay's investments.

At Cathay, we are convinced that the combination of international development, innovation and a collaborative approach multiplies the impact of each investment and is at the foundation of our shared success.

RULES, BUT NO DOGMA

WE ARE VALUE-ADDING SHAREHOLDERS BACKING ENTREPRENEURS
OF COMPANIES GROWING INTERNATIONALLY

INVESTMENT TYPES



MINORITY



MAJORITY
(PRIVATE EQUITY ONLY)

TARGET SECTORS

PRIVATE EQUITY



HEALTHCARE &
WELLNESS



CONSUMER
PRODUCTS



CONSUMER &
BUSINESS
SERVICES



ADVANCED
INDUSTRIALS

INNOVATION



AI &
CONNECTIVITY



FINTECH &
INSURTECH



MOBILITY &
TRANSPORT



RETAIL
DISRUPTION &
E-COMMERCE

GEOGRAPHIES



BEIJING
SHANGHAI



PARIS



MUNICH



NEW YORK
SAN FRANCISCO

OUR HISTORY: DISRUPT, TRANSFORM, CONNECT

FOR US, HISTORY IS ALSO GEOGRAPHY,
AS OUR ECOSYSTEM KEEPS EXPANDING OVER THE YEARS



Cross-border
Small Cap



2007



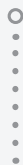
Opening of the
Shanghai office



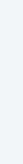
Opening of the
Paris office



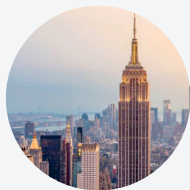
Cross-border
Mid Cap



2014



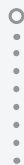
Opening of the
New York office



Opening of the
Beijing office



Cross-border
Innovation



2015



Opening of the
San Francisco office



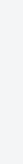
Opening of the
Munich office



First local Chinese Fund
(CarTech)

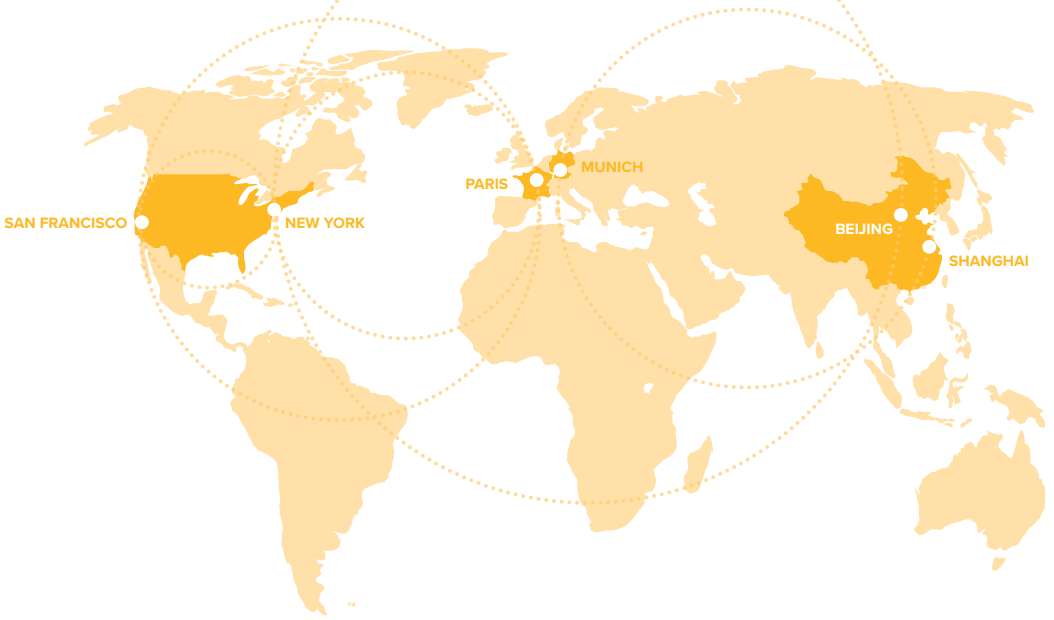


2017

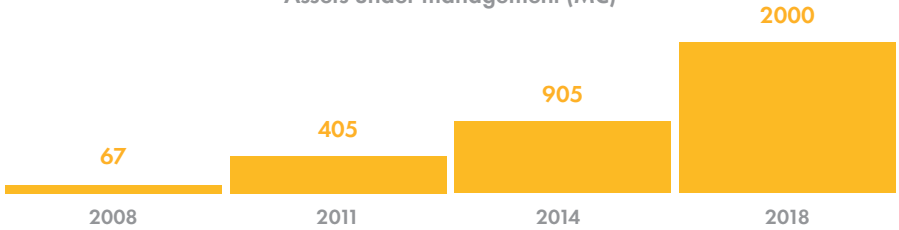


KEY FIGURES

CATHAY HAS BEEN GROWING
ALONGSIDE THE COMPANIES WE INVEST IN



Assets under management (M€)



3 continents 70⁺ investments 20⁺ exits
6 offices 70⁺ staff 40⁺ investors

Figures as of May '18



2017 HIGHLIGHTS

WE ARE AT THE CORE OF A VERY ACTIVE ECOSYSTEM

CATHAY KEEPS ON NURTURING AND EXPANDING ITS ECOSYSTEM OF ENTREPRENEURS, INVESTORS AND INDUSTRY EXPERTS

AIX-EN-PROVENCE EVENT

China Day organized during Aix Rencontres Economiques



CATHAY FORUM IN PARIS

Transformation and Globalization of business



CAPITALIZING ON ITS CROSS-BORDER MODEL,
CATHAY SUCCESSFULLY SET UP NEW FUNDS IN 2017



North American
Sino Fund
Final closing
\$110M



Sino French SME
Fund II (CC III)
Final closing
230M€



Sino French
Innovation Fund
Final closing
280M€



CarTech
Fund
First closing
1,500M¥



C. Entrepreneurs
Fund
Final closing
20M€

2017 HIGHLIGHTS

FOCUS ON NEW CARTECH FUND

INNOVATION IN MOBILITY
POWERED BY CATHAY'S UNIQUE ECOSYSTEM



With the world's largest car market, China is aiming for technology leadership on electric, autonomous and connected cars. Reinforced by the "Made in China 2015" governmental initiative, massive amounts of capital are currently being invested in mobility and auto-tech.

In that context, Cathay Capital, building on its global platform and the active support of Valeo as the industrial and financial sponsor of the fund, identified a unique cooperation opportunity through setting up a RMB fund that will bring unique value-add in China.

By investing in the whole value chain - auto-tech, mobility, autonomous cars, aftermarket, car e-commerce, innovative usage/ownership models, etc. - and gathering top Chinese partners, including Yang Tse River Fund and its active role as a financial sponsor of the fund, this fund is fully integrated within its local ecosystem. It aims at building a world-class digital and industrial platform centered around China and at better connecting the Chinese car industry with global players and innovators in this field.

The CARTECH fund is a key element of the innovation model of the 21st century by mixing R&D, partnerships, financing, startups and cooperation with outside platforms.



2017 INVESTMENTS

PRIVATE EQUITY 120M€ invested in 2017

FIVE NEW INVESTMENTS COVERING OUR KEY SECTORS

Consumer

PONROY



Health food supplements and hygiene care products

Education

AD EDUCATION



Higher education in art professions, design, culture and communications

Healthcare

JUVA



Global, aesthetic medical product company

Business Services

YIMIDIDA



Leading express less-than-container-load ("LCL") logistics platform company

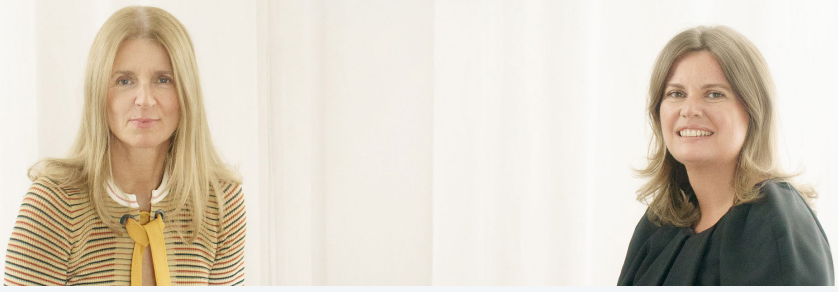
THE INDEPENDENTS

THE INDEPENDENTS

Communication agency specialized in fashion, luxury, beauty and lifestyle sectors

THE INDEPENDENTS

CATHAY HELPED BUILD A COMPREHENSIVE CROSS-BORDER COMMUNICATION PLATFORM



COMBINATION OF K2 AND KARLA OTTO

Cathay helped bring together K2 and Karla Otto to create a worldwide communication agency specialized in high-end events organization combining integrated public relations and digital capacities dedicated to demanding clients, especially in the luxury and fashion industries.

K2 brings its expertise of managing events in Asia for international luxury brands, thanks to unbridled creativity and seamless execution capabilities. Karla Otto brings its strong reputation for crafting brand identities in the luxury and fashion industries, based on a full suite of services including showrooms, PR strategies, media consultations, show production and event planning.

The newly consolidated entity brings together:

- A unique portfolio of blue-chip customers based on long-term relationships
- 400+ experts in fashion and luxury able to tailor brands' global communication strategies,
- 11 offices in 8 countries

CATHAY DEAL

Cathay was specifically selected by Management of The Independents thanks to its global nature, track-record of cross-border development, and history of successful buy-and-build execution.

2017 INVESTMENTS

INNOVATION

THIRTEEN NEW INVESTMENTS COVERING KEY INDUSTRIES

Mobility & Transport

LECHEBANG



Empowering the car maintenance experience with mobile

MOMENTA



Building the autonomous driving brains

Fintech & Insurtech

CHIME



A mobile bank that has your back

LEDGER



Hardware grade security for cryptocurrencies and blockchain applications

Retail disruption

MAGMODE



Affordable luxury for the new Chinese middle class

GLOVO



Anything you want – delivered in minutes

Healthcare & Wellness

OWKIN



Use AI to fight cancer

C. ENTREPRENEURS

Five new investments in 2017
Insurance-dedicated
investments

2017 INVESTMENT FOCUS

PINDUODUO

THE FASTEST GROWING E-COMMERCE PLATFORM
WORLDWIDE AND EVER



2017 REINVESTMENT

Pinduoduo is a striking story and one for which Cathay is very proud to have been involved since inception. It overcomes what some may deem to be 'the impossible'. Colin Huang's faith and commitment as an entrepreneur is a case study of how to create an extraordinarily innovative company, in China, in less than three years. While everybody believed that ecommerce was not that disruptive anymore, we met Colin who was on the verge of releasing on the market a disruptive experience for e-shoppers. Pinduoduo offers e-shoppers the ability to buy together on mobile, socializing about what to choose in an interactive way, while enjoying also cheaper prices inside a gamified experience. The new experience he proposed to Chinese consumers corresponded so much to what we believe the disruption of e-commerce should be that we backed heavily the company at the same moment he was launching the product.

The story is now becoming legendary, as Pinduoduo's growth was so steep that it became one of the three largest e-commerce platforms in China in less than 30 months. It is currently considered the fastest growing e-commerce platform ever in the history of the internet. Colin reinvented in China a new form of ecommerce, and was the first to find the winning formula to give access to the benefit of social commerce to the whole population of China. Cathay Innovation is so proud to have been an early backer of what has become so fast one of the largest e-commerce platforms in the world.

VALUE CREATION

WE CREATE VALUE THROUGH BUILD-UPS
AND INTERNATIONAL EXPANSION

BUILD-UP TRACK RECORD

Ability and willingness to execute
game-changing and smaller, carefully selected M&A

29 build-ups completed since
Cathay's inception,
of which six in 2017:



Meinian/Ciming



Merging China's #2 and #3 medical
check-up centers to create the #1
player in the space

Combined entity's market capitalization
as of 12/31/17: USD \$8.8 billion
Source: Capital IQ

VALUE CREATION

WE CREATE VALUE THROUGH BUILD-UPS
AND INTERNATIONAL EXPANSION

INTERNATIONAL EXPANSION

SELECTED EXAMPLES

Shopal (Innovation portfolio company) helping French companies sell in China. Ponroy example: RMB 6 million of new business created for Ponroy in only a quarter of partnership



Trifacta (Innovation portfolio company) breaking into the French market thanks to Cathay's help

SHOPAL

 **TRIFACTA**

Raffel (U.S. Private Equity portfolio company): +50% headcount in China since investment including highly-skilled Sales and Engineers

RAFFEL
SYSTEMS



2017 EXITS

WE CREATE VALUE BY MULTIPLYING EXIT OPPORTUNITIES
ON THREE CONTINENTS

IPO TRACK RECORD

Track-record of successful listings on all markets:
Hong Kong, Shanghai, Shenzhen, Milan

Six IPOs since Cathay's inception,
of which three in 2017:



ZBOM 志邦厨柜

kidsland
凯知乐

Poten



Leading water treatment company
in China providing turn-key solutions
to industrial and municipal clients
from design, construction, equipment
procurement/production and delivery
of the water treatment facility

Sales since investment (2012): +34.7%
compound annual growth rate, reaching
RMB 2.5 billion in 2017

Market capitalization as of October 17:
RMB 18.4 billion / EUR €2.4 billion
Source: Capital IQ

2017 EXITS

WE CREATE VALUE BY OFFERING EXIT OPPORTUNITIES TO
OUR COMPANIES ON THREE CONTINENTS

EXITS (partial or total)

24 exits since Cathay's inception,
of which three in 2017:



(Financial buyer)



(Financial)



(IPO)

Track record of successful exits
via Financial buyers (10),
Management (6), Strategic
buyers (5) and IPO (3)

CEBTP



French leader in all types of studies and
expertise for the construction industry

Thanks to more than 70 years' of
experience and qualified services, the
company has established a widely-
recognized reputation in the eyes of its
numerous clients, in both public and
private sectors

Value creation by Cathay since
investment (2013): sales multiplied
by 1.5 to reach c. €160 million,
including through buy-and-build to
boost international expansion with
complementary activities

Sale to a Private Equity Fund

ENVIRONMENTAL, SOCIAL AND GOVERNANCE COMMITMENTS

WE BELIEVE ESG IS ESSENTIAL IN ENSURING SUSTAINABLE VALUE CREATION

Cathay aims at being useful, respectful and responsible. As such, ESG is a powerful reflection of our values.

Cathay's management company has been applying those values internally and externally for years, and is now proud to extend those values to our investment strategy.

2017 was the first year when ESG became a true part of Cathay's investment policy.

This translates into specific internal organization and external reporting. This also means dedicated investment, monitoring and exit criteria for our activities.

Our newly-implemented ESG policy covers both our European and Chinese investments.

As of December 31, 2017, 75% of our Sino French Fund II portfolio companies have appointed an ESG officer and an ESG Manager.

We plan to expand our ESG policy to future funds.

EXAMPLES OF ESG ACTIONS

- The **FRENCH DREAM** project was launched with a first partnership with the Paul Gauguin High School in the district of La Source in Orléans. Orléans is the French city where Mingpo Cai arrived at 20 years old, where he learned French, studied, created his first company, and started his "French Dream". Through a coaching system with mentors from the Cathay team and ecosystem, the French Dream project aims to motivate selected high school students and inspire them to widen their horizons and fully develop their potential.
- Cathay sponsored the creation of the **CATHAY CAPITAL CHAIR** at CEIBS (China Europe International Business School) a few years ago. More recently, the Cathay Foundation decided to strengthen its links with CEIBS by creating the **PE CATHAY GLOBAL RESEARCH FUND**, a world research center dedicated to private equity.

LONELY THINKING IS DEAD THINKING



MINGPO CAI
President & Founder



EDOUARD MOINET
Co-Founder



HERVÉ DESCAZEUX
Managing Partner



BRUNO BEZARD
Managing Partner



DAVID G. HOFFMAN
Senior Advisor



LANCHUN DUAN
Managing Partner



DENIS BARRIER
Co-founder Innovation



DANIEL BALMISSE
COO



JACKY ABITBOL
Partner



FABIEN WESSE
Partner



**ANDREAS
HOLTSCHNEIDER**
Partner



NICOLAS DU CRAY
Partner



ANNE WANG
Partner



JOHN LI
Partner



MARK WOODS
Partner



ANDRÉ PUONG
Partner



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DE LANVERSIN**
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