

# Experts in Divestments

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*Outsized returns are still possible in today's tough market, but divestments have to be prioritised and strategy must evolve.”*

CVC DIF's Partner & Head of Divestments

**Andrew Freeman**

Distributions are front-of-mind for every LP in today's market – and with good reason. With lower DPI (Distributions to Paid-In) across the industry in 2023–24, real-cash realisations have become one of the most scrutinised metrics in infrastructure. That's exactly why CVC DIF built a dedicated divestments team: to prioritise returns, deliver DPI, and maintain realisations momentum in even the most challenging environments.



# Why did CVC DIF decide to create a dedicated divestments function?

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*A disciplined approach to divestments can significantly enhance investment and fund level performance.”*

We realised early on that achieving strong returns in the infrastructure space is not just about buying well and adding value. A disciplined approach to divestments can significantly enhance investment and fund level performance. In particular, when a sale is timed well, pitched to the right buyer universe and supported by rigorous preparation of future value drivers,

meaningful additional value can be unlocked at exit. That is why we decided to set up a dedicated team to focus exclusively on exit planning, preparation and execution over a decade ago. At any time, the team is evaluating, preparing or executing on 25 to 30 divestment candidates, noting that a divestment process can take up to 18-24 months.





# How is the Divestment Team resourced and what role does it play in the broader firm?

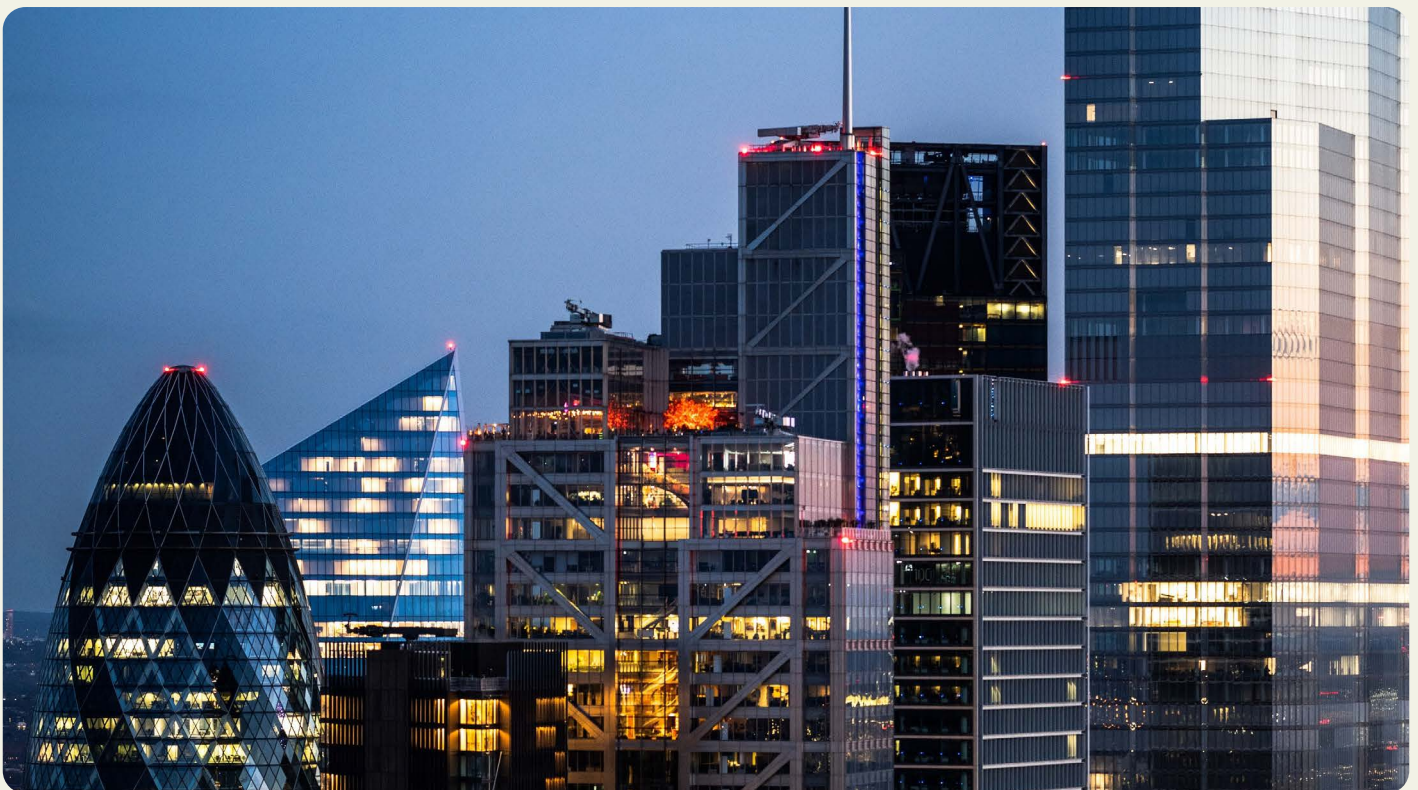
The Divestment Team draws on all sector, geographic and macro insights across the business, and externally, to decide not just whether to sell an investment, but precisely when and how. We have a 10-strong team of M&A specialists who focus purely on strategy and the execution of exits. We use the experience and knowledge of the Divestment Team to work very closely with our local teams across the globe to ensure we bring the best of big picture experience, along with local knowledge and expertise. If we are selling a business in France, for example, the Divestment Team will partner with our Paris Investment Team

colleagues, who intimately know the investment, its value creation levers, the culture and the buyer universe inside out, and together we form an experienced, specialist team to deliver the best outcome.

I would add that being part of CVC has further strengthened these capabilities. CVC's network of 30 offices around the globe mean that our on-the-ground network has expanded exponentially, allowing us to garner even more market information than we could before. We also tap into CVC's long standing relationships with potential buyers, providing still further insight.

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# When does the Divestment Team first get involved and how does the team work with an investment throughout its life cycle?

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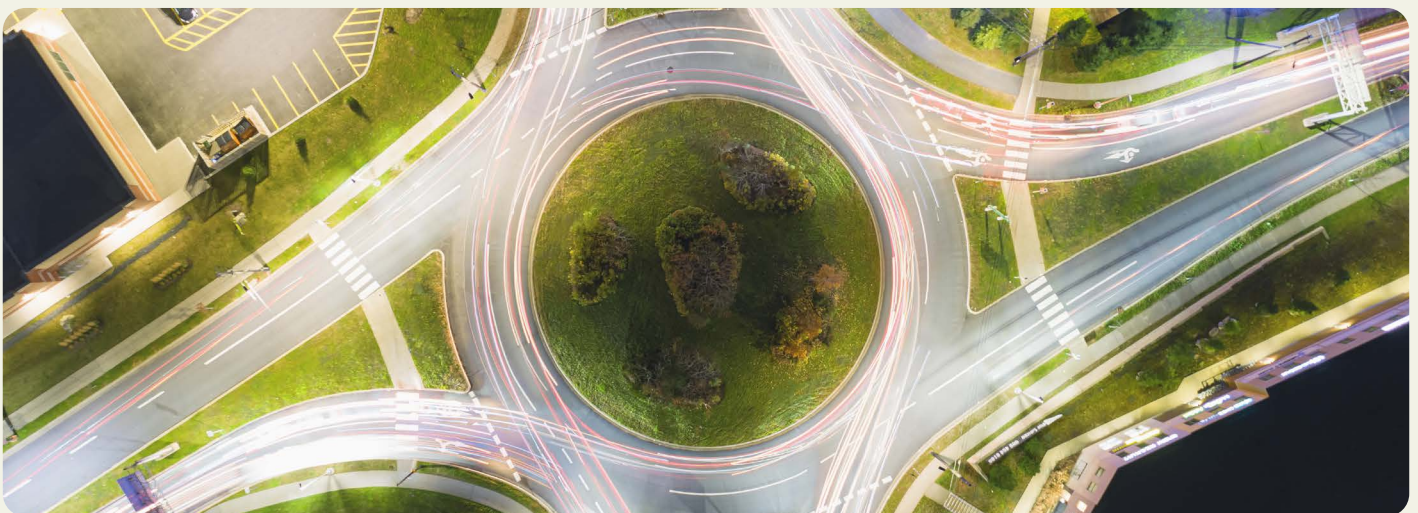
As a business, CVC DIF is already thinking about the potential exit route before we even commit to investing. At acquisition we map out likely exit strategies and buyer pools – and increasingly even the next buyer's exit route as well.

The Divestment Team will then stay close to investments throughout their life cycle. Whenever there is any major milestone such as a refinancing, a new management incentive plan, re-contracting, or changes in strategy that could reshape the eventual equity story, we will test the impact and the future exit strategy.

As we reach the final two or three years before a planned exit, our involvement intensifies. We start to spend more time refining the divestment story we are going to take to market. We go into investments with a sense of what an exit might look like but, of course,

things change over the years of ownership. That is why we like to take a fresh look at everything, retesting every number, value driver, assumption and creating an appealing proposition to the market. Moreover, having a separate team independent of legacy local relationships is also particularly complementary for difficult negotiations, achieving favourable outcomes that translate into better risk allocation and higher sale prices. We leave no stone unturned looking for value.

That level of dedication to the pre-exit preparation process is critical, now more than ever. In this kind of environment, you really have to put in the work to present an investment, and its potential, to prospective buyers in the clearest possible way. Any manager who thinks they can simply call a bank and launch a successful process is in for a rude awakening.





# The exit environment, as you say, has been incredibly tough over the past few years. What has that meant for the way you approach the divestment process?

We have now delivered over 130 exits across two decades and built a consistent track record of achieving uplifts over carrying value – in some cases, materially above fund NAV. In fact, CVC DIF has managed to outperform carrying NAV since 2018 (around when the team was founded) when comparing it to exit proceeds. For auction processes only, this outperformance is even stronger and we received an average of 9 non-binding offers per deal. That pricing premium is the product of sustained process discipline and timing the market windows.

That said, it is definitely fair to say that the past three years have been tough, largely as a result of wider macro-economic and political factors. The buyer universe has become skittish. People are distracted by their own portfolio

value preservation and are reluctant to get into processes. As a result, we have had to become even sharper in our approach to divestments.

In response, we have become deliberately selective. Before launching a process, we identify a short-list of potential buyers whose strategic fit, capital and decision bandwidth we have already tested through confidential, bilateral conversations. We share key information early, including management access, so that only genuinely engaged parties proceed. Once appetite and pricing views are clear, we narrow the field further to ensure a high probability of closing.

By front-loading diligence and focusing on a handful of high-conviction counterparties, we have continued to deliver successful sales where broad auctions now

struggle. This is seen in our 100% success rate for all the sale processes we launched over the past three years. In today's market, that extra legwork is the difference between closing a deal and watching the window close.

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*We have managed to achieve 100% sales success rate, despite the macro environment.”*



# Long-term preparation is clearly key. But are exits sometimes more opportunistic?

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*The key takeaway is that opportunism works only when underpinned by constant readiness: exit materials, value drivers and management alignment must already be in place.”*

Absolutely and a great example of that would be our recent sale of a portfolio of Uruguayan wind farms, which were split across our fifth and sixth DIF Infrastructure funds. Our team in London is always mapping the optimal window to sell, so we can move fast if and when a window opens. In this case, we spotted that a separate Uruguayan wind portfolio auction had left several well-funded, disappointed bidders behind – investors who had already completed diligence and whose investment committees were primed. That told us the buyer universe was live and valuations were strong.

We therefore accelerated our own process, ran a focused, fast-track divestment and ultimately secured a competitive outcome – culminating in a sale to a local energy player at attractive multiples and delivering strong returns to both funds.

The key takeaway is that opportunism works only when underpinned by constant readiness: exit materials, value drivers and management alignment must already be in place. That preparedness – you could call it “IP in execution discipline” – enables us to optimistically take advantage of brief market windows when they arise.



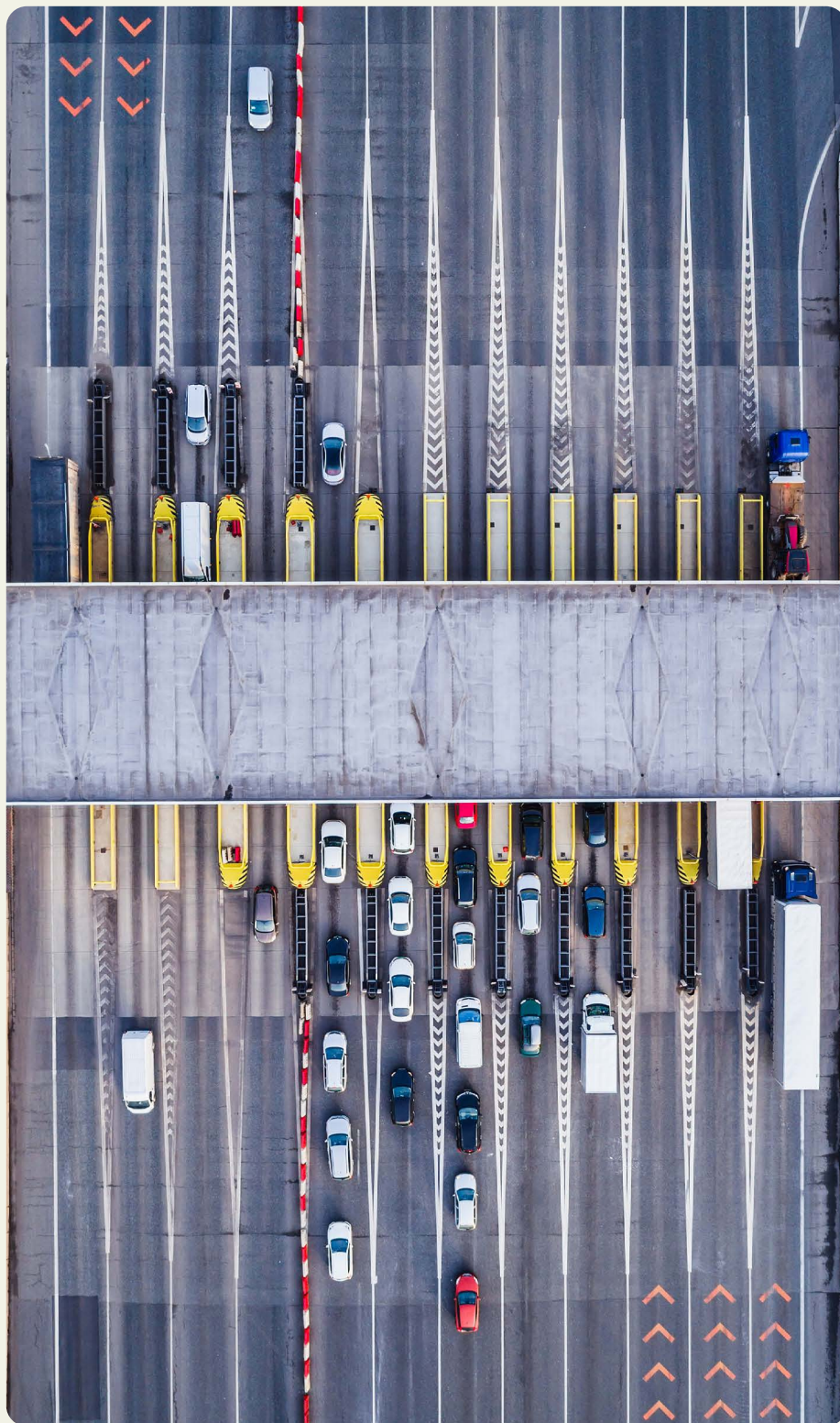


# Would you say that pricing in general is holding up for exits today?

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*When we sold Northwest Parkway last year, we achieved one of the highest EBITDA multiples ever paid for a North American toll road.”*

Pricing is undoubtedly still strong for good businesses. When we sold Northwest Parkway last year, we achieved one of the highest EBITDA multiples ever paid for a North American toll road, at a level that is >20% higher than any other deal in the last 8 years. This is proof that record prices are still achievable even in today's tougher market. It is fair to say though that to achieve these consistently strong prices, a significant amount of work needs to go into the preparation and execution – if you are willing to do that then you can achieve the premium that a disciplined, well-run process can unlock.



# We live in an uncertain geopolitical environment today, does it impact your exit decisions?

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*We proactively anticipate the implications of geopolitical uncertainty in our exits.”*

Geopolitical events often reshape market fundamentals in ways that are both rapid and profound. We proactively anticipate their implications on the exit environment. When Russia invaded Ukraine, we saw opportunity where others saw disruption.

One insight that emerged early was the likelihood of a sustained increase in demand for LNG infrastructure, particularly shipping capacity, as Europe and others reoriented their energy supply chains. With that view, we revisited our position in Geogas LNG – not simply as an asset to hold, but as one whose strategic value was rising in a transformed market context.

We developed a sell-side case grounded in that renewed outlook, balancing commercial realism with forward-looking conviction. The resulting sale achieved an EBITDA multiple more than 50% above that of listed LNG shipping peers, and ultimately generated a strong IRR and MOIC for our LPs.

This experience underscored the value of combining geopolitical awareness with sector-specific judgment – turning complexity into clarity, and clarity into action.





# Given the internal divestment expertise that you have built, do you still also work with external advisors?

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*Although our inhouse team has more than 60 years of combined exits experience, local advisors can add market specific intelligence.”*

With the exception of a handful of small bilateral divestments, where it doesn't make economic sense, we almost always appoint financial advisors. Although our inhouse team has more than 60 years of combined exits experience, local advisors can add market specific intelligence – for example, a deeper knowledge of buyer behaviour and new entrants in regions. Advisors also provide extra execution bandwidth and an independent layer of credibility.

Just as important, their presence lets us keep competitive tension high while we stay focused on strategy; direct negotiations are reserved for the final stretch, when they matter most – it is when it gets to that crunch point, that we like to step in, and get the deal across the line.



# Just how significant a point of differentiation do you believe that a dedicated divestment function represents, particularly in the context of this protracted poor exit environment?

Return of capital or DPI (Distribution to Paid-In) is front-of mind for every LP at the moment - lower distributions in 2023-24 slowed fundraising and pushed investors to scrutinise real-cash realisations more than ever. As a result, exits have gone from being a foregone conclusion that received relatively little attention, to something that is top priority for all investors.

CVC DIF recognised an “Exits play” early when we realised the competitive advantage, and the extra value, that a dedicated focus on divestments could bring.

In today’s selective market that heritage gives us a clear edge. A dedicated and experienced, 10 person team, means we can shape each process to the buyer universe that matters. We can maintain competitive tension and convert paper NAV into hard cash, while many managers wait for the window to reopen. Put simply, **divestment discipline sits at the heart of our model**, and the tougher the environment, the more that discipline matters.

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