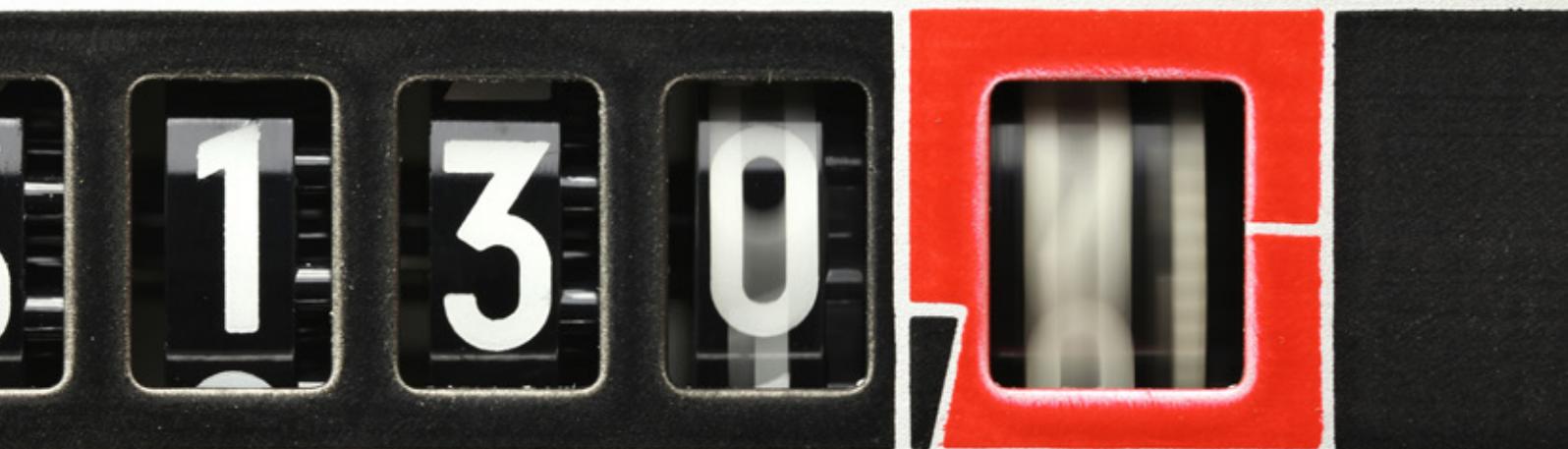


RI *Spotlight*
APRIL 2023

Energy efficiency in private equity



kWh



Triton at a glance

Founded in
1997

Professionals across
11 offices

Integrated operating & specialist teams

€16 billion
raised since inception

190+
institutional investors

130+
Investment and operating professionals across four sector teams

30+
Specialists supporting value creation throughout the investment life cycle



Portfolio companies

90+
Investments since inception

450+
Add-on acquisitions completed

€18 billion+
Combined portfolio revenues

100,000+
Full-time employees at portfolio companies

Core Triton sectors

-  **Business Services**
-  **Industrial Tech**
-  **Consumer**
-  **Healthcare**

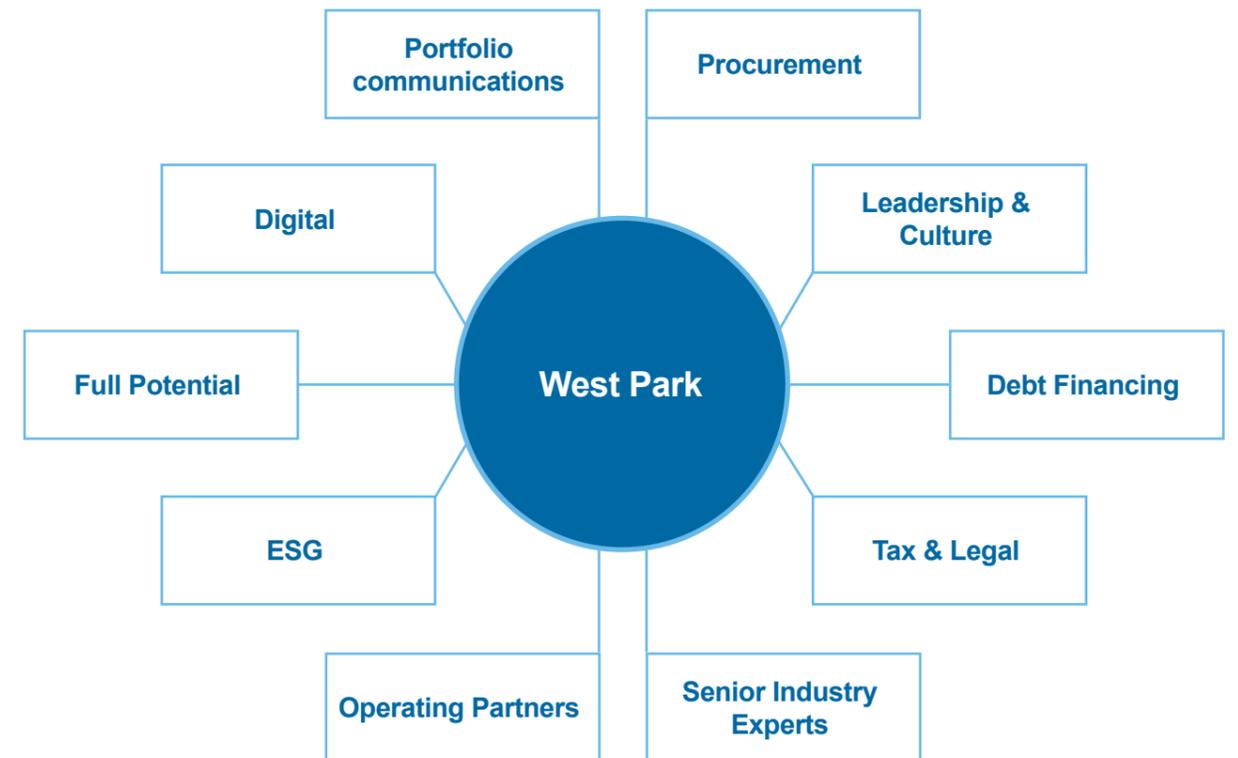
Strategies

Capital raised
€13.2bn
Mid-Market PE

€1.3bn
Smaller Mid-Market PE

€1.5bn
Credit

Triton and its portfolio companies (PCs) benefit from West Park and the services provided by it. Since its formation in 2007, West Park has become a core part of Triton’s “Building Better Businesses” strategy and approach. West Park is able to provide a range of value-adding services to support the investment process and Portfolio Companies that would otherwise be provided by third parties.



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Welcome from our
Managing Partners



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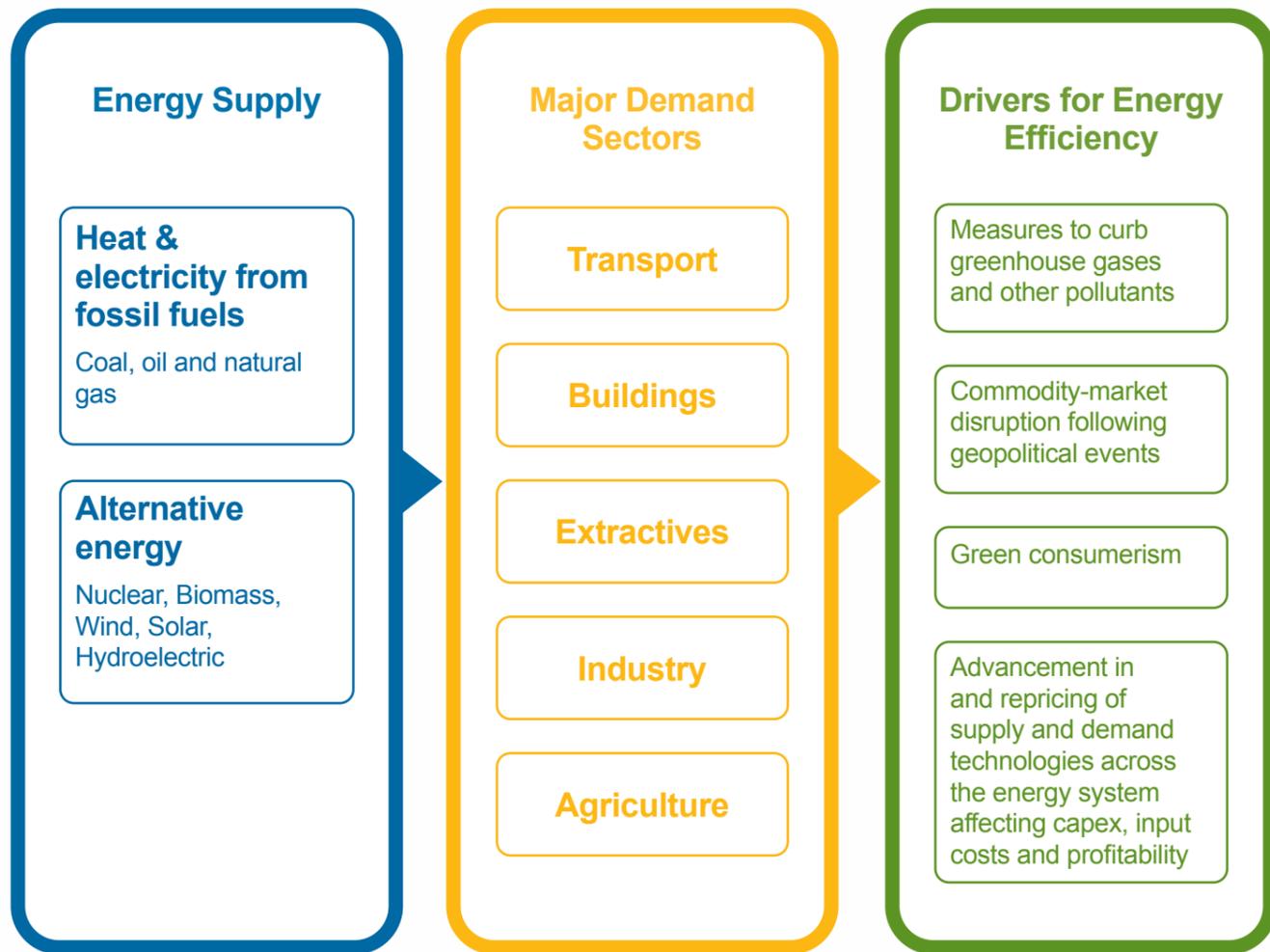


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to market**
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Energy efficiency
The view from Triton's
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“Challenges regarding energy security, energy prices and the cost of living have intersected with the climate crisis to remind us that energy efficiency is more indispensable than ever.”
International Energy Agency, 2022



Welcome from our Managing Partners



Peder Prahl
CEO & Firm Managing Partner



Martin Huth
Firm Managing Partner

Energy lies at the heart of all facets of human existence. We need energy to produce our food and commodities, and to manufacture the vast range of items we use and depend on in modern life. We also need energy to provide clean water; warm homes; power technology and communications; and transport people. So when there is disruption to the energy system, this can constitute a major crisis.

Energy in the form of heat comes to us in primary form largely by burning fossil fuels – coal, oil and gas, whether to drive cement kilns, metal furnaces or other industrial processes. Fossil fuels also drive the massive turbines which, despite the climate crisis and attempts to decarbonise economies around the world, still produce 60% of global electricity and 37% of Europe’s.

Given the cost and difficulty of storing large amounts of fossil fuels, only short-term reserves are typically held. And so when there is a demand surge – as we saw with the rapid, post-pandemic economic recovery in 2021-22 – this can cause inflation in global commodity prices, like oil benchmarks, in regional prices such as gas and in more locally-traded electricity. And when there is a ‘supply shock’ – as we have witnessed in Europe with the increasing restrictions on buying both oil and gas from Russia, following the invasion of Ukraine in February 2022 – prices can surge further.

“Irrespective of decarbonisation efforts, fossil fuels still account for 68% of European primary energy and 80% globally. Using less energy is crucial therefore, alongside transition to clean technologies, in meeting global climate ambition.”

In this report, we highlight how Triton PCs have navigated this business risk. We also detail how some PCs are well-placed to help their customers consume less energy, through a range of products and services.

What will happen in the near term remains unclear, as China’s economy picks up pace again and recent underinvestment in production of some raw materials becomes apparent. Looking ahead, we think energy efficiency will continue to be a core investment theme, driven by pressures arising from the climate crisis and need to decarbonise, energy security, geopolitically-driven energy price volatility risk, and the simple economics of investing now to reduce energy consumption per unit of production.

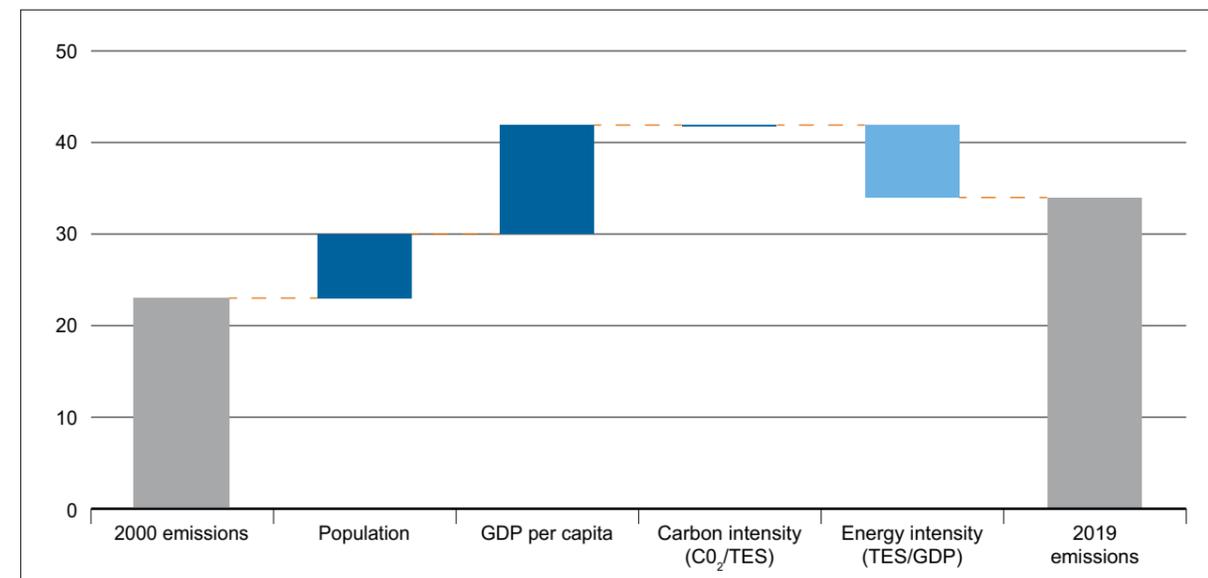
You can email us at:
esg@triton-partners.com

Energy efficiency

Energy efficiency is a core pillar of policy frameworks around the world. Ever since the oil supply shocks of the 1970s, when conflict in the Middle East interrupted exports, and benchmark prices soared by over 10x, governments and policymakers have taken steps to encourage investment in technologies and practices that use less energy per unit of output.

In the European Union, energy efficiency remains at the heart of the economic and environmental policies for the bloc. The current headline target is to reduce energy use by 32.5%¹ in 2030, vs business-as-usual. Talks are taking place in 2023 to increase the targeted reduction, catalysed by the current energy crisis – which caused energy prices to increase by over 25% on average over 2022.

CO₂ emissions from fuel combustion and drivers, 2000-2019



Source: IEA 2022; Why faster action on energy efficiency is needed, Highlights – The value of urgent action on energy efficiency – Analysis - IEA], Licence: CC BY 4.0

The EU's *RePowerEU* plan, announced in response to the specific and acute energy challenges of 2022, focussed on the three pillars of efficiency, supply diversification, and adoption of renewables.

Energy efficiency is also crucial to meeting emissions reduction targets, which sit at the heart of global climate policy. The chart above shows the contribution that greater energy efficiency has made in limiting emissions – offsetting almost half of the increases that could have happened in the first two decades of this century, given demographic and economic drivers.

¹ energy.ec.europa.eu

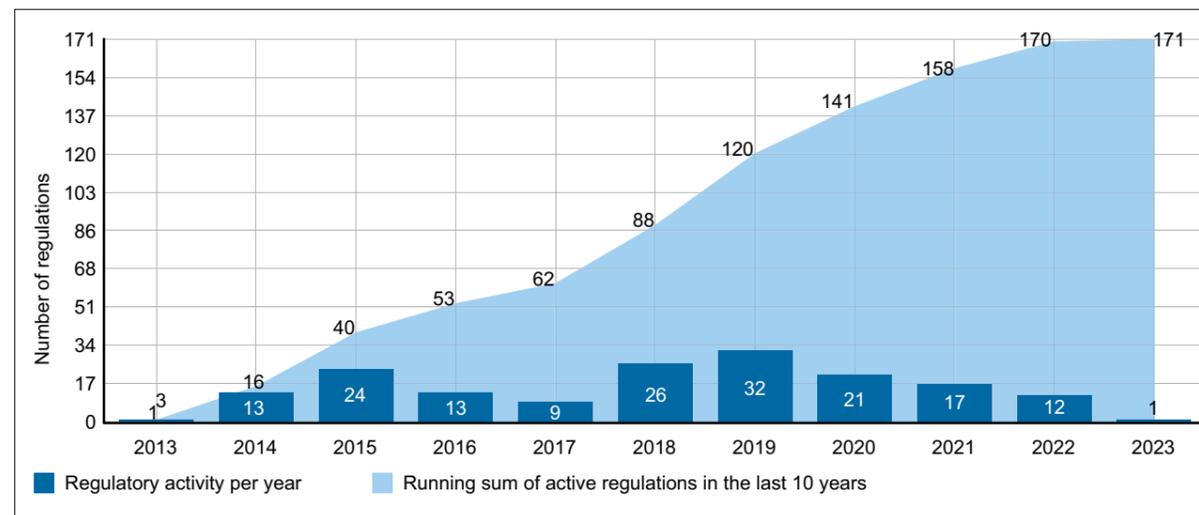
“In addition to reducing emissions, energy efficiency has other development benefits: enhanced energy security, reduced pressure on household and national budgets, improved power-system reliability, increased competitiveness, and improved operations in critical areas like education and health.”

World Bank

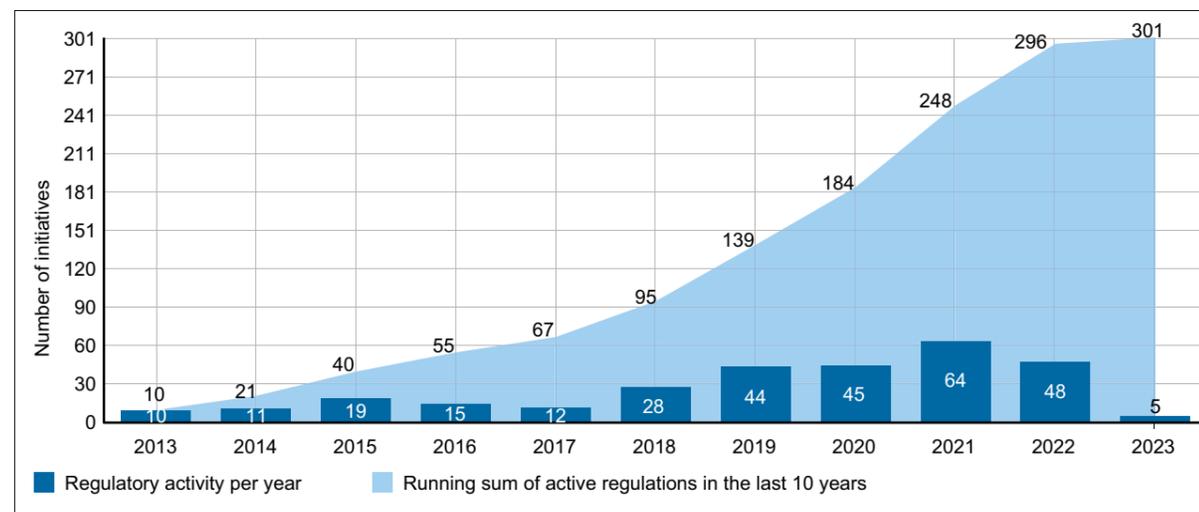
Energy efficiency regulation

One driver for greater energy efficiency is regulation. Using third-party provider Datamaran¹, we mapped all mandatory regulation in Europe related to energy efficiency across the four sectors which Triton focusses its investments in; Business Services, Industrial Tech, Healthcare and Consumer.

The chart below shows that, over the past ten years, 171 mandatory regulations have passed related to energy efficiency in these four sectors, across the EU. The running total of active regulation over this period has progressively increased.

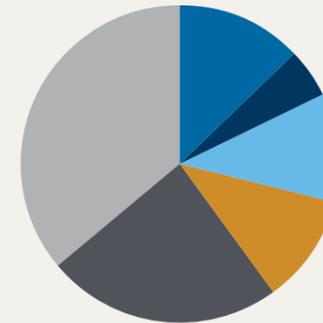


Voluntary corporate and industry initiatives are further drivers for energy efficiency. The chart below shows 301 voluntary and industry initiatives, set during the last 10 years in Europe across Triton's four sectors. Recent initiatives have come from the Sustainability Accounting Standards Board (SASB), the Global Reporting Initiative (GRI), the Taskforce on Nature-related Financial Disclosures (TNFD), the European Commission, and the World Economic Forum. As with mandatory regulation, we note a steady increase of voluntary industry initiatives addressing energy efficiency.



Where we get energy from in Europe

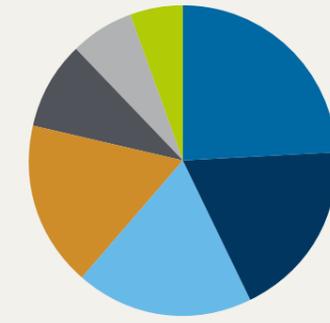
Renewables	13%
Hydroelectricity	5%
Nuclear energy	11%
Coal	11%
Natural gas	24%
Oil	36%



Source: Statista

How we consume primary energy in Europe

Power generation	24.2%
Transport sector	18.8%
Households	18.5%
Industry sector	17.2%
Services	9.1%
Non-energy use	6.7%
Other sectors	5.5%



How is energy efficiency achieved

Power generation – smart grids, data infrastructure, industrial insulation

Aviation – cutting engines while waiting on runway, replacing older aircraft, flying fewer planes that are fuller

Industry – insulation of pipes and heat-conducting machinery, waste heat usage, updating and maintaining equipment

Agriculture – crop airing rather than drying, localised value chains, newer efficient farm equipment including vehicles and irrigation

Shipping – slower cruising, avoiding rough seas, fuel switching, modern modular ships and improved flow profiles around rudders and propellers

Road transport – switch to public mass transit modes, newer more efficient vehicles, electricity and hybrid models, new and adequately inflated tyres, speed control

Residential, commercial and retail buildings – switch to LED lighting, insulation in walls, roofs and floors, heat pumps, double and triple glazing, modern and efficient appliances, zonal heating. Also behavioural – turning down heating, heating only as much water as is used. Smart meters and controls can also help achieve outcomes.

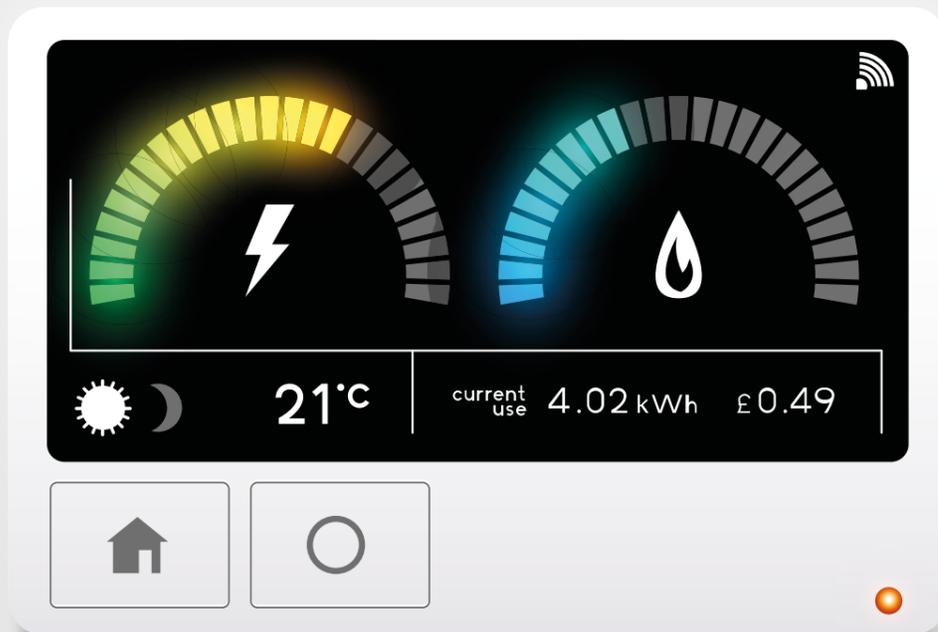
How Triton PCs are achieving greater efficiency

Triton portfolio companies are actively managing their energy risks, and 81% of PCs have an energy and emissions programme. However, businesses have faced soaring energy prices in recent quarters – in particular for natural gas and electricity. Triton’s portfolio companies are, of course, not immune to this and, in some cases, have faced pressures on their cost base. How we and our PCs manage this new risk has been a key focus for Triton, both by shoring up supply and by investing in energy efficiency measures.

Helmut Safar, Triton Head of Procurement: *“With energy prices soaring over the past two years, we have worked with our PCs to manage this major challenge to cost management. The economics of investing in energy efficiency have rarely offered such rapid payback times, and this can be a key approach in many cases.”*



Helmut Safar
Head of Procurement



Norres is a manufacturer of technical hoses and hose systems - high abrasion resistant polyurethane hoses, suction and transport hoses, high temperature hoses, electrically conductive and antistatic hoses, connecting elements and customized solutions.

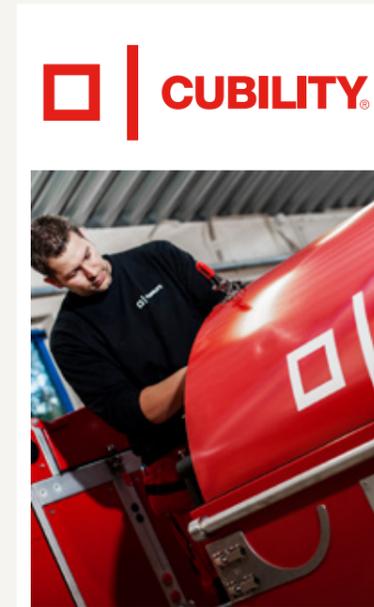
The company’s products are used in the food and pharmaceutical industry, in agriculture, for mobile and stationary extraction systems, for machines in the wood and plastic industry, for municipal vehicles, and as energy-saving and long-lasting membrane diffusers in sewage plants.

By moving to a new headquarters and production facilities, the company has been able to reduce its electricity consumption by 73%, and reduce heating fuel consumption by 65% per square metre. This was achieved by efficient insulation in the building, double glazing, centrally controlled air conditioning in all offices, production that utilises heat recovery, and energy saving lamps, to name a few initiatives.

Deal Captain, Andi Klein says: *“Industrial companies can improve energy efficiency by focussing on their corporate and production footprints. Norres has focussed on both.”*



Andi Klein
Managing Partner



Cubility provides an innovative method for managing solid waste from oil drilling operations. Their ‘MudCube’ delivers cost savings for the oil industry through reduced mud, waste and chemicals consumption and increased automation.

Cubility has focussed on operational energy efficiency, replacing natural gas boilers with heating from air-to-air heat pumps. This, along with a switch from using diesel powered heaters to electrically powered ones, will help the company meet its goal to use 100% renewable energy by 2025.

Deal Captain, Marcus Billman, says *“The business of producing energy itself often requires large amounts of energy. Cubility has taken a multi-faceted approach to improving efficiency, as part of its overall green transition”*.



Marcus Billman
Deal Captain

The company continues to innovate in environmentally positive technologies – a more recent product, PureCube, brings novel methods to wastewater treatment challenges.

Bringing solutions to market

Several Triton PCs have business lines that are well placed for a world in which energy becomes scarcer or more expensive. Here we detail PCs offering solutions that can help save energy.

At Triton, we continue to invest in companies offering products and services that we believe to be well aligned with sustainability trends. Industrial technologies; installation and maintenance services; and consumer choices for the homes of the future will, in our view, continue to be driven by energy efficiency and security.



“Reductions in energy use are essential for the transition to a fair, zero-carbon society”

Oxford University Centre for Research into Energy Demand Solutions



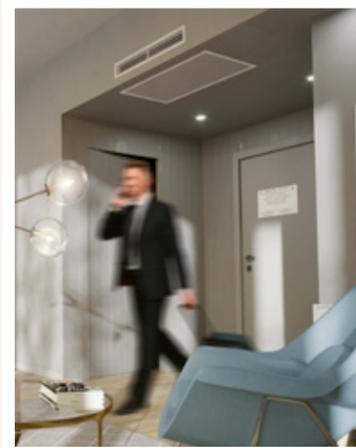
Glamox is a Norwegian industrial group that develops, manufactures and distributes lighting solutions for the global market.

Offerings include smart luminaires and lighting control systems, allowing automated use of artificial light only where and when needed, which can significantly reduce energy consumption compared to traditional lighting. Smart sensors and monitoring features allow further energy savings and extend a lighting installation’s lifetime, also reducing maintenance costs.

Glamox’s Deal captain, Joachim Espen, says *“Glamox is a perfect example of a technology provider for our times. As energy prices rise and become volatile, the company’s smart luminaires with built-in sensors reduce energy consumption by up to 90%, driving down both costs and carbon emissions.”*



Joachim Espen
Investment Advisory Professional



FläktGroup develops, manufactures, and distributes heating, ventilation and air-conditioning (HVAC) technology solutions, to provide customers with high quality outcomes for improved air comfort and well-being. The company is also seen as a pioneer in indoor air management, where there are risks of fire or air pollution. Energy efficiency is at the company’s core.

Deal captain Michael Gahleitner says: *“FläktGroup has 13 manufacturing sites, ca. 170 R&D experts, and an international sales setup to serve more than 60 countries across Europe, the Middle East, Asia and North America. As a leader in its markets, we are convinced the company is well positioned to benefit from the strong and sustainable momentum in the demand for energy efficient, high quality indoor air management solutions”*



Michael Gahleitner
Investment Advisory Professional

The company offers solutions for offices, hotels, hospitals, airports, and commercial construction projects including specialist applications such as data-centres, pharmaceutical, marine projects. The focus is on enabling the achievement of broadly recognised, environmental certifications such as BREEAM and LEED, which feature energy efficiency as an essential criterion.

Energy efficiency

The view from Triton's Business Services team



Ashim Paun
Head of
Sustainable
Investing



Nadia Meier-Kirner
Investment
Advisory
Professional

AP: The focus on energy efficiency in Europe has risen in recent times. Do you see anything to suggest that might change?

NM-K: Investments in energy efficiency are not so much driven by short-term market fluctuations as by concerns about the ability to secure supplies at acceptable cost in the longer term. This can mean localisation of energy production, which is supportive of renewables. And it can also mean investments in newer more efficient technologies which will use less energy, and reduce exposure to imported commodities. Plus we have regulatory drivers increasing, with the US Inflation Reduction Act leading the way and other regulators likely to follow suit in creating policy frameworks which catalyse roll-out of energy efficient solutions.

AP: Cutting energy use without compromising economic performance is a win-win for the environment and corporate finances. What can our portfolio companies do to achieve reduced energy consumption?

NM-K: Ideally, efficiency should be a win-win for climate, economic and security reasons. Our companies need to plan how to run their businesses and project how to deploy their resources. Making calculated decisions about investments into energy efficient equipment, processes and solutions must be part of the planning process. Sometimes there are easy wins, where older processes have simply become embedded but the new market realities force a transition.

AP: From an investor perspective, how important are energy efficiency measures?

NM-K: An active focus on energy efficiency is one factor in assessing how cost-focused, agile and sustainable a company is. A conscious focus on energy sources is also one of the factors in demonstrating that a company is aware of its exogenous exposures. Where energy is a key cost and input factor, it is crucial in proactively managing the knowns and unknowns in an effort to drive the bottom-line.

AP: Are there specific areas where Triton can invest?

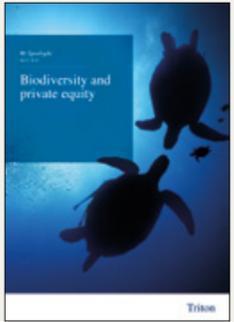
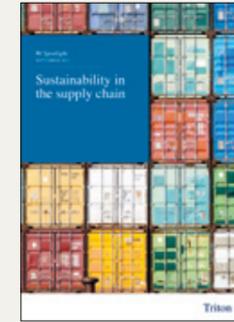
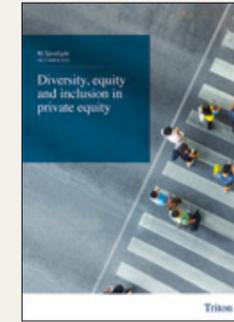
NM-K: Buildings remain major consumers of energy, and older stocks of housing and commercial premises are a key area of improvement potential in many parts of Europe. There are several industries that will benefit from unleashing that potential in manufacturing, installation, servicing and building materials for example. So, we see numerous opportunities across our core regions, and core industrial, services and consumer sectors, to invest behind the trend towards greater energy efficiency and sustainability.



Previous issues



Spotlights



Responsible Investment reports



2020/21



2021/22

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