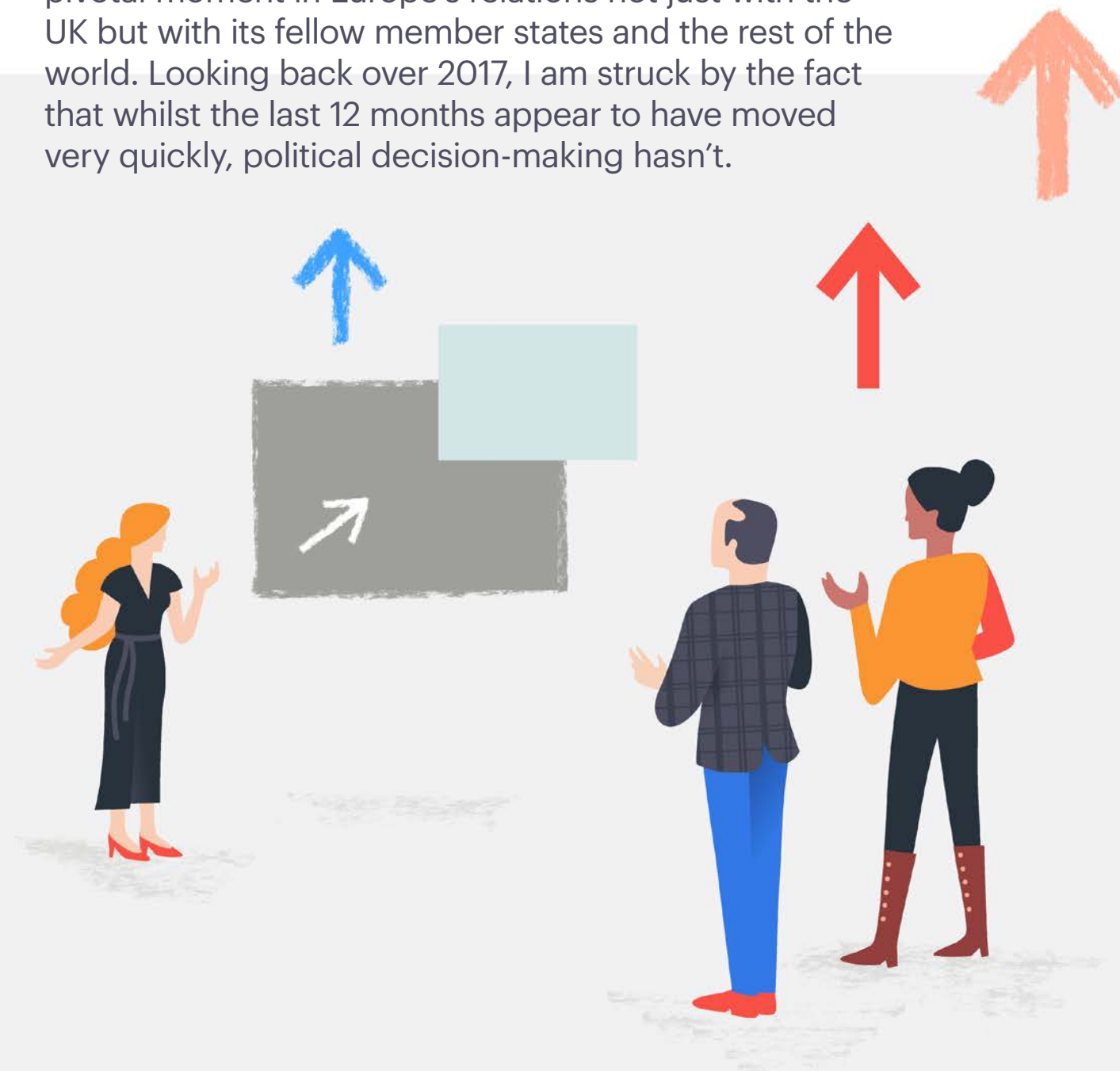


→ **2017: An introduction
from our Managing
Partner**



A message from our Managing Partner

→ I wrote 12 months ago that 2016 would go down as a pivotal moment in Europe's relations not just with the UK but with its fellow member states and the rest of the world. Looking back over 2017, I am struck by the fact that whilst the last 12 months appear to have moved very quickly, political decision-making hasn't.



We're always looking to buy well through high-quality origination, absolute clarity of investment case, transaction selectivity and a focus on relative value

The economic environment in Europe in which Bridgepoint funds invest continued to improve, driven by uplifts in manufacturing output, rising employment and productivity levels. This has undoubtedly helped to increase continental European business confidence to some of the strongest levels seen in the past five years. All of this is continuing to create a more favourable backdrop against which to invest capital and for our companies to deliver strong performance.

This said, the potential for volatility hung over 2017, especially in the UK, with the surprise outcome of the General Election resulting in a febrile political environment and with Brexit negotiations ongoing and as yet inconclusive. With this backdrop in mind our investment strategies continue to deliberately focus on those sectors and niches with the potential to deliver strong returns in volatile conditions as well as on those that will explicitly benefit from improving economic conditions in Continental Europe.

In other words, we're always looking to buy well through high-quality origination, absolute clarity of investment case, transaction selectivity and a focus on relative value. It also meant that we've greatly limited our exposure to purely domestic UK businesses. Where we have invested in the UK, each individual

investment has been based on a particular thesis that we think will drive high-quality risk-adjusted returns in a specific area.

In a highly priced market we've continued to be prepared to pay higher multiples – selectively – for higher growth companies, but we've made sure that we have also made some great value purchases. It's been a year when we've very often bought complexity and sold simplicity – with our business transformation and value creation doing the work in the middle.

There is regular commentary about PE funds lowering return targets as the search for deals continues. I have said before that history suggests that doing so is high risk. Cycles turn, sometimes unexpectedly, and when they do, thinly priced investments simply destroy fund performance. We will not jeopardise returns to our investors in such a way.



So, at the end of 2017, I am pleased to record good progress across all our investing funds. Bridgepoint Europe V, our €4 billion middle market buyout fund, had made 13 platform assets and completed 21 add-on acquisitions to date. At the year end the Fund was 82% invested and we expect that it will complete its new investment activity by the summer of 2018.

During the year BDC III, our £605m lower middle market private equity fund targeting smaller fast-growing businesses with enterprise values of £30m to £125m, committed 26% of total Fund capital to four completed investments.

In 2017 we also raised a fund for a new strategy, the £105 million Bridgepoint Growth I Fund. This targets smaller, fast-growing, businesses with enterprise values of up to £30m. It focuses on the consumer, media, technology and business services sectors and in particular on companies utilising digital technologies

to achieve transformational growth in their end-markets. By the end of the year it had committed 16% of its total capital to two investments.

All of this resulted in us investing in some exciting and diverse new businesses across all of our funds: Zenith, the UK vehicle fleet management group; HKA, the international construction claims group; Primonial, the French wealth management group; Evac, the Nordic cleantech leader; Miller Homes, one of the UK's largest housebuilders; Séraphine, the fashionable maternity wear brand; and Burger King in the UK, the global number two quick service burger restaurant brand.

In 2017 Bridgepoint Funds returned €878 million of capital to investors with major exits including the \$929 million sale of Nordic Cinema Group to AMC Theatres, the sale of Leeds Bradford Airport to AMP, and that of the Inspired Thinking Group.



Top image
Anthony Rowland, Senior Associate, Bridgepoint Growth, Stockholm

Bottom image
Neda Madzharova, Director, Investor Services, London



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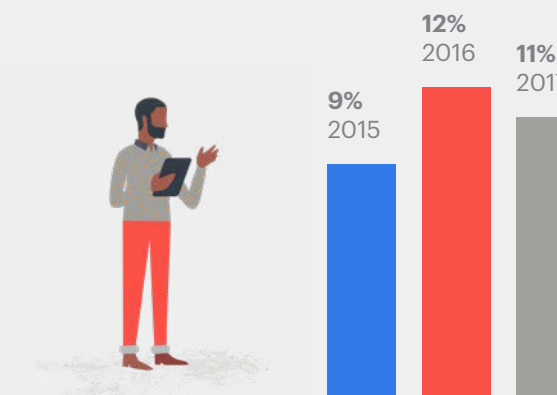
Europe's credit markets also remained extremely robust throughout the year, supported by a benign macroeconomic environment, accommodating monetary policy and low or even negative interest rates. In these circumstances, our Capital Markets team took advantage of buoyant conditions in the European leveraged loans market to arrange debt for our portfolio companies totalling circa €7 billion in the year.

This allowed us to achieve borrower-friendly terms while maintaining prudent leverage in the growth companies that characterise Bridgepoint's portfolio. It also meant that our investments continued to have access to meaningful liquidity, headroom and flexibility to grow.

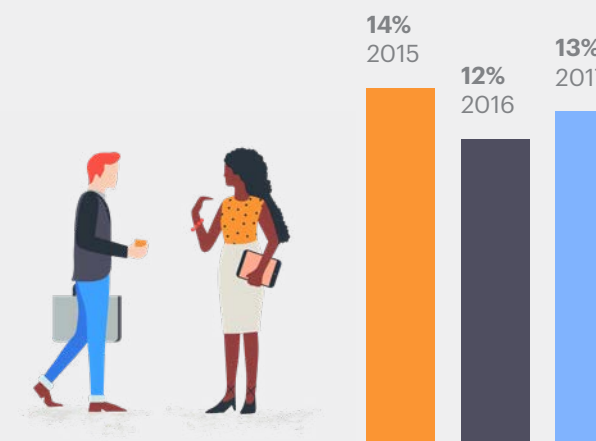
In 2017 Bridgepoint's fund investments collectively generated 11% and 13% year-on-year average revenue and EBITDA growth – an indication of the resilience and skill in driving long-term value creation in what still remains a relatively low-growth environment.

One standout feature of 2017 has been the amount of effort we put into strengthening our own investment platform. In addition to our move into the early stage fast growth segment with the launch of Bridgepoint Growth in 2017, we also opened a new office in Amsterdam to cover locally the wider Benelux region. The Benelux region is already familiar to us and is one of the most consistently active buyout markets in Europe. The Netherlands in particular is one of Europe's stronger economies with strong industrial, food and chemical industrial bases. Our New York portfolio office, opened in 2016, also made huge progress during the year and adds enormously to our ability to help our European companies grow internationally.

Portfolio performance



Revenue growth



EBITDA growth



In 2017 we started the preparatory work for the public launch of Bridgepoint Credit, recognising that there is an opportunity to exploit Bridgepoint's knowledge of companies and sectors

This new 'on the ground' resource is enhancing Bridgepoint's deal flow and helping to accelerate value creation initiatives across the Bridgepoint portfolio, as well as driving add-on acquisition activity.

In 2017 we started the preparatory work for the public launch of Bridgepoint Credit, recognising that there is an opportunity to exploit Bridgepoint's knowledge of companies and sectors, its financing experience, relationships and reputation to build a leading middle-market credit franchise. Bridgepoint Credit is currently investing its first fund which is deploying capital from our own balance sheet.

Towards the end of last year we also began the process of raising a successor fund to Bridgepoint Europe V. Bridgepoint Europe VI, is a middle market buyout fund with a target size of €5 billion. At the time of writing, the fundraising has exceeded that target to reach the fund's hard cap of €5.7 billion, with the fund being substantially oversubscribed.

I'm pleased to report that we've been fortunate to welcome a number of important new investors to the Fund as Bridgepoint limited partners for the first time. However, the vast majority of the capital committed to the new Fund has come from our existing investors, who we thank for their continued support and trust. It is a privilege to manage this capital.

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 81,000 colleagues in companies owned by our funds.

Our ability to continue to develop the talent of our own team members as well as attract new people remains critical to Bridgepoint's success. During the year we attracted 50 new team members – which means that Bridgepoint is changing as we absorb their new viewpoints and perspectives.

One of Bridgepoint's core values is being 'straightforward', which means acting without arrogance and embracing the views of others without prejudice. So I'm pleased that we have been able to welcome people from different backgrounds with different points of view as experience tells us that when we work together we create more value.

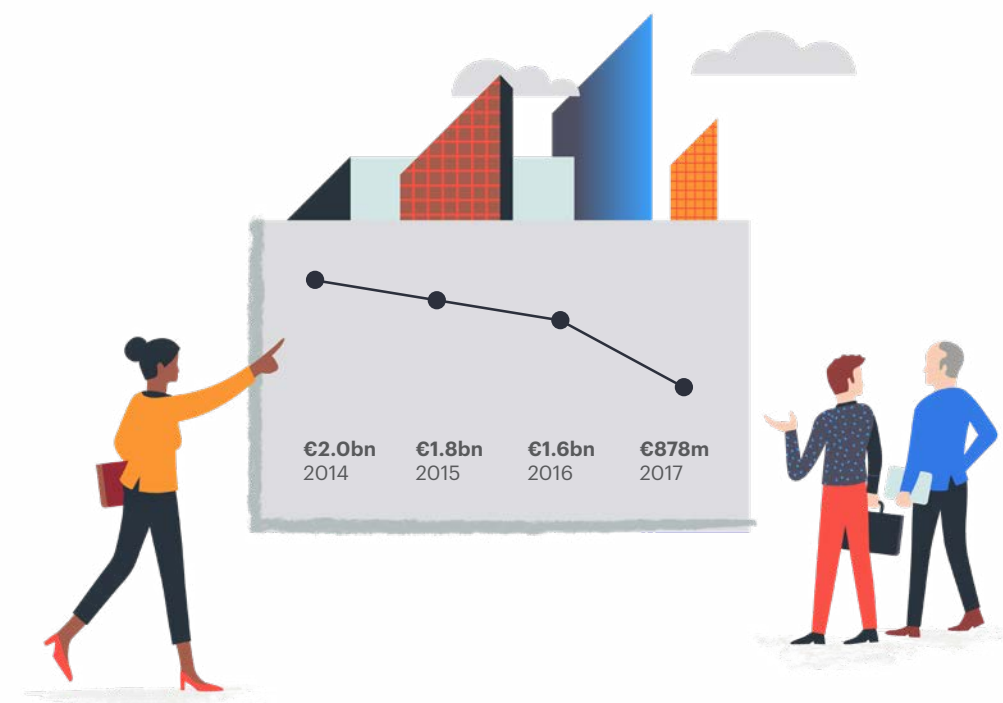
Diversity and Inclusion is very important to Bridgepoint and our recruitment this year continued to reflect this fact as we are putting into action various initiatives to address our own and our industry's long-term issue of gender balance in the investment stream through the way we hire, train and develop our people.



Left-hand image
Teresa Pastor, Analyst,
Bridgepoint Development
Capital, London

Right-hand image
Edward Woods, Partner,
Operations and Investor
Services, London

Capital returned to investors



Of particular note is our new International Associate Programme, targeting recent graduates and providing the foundation on which to establish a career in private equity at Bridgepoint.

Each year the Bridgepoint Charitable Trust works with team members to identify new charities for it to support financially but also in other ways through the skills we can share. To date, the Trust has donated over £2 million to some great organisations in countries where we operate. I would like to thank the Trust and our colleagues who ensure that we find deserving causes where our donations can make a difference.

This difference was very much in evidence when two team members visited United World Schools, a UK charity we backed in 2016. They saw first hand how our donation built a school in Cambodia when they travelled to Sdao. A timely reminder that we can all make a difference if we choose.

2018 has started with a mixture of improving economic growth across Europe punctuated by moments of political and market volatility. As the reality about the possible shape of Brexit begins to emerge, investment and employment decisions will undoubtedly become both challenging and exciting.

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.

It's a huge advantage. As a result, we enter 2018 better insulated from the immediate potential negative consequences of Brexit while being positioned to take advantage of new investment opportunities arising from Brexit dislocation across Europe.

External factors will of course create challenges for everyone. But we operate in what remains a very attractive and active part of the private equity market and have the experience, platform and people to maximise the opportunities ahead.

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. 2017 has been a year of growth in the Bridgepoint platform and the successful completion of the BE VI fund raise. As a result, in productive partnership with our investors, our management teams and the people working in the companies that our funds own, we start 2018 very well positioned for the future.

William Jackson
Managing Partner



As the reality about the possible shape of Brexit begins to emerge, investment and employment decisions will undoubtedly become both challenging and exciting



Top image
Magnus Gottås, Director, Bridgepoint Development Capital, Stockholm & Johan Dahlfors, Partner, Bridgepoint Development Capital, Stockholm

Bottom image
Chris Busby, Partner, Head of Investments in the UK & Murdo Armstong, Associate, London

Right-hand image
Sebastian Kirwan, Senior Associate, New York & Whitney Hanson, Senior Associate, New York

