

Robin Hall
Chairman



Protecting value has been our priority. Our task has been to mitigate the effects of the downturn and ensure that our companies are appropriately financed.

The world is gradually recovering from the worst economic crisis of recent times. We are looking forward to a more favourable climate in Europe for new investments and realisations.

Stock markets have been signalling the recovery for some time, and the banking industry is regaining confidence. Debt financing for private equity buyouts is becoming available once more, although on much tighter terms than we saw when the market was at its height.

We are expecting the recovery to be slow, and are very much aware that dangers remain. Businesses are still dealing with the consequences of recession, there is continued unemployment, and global economic imbalances have not gone away, but the signs of recovery are clear, and compelling investment opportunities are beginning to emerge.

Protecting value

During 2009, European buyout activity fell to its lowest level in a decade. This recession has been different from earlier ones in many ways. This time around, corporate balance sheets, bolstered by new share and bond issues, have been strong and rising stock markets have supported company valuations. As a result, corporations have hung on to marginal businesses that they might otherwise have been tempted to sell. A dearth of acquisition opportunities, the effective closure of debt markets and a lack of confidence in economic prospects encouraged the private equity industry to bide its time. We at Cinven were likewise affected: we made no acquisitions or realisations during 2009.

Although we have continued to prospect for new acquisitions, most of our energy has been channelled into our existing portfolio companies. Protecting value has been our priority. Our task has been to mitigate the effects of the downturn and ensure that our companies are appropriately financed.

Fund performance

Before the recession, we took advantage of rising stock markets and the positive climate for debt financing either to sell or refinance several of the companies within the third Cinven fund. Overall, the remaining companies in the fund have performed well in the very difficult conditions we have seen over the past 12 months, with the three largest remaining investments all seeing good profit growth. The returns already made have ensured the fund's success.

Our fourth fund has also been resilient, with the investment strategy we adopted at the outset proving its worth. We bought defensive growth companies in anticipation of a downturn, and this has helped the fund to resist some of the pressures of recession. The eight principal investments showed in aggregate organic sales and profit growth of over 6% in 2009 compared to 2008. The fund was 56% invested as of 31 December 2009; we are optimistic that the balance can be invested in companies that will also generate superior returns for our investors.

We have maintained our contributions to the Cinven Foundation, which makes charitable donations on our behalf.

Corporate responsibility

Cinven has always been a responsible firm, and our stance on corporate responsibility matters will not be affected by the recession. During 2009, we extended our involvement in the UN Principles for Responsible Investment initiative. Two of our employees sit on the organisation's private equity steering committee, and we are now incorporating the Principles into our investment process. We continued to share corporate responsibility best practice with our companies and encouraged them to collaborate. Throughout the recession, we have maintained our contributions to the Cinven Foundation, which makes charitable donations on our behalf.

We have also maintained our commitment to the Private Equity Foundation, and one of our senior partners is a trustee of the organisation.

Management succession

In July 2009, we announced that Hugh Langmuir had been elected Managing Partner and that I would assume the role of Chairman. Hugh has been with us since 1991 and is particularly well qualified to lead the firm. He established and led our Paris office; he has played a leading role in some of our most important investments; and he has been closely involved in building long-term relationships with our investors. This is a carefully planned move that has the full support of the whole firm, and I am confident that Cinven will continue to prosper under Hugh's leadership.