

CVC Capital Partners PLC Half-year 2025 Results Analyst Presentation - Transcript

Operator:

Good morning and welcome to the CVC Capital Partners PLC 2025 half year results call. Please be aware that this call is being recorded and all participants are currently in listen-only mode. I would like to hand over to Walid Damou to begin the meeting. Walid, please go ahead.

Walid Damou:

Thank you and good morning everyone. Today, we will update you on our performance for the first six months of the year. We have 60 minutes for the call. And as usual, we'll begin with a presentation and after that, we'll open the floor for questions. Presenting today are Rob Lucas, our CEO; Fred Watt, CFO; and Rob Squire, Head of Client and Product Solutions. Rob, over to you.

Rob Lucas:

Thanks, Walid, and good morning everyone.

Welcome to our interim results and thanks for joining the call.

While we're here to talk about our very encouraging H1 results, I also hope that you'll take away from the presentation that we're continuing to make good progress in building CVC for the medium and long term.

Our objective throughout the last 40 years has been to deliver top class returns for our stakeholders today, while at the same time building and strengthening CVC for the future. And that is what we are continuing to do.

We are incredibly fortunate to be so well positioned in a fast growing dynamic market and we are all on a very exciting journey together. In terms of our first half results, H1 '25 represents another period of encouraging performance.

We've seen strong fundraising momentum across CVC and we're benefiting from long-term structural tailwinds overlaid with clients allocating ever more capital to scaled multi-asset managers such as CVC and increased interest in Europe.

We continue to scale and diversify our fee-paying AUM, which has increased from 128 billion euros as of June '24 to 140 billion euros today.

We'll talk about our investment activities in more detail. But in the last 12 months, deployment and realisations both increased by more than 20% year-on-year. And importantly, these realisations are delivering strong investment performance for our clients with last 12 months average realised returns of 3.3 times gross multiple of money and 27% gross IRR. As Fred will walk you through later, this resilient operating performance is translating into strong financial performance. Both revenues and EBITDA grew by 14% over the last 12 months with PRE tracking our expectations for the full year.

And the cash generative nature of our business allows for increased distributions. As a result in October, we will pay an interim dividend of 250 million euros bringing total distributions over the last 12 months to 475 million euros.

As you can see on slide four, our key medium term focus remains delivering on the plan we outlined at the time of the IPO, and we are making excellent progress against our strategic ambitions.

Rob Squire will talk about this in more detail, but we're delighted with the significant fundraising momentum we're achieving across CVC and we're building an exciting pipeline of future product launches. We're working hard to deepen and expand our institutional client base and to drive further growth through Wealth and insurance. And I'll talk a bit later about our achievements across Credit Secondaries and Infrastructure, which together now represent about 50% of our fee-paying AUM.

At the centre of everything we do is our focus on delivering attractive investment performance for our clients. This was very much a feature in the first six months of this year and we're continuing to achieve significant success with realisations with the last 12 months period representing a record year.

All of this generates a highly attractive financial profile, growing, predictable, and cash generative, allowing us to continue building out our business and delivering on our plan. I'll now hand over to Rob for a more detailed update on the fundraising and the successes he and the team have achieved. Thanks, Rob.

Rob Squire:

Thank you, Rob, and good morning everyone.

If we turn now to slide five, I'd like to start my section with a brief recap on where CVC was just two years ago and the transformation that we've experienced in capital formation. As shown on the left-hand side at 30th of June '23, our fee-paying AUM stood at 97 billion euros. Since then, CVC has aggregated around 60 billion euros of capital across our platform to bring us to a fee-paying AUM at H1 '25 of 140 billion euros.

This growth over the last 24 months has been achieved in one of the more challenging environments that we've seen in private capital since the onset of the GFC in 2008.

With that capital now closed, we feel well positioned with our current processes also. We have 29 billion euros of active fundraising underway with much of it already well advanced and indeed de-risked. It's important to note that 90% of this capital, 90% will support our Credit, our Secondaries, and our Infrastructure platforms.

Beyond this, as we look forward into '26 and 2027, we have an attractive and relevant mix of well-established institutional funds such as CVC Europe X, sitting alongside several new institutional strategies such as Credit and Infrastructure Secondaries, as well as a growing suite of strategies in our evergreen space for private Wealth.

So when we look at the first half specifically on page six, the main message from my side is one of continued progress in deepening our existing client relationships through greater cross-selling

while simultaneously expanding into new channels and also winning new clients in our existing channels.

The first half was very active for CVC in terms of capital formation. We held over 35 individual fund closings and aggregated over 6.3 billion euros of capital closed during a period of significant uncertainty and also volatility. During times like these, our experience has been that clients will focus ever more of their time on core relationships with proven partners.

Turning to slide seven and briefly covering some of the milestones from the first half.

Starting with private equity and in Q1, we held the final close for our third StratOps vintage securing 4.6 billion euros and becoming the only GP globally to have a third vintage, long-duration vehicle closed, and actively deploying. We also launched CVC Catalyst, our new private equity strategy focused on fast-growing European middle market buyouts and building on our 40-year track record of successfully investing in the area. We've already secured over 800 million for this fund and expect to hold a final close next year. Finally, for private equity looking forward, we expect to launch both CVC Europe X and CVC Asia VII in 2027 consistent with the three to four-year investment cycle for private equity that we've previously communicated.

On Secondaries, we continue to see strong momentum. I'm pleased to report that the \$5 billion for the sixth vintage shown on page seven now totals around \$6.5 billion. And we remain confident in exceeding our \$7 billion target at final close in '26. At that \$7 billion target, fund VI would be in excess of two and a half times the size of fund IV, which Glendower was investing when it was acquired by CVC.

Turning next to Credit, our fourth European direct lending round has now raised more than 10 billion euros of investable capital exceeding our 6 billion euro guidance. We expect to hold a final close in late Q3 and given our strong deployment would anticipate being back in the market with the success of vintage five in 2026. While on Credit, it's worth referencing that our CLO Equity IV capital raise has now exceeded its \$750 million target, and at final close is expected to support future CLO issuance of between \$15 and \$20 billion.

Lastly on the institutional side, CVC's Infrastructure fundraising is progressing well and last month we commenced the process of rolling closes for both DIF VIII and VA IV. We expect to complete the first closings for both strategies by year end '25, thereby de-risking a substantial proportion of our 8 billion euro target.

Finally, in private Wealth, we're seeing very strong momentum, which I'll cover in depth on the next slide. On page eight, I want to start with a quick reminder of how we view private Wealth at CVC. We believe private Wealth is an important long-term opportunity for CVC as part of a diversified funding base for our firm. CVC believes the growth of private Wealth is supported by a series of long-term structural factors present in many markets around the world as individual investors seek to commit an ever greater share of their Wealth and their pension to private markets.

Our focus at CVC is ensuring that our long-term investment performance, which has served us so well in the institutional channel, is now replicated in that Wealth arena for the years to come. In terms of where we stand today, a slight update to the data on the slide is that as that September the 1st are two existing evergreen structures, CVC-CRED and CVC-PE together now exceed 2.5 billion euros in value.

When considering these vehicles, it's important to note that to date both vehicles have only been distributed outside of the very large US Wealth market. We're pleased to report that CVC-PE will launch in the US in early '26 with an attractive list of distributors ready for that US structure.

Building on the success of CRED and PE, we're now actively preparing for the launch of comparable evergreen products in both the Secondaries and Infrastructure strategies to broaden the number of offerings that our Wealth partners can access with the CVC Group.

Finally, to support the continued growth of our evergreen products, we're continuing to invest in our Wealth team to ensure that we at CVC have the capabilities that our distribution partners require. In closing, we feel really positive about the progress that we've made in the evergreen space from a standing start not that long ago. I look forward to the opportunity to update you on our progress in this space in future calls. Thank you, and I'll hand back to you, Rob.

Rob Lucas:

Lovely. Thanks, Rob. As I mentioned earlier, Credit Secondaries and Infrastructure together represent about 50% of fee-paying AUM and are really important growth engines for CVC. Each of these platforms benefit from long-term structural tailwinds and we've scaled each significantly as we lever the CVC Network for sourcing and distribution, and continue delivering attractive investment returns for our clients. You can see on the chart that these three strategies together represent two-thirds of the growth in fee-paying AUM since December 2021. That is approximately 40 billion euros out of the 60 billion growth that has been achieved in the last three and a half years.

Let me spend a couple of minutes on each of these platforms starting with CVC Credit. We now manage 43 billion euros of fee-paying AUM, nearly double the size of just a few years ago. Our consistent returns and very low loss rates have driven strong client inflows, and as Rob Squire just mentioned, we've now closed more than 10 billion euros of investable capital for our latest European direct lending fund making CVC a top three manager in European private Credit. Thanks to the collaboration with our PE platform, CVC Credit has access to unique investment opportunities. And this is a real competitive advantage in a market with significant tailwinds, both in terms of client demand and deployment. Across our liquid strategies, we now manage 30 billion euros of fee-paying AUM. And we are the number one CLO manager in Europe. As well as diversifying our Credit distribution across institutional clients, insurance and Wealth, we've been actively working on the launch over the next 12 to 18 months of new products in high growth areas of Credit, leveraging the CVC network and addressing strong client demand.

You'll be able to hear more about CVC Credit on Thursday, the 2nd of October when we will be hosting a deeper dive for analysts and investors here in London.

Turning to slide 11 and CVC Secondary partners, growth fundamentals remain very strong while overall trading of private equity LP stakes remains relatively low compared to broader PE. Demand is accelerating as secondaries become a key liquidity in portfolio management tool. These market drivers overlaid with our strong investment performance have allowed us to scale significantly. And we're seeing a good interest for SOF VI from both existing and new clients who are drawn to the repeated strong performance achieved across market cycles, the quality of our team and the power of the CVC brand.

Beyond scaling the flagship Secondaries product, we are looking to widen the platform beyond PE secondaries with the launch of credit and infrastructure secondaries funds and a new evergreen secondaries product underpinning significant future growth.

Turning to slide 12. In Infrastructure, we're the leading investor in the European mid-market and we're benefiting from significant macro tailwinds. CVC's brand and client base are helping accelerate this growth and we expect the current infra funds to be twice the size of the funds raised five years ago. As with Credit, we're seeing significant benefit from our Private Equity and Infrastructure teams working together. And our ability to lever the CVC Network provides a further driver of growth. Finally, we are also preparing to launch an infra evergreen fund in 2026.

Turning now to deal activity and starting with deployment on slide 13. We delivered strong deployment across the platform with 24.9 billion euros deployed over the last 12 months. That's up 22% year-on-year.

Credit was the main major driver of the growth over the last 12 months with 10.3 billion euros invested, an 81% increase year-on-year as we continue to scale that platform and build market leadership.

Private equity deployed 10.7 billion euros over the same period, and we continue to invest at a pace consistent with a three to four year investment period across our PE funds.

Secondaries and Infrastructure also maintained their investment pace with nearly 4 billion euros deployed in the last 12 months, and growth expected to accelerate with market activity levels picking up and recent fundraising for both strategies providing additional dry powder.

The new H1 investments shown on the right-hand side of the page illustrate the breadth of our sourcing and execution capability.

A good example of this is Dream Games on page 14 where earlier this year, we partnered with the founders to support their next phase of growth. The relationship was built over two years by our sports media and entertainment team.

This was a true cross strategy collaboration across Europe/Americas strategic opportunities and private Credit, showcasing how our global platform and sector expertise help us source and scale unique opportunities. Thanks to this successful cooperation, we've been able to increase our commitment from 700 million euros up to 1.2 billion euros across those three strategies as well as our PE evergreen vehicle.

Moving to slide 15, despite the market for realisations continuing to be challenging, we delivered a record level of 13.2 billion euros over the last 12 months. That's up 20% year-on-year and we remain confident in delivering full year realisations at or slightly above the 2024 level.

Looking at the sources of those realisations, sponsor-led exits remain the largest driver reflecting the ongoing subdued IPO landscape. But more encouragingly, we have seen a modest pick-up in sales to strategics compared to 2024. We continue to generate highly attractive returns with average realised gross returns of 3.3 times multiple of money and 27% IRR across our private equity strategies over the last 12 months.

A key element to delivering these highly attractive returns is our focus on building better businesses. And I wanted to highlight just a couple of recent examples of this.

We acquired Ethniki, a Greek insurance business in March 2021 from the National Bank of Greece. Our financial services expertise, together with our local presence in Greece, put us in a leading position to make these investments. Under our ownership, Ethniki has been transformed into a modern insurance provider with improved customer experience, enhanced distribution capacity, and greater capital efficiency. Building Ethniki into a better business increased its attraction to strategics, allowing us to achieve an attractive exit to Piraeus Bank earlier this year.

We've made several attractive investments in India since expanding the CVC Network there in 2017. The Gujarat Titans, as you can see on the page, is another good example where long-standing sports expertise combined with our local presence in India enabled us to win the right to build a new, exciting cricket franchise.

The team we built won the Indian Premier League in 2022, our debut season, and we continue to build a world-class sports franchise on and off the pitch, enabling us to successfully sell the majority of this investment to the Torrent Group earlier this year.

Driven by this exit activity, our private equity funds have returned more capital than they've called from our clients over the past three years. Underpinning our future fundraising in an environment where our client base is ever more focused on distributions. I'll now hand to Fred to talk about fund performance and financials. Thanks, Fred.

Fred Watt:

Thank you Rob, and good morning everyone. Moving to slide 16, the underlying operational performance of our portfolio companies continues to be resilient with LTM EBITDA growth of 10% across private equity. Over the same, we delivered 7% value creation across our private equity and Infrastructure portfolios, or 9% on a pre-FX basis achieved despite a continued challenging market backdrop.

Changes in FX rates in the first half, particularly the US dollar, were a notable factor given that we have approximately 20% of our Europe/Americas funds invested in US dollar assets, which obviously experienced a negative impact when translating valuation into euros. Conversely, our dollar-based clients will have seen a strong pickup in overall fund values given the relative strength of the euro versus the dollar.

Moving to overall fund performance on the right-hand side of the slide, all material funds are on or above plan. And again, despite continued macro headwinds, we remain confident in end-of-life multiples for these funds being within target range.

Our focus remains on building diversified portfolios, and that is a hallmark of our investment approach. This diversification underpins consistent performance for our clients across market cycles while supporting both our fundraising momentum and our ability to deploy capital at scale. This, together with strong DPI metrics, underpins the continued support we see across the client base.

Turning to slide 17 and looking in more detail at our fee-paying AUM development. Fee-paying AUM grew 10% year-on-year to just over 140 billion euros. This growth was driven primarily by the inclusion of Infrastructure following the completion of the DIF acquisition last July, which contributed 15 billion euros of fee-paying AUM.

Gross inflows were also a key driver of growth amounting to approximately 20 billion euros over the last 12 months, on 9 billion euros in H1, mainly driven by strong deployment activity across private equity and Credit, plus continued growth and commitments to SOF VI in Secondaries.

Before the impact of step-downs in FX, fee-paying AUM would've stood at around 151 billion euros reflecting the strong fundamental growth driven by inflows and the expansion of our platform. This growth was partly offset by strong realisations across private equity, step-downs for Europe/Americas Fund VI, Asia IV and SOF III as they reached the end of their contractual fee-paying.

And finally, negative FX movement with a conversion of US dollar denominated funds mainly in Credit Secondaries in Asia into our euro reporting currency.

We expect to see growth in fee-paying AUM in H2, driven by continued scaling of our platform with further deployment in Credit, further inflows into Secondaries and Wealth, and the activation of our Infrastructure funds.

Turning now to slide 18 and the financials. We continue to see strong financial growth across the board driven by our ongoing fundraising momentum as well as strong operational performance. Management fees for the first half of the year were up 20% compared to H1-24 reflecting the first six-month contribution from Fund IX in Asia VI, which were activated in May last year, obviously, comparing therefore to only two months in H1-24.

This increase in management fee revenues helped drive a 25% increase in management fee earnings up from 317 million euros last year to 397 million euros in H1-25. MFE margin also remained within range at 56% up from 54% this time last year.

Performance fee related earnings were 96 million euros in the first half in line with our expectations, and we remain confident that 2025 full year PRE will materially exceed 2024.

Taking both forms of earnings together, EBITDA grew to 493 million euros, an increase of 14% from last year.

Finally, profit after tax increased by 8% compared to H1-24 to 396 million euros reflecting the increase in EBITDA partially offset by higher income tax due to the impact of the new minimum tax rates, which were implemented for the first time in 2025. The overall effective tax rate for the year is expected to remain broadly in line with the first half.

Turning now to operating expenses on slide 19. As mentioned earlier, we're continuing to invest in areas that will drive future growth. Headcount increase by around 10% year-on-year driven primarily by targeting hiring in Wealth, insurance and technology. We added around 20 people in the past six months alone and are on track to exceed 60 full-time equivalents in Wealth by the end of the year.

The full impact of this recent hiring is yet to show in the numbers with H1 people cost increasing just 4% versus the prior year. At the same time, we're building out our operating Infrastructure, particularly in AI and client servicing support of the Wealth and other initiatives, as well as an increase in fundraising costs, central costs in relation to the IPO and an FX swing year-on-year of around 8 million euros. Hence, the growth in non-people costs compared to the first half of last year.

Looking ahead, we expect full year 2025 operating expenses growth to be in line with the first half, albeit with a different mix as we expect people cost growth to reflect the additional hiring while non-people costs are expected to remain broadly flat versus H1. We remain firmly committed to disciplined cost management. And notwithstanding investments we're making to support growth, we expect MFE margin in 2025 to stay well within the 55% to 60% range.

Let's now turn to our embedded carry potential, a key driver of future performance revenue. We remain highly confident in our medium term carry potential and the total quantum expected from key funds, which remains at between 3.9 to 7.5 billion euros, assuming on-plan performance, of which 0.6 billion euros has already been recognised as of 30th of June.

Within this, first, we have funds already in carry mode expected to deliver further 0.2 to 0.7 billion euros in carry from Europe/Americas Fund VII, and earlier Asia growth and StratOps funds, and we'd expect the significant majority of this carry to be realised by the end of 2027.

Second, the next group of funds moving into carry mode, representing between 1.4 to 2.8 billion euros driven by Europe/Americas Fund VIII, Asia V, Growth II, StratOps II, and selected Credit funds. We would expect this carry to be realised over 2026 to 2030 with a significant majority of it being delivered by the end of 2028 or into '29.

Together, these two groups of harvesting funds are expected to generate between 1.6 and 3.4 billion euros in future carry, which we expect to realise over, say, the next four to five years.

As you're aware, PRE recognised in an individual year can be variable and non-linear.

Under IFRS, the timing of carry recognition can also be particularly sensitive when a fund is in its carry catch up phase. Taking Asia V, for example, where in a \$4.5 billion fund, all it would take is slippage of \$100 million in exit proceeds from '26 to '27 for close to 100 million euros of carry to also slip into 2027 with no change to the overall value of that carry.

Bringing the conversation back to 2025 as we highlighted in March, and again in May, we expect PRE in 2025 to grow materially versus 2024. Though as we said previously, recognition will be weighted towards H2. Our current realisation pipeline for the coming months gives us confidence in our ability to deliver on this outlook.

Turning to the next slide, we continue to run a capital-light model with strong cash generation and conservative leverage. This gives us real flexibility to build the platform and at the same time have the ability to make increasing distributions to shareholders. Given the strong cash generation, we've announced a 250 million euro interim dividend to be paid in October, up from the 225 million euros paid in June. That brings total LTM shareholder distributions to 475 million euros just over a year after our IPO. With that, I'll hand back to Rob for some concluding remarks.

Rob Lucas:

Thanks very much indeed, Fred. As you've heard from us today, we are very pleased with the strong performance we have delivered in the first half and with the excellent progress we're making in delivering on our plan. We are seeing strong momentum across CVC with success over multiple fundraises, the build out of new distribution channels, and an exciting pipeline of product launches.

Additionally, we're seeing increasing client interest in investing into Europe, from which we are very well positioned to benefit based on our strong Network and regional leadership.

The most important message we want to leave you with today, as mentioned at the beginning of the call, is that while we are very pleased with the results announced today and remain committed to continued delivery, we never lose sight of our longer-term goals. Everything we are doing is designed to build a better business because that is how enduring value is created for our clients, our partners, and our shareholders. Thank you very much.

Walid Damou:

Thank you, Rob, Fred, and Rob. Before handing back to the operator, I'd like to highlight that in addition to our usual meetings with shareholders and analysts, over the coming weeks, as mentioned by Rob, we'll be also hosting, as indicated, a deep dive session focused on our Credit business. This presentation will take place in person in London on October the 2nd. We look forward to engaging with many of you there. Now, operator, let's please open the line for questions.

Operator:

Thank you. If you would like to ask a question verbally, click the join question queue button at the top of the broadcast window and follow the instructions to join the audio questions queue. If you're joining by telephone, please press *1 on your keypad to ask a question. If you wish to withdraw your question, simply press *2 to cancel.

There'll now be a brief pause while we register the questions. Alternatively, if you would like to ask a written question, you could do so by selecting the messaging feature from the navigation bar, typing your question and clicking the send button.

Walid Damou:

Let's please start with the questions asked on the line.

Operator:

Thank you. We do not yet have any questions on the line. We do have a written question from Oliver Carruthers. I'll hand back to you Walid to take that.

Walid Damou:

Thank you, Oliver, for your question. So I'll read the question, which is probably for Rob Squire here in the room.

"So you've lined up several distribution partners for your upcoming launch of CVC-PE in the US in Q1 next year. Can you share any early indications of demand your partners are seeing in what is becoming an increasingly competitive market?"

And then second question, again, for Rob Squire.

"You mentioned the US retirement channel in your Wealth remarks. Can you expand on this comment, particularly given the recent executive order surrounding 401(k)s?"

Rob Lucas:

Yes please, thank you, Rob.

Rob Squire:

Sure. Happy to. Thanks, Oliver. So look in the US, I'm not going to comment on sort of individual distribution partners, but as I said, we're very, very pleased with the response that we've had. Again, they do obviously require that Delaware structure as you know.

What I would say, however, is that the feedback that we've got from multiple parties is that, really, Europe is a massive differentiator.

Most of the products that is being distributed in those channels today is very, very heavily US orientated. And I think just given CVC's track record now over 35, 40 years in European private equity specifically, the view is that it will have a very good reception.

I'd want to manage expectations that these things always sort of start more cautiously and then build momentum. But as I said, at this point in time, we feel quite excited about the prospects.

Your second question then on 401(k). I think for CVC, my view at least, and Rob may jump in here as well, is that, that certainly increases the total addressable market for the asset class broadly, but I would encourage you all to think about that more as a medium term opportunity. At the end of the day, there needs to be much greater clarity from a regulatory perspective before some of the plan sponsors will be comfortable allocating.

And my expectations would be that initially, in the early years, a lot of those flows will go to domestic US product. But that over time, as I said in the medium term, that could be a very, very attractive market for us just given our leadership position in Europe. And so for us, the number one priority when we think about that over the medium term is let's just get the performance of our Wealth products, as I said in my remarks, on par with that of our institutional products.

Rob Lucas:

Thank you, Rob.

Walid Damou:

I'll move on. We have more written questions, so I'll read the next one, which comes from Arnaud Giblat from BNP Paribas Exane.

"Value creation seems to have slowed and relative to what we see at some of your peers, could you discuss some of the drivers of this?"

Rob Lucas:

Fred, would you like to take that?

Fred Watt:

Yes, sure. Thank you, Arnaud. I am not sure it has slowed relative to peers. I think we're all experiencing more volatile markets, changes in multiples, headwinds on the economic outlook. And, of course, on top of that, in a European context, negative FX from assets that we have invested in the US.

So I think all things considered, we are pretty pleased with the underlying performance of the operating companies. That doesn't always translate into value for the funds for the reasons I've outlined, but at this point in the cycle, we are pretty pleased overall with the value creation we're achieving.

Walid Damou:

Thank you, Fred. We have two other questions from Arnaud.

First: "On Wealth regarding US launch, given structuring of CVC-PE, can you talk about the capacity for this product, given consideration around diversification?"

Rob Lucas:

Rob, are you okay to take that?

Rob Squire:

Yes, sure. I mean, again, I think if you look at what we've said previously, we're very focused on putting together these products for the long term. We do see this as a long term structural opportunity for the firm. And so we'll be growing in a very considered manner and we feel very, very comfortable making that representation today.

Walid Damou:

And then last question from Arnaud:

"On Credit and Infra Secondaries, can you comment on potential size of the first funds and more broadly on the capacity in the market?"

Rob Lucas:

Yes, Rob, go for that.

Rob Squire:

Yeah, happy to. Sure. So again, I wouldn't want to comment on any specific size for specific vehicles to be launched in the future. What I'd say is that when you look at CVC's track record, certainly in the 13 years that I've been here, the main priority is raising a size that makes us relevant in the market in which we're operating and that we feel we can deliver attractive returns from relevant to that market.

So directionally, when you look at our past, that means usually a fund I, of, somewhere in the sort of 500 to a billion dollar range and then usually investing that over a two to three year period and coming back relatively quickly to then raise vintage II. And so that's how I would orientate you toward those sort of newer de novo product offerings.

And in terms of the size of the market, we are seeing a real increase in volumes that have been traded in the private market assets other than private equity. So Credit and Infrastructure specifically for us, just given our makeup of businesses, we feel we can have a very, very interesting position within those markets.

Rob Lucas:

Thanks very much Rob.

Walid Damou:

I'll move then to questions received from Hubert Lam from Bank of America.

So first "On outlook for realisations and exit, can you comment on the expectations for the rest of the year and next year?"

Second question on "cost outlook for 2026"

And Hubert's last question is around "PRE for 2026 and how it compares to mid-range, mid-term guidance."

Rob Lucas:

Right. Okay. Well thanks, Hubert. Let me take the first of those and then maybe, Fred, you could take Hubert's second points.

In terms of the outlook for realisations and exits into next year, realisations and exits are always lumpy as we know, and they can move around, they can move around a fair amount.

Having said that, I do think that we are seeing some signs of positivity in relation to the exit and the realisation environment. And by that, I particularly mean we're just seeing the re-emergence of strategics coming through. And clearly, we have had a very strong level of realisations over the last 12 months and that we see continuing through in the second half of this year.

In terms of the outlook and the macroeconomic environment, I think that we are still seeing a substantial level of uncertainty within the macro environment. And we're still seeing, as we know, levels of volatility within the markets. And I'm not sure that we see or are predicting that to be changing dramatically as we look out.

All I'd say is that we are finding some very good investment opportunities and we're continuing to be able to realise during the periods of uncertainty that we have had. So some signs of improvement and positivity on the realisation front, but still lumpy.

Fred Watt:

Shall I take the question about cost growth and about PRE?

Rob Lucas:

Yes, please. Thank you.

Fred Watt:

Hubert, thank you for your questions.

Cost growth outlook for '26. I would say that we see what we would call BAU cost growth in single figures, maybe high single figures as we've said before.

But on top of that, we're really encouraged with what we're seeing in terms of the growth opportunity for Wealth and Insurance and that's where we've been investing beyond that level this year. I'd see that carrying into next year, but in support of income growth and really encouraged by the start we're seeing there. So similar to cost growth this year, but supporting income growth from these new initiatives.

In terms of PRE for '26, I was hoping earlier that I would illustrate the idiosyncrasies of IFRS accounting amongst other things. It's just too early to guide towards '26 at this stage. As we know, individual years within the range as we see out in the medium term will be up or down versus the average. But for '26 at this stage, it's too early to comment, but we are confirming the medium term outlook for Carry within the numbers today. And I hope you saw that in both the presentation and in my narrative.

Walid Damou:

Thank you, Fred. I'll move to a question from Nicholas Herman from Citi. So three questions from Nicholas.

First one on Secondaries: "How are you thinking about timing on Credit Secondaries and Infra Secondaries? And which client segments do you expect to be most keen to allocate to those asset classes?"

Second question from Nicholas on M&A: "In broad terms, can you talk about how you see the M&A opportunity set today? And within that, with real estate valuation having reset, we're seeing a pickup in both activity but also demand; I appreciate you have been recently relatively more focused on Credit for inorganic growth, but how are you thinking about real estate today?"

And last question from Nicolas on investment income: "Why did your GP commit fall by almost 250 million euros? At the time of the IPO, we talked about 15% to 20% returns on the GP commit. We have been tracking below that for quite some time. Can you comment on when do you expect to get to the 15% to 20% level?"

Rob Lucas:

Okay I'll take the second one first in relation to the M&A opportunity. Maybe Rob, you can talk about the timing in relation to the Secondaries, and Fred on the GP commit question.

Just in terms of the M&A, as we've said previously, we remain very open-minded about M&A and the two gaps that we have highlighted where we would look at potential inorganic development of the business are in the US Credit arena and also real estate.

But for each of those, we're not under any pressure and we're not in any rush and it's about finding the right opportunities. And so it's all about finding businesses, as I've said before, which are the

right size for us. We want things that are large enough to move the needle, but not so large that they distort our organisation or our culture.

We want businesses that we can really scale across our platform in either area, and we want businesses where the relationships and the cultures of the business are really, really complementary. This is quite a high bar that we are applying to these, but it's very, very important in my mind that these criteria are right at the front of our minds.

And so, yes, I think you make a good point about the real estate market. And certainly, in my mind, the real estate market is more interesting today from an M&A perspective than it was a year or two ago. But we will continue to look on both sides of that. And if we find an opportunity that really excites us and is the right meets those criteria, then we will look at that very carefully.

Rob, on the Secondary side.

Rob Squire:

Yes, happy to. Thanks, Nicholas. So look, our focus today on the Secondary side is obviously wrapping up the 6th vintage at a great outcome, and I gave you the update on that. I would say we're very actively working on all of the building blocks to have a successful launch of both Credit Secondaries and Infrastructure Secondaries in 2026.

In terms of your question about where do I think the capital comes from, I think for Credit Secondaries, it's going to come primarily from insurance, primarily from sovereign Wealth funds. And then the Credit or opportunistic pools within the client base, I think what you're finding there is, quite honestly, a little bit of saturation with some of the US direct lending product. And so I think a lot of clients are looking for yield orientated product that is a little bit differentiated and a little bit different.

Infrastructure Secondaries is really everyone with Infrastructure allocations, to be honest with you. And so really, folks that have that real asset bucket, I think more and more people will look at this. I think, as I said in one of the earlier responses, it's a nascent market. We're seeing a nice uptick in trading volumes within that space. And so that probably looks more like sort of our general mix, which is obviously nicely diversified across sovereign funds, insurance companies, corporate pensions, and public pensions. So hopefully that answers your question.

Rob Lucas:

Thanks very much, Rob. Fred?

Fred Watt:

Yes, Nicholas. Hi, it's Fred. This was a question on investment income and why did our GP commit fall on the balance sheet and when do we get back to the 15 to 20% return on our investments that we indicated?

Taking the second point first, I mean we are confident that the way that we are selecting and investing in assets and the way that we are delivering returns to our client base, we will be at 15 to 20% range in IRR terms before long. We mustn't forget that the underlying investments that we've been making have been into one of the most difficult markets that we've seen for a very long time, both in terms of cost inflation that they've had to deal with headwinds and the

economies. And as those investments mature and economies returned a little bit more to growth and we moved more into the exit phase on those investments, we do see the ability to get back to those level of returns that we are confident in achieving.

As to the GP commitment movement, you'll recall when we launched the Wealth products, particularly the PE product, whilst it was always going to be ongoing, a product that invested alongside on a deal-by-deal basis, it was important that we seeded that initiative with some existing PE positions to really seed that opening portfolio for that new client base. And we had the luxury of having investments on our balance sheet that we could transfer to that PE structure to initially seed that portfolio. And that's exactly what we did. So that's why you'll see a movement down in the GP commitment being then deployed in the PE opening for the Wealth channel.

Walid Damou:

Thank you, Fred. I'll now take the questions from Angeliki Bairaktari from JP Morgan. Angeliki has three questions. One on exit activity and PRE, second one on Wealth and then the last one on Infrastructure.

So first, "Can you please provide some guidance on 2026 PRE? What are you seeing in terms of exit pipeline? Should we expect some exits out of Europe/America's Fund VII?"

Second question: "What share of the 2.5 billion euros aggregate value in private Wealth reflects incremental fee-paying AUM outside of deployment in flagship funds?"

And then Angeliki's last question: "Any scope for the new infra funds to exceed the 8 billion euro target?"

Rob Lucas:

Okay, thank you. Maybe we can just take those in reverse order and Rob, maybe you could just cover off the infra and the private Wealth question.

Rob Squire:

Yeah, sure. Happy to. Right, reverse order. Number three first.

Okay, so I think Angeliki, I think for now we're just incredibly focused on, as I said, sort of completing the first closings for both DIF VIII and VA IV and just de-risking that process, right? And so from my perspective, the 8 billion target is what we're focused on and that represents a significant increase from the last round, which only closed within the last 18 months. And, as Rob references in his comments, is twice the size of the round before that. So that's really what we're focused on delivering.

Your question on Wealth, if I've understood it correctly, all of that is outside of the private equity fee-paying AUM. So it's absolutely incremental.

Rob Lucas:

Very good. Okay, thank you very much. And Fred, just the first question.

Fred Watt:

Yes. So Angeliki, I'm not sure if you had my response to a similar question on '26 PRE. I think it is still too early to say on an individual year what individual amounts will be as we look forward. So I'll happily come back to that at another time. But as I said earlier, we're very confident in the PRE that is still to come and is in the pipe if you like.

In terms of the exit pipeline, should we expect some exits out of Europe/Americas VII? Yes and that's where a lot of our focus is. And as we've seen in H1, we would continue to see Fund IX producing exit flow later this year and into next.

Rob Lucas:

Thanks, Fred.

Walid Damou:

Let me then move on to the next questions from Charles Bendit at Redburn. So Charles has three questions as well.

First question: "Can you remind us of the typical timeline between fund launch and activation for Europe/Americas?"

Second question: "Do you have early views on whether Europe/Americas Fund X is likely to target a step-up in size relative to its predecessor?"

And last question, still on Europe/Americas: "Fund IX was the largest PE fund globally. As you consider scaling that strategy further, do you see continued headroom for a single transatlantic multi-sector vehicle, or are you increasingly leaning towards sector or region specific strategies within PE? Just keen to understand how scalable you believe these large flagship funds remain appreciating you've likely fielded similar questions at the 5 billion and 10 billion marks already."

Rob Lucas:

Okay, thank you, Charles. Let me just take the last part of that and then the slightly more detailed questions then Rob can cover off.

I absolutely see continued headroom for a single transatlantic multi- sector vehicle, as you say. Yes, and we have, as you quite rightly pointed out, we've absolutely fielded similar questions at the sort of 5 billion and the 10 billion marks. And of course the whole point behind this fund strategy is that it gives us great flexibility to select the very best opportunities. So we are a geographically focused, predominantly on the private equity side of our business, geographically focused operation. Now we do have very, very strong sector teams and obviously achieved a lot there, but predominantly it's geography and therefore in terms of Europe and the Americas focus, those are very large areas with a huge amount of activity within them.

And therefore having a large multi-sector vehicle to embrace that we think is absolutely the right way of doing it. And the critical thing to understand is that whilst we raise and whilst Fund IX was the largest PE fund globally, we are not doing the very largest deals. We're still doing a very large range of deals within it. What we're doing is we're putting a large amount of funds into that fund and into predecessor funds. And so what it is, it's giving us great flexibility to invest across the whole of that space, which our history and our track record shows is very powerful and very effective. And so we will be maintaining that as the way that we take that forward.

And let's just go onto the sort of other two questions that you've raised in terms of the more detail if we could, Rob.

Rob Squire:

Yes, sure. Happy to, Rob. Thanks Charles. So the first one, and Walid correct me if I go off-piste here, is sort of the gap between fund launch and activation. So what I'd say is the way to think about this is usually for the flagship, and this has certainly been the case of Fund VII, Fund VIII and Fund IX, usually after closing we would look to activate within a six, maybe eight-month time horizon. Obviously it's very driven by deal activity to make sure that the predecessor funds are fully invested, but that's usually the timeframe, as I said, over the data for the last, say, 10 years back to Fund VII in 2017.

If your second question was sort of step up in size relative to predecessor, look, the reality Charles is we're still sort of 16 months out and I think if anything that we've learned from the last few years is that a lot can change in the world within that time horizon in terms of the external environment. What we can control obviously in terms of the funds, the realisations we keep delivering. And so the performance has continued to be very strong. You heard the numbers from Rob and from Fred earlier. The portfolios are incredibly well diversified by sector, by geography, by company, but also Charles, one really important thing that I think clients will focus more and more on is also diversified by vintage here. And I think that's something that really CVC has sort of stuck to its knitting throughout.

The other variable that I think is potentially quite positive for us over that sort of more medium-term view is to Rob Lucas' comments, real uptick in institutional interest in Europe. And so I think that also bodes quite well for Fund X. But again, I want to have some degree of prudence here in terms of a process that is still 18 months out.

Rob Lucas:

Brilliant. Thanks very much, Rob.

Walid Damou:

Thank you. We'll just answer the last question. Julian Dobrovolschi you had two questions. I think we answered the first one, so we move straight to your second question:

"If you look at the realisations of 11.3 billion euros during last 12 months, can you please indicate what share of exits was towards continuation funds? Also, can you please remind us what are the conditions for placing an exit investment into a continuation vehicle?"

Rob Lucas:

Okay, thank you. Fred, do you want to?

Fred Watt:

Sure. Well, to the actual facts of the 11.3 billion, less than a quarter of that was to one continuation vehicle that we exited into. We've only ever made two exits into continuation vehicles and one was in the first half of this year. And from time to time they are a useful part of the whole ecosystem in private equity exits.

But the one we did exit into, just to give you an example of it, the continuation vehicle was just one part of a very, very large external new equity going into that asset. So it was not the case where we were just putting it from one of our vehicles into another vehicle. It was a proper well-run exit process where the continuation vehicle was a participant, but there was substantial new equity from other investors coming in alongside as part of that process.

Rob Lucas:

Okay, thank you very much indeed, Fred, and thank you very much indeed everybody for joining the call. I think we're leaving it there.

Walid Damou:

Yes. Thank you very much. Thank you, Rob. Thank you Fred, and thank you Rob. So this is all we have time for, so thank you again for your participation and for your questions and looking forward to speaking soon.

Operator:

Thank you. This now concludes today's call. Thank you all for your participation. You may now disconnect.