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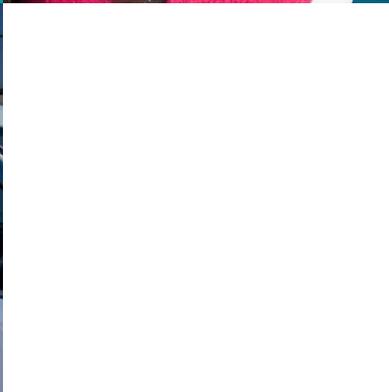
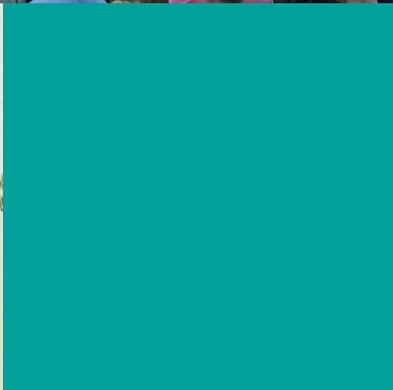
2019

THE YEAR AHEAD



LDC

BACKING AMBITION



SUPPORTING SUCCESS

LDC CEO, Martin Draper, shares his perspective on the firm's success over the last 12 months and looks to the year ahead.

£437m
invested in 23
companies in 2018

13%
average portfolio sales
growth in 2018

25
acquisitions supported
across our portfolio
in 2018

£1bn
proceeds from 26
exits in 2018

90
diverse companies
in the LDC portfolio

2018 was a landmark year for LDC and the businesses we supported. Our teams across the UK delivered our highest ever rate of investment – £437million of equity in 23 companies, taking our three-year total to £1.1billion.

We partnered with the management teams of some of the UK's best performing businesses, with firms as diverse as premium speaker brand Martin Audio and Europe's leading photo chemical etching company, Precision Micro.

Every one of LDC's seven regional teams invested in 2018, showing at once the power of our unique regional model and the importance of on the ground relationships. In addition, we supported our portfolio's expansion through acquisition, adding a total of 25 complementary firms this year.

This was the founding principle of LDC when we first began our journey in 1981 – providing capital and support to help grow bigger and better businesses and helping the UK prosper in return.

The performance of our portfolio in 2018 demonstrates this impact. LDC's portfolio companies grew sales by an average of 13 per cent during the course of 12 months, three times faster than the average UK medium-sized business recorded at 4 per cent. LDC firms delivered higher profit growth too, 16 per cent compared with the medium-sized business average of 9 per cent¹.

We also helped our management teams take the next step on their journey, facilitating 26 divestments to new investors, including the sale of live entertainment business the NEC Group and the IPO of global games label and developer Team17.

Throughout the year, we generated total proceeds of more than £1billion, representing an average return of 2.7 times.

These achievements were even more important given the prevailing sense of uncertainty that characterized business sentiment in the UK, caused by its imminent departure from the European Union and the prospect of slowing growth.

Such a positive outcome can only come from the collective effort of many people. I'd like to thank the management teams we back for their belief and determination, the LDC team for its expertise and energy, our partners in the advisory market for their counsel and Lloyds Banking Group for its continued support.

Despite the current political and economic uncertainty, there are plenty of reasons to be optimistic. My many conversations with management teams highlight both the confidence and the capability of those individuals running the UK's most promising businesses.

Looking ahead through 2019, our appetite to back those individuals remains as strong as ever. And our commitment to invest £1.2billion across the UK mid-market throughout the next three years remains unchanged.

When it comes to backing business, it is times like these when experience counts. Having supported 600 ambitious management teams over more than 35 years, we have the confidence, perspective and expertise to help mid-market businesses across the UK succeed.

It's what we've always done.

¹Based on firms which in 2018 recorded revenue £10m - £300m and have 50 - 250 employees as reported on the FAME database of company information and business intelligence.

LDC has supported the significant growth of Kee Safety both at home and overseas for the last seven years



"LDC has invested considerable time and resource in our business."

Chris Milburn,
Chief Executive,
Kee Safety

£1.2bn

to invest over the next three years

600

companies supported over last 35 years

32

management teams backed during 2008-2009

BACKING AMBITION

If 2018 was a year of uncertainty for UK business, the year ahead is equally if not more so.

Brexit-specific issues – like access to the single market, regulatory alignment and movement of labour – and Brexit-related concerns – including currency volatility, slowing economic growth and an increasing administrative burden – are understandably weighing heavy on the minds of business leaders.

The only certainty, it often seems, is uncertainty. But, this is the new normal for business.

Over the past four decades of investing, we've seen first-hand the impact of major financial, political and social events on business appetite and investment activity.

Whilst many investors understandably choose to 'wait and see', preferring to keep their powder dry, we've always taken a counter-cyclical approach.

Why? Because we've seen businesses thrive and go for growth at every point of the cycle – whether through buy and build, diversification of offering, internationalisation or innovation.

This underlines two enduring truths about UK business and the role of private equity within it.

Firstly, in business, ambition can transcend circumstance. Growth is a mindset and one that unites almost every ambitious management team we back – that unrelenting drive to succeed regardless of market conditions. Yes, it's about having a defensible business and realistic forecasts, but it's also about confidence and belief.

Secondly, private equity is for all – it works for almost every business, in almost every sector. All it requires is an ambitious management team, a sound business and a clear vision.

Whatever the need – transitioning ownership, funding acquisitions, providing growth capital to scale or diversify, or all of the above – it remains one of the most accessible and yet powerful catalysts. And, far from it being about taking control and enforcing discipline, it's about realising opportunity and creating flexibility.

From an investor perspective, this is where track record and experience come to bear. Some of our best investments were made during times of economic downturn, as it's often when additional capital, board-level expertise, operational support and networks can be leveraged to best effect.

Whilst activity will inevitably slow in parts, there will always be business owners who either spot opportunity amidst the turmoil or have the bravery and boldness to progress their expansion plans regardless. At LDC we're ready to support them with funding, experience and flexibility.

We call it Backing Ambition.

WHY PRIVATE EQUITY

600

businesses
supported
since 1981

Since LDC was established in 1981, we've supported the management teams of 600 businesses on their growth journeys. We take pride in our understanding of the companies we invest in, the sector they operate in, and their region. And, as the private equity arm of Lloyds Banking Group, we are able to be more flexible in our approach to partnership.

Here's why some of the portfolio company leaders who secured investment in 2018 chose private equity and LDC.

LDC made a minority investment in Zip World in a deal that valued the business at £45m





LDC invested in Precision Micro carving the business out from Meggitt plc



Precision Micro

Europe's market-leading photo chemical etching company

SECTOR	INDUSTRIALS
HQ	BIRMINGHAM
INVESTMENT	£22.5M
DATE	APRIL 2018
DEAL TYPE	CARVE OUT

Ian McMurray, Managing Director, Precision Micro: "Securing the backing of an experienced and supportive partner like LDC means we can invest further in the business, leveraging our unrivalled technical expertise and processing capabilities to further support our customers around the world with increasingly sophisticated requirements. This is an exciting time for our team as we invest in our future growth."



Zip World

Award-winning outdoor adventure business

SECTOR	TRAVEL & LEISURE
HQ	WALES
INVESTMENT	MINORITY IN A £45M DEAL
DATE	DECEMBER 2018
DEAL TYPE	MANAGEMENT BUYOUT

Sean Taylor, Director and Co-Founder, Zip World: "We are incredibly confident in the future of the adventure tourism industry and have ambitions to deliver Zip World's iconic experiences to more customers and create more unique new attractions. LDC shares our enthusiasm and vision and we now have the additional capital and expertise needed to fire up our growth plans in Wales and beyond."



Love Energy Savings

Energy price comparison specialist for business

SECTOR	SUPPORT SERVICES
HQ	BOLTON
INVESTMENT	£25M
DATE	SEPTEMBER 2018
DEAL TYPE	SECONDARY BUYOUT

Phil Foster, CEO and Co-Founder, Love Energy Savings: *"Bringing LDC on board will enable us to build on our momentum and ensure we can continue to give our customers, old and new, an unrivalled service when it comes to quality and value for money. In LDC we have a partner that not only provides the financial backing we need to turbocharge growth, but one with a strong track record of driving growth at technology-led businesses in the energy sector."*



Duncan & Todd

Leading optical provider in Scotland

SECTOR	RETAIL & CONSUMER
HQ	ABERDEEN
INVESTMENT	£15M
DATE	MARCH 2018
DEAL TYPE	SECONDARY BUYOUT

Frances Rus, CEO, Duncan & Todd: *"On partnering with LDC, the objective was to hit the ground running. Our first acquisition has been a significant step for the business as we enter the next phase of our growth ambitions. With an investment partner on board, we are now well placed to make further acquisitions and roll out complementary healthcare services."*



Neilson Active Holidays

The UK's leading provider of overseas active holidays

SECTOR	TRAVEL & LEISURE
HQ	BRIGHTON
INVESTMENT	UNDISCLOSED
DATE	AUGUST 2018
DEAL TYPE	SECONDARY BUYOUT

David Taylor, CEO, Neilson Active Holidays: *"LDC has a successful track record in the travel industry, but most importantly the investment team bought into our vision and growth strategy completely. This is critically important as we embark on the next phase of our journey. Our focus is now on accelerating the growth of our award winning beachclubs and mountain hotels into new resorts and destinations for people to enjoy our holidays all year round."*

LDC backed the MBO of Martin Audio, the designer and manufacturer of premium high-performance loudspeaker systems, from global audio specialist Loud Audio.



Martin Audio

Designer and manufacturer of premium high-performance loudspeaker systems

SECTOR	TMT
HQ	BUCKINGHAMSHIRE
INVESTMENT	£12M
DATE	JULY 2018
DEAL TYPE	CARVE OUT

Dom Harter, Managing Director, Martin Audio: *“Being a trusted brand and operating in a growing market means the time is right for us to fast-track the growth of the business. The next phase of our journey needs a growth-focused partner like LDC and the team has demonstrated a shared vision for the business from the outset. Our focus is now on developing our product line even further, and ensuring we have a rock-solid infrastructure in place to extend our global reach and drive market share.”*



NBS

Technology provider for the architectural, engineering and construction industries

SECTOR	TMT
HQ	NEWCASTLE
INVESTMENT	£31.8M
DATE	JUNE 2018
DEAL TYPE	PARTNERSHIP

Richard Waterhouse, CEO, NBS: *“We are delighted to be working with LDC on the next stage of our growth plan that will see NBS strengthen its offering in the UK and overseas, following a recent expansion into Canada and Australia. Bringing in a new partner alongside our long term investor, the RIBA, will create the perfect mix of experience in the market with high growth expertise.”*

PARTNERING FOR GROWTH

We believe growth is best achieved through partnership. It's why we're committed to backing ambitious management teams, enabling them to capitalise on new growth opportunities, realise long-term objectives and build market-leading businesses.

We understand that every company is different which is why we design our partnerships with management teams to build scale and value in line with their vision and ambition. We support teams to achieve their growth plans, whether through a buy and build strategy, organic growth or international expansion.

The results of partnering with LDC speak for themselves.

In 2018, the businesses we exited increased their enterprise value by an average of 138 per cent during our partnership, thanks to an average increase in turnover of 79 per cent and profit of 45 per cent.

Together, these 26 companies added a total of 2,784 roles to their teams, and with our support they were confident to expand into more than 25 new countries and develop 50 new products or services to create lasting value.

No matter the business or the business leader, from the UK's largest live events business the NEC Group to leading video games developer Team17, the success in 2018 demonstrates that private equity partnership with LDC can work across a diverse range of businesses.

During our partnership, the 26 companies we exited in 2018, delivered:

138%
average increase in enterprise value

79%
average increase in sales

2,784
new roles added in total

£147m
spent on capital expenditure

>25
new markets expanded to

LDC supported a four-year transformation programme at the NEC Group to enhance sites, facilities and customer experience.



THE NEC GROUP

LDC worked in partnership with the NEC Group, one of the UK's largest live events businesses, delivering a successful transformation programme to grow the business.

In 2015, LDC backed the management buyout of the NEC Group, led by Chief Executive Paul Thandi. During the subsequent four years, significant capital investment helped the business to open a number of new facilities such as Resorts World and the VOX conference and banqueting facility. It also supported partnerships with the likes of Merlin Entertainments to open a Bear Grylls Adventure visitor attraction and a LEGOLAND Discovery Centre on the company's sites.

Today the NEC Group hosts over seven million guests and 750 events each year, has revenues of more than £160million, EBITDA of more than £60million and employs more than 1,500 people.

Paul Thandi, Chief Executive, the NEC Group, said: "We wanted to change our business and realise our business plan. We wanted investment to build new businesses, organically grow our business, invest in our teams and complete some acquisitions to grow our portfolio. We had a choice of a few people to go with, and what I liked the most about LDC was their approach. First and foremost, it wasn't the business, it was the management team that they were interested in."

4 year
transformation

£65m
capital expenditure

Team17 is a global developer of independent, premium video games. In 2016 Team17 secured a £16.5m investment from LDC to fuel its expansion.



TEAM17

In 2016 leading independent video games developer and publisher, Team17, secured a £16.5million investment from LDC to fuel its expansion.

The business, which is responsible for over 90 well known titles including Worms, Overcooked and Yooka Laylee, more than doubled revenues to £29.6million and increased EBITDA by 111 per cent during the period of our partnership.

The growth was underpinned by further investment in product development and new launches, continued overseas expansion and a commitment to supporting its development partners; all delivered by its highly ambitious management team. In May 2018 the business listed on London's AIM market in an IPO valuing the business at c. £217million.

Debbie Bestwick MBE, CEO and Founder, Team17 said: "One of the key reasons why we opted to do business with LDC is the fact the team understood the importance of our business model, and our philosophy of nurturing new talent and supporting partners. We are delighted to have successfully concluded the Team17's IPO as well as welcoming new shareholders to the register. We are excited by the benefits of being a quoted company and we look forward to further developing our business over the coming years."

£217m
initial public offering on AIM

119%
increase in revenues



AMBERON

LDC's partnership with Amberon, one of the UK's leading providers of traffic management services, supported the company's expansion across the UK, all while maintaining its culture and values.

The Devon-headquartered business secured a £25million funding package from LDC and HSBC in 2017, backing the management team to continue the company's growth.

In just 18 months of partnership with LDC, the management team accelerated its national expansion plan, opening six new depots across the country, adding 50 new vehicles to its fleet and creating over 50 new jobs. In addition, the firm was able to broaden its service offering through acquiring another complementary business. During the partnership, the group's turnover rose 23 per cent to reach £37.5million.

Terry Musson, Managing Director, Amberon, said: *"Partnering with LDC has helped us to drive growth in our business more quickly than we anticipated, all without losing the Amberon way of doing things. We've enjoyed working with the team and have benefited from LDC's financial support, expertise and strategic guidance, as well as their trust in us to deliver."*

6
new locations

23%
sales growth

BYBOX

LDC supported ByBox, an international software and supply chain management company, in doubling the company's value to reach £221million.

In 2016, LDC backed ByBox's existing management team, led by Co-Founder and CEO Stuart Miller, by providing £37.5million to accelerate international growth.

During the two-year partnership, ByBox increased its global presence, launching a new office in Burlington Massachusetts, as well as two satellite offices in Atlanta and Denver to help it meet global customer demand. The company also invested heavily in new technology, software and the development of new products.

Stuart Miller, Co-Founder and CEO, ByBox, said: *"We knew we needed the right investment partner to support our long-term growth plans. It was clear from the outset that LDC's experienced team, straightforward approach and flexible investment model meant they were the perfect partner for us. LDC are insightful and supportive investors who have worked closely with the ByBox team to formulate and execute a successful strategy."*

£37.5m
investment

x2
doubled in value

Yorkshire letting agency completed the acquisition of Dale Eddison in November 2018, its fourth acquisition since LDC investment in June 2018.



4

Acquisitions completed by Linley & Simpson in the first 6 months of partnership with LDC

BUILDING VALUE

Buy and build has proved one of the most effective ways for private equity funding to drive the growth of a business. When done properly, we know that making complementary acquisitions can create real opportunities to help a management team realise their long-term vision and add significant value.

It's why over a third of our current portfolio businesses are deploying acquisition-based strategies. And, more importantly, many of them are delivering these strategies at pace.

In 2018 alone we continued to back the management teams of our portfolio as they made 25 acquisitions with a total enterprise value of over £125million. These acquisitions supported a number of growth strategies from accelerating regional or international expansion, increasing scale or diversification of products and services.

>1/3

LDC's current portfolio on a buy & build strategy

25

portfolio acquisitions supported in 2018

£125m

total enterprise value of acquisitions

20%

of acquisitions were international

€125m

Pelsis Group's
revenues following
acquisition

Regionally, we moved quickly to help the management team of Yorkshire-based residential sales and lettings company Linley & Simpson enhance its foothold in the county, adding four complementary businesses in the first six months of our partnership. Similarly, we supported leading Scottish optometrist Duncan & Todd to consolidate its market leading position in Scotland, adding five new retail outlets to its business in 2018.

Looking overseas, we also provided follow on funding for international bolt-ons. Pelsis, Europe's leading manufacturer of branded pest control products, expanded to the US through its acquisition of Curtis Gilmore which created a group with €125million in revenues. In addition, LDC supported ZyroFisher's acquisition of Royal Velo in France. The deal marked the first acquisition for the UK's leading cycling parts and accessories distributor and will enable the team to accelerate growth in Europe.

To increase scale across the UK, we worked in partnership with the management team of babble cloud, one of the UK's leading cloud-based communications technology companies. We supported babble's acquisition of Birmingham-based Arden Group to strengthen its portfolio and double its industry footprint.

Activity in 2018 builds on LDC's buy and build heritage. We supported global electronics testing group Microlease's acquisition of six new businesses over a ten year period; helped gas and chemical distribution specialist A-Gas acquire six new firms overseas; and assisted international professional services provider Equiom complete more than 20 acquisitions since 2013. In every case, LDC backed the management team and worked alongside them to identify, acquire and - where appropriate - integrate complementary businesses to accelerate the growth of their firms.

LDC's appetite to back the acquisitive growth plans of its portfolio management teams is stronger than ever. Being part of Lloyds Banking Group, we have a track record of providing a reliable source of follow on funding. We also have a history of investing through the economic cycle to help firms take advantage of more competitively priced opportunities, accelerating their growth journeys even during slower economic periods.



In August 2018, LDC provided follow on funding to support leading pest control business Pelsis' acquisition of US-based Curtis Gilmore.

BEYOND CAPITAL

At LDC, we believe the expectations of a private equity partner are shifting. It's no longer just about funding, but the expertise and support firms can provide to guide and deliver business growth in partnership with management teams.

Our approach is rooted in industry experience, which is why many of our people have real industry as well as financial expertise, and also why we have a team of experts comprising former board-level operational, technology, digital and commercial executives with over 100 years of deep functional and sector experience between them.

Led by Richard Kirby, this team of experts is available to all our portfolio firms to help identify particular pressure points and new growth opportunities. They support management teams with projects from sales effectiveness, to digital marketing, procurement and operations.

Our experts work in partnership with management teams, helping to deliver measurable commercial and operational outcomes that support future business growth.

Take a look at some recent examples of where we've helped our portfolio companies to create value.

Saving £100,000 per year on packaging

Hill Biscuits, one of the UK's leading biscuit manufacturers, was spending over £500,000 each year on packaging as a result of having over 100 product lines and producing over 30 million biscuits each week for the retail and foodservice markets.

LDC worked in partnership with the management team to condense the number of product lines, reduce costs through value engineering and establish a broader list of suppliers to provide more flexibility.

Brendon Banner, Finance Director, Hill Biscuits: *"Hill Biscuits worked closely with the LDC team to deliver substantial savings through updating our supplier model."*

Unlocking 150 per cent growth in B2B website sales

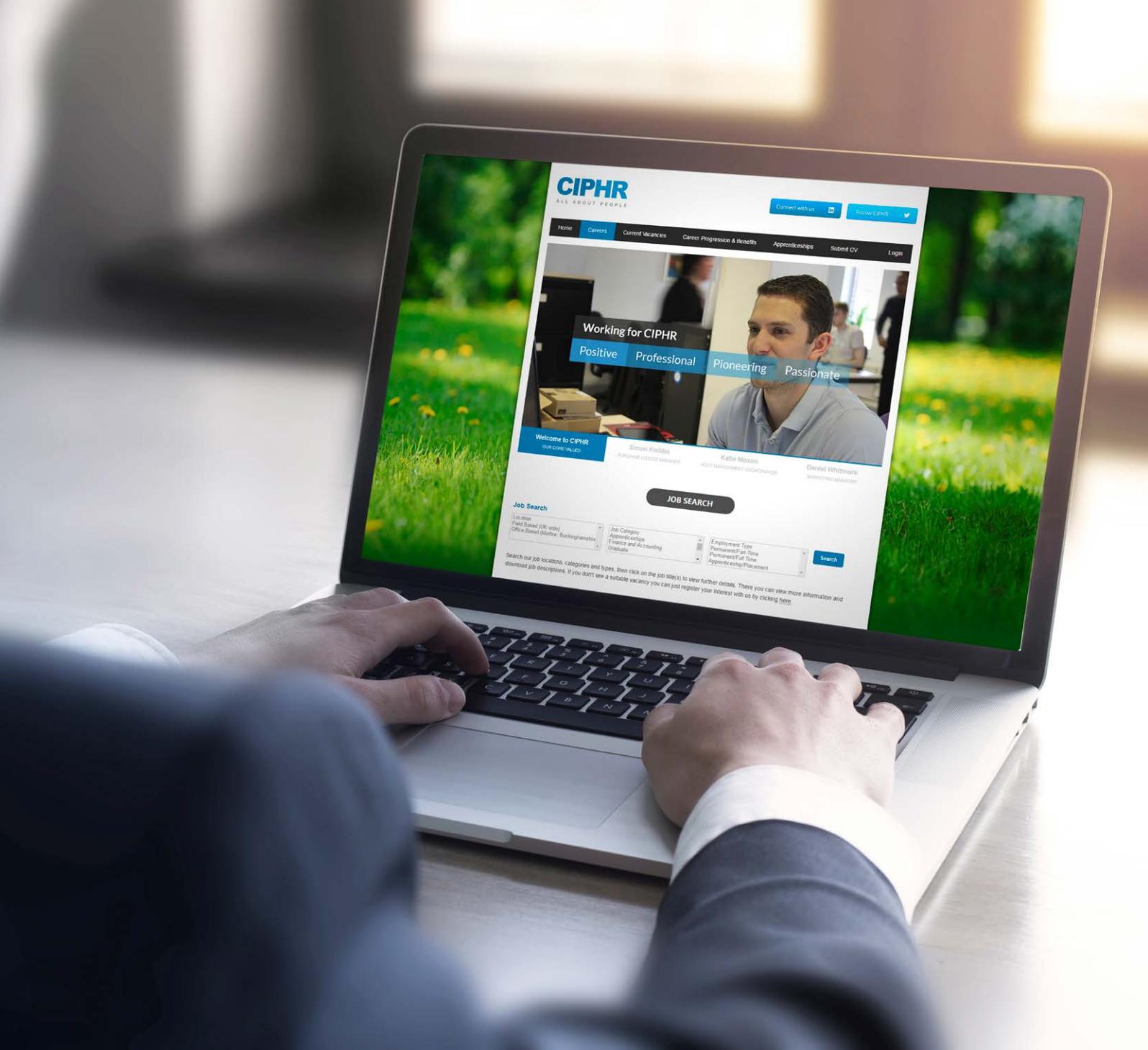
B2B gift designer and distributor Paladone's sales had historically been delivered through internal sales teams, with only a small portion directly through its website. Indeed, B2B website sales had been flat in the first half of 2018 versus the previous year.

We worked with Paladone's marketing team to create and test a new website home page which improved the customer journey and increased sales. The new design generated year on year sales growth of 150 per cent.

Yann Le Bouedec, Commercial Director, Paladone: *"The knowledgeable LDC team were excellent in helping us identify how we could drive a significant increase in our web sales. We've completely revitalised one of our sales channels."*

40%

Increase in revenue
for CIPHR over two
years



Turbocharging revenue growth by 40 per cent

We worked with the management team of HR management software vendor CIPHR to update its sales approach, covering process, people and tools.

The business was already performing well but the board were keen to conduct a top-down evaluation of its sales approach. LDC aided the development of a strategy to improve sales across lead generation, field sales and account management.

With LDC's support, the updated sales approach contributed to a 40 per cent increase in revenue over two years.

Alastair Hazell, Chairman, CIPHR: "LDC's team has shown CIPHR what is possible, where targets need to be and provided the tools to get there. It has also been very helpful for developing our staff."



BACKING AMBITION

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