



Candover Investments plc

Interim results to 30th June 2016

August 2016

Agenda



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



Overview

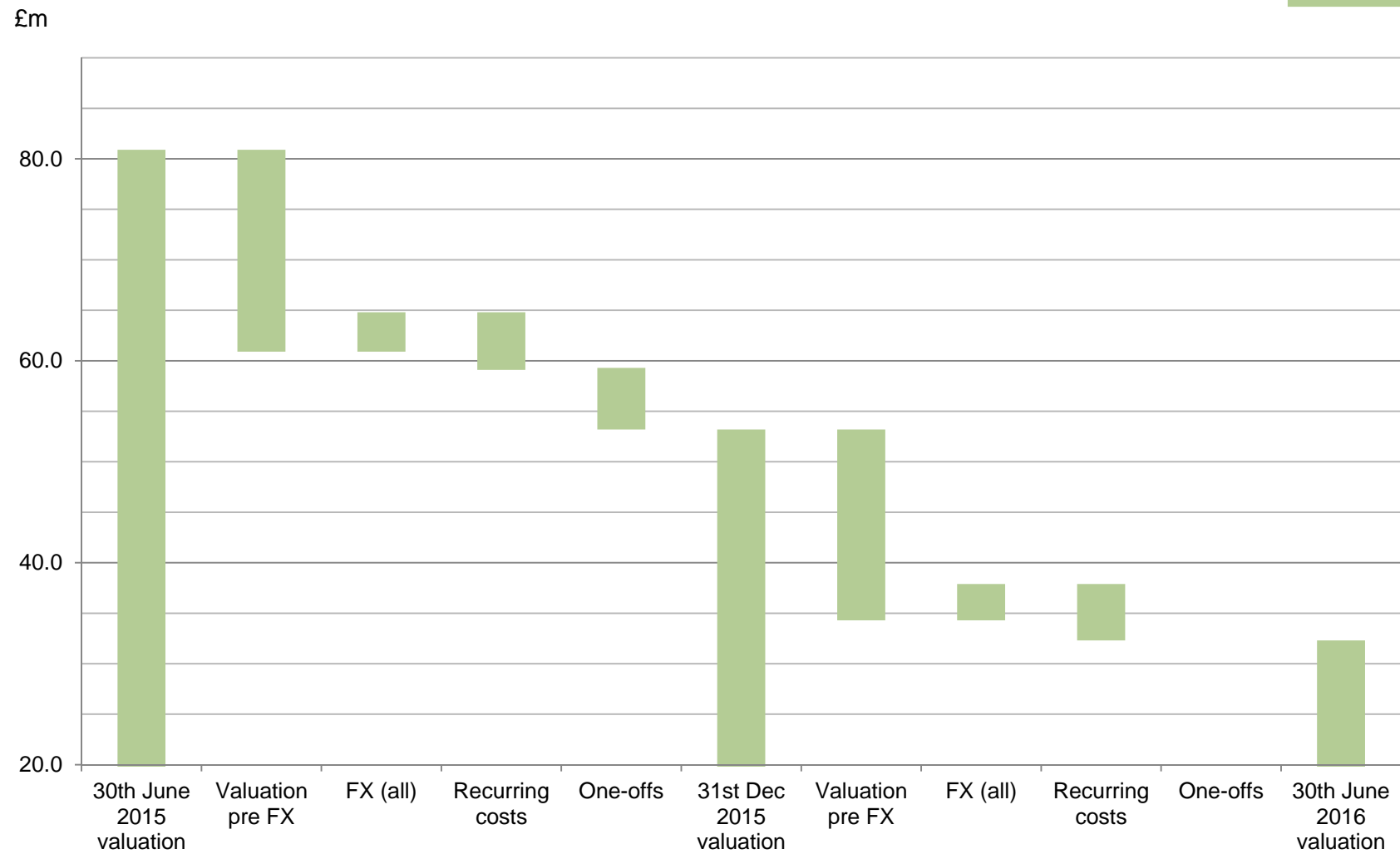
Malcolm Fallen

Overview



- Realisations delivered £30m cash inflow in H1
- NAV per share at 148p down 39% as portfolio declined by 64p per share
 - Decline in Parques (75p) and Technogym (13p) on a constant currency basis
 - Both IPOs completed at below December 2015 valuations, with share price weakness at Parques offset in part by strength in Technogym's share price post IPO
 - Favourable FX impact of 26p following weakness of Sterling v. €
- Stork BV proceeds received as expected; small escrow remains outstanding
- Net debt £10.2m (31/12/15: £33.2m) benefitting from realisation proceeds
- Completed partial repayment of loan facility to reduce the overall potential cost of the July 2015 refinancing

NAV bridge – last twelve months



Update on debt financing



- The Company raised €52 million from facilities provided by 17 Capital, entering into the agreement on 13th July 2015. To date only €50 million has been drawn
- The key features of the facility are:
 - 5 year term extendable at Candover's request up until 2025 with no covenants and security packages
 - PiK 13% coupon; with minimum returns guaranteed between 1.15x and 1.4x money invested
 - Effective rate of interest set at 20.6%
 - £21.8 million of realisation proceeds can be returned to shareholders, subject to an asset cover test at the time, with all subsequent realisation proceeds used to pay down debt
- A repayment of €19.4 million was completed at the end of H1 at a minimum return of 1.15x, reducing the potential cost of funding by £3.85 million. Outstanding principal now €30.6 million.



Fund & portfolio update

Arle Capital Partners

- Value of Candover Funds' portfolio contracted by 20.7%
- Proceeds to Candover of £30.1m from completion of Stork sale and partial exits of PQR and Technogym
- Expro and Hilding Anders valuations remain constant

> **Parques Reunidos**

- Listed in Madrid on 29 April at €15.50/share, a 23% discount to 31 Dec valuation
- Raised net proceeds of €35m for the Arle managed funds through a sale of 7.7% of their investment
- Retained 33.9% of the share capital of Parques Reunidos which is subject to 180 day lock up
- On 30 June, share price had reduced by 15.8% from the IPO price
- Valuation for Candover adjusted down by £16.5m to reflect both the IPO valuation impact and the subsequent lower share price. Favourable currency movements were £4.8m

> **Technogym**

- Listed in Milan in April at €3.25/share, discount of 19% to 31 Dec valuation
- Gross proceeds of €186.9m raised for Arle managed funds by listing 25% of Technogym's share capital and proceeds from greenshoe of a further 3.75%
- Retained 11.25% stake after greenshoe
- Share price reached €3.95, up 21.5% on 30 June
- Valuation marked £2.9m lower to reflect both the IPO valuation impact and the subsequent recovery in the share price. Favourable currency movements were £0.6m

> **Hilding Anders**

- Good trading in Europe and Asia
- Russia below plan as a result of more difficult market conditions
- Exercised a call option to increase stake in Russian subsidiary
- Extended debt facilities for two and a half years
- Valuation up by £0.1 million due to currency movements

> **Expro International**

- Annual results reflected challenging energy market and lower activity levels
- Despite downturn, Expro has still outperformed its peers operationally and financially
- Valuation held flat

- Arle will continue to focus on optimising performance across the portfolio, ensuring that the remaining investments can be realised at the appropriate time.
- Will consider a possible sale of equity holdings in PQR and Technogym after lock-up period has ended



Summary

Malcolm Fallen

Summary



- Realisation inflows have strengthened Candover's financial stability
- Whilst the IPO's were disappointing in terms of initial valuations achieved, the portfolio's "liquidity" is improving, albeit the major assets are still subject to lock-up arrangements
- Future NAV recovery is heavily geared to the progress Parques makes in terms of business performance and re-rating
- Considered prudent to wait until lock-ups expire, and Arle review the options to generate further liquidity, before any decision on distribution options is taken



Appendices

Net assets – down 39%



	£m	p
OPENING NAV	53.2	243
Revaluation of investments		
• Loss on financial instruments and other income	(18.9)	(86)
• Currency impact on unrealised investments	5.7	26
	(13.2)	
Impact of carrying costs		
• Recurring administrative expenses	(1.2)	(5)
• Finance costs	(4.4)	(20)
	(5.6)	
Impact of currency on net debt		
• Restatement of cash and cash equivalents	2.6	12
• Translation of loan and fair value hedge adjustment balances	(4.7)	(22)
	(2.1)	
CLOSING NAV	32.3	148

Investments – down 20%



£m	
Opening investment value (including accrued income)	82.6
Disposals at valuation	(33.6)
	49.0
Revaluation of investments:	
Valuation movements before currency impact	(15.4)
Currency impact on unrealised investments	5.7
	(9.7)
Closing investment value (including accrued income)	39.3

Net debt



£m	June 2015	Dec 2015	June 2016
Loans and borrowings	52.6	39.4	30.4
Deferred costs	0.5	0.3	0.4
Value of loans	53.1	39.7	30.8
Cash	(20.8)	(6.5)	(20.6)
Net debt	32.3	33.2	10.2
LTV ratio	31%	N/a	N/a

Candover Portfolio



£m	Date of acquisition	Residual cost	Value at ¹ 31.12.15	Valuation movement excl. FX	Valuation movement attributable to FX	Value at 30.06.16	Valuation movement (pence per share)	% of net assets
Parques Reunidos	Mar 07	30.6	40.8	(16.5)	4.8	29.1	(54)	90.1
Technogym	Aug 08	10.3	9.4	(2.9)	0.6	7.1	(10)	22.0
Hilding Anders	Dec 06	24.3	1.5	(0.1)	0.2	1.6	-	5.0
Expro International	Jul 08	94.4	0.5	-	0.1	0.6	-	1.9
Stork	Jan 08	5.0	0.4	(0.1)	-	0.3	-	0.9

¹ Adjusted for follow on acquisition and disposal