

## From the Managing Partner

Our performance in 2014 is testament to the rigour of Cinven's investment approach throughout the economic cycle.

2014 saw strong progress across all aspects of our business activities – from the origination of high potential investments with proprietary angles to realising truly landmark investments. At the same time, we have seen very healthy top line growth across the portfolio, driven by both strategic add-on acquisitions and operational improvements.

During the year we fully realised our investment in casual dining operator Gondola, a company we acquired prior to the financial crisis and built during the global economic downturn. Our divestment in three stages, including the sale of PizzaExpress to a Chinese financial buyer, followed

an intensive value creation process consisting of new openings, acquisitions, international expansion, new brand creations and a systematic process of operational enhancements.

The divestment of our remaining interest in European cable operator Numericable Group, following its public listing in 2013, marked the end of a nine-year process of acquisitive growth, which created a clear market leader and an exceptionally strong return for our investors, in one of the most successful European private equity investments ever.

Meanwhile, the €1.4 billion sale of Sebia in December followed the successful execution of an international expansion strategy into the US and emerging economies for this highly regarded in-vitro diagnostics business.

Hugh Langmuir  
Managing Partner



“Uniquely for a private equity firm of our size we have retained our strong European focus while building global reach in our sector capabilities and Portfolio teams.”

The ability to generate such strong growth during a period of macro-economic stagnations is not chance – it is a consequence of Cinven's systematic value creation processes developed and improved through our investment experience in 110 companies.

Private equity is a far more mature and competitive market now, than when Cinven first began investing several decades ago. Yet our market positioning and strategic approach to building companies continues to set us apart.

#### Europe-centric

For instance, Cinven is currently investing the largest buyout fund dedicated to the European region. This scale advantage, combined with our sector focus and local knowledge, raises us above the local competition while giving us the fire power and resources to help companies expand regionally and globally.

With a GDP of €14 trillion, the EU is the world's largest integrated economy, but it is also a highly complex and nuanced place to do business and demands expertise and focus. This ability to navigate Europe's complexity means we are the ideal partner to companies such as CeramTec, CPA Global and Prezioso which are growing from local and regional leaders into true international champions.

Importantly, we also have the infrastructure and resources to take regional champions to a global stage. Our portfolio support offices in Hong Kong and our newly opened office in New York, provide companies such as Avolon, AMCo, CeramTec, CPA Global, Ufinet and SLV with a launch pad, from which to develop new business, partnerships and suppliers on new continents.

**“We have the infrastructure and resources to take regional champions to a global stage.”**

In early 2015, we continued to build out and deepen our European presence with the opening of a new office in Madrid. This followed our landmark investment in Spanish fibre operator Ufinet in June 2014, at a time when most international investors were staying away from the region.

Cinven's Investment team is organised around a sector and geographic matrix, so we can take a truly global view of the industries in which we invest while having genuinely local insight into European and international markets through our regional network. Our investment in Ufinet is a good example of this matrix in action. Cinven's TMT and Spanish teams worked closely to identify the opportunity. The TMT team drew upon our experience in successful cable investments such as Numericable Group in France and Ziggo in the Netherlands, as well as our more recent investment in web hosting group HEG. Meanwhile, our local presence in Spain and understanding of related Latin American markets where Ufinet also has great potential to increase its usage and penetration of broadband,

**“We continued to build out and deepen our European presence with the opening of a new office in Madrid.”**

meant we were uniquely placed to assess the opportunity and execute a very promising investment. Such origination capabilities have proved a major competitive advantage for Cinven.

#### Institutional learning

Our competitive edge is also a result of institutional learning, where we build on past experiences in sectors and geographies to inform new opportunities. Our investment in Sebia was a result of such institutional learning, following our successful investment in another diagnostics business, Phadia. Similarly our investment in Ufinet builds on the unique perspective we developed during our 10-year ownership of Europe's leading cable operator Numericable Group in France and previously Ziggo, the Dutch cable operator. Meanwhile, our investment in Heidelberger Leben has been informed by our success in building the UK's largest privately owned life assurance business, Guardian Financial Services.

In today's market environment, there is only one way to systematically generate attractive returns, and that is to achieve exceptional growth. Therefore, all of Cinven's intellectual and financial resources are focused on this, with the result that over Cinven's history, two-thirds of value created has been from revenue growth. While our investment techniques are well-honed, there is always room for improvement, and in 2014 we introduced sharpened value creation procedures to ensure operational best practices around such core Cinven competencies such as sales force effectiveness, pricing, cash management, internationalisation and buy and build.

Cinven has never been better placed than in 2015 to accelerate the growth and internationalisation of our portfolio companies.

## From the Managing Partner

continued

### Outlook for 2015

We see attractive opportunities both for new investments and realisations during 2015.

It is well reported that there is abundant capital for new investments and fierce competition for quality assets. However our sector focus and regional European network means we can see value where others cannot and our pipeline for new investments is strong.

**“We continue to see value where others do not and our pipeline for new investments is strong.”**

Meanwhile, we have harnessed relatively buoyant public markets during 2014 with the flotation of Spire Healthcare, which listed on the London Stock Exchange in July 2014, and the listing of aircraft leasing company Avolon in New York in December 2014. The public markets can be fickle, but as majority investors in the businesses we back, we can choose the best time to go to market.

In addition, many large corporations are currently cash rich and now have more confidence to grow by acquisition. In particular we are seeing interest from Asian buyers seeking to acquire European assets. And finally, sales to other financial buyers remain an active exit route, given the large amounts of capital raised by global alternative asset managers in recent years.

Regardless of where you are in the economic or M&A cycle (see private equity investment industry activity chart below), the generation of consistent outperformance requires discipline and patience. All businesses are subject to the vagaries of their own end-markets and as such, before we invest in a company we go far beyond the usual due diligence procedures and undertake sophisticated stochastic modelling to build scenarios for each business's prospects under varying conditions.

Over recent times we have built a more defensive portfolio, particularly in our Healthcare and TMT sectors, with a focus on essential products and services, but given our deep sector immersion this does not preclude us from considering cyclical investments, at the right time. In addition, through our specialist Financing team, we have developed a portfolio of companies with capital structures that can withstand shocks in their business performance and end-markets.

## Regulation

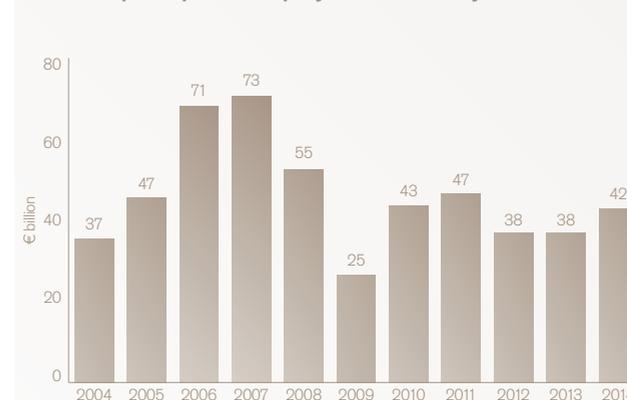
The EU's Alternative Investment Fund Manager's Directive governing the managing and marketing of private equity and alternative investment funds came into force on 22 July 2013, and the deadline for implementation was met by most member states precisely a year later. The AIFMD has an impact on all managers with investors and/or investments in

Europe. While Cinven's funds and managers do not fall directly within the scope of the AIFMD, we closely monitor developments through our legal counsel and through a board seat at the European Private Equity & Venture Capital Association.

Much of the regulation that was prompted by the global financial crisis is now at a late stage of development or implementation and we are closely monitoring dossiers including the Markets in Financial Instruments Directive (MiFID II) and prudential regulation affecting investors and debt providers.

**“Cinven's Investment team is structured as a sector and geographic matrix, so we can take a truly global view of the industries in which we invest while enjoying local insight into regional markets.”**

The European private equity investment cycle



Source: PEREP Analytics/EVCA – investment activity by private equity firm's Europe offices.

As a result of this approach, we have consistently generated strong returns through some very different economic climates, and this continues to be the case. Companies in the fourth Cinven fund have grown at an average annual compound rate of 7.1% for revenues and 7.4% for profits, while companies in the fifth Cinven fund are also performing strongly with average annual compound growth in revenues and profits of 11% and 13%, respectively.

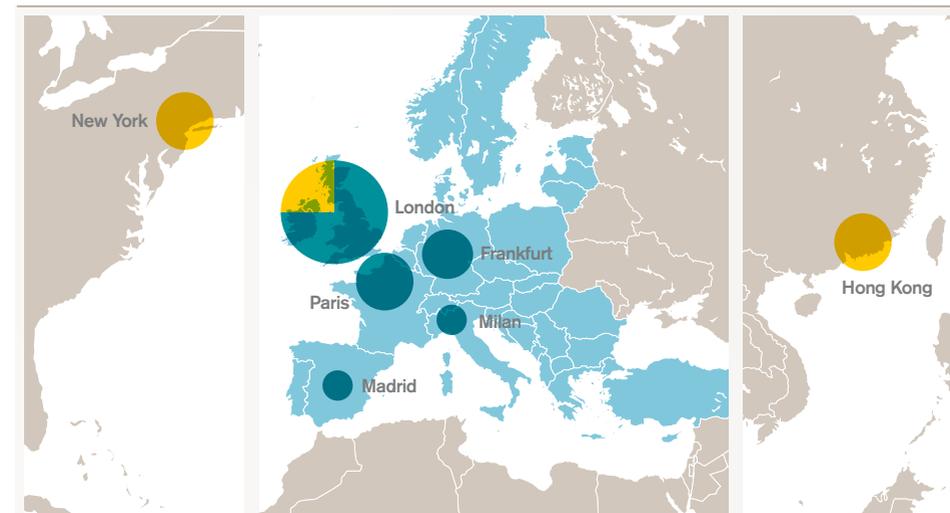
#### Ethics and responsibility

At Cinven, we believe in the power of partnership. Building great businesses through the cycles requires an approach that is collaborative, open to new ideas, ready to learn and importantly, takes into consideration all stakeholders.

**“We are proud of our reputation in the market for good conduct, fair play, prudence and responsibility.”**

We have embedded Environmental, Social and Governance (ESG) procedures throughout all stages of involvement with an investment. During 2014 we introduced a policy whereby all portfolio companies are required to have board responsibility for ESG matters. We also produced Guidelines for Cinven companies on developing an ESG Policy and Reporting Framework, and hosted our first annual ESG conference.

We understand that every situation is different and there is no manual for managing moral issues in real businesses – such things require judgment and a culture that promotes ethical behaviour. We are proud of our reputation in the market for good conduct, fair play, prudence and responsibility.



#### Deepening our international infrastructure

Following our latest office openings in Madrid in 2014 and in New York in early 2015, Cinven continues to build on its strong investment advisory presence across Europe's regions, as well as enhancing its portfolio support capabilities across the globe. Our Portfolio teams in Asia and the Americas are uniquely focused on supporting our pre and post acquisition activities in Europe.

● Investment team  
● Portfolio team,  
Investor relations, Financing