



Candover Investments plc

Preliminary results to 31st December 2013

February 2014

Agenda



- Overview & financial results – Malcolm Fallen
- Fund & portfolio update – John Arney
- Summary – Malcolm Fallen



Overview & financial results

Malcolm Fallen

Update



- Encouraging portfolio value uplift:
 - Portfolio up 21%
 - NAV per share at 715p up 107 pence (+18%)
- Successful refinancing of US private placement notes in December 2013
- Expro trading strongly driving the write-up, partly offset by write down of Stork due to weak trading at STS
 - Expro uplifted in H2 by £27.8m following £13.9m uplift in H1 (pre fx movements)
 - Stork write down for the year £15.6m of which £12m in H1 (pre fx movements)
- Currency movements muted across the year
- Investment and realisation activity in H2:
 - £5 million follow-on invested to support Parques and Stork; all remaining follow-on commitments have expired
 - Realisation of Qioptiq delivered £11.3m including carried interest; additional proceeds of £1.2m receivable over H1 2014
 - DX floated on AIM post year end providing complete exit; proceeds £3.4m

2013 headlines



<i>Key financials</i>	<i>Dec 2012</i>	<i>June 2013</i>	<i>Dec 2013</i>	<i>Status</i>
NAV	608p	627p	715p	
Change in NAV v prior period	-5%	+3%	+14%	
Net debt	£27m	£38m	£48m	
LTV ratio	18%	24%	25%	
Outstanding commitments	£6m	£6m	Nil	
Concentration (% portfolio) - Top 3	69%	68%	76%	

Net assets – up 18%



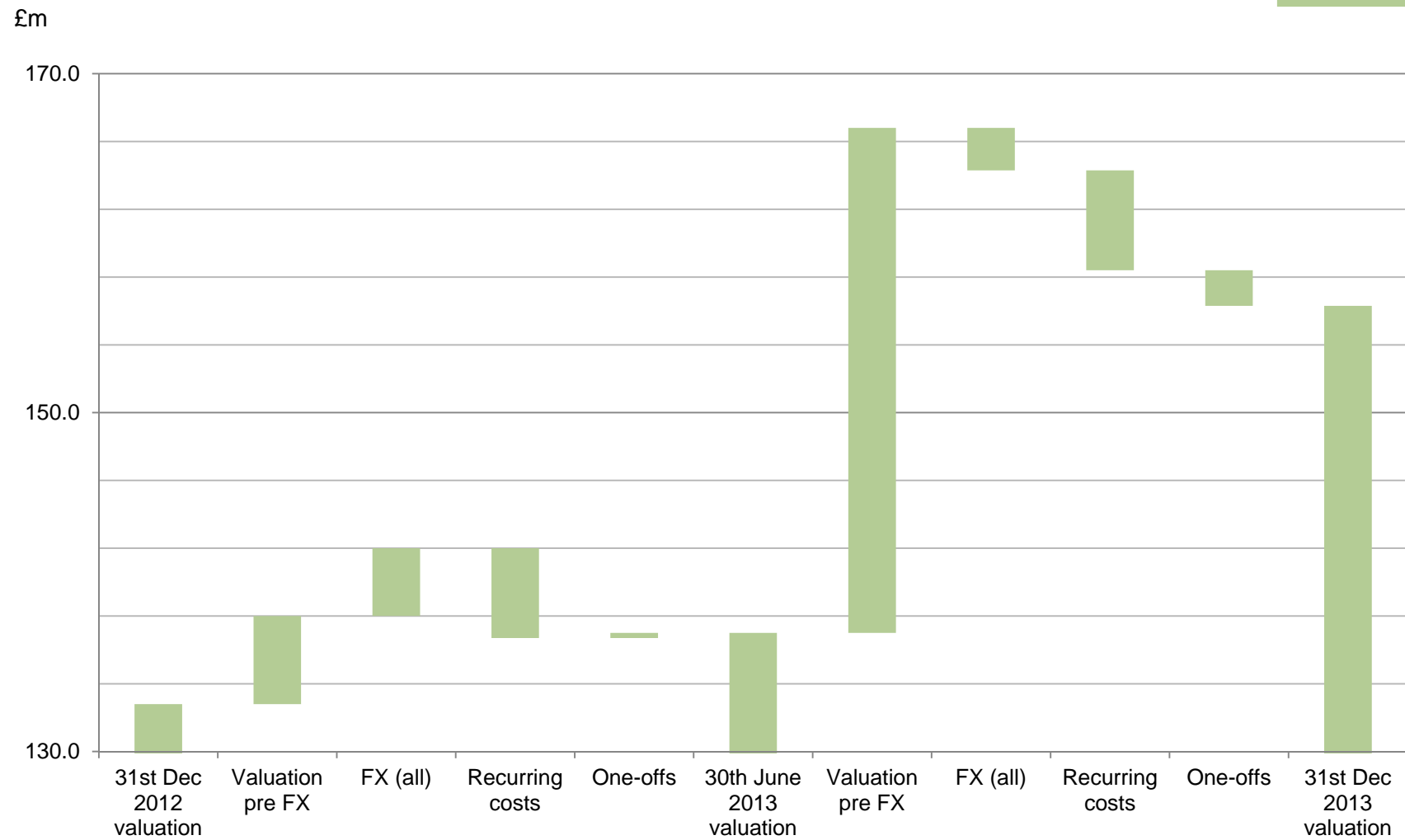
	£m	p
OPENING NAV	132.8	608
Revaluation of investments		
• Gain on financial instruments and other income	35.0	160
• Currency impact on unrealised investments	1.3	6
	36.3	
Impact of carrying costs		
• Recurring administrative expenses	(4.9)	(22)
• Finance costs	(6.3)	(29)
• Other non-recurring	(1.8)	(9)
	(13.0)	
• Restatement of cash and cash equivalents	(1.3)	(6)
• Translation of loan and fair value hedge adjustment balances	1.5	7
	0.2	
CLOSING NAV	156.3	715

Investments – up 21%



£m	
Opening investment value (including accrued income)	176.2
Disposals at valuation	(12.1)
Additions at cost	5.0
	<hr/>
	156.4
Revaluation of investments:	
Valuation movements before currency	33.5
Currency impact on unrealised investments	1.3
	<hr/>
	34.8
Closing investment value (including accrued income)	191.2

NAV bridge – last twelve months



Refinancing of US PP Notes



- Original 2007 notes series fully repaid using excess cash and the proceeds from a simultaneous issue of new US PP notes
- Early repayment of original notes triggered make whole payment (£7.5m)
- New notes terms include:
 - \$83.9 million raised with 7.02% coupon
 - Repayable in December 2015
 - Mandatory prepayment from realisations, subject to an adequate cash buffer being retained by Candover; repayment will occur at par
 - Removal of concentration restriction in LTV calculation provides further headroom
- Refinancing benefits are:
 - Reduces surplus cash drag
 - Extends maturity providing more capacity to manage slippage in realisation projections
 - More flexible early repayment mechanism without make whole

Net debt



£m	Dec 2012	June 2013	Dec 2013
Loans and borrowings	151.0	156.2	48.6
Fair value hedge adjustment	(7.0)	(5.4)	-
Deferred costs	0.4	0.3	2.1
Value of bonds (due end of 2015)	144.4	151.1	50.7
Cash	(117.7)	(113.2)	(3.0)
Net debt	26.7	37.9	47.7
LTV ratio	18%	24%	25%

Cash flow statement



£m

Cash flow from operations	(4.5)
Interest	(12.2)
Net cash outflow from operating activities	(16.7)
Purchase of financial investments	(5.0)
Sale of financial investments	9.8
Net cash inflow from investing activities	4.8
Repayment of debt	(101.5)
Decrease in cash and cash equivalents	(113.4)
Opening cash and cash equivalents	117.7
Effect of FX on cash and cash equivalents	(1.3)
Closing cash and cash equivalents	3.0



Fund & portfolio update

John Arney

- > NAV of investments managed by Arle increased by 11% since June 2013 and 11% year-on-year

- > Candover's investment portfolio increased by 21% year on year
 - The difference was driven by the disproportionate impact of Expro on Candover's NAV

- > 2013 highlights included:
 - Earnings of the actively managed portfolio grew by 4% over the year, revenues by 3%
 - Arle raised €600 million of new debt capital for its portfolio companies and refinanced €800 million of third party debt
 - Post year end, Arle raised an €340 million bond for Innovia
 - Expro continues to outperform, resulting in a valuation uplift of 188 pence per share
 - Two businesses were sold:
 - Qioptiq was sold to Excelitas Technologies
 - Post year end, DX floated on AIM at 100p per share
 - Market capitalisation of £200 million
 - Sold all shares at flotation
 - 34% uplift on valuation at 31st December 2013

REALISATIONS AND FOLLOW-ON INVESTMENTS



2013 Summary

> Candover's realisation proceeds

- | | |
|---------------------------------------|-------|
| - Qioptiq sale proceeds | £7.2m |
| - Candover 2001 Fund carried interest | £4.1m |

Total £11.3m

> Candover's follow-on investments

- | | |
|--------------------|-------|
| - Parques Reunidos | £1.8m |
| - Stork | £3.2m |

Total £5.0m

> **Expro International**

- Strong trading continues with YTD adjusted revenues up 16.5% on prior year with adjusted operating profit up 35% on prior year
- Successfully tapped bond for \$100m in July
- Valuation uplift of £41.0m (188p per share)

> **Parques Reunidos**

- Improved trading despite significant VAT increase in Spain (8% to 21%) and poor weather on the East Coast of America during the summer
 - Strong trading in Europe during the summer
- Significant progress made in rolling out organic growth strategies
- Continue to drive through operational improvements
- New CEO appointed post the year end
- Valuation uplift of £0.8m (4p per share)

- > **Stork (comprising Stork Technical Services and Fokker Technologies)**
 - Marked down by (67p per share) due to developments at STS and Fokker
- > **Stork Technical Services**
 - Disappointing trading due to a combination of operational issues and the continuation of poor market conditions in the European chemicals and power markets
 - New CEO appointed in July
 - Business improvement initiatives being rolled out following a strategic review
 - Amended €110m revolving loan facility providing STS with a solid platform from which to develop the business
- > **Fokker Technologies**
 - 2013 trading slightly behind prior year, with a good performance by Product division offset by the Services division
 - Strong forward order book
- > **Technogym**
 - Challenging trading conditions with low cost manufacturers and other competitors benefitting from the strength of the Euro versus the US Dollar
 - Valuation written up by £0.2m (1p per share) due to FX movements

STATUS OF THE CANDOVER FUNDS



- > **2001 Fund** lapsed on 12th June 2013. As Liquidating Trustee, Arle continues to manage the remaining investments through to realisation
- > **2005 Fund** - Follow-on Investment Period terminated on 26th August 2013
- > **2008 Fund** - Follow-on Investment Period terminates on 12th January 2015. Candover has no remaining commitment

- > Realising the remaining 2001 Fund assets (ONO and Innovia)
- > Focus on further growth in trading performance, preparation and execution of exits



Summary

Malcolm Fallen

Summary



- Signs of stability in the portfolio overall with valuation uplift driven by strong Expro recovery
- Successful refinancing of US PP notes
- New US PP notes give greater early repayment flexibility to the Company
- Post year end receipt of £4.7m of realisation proceeds improve Candover's liquidity
- Arle's focus on realising 2001 Fund assets should boost liquidity further



Appendices

Ten largest investments



£m	Date of acquisition	Residual cost	Value at ¹ 31.12.12	Valuation movement excl. FX	Valuation movement attributable to FX	Value at 31.12.13	Valuation movement (pence per share)	% of net assets
Expro International	Jul 08	92.1	31.6	41.7	(0.7)	72.6	188	46.4
Parques Reunidos	Mar 07	30.0	34.8	0.1	0.7	37.4	4	23.9
Stork	Jan 08	42.5	46.0	(15.6)	0.9	34.5	(67)	22.1
Technogym	Aug 08	29.2	16.0	(0.1)	0.3	16.2	1	10.4
Innovia	Sep 04	2.7	6.6	2.4	0.1	9.1	11	5.8
Hilding Anders	Dec 06	24.3	3.8	1.8	0.1	5.7	9	3.6
GET	Dec 07	1.2	3.6	1.5	(0.3)	4.8	5	3.1
DX Group	Sep 06	21.4	2.7	(0.2)	-	2.5	(1)	1.6
ONO	Nov 05	2.2	1.7	0.5	-	2.2	2	1.4
Alma Consulting Group	Dec 07	15.3	-	-	-	-	-	-

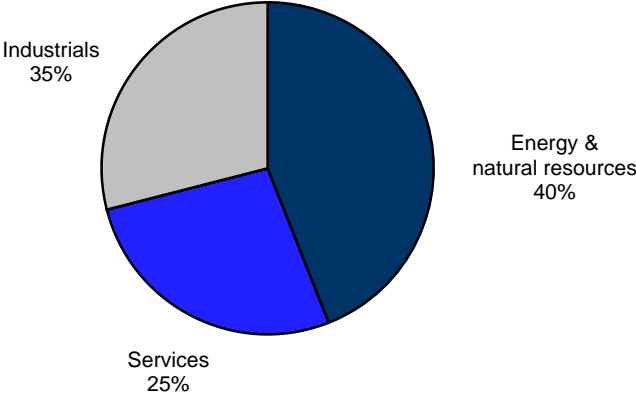
The ten largest investments represent 96.7% of the portfolio, with the 2001 Fund Carried Interest representing a further 2.9%

¹ Adjusted for follow-on investments at cost

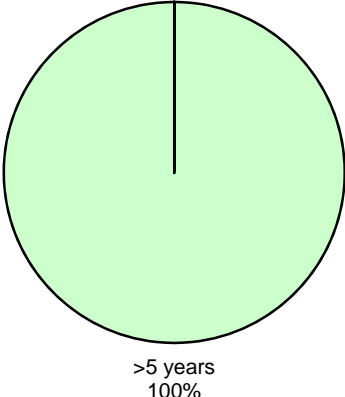
Portfolio analysis – ten largest investments



Sector analysis



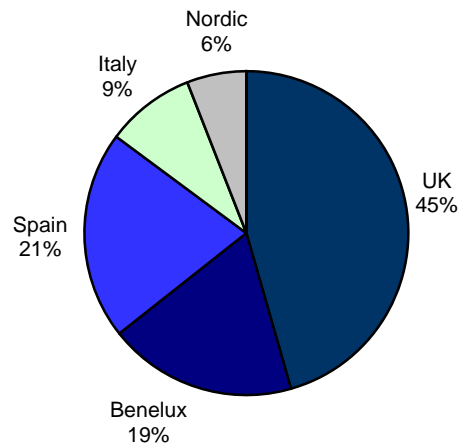
Age analysis



Portfolio analysis - ten largest investments



Geographical analysis



Valuation basis

