



2014: An introduction from our Managing Partner

An exceptionally deep and broad flow of high quality investment opportunities as well as compelling returns for our investors.



Managing Partner's overview

Bridgepoint has been investing in Europe, and specifically in middle market businesses, for over 25 years. It is a place we know and understand. The Firm has been able to do so successfully thanks to its people, its network and relationships across the region. These have generated for us an exceptionally deep and broad flow of high quality investment opportunities as well as compelling returns for our investors.

In 2014 I am very pleased to report that we once again enjoyed a strong year thanks in no small part to the consistent performance of the businesses owned by Bridgepoint funds and the Bridgepoint team's ability to invest and sell well.

Operating Highlights

In 2014 Bridgepoint Europe Funds, and Bridgepoint Development Capital II ('BDC II') invested €741 million and €85 million respectively to acquire six European based businesses in deals totalling over €1 billion.

We completed 20 add-on acquisitions for existing investments as we pursued a strategy of consolidating sectors to build scale and improve the competitive position of the businesses we support.

By the end of the year Bridgepoint had also made the final platform investment from its fourth fund, Bridgepoint Europe IV. This is a fund of 24 investments with a total enterprise value at acquisition of €8.5 billion and a portfolio diversified by assets headquartered in 10 different European countries operating in each of Bridgepoint's six core investment sectors. The majority of these investments were primary buyouts, with a high proportion resulting from off-market transactions - a testament to the depth and reach of our network of teams across Europe.

Market environment

2014 was very much a year of two halves in terms of the economic environment we faced across Europe. The year started



Fast fact
Pret sold 73m sandwiches, 55m coffees and 4.6m bananas in 2014



Volatility itself always creates interesting investment opportunities and despite the intensity of competition that we face in our market place we continued to source attractively priced opportunities during the year.

William Jackson
Managing Partner



strongly, if unevenly, as economic recovery provided a more favourable background for portfolio company trading and confidence. This was followed by a change in macroeconomic outlook and a resultant varied pace of recovery in the latter half of the year, demonstrating just how much market volatility has now become the 'new normal' in Europe.

Paradoxically, European volatility created interesting investment opportunities with attractively priced opportunities arising in the autumn of 2014. It also demanded a highly targeted approach to investment and led us to focus particularly on opportunities within sectors with higher growth or export potential, especially those which exploit European intellectual property, industrial expertise or service skills.

Investment Momentum

Bridgepoint portfolio companies again demonstrated their resilience in 2014. Despite a relatively low-growth environment throughout much of the year, I'm pleased to report that our portfolio companies took advantage of variously improving economic conditions.

For a fourth consecutive year our funds' investments collectively generated 12% and 11% year-on-year average revenue and EBITDA growth. This superior trading performance was driven by a number of factors.

A number of our companies benefitted from a series of business revenue development initiatives such as significant new contract wins that were seen at Dorna and Infront, or store roll-out programmes such as those undertaken by Histoire d'Or in France, and the construction of new care homes by Care UK.

In a similar vein, there were continued high levels of add-on acquisition activity such as Médipôle's transforming acquisition of Médi-Partenaires to create the second largest private French healthcare group or the smaller in-fill acquisitions made at Infront, Oasis or AHT. BE IV as a whole has now made over 110 add-on acquisitions for existing investments.

Operational improvement initiatives, a key feature of many Bridgepoint investments, also provided a source of profit growth



Fast fact
Dr Gerard produced 26,000 tonnes of biscuits in 2014

Portfolio performance

Revenue growth



EBITDA growth





delivering gross margin improvements or productivity increases and cost savings.

Today, Bridgepoint's portfolio of companies across Europe employs collectively over 100,000 people.

Returning capital to our investors

A key objective of any fund is to provide returns of capital to its investors via either sales of investments or interim re-financings. In 2014 Bridgepoint investments returned over €2 billion via seven exits and 11 refinancings.

In the first half of 2014 in particular, Bridgepoint took advantage of buoyant conditions in the European leveraged loans market to complete a number of transactions across its portfolio, allowing it to balance the opportunity presented for better borrower-friendly terms with the need for prudent leverage in the

growth companies that characterise Bridgepoint's middle market activities.

This has meant that our investments now enjoy meaningful liquidity, headroom and flexibility as they grow.

This is significant for two reasons: it not only funds returns of capital to our investors but more importantly raises significant additional capital to fund earnings growth initiatives of the companies we back.

Progress in lower middle market

Our lower middle market fund, Bridgepoint Development Capital ('BDC'), which specialises in smaller buyouts and growth capital transactions, had an extremely active year in 2014. It made three new investments in the UK and the Nordic region: The Inspired Thinking Group, a UK specialist 'below the line' marketing services group, Phlexglobal, the specialist provider of

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An extremely productive year for us: our results reflect focused deal origination, the successful use of our resources to drive value and the timely exploitation of market conditions.

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Capital returned

2014

€2.0bn

2013

€1.2bn

2012

€892m

technology-enabled document management solutions and other support services to the global clinical research market and Trustly, a Stockholm-based online payments services provider.

In addition, BDC successfully exited four investments - Pulsant, ESG, Ansel and Hallmark Hotels - and completed three material add-on acquisitions for existing investments.

Developing our people

People who work at Bridgepoint have many things in common but above all else is an absolute determination to build successful businesses. That is why we work as a single team across Europe to allow colleagues to fulfil those ambitions.

We are already fortunate in the breadth and depth of talent we have developed over the years. But we always recognise that new individuals bring different perspectives. In 2014 we recruited 28 new team members across the Firm to help us achieve just that. Our ability to develop our own people and attract new colleagues therefore remains critical to our success and we recognise that if we are to improve we must evolve.

Looking to 2015

Bridgepoint has enjoyed a strong start to 2015 both in terms of new investment and realisation activity as well as in the robust trading performance of our investments across our Funds. The New Year also saw Bridgepoint complete raising a successor fund to BE IV, securing €4 billion of



Fast fact
Diaverum has 25,500 patients and administered 3.8m treatments in 2014





Fast fact
AHT sold
over 310,000
supermarket
refrigeration
units in 2014

commitments from global blue chip investors in private equity. This new fund, Bridgepoint Europe V, will continue to play to Bridgepoint's key strengths and pursue similar investment themes whilst also being very alert to new types of opportunity arising from recovery.

The political and economic developments of early 2015 may yet prove to be beneficial: improvements in the US economy could be good news for European businesses who export to the US; lower exchange rates as a result of the fall in the euro are a massive boost to exporters across Europe, the world's largest exporting economy; and the 50% reduction in oil prices for Europe's oil importing economy should translate to a major boost to consumer net income.

Perhaps counter intuitively, political and economic instability might look a threat to investment performance, but in these sometimes uncertain markets we continue to generate good opportunities to acquire middle market companies in Europe. In executing its strategy, Bridgepoint focuses on investing in businesses operating in higher growth niches and acquiring companies with operationally-led transformation potential, with strong financial metrics and the ability

to grow both organically through domestic and international sales growth and by add-on acquisitions.

In conclusion, 2014 was an extremely productive year for us: our results reflect focused deal origination, the successful use of our resources to drive value and the timely exploitation of market conditions to deliver value growth in a dislocated external environment in Europe.

Behind these achievements lie the commitment and hard work of a very dedicated group of people - the management teams and employees of the companies we back. I and my fellow partners thank all of them for their drive, energy and discipline over the last 12 months. With their continued help and that of our own talented, hardworking colleagues across Europe, Bridgepoint remains fit and hungry for the challenges and opportunities presented by these times.

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