

# Annual General Meeting

17 July 2024

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CALEDONIA  
INVESTMENTS

*Time Well Invested*



# David Stewart

Chair

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# Presentation of Full-year results

Year ended 31 March 2024

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Mat Masters  
CEO

Rob Memmott  
CFO

Alan Murran  
Co-Head of Public Companies

[www.caledonia.com](http://www.caledonia.com)



# Cautionary statement

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This presentation contains certain statements that are, or may be deemed to be, forward-looking. Phrases such as "aim", "plan", "intend", "should", "anticipate", "well-placed", "believe", "estimate", "expect", "target", "consider" and similar expressions are generally intended to identify forward-looking statements. Forward-looking statements are prospective in nature and are not based on historical facts, but rather on current expectations of the Company about future events, and involve risks and uncertainties because they relate to events and depend on circumstances that will occur in the future. Any forward-looking statement is based on information available to the Company as of the date of the statement, it can give no assurance that these expectations will prove to be correct. There are a number of factors that could cause actual results and developments to differ materially from those expressed or implied by the forward-looking statements. Forward-looking statements should therefore be construed in the light of such factors. You are cautioned not to place undue reliance on any forward-looking statements, which speak only as of the date made. All written or oral forward-looking statements attributable to the Company are qualified by this caution. Other than in accordance with legal and regulatory obligations, the Company undertakes no obligation to publicly update or revise any forward-looking statement, whether as a result of new information, future events or otherwise.

# Caledonia

## Overview

### Self-managed investment company

Net assets of £3.0 billion

### Targeting long-term compounding real returns

CPIH +3% to +6%

Progressive dividend policy

### Successful track record

Strong consistent long term NAV growth

57 consecutive years of dividend increases

### Established by the Cayzer family

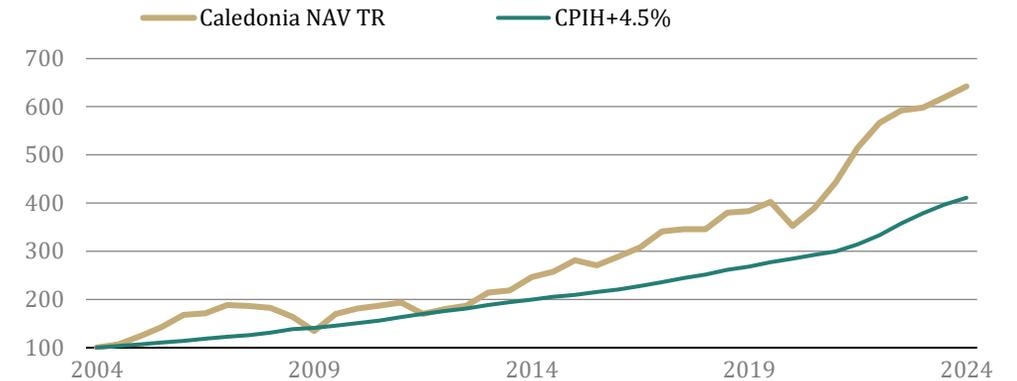
History dates from late 1800s

Remain a supportive long-term shareholder



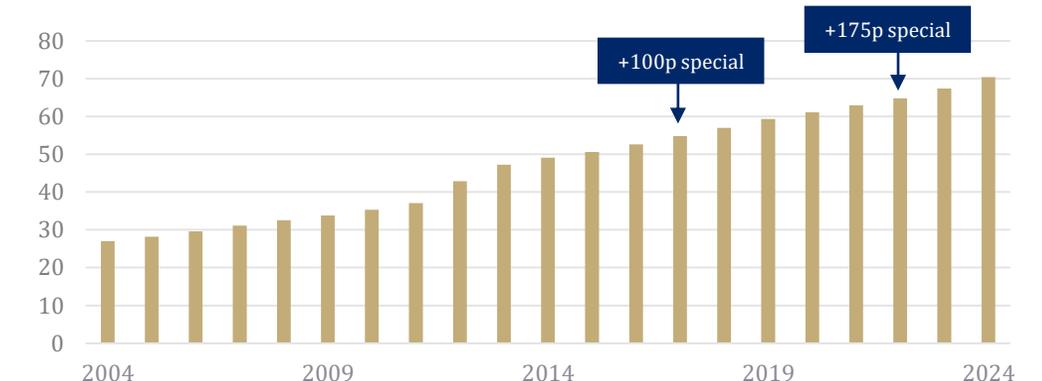
### NAV Growth

NAV total return growth since 2004



### Dividend Growth

Annual dividend / share (p)



# Time Well Invested

Our history, structure and culture underpins our long-term approach to investment

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**We invest in high quality companies that have the potential to generate exceptional long-term value**

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We buy to hold, investing in companies with strong market positions and fundamentals, alongside investments in private equity funds with track records of success

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At our core we use time to nurture our people, develop partnerships and position us to make carefully considered long-term investments

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Our chosen investment strategies are in attractive markets and enable our investment team to develop a high quality opportunity set to select from

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As a self-managed vehicle, we invest from the balance sheet with a disciplined investment process that aligns with our risk appetite, with ESG factors embedded

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Our interests are wholly aligned with our shareholders with a long-term track record demonstrating the benefit of this

# A well-balanced portfolio

Provides shareholders with access to both private and public companies globally

## Public Companies

Strategic Allocation: 30%-40%

- Global portfolio
- Businesses that we understand, with underlying growth and pricing power
- Around 30 high quality companies across two strategies (Capital and Income)
- Total return target of 10% p.a. on Capital portfolio and 7% p.a. on Income portfolio (3.5% yield on cost)

**8.6% p.a.**  
(10 year return)



## Private Capital

Strategic Allocation: 25%-35%

- Direct investments focused on high quality, UK mid-market companies
- Significant owners working in partnership with companies to drive value through business improvement
- Prudent capital structures
- Target portfolio of 6 to 8 companies
- Total return target of 14% p.a. (2.5% yield on cost)

**13.9% p.a.**  
(10 year return)



## Funds

Strategic Allocation: 25%-35%

- Proven private equity managers
- Focus is on North American mid-market companies (59%)
- Asian growth portfolio invested in new economy sectors (41%)
- Total return target of 12.5% p.a.

**17.3% p.a.**  
(10 year return)

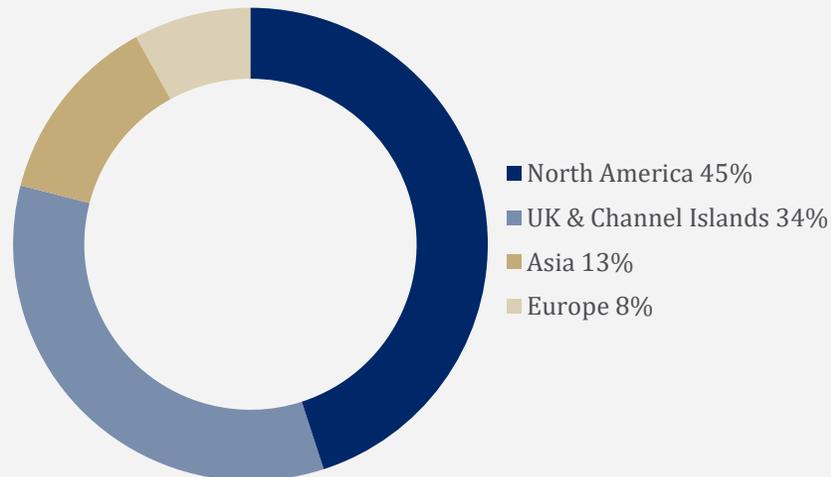


# A well-balanced portfolio (cont'd)

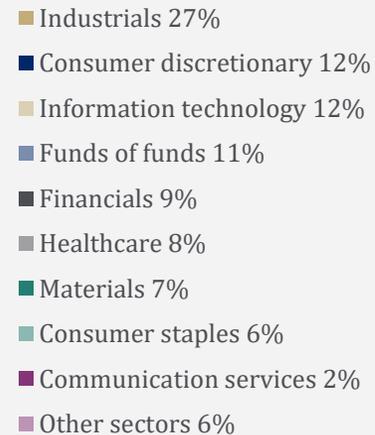
Diversified by sector and geography

**Provides shareholders with access to companies operating across diverse sectors with global exposure**

## Geography (Headquartered)



## Sector



### Industrials

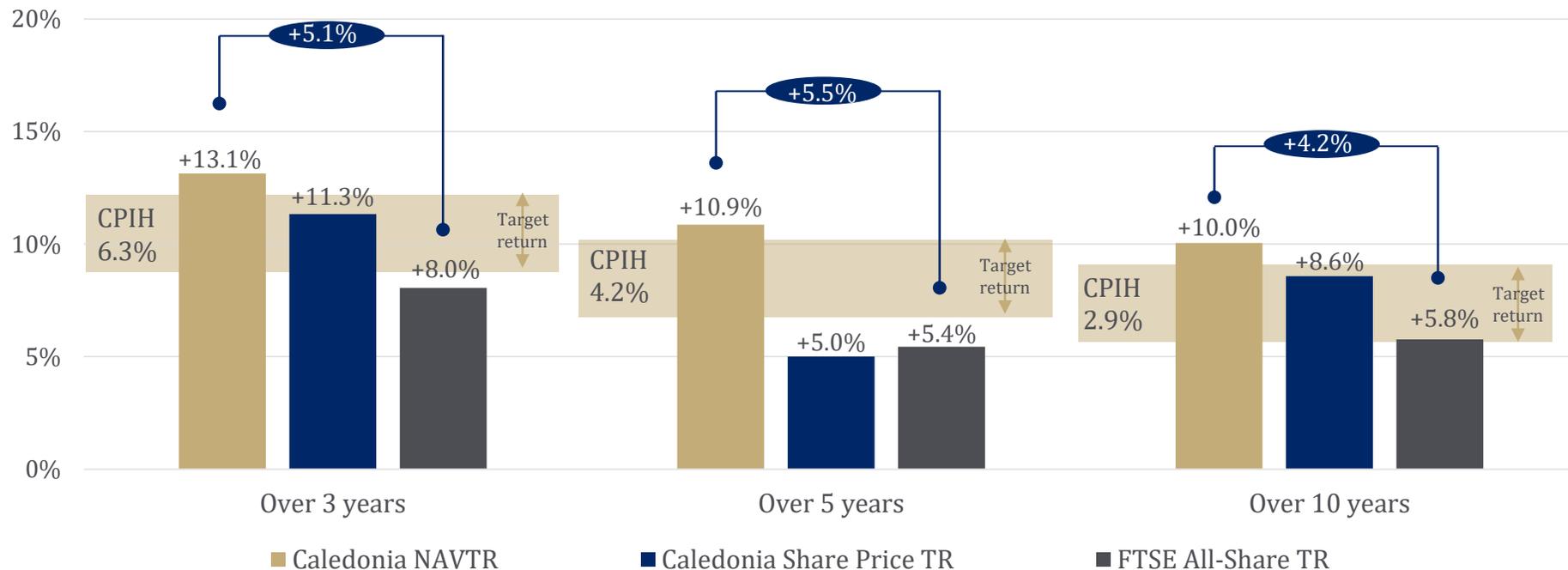
Includes Private Capital investments in AIR-serv Europe and Cooke Optics

# Long-term outperformance

Targeting real returns and outperformance of FTSE All-Share TR

- Aim to grow capital value and income over the long term (10 years) measured in real terms
- Target return of CPIH +3% to +6% over medium / long term
- Aim to outperform FTSE All-Share Total Return over 10 years

**Annualised Performance Medium and Long-Term to 31 March 2024**



# Full-year results

Year ended 31 March 2024



# Highlights

Year ended 31 March 2024

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## Net assets

£3.0bn

(5,369p per share)

+7.4%

Total return

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## Dividend

70.4p

+4.5%

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## Share price

3,280p

(1.2)%

Total return

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## All investment pools contributed to growth, despite foreign exchange headwinds

- **Private Capital +12.3%**
  - Performance driven by sale of 7IM and good operating performance
  - Acquisition of AIR-serv Europe
- **Public Companies +12.0%**
  - Positive performance from both Capital and Income portfolios
- **Private Equity Funds +2.2%**
  - Continued positive performance from North American funds, partially offset by Asian funds, reflecting more challenging market conditions in the region

## Dividend and share buybacks

- Final dividend of 51.47p proposed, taking total dividend for the year to 70.4p, 4.5% increase on FY 2023
- 290,219 of shares repurchased in March and April at an average discount of 36%, resulting in a 10.1p accretion to NAV per share

# Private Capital

Year ended 31 March 2024



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# Private Capital

Direct investments in established high quality businesses

**£820m invested in eight predominantly UK focused companies, with five investments representing over 90% of value**

## Performance

- 12.3% total return (12.9% in local currencies)

## Value drivers

- Agreed sale of 7IM, representing a £59m uplift to March 2023 carrying value and a 2.3x multiple to cost
- Continued robust operating performance across the majority of the portfolio

## Portfolio company metrics

- EV/ EBITDA valuation multiple of between 9x - 14x
- Low net debt/EBITDA of c.2x to 2.5x

## Realisations and new investments

- Agreed sale of majority stake in 7IM, cash proceeds of £256m
- Acquisition of majority stake in European division of AIR-serv for £142.5m; good year-on-year performance



Portfolio (£m)	First Invested	Value 31 March 2024	% of Net Assets
Cobepa	2004	181.0	6.1
AIR-serv Europe	2023	170.1	5.7
Stonehage Fleming	2019	168.5	5.7
Liberation Group	2016	135.2	4.6
Cooke Optics	2018	105.4	3.6
Other		60.1	2.0
<b>Total</b>		<b>820.3</b>	<b>27.7</b>

# Private Capital

AIR-serv Europe – leading designer and manufacturer of air, vacuum and jet wash machines

## Investment:

- Date: April 2023
- £143m invested

## Investment thesis:

- Expand the installed machine estate, focusing on:
  - Jet wash and incremental air opportunities in the UK
  - Air growth in existing and new European geographies
- Create a standalone business, investing in people, operations and governance
- Drive performance efficiencies and cash generation

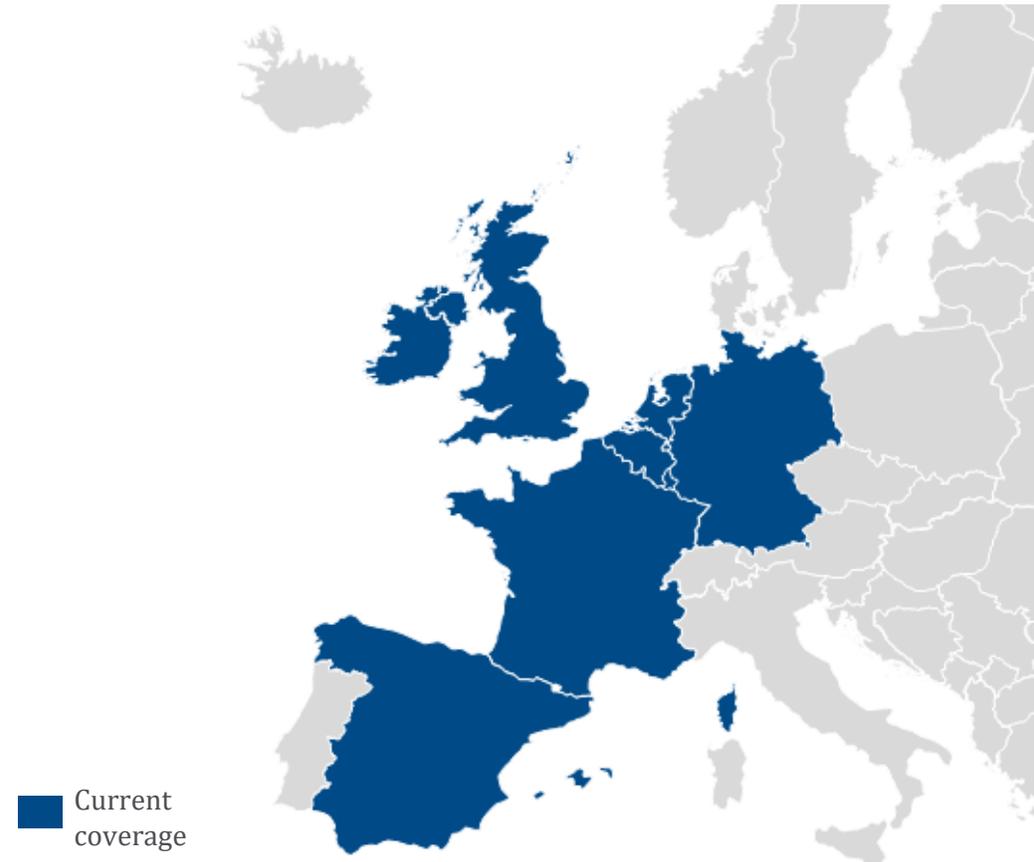
**HQ Wigan,  
Lancashire**

**c. 220  
employees  
nine offices**

**Eight  
countries**

**c. 22,000  
machines**

## Opportunity for growth in existing and new geographies



# Private Capital

AIR-serv Europe – early stages in the value creation plan, business is performing well

## Key actions since acquisition:

### Structure and governance

- Carve out from CSC ServiceWorks Inc. completed, company now aligned with Caledonia's control environment requirements

### Team strengthened

- Appointments of Non-Executive Chair and Chief Commercial Officer

### Value creation plans are on track

- Good year-on-year growth reported
- +1,000 new machines added to its estate; £12m in capex to support growth and maintain quality of service
- Trading ahead of expectations with strong financial performance since acquisition

**Now valued on an earning basis at £170m, a 19% return in the year**

**High performance products, built using the best quality parts and designed for durability:**

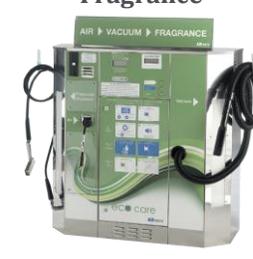
Standard Air



Air & Screenwash



Air, Vacuum & Fragrance



Standard Vacuum



Air & Water



Standard Jet Wash



Deluxe Dark Jet Wash



Twin Jet Wash



Deluxe Light Jet Wash



**ESG is integral to AIR-serv's new product design**



De-commissioned machine components can be **re-used in new machines**



**95%** of machine parts are recycled



**Modular chassis design** will extend product **life beyond 15 years**

# Private Capital

Four further investments represent over 70% of the Private Capital pool's value



<b>Valuation</b>	<b>£181m</b>
<b>Return</b>	<b>4.3%</b>
<b>Year of Investment</b>	<b>2004</b>
<b>Sector</b>	<b>Financials</b>
<b>Equity Held</b>	<b>5.2%</b>

- Belgian based investment company, diverse global portfolio
- Portfolio of well-developed private businesses
- Investment philosophy reflects investing in transactions with moderate leverage that allow management to focus on the business
- Majority continue to perform well, with many delivering good performance and valuation progression



<b>Valuation</b>	<b>£169m</b>
<b>Return</b>	<b>18.8%</b>
<b>Year of Investment</b>	<b>2019</b>
<b>Sector</b>	<b>Financials</b>
<b>Equity Held</b>	<b>37.2%</b>

- International multi-family office
- Continued good revenue and margin growth across each of the Family Office, Investment Management and Financial Services businesses, driven by client wins and increased activity levels



**LIBERATION  
— GROUP —**

<b>Valuation</b>	<b>£135m</b>
<b>Return</b>	<b>2.6%</b>
<b>Year of Investment</b>	<b>2016</b>
<b>Sector</b>	<b>Cons. discretionary</b>
<b>Equity Held</b>	<b>83.6%</b>

- Pubs, bars, brewing and inns business; estate is dominated by quality destination pubs
- Some adverse impact from cost inflation and the cost-of-living crisis, particularly UK energy costs
- However, profitability and revenue growth continues to improve
- Optimisation of Cirrus Inns business is ongoing



<b>Valuation</b>	<b>£105m</b>
<b>Return</b>	<b>-14.9%</b>
<b>Year of Investment</b>	<b>2018</b>
<b>Sector</b>	<b>Industrials</b>
<b>Equity Held</b>	<b>98.0%</b>

- Leading manufacturer of cinematography lenses
- Heavily impacted by Hollywood writers' strike and the subsequent actors' strike, both of which were resolved in November 2023
- Improvement in demand for core products and the success of the new SP3 'prosumer' range
- Valuation includes a 10% equity discount to reflect uncertainty around the timing and nature of the post-strike recovery

# Public Companies

Year ended 31 March 2024



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# Public Companies

High quality companies where long-term ownership will be rewarded

**£950m invested in 30 companies, with a bias towards resilient companies with high returns on capital and pricing power**

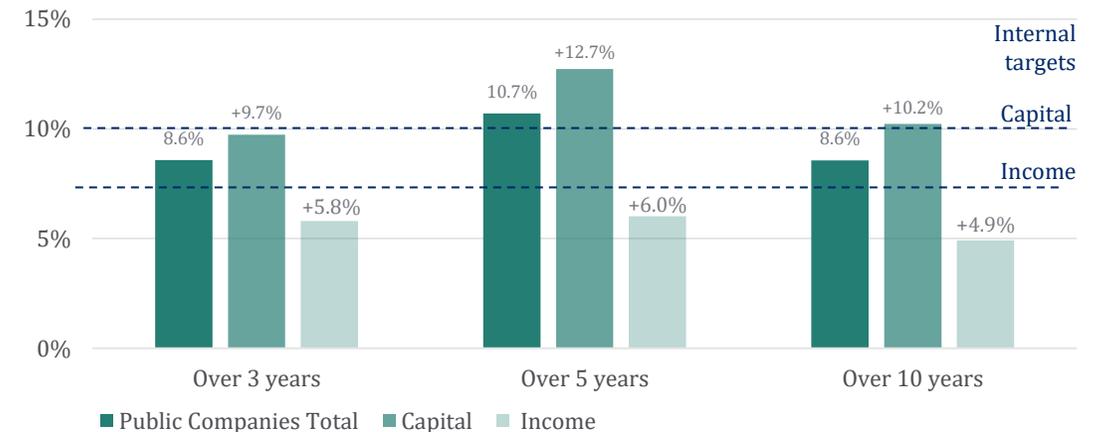
## Performance

- 12.0% return for combined portfolios:
  - +14.0% return for the Capital portfolio
  - +6.8% return for the Income portfolio

## Portfolio holdings update

- Net portfolio investments of £33m driven by:
  - Targeted increases in a number of portfolio companies at attractive valuations
  - New position in Income portfolio, RELX, the global provider of data analytics and decision tools
  - Selling a portion of specific positions following a period of strong share price appreciation

## Annualised Performance – total return



Portfolio (£m)	First Invested	Value 31 Mar 2024	% of Net Assets
Microsoft	2014	84.3	2.8
Oracle	2014	83.5	2.8
Watsco*	2017	77.0	2.6
Texas Instruments*	2018	63.6	2.1
Fastenal*	2020	53.1	1.8
Other		588.3	19.9
<b>Total</b>		<b>949.8</b>	<b>32.0</b>

# Public Companies

Watsco: Distributor of air conditioning, heating and refrigeration equipment (largest in North America)



## Long-term investment returns

22% annualised total return<sup>1</sup>

## Timing of initial investments

- 2017 Capital portfolio
- 2020 Income portfolio

## Overview<sup>2</sup>

- Market leader in highly fragmented \$60bn+ distribution industry
- Own and operate 690 locations across 42 US states
- Sales to 125,000+ contractors

## Characteristics

- Product necessity
- Scale
- Barriers to entry
- Technology & digitalisation
- Entrepreneurial culture
- Decentralised
- Differentiated ownership culture

# Public Companies

Watsco: 22% annualised total return since inception

## Investment thesis:

- Increasing investments in technology supports:
  - Market share growth and margin improvements
  - Attractiveness as a buyer of smaller distributors
- Strong compounding of earnings

## Performance:<sup>1</sup>

- Revenue +68% from \$4.34bn to \$7.28bn
- EBIT margins +270bps to 10.9%
- Since initial investment, share price > tripled
- Recently crystallised gains on portion of our holding



<sup>1</sup> From December 2017 to December 2023

<sup>2</sup> Chart shows purchases into the Capital portfolio from 2017 onwards and purchases into the Income portfolio in 2020 onwards when the position was initiated

# Funds

Year ended 31 March 2024



# Funds

Providing exposure to over 600 companies operating in North America and Asia

**£926m invested in 74 funds managed by 42 managers**  
**59% focused on the North American lower mid market**  
**buyouts and 41% on Asian buyout, growth & VC funds**

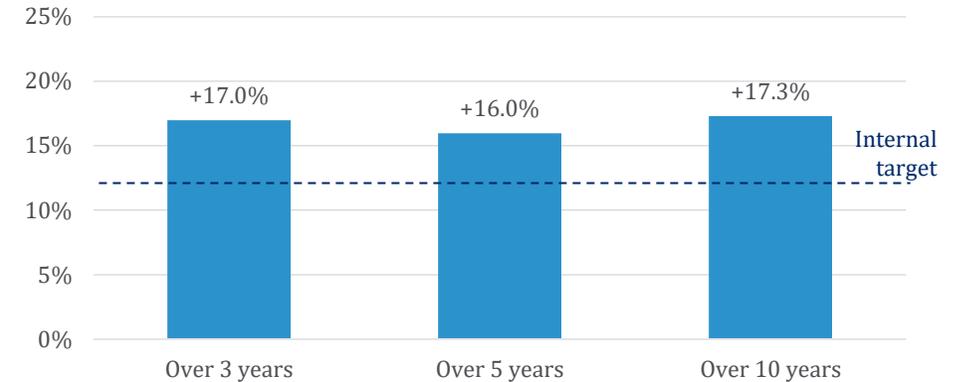
## Performance

- 2.2% return (4.3% in local currencies)
- Continued positive performance from North American holdings (+9.8% in local currencies), partially offset by a decline in the value of Asian holdings (-3.1% in local currencies), reflecting the more challenging market conditions in the region

## Investment activity

- £108.6m deployed – 63% into North American funds and the balance to Asia
- \$59m committed during the year
- Distributions of £72.0m broadly split 75%/25% North America and Asia

## Annualised Performance – total return



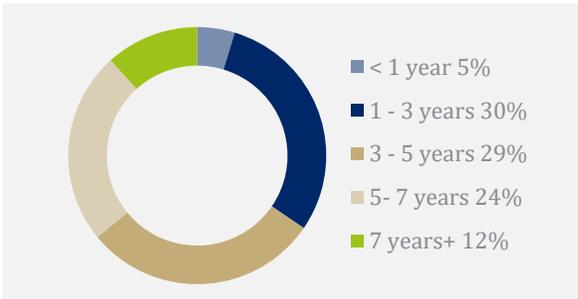
Portfolio (£m)	First Invested	Value 31 March 2024	% of Net Assets
HighVista Strategies*	2013	139.7	4.7
Axiom Asia funds	2012	83.2	2.8
Decheng funds	2015	59.0	2.0
Asia Alternatives funds	2012	44.2	1.5
Unicorn funds	2018	39.9	1.3
Other		560.3	18.9
<b>Total</b>		<b>926.3</b>	<b>31.2</b>

\* Formerly Aberdeen US PE funds

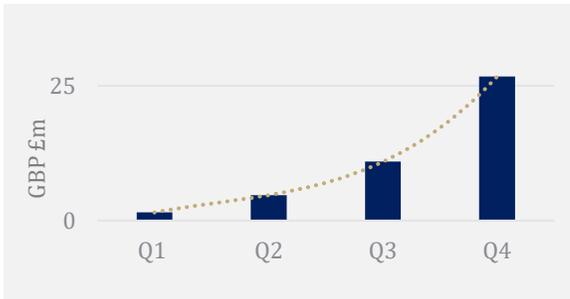
# Funds

## Realisations gaining momentum in North America

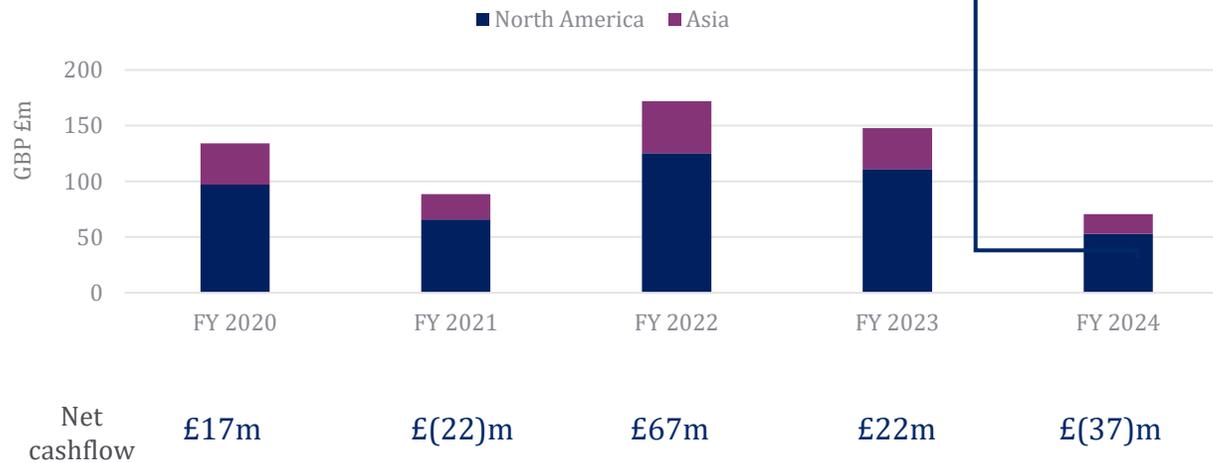
### Portfolio maturity (excl. funds of funds)



### FY 2024 North America realisations



### Realisations



### Realisations

#### North America

- Level of realisations in North America continuing to improve particularly in Q4 - underlying managers cautiously optimistic that exit markets will continue to improve
- Weighted average age 4.0 years

#### Asia

- Impacted by market volatility and macro uncertainty. Expect the pace of distributions to take longer to improve
- Weighted average age 5.1 years

### Uncalled commitments

- \$59m of new commitments
- Total uncalled commitments of \$476m (£377m) (66% North America, 34% Asia)

# New Heritage Capital

Boston-based, lower mid-market control buyout manager



## Background to relationship

- The US lower mid-market has been a core part of our investment strategy for the last 15 years and we have built a strong network of relationships over this time
- Founded in 2006, New Heritage Capital pursue control-oriented investments in small companies in the business services, healthcare services and specialised manufacturing sectors
- We identified New Heritage Capital as a potential partner in 2015, commencing due diligence ahead of committing to NHC III in 2020 and making a follow on commitment to Fund IV in 2022. We sit on the advisory board for NHC III and NHC IV

## Caledonia's commitment

Fund Name	NHC III	NHC IV
Vintage Year	2019	2024
Fund Size	\$260m	\$438m
Caledonia's Commitment	\$20m	\$30m
Net MoM*	2.0x <sup>(a)</sup>	n/a <sup>(b)</sup>

## Target company criteria

- Enterprise Value: \$50m to \$200m
- Revenue: \$30m to \$150m / EBITDA: \$4m to \$20m
- Total Equity Investment: \$15m to \$50m
- 10 - 12 platform investments per fund
- 1 - 3 platforms investments per annum
- Add-on acquisitions

## Target investments

- Companies typically family or founder-owned, who roll significant equity, remain for the next phase of growth and are incentivised through a 'Private IPO<sup>®</sup>' model
- Typically first institutional capital
- Companies where NHC can add value post-transaction

(a) Returns as at 31 March 2024. (b) Final close was on 28 November 2023. Fund has not yet started investing.

\*Past performance is not indicative of future investment results and does not reflect the fair value of our interest in the fund. Current performance as of 31 March 2024. The above information has not been reviewed or verified by New Heritage

# New Heritage Capital

Boston-based, lower mid-market control buyout manager



## Portfolio company snapshots

Sub-sector Categories	Specialty Manufacturing	Healthcare Services	Business Services	Business Services
Portfolio Company	 <b>Sold</b>	 <b>AMFM</b> A Mission For Michael	 <b>CARNEGIE</b> <b>Sold</b>	 <b>FMS</b> Helping retailers succeed
Description	Leading developer and manufacturer of savoury food ingredients, seasonings and flavourings	Leading provider of mental health services with a specific focus on mood and thought disorders	Enrolment strategy and marketing solutions for higher education	Provider of SaaS-based BPO services to multi-unit retailers, with focus on independent grocery
Investment Date	June 2019 <i>Sold in January 2024</i>	May 2022	October 2020 <i>Sold in February 2024</i>	February 2021
No. of Add-Ons	1	-	6	3
Value Creation	<ul style="list-style-type: none"> <li>• Execute value creation initiatives to drive growth and multiple expansion</li> <li>• Leverage experience to implement core initiatives that can effect change and drive value</li> <li>• Focus on enhancing management, strategy &amp; operations, finance &amp; IT</li> </ul>			

# Financial review



# Financial overview

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£3.0bn **NAV** – strong balance sheet with zero structural leverage

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£2.7bn **Portfolio value** – high quality, diversified portfolio

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8.7% **Portfolio return** – good returns across all investment pools

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£477m **Liquidity** – significant liquidity to support investments

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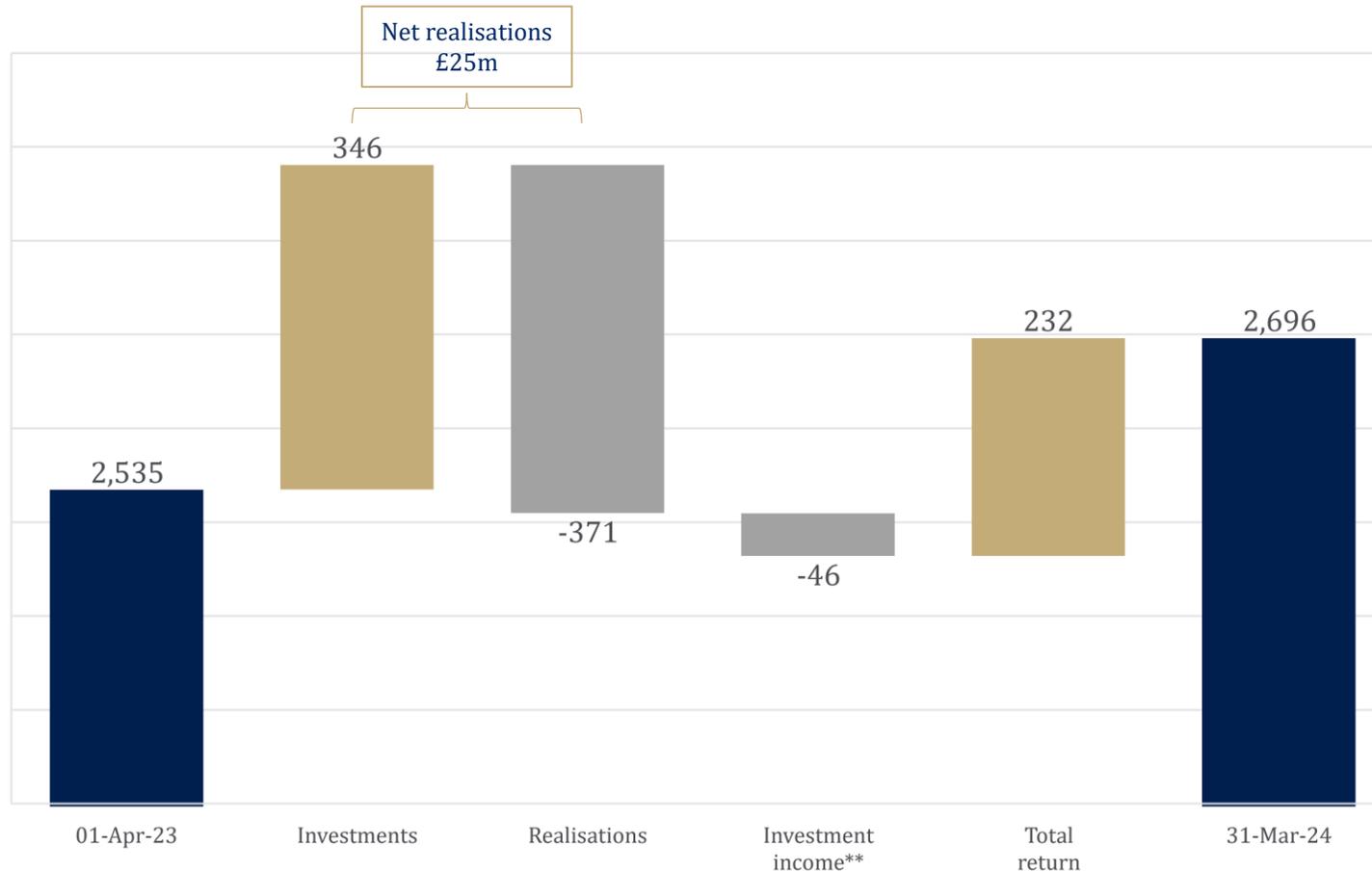
4.5% Increase in **total dividend** for FY 2024 to 70.4p  
Proposed **final dividend** of 51.47p

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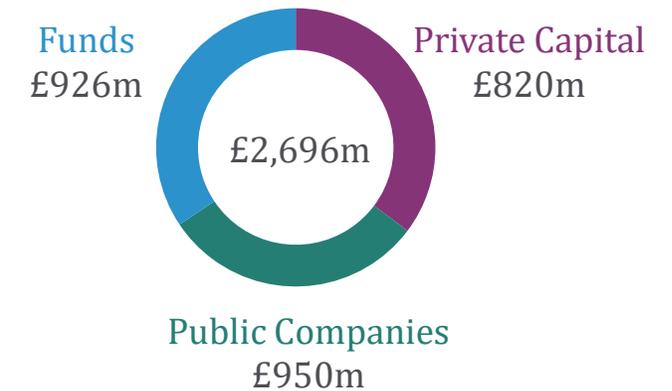
# Investment portfolio and returns

Total portfolio return of 8.7%

## Investment movement (£m)



## Investments by Pool (£m)

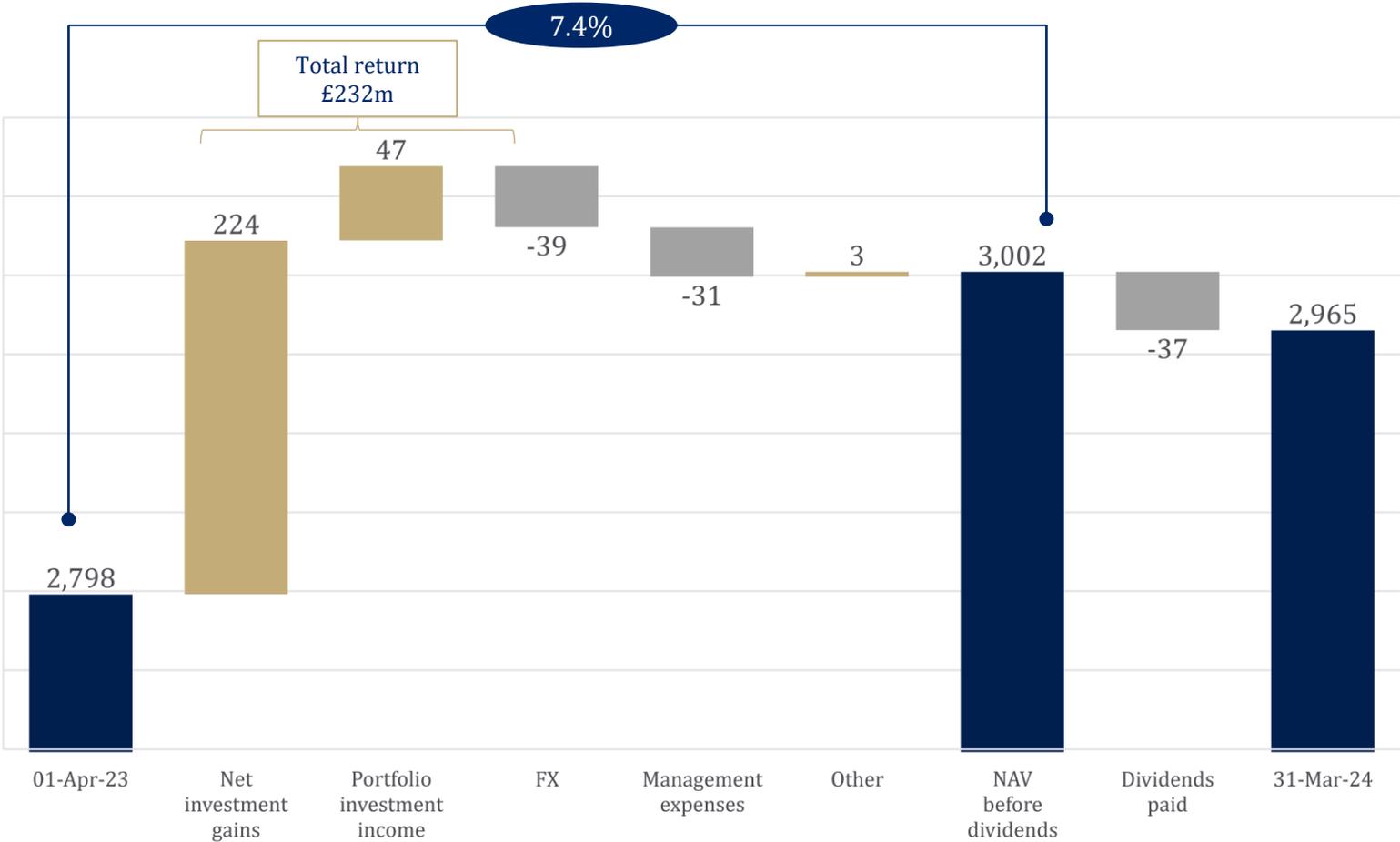


	Return %	Return (excl. FX) %	Yield* %
Public Companies	12.0	13.7	3.7
Private Capital	12.3	12.9	3.9
Funds	2.2	4.3	n/a
<b>Total Portfolio Return</b>	<b>8.7</b>	<b>9.3</b>	<b>2.5</b>

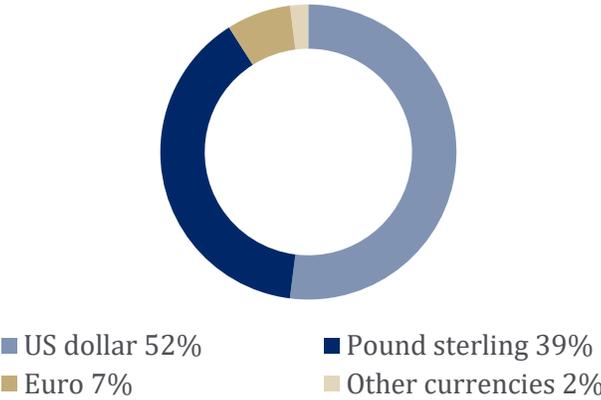
# Change in net asset value

NAV return of 7.4%

## NAV movement (£m)



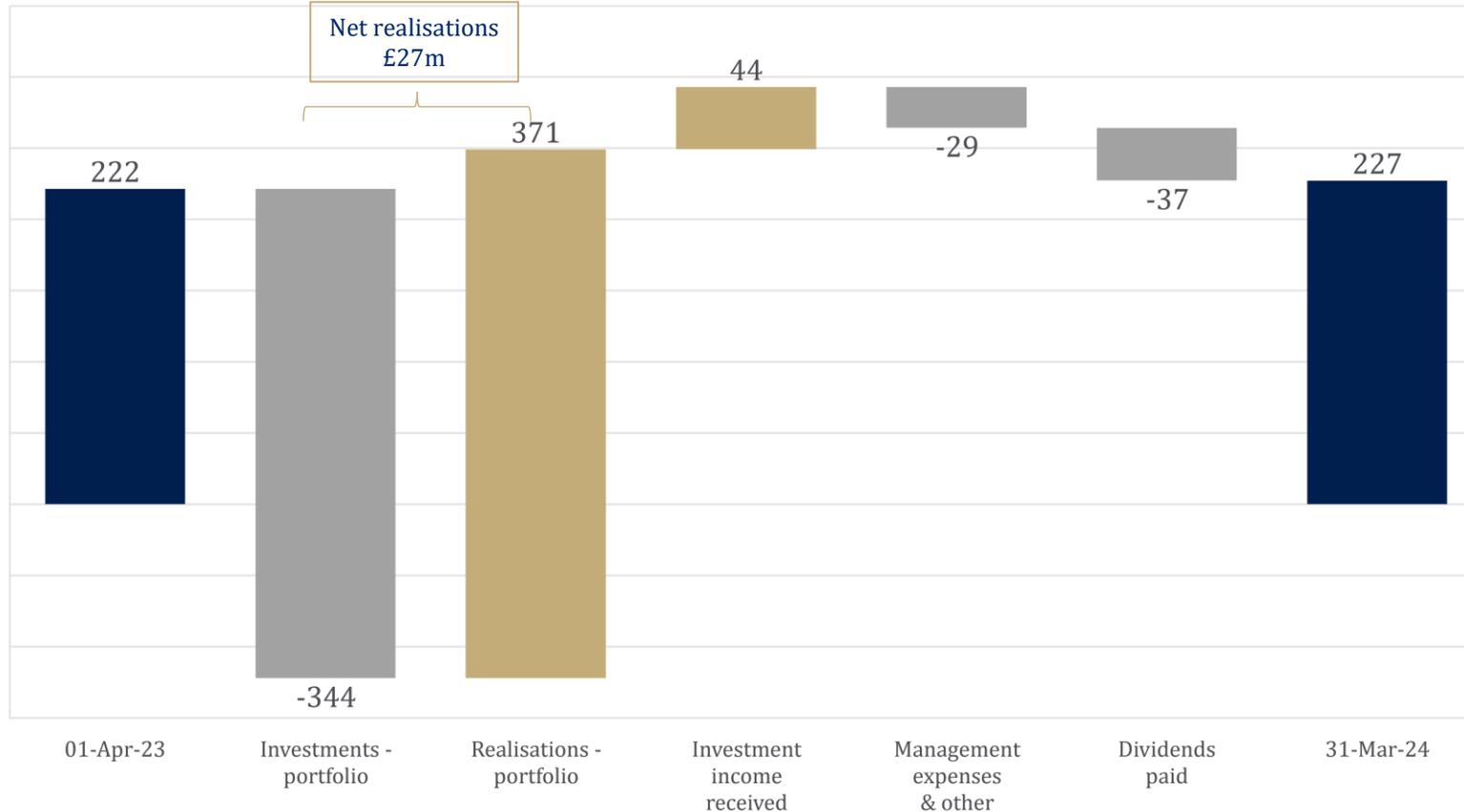
## Foreign Currency Exposure (NAV)



# Net cash & facilities

Significant liquidity available

## Movement in net cash (£m)



- £250m RCF facility
  - £112.5m to July 2025
  - £137.5m to November 2027
- £256m of 7IM sale proceeds received in January 2024

### Caledonia Net Cash

31 March 2024

£227m

### Caledonia Liquidity

£477m

# Share buybacks and communications

Share price undervalues the quality of investment portfolio and its long-term performance

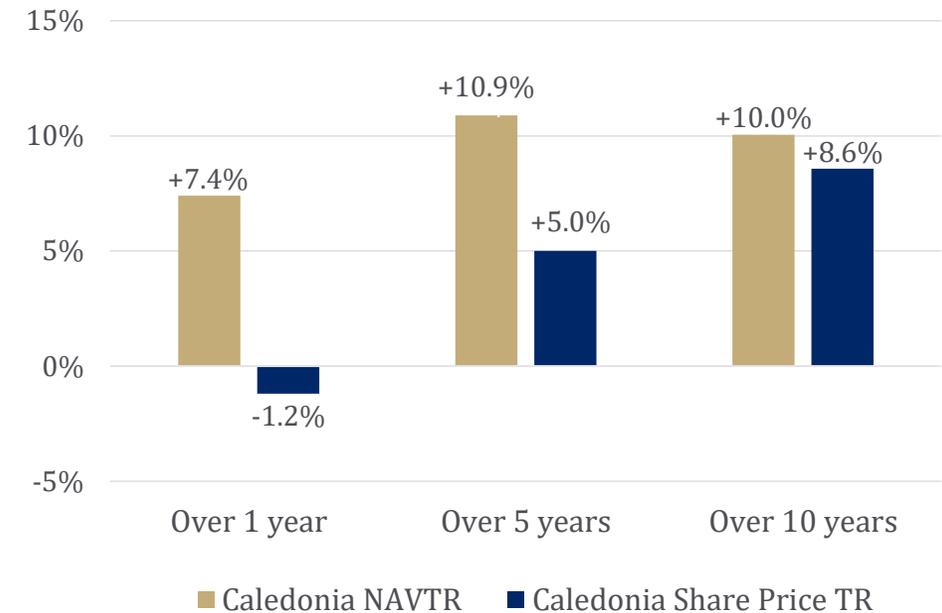
## Share buybacks

- Discount widened from 33.1% to 38.9% over the year
- 290,219 shares repurchased in March and April 2024 at an average discount of 36% resulting in a 10.1p accretion to NAV per share
- The ongoing support of the Cayzer family underpins Caledonia's long-term culture and investment approach
- Family hold 49.0% of the shares, which limits the number of shares we are able to repurchase
- Will continue to repurchase shares within the limitations we have

## Shareholder communications

- Enhancing investor relations and communications programme to ensure our investment proposition is well understood and recognised by the market
- Recently launched new monthly factsheet, and will continue to increase disclosure in our half-year and annual reporting cycle
- Valuations of Public Companies and Funds pools updated monthly, with the semi-annual revaluation of the Private Capital pool released in our March and September factsheet

## Annualised NAVTR and TSR



# Summary

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- 1 The **diverse portfolio** remains well placed to deliver target returns over the long term both in terms of dividend and net asset growth for shareholders
  - 2 **Resilient portfolio** capable of responding to the challenges posed by inflation, increased interest rates and potentially lower future growth in GDP
  - 3 **Robust balance sheet**, with banking facilities to provide short term liquidity if required
  - 4 Our **experienced team** remain committed and are well placed to operate within current market conditions, focused on investing in good quality companies and funds operating in attractive markets
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# Manifesto

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We believe in the power of time.

While others fight against it,  
Trying to conquer every passing minute,  
We work with it.

We invest it patiently and judiciously,  
Harnessing its power year after year.

Never afraid to wait, but always ready to act.

Time is key to our knowledge, the trust we're given,

And the relationships we build

It is the source of our enduring partnerships,

Carefully tended over decades.

Never fleeting, always meaningful

We dedicate time to our people:

Giving it generously to nurture their growth,

Both personal and professional.

We invest time now to plan for success in the future,

To sow seeds that will flourish for generations to come.

Time cannot be tamed or altered,

But its power can be harnessed,

Invested in the things that matter most,

To create something that lasts.

<https://www.caledonia.com/time-well-invested>

# David Stewart

Chair

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# Q&A

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# Formal business

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# Annual General Meeting

17 July 2024

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