



## State of New Jersey

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**SHOAIB KHAN**  
*Director*

April 24, 2023

MEMORANDUM TO: The State Investment Council

FROM: Shoaib Khan  
Director

SUBJECT: **Private Equity Investment – CVC Capital Partners IX, L.P.**

The Division of Investment (the “Division”) is proposing an investment of up to €250 million in CVC Capital Partners IX, L.P. (the “Fund”). This memorandum is presented to the State Investment Council (the “Council”) pursuant to N.J.A.C. 17:16-69.9.

The Division is recommending this investment based on the following factors:

**Solid track record since inception:** CVC Capital Partners (“CVC” or “Firm”) is an existing relationship of the Division and has generated consistent returns for investors across multiple economic, industry and market cycles. For the past 20+ years, every mature CVC flagship fund has individually returned at least 2.0x net TVPI.

**Broad, diversified platform enables opportunistic approach to investing:** The Firm has boots on the ground with eleven geographical teams, four sector teams and two specialist teams dedicated to the Fund. This enables the firm to leverage its collective resources in sourcing, financing, operational improvement, and identifying exits, which in turn allows the Fund to identify the best relative value investment opportunities across the target markets in which it invests. CVC will have 171 dedicated investment professionals focused on the Fund to execute this strategy.

**Environmental, Social and Governance (ESG) Policy:** CVC understands that the careful management of environmental, social and governance (“ESG”) factors is a critical part of ensuring the long-term success of any business today. CVC believes that building better businesses through effective ownership and management benefits all stakeholders, from employees to customers, suppliers and shareholders, and the wider community at large by creating jobs and supporting local communities. CVC is committed to operating with the upmost integrity to manage ESG factors throughout due diligence processes, during the management of CVC funds’ investments and in the ongoing monitoring and support of companies. CVC’s approach towards ESG is embedded in all aspects of the investment process from the original investment selection, value creation and ultimately the exit from the investment with a focus on ensuring a sustainable long-term ownership structure into the future. Further, CVC includes ESG

information in its periodic reporting to investors and provides updates at the Limited Partners Advisory Boards and the Annual General Meetings.

A report of the Investment Policy Committee (“IPC”) summarizing the details of the proposed investment is attached.

Division Staff and its private equity consultant, Aksia LLC, undertook extensive due diligence on the proposed investment in accordance with the Division’s Alternative Investment Due Diligence Procedures.

As part of its due diligence process, staff determined that the Fund has engaged third-party solicitors (“placement agents”) in the fundraising of the Fund but no placement agent was engaged or paid in connection with the Pension Fund’s potential investment.

The Firm’s ESG policy and related diligence disclosures were reviewed by the Division’s Corporate Governance team in accordance with the Council’s ESG Policy. As discussed in more detail above, the Fund has a formal ESG policy and includes consideration of ESG factors in all aspects of the investment process.

Staff will work with representatives of the Division of Law and outside counsel to review and negotiate specific terms of the legal documents to govern the investment. A preliminary Disclosure Report of Political Contributions has been obtained in accordance with the Council’s regulation governing political contributions (N.J.A.C. 17:16-4) and no political contributions have been disclosed. An updated Disclosure Report will be obtained at the time of closing.

Note that the investment is authorized pursuant to Articles 69 and 90 of the Council’s regulations. The Fund is considered a private equity investment, as defined under N.J.A.C. 17:16-90.1.

A formal written due diligence report for the proposed investment was sent to each member of the IPC and a meeting of the IPC was held on April 13, 2023. In addition to the formal written due diligence report, all other information obtained by the Division on the investment was made available to the IPC.

We look forward to discussing the proposed investment at the Council’s April 26, 2023 meeting.

Attachment

# CVC Capital Partners IX (A), L.P.

- **DOI Commitment:** Up to €250 million
- **Strategy:** Buyout
- **Investment Focus:** The primary focus of Fund IX will be consistent with that of prior CVC funds, pursuing leveraged buyouts of medium to large sized businesses across Europe and North America. The Fund will generally seek equity investments of €250 million to €1.5 billion per transaction. CVC and the General Partner are led by a deep bench of professionals who are highly experienced in both investment selection and portfolio management. The CVC investment team for Fund IX consists of 171 investment professionals in Europe and the Americas.
- **Target Returns:** 20-30% Gross IRR and 2.0-3.0x Gross MOIC
- **Investments Thesis:**
  - Strong overall track record
  - Deep and experienced team
  - Broadly diversified exposure

**Fund Name:** CVC Capital Partners IX (A), L.P.

April 26, 2023

**Contact Info:** Robert Squire 712 Fifth Avenue, 45th Floor, New York, NY 10019

**Fund Details:**

Total Firm Assets:	€133 billion	Key Investment Professionals: Victoria Cabot, John Clark, Alex Dibelius, Geert Duyck, Javier de Jaime, Carl Hansen, Rob Lucas, Giampiero Mazza, Cathrin Petty, Jean Remy Roussel, Peter Rutland, Christopher Stadler, Istvan Stoke, Soren Vestergaard-Poulsen
Strategy:	Buyout	
Year Founded:	1981	
Headquarters:	Luxembourg	
GP Commitment:	3% (minimum)	

**Investment Summary**

The predecessor to CVC Capital Partners was established in 1981 as part of Citigroup; the original name was Citicorp Venture Capital (Europe). In 1993, Citicorp Venture Capital (Europe) was acquired by management and renamed CVC Capital Partners. The primary focus of Fund IX will be consistent with that of prior CVC funds, pursuing leveraged buyouts of medium to large sized businesses across Europe and North America. The Fund will generally seek equity investments of €250 million to €1.5 billion per transaction. CVC and the General Partner are led by a deep bench of professionals who are highly experienced in both investment selection and portfolio management. The CVC investment team for Fund IX consists of 171 investment professionals in Europe and the Americas. □

**Existing and Prior Funds**

<u>Funds</u>	<u>Vintage Year</u>	<u>Strategy</u>	<u>Returns: Net IRR, Net TVPI, Net DPI</u>
CVC I	1996	Buyout	22.9%,2.5x,2.5x
CVC II	1998	Buyout	19%, 2.4x, 2.4x
CVC III	2001	Buyout	41.4%,2.9x,2.8x
CVC IV	2005	Buyout	16.6%,2.1x,2.1x
CVC Tandem Fund	3007	Buyout	9.1%,1.5x,1.5x
CVC V	2008	Buyout	20.3%,2.4x,2.4x
CVC VI	2014	Buyout	18.4%,2.1x,1.1x
CVC VII	2018	Buyout	25.2%,1.7x,0.1x
CVC VIII	2021	Buyout	10.9%,1.0x,0.0x
Source of Returns - CVC/Aksia			*Net as of 12/31/2022

IRR = Internal Rate of Return; TVPI = Total Value to Paid-In; DPI = Distributions to Paid-In

**Vehicle Information:**

CVC Capital Partners IX (A), L.P.

Inception:	2022
Fund Size :	€25 billion (including GP commitment)
Management Fee (during commitment period):	1.5% on total commitments (1.375% with size discount)
Incentive Fee:	20%
Hurdle:	6%
Additional Expenses:	100% Management Fee Offset

Auditor:	Ernst & Young
Legal Counsel:	Simpson Thacher & Bartlett LLP

**NJ AIP Program**

Recommended Allocation (€mil):	up to €250 million	LP Advisory Board Membership:	TBD
% of Fund:	1.00%	Consultant Recommendation:	YES
		Placement Agent:	NO
		Compliance w/ Division Placement Agent Policy:	N/A
		Compliance w/ SIC Political Contribution Reg:	YES