

## How we generate value

# Our goal is to generate exceptional value by accelerating growth in our investee companies.

### Our investment criteria

There are many thousands of companies in Europe with an enterprise value of over €300 million. When taking into account all the divisions of large corporations that could be acquisition targets, our theoretical investment universe is very large. However, we quickly distil our areas of interest based on specific investment theses.

The combination of our European expertise and our global sector focus affords an excellent vantage point to identify investment themes and we actively engage with those companies best placed to capitalise on these themes.

We take majority ownership in market-leading, cash generative, Europe-centric companies with attractive market dynamics, defensible positions, high value-added business models and strong, experienced leadership teams. Cinven funds typically make equity investments in excess of €100 million.

Over the 10-year life time of a typical fund we aim to at least double the invested capital of our investors and the millions of beneficiaries they represent.

### Our sectors

Cinven's investment teams are structured on sector lines and take a global view of the trends and themes that can drive returns. Our sectors are: Business Services, Consumer, Financial Services, Healthcare, Industrials, and Technology, Media and Telecommunications (TMT).

### Our geographies

Cinven is a European private equity firm with global reach. We have regional investment teams for the Benelux, France, Germany and Central Europe, Iberia, Italy, Nordics, Turkey and Emerging Europe, and the UK and Ireland. Our investment activities are supported by our Portfolio teams based in Europe, Asia and the Americas.

### Strong origination

Our engagement often begins long before we commit our capital. For instance, we built a relationship with Sebia's leadership team in 2002 prior to our investment in 2010, and we began discussions with CeramTec's management team in 2003, a full decade before we actually invested in the business.

Cultivating such relationships with managers and business owners gets us ahead of the competition and when the time comes we already have a strong affinity with the management team and are able to move quickly.

Of our five new investments in 2014, we had a strong advantage or proprietary angle in four and a clear proposition to generate exceptional value across the board.

### Attractive purchase multiples

This patient ground-work and the affinity we build with management teams ensures that the entry prices we pay remain attractive.

### Investment origination and strategy

<b>Heidelberger Leben Group</b>
Financial Services
Proprietary
Primary
Sector-led
Internationalisation
Buy and build

Very few financial investors have the sector expertise, regional presence and scale to take on such a complex venture. Cinven is ideally positioned to drive growth in the business.

<b>Medpace</b>
Healthcare
Sector-led
Internationalisation
Buy and build

Despite major international expansion potential, the company was off-the-map for most would-be competitors and anyone unable to take a truly global sector-view.

<b>Northgate Public Services</b>
TMT
Sector-led

We actively seek companies that can capitalise on our existing investment theses. Northgate's ability to save governments' money through efficient and effective service provision precisely fit the bill.

<b>Ufinet</b>
TMT
Proprietary
Primary
Sector-led
Internationalisation
Buy and build

The Madrid-headquartered company was simply in the wrong country at the wrong time for most typical international investors. Cinven's dedication to Iberia and experience with similar businesses meant our TMT team had a clear competitive advantage.

<b>Visma</b>
TMT
Proprietary
Sector-led
Internationalisation
Buy and build

As an exceptional and proven growth company and a regional leader through private equity backed consolidation, Visma sought an investor that could support its growth into a true international champion.

# Our Portfolio team works seamlessly with our investment professionals to improve companies' performance and accelerate growth.

## We improve companies' performance and accelerate their growth.

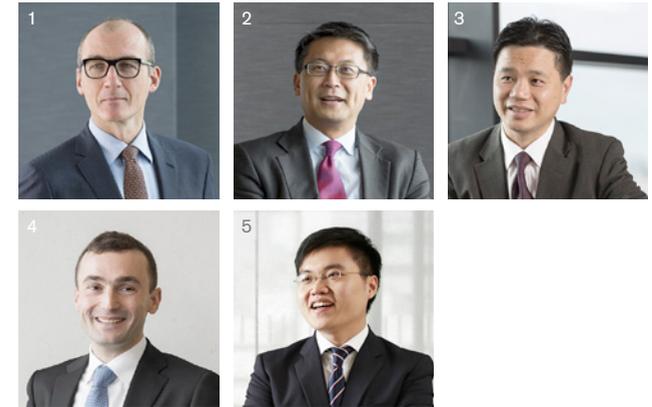
We seek to improve all aspects of the companies we invest in, for the full duration of our ownership. Our dedicated Portfolio team comprised of five professionals, based in London, New York and Hong Kong works alongside our Investment team, external consultants and Cinven's network of senior management, to identify potential areas of improvement and to support these companies in realising that value.

During 2014 we further enhanced our industry-leading value creation processes, by introducing 'Capability Champions' who take responsibility within the Cinven Portfolio team for specific areas of Functional Expertise, and ensure every Cinven company benefits fully from our deep experience in driving operational improvements.

During critical phases of a company's development our Portfolio team has the capacity to engage energetically with a company's leadership team to meet and exceed targets. Our primary focus is on accelerating growth, and our approach to creating value is systematised and portfolio-wide.

### Portfolio team

- 1 Immo Rupf  
Partner
- 2 Joseph Wan  
Partner
- 3 Ivan Kwok  
Managing Director
- 4 Antoine Guillen  
Director
- 5 Tony Ling  
Executive



### Value creation: Europe to Global



#### Americas

##### Investing for growth / internationalisation

Phadia, SLV, Ufinet

##### Establishing direct presence, strategic partnerships

Avolon, AMCo, CeramTec, Phadia

##### Sourcing / screening targets, integration

Medpace, CPA Global, Prezioso Linjebbygg

##### Sales force / commercial effectiveness

AMCo, Phadia, CPA Global

#### Asia

##### Establishing direct presence, internationalisation

AMCo, CeramTec, Medpace, Avolon

##### Distribution: contract negotiation and distributor disintermediation

AMCo, SLV, Phadia

##### Operational efficiencies through outsourcing or procurement

SLV, Spire Healthcare, Gondola

##### Sourcing / screening targets, integration

CeramTec, AMCo, Avio

##### Sales force / commercial effectiveness

CeramTec, Phadia, CPA Global

## How we generate value

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# Our blueprint for maximising value.

### Value creation plans

Following our investment, every Cinven company develops a 'Value Creation Plan' (VCP), initially looking forward three to five years and updated periodically. Monthly and quarterly performance metrics are tracked against this plan, using forward-looking indicators predicting performance.

The Value Creation Plan looks at all aspects of operational improvement, with a specific emphasis on Cinven's areas of functional expertise:

- Internationalisation
- Buy and build
- Sales force effectiveness
- Pricing
- Cash management

### Capability champions

In order to harness our deep in-house experience in these aspects of business operations, each area of Functional Expertise has a dedicated 'Capability Champion' from among the Portfolio team. By defining individual responsibility in this way, we are better able to consistently identify value across the portfolio and effect change.

When it comes to growing businesses there is no such thing as a guaranteed outcome. But we do guarantee our operational input, which is targeted, systematic and on-going throughout the entire period of our ownership.

**“The Value Creation Plan was very well structured by Cinven’s Portfolio team and especially rigorous in prioritising the really important topics which will allow us to create real, sustainable value.”**

Patrick Pulvermüller  
Chief Executive, HEG

**“The VCP work with Cinven has created clarity right from the start about the exit vision, and the route to get there.”**

Heinz-Peter Roß  
Chief Executive,  
Heidelberger Leben

# We help companies expand regionally, globally and into emerging markets.

As a large, Europe-centric investor with international reach, Cinven is well placed to help companies expand into neighbouring European countries and well beyond. During our ownership, emerging markets have become considerable sources of revenue growth for companies such as Avolon, CeramTec, CPA Global and Gondola.

## Internationalisation



### Creating an international pharmaceuticals company

Created from the merger of two Cinven portfolio companies, Mercury Pharma and Amdipharm, AMCo continued to execute its Value Creation Plan, characterised by international expansion and strong growth, during 2014.

The size and geographic presence of the combined business has allowed Cinven and AMCo's leadership team,

to build a truly international platform in line with Cinven's **buy and build** and **internationalisation** strategies.

AMCo has completed three acquisitions under Cinven's ownership, most recently it acquired Focus Pharmaceuticals in October 2014.

By implementing an international 'direct' strategy

to drive geographic expansion, including deploying AMCo staff on the ground internationally, AMCo has improved pricing and distribution costs, while launching its range of pharmaceuticals into new markets.

Cinven's deep experience of executing complex mergers, operational improvement and acquisitive growth, has created a new force in the global pharmaceuticals industry.

## How we generate value

continued

### Internationalisation



#### Highly efficient operations and know-how enhances international growth

Cinven supported SLV Elektronik (SLV), a German-based lighting company with a portfolio of over 2,500 products, to continue its Value Creation Plan through regional and global expansion during 2014, improving further its operational systems, controls, processes and reporting.

#### Buy and build

In November 2014, SLV completed the acquisition of Unex, a Swiss provider of LED lighting fixtures, in line with the value creation plan to identify small, value-accretive acquisitions, with similar asset-light business models and limited complexity.



SLV has increased its market share in its core Western Europe markets, penetrated new regions and has supported its international subsidiaries and distribution partners in implementing more efficient sales practices.

Other elements of the Value Creation Plan that are well underway include a review of the **pricing** structure; improvement of product innovation and lead times; increased focus on international expansion, particularly into the US. Cinven's Portfolio team continues to be actively involved in implementing these initiatives into 2015.

### Internationalisation



#### Regional and global expansion of restaurant brands

International expansion was a core component of our initial Value Creation Plan for Gondola, a UK headquartered owner of restaurant brands including PizzaExpress. The successful execution of the **internationalisation** strategy resulted not only in a greatly enlarged operation, but also a novel exit route, to a Chinese financial buyer.

The expansion of PizzaExpress into China built upon an existing franchise position in Shanghai and Hong Kong. On-the-ground guidance from our Hong Kong-based Portfolio team provided a clear picture of the relative viability of market entry strategies, ultimately resulting in an expansion



into Greater China on a fully-owned equity basis. PizzaExpress opened the first restaurant in Beijing in May 2014 – the 500th PizzaExpress world-wide, and the first to be fully-owned outside of the UK. In addition, during 2013 and 2014 eight new sites were opened in Hong Kong and Shanghai.

Meanwhile, we executed a franchisee-based expansion across the Middle East, and a partner-based expansion, adding seven sites in Mumbai and Delhi.

As part of the international development process, PizzaExpress re-engaged with existing franchisees, bringing them up to date with UK innovations and ensuring world-wide standardisation

of the consumer experience, in order to build trust and true brand consistency, while creating room for regional nuances and the sharing of ideas between regions.

The c. £900 million sale of PizzaExpress (as a separate brand carved out of the Gondola holding company) in July 2014 was the largest European restaurant deal since the financial crisis, and one of the largest ever outbound investments by a Chinese buyer. The international expansion programme that Cinven put in place not only helped turn a UK market-leading restaurant business into an international restaurant brand, but also raised awareness of the brand among international buyers.

## We have a track record of repeating past successes through institutionalised learning and targeted origination.

Our culture of institutional learning allows us to build on our understanding of specific business models, maximising opportunities and minimising risk. For instance, our 2014 investment in German life insurance company Heidelberger Leben follows our 2011 investment in UK life insurer Guardian Financial Services, which has grown acquisitively to become the UK market leader.

Similarly our investment in Sebia, which we sold in December 2014 for a 2.4x return and a €500 million capital gain for our investors, followed our successful 2011 divestment of Phadia, a pharmaceuticals company with a similar 'razor/razor blade' business model, for 3.4x money.

### Repeat play



### Repeat play in niche pharmaceuticals

Sebia is an in-vitro diagnostics business specialising in protein-testing, primarily for multiple myeloma, a severe form of blood cancer that typically affects people over 50 years old. Sebia followed Cinven's investment in Phadia, another diagnostics business with a similar business model, which under Cinven's ownership expanded internationally and generated a 3.4x return.

We identified Sebia very early on, in 2002, when our French and Healthcare teams began cultivating a relationship with Sebia's CEO.

Following an **internationalisation** process across Asia, South America and into the US, which

accounted for 23% by the end of 2013 of revenues, as well as the roll out of new markers and diagnostic tests, Sebia saw revenues and EBITDA increase by around 30% and 50% respectively under Cinven's ownership.

In addition to a strong financial return, Sebia's Value Creation Plan resulted in a world-leading diagnostics business with a roster of new diagnostic products and new detection tests for abnormalities in proteins. The company expanded across emerging markets including Asia and South America with the support of Cinven's Portfolio team and won market share in mature and competitive markets such as the US and Germany.

How we generate value

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## We are experts in identifying and integrating add-on acquisitions.

Helping our portfolio companies to achieve scale, broaden their offerings and increase geographic reach through value accretive acquisitions is a core Cinven competency.

### Buy and build



#### Buy and build strategy creates a global hosting services provider

HEG (formerly 'Host Europe Group'), provides hosting and domain services to SMEs and has a dominant position in Europe's two largest markets, Germany and the UK. As a result, HEG provides a consolidation platform for the fragmented hosting market through acquisitive growth, creating a European champion.



#### Buy and build

HEG continued to execute its buy and build strategy during 2014, announcing its third significant acquisition, German managed hosting company intergenia in December 2014. The acquisition broadens HEG's offering and opens up new markets including the BRICs, Asia Pacific and the US. In addition, in August 2014, HEG acquired Software-as-a-Service company Sign-Up.to.

Cinven's Portfolio team is deeply involved in the Value Creation Plan, including the integration of the add-on acquisitions, as well as other key components, including new product development and sales force, pricing and marketing effectiveness, the roll-out of 'best practices' across the Group, as well as the evaluation of further potential add-on acquisitions.

### Buy and build



#### Heidelberger Leben

#### Deploying sector insight for a European buy and build

Cinven's acquisition of life insurance and deferred pension products provider Heidelberger Leben in April 2014 is a classic example of how Cinven sees value where others do not. Our Financial Services sector focus means we have the skills and confidence to take on balance sheet risk. Our investment in UK-based Guardian Financial Services gave us a tried and tested 'playbook' for life insurance market consolidation. And our regional presence ensured we saw this opportunity to back an industry consolidator in the highly fragmented market across German-speaking regions.

#### Buy and build

In October 2014 the company acquired the German and Austrian businesses of Skandia, representing around 400,000 mainly unit linked policies, representing €4.9 billion in assets under management. In addition, Cinven has enhanced the company's leadership team and our Portfolio team is working alongside management to implement best practices and maximise efficiency gains from the market consolidation, as part of a structured Value Creation Plan.

## Our dedicated Financing team develops robust and flexible capital structures for both new and existing investments.

Cinven's highly experienced in-house Financing team ensures our portfolio companies can access the most suitable financing structures available across the global debt capital markets.

Cinven believes in building long-term partnerships with debt providers, who understand the way we operate and with whom we can build mutual trust.

### We apply prudent financing structures

The Financing team's insights into capital markets trends allow us to build maximum flexibility and efficiency into our companies' capital structures. As a result of this dedicated focus, Cinven's portfolio can better withstand trading difficulties or wider market shocks.

We view the management of debt maturities as good house-keeping, and our aim is to ensure a 'runway' – irrespective of exit timing – to create the opportunity for our companies to maximise equity value for our investors. We have executed 19 amend and extends during 2013 and 2014.

### Financing team

- 1 Matthew Sabben-Clare  
Partner
- 2 Soren Christensen  
Partner
- 3 Christopher Anderson  
Senior Principal



### Financing team activity in 2014

Debt Capital Markets	Financing new investments	
	Financing add-ons	
	Optimising portfolio	
	Supporting exits	
	IPOs / ABBs	
Equity Capital Markets		

## Financing to support new investments in 2014

### M E D P A C E

#### Innovative 'stretch senior'

Cinven employed an innovative combination of a 'stretched senior loan' (a European concept), with covenant-light terms (a US template) and declined to use more expensive subordinated debt. The business secured an efficient balance sheet, a low cost of capital and very flexible financing terms while providing scope to incur additional financing for acquisitive growth.

### ufinet

#### Micro 'cov-light'

Given the relatively modest size of this €295 million term loan, many underwriters deemed it too small to accommodate covenant-light terms – particularly without a US dollar tranche or access to the US market. By carefully selecting our partner banks, and spending time individually meeting potential buyers

of the syndicated debt, the Financing team alongside the TMT team, achieved the best possible terms to give Ufinet the flexibility to finance its future growth.

### Heidelberger Leben

#### Leveraging our institutional knowledge

As owners of the UK's largest privately-held life insurer Guardian Financial Services, we had an insight into Heidelberger Leben's potential in the German markets. This also helped our Financing team devise an optimal structure for financing such an investment in Germany. By developing and educating a tight club of relationship banks in understanding Cinven's strategy in the life assurance market, we achieved an optimised debt package and were able to deploy a similar structure for the subsequent bolt-on of Skandia Germany and Austria.

## Financing to support the portfolio in 2014



#### Executing complex transactions amid volatility

Amid heightened market volatility in October and November 2014, we refinanced AMCo's existing mezzanine debt with an all-senior financing of £938 million, while removing some covenants, cutting the pre-tax weighted average cost of debt and making a sizeable distribution to our investors.



#### Financed for growth

In June, the Financing team helped Pronet secure a new \$100 million financing facility, comprising a \$50 million term loan and a \$50 million undrawn capex facility. The refinancing marks an important milestone for Pronet.



#### Operational flexibility and prudent structuring

CPA Global entered 2014 with maximum operational flexibility as it builds its position as the global IP market leader, following a £1 billion refinancing that completed in December 2013. In addition to providing a return for our investors, the refinancing built in additional downside protection, refinanced the existing mezzanine, cut the pre-tax weighted average cost of debt by 2% and removed all maintenance covenants. By taking a global view of the debt capital markets, our Financing team also optimised the debt currency mix between US dollars and euros, to access the best that both markets had to offer.