Bridgepoint

2018: A message from our Managing Partner

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I am pleased to report that Bridgepoint enjoyed a strong year of performance during 2018. The last 12 months have been about using the full depth of business experience that we enjoy in our own team, and in the management teams that lead our portfolio businesses, to drive returns for our investors during a time of increased uncertainty in our markets and the wider world.

In 2018 Bridgepoint funds committed €1 billion to eight new investments, completed 20 add-on acquisitions and exited six investments, returning €1.7 billion to our investors. During the year Bridgepoint's fund investments also collectively generated 14% and 13% year-on-year average revenue and EBITDA growth – an indication of the resilience of our portfolio companies and of the skill generating continued long-term value creation in what remains a relatively low-growth environment.

Investing in the current environment

The economic environment in Europe in which Bridgepoint funds invest improved in 2018 despite the continued rise of populism and political uncertainty in several key markets. This economic "tail breeze" was notable in the improvements in manufacturing output, and rising employment and productivity levels, and helped to increase continental European business confidence to create a benign backdrop against which to invest capital and for our companies to deliver strong performance. Towards the end of the year, however, the German economy began to slow, largely as a result of weak conditions in the auto industry.

Getting the most out of the Bridgepoint platform of offices across Europe and in China and the US has been key to delivering success in these times. And despite more challenging macro conditions, the private equity industry performed strongly in the last 12 months. One consequence of these conditions, however, is that we've continued to face unwelcome price pressure on the acquisition of new assets in a competitive landscape. This made finding the right assets for our Funds more difficult although ironically these very conditions made for a favourable market in which to sell assets.

William Jackson
Managing Partner

Inevitably, the shadow of Brexit has also continued to weigh heavily on the UK economic outlook throughout the year, especially the uncertainty regarding the final shape of the UK's relationship with the European Union. Over the past three years we've worked hard to mitigate the potential negative effects of this and have been very selective in our acquisition of UK assets, focusing on companies that are likely to benefit from any Brexit dislocation or which operate in areas of resilience.

Within the context of this macro environment, our investment strategies have continued to deliberately focus on those sectors and niches with the potential to deliver strong returns in changing conditions as well as on those that will specifically benefit from improving economic conditions in Continental Europe. We're always looking to buy well through high-quality origination, absolute clarity of investment case, transaction selectivity and a focus on relative value.

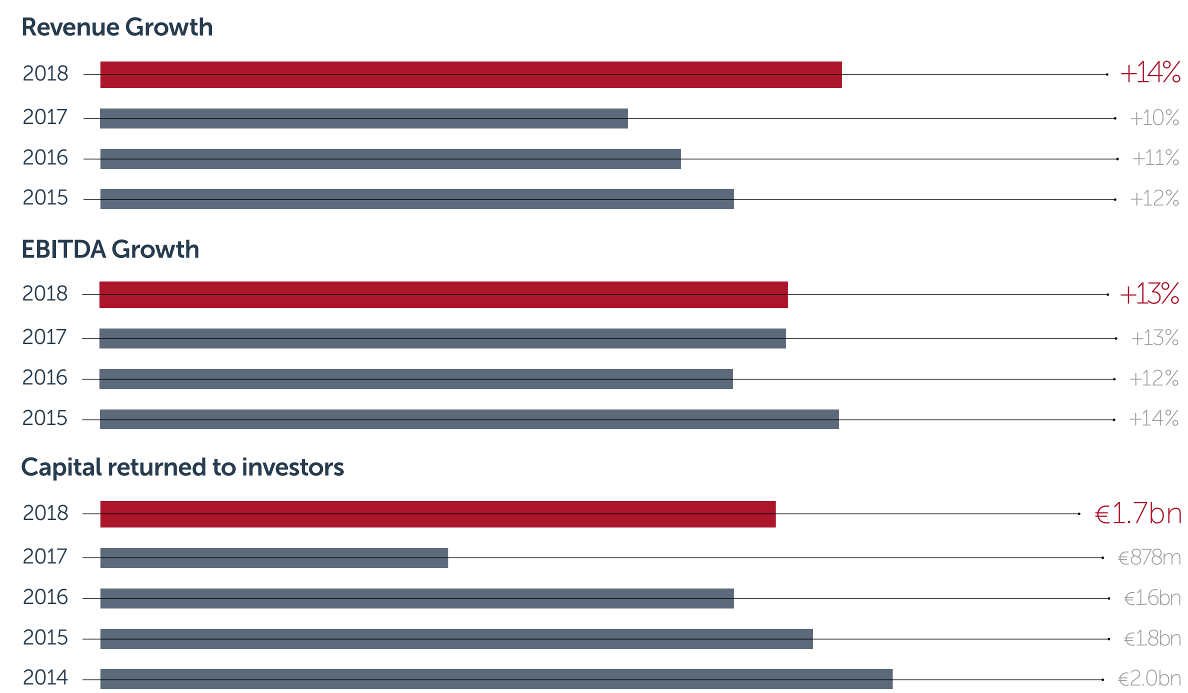
Fund performance

In reviewing the last 12 months, I am pleased to report very good progress across all of our investing funds. Bridgepoint Europe V, a €4 billion Fund raised in 2014, made its 16th and final platform investment in 2018 with the acquisition of HTL in France. To give you a sense of the scale of the Fund's investment, its companies currently employ over 28,000 people, and it committed €3.8 billion of capital with a total enterprise value of €9.7 billion. Its successor fund, Bridgepoint Europe VI, raised in 2018 is a €5.7 billion and at the time of writing had committed 25% of its capital to four investments.

Bridgepoint Europe IV, a fully invested Fund which has committed 96% of its capital in 24 middle-market growth assets, completed its investment activity in 2014. By the end of 2018 the Fund had sold 14 of those investments at an average money multiple of 2.34x, having realised €2 billion of capital in the 12 months to April 2019. Bridgepoint Europe IV now has a full exit pipeline in place to drive further capital returns in the next 12 months. Bridgepoint Europe III, a 2005 vintage €2.5 billion Fund, saw a significant return of capital to investors in 2018 with the very successful sale in the UK of Pret A Manger, as well as the realisation of residual stakes in Rodenstock in Germany and Infinitas in the Netherlands.

Bridgepoint focuses on investing in middle-market businesses with four distinct fund strategies:

- **Bridgepoint Europe funds – our largest funds – invest in companies valued between €200 million and €1 billion,**
- **BDC, our lower mid-cap buyout and growth capital business focusses on acquisitions in companies valued between €50 million and €150 million;**
- **Bridgepoint Growth, which makes growth capital investments in the consumer, media, technology and business services sectors in companies using digital technologies to achieve transformational growth in their end markets; and**
- **Bridgepoint Credit, which specialises in private debt lending to European middle-market companies.**



Bridgepoint Development Capital ('BDC') also had a very strong year: it completed two realisations – of Acteon in France and Trustly in Sweden - and its current fund BDC III made four new investments – Elgin and PEI Media in the UK, FCG in Sweden and Private Sport Shop in France.

Bridgepoint Growth, via its BG I fund, has now completed four transactions, two of which were in 2018: Elgin and Network Digital Marketing in the UK.

Our private debt business, Bridgepoint Credit, also enjoyed a good year and is now invested in 22 companies via BC I, its inaugural fund. The fund was originally seeded with capital from the Bridgepoint balance sheet and has now begun to raise a successor fund, BC II, with a target of £750 million.

European credit markets

Our investment activity in the past 12 months has definitely benefited from benign European credit markets with substantial liquidity provided by private debt markets. Against that backdrop, volumes have remained robust with €159 billion of leverage debt issuance in Europe in 2018, supported by M&A activity and to a lesser extent refinancings.

In a low interest rate environment, the cost of borrowing has remained close to historical lows, although spikes of volatility driven by external factors (such as the macro cycle, Brexit, trade tensions) created a more cautious financing environment towards the end of 2018.

Bridgepoint's Capital Markets Team therefore sought to capitalise on these supportive market conditions, raising €3.1 billion of debt across 11 financings in the year, comprising €1.5 billion for new investments, €1.2 billion of re-financings for existing investments and €500 million to fund growth for our portfolio companies.

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of debt raised across 11 financings

A new shareholder

Investment in our platform and our future is always at the forefront of our thinking so Bridgepoint regularly reviews its resources across the Group to ensure they are efficiently positioned to execute the Firm's investment strategies. We recognise that we have to think long term and deploy exactly the same rigor in our own business on strategy that we expect our management teams to do in the companies our funds own.

In 2018 Bridgepoint, for the first time in its history, announced that it had invited an external shareholder to take a minority stake in our management company to provide extra capital to help us continue to develop our business. In August we welcomed Dyal Capital Partners, a division of Neuberger Berman, a specialist investor in successful alternate asset managers, as a passive minority shareholder in the Firm.

This was significant for two reasons:

First, the investment allows us to accelerate our investment programme in our existing business, – such as the recent opening of a new office in San Francisco. Bridgepoint's international platform and depth of resource are critical to its ability to source high-quality investments and drive value and returns across its Fund portfolios. We now have a global infrastructure unparalleled in the middle-market that provides genuine local insight and expertise and we use this by deploying an investment strategy based upon ever deeper sector analysis finely tuned to middle-market businesses.

Second, and perhaps more significantly, as we reset our ambitions for Bridgepoint as a whole, it will help us to extend our middle-market presence as we assess complementary investment and product areas where we can generate attractive returns for our stakeholders.

As a result of the Dyal partnership, we have significantly strengthened our balance sheet and in doing so cemented our position as one of the best capitalised middle-market alternative fund managers in the world.

Diversity & Inclusion

I wrote last year that we were renewing our commitment to diversity and inclusion. As our business continues to grow, our ability to develop the talent of our own team members as well as attract new people remains critical to Bridgepoint's success. It is after all in our attitude that people see what sort of people or organisation we really are. During the year we attracted 33 high-quality new team members – which means that Bridgepoint is changing as we absorb their new viewpoints and perspectives.

In 2018 we put into action a number of new initiatives to reflect this drive, targeting in particular our industry's long-term issue of gender imbalance in investment roles. I am pleased to report that a good start has been made in this area, with 23% of investment roles at Bridgepoint now held by women - well ahead of the average for our sector but by no means the end of our ambition. In 2019 we are now focusing on increasing that percentage further through the way we hire, train and develop our people. I am passionate about this subject and have committed Bridgepoint to ensuring it happens. We know that we have more to do in this area – and we shall.

Our Bridgepoint Charitable Trust works with team members to identify new charities for us to support – where our donation and expertise can make a real difference. To date, the Trust has donated over £2 million to charities across Europe and beyond. In 2018 we worked with Coup de Pouce Clé in France, a charity that works to fight against early failure at school. The charity aims to improve the literacy and numeracy of children in France by running after-school clubs for small groups of children, predominantly in deprived areas. It also helps parents of affected children to become more involved in encouraging their children to read and write. In the UK we supported Dandelion Time whose aim is to help and educate children with various behavioural, educational and emotional needs, by providing therapeutic and developmental activities for them and their families within a sustainable farm environment. The aim is to help them overcome their difficulties and to give them the greatest chance for a more positive future.

"...23% of investment roles at Bridgepoint are now held by women – well ahead of the average for our sector but by no means the limit of our ambition"

Kaja Wilmanska, Investment Director
& Matt Legg, Director, Bridgepoint Development Capital, London

INNOVATION + TEAMWORK

Whitney Hanson, Senior Associate
& Sebastian Kirwan, Senior Associate, New York

2019: looking ahead

2019 has started with a mixture of continued modest economic growth across Europe, punctuated by moments of political uncertainty and market volatility. As the reality about the possible shape of Brexit begins to emerge, investment and employment decisions will undoubtedly become challenging in the UK. At a time when Brexit risk poses a serious threat to the attractiveness of the UK as a destination for inward investment, Bridgepoint benefits from having no country or sector specific allocations in our funds, so we are able to flex where we commit funds to react to changing market conditions.

The ambition of the Bridgepoint team across Europe, the US and China remains undiminished and I thank my colleagues for their continuing commitment and enthusiasm. 2018 has been a year of growth in the Bridgepoint platform and the successful completion of the fund raise of a new flagship fund – the €5.7 billion Bridgepoint Europe VI.

Finally, but most importantly, we never forget the responsibility we have to the people that lie behind the capital managed by each of our investors, many of whom are public servants: teachers, policemen, firemen and union members. As we manage their money we're always mindful of the kinds of investments they would wish us to make with their retirement funds and, in particular, the way in which they would expect us to support over 79,000 colleagues in companies owned by our funds whose contribution is fundamental to our success. With this firmly in our minds we start 2019 well positioned for the future and excited by our ability to meet the rightly challenging demands of those that entrust us with their capital.

William Jackson
Managing Partner