



# Candover Investments plc

Preliminary results to 31<sup>st</sup> December 2016

February 2017

# Agenda



- Overview – Malcolm Fallen
- Manager's update – Arle Capital Partners
- Summary – Malcolm Fallen



# Overview

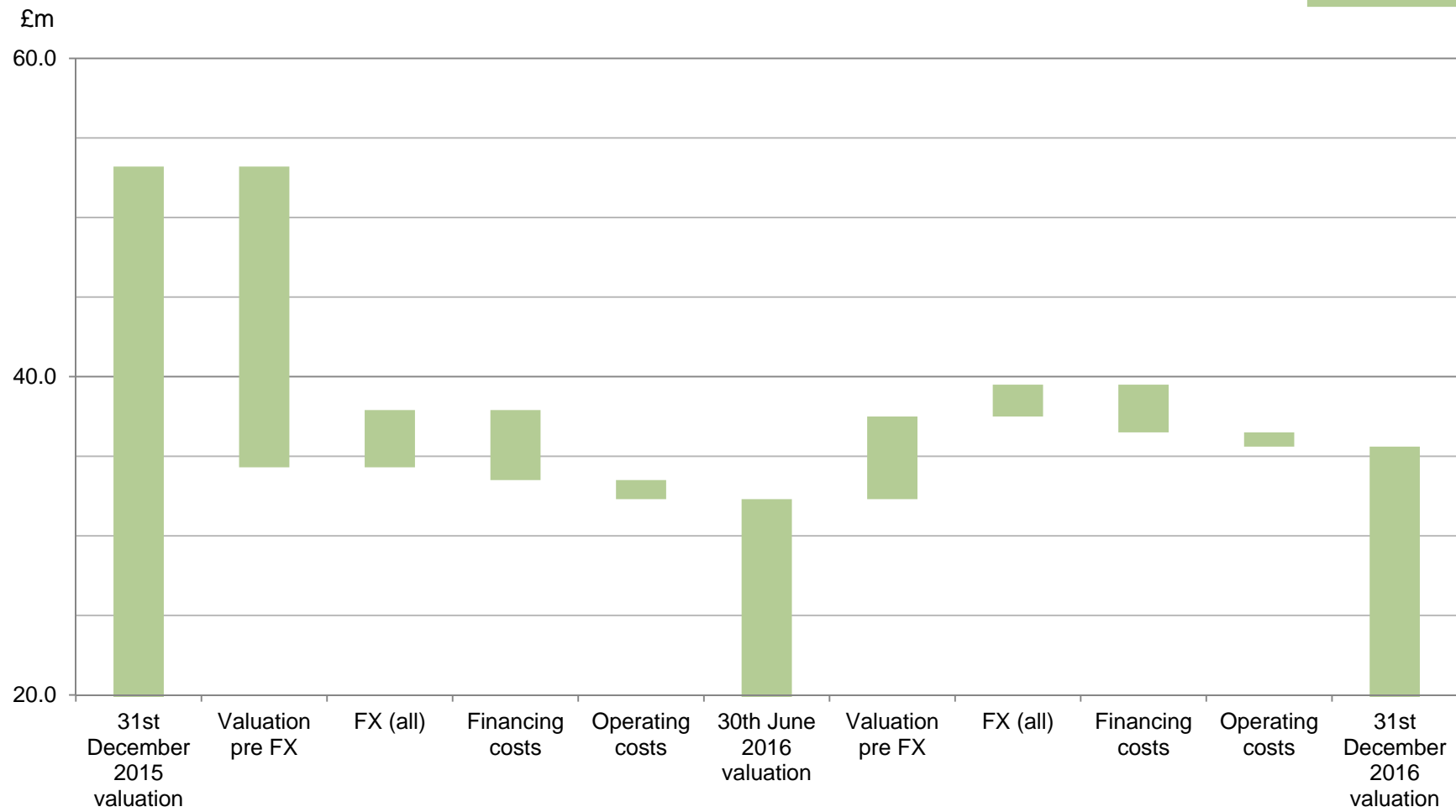
Malcolm Fallen

## Overview – some recovery in NAV in H2 with pro-forma net cash achieved post year end



- Realisations delivered £30m cash inflow in 2016
- NAV per share at 163p, a 10% recovery in H2, but down 33% (80p) in the year following:
  - Portfolio decline of 63pps on a constant currency basis. Parques and Technogym IPOs completed at below December 2015 valuations, with post IPO share price weakness at Parques offset in part by strength in Technogym's share price post IPO
  - Favourable FX impact following weakness of Sterling v. €
- Net debt £13.7m (31/12/15: £33.2m) benefitting from realisation proceeds, but adversely impacted by FX impact of £2.5m
- Completed partial repayment of loan facility in June 2016 to reduce the overall potential cost of the July 2015 refinancing
- Post year end realisations will generate £16.7m of cash inflow during Q1

# NAV bridge – last twelve months



# Debt repayment now possible in Q1 2017



- The Company raised a €52m facility provided by 17 Capital in mid 2015, with €50m drawn down
  - €19.4 million was repaid at the end of H1 at a minimum return of 1.15x, reducing the maximum potential cost of funding by €4.85m
  - Outstanding principal is now €30.6 million with year end accrued interest of €10.2m using EIR (Effective Interest Rate) charge of 20% since drawdown.
- Repayment of the outstanding loan is subject to a minimum return of 1.4x. Full repayment would dilute year end NAV by c.7pps
- Once the cash from post year end realisations is received, Candover will have sufficient cash, all held in €, to meet the repayment liability including the full cost of the minimum return



# CANDOVER INVESTMENTS PLC MANAGER'S UPDATE

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# TERMINATION OF THE CANDOVER FUNDS



- > The Candover 2005 Fund and Candover 2008 Fund (the “Funds”) will terminate on a solvent basis on 31 March 2017
- > This will lead to a termination of the co-investment agreement that binds Candover to enter into transactions on the same terms and timing as the Funds



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## PLANS FOR THE REMAINING INVESTMENTS



- > Technogym now fully realised
- > Arle is exploring options to realise the investment in Hilding Anders
- > Residual interests in Expro and Parques will be distributed in specie to investors
  - Parques Reunidos shares will be distributed in specie directly to investors in April 2017
  - The interests in Expro will be reorganised into a newly formed Guernsey limited company, which will continue to be managed by Arle, the interests in which will be distributed to investors in early April
  - The Expro investment remains subject to lock-up until June 2020, although sale opportunities may arise earlier

- > The overall valuation of the Funds' portfolio on 31 December 2016 was €555 million, compared to €485 million in June 2016
  
- > Realisation proceeds in the year of €489 million
  
- > Post-year end realisations:
  - a partial realisation of the interests in Parques via an Accelerated Book Build (ABB), for proceeds of €106 million (Candover: £8.4 million)
  - the remaining interests in Technogym were realised for proceeds of €96 million (Candover: £8.3 million)
  - total realisations since 1<sup>st</sup> January 2016: €202 million (Candover: £16.7 million)

- > In April 2016, Parques was listed in Spain generating cash proceeds of €3.5 million (£2.7 million for Candover)
- > At year end, the Funds' residual stake in the listed shares was valued at €415 million (Candover: £35.3 million)
- > In January 2017, Arle successfully placed 10% of Parques' share capital at €14.20 per share before costs, representing a 6.9% discount to the prior day's closing price, generating proceeds of €106 million (Candover: £8.4 million)
- > Arle continues to manage c.23 million shares, representing 25.1% of the company's share capital which are subject to a 90 day lock-up
- > During 2016 Candover's valuation reduced by £12.3 million, before positive currency movements of £6.8 million (total: -25p per share)

- > In April 2016, Technogym was listed in Italy generating proceeds of €17.3 million (£13.1 million for Candover)
- > Candover's interests in Technogym were valued at the year-end at £8.2million, a decrease of £2.1 million, before positive foreign currency movements of £0.9 million (total: - 5p per share)
- > In early 2017, Arle sold its remaining equity stake via an ABB at €4.45 per share before costs, generating proceeds of €96 million (Candover: £8.3 million)

- > The sale of equity interests in Hilding Anders has been agreed in exchange for a more liquid interest in a debt instrument
- > The sale is expected to complete, subject to the customary competition clearances, in Q1 2017
- > Candover's valuation was written down by £0.1 million before positive foreign exchange movements of £0.2 million, resulting in a valuation at the year-end of £1.6 million

- > On 25 October 2016, agreement was reached to implement the equitisation of 98% of the mezzanine debt (approximately \$784m of \$800m)
- > Consenting lenders exchanged their entire outstanding principal and accrued PIK interest for equity in Expro International Group Holdings Limited, Expro's ultimate parent company
- > The pre equitisation shareholders retain a 30% interest in the company
- > Candover's valuation was unchanged before a positive foreign exchange movement of £0.1 million, resulting in a year-end valuation of £0.6 million



# Summary

Malcolm Fallen

# Summary



- Candover is now moving in to a new phase of the run off process following the realisations delivered in 2016 and in early 2017
- For the first time since 2007 Candover is no longer indebted, after adjusting for post year end realisations
- The portfolio is no longer a series of illiquid PE assets, with 90% of the value now represented by the listed Parques shares
- Following the termination of the Candover Funds our assets will be self managed and disentangled from any linkage to the legacy Fund structures
- The focus over the coming months will be on
  - Timing of the pay down of debt
  - Reviewing options for the realisation of the Parques investment post the in specie distribution
  - Looking at the potential distribution of value to shareholders
  - Continuing to explore whether accumulated tax losses represent a future realisable asset





# Appendices

# Net assets – down 33%



	£m	p
<b>OPENING NAV</b>	<b>53.2</b>	<b>243</b>
<b>Revaluation of investments</b>		
• Loss on financial instruments and other income	(13.7)	(63)
• Currency impact on unrealised investments	8.1	37
	<b>(5.6)</b>	
<b>Impact of carrying costs</b>		
• Recurring administrative expenses	(2.1)	(10)
• Finance costs	(7.4)	(33)
	<b>(9.5)</b>	
<b>Impact of currency on net debt</b>		
• Restatement of cash and cash equivalents	3.5	16
• Translation of loan and fair value hedge adjustment balances	(6.0)	(27)
	<b>(2.5)</b>	
<b>CLOSING NAV</b>	<b>35.6</b>	<b>163</b>

# Investments – down 5%



£m	
<b>Opening investment value (including accrued income)</b>	<b>82.6</b>
Disposals at valuation	(33.6)
	<b>49.0</b>
Revaluation of investments:	
Valuation movements before currency impact	(10.4)
Currency impact on unrealised investments	8.1
	(2.3)
<b>Closing investment value (including accrued income)</b>	<b>46.7</b>

# Net debt



£m	Dec 2015	June 2016	Dec 2016
Loans and borrowings	39.4	30.4	34.7
Deferred costs	0.3	0.4	0.3
<b>Value of loans</b>	<b>39.7</b>	<b>30.8</b>	<b>35.0</b>
Cash	(6.5)	(20.6)	(21.3)
<b>Net debt</b>	<b>33.2</b>	<b>10.2</b>	<b>13.7</b>

# Candover Portfolio



£m	Date of acquisition	Residual cost	Value at <sup>1</sup> 31.12.15	Valuation movement excl. FX	Valuation movement attributable to FX	Value at 31.12.16	Valuation movement (pence per share)	% of net assets
Parques Reunidos	Mar 07	30.3	40.8	(12.3)	6.8	35.3	(25)	99.2
Technogym	Aug 08	8.3	9.4	(2.1)	0.9	8.2	(5)	23.0
Hilding Anders	Dec 06	24.3	1.5	(0.1)	0.2	1.6	-	4.5
Expro International	Jul 08	94.4	0.5	-	0.1	0.6	-	1.7
Stork	Jan 08	5.0	0.4	(0.1)	-	0.3	-	0.8

<sup>1</sup> Adjusted for follow on acquisition and disposal