

# TriSpan – Newsletter Issue 8





# A year in review and a look ahead



## TriSpan's Growth Story Continues

The past twelve months were outstanding for TriSpan. In June 2022, the firm held its final close for Opportunities Fund II ("OF II"), thanks to the strong support of our existing investor base and also participation from many new limited partners. The momentum continued in October 2022 as we hosted our first in-person annual meeting since the onset of the COVID pandemic, which was a great opportunity to finally reconnect with many of you. As many of you saw at the event, the team has grown and now stands at thirty-three full time employees and twenty operating partners, with the firm bringing onboard excellent new talent at all levels of the organization during the year. From an investment perspective, our Opportunities Fund portfolio companies continued closing a large number of transformative add-on acquisitions during the year, and we are very excited to report two new and very promising investments in our Rising Stars ("RS") program, Mowgli and L'Atelier de l'Entrecôte.

As a reminder, RS is TriSpan's fully dedicated restaurant investment program with in-house operating expertise backing high-growth, emerging brands in the casual restaurant sector in the U.S., U.K. and Continental Europe. We see the current investment environment as a rare window of opportunity for this strategy given the unprecedented disruption and out-of-the-ordinary increase in restaurant failure rates caused by the COVID pandemic and subsequent inflationary period. Accordingly, we are presently seeing a large amount of proprietary deal flow, all attractively priced (and appropriately so in this post-COVID, economically challenging environment), and are excited by this window of opportunity to generate above average risk adjusted returns during a finite window of time.

The latest two investments onboarded onto the RS platform, Mowgli and L'Atelier de l'Entrecôte, are particularly exciting additions to the firm's portfolio. Mowgli was founded by Nisha Katona, MBE, a former child-protection lawyer turned celebrity chef. We have known and followed Nisha and her talented team for the past four years and have been impressed with their passion to deliver high quality, authentic yet innovative Indian cuisine at affordable prices in beautifully curated locations. And while Indian cuisine is the largest ethnic food category in the U.K., no truly national casual dining chain has yet established itself in this space. We believe Mowgli has the potential to fill this gap and join our other exciting U.K. Asian brands, Pho and Rosa's Thai, which have already achieved this distinction in their respective categories. L'Atelier de l'Entrecôte, on the other hand, is an exciting roll out of a "steak-frites" concept in francophone Continental Europe. This project combines the entrepreneurial spirit of TriSpan exemplified by our willingness to start businesses in promising, yet highly fragmented sectors, such as FoodPrep Solutions and DHV Plus in the Opportunities Fund ("OF"), with our deep operating expertise in restaurants.

With respect to the OF program, 2022 was also full of activity, with the firm's portfolio companies closing seventeen add-ons in the year with an additional eighteen currently under letter of intent. In addition, our teams are now in final stages of due diligence on several new platform investments, backing, as always, strong founders and their teams. These opportunities were all sourced on a proprietary basis, representing nine to twelve months of upstream work to get to this stage. One in particular, leverages the industry insight and expertise developed via our German residential property management roll-up, DHV Plus, to pursue a similar strategy in the United States – thus leveraging our trans-Atlantic investment capabilities, a differentiator in the lower middle market. In many ways, this echoes how the OF team benefited from the experience gained through ProSmile, our U.S. dental platform, when underwriting and executing on Real Good Dental, our U.K. dental platform. We anticipate that the current year will be a highly productive one for TriSpan and look forward to offering you these opportunities for potential co-investment as well.

With business getting back to normal and COVID restrictions receding, our teams are back to intensive travel schedules. We were delighted to be selected as one of sixteen emerging managers to participate in the Institutional Limited Partners Association ("ILPA") Conference in New York last year, and are scheduled to attend select upcoming conferences such as the McGuire Woods Emerging Manager Conference in Dallas in May, SuperReturn in Berlin in June, and IPEM in Paris in September. If you happen to attend any of these events, it would be a pleasure to meet you there.



Finally, we are thrilled to announce that Andre Bastos joined our London office as a partner for the OF Strategy in January 2023. A dual British and Portuguese national, Andre has an outstanding track record as a private equity investor and in his previous role, before joining TriSpan, was head of healthcare and financial services for the European private equity team of Caisse de dépôt et placement du Québec, where he worked for several years alongside several of TriSpan's partners. He has had an immediate impact to the firm, adding a number of potential opportunities to our extensive OF pipeline across the U.K. and Continental Europe.

## TRISPAN SNAPSHOT

**75**

completed add ons

Currently  
Operating **167**  
Restaurants

**19**

Interns  
in 2022

**5** new  
TriSpan  
members

**53** Professionals  
33 Full Time  
20 Operating  
Partners

Investments in  
**4** industries

Team Presence in  
**5**  
Countries

Attending **5**  
industry  
conferences  
including Super  
Return, Berlin and  
IPEM, Paris in 2023

**33** Restaurants  
opened in 2022

**19** Current  
Platforms

**\$1Bn+**

In annual portfolio  
company revenues

**5**  
Promotions  
in 2022/3  
cycle

**~\$1BN**  
AUM

**TriSpan**  
Recent Activities &  
Accomplishments

**15** Nationalities  
Represented

THANK YOU to our  
**270** investors!

**2** New 2023 vintage  
Rising Stars Investments

**ESG**

 **PRI** | Principles for  
Responsible  
Investment

**Mowgli, 16** site casual  
Indian chain

**L'Atelier de l'Entrecôte**, a  
unique steak-frites concept

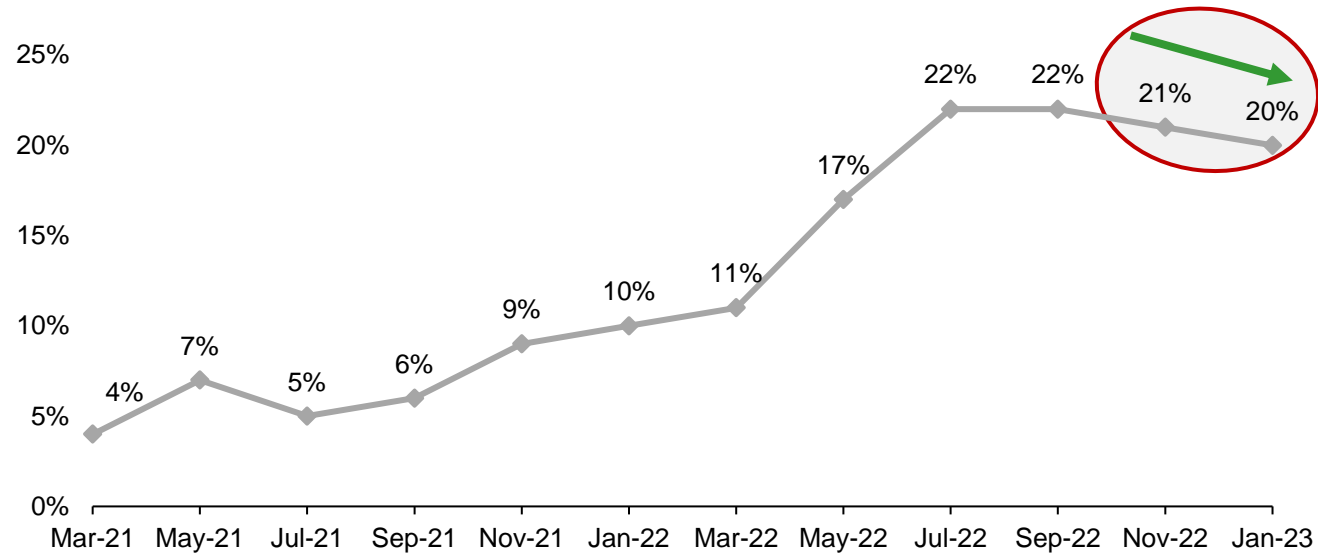
**L'Atelier de  
l'Entrecôte**



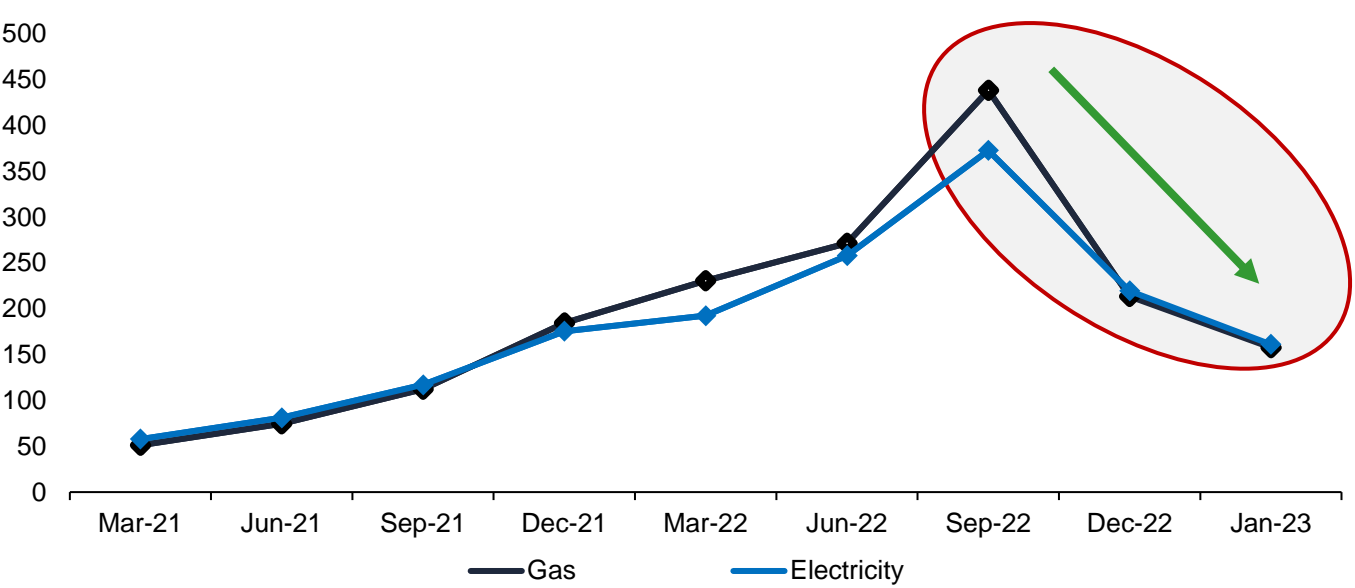
## U.K. Restaurant Industry Inflationary Pressures Starting To Ease

Following a highly inflationary period, we are starting to see normalizing key cost lines. Driven in particular by disruptions in supply chains in the wake of the COVID pandemic, Brexit and the Russian invasion of Ukraine, all major cost items experienced concurrent, outsized increases with utilities and food input costs acting as key drivers over the last twelve months. This is starting to abate. All of our restaurant businesses have managed to weather this storm in 2022 and have reflected these elevated prices in 2023 budgets. Given stabilization and more recent downward trends in input cost inflation this may create a potential upside versus budgets. In the medium term, we expect these key cost lines will return closer to historical levels.

Annual change in inputs into the production of food, beverages, and tobacco products (%)



Current Price for Electricity and Gas Forward Contracts (£/MwH and p/therm)



## Is now a good time to invest in the restaurant sector?

### Why is now the right time to invest?

2022 was a year of solid recovery for winning relevant brands in the U.K. In spite of both food and utility cost pressures and the rolling back of government COVID support, strong propositions have moved unit profitability back towards pre-COVID profitability levels as guests returned in increasing numbers to both work and dine-in occasions. At the same time though, COVID induced closures released ~15% of locations back on the open market in the U.K. and there is still a window to secure fully fitted 'second generation' locations with licenses and permits without excessive premiums. These factors combined greatly facilitate our aim of growing our portfolio site numbers by ~25% in 2023. At the time of writing, input costs are "known-knowns" and menu pricing has been adjusted to maintain margins. The current U.K. projections show employment rates staying high at 96%+ and inflation dropping to low single digits in 12-18 months. Given these dynamics, we believe now is a particularly good time to invest in relevant, contemporary, differentiated and scalable brands.

### How are you managing inflation and labor shortages?

From our vantage point today, food cost inflation very likely peaked in Q4 2022/Q1 2023 and looks to come down to low single digit levels by early 2024. Utility costs were rarely a significant discussion point in the past but all that changed post Europe's trebling of utility costs to ~5% of unit sales last summer due to the Russian war in Ukraine. Fortunately, this seems to have been the high point and forecasts now suggest a drop by some 50% in 2024, still materially above 2021 levels but nonetheless on a path lower. All of TriSpan's portfolio companies robustly tender key cost lines as a matter of course and TriSpan is also able to extract synergies between brands in areas such as delivery aggregator rates as well as food and drink supplies. Similar to energy pressures, the problem of labour shortages in our restaurants that was so prevalent in early 2022 has largely dissipated. Some of that is due to industry-wide factors but we strongly suspect that the attraction of our brands has meant that we are in a better position than others to attract talent.

### What makes for a great Rising Stars deal?

A great Rising Stars deal is one where we have secured a promising 'small' proven business, which has solid guest advocacy, strong leadership, proven metrics and is truly scalable. In many cases we will have known the founder and top management team members for a number of years before we make an investment, significantly reducing the risk of bad surprises. Getting deal metrics and dynamics right is crucial. This includes negotiating fair and attractive entry multiples, often facilitated by securing a material founder with management team roll-over of proceeds into the deal alongside TriSpan. This not only provides a material alignment of interest with TriSpan but also balances the seller's and buyer's respective risk reward profiles. Once this is achieved, leverage can be kept to manageable levels allowing the company to realise its growth prospects with less risk.

### What makes TriSpan the partner of choice?

Over the last six years, TriSpan has developed a strong reputation as a "go to investor" with the ability to add real operational value to restaurant founders and operators on both sides of the Atlantic. Management teams look to us as we've mastered the essential moving parts of restaurants. They know us for our continued drive to evolve and improve strategies, often with the help and implementation of technology. Management teams especially value the "tool kit" we use to improve upon our "Five P's" (Product, People, Property, Promotion, and Profits), which is greatly appreciated in challenging market conditions like we are facing today. As a result, TriSpan is seen as a trusted sparring partner and adviser which has naturally led to several proprietary deal opportunities, as in the case with Mowgli. In a number of instances, founders particularly appreciated the TriSpan team's experience in transitioning businesses from being founder-led to being led by a broader C-Suite with a professional CEO to manage the next chapter of growth. This process is tricky and there are many examples of once promising concepts stalling and indeed failing as a result of fundamental mistakes made during such a critical phase.



## Mowgli Street Food

- Mowgli is a U.K. based Indian casual dining restaurant founded in 2014 by Nisha Katona
- Mowgli has a leading market presence in the Indian casual dining sector with 17 sites in the U.K.
- Nisha opened her first site in Liverpool with the aim to offer the food that is eaten in the homes and in the streets of India
- Nisha remains the CEO of Mowgli but has also become a well-known TV personality in the U.K. food industry and is a celebrated author



### Since TriSpan invested in Mowgli in January 2023

- ✓ Mowgli opened the Brighton site, trading very strongly since opening, well ahead of underwriting.
- ✓ Four more sites are already approved by the board and due to open by September 2023

#### Why did you start Mowgli as a successful former lawyer? What drives you?

Cooking and eating has always been a passion of mine. Also, as an immigrant, capturing the ancient recipes of my ancestors was important to me. By creating Mowgli, I was not only able to preserve them but also to share them with the world.

As a lawyer, I had a job where every day I tried to make the lives of my clients better. It's the same with Mowgli. I built Mowgli to enrich lives in the cities she goes to. Firstly, by creating a workplace where families would want their loved ones to work and secondly, by creating a restaurant where families would want to feed their loved ones.



**Nisha Katona MBE**  
**CEO & Founder of Mowgli**

#### How were you able to develop such a strong team and culture that was recently recognized by the HR award?

Once I built a business around sound economics, I shifted my focus to my guiding principle which is to make the lives of those who come into contact with Mowgli better. I'm passionate about this and that's not a hard message to sell.

#### What do you see as the key ingredients for success at Mowgli?

The product is critical. The food doesn't just have to be delicious but addictive. The culture has to inspire public allegiance and loyalty. The leadership has to be loving and as a leader you have to be the best servant.

#### Why did you partner with TriSpan?

Over the years, I've gotten to know Robin and JP and they seemed like minded. They care about their teams. They understand the human and kindly nature of good management. There was no bravado, no swagger. They love good food and happy wholesome people, as do I.

## ProSmile

- ProSmile is a dental support organization ('DSO') company providing services to its affiliate dental clinics in all non-clinical aspects of the dental practice
- ProSmile's portfolio has grown to over 70 locations located in four U.S. states, New Jersey, Pennsylvania, Maryland and Virginia with more than 1400 employees
- ProSmile operates an in-house continuing education program (Pro Smile University) as an opportunity for dental professionals to collaborate, learn and grow their skills alongside expert practitioners

### Since TriSpan invested in Pro Smile in May 2019

- ✓ ProSmile completed five M&A add-ons
- ✓ Today Pro Smile is one of the largest DSOs in the Mid-Atlantic region and largest in New Jersey

# ProSmile



### What were your biggest learnings coming out of COVID?

We need to invest in our next generation of skilled workers in the U.S. When the pandemic started to subside, many sectors faced staff shortages leading to manufacturing shortfalls and supply chain disruptions. This was particularly true for the healthcare system where it also became apparent just how understaffed this sector was, from nursing homes to hospitals. For us at ProSmile and indeed the dental sector, the situation was further exacerbated by a mass exit of both clinical and non-clinical employees. We therefore have to make investments in workforce development for these important jobs. This is also why we have made significant efforts and investments in Human Resources at ProSmile, which have already been well rewarded.

### What have been your greatest successes in the last year on the job and what are you excited about in the future?

Building our ProSmile team: our attrition is now at an all-time low, and we have found strong leaders in each department. I am very proud of the team we have assembled throughout the organization from the clinic floor to our operating headquarters.

### How has the partnership been with TriSpan?

TriSpan has been supportive to me and my whole team in navigating the challenging last 12-18 months. We were able to leverage their expertise from business development to marketing, which has helped the team to execute our collective plans. In addition, TriSpan fosters collaboration between portfolio companies. Working with Jags at RGD on joint initiatives such as "Smart Arches" has been a good value-add for us at ProSmile.



**Hugh Carrey**  
**President & CEO of Pro Smile**



## TriSpan 2023 New Team Members and Promotions

In addition to Andre Bastos joining our London office as an OF Partner for the Investment Team and member of the investment committee we also had Andrea Martini join the London office as an associate for the Investment Team. Finally, we are pleased to announce the promotions of Guillaume, Wassef, Ferdinand, Elliott and Maximilian. TriSpan thanks them all for their hard work and wishes them much success in their future roles.

### **Guillaume Chassing – Associate to Vice President (New York)**

- Former Associate at *Blackstone's Private Equity Group* in NYC
- Prior to *Blackstone*, he worked as a M&A Analyst at the investment bank *Ohana & Co.* in the consumer goods and technology sector
- MSc in Business and Management from ESCP Europe Business School and BA in History and Politics from The University of Edinburgh



### **Wassef Atallah – Analyst to Associate (New York)**

- Experience as a financial analyst for *The Brooksville Company* in NYC where he analysed real estate opportunities and conducted market research and due diligence for potential acquisitions
- Several Internship positions at *PwC*, *EY*, *Société Générale* and *Quilvest*
- BSc in Business with Finance from Cass Business School



### **Ferdinand Heger – Intern to Analyst (New York)**

- Worked as an Analyst for *Oaklins*, Vienna where he was involved in both Buy- and Sell-side mandates and business valuations
- BSc in Business Administration from Vienna University of Economics and Business



### **Andrea Martini – Associate (London)**

- Experience at *Alvarez and Marsal*, London
- Completed a 2-year graduate programme in engineering consulting
- MSc (cum laude) in Strategic Management from Rotterdam School of Management
- BSc (cum laude) in Economics and Management from University of Venice



### **Elliott Grabli – Intern to Analyst (London)**

- Internship positions at *Pioneer Point Partners* and *Elysian Capital*
- BSc in Management from Royal Holloway, University of London
- Masters in Business from Hult University



### **Maximilian Baumbach – Intern to Analyst (London)**

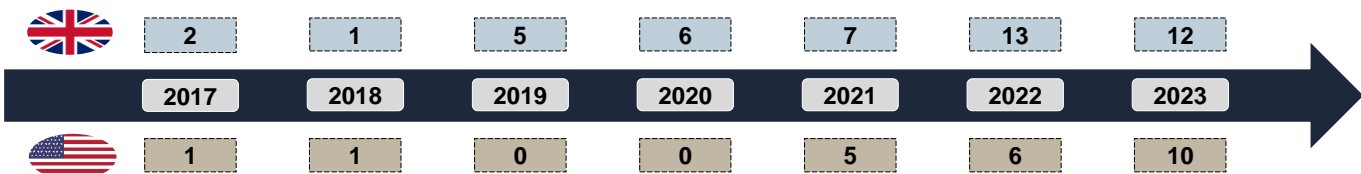
- Worked as a Buy-Side Equity Analyst at a Spanish fund focusing on European mid-, to large-cap companies
- Holds a MA Hons in Economics and International Relations from the University of St. Andrews



The TriSpan Internship Program

The breadth and depth of our internship program is a core differentiator for a firm our size. Including the 2023 cohort, TriSpan has provided paid internships in our London and New York offices to 69 talented young professionals since the program commenced in 2017. Designed by Fady, TriSpan’s co-founder, and Dave, our CFO / COO, and implemented by the Operations Team in tandem with the Investment Team, TriSpan’s internships are highly structured to ensure our interns are exposed to all facets of Private Equity. Our interns generally stay with us for more than four months, participate on all internal meetings and training events while also working on an assigned specific portfolio company and / or new investment opportunity under the guidance of a designated TriSpan mentee for the duration of their time.

We are very proud of this carefully crafted program, which is in line with TriSpan’s strong ethos of providing young people with an opportunity to gain their first job experience in a challenging, yet nurturing environment. Since the inception of the program in 2017, seven interns have moved on to become full time members of the team - a testament to the value of the program itself. TriSpan intends to continue developing and growing the program moving forward with new training courses, exposure to the portfolio and various workshops.



What is your favourite part of your internship at TriSpan?

From the first day, I was assigned a specific project which allowed me to get a good understanding of the healthcare industry and our portfolio companies operating in the space. Moreover, being held responsible for my own workstreams gave me a lot of responsibility from the very beginning, especially as I was working alongside colleagues at all levels of the firm up to Partner. I was able to improve my Financial Analysis, Excel, PowerPoint, Accounting and Market Research skills. The Associate I am working with always provides me with fast and constructive feedback that I can directly apply to other projects I work on. Lastly, the training TriSpan offered such as Modelling, Accounting and Excel allowed me to get the most out of my internship.

Andreas Strunk, University of Munich / UCL, 4<sup>th</sup> year Law – Intern (London)

What are some of the key takeaways from your internship at TriSpan?

As an intern at TriSpan, I had the opportunity to dive right into live deals and assist the team with preparing discussion materials and conducting various analyses in Excel. One of the most fulfilling aspects of my role at TriSpan is the opportunity to work alongside exceptional, diligent individuals who readily share their knowledge and actively support the development of their peers. I am also invigorated by the dynamic nature of my work and the exposure to a range of industries and markets, whether it be restaurants, dental services or property management industry. The variety of responsibilities and tasks I undertake on a daily basis further enriches my experience and makes it even more rewarding.

Ferdinand Heger – former intern, Analyst (New York)

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