



# Candover Investments plc

Preliminary results to 31<sup>st</sup> December 2014

February 2015

# Agenda



- Overview & financial results – Malcolm Fallen
- Fund & portfolio update – Arle Capital Partners
- Summary – Malcolm Fallen



# Overview & financial results

Malcolm Fallen

# Overview



- NAV per share at 545p down 24% (170p)
- Portfolio value declined 19% (144p):
  - Expro down 48% (161p) on constant currency basis
  - Parques up 13% (22p) on constant currency basis
  - Overall net adverse FX impact limited (7p)
- Portfolio trading improved with LTM EBITDA growth of 6% per annum
- Realisation plan for 2014 fully achieved; proceeds £33.1 m delivering 29% aggregate uplift on December 2013 valuations
- Net debt reduced to £27.3m compared to £47.7m at the start of the year; loan-to-value ratio improved to 20.1% (2013: 24.9%)

# 2014 year end - headlines



<i>Key financials</i>	<i>Dec 2013</i>	<i>June 2014</i>	<i>Dec 2014</i>	<i>Status</i>
<b>NAV</b>	<b>715p</b>	<b>722p</b>	<b>545p</b>	
<b>Change in NAV v prior period</b>		<b>+1%</b>	<b>-24%</b>	
<b>Net debt</b>	<b>£48m</b>	<b>£30m</b>	<b>£27m</b>	
<b>LTV ratio</b>	<b>25%</b>	<b>17%</b>	<b>20%</b>	
<b>Outstanding commitments</b>	<b>Nil</b>	<b>Nil</b>	<b>Nil</b>	
<b>Concentration (% portfolio) - Top 3</b>	<b>76%</b>	<b>83%</b>	<b>83%</b>	

# Net assets – down 24%



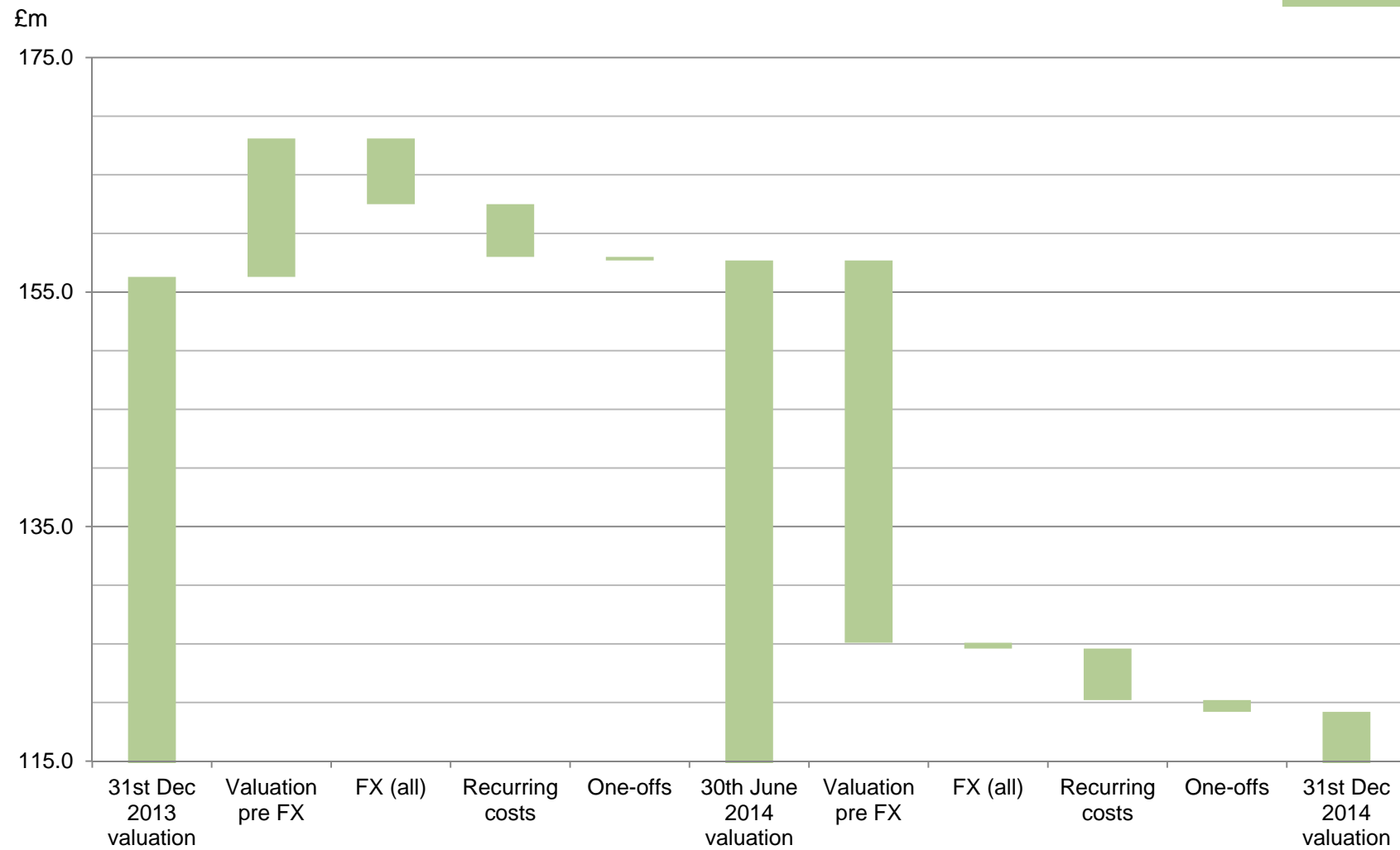
	£m	p
<b>OPENING NAV</b>	<b>156.3</b>	<b>715</b>
<b>Revaluation of investments</b>		
• Gain on financial instruments and other income	(21.8)	(100)
• Currency impact on unrealised investments	(1.6)	(7)
	<b>(23.4)</b>	
<b>Impact of carrying costs</b>		
• Recurring administrative expenses	(4.1)	(19)
• Finance costs	(4.8)	(22)
• Other: tax & non-recurring	(1.3)	(6)
	<b>(10.2)</b>	
<b>Impact of currency on net debt</b>		
• Restatement of cash and cash equivalents	(0.3)	(1)
• Translation of loan and fair value hedge adjustment balances	(3.2)	(15)
	<b>(3.5)</b>	
<b>CLOSING NAV</b>	<b>119.2</b>	<b>545</b>

# Investments – down 19%



£m	
<b>Opening investment value (including accrued income)</b>	<b>191.2</b>
Disposals at valuation	(24.2)
	<b>167.0</b>
Revaluation of investments:	
Valuation movements before currency impact	(29.8)
Currency impact on unrealised investments	(1.6)
	<b>(31.4)</b>
<b>Closing investment value (including accrued income)</b>	<b>135.6</b>

# NAV bridge – last twelve months





# Net debt



£m	Dec 2013	June 2014	Dec 2014
Loans and borrowings	48.6	47.8	52.8
Fair value hedge adjustment	-	-	-
Deferred costs	2.1	1.5	1.1
<b>Value of bonds (due end of 2015)</b>	<b>50.7</b>	<b>49.3</b>	<b>53.9</b>
Cash	(3.0)	(18.9)	(26.6)
<b>Net debt</b>	<b>47.7</b>	<b>30.4</b>	<b>27.3</b>
<b>LTV ratio</b>	<b>25%</b>	<b>17%</b>	<b>20%</b>

# Cash flow statement



£m

Cash flow from operations	3.6
Interest paid	(3.9)
<b>Net cash outflow from operating activities</b>	<b>(0.3)</b>
Sale of financial investments	24.2
<b>Net cash inflow from investing activities</b>	<b>24.2</b>
<b>Increase in cash and cash equivalents</b>	<b>23.9</b>
<b>Opening cash and cash equivalents</b>	<b>3.0</b>
Effect of FX on cash and cash equivalents	(0.3)
<b>Closing cash and cash equivalents</b>	<b>26.6</b>



# Fund & portfolio update

Arle Capital Partners

- > The Candover Funds managed by Arle were flat over the period with gains on realisations of €93 million above their Dec '13 valuations offset by the unrealised portfolio being marked down €80 million to €1,665 million
  - Strong earnings growth at Technogym, Parques Reunidos and Stork
  - Offset by write-down of Expro to reflect steep fall in oil price and corresponding compression of sector multiples
  
- > Candover's unrealised portfolio valuation declined by 19% to £135 million
  - Variation vs Arle-managed portfolio arises from Candover's overweighting in Expro, compounded by the dilution impact of its holding in Expro and net negative FX movements

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# PORTFOLIO OVERVIEW



## 2014 Highlights

- > Earnings in aggregate across the Candover portfolio managed by Arle grew by 5.9%
- > Revenues grew by 3.1%
- > Four businesses were sold during 2014 generating total proceeds of £31.3 million including carried interest - a 29% uplift on their combined valuation at 31 December 2013:
  - DX fully realised via an AIM listing at a market capitalisation of £200.5 million
  - Innovia was sold for an EV of €498 million
  - Ono was sold to Vodafone for an EV of €7.2 billion
  - GET was sold to TDC for NOK 13.8 billion.
- > 2001 Fund fully liquidated following the realisation of the final two companies (Innovia and ONO)

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# CANDOVER REALISATION PROCEEDS



## Summary

### > During the 12 months to 31 December 2014

- DX Group IPO proceeds	£3.4m
- Innovia sale proceeds	£10.6m
- Ono sale proceeds	£3.3m
- GET sale proceeds	£5.9m
- Candover 2001 Fund carried interest	£8.1m
- Escrow proceeds	£1.8m

**Total**     £33.1m

### > **Expro International**

- Strong trading in FY ended 31/3/14: earnings up 33% year on year
- Significant contract wins during 2014 led to record high order book of >\$2 billion
- Steep decline in oil price (down 45% in H2 2014) results in trading headwinds and sector re-rating leading to downward valuation of Expro
  - OSX index down 25% in 2014
  - E&P companies making significant cuts to capex and to lesser extent, opex
- Management acted early to reduce costs, though Expro less exposed to downturn because of higher exposure to:
  - Development and production (circa 75% of total revenue) vs exploration phase of the well life cycle; and
  - Longer cycle capital expenditure programmes (circa 66% of total revenue)
- Expro remains a highly strategic asset with high market shares in its key offshore markets
- Valuation lowered by £30.8 million (*141p per share*) net of favourable currency movement of £4.4 million

### > **Parques Reunidos**

- Strong trading in financial year ended 30 September 2014:
  - Successful marketing campaigns in Europe and strong economic recovery in Spain
  - Solid growth in the US both in terms of visitors and per-caps. Margins sustained through cost control
- Amend & Extend of European debt facilities successfully completed in June 2014
- Continued active M&A:
  - Acquired flagship Miami Seaquarium in July - integration, upgrade, investment and efficiencies in progress
  - Sold 14 FECs and one water park in US to Apex Parks Group in September
  - FEC proceeds will fuel growth through selective acquisitions or through expansion capex to generate new sources of core revenue
- New management contracts announced in November to operate new parks currently being built in Dubai
- Valuation uplift of £2.5 million (*11p per share*) net of adverse FX movements of £2.4 million



- > **Stork BV – which comprises Stork and Fokker Technologies**
- > **Stork**
  - Significantly improved trading performance, with 2014 sales and EBITDA well ahead of prior year:
    - Improved contract risk control
    - Successfully implemented efficiency plan
    - Healthy order book reflecting award of long term maintenance and plant modification contracts in the global Oil & Gas, Power and Chemicals sectors
- > **Fokker Technologies**
  - 2014 trading ahead of prior year:
    - Good performance in Design and Build businesses (ie Aerospace structures)
    - Fokker Services had a better year in 2014 as a result of improved margins and from successfully implemented efficiency plan
  - Continuing to drive operational improvements through the Fokker business
  - Order book remains strong
- > Combined valuation down £3.6 million (*16p per share*) including adverse FX movements of £2.2 million

### > **Technogym**

- Strong growth in earnings in 2014 with strength of US Dollar vs Euro helping international competitiveness
- Launch of new equipment ranges was well received in the market
- Investment was written up by £0.9 million (*4p per share*) net of adverse exchange rate movement of £1.0 million

### > **Hilding Anders**

- 2014 like-for-like sales and earnings ahead of prior year:
  - Europe returned to growth in most markets. France and Northern Europe particularly strong
  - Russian trading continues to outperform - however significant depreciation of the Russian Rouble adversely affected translation of profits
- Valuation down £0.4 million (*2p per share*) from adverse foreign exchange movements

- > Build on trading momentum in majority of portfolio as a platform to achieve further exits
- > Support and manage Expro through the oil cycle and Hilding Anders through the Russian Rouble challenges



# Summary

Malcolm Fallen

# Summary



- Systemic impact of oil price decline has had a material impact on NAV in H2 2014
- Continued signs of recovery in the performance of the portfolio are encouraging ahead of the realisation of the investments
- Foreign currency will remain a source of volatility driven by GBP v. € relativities, whereas GBP v. USD is effectively hedged by US PP notes
- Arle's continued progress in realising the assets should, based on current projections, enable repayment of debt. However, we are mindful that:
  - M&A/IPO processes remain “uncertain”
  - Expro's exit plan is impacted by the decline in the oil price and its knock on effects
  - funding alternatives for Candover may be required, which are being explored



# Appendices

# Candover Portfolio

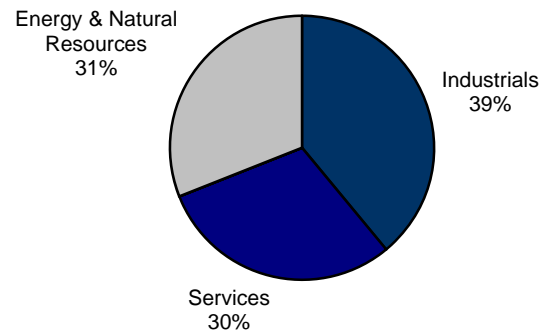


£m	Date of acquisition	Residual cost	Value at 31.12.13	Valuation movement excl. FX	Valuation movement attributable to FX	Value at 31.12.14	Valuation movement (pence per share)	% of net assets
Expro International	Jul 08	92.1	72.6	(35.2)	4.4	41.8	(141)	35.1
Parques Reunidos	Mar 07	30.0	37.4	4.9	(2.4)	39.9	11	33.5
Stork	Jan 08	42.5	34.5	(1.4)	(2.2)	30.9	(16)	25.9
Technogym	Aug 08	29.2	16.2	1.9	(1.0)	17.1	4	14.3
Hilding Anders	Dec 06	24.3	5.7	-	(0.4)	5.3	(2)	4.4

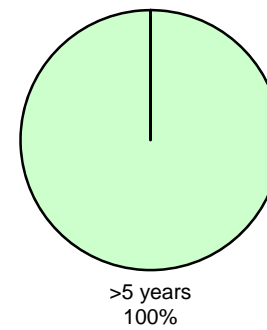
# Portfolio analysis – by sector & age



**Sector analysis**



**Age analysis**

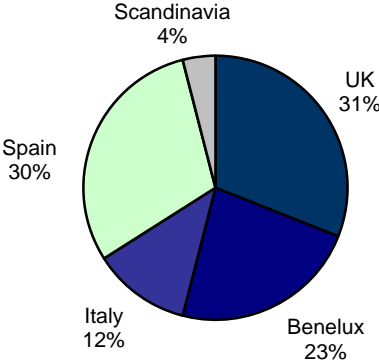




# Portfolio analysis – by region & valuation method



**Geographical analysis**



**Valuation basis**

