CVC

CVC-PE: Why Europe?

Europe is the **second largest buyout market globally**, offering – relative to other geographies – consistently attractive and stable returns, even through economic downturns.

Although Europe is a mature market, it continues to present a wealth of investment opportunities, defined by unique local dynamics and significant fragmentation – with the EU alone consisting of 27 countries. Europe should not be seen as one homogenous market, but rather a group of inter-linked, heterogeneous and complex markets.

As such, success in Europe requires deep regional knowledge and an integrated, on-the-ground presence. **CVC-PE is underpinned by Europe's leading buyout strategy**, with **16 offices** across the continent, and more than **40-years of experience** – having consistently delivered strong returns since inception.

CVC believes the **underlying fundamentals** of **European economies** provides a strong foundation for **successful, long-term private equity investing**. The region is defined by democratically-elected governments, established rule of law, entrenched governance structures, clearly-defined property rights, well-developed capital markets, and functioning infrastructure.

Europe's hallmark fragmentation – in terms of geography, regulation, language, politics, and culture – creates an opportunity for those managers with a long-term local presence, and a complete understanding of the distinct business environments that exists in each of the geographies, to outperform.

Europe is defined by its diverse set of countries, each with its own nuances, where a blanket, one-approach-fits-all strategy is unfeasible. **CVC has nurtured its deep roots in local markets** since its founding in 1981 and has a proven strategy in generating value from the region's idiosyncrasies.

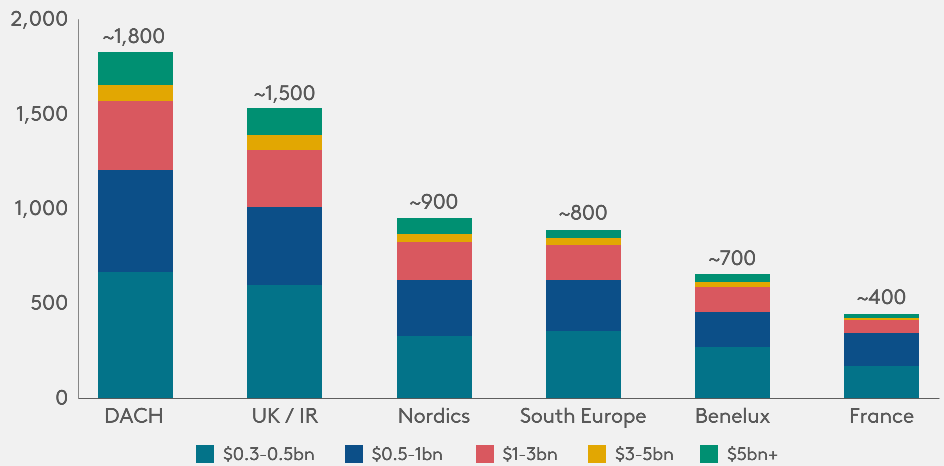
With a combined **GDP of >$18.5 trillion** and a **population in excess of 448 million** in the European Union alone, the investment opportunity within the second largest buyout market in the world is large. In 2023, there were **~6,300 companies in Western Europe with revenues >$300m across 8 sectors**.[1]

Given the size and maturity of the European market, CVC believes it is a necessary allocation for any investor seeking true diversification away from reliance on a single economy such as the U.S. Europe then offers further diversity via its exposure to both mature (e.g. Germany, France) and faster growing economies (such as those in Central and Eastern Europe), and a wide range of industries and sectors. In our view, its geographic and sectoral breadth makes it an essential component of a well-balanced, globally diversified, portfolio.

> **"Europe represents an attractive geographical diversification opportunity for LPs looking to de-risk their portfolio without compromising on returns and volatility."**
>
> StepStone

High number of established companies in Europe provides a substantial opportunity for Private Equity

Number of Western Europe Companies with Revenue >$300m[1] (2023)



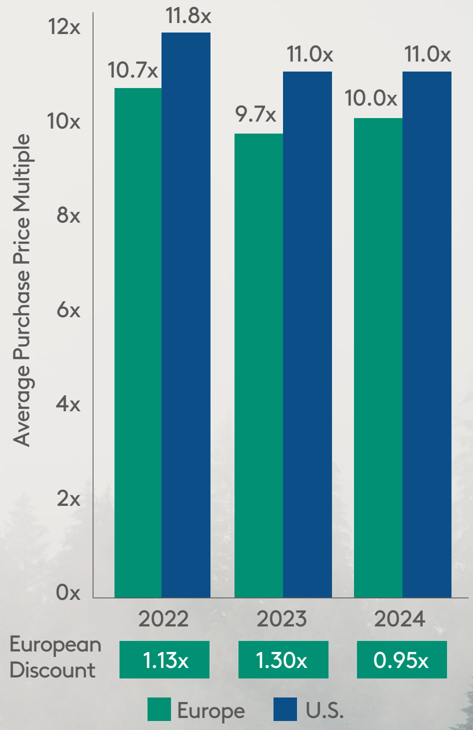
1 Source: D&B Hoovers. Note: Western Europe: France, UK, DACH, Nordics, Benelux, South Europe. Companies with sector not specified are excluded. As of the date of this publication, more current data is not yet available.

Europe has shown resilience to both macroeconomic and geopolitical shocks; in amongst elections in France, Germany and the UK, the war in Ukraine, and elevated interest rates, 2024 still resulted in the third-best year for European private equity dealmaking since 2014, both by count and size.

When looking at valuations, **European buyouts tend to trend towards lower valuation multiples** than those in the U.S. This is driven by the European market typically operating on a more **local, bilateral, and less competitive basis**, whereas the more mature private equity market in the U.S. has a larger number of private equity buyers, which drives greater competition for assets, and less need for local expertise.

In addition, many European businesses are privately held, and less frequently sold via broad competitive auction processes. In 2024, the PE buyout EV/EBITDA multiple in Europe was 0.5x lower than that of the U.S. and ultimately, given the quality of businesses in Europe, appears more price-attractive.[2]

Trends in Leveraged Buyouts



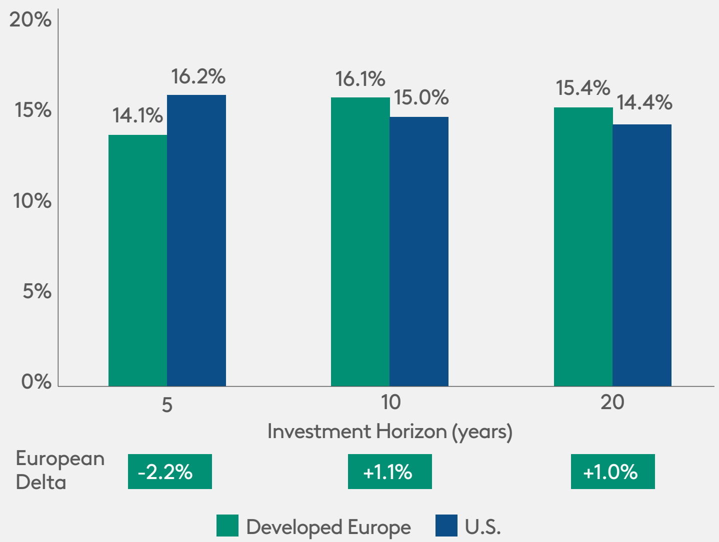
Source: Pitchbook LCD. Notes: Average Purchase Price Multiple of Pro Forma Trailing EBITDA (EBITDA of €/$500M or More). Excluding Platform Acquisitions and Other Sponsored Driven Transactions.

2 Source: Pitchbook, 2024.

These valuation trends are more broadly reflected in the public markets, and for the **past decade U.S. equities have traded at higher valuations** than those listed in Europe, with the gap having widened in recent years.[3] In April 2024, research showed that **Europe traded at a discount to the U.S. in every single sector**,[4] and as of January 2025, the U.S. market traded at approximately +6% where Europe traded at -5% to fair value estimates.[5]

In the long-term, trends show **European buyout performance exceeds the U.S.** in terms of private equity net IRR. Additionally, while both regions consistently outperform public markets, the gap in returns is wider in Western Europe.[6]

End-to-End Pooled Net IRR



Source: Cambridge Associates, March 2025.
Notes: Europe returns in Euros, U.S. returns in USD.

Outperformance over Public Markets

Source: Bain / MSCI. Data as at 30 September 2024.
Notes: Western Europe: France, UK, DACH, Nordics, Benelux, South Europe.

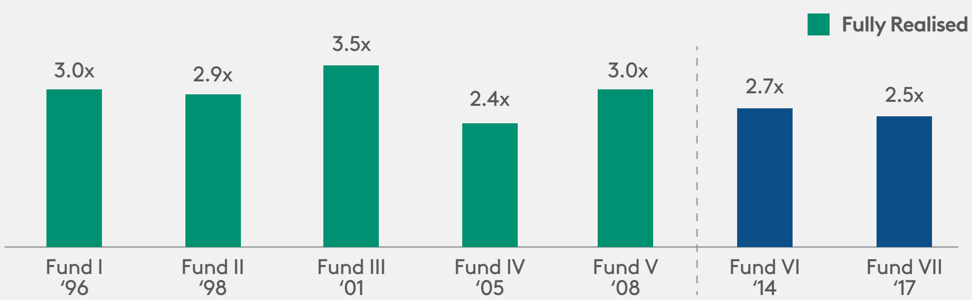
The regulatory environment across Europe continues to differentiate from the U.S. **Europe is driving initiatives that encourage and implement sustainability**, thus complementing managers which align and invest with that philosophy. For example, the implementation of the Sustainable Finance Disclosure Regulation (SFDR) has helped strengthen transparency on sustainability and investment decisions.

European governments and authorities are increasingly rolling out regulations to achieve key targets in areas such as decarboniastion and energy efficiency. Businesses, managers, investors and citizens within Europe will tend to an increased focus on sustainability at a faster rate than in other regions. As such, **managers with a proven track record** of outperformance with sustainability long considered in investment decisions will be **steady and reliable throughout this regulatory evolution**.

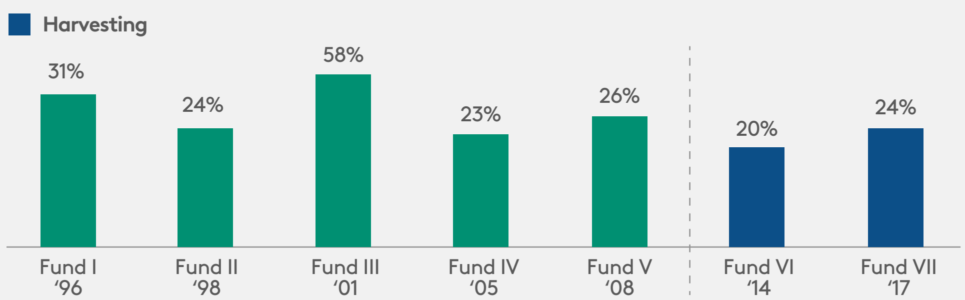
3 Source: Financial Times, 2025.
4 Source: Financial Times, 2024.
5 Source: Morningstar, 2025.
6 Source: Bain, 2025.

We Have Delivered Consistent Outperformance Across Multiple Cycles

Gross TVPI (Fund I-VII)[8]



Gross IRR (Fund I-VII)[8]



Launched in 1996, CVC Europe / Americas has provided investors with **consistently strong returns across multiple economic cycles**, strengthening the compelling case for a primarily European investment focus. The strategy's geographic focus is underpinned by a **proven, repeatable and scalable** investment process and **deep CVC Network**.

CVC believes that the cultural, regulatory and legal differences which still prevail in Europe provide **CVC with a sustainable competitive advantage** for the origination of investment opportunities. Europe remains a challenging location for many international investors to deploy capital consistently in a prudent manner. However, CVC believes these differences within Europe create opportunity, as industries remain highly fragmented, with many companies often largely focused on the demands of a single country or domestic region. CVC also believes that its capacity to reposition businesses to address the challenges of cross-border growth or industry consolidation is attractive to vendors, management teams, governments and other business owners alike.

> **"The dynamics in Europe highlight the importance of a strong origination engine and established local market presence, which CVC benefits from through the longstanding CVC Network."**

7 Sources: Capital IQ; Bloomberg for 31 January 1996 – 31 December 2024; Rebased to 100 as at 31 January 1996. MSCI Europe data has been included to demonstrate market volatility and is not meant as a comparison versus CVC Europe Private Equity Flagship Fund returns. The MSCI Europe Index is part of the Modern Index Strategy and represents the performance of Large and Mid cap equities across 15 developed countries in Europe. The Index has a number of sub-Indexes which cover various sub-regions market segments/sizes, sectors.

8 As at 31 December 2024. Based on LCY returns. Past performance is not necessarily indicative of future returns.

Ultimately, **CVC sees an attractive and broad range of opportunities within the European market**, which its 59 Deal Leaders and 183 Investment Professionals across 16 sector and country teams for the CVC-PE strategy are well structured across the region to access.

CVC believes that its extensive network of experienced and deeply-rooted local teams, as well as its reputation as a value-added owner of businesses, positions CVC strongly for bilaterally-negotiated opportunities in its target markets and sectors for continued success in the region.

CVC has successfully invested and achieved strong returns from its **leading European buyout strategy since 1996** and believes its track record and regional dynamics positions it as a **trustworthy choice for continued outperformance.**

59 **Deal Leaders** in a wider team of

183 **Investment Professionals** across

16 **sector and country teams for the CVC-PE strategy**

As at 31 December 2024.

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