

Dunedin Enterprise Investment Trust PLC

Annual General Meeting, 17 May 2010

Dunedin 

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Dunedin Enterprise

- Results for the year to 31 December 2009
- Private equity market in 2009 – defending value in the portfolio
- Prospects for 2010



Results for the year to 31 December 2009

	2009	2008
• Net assets at 31 December	£122.9m	£130.8m
• NAV per share at 31 December	407.1p	433.4p
• Share price at 31 December	266.5p	211.0p
• Discount to NAV	34.5%	51.3%
• Dividend per share	2.50p	11.25p
• Special dividend per share	nil	14.60p
• Investments during the year	£7.1m	£19.3m
• Realisations during the year	£9.4m	£27.7m



Main value changes

	£m
Net asset value at 31 December 2008	130.8
Unrealised valuation increases	8.9
Unrealised valuation decreases	(14.7)
Realised profit over opening valuation	3.8
Other revenue and capital movements	1.3
Dividends paid to shareholders	<u>(7.2)</u>
Net asset value at 31 December 2009	<u>122.9</u>



Key drivers

- Value increases of £10.7m through:
 - Realisation of Fernau Avionics
 - Strong trading performance and earnings multiple increases at WFEL, etc.venues and Formaplex
- Value decreases of £11.6m through:
 - Reduced profitability at Capula and OSS
- Valuation increases in four listed European stocks of £2.0m
- Valuation decrease in one listed European stock of £3.1m



Dividends

Interim	0.5p	
Final Interim	2.0p	
	<u>2.5p</u>	2008: 25.85p

- 2008 Dividends were driven by exceptional income receipts
 - 2009 Dividends lower due to increased use of rolled up yield, lower return from cash balances and difficult trading in some portfolio companies
 - Final interim based on compliance with UK investment trust tax legislation, which will be future policy
 - Move to single final dividend in May 2011
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Strategy and commitments

- Dunedin managed funds
 - DBF II : £75m commitment of which 30% drawn - o/s commitment £52.6m
 - Other Dunedin managed funds – o/s commitment £1.3m
 - Third Party European funds
 - 4 commitments made in 2008
 - 1 new commitment in 2009
 - Capiton (Germany) €15m
 - Commitments to date €67.7m (£61m)
 - Drawdowns to date £8.2m – o/s commitment £52.8m
 - European Listed private equity
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Dunedin managed funds: new investments

- New investment of £7.1m
- £0.5m in support of new banking at WFEL
- £0.5m for product development at RSL Steeper
- £1.9m drawdowns for Dunedin funds
- £4.0m in European private equity funds
- £0.2m in legacy technology funds



Dunedin managed funds: realisations

- Total realisations of £9.4m
- Direct disposals
 - £7.2m realised in the sale of Fernau. Uplift of £3.3m (86%) over 31 December 2008 valuation
 - £0.1m realised on the sale of ABI (nil value at 31 December 2008)
 - £0.7m loan stock repaid from Formaplex and Hawksford
- Disposals through third party and legacy technology funds of £1.4m



Currency factors

- Euro exchange rate

31 Dec 08	€1.034 to £1
31 Dec 09	€1.119 to £1
- Euro hedge

€29m @ €1.41 to £1	Expired 9 Oct 09
€22m @ €1.27 to £1	Expired 9 Oct 09
NAV impact of hedge	+ £1.1m over 2009
Cash cost of settlement	£8.6m

Portfolio analysis	31 Dec 08	£: 53%	€: 47%
	31 Dec 09	£: 56%	€: 44%



Third party European funds

- FSN Capital III (Nordic)
 - €12.7m commitment
 - €3.8m drawn to date
- Realza Capital FCR (Spain)
 - €15m commitment
 - €3.2m drawn to date
- Egeria III (Netherlands)
 - €10m commitment
 - €0.4m drawn to date
- Innova 5 (Central & Eastern Europe)
 - €15m commitment
 - Nil drawn to date
- Capiton IV (Germany)
 - €15, commitment
 - €0.2m drawn to date



European quoted holdings

Valuation ('m)	31 Dec 2009		31 Dec 2008		Movement	
	€	£	€	£	€	£
SWIP	14.1	12.6	16.2	15.7	-13.0%	-19.6%
GIMV	5.1	4.6	4.3	4.2	+17.8%	+8.9%
DBAG	4.7	4.2	3.4	3.3	+37.2%	+26.8%
CapMan	2.7	2.4	1.9	1.8	+41.1%	+30.3%
Dinamia	<u>2.5</u>	<u>2.3</u>	<u>2.3</u>	<u>2.2</u>	<u>+10.3%</u>	<u>+2.0%</u>
Total	<u>29.1</u>	<u>26.1</u>	<u>28.1</u>	<u>27.2</u>	<u>+3.3%</u>	<u>-4.5%</u>

31 December 2009 €1.119 to £1

31 December 2008 €1.034 to £1



Commitment strategy

	31 Dec 09	31 Dec 08
	£m	£m
Cash & near cash	53.7	68.2
Listed securities	26.0	27.2
Committed banking facilities	39.0	39.0
Total	<u>118.7</u>	<u>134.4</u>
Undrawn commitments	<u>106.7</u>	<u>104.4</u>

Revolving credit facility expired 29 April 2010 and was not renewed. Had not been used since January 2005 and projections show no borrowing requirement for foreseeable

future

Dunedin



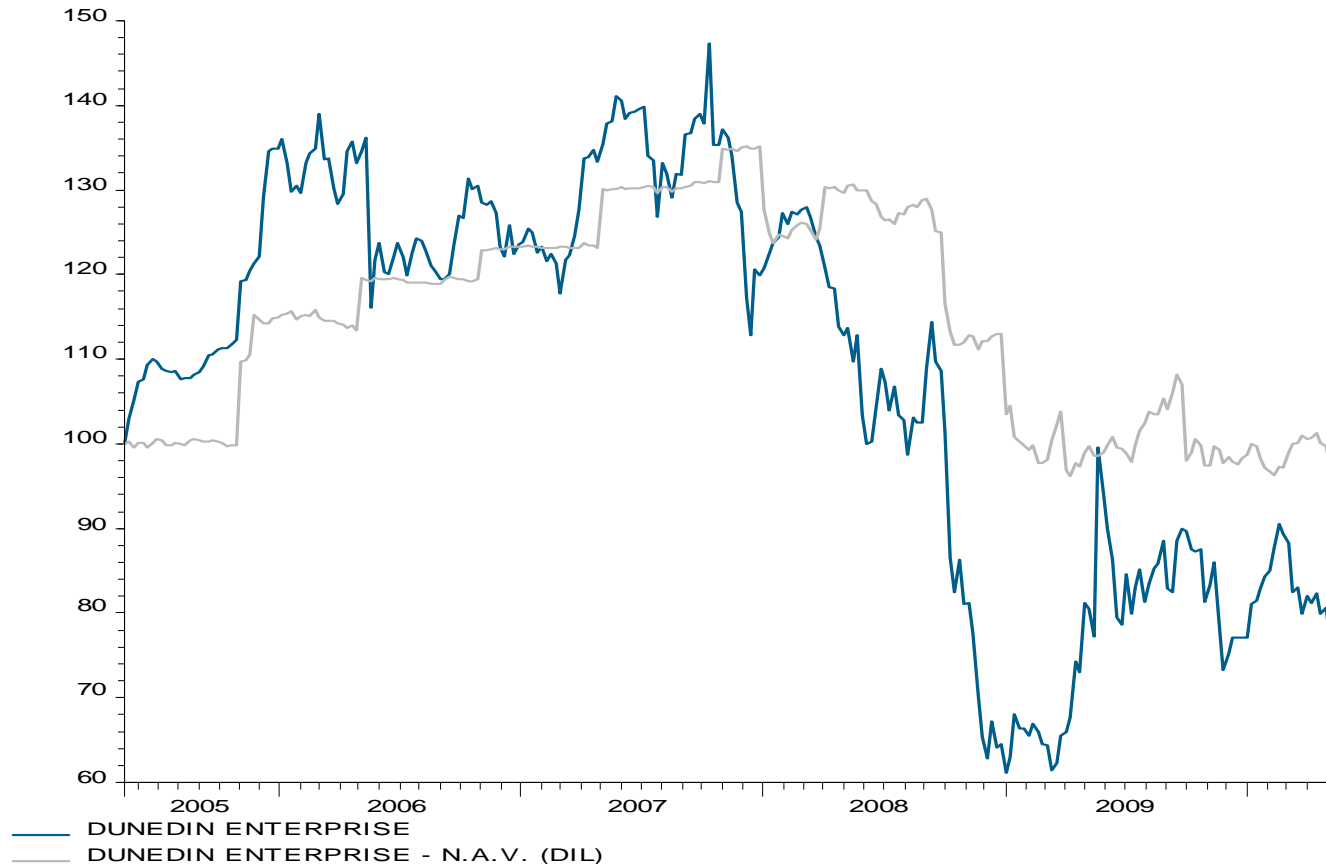
Discounts to NAV

- Across whole of listed private equity sector
- Dunedin at the lower end of the range



Dunedin Enterprise share price and NAV

13/5/10



Source: Thomson Datastream

Interim management statement – 31 March 2010



- Unaudited NAV of 422.5p
- Increase of 3.8% since 31 December 2009
- Share price of 268p at close of play on 14 May 2010
- Discount of 36.6% at close of play on 14 May 2010
- Main movements:
 - Increase in the value of European listed private equity
 - Increase in average valuation multiples
 - Increase from realisation of third party fund asset



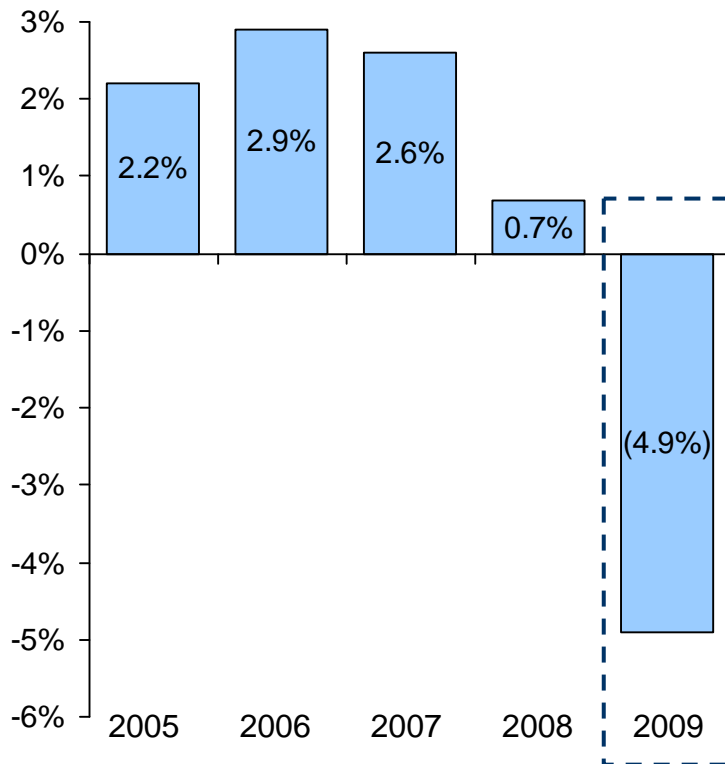
Private equity market in 2009

- Economic background
- Dunedin response

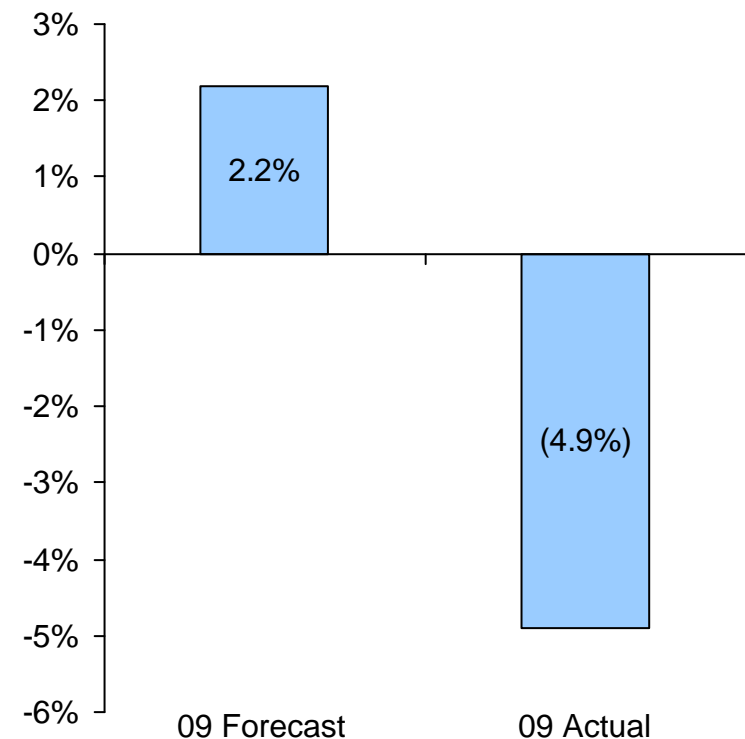
The UK suffered from an unprecedented economic slowdown in 09



**% GDP growth in the UK
2005-2009**



**% GDP growth in the UK in 2009
(Forecast versus Actual)**

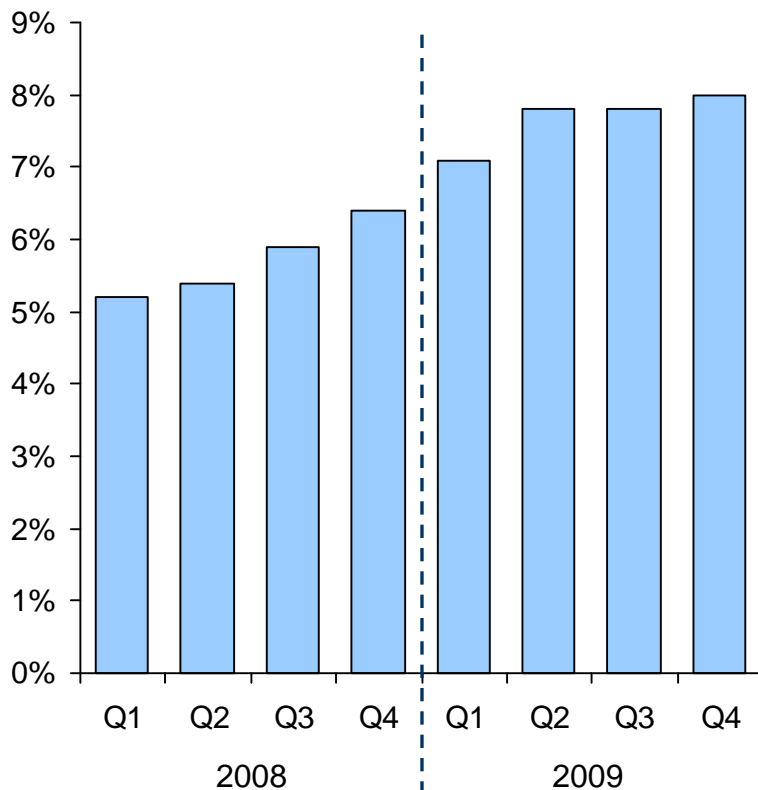


Source: ONS, EIU

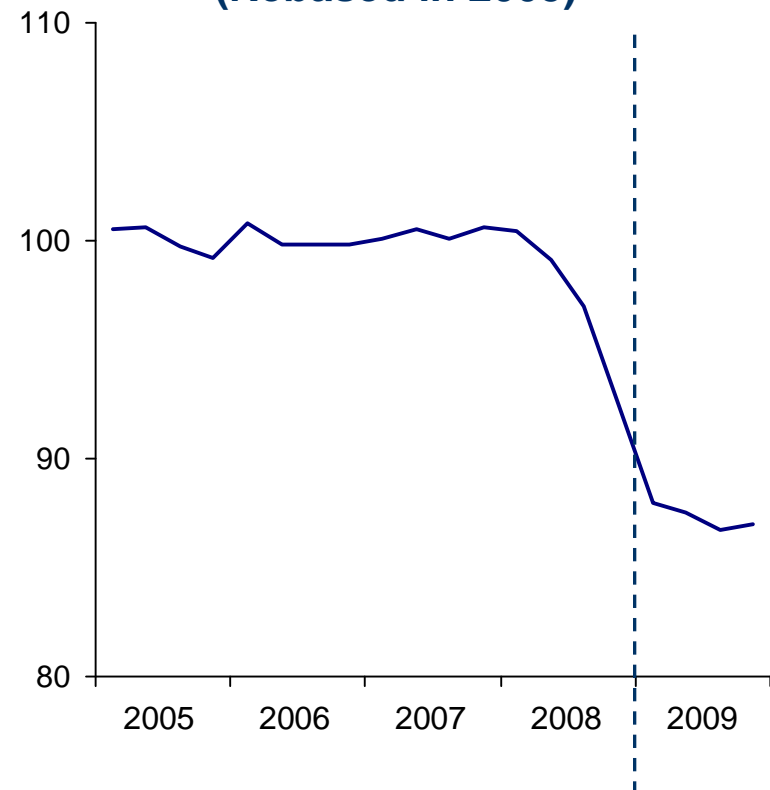
In 2009, unemployment in the UK increased sharply and manufacturing output collapsed



UK unemployment rate (%)



**UK manufacturing output
(Rebased in 2005)**



Source: ONS, JP Morgan

In 2009 we concentrated on the portfolio and focused on 3 key elements to protect value



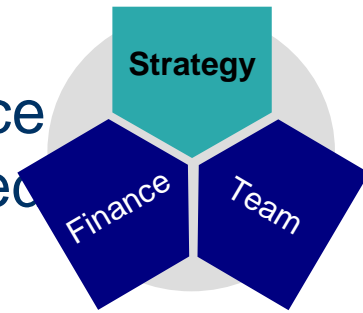
We actively re-examined the strategy, team and finance aspects of every portfolio company



We have worked to ensure that every portfolio company has:

- A robust strategy appropriate for the market conditions
- The right team for the challenges ahead
- An optimal financial structure for its circumstances

We identified companies requiring strategic assistance and commissioned external consultants where needed



Examples from our portfolio



Key activities

- Group strategy and exit
- Product / market / channel strategy
- Operations
- Mergers and Acquisitions

We ensured that portfolio management teams were capable of delivering in this tough environment



Examples from our portfolio



Key activities

- Evaluation of management
- Coaching of management
- Repositioning of management
- Replacement of management

We improved the finance functions in our portfolio and proactively realigned financial structures where needed



Examples from our portfolio



Key activities

- FD masterclass
- Resetting of covenants
- Financial restructuring
- Funding for growth

Through intensive work in 2009, we have helped the portfolio weather the crisis...



- Clear strategy developed for each company to maximise value
- Highly capable management teams to deliver on strategy
- Sound financial structures in place across the portfolio

... and the portfolio is now well positioned for growth in 2010

Prospects for 2010



Economic factors

- Improving UK GDP growth
- Improving global economy

New investment market indicators

- Early signs of an improving pipeline
- Vendor expectations becoming more realistic but competition driving up prices

We adapted our new business capability to the current market by analysing ourselves in a similar way to our portfolio



We have ensured that our new investment business capability has:

- A robust strategy appropriate for the market conditions
- The right organisation of the team for the challenges ahead
- The ability to offer differentiated financing structures to win deals



We believe 2010 should be a year of opportunity...

- Whilst 2009 suffered from weak deal markets, there are early indications that deal activity will improve in 2010
- We have developed a clear strategy for new investments and have tested it with the intermediary community
- We have adapted the organisation of our team to meet the changing demands of the current market environment

... and Dunedin is well placed to make the most of it



In closing ...

- 2009 was the most challenging year for buyouts in a generation
- But this is a cyclical business and things will improve
- In the meantime we have worked hard to protect the value in the portfolio
- While it is still not without risk, we believe 2010 should be a year of opportunity for new investments

We aim to keep up the good work



Unquote
Small Buyout House
of the Year



BVCA
Buyout of the Year



BVCA
CEO Award - WFEL



BVCA
CEO Award – etc.venues



Sunday Times
Buyout Track 100
OSS



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