

Peripheral innovation lies ahead

The evolution of video games and e-sports into a standalone industry has been a clear trend for well over a decade. Much like any other industry, the gaming vertical requires world-class suppliers, on the hardware side especially, in order to meet the high-quality expectations of professional participants and enthusiasts in e-sports alike. Recently, leading middle-market private equity firm Argand Partners acquired Cherry, a German maker of mechanical keyboard switches that is considered a gold standard among gaming enthusiasts in the gaming industry. In the context of the new acquisition, the company is envisioning a bright future for the manufacturer, including continued expansion within the gaming vertical as well as its applications aimed at the healthcare and industrial space, according to Mr. Tariq Osman, partner and cofounder at Argand Partners.

Founded in 2015, Argand Partners is a private equity firm with hubs in New York and the storied San Francisco Bay Area. Argand strives to identify market-leading industrial companies with potential to grow and expand globally. Howard Morgan, Heather Faust and Tariq Osman joined forces to start a firm that could accurately locate niche market leaders, support them with insight and resources and help them to scale into global growth stories. Since 2003, the investment team behind Argand Partners has collectively sourced, executed and/or managed 26

platform transactions and 42 add-on transactions, according to the company website. Currently, the firm manages over \$650 million in capital.

Cherry — based in Auerbach in der Oberpfalz, Germany — sits among the globe's top computer input device makers, servicing the office, industrial and security markets, as well as switches for PC gaming and therefore qualified as a perfect match and ideal target for an acquisition by Argand Partners. In October, Argand Partners announced it had completed its acquisition of Cherry,

a strategic move guided by the long-term growth that lies ahead in the global PC gaming market, as well as the effects of the pandemic in the acceleration of digital healthcare.

"Cherry fits our investment strategy because it is a specialised manufacturer," said Mr. Osman. "They are the global market leader in making mechanical switches that go into keyboards, and specifically keyboards for playing video games."

Video game enthusiasts want a high performing keyboard in order to boost their performance, and the Cherry brand enjoys a reputation as a quality brand of over four decades, according to Mr. Osman. And though the market has expanded over the last two decades, demand has grown extremely quickly in the last year given the impacts of the coronavirus pandemic and the ensuing shifts in lifestyle and company operations.

"Because a lot of people can't watch sports on the TV, they can't go to

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cinemas, they can't go to restaurants, so they're staying home, and a big form of entertainment for them is playing video games," said Mr. Osman. "As a result, Cherry has performed significantly well this year."

The investment firm has plans to hold onto its investment in Cherry over the coming three to five years, with the goal of achieving a significant return on its investment for the acquisition. The aim is to help the business grow and ultimately successfully sell the company, most likely, to another private equity firm or strategic player in the same sector.

"We have found a partner that is as excited by Cherry's pioneering product innovation, customer loyalty, and growth potential as we are," said Rolf Unterberger, Cherry's Chief Executive Officer, in a press release announcing the acquisition. "We have been impressed by the energy, creativity and strategic vision that Argand has already brought to the partnership, and we look forward to working together to maximize our strong momentum in gaming and e-Health."

In addition to the gaming market, Argand Partners sees great potential in Cherry's healthcare market strategy. The manufacturer makes specialised keyboards and pin pads that are used in the German healthcare market.

"In Germany, every German citizen has a smart card that has all of their healthcare records," said Mr. Osman. "Understandably there is a concern about managing the data and keeping it secure. Cherry has developed keyboards

and keypads that have high security features that prevent hacking and stealing of healthcare information. As the healthcare markets all around the world are going digital, we see significant growth on that side of the business."

With public health increasingly in the minds of many industries, the Cherry line of keyboards enjoy another advantage: they are washable and thus are easily sanitised. This has become an increasingly valuable feature in the context of the ongoing pandemic and the expanding use of contactless entry in handling in-person appointments and processes.

A sign of early potential in Cherry is the company's recently announced acquisition of Theobroma Systems Design and Consulting GmbH, an Austria-based developer of hardware and software solutions in fields such as

robotics, surveillance, digital signage, smart retail, human machine interface/ automation, and artificial intelligence.

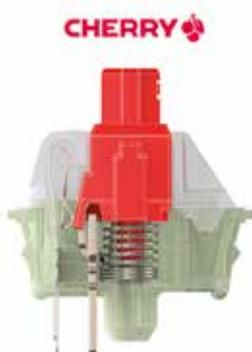
Additionally, Theobroma provides a number of software and hardware applications and products that Cherry uses for making its line of products. The transaction represents a strategically valuable bolt-on acquisition, the first of several planned for Cherry under Argand's ownership.

"That was our quickest acquisition after an investment, ever," said Mr. Osman. "We bought Theobroma within about a week of buying Cherry, so we're very pleased with the start to our investment."

ARGAND PARTNERS

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