



# CapMan – 25 years as private equity investor in the Nordics and Russia

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**Annual General Meeting 2014 – CEO’s review**

Heikki Westerlund – CEO, Senior Partner, CapMan Plc



CapMan  
25 years

*Certain statements included in this material, including, without limitation, statements regarding future performance of the company, expectations regarding market growth and trend projections as well as any statements preceded by the words "expect", "believe", "foresee" or similar expressions are forward-looking statements. By their nature, forward-looking statements involve risks and uncertainties because they relate to events and depend on circumstances that will occur in the future. Therefore, actual results may differ materially from the results that are expressed or implied by these forward-looking statements. CapMan Plc assumes no obligation to update such forward-looking statements except as required by mandatory law. Nothing in this presentation constitutes investment advice or an offer to sell or the solicitation of an offer to buy any securities or otherwise to engage in any investment activity.*

# Forward looking statement and disclaimer

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The image shows two mountaineers from behind, standing on a rocky, snow-covered mountain peak. They are wearing full climbing gear, including helmets, harnesses, and large backpacks. The sun is low on the horizon, creating a bright lens flare effect. In the background, there are more snow-capped mountain ranges under a clear blue sky. In the top right corner, there is a white rectangular box containing the text 'CapMan 25 years' in a serif font, with '25 years' in a smaller, blue font.

CapMan  
25 years

**CapMan shares offer the opportunity to benefit from value created across a portfolio of unlisted Nordic and Russian companies and real estate.**

# CapMan in brief

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## Forerunner in private equity

**25** years of experience in Finland, Nordic countries and Russia.

**200** investments, of which **100** in Finnish companies.

**11** new listed companies created.

Significant role in promoting growth in companies, restructuring the economy and creating investment returns.

CapMan is committed to the UN Principles of Responsible Investment (UN PRI).

# CapMan's 25 year journey



# Five key investment partnerships

## CapMan Buyout

24 years and 10 funds

## CapMan Russia

Sectors tapping into Russia's fast-growing middle class

## CapMan Credit

More than 50 investments in 18 years

## CapMan Public Market

Activist investor in mid-cap public companies

## CapMan Real Estate

Specialist in office, commercial & hotels

**36** portfolio companies\* and  
**58** real estate targets

- **€5.4 billion net sales\*\***
- **43,200 personnel\*\***
- **686,000 m<sup>2</sup> lettable space**
- **500 tenants**

\*Buyout, Russia, Credit and Public Market March 2014

\*\*Forecast for 2013



# Contents

- CapMan in 2013 and strategy implementation
- Business environment
- Result for 2013
- Objectives for 2014

# Balance for 2013 and outlook for 2014

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## 2013

- + Balance between fees and expenses
- + Strengthened financing position
- + New investments in line with investment strategy and deal flow picked up
- + Three funds established
- Weak overall earnings per share
- Modest change in fair values
- Only few exits generated carried interest income

## 2014

- + Strong potential as a result of continued exits (cash flow, carry and fair value)
- + Completion of fundraising rounds and new products
- + Shake off the shadow of the financial crisis
- ? Business environment
- ? Regulation
- ? New sources of capital

# Investments and exits in 2013



+ several add-  
ons

**€5.5mn**  
capital  
calls from  
CapMan

**€19.2mn**  
distri-  
butions to  
CapMan\*



**Noleva**



**nice**



\*Exit distributions and carry income

# Investments in line with our investment strategy

Real Estate



A mixed residential & retail portfolio in central Copenhagen

*In line with our value-add investment strategy focusing on Nordic growth centers*

Russia



leading Russian IT outsourcing service provider

*There is great potential in the outsourcing industry and possibilities to make use of our first-hand experience in the field*

N<sup>o</sup>A

THE NORTH ALLIANCE

Leading Nordic communication network

*Focus on the growth of digital communications in the Nordic countries*

Buyout

KÄMP  
GROUP

Finnish hotel group

*A unique position in the luxury hotel segment in Finland*



Kerralla parempiin puitteisiin.

provider of turnkey window and door renovations

*Leading company in industry with strong growth forecast*

# Ongoing fundraisings

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**Latest funds raised to date**  
in three key investment areas:

Buyout

Russia

Real Estate

A Total of **€390 million**  
raised in  
*CapMan Buyout X,*  
*CapMan Russia II and*  
*CapMan Nordic Real Estate*  
*funds*

We aim to raise more  
than  
**€700 million**  
during the  
ongoing fundraising  
round.

# Good financial position at the end of 2013

## Cash and credit limit

- Cash **17,4 milj. €**
- Credit limit **13,0 milj. €**

vs.

## Commitments

- Uncalled: **30,3 milj. €**

## Debt

- Senior debt: **16,9 milj. €**
- Senior bond: **15 milj. €**
- Hybrid bond: **15 milj. €**

vs.

## Assets

- Fund investments: **64,1 milj. €**
- Maneq investments: **9,6 milj. €**
- Carry rights

### What was behind our good financial position?

- ➔ Balance sheet operations
- ➔ Exits

### What are the funds used for?

- ➔ To meet our investment commitments
- ➔ To prepare for the repayment of debt and strategic moves

# What comes with CapMan's share?

**Value creation potential of unlisted growth companies and real estate in Nordic countries and Russia.**

Total **€4.1 million\***  
**Max. 10%** of the balance sheet

Result impact through value development and realisations  
**In 2013 1.6%**



**Funds' return potential**

Assets under management **€3.1 billion**  
- Funds in carry **€16.4 million (1.1%)**  
- Significant long-term carried interest potential

Result impact through exits  
**In 2013 €2.9 million**

**Fee income is covering expenses**

Fee income **€26.9 million**  
Growth **5.5%** in 2013

Fee income increases through establishment of new funds and decreases through exits



# Contents

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# Observations of the business environment

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**Uncertainty continues**



Positive development of local economies remains on thin ground

**Limited access to bank financing**



The availability of bank financing has developed as predicted – increased selectivity

**Rising price levels?**



Anxiety related to the rising deal prices on a European level – money is relatively plentiful, but few targets in the market, good considering exits

**AIFMD comes into force**



Significant regulatory updates (AIFMD) finally become effective – implementation/scope remains unclear

**Real asset / yield products in demand**



Real asset / yield products in demand – we have Real Estate and Credit

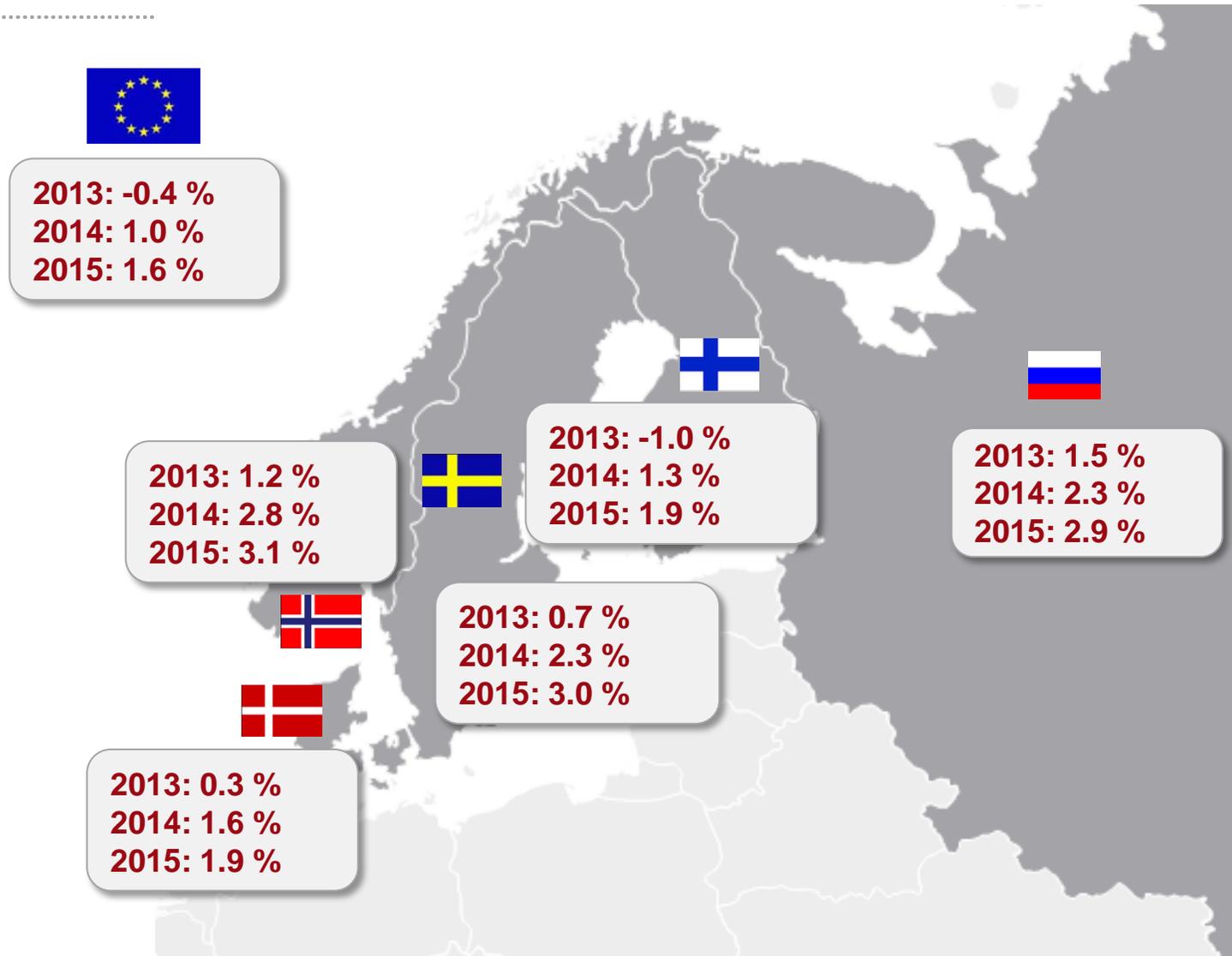
# Growth forecasts differ between countries

## GDP forecasts:

The Nordic countries are growing faster than the Euro area

Finland is lagging behind other Nordic countries

Growth in Russia is slowing



Sources: OECD



# Contents

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# Breakdown of results for 2013

Assets under management  
€3.1 billion + CaPS for ex.



Fee income

€26.9 million

Carried interest income

€2.9 million

Turnover

**€29.8 million**

Portfolio company development  
Development of listed peers  
Exit negotiations

The modest change in fair values in relation to the objectives was mainly due to weaker financial development of certain portfolio companies.

Fair value changes of investments

€1.2 million

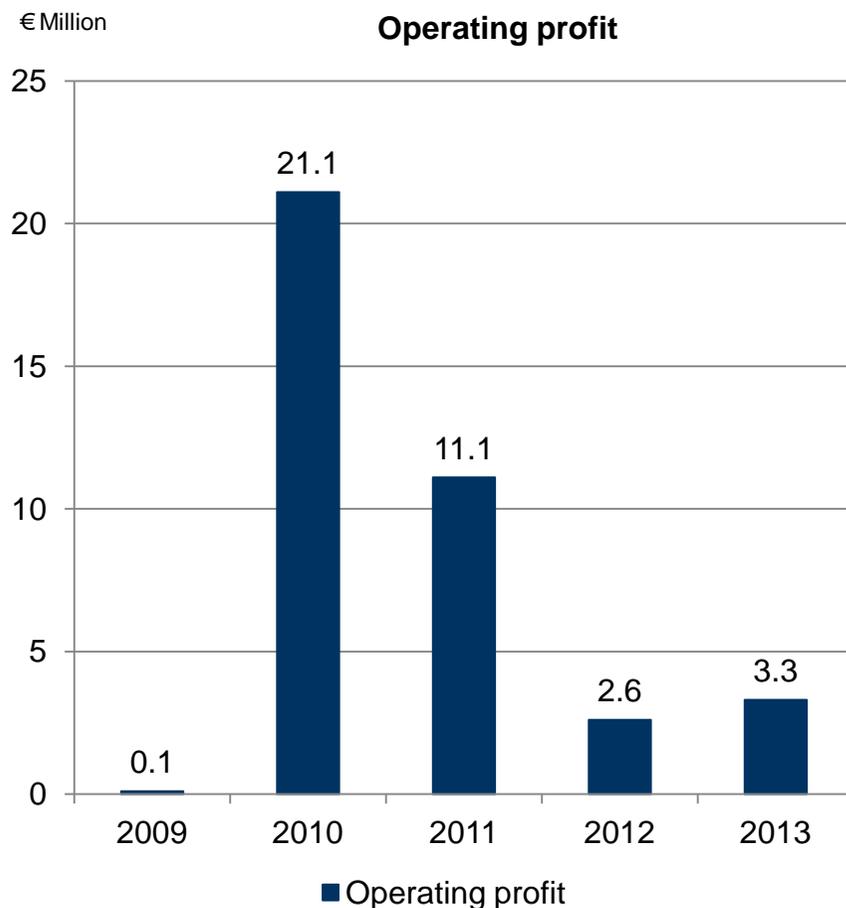
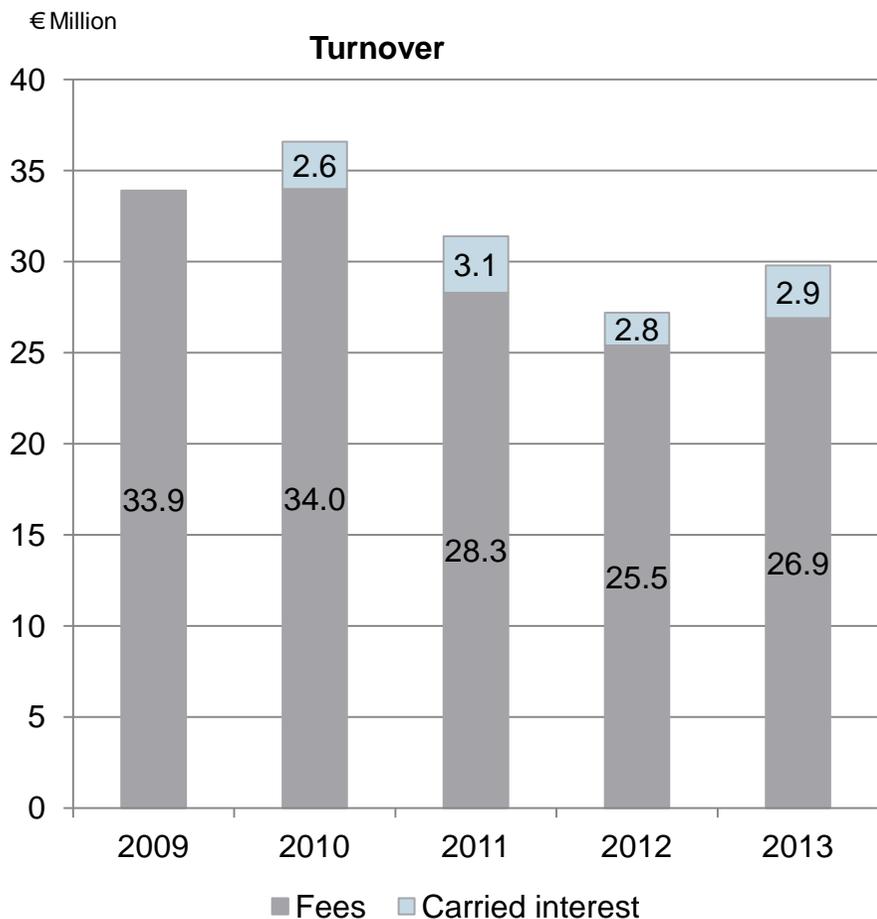
Operating profit

**€3.3 million**

Result for the period

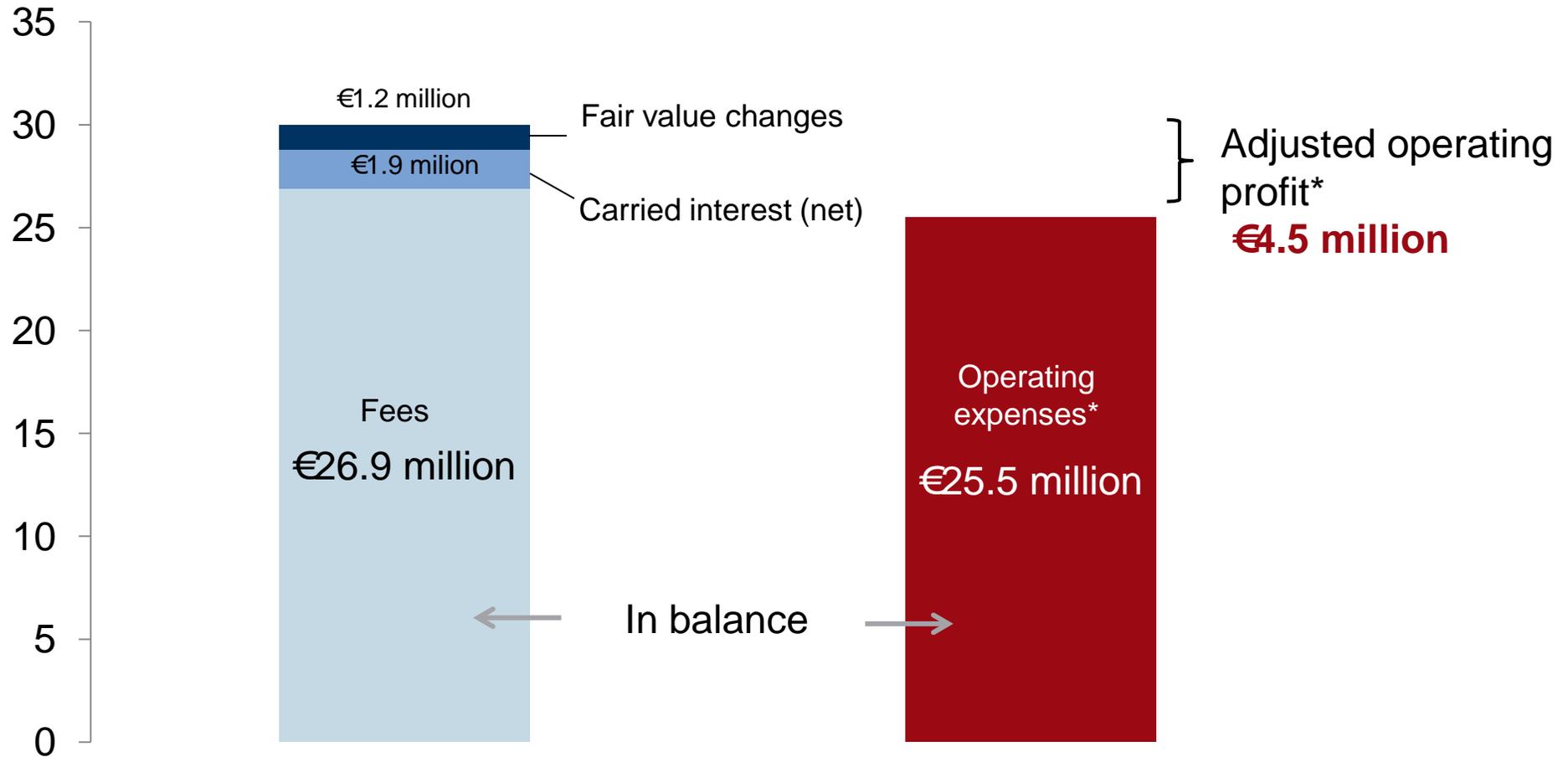
**€1.5 million**

# Development of turnover and operating profit in recent years



\* Income from real estate consulting (discontinued business line) from previous years is not included in the figures

# Breakdown of adjusted results for 2013

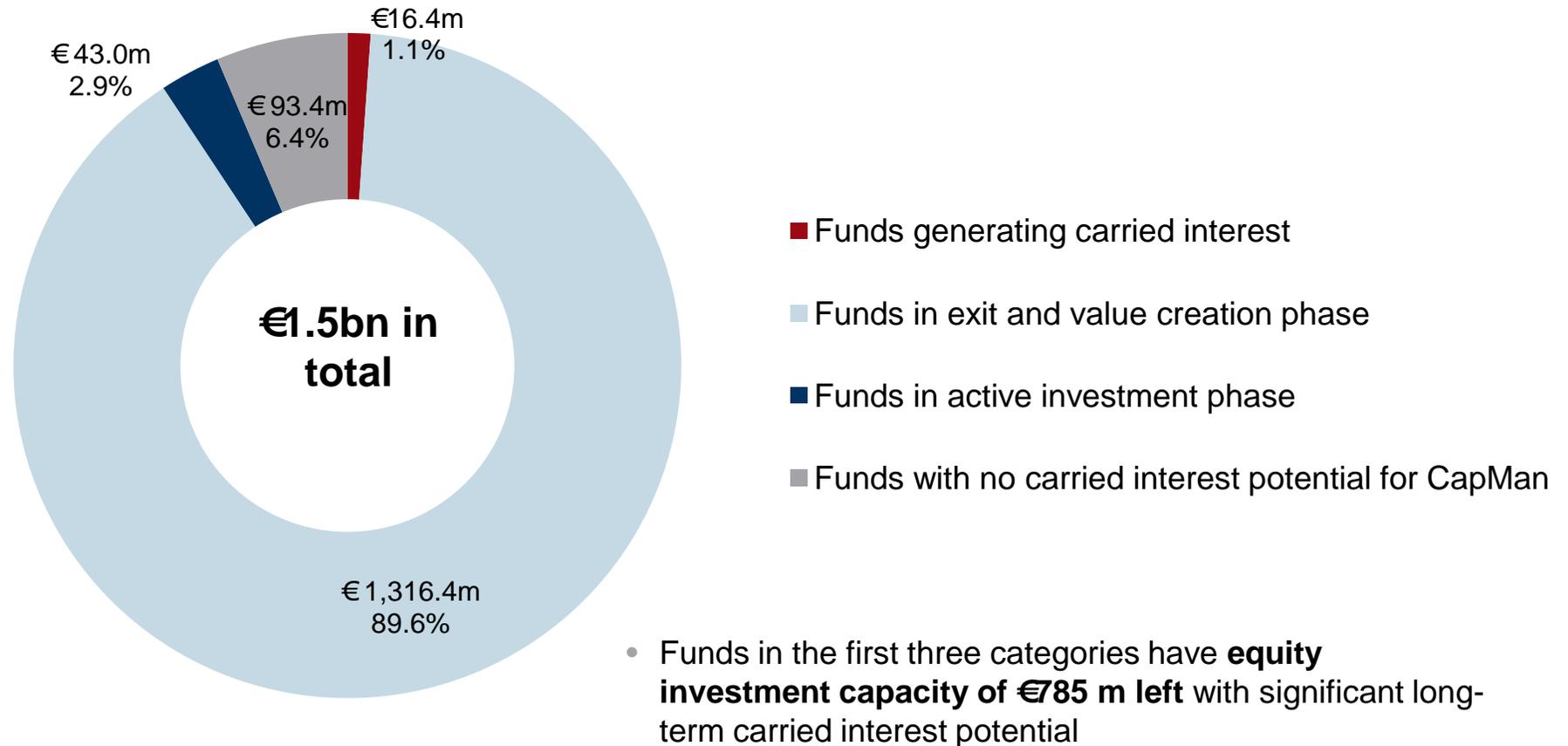


\*Operating costs adjusted for €1.5 million in non-recurring expenses and €0.9 million in carry bonuses

# CapMan's carried interest base

31 December 2013

## Portfolios at fair value (equity) by funds' carried interest phase



# Analysing the carried interest potential of CapMan's funds (1)

	Funds in carry		Funds in technical carry (Portfolio FV exceeds the cash flow required to investors)			
	CME VII B FM II B FM III B	FV V Fenno Program	FM III A	CME VIIA + KB	CMPMF	Project Specific Hotel Fund
Portfolio at fair value (€m)	16.4		19.3	34.3	149.4	7.1
Additional cash flow to investors required (€m)			2.8	21.9	118.8	2.8
Fair value exceeding cash flow (%)			+590 %	+57 %	+26 %	+154 %
Portfolio companies						

Not including funds in active investment phase

## Analysing the carried interest potential of CapMan's funds (2)

### Other funds with carried interest potential

	CMB IX	CMR	CMB VIII	CMT 2007	CM LS	CMRE I*	CMRE II	CMRHE
Portfolio at fair value (equity, €m)	272.8	79.6	225.7	31.0	28.7	40.9	116.9	310.7
Additional cash flow to investors required (€m)	286.2	112.7	351.9	64.1	60.9	77.2	157.5	419.9

\*Has already generated carry  
Not including funds in active investment phase

# Group Income Statement, IFRS

€million	1-12/13	1-12/12
Turnover	29.8	27.3
Fees	26.9	25.5
Carried interest	2.9	1.8
Other operating income	0.2	0.2
Operating expenses	-27.9	-30.3
Fair value gains / losses of investments	1.2	5.3
Operating profit	3.3	2.6
Financial income and expenses	-0.7	0.1
Share of associated companies' result	-0.6	0.6
Profit before taxes	2.0	3.3
Profit for the period	1.5	2.7

# Group Balance Sheet – Assets, IFRS

€thousands

31 Dec 13

31 Dec 12

Tangible assets	282	364
Goodwill	6,204	6,204
Other intangible assets	1,047	1,491
Investments in associated companies	9,583	5,170
Investments at fair value through profit and loss		
Investments in funds	64,122	74,465
Other financial assets	94	99
Receivables	2,432	19,957
Deferred income tax assets	4,111	4,681
<b>Non-current assets</b>	<b>87,875</b>	<b>112,431</b>
Trade and other receivables	5,199	8,532
Other financial assets at fair value through profit and loss	361	365
Cash and bank	17,004	6,625
<b>Current assets</b>	<b>22,564</b>	<b>15,522</b>
Non-current assets held for sale	0	848
<b>TOTAL ASSETS</b>	<b>110,439</b>	<b>128,801</b>

# Group Balance Sheet – Total equity and liabilities, IFRS

€thousands	31 Dec 13	31 Dec 12
Share capital	772	772
Share premium account	38,968	38,968
Other reserves	26,107	38,814
Translation difference	126	43
Retained earnings	-1,112	553
<b>Total equity</b>	<b>64,861</b>	<b>79,150</b>
Deferred income tax liabilities	1,820	2,360
Interest-bearing loans and borrowings	25,854	22,678
Other liabilities	0	1,241
Post-employment benefits	299	169
<b>Non-current liabilities</b>	<b>27,973</b>	<b>26,448</b>
Trade and other payables	11,344	13,219
Interest-bearing loans and borrowings	6,000	9,785
Current income tax liabilities	261	199
<b>Current liabilities</b>	<b>17,605</b>	<b>23,203</b>
<b>Total liabilities</b>	<b>45,578</b>	<b>49,651</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>110,439</b>	<b>128,801</b>

# Key figures as of 31 December 2013

	<b>31 Dec 13</b>	31 Dec 12
Earnings per share, cents	<b>-1.2</b>	0.3
Diluted, cents	<b>-1.2</b>	0.3
Shareholders' equity / share, cents*	<b>77.0</b>	93.9
Share issue adjusted number of shares	<b>84,268,963</b>	84,255,467
Number of shares at the end of period**	<b>85,266,991</b>	84,281,766
Number of shares outstanding	<b>85,240,692</b>	84,255,467
Company's possession of its own shares, end of period	<b>26,299</b>	26,299
ROE, % p.a.	<b>2.0</b>	3.2
ROI, % p.a.	<b>3.5</b>	4.3
Equity ratio, %	<b>58.9</b>	61.9
Net gearing, %	<b>22.3</b>	32.2

\*In line with IFRS standards, the MEUR 15 (2012: MEUR 29) hybrid bond has been included in equity, also when calculating equity per share. The interest on the hybrid bond (net of tax) for the review period has been deducted when calculating earnings per share.

\*\* The total number of company shares rose as between 26 October and 29 November 2013, a total of 985,225 CapMan Plc series B new shares were subscribed for with the company's stock options 2008B.

# CapMan Plc's largest shareholders

31 December 2013

	Share of all shares %	Share of all voting rights %
Gimv NV***	9.9%	6.2%
Ilmarinen Mutual Pension Insurance Company	8.4%	5.2%
Oy Inventiainvest Ab + (Ari Tolppanen**)	8.2%	19.5%
Winsome Oy + Tuomo Raasio*	4.4%	8.4%
Varma Mutual Pension Insurance Company	4.3%	2.7%
Joensuun Kauppa ja Kone	4.3%	2.7%
Vesasco Oy	4.0%	2.5%
Åbo Akademi University foundation	3.5%	2.2%
Heiwes + Heikki Westerlund*	3.5%	10.4%
Geldegal Oy** + Mom Invest Oy** + Olli Liitola*	3.1%	9.4%
<b>10 largest shareholders, in total</b>	<b>53.6%</b>	<b>69.2%</b>

\*Employed by CapMan.

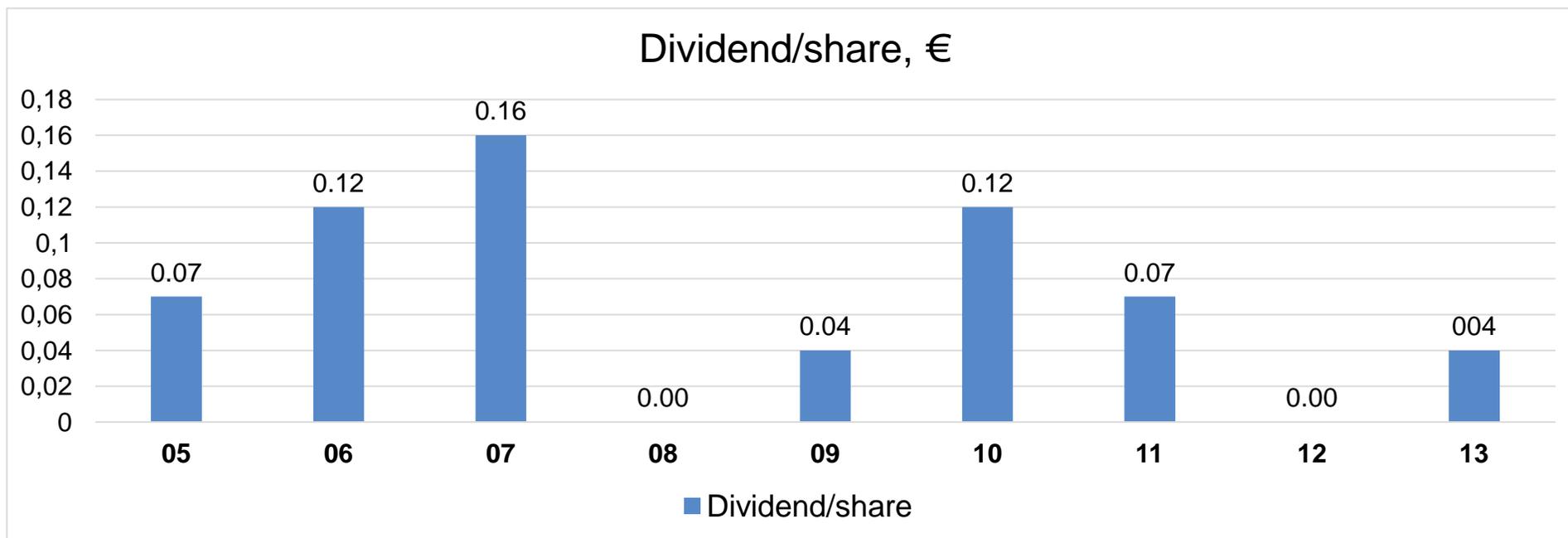
\*\* CapMan employee who exercises controlling power in the aforementioned company but who does not own CapMan shares directly.

\*\*\* Flagging notice 30 December 2013.

# Dividend distribution history

Dividend €/year

2005	2006	2007	2008	2009	2010	2011	2012	2013
0.07	0.12	0.16	0.00	0.04	0.12	0.07	0.00	0.04



\*The Board's proposal for the AGM



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# Objectives for 2014:

1

Completion of fundraising rounds

2

Growth from new products and selectively from M&A

3

Expanding customer base

4

EPS based compensation model to support strategy

5

Shake off the shadow of the financial crisis – value creation in portfolio companies



Profitable growth



# Estimate and outlook for 2014

*We estimate our earnings per share to improve significantly from the level achieved in 2013 primarily due to increasing operating profit.*

**Our fees will cover our expenses** before possible non-recurring expenses related to acquisitions or larger development projects.

CapMan receives carried interest income from funds as a result of a completed exit in the event that the fund already is in carry or will enter carry due to the exit. **Our current portfolio holds several investments, which we are ready to exit during 2014.**

**The fair value development of our own fund investments will have a substantial impact on our overall result in 2014.** We expect disparity in the development of individual portfolio companies and real estate also during 2014 depending on their industry and geographical location. In addition, our portfolio companies and real estate are also influenced by various other factors, among others the general development of industries and local economies, valuation multiples of peer companies and exchange rates.

