



WENDEL

LETTER TO SHAREHOLDERS

# Wendel Lab

May 2019



A tradition  
of entrepreneurship  
in support  
of long-term  
investment



1	FROM THE EDITOR
2	KEY FIGURES
3	RESULTS
4	FOCUS
5	NEWS
6	COMMITMENTS
7	SHAREHOLDER INFORMATION
8	THE SHAREHOLDER'S VOICE

## From the Editor

Dear Shareholders,

In an effort to enrich the information we provide to shareholders, we have decided to upgrade your *Letter to shareholders*. Your letter will now look more like a news magazine with more detailed articles, interviews, analyses, and more. Our aim is to better inform you about what is happening at Wendel and what we have accomplished.

You will also find this letter in its entirety on the individual shareholders pages of Wendel's website, which have also been redesigned.

**Enjoy reading your new  
*Letter to shareholders!***

# Key figures

NET ASSET VALUE AS OF  
DECEMBER 31, 2018



up 1.6% since  
November 16, 2018

ORDINARY DIVIDEND OF



up 5.7%, to be proposed at  
the Annual Shareholders' Meeting  
on May 16, 2019

€8,389  
million

CONSOLIDATED 2018  
SALES

ANNOUNCED  
DIVESTMENTS OF

€1.5  
billion

(between January 1, 2018  
and March 21, 2019)

€200  
million

SHARE BUYBACK  
PROGRAM

c.4% of capital

c.0

PRO FORMA NET DEBT\*

\* Pro forma for disposals announced in 2019, Wendel's net debt and LTV ratio reduced to nearly zero.

# Net Asset Value as of December 31, 2018, at €147.4 per share, up 1.6% relative to November 16, 2018.

(in millions of euros)			12.31.2018	12.31.2017
<b>Listed equity investments</b>	Number of shares	Share price <sup>(1)</sup>	<b>3,268</b>	<b>4,691</b>
Bureau Veritas	156.3/177.2 million	€18.2/ €22.7	2,846	4,024
Saint-Gobain	14.2 million	€29.8/ €47.1	422	667
<b>Unlisted investments and Oranje-Nassau Développement <sup>(2)</sup></b>			<b>3,908</b>	<b>4,532</b>
Other assets and liabilities of Wendel and holding companies <sup>(3)</sup>			89	69
Cash and marketable securities <sup>(4)</sup>			2,090	1,730
<b>Gross asset value</b>			<b>9,355</b>	<b>11,021</b>
Wendel bond debt and accrued interest			-2,532	- 2,863
<b>Net Asset Value</b>			<b>6,823</b>	<b>8,158</b>
<i>Of which net debt</i>			-422	- 1,133
<i>Number of shares</i>			46,280,641	46,253,210
<b>Net Asset Value per share</b>			<b>147.4 €</b>	<b>176.4 €</b>
Average of 20 most recent Wendel share prices			103.2 €	142.8 €
<b>Premium (discount) on NAV</b>			<b>-30.0 %</b>	<b>- 19.1 %</b>

(1) Last 20 trading days average as of December 31, 2017, and December 31, 2018.

(2) Investments in non-publicly traded companies (Cromology, Stahl, IHS, Constantia Flexibles, Allied Universal) & Oranje-Nassau Développement (NOP, PlaYce, Tsebo, indirect investments and debts). As per previous NAV calculation as of November 16, 2018, IHS valuation as of December 31, 2018, was solely performed based on EBITDA, which is the most relevant valuation aggregate at this stage. MCC shares owned by Constantia Flexibles are valued at their public offering price of \$50 per share. Stake in Allied Universal and PlaYce are valued after the recent deal agreements.

(3) Of which 1,013,074 treasury shares as of December 31, 2018, and 669,402 as of December 31, 2017.

(4) Cash position and financial assets of Wendel & holdings. As of December 31, 2018, this comprises €1.8 bn of cash and cash equivalents and €0.3 bn short term financial investment.

Assets and liabilities denominated in currencies other than the euro have been converted at exchange rates prevailing on the date of the NAV calculation.

If co-investment conditions are realized, there could be a dilutive effect on Wendel's percentage ownership. These items have been taken into account in the calculation of NAV. See page 303 of the 2018 Registration Document.

**To learn more, please read the press release published on March 21, 2019  
at [www.wendelgroup.com](http://www.wendelgroup.com)**



# Questions for...

# André François-Poncet

## Group CEO

**You have been in your position now for a little over a year. How do you view 2018?**

**AFP.** 2018 was a very active year for Wendel. We worked hard to simplify our business model. Our strategy is to construct a portfolio of sizeable, leading companies which we can support over the long-term, backing talented executives whom we consider as partners and who are also equity-holders. This has led us to first sell small shareholdings at good prices. Streamlining our portfolio has allowed us to focus our team and our capital on our largest investments, i.e., to play our role of active shareholder. For example, we supported the very large acquisition of USSA by Allied Universal which allowed the company to consolidate its leading position in security services in North America. We invested additional equity in Allied Universal to fund this transaction. We also rebalanced Wendel's exposure to listed shares last year through the sale of 4.73% of Bureau Veritas while remaining the company's long-term and controlling shareholder. Lastly, Wendel's Investment Committee has been renewed and we strengthened our corporate functions.

**What is the common thread to these actions?**

**AFP.** The common thread is the pursuit of performance and excellence. We work on this everyday with particular emphasis on governance and on monitoring performance. Our companies must constantly differentiate themselves from competitors, innovate, strengthen customer loyalty, control or lower costs and build their positions through acquisitions. Their focus on sustainable development, the engagement of their combined staff of over 350,000, integrity, compliance and environmental preservation are becoming clear competitive advantages. Such is

the case, for example, for Stahl which promotes sustainability as one of its key growth drivers with great success. Wendel's operating partners and the Boards of our companies - which include talented individuals outside Wendel - help management teams achieve their goals.

**The Group has a significant amount of available cash. What types of investments do you foresee?**

**AFP.** After raising over €1.5 billion<sup>1</sup> from disposals, Wendel now has a concentrated portfolio, a solid balance sheet and the benefit of time. In an uncertain macroeconomic environment, our firepower puts us in an excellent position to take advantage of the best acquisition opportunities, i.e., where we believe we can create sustainable long-term value for shareholders.



<sup>1</sup> Including 2018 disposals: CSP Technologies, Saham Group, Mecatherm and Nippon Oil Pump and 4.73% of the capital of Bureau Veritas for a total of almost €1 billion, along with €480 million in 2019 currently expected from the disposals of PlaYce, Saint-Gobain shares and the partial disposal of Allied Universal.



# Wendel Lab

As a long-term investor, Wendel employs an investment strategy that focuses on targets of significant size. The Group aims to be a long-term partner to companies that are leaders in their respective markets. Bureau Veritas, for example, is the world's second-

largest provider of inspection, certification and laboratory testing services; Stahl is a market leader in process chemicals for leather products; Allied Universal is the leading provider of security services in the North American market.





In 2013, Wendel created «Wendel Lab», an initiative spearheaded by Bernard Gautier, member of the Executive Board. Wendel Lab is part of our effort to continually improve our understanding of new business models and disruptive technologies.

Wendel also conceives of the Lab as a tool to help in the development of its portfolio companies. In this regard, it will be a source of expertise for the Operating Partners, a new function created in Wendel's investment team.



Bernard Gautier

For Bernard Gautier, Wendel Lab is «*a way to monitor trends in emerging sectors on an experimental basis and potentially to seize acquisition opportunities for our portfolio companies or for Wendel and create value.*»

The *modus operandi* of Wendel Labs, consistent with our core investment strategy, is to invest in funds so as to source a multiplicity of investment expertise. For example, Wendel has invested first amounts in Innovation Endeavors in the United States, in Quadrille Capital in France and in Invascent in India. The amounts invested are in the €20-30 million range per fund.

*«Wendel Lab enriches our expertise and our knowledge of innovative technologies. As a long-term investor in search of both today's and tomorrow's leaders, we owe it to ourselves to understand this environment»* says Bernard Gautier.

Wendel uses the Lab to support companies that are in a development phase and that are growing exponentially, including many start-ups. Yext, founded in New York in 2006 and specialized in the management of online brands, is a perfect example. Sponsored by Innovation Endeavors, in which Wendel is an investor, Yext was listed on the New York Stock Exchange 12 years after it was founded, at a time when the number of companies listed on Wall Street is only half of what it was 20 years ago.



Stéphanie Besnier

Stéphanie Besnier, Managing Director and member of the Investment Committee, says that Wendel Lab is «*a precious tool for detecting the disruptive models that are emerging in many sectors of the economy. The Lab gives us access to several thousand start-ups which are analyzed and followed by the funds in which we invest. Thanks to Wendel Lab, we are better able to pinpoint the risks and opportunities of new business models when we analyze a proposed investment.*»

In the end, Wendel Lab serves many purposes, from observing industrial and technological change to seizing investment opportunities to meeting tomorrow's business leaders. All of these are right in line with Wendel's long-term philosophy.

€20-30M  
invested per fund



### • Bureau Veritas: 2018 Results

Bureau Veritas, the world second leader in inspection, certification and laboratory testing, published its 2018 annual results on February 28, 2019.

Revenue totaled €4,795.5 million in 2018, an increase of 2.3% compared with 2017 and of 7.0% at constant exchange rates. Organic revenue growth amounted to 4.0% in 2018, accelerating in H2, with 4.4% in the last quarter.

*«Bureau Veritas's 190<sup>th</sup> anniversary year was characterized by a further acceleration in growth and significant progress in the transformation of the group. The group has strengthened its resilience against swings in the business cycle. Bureau Veritas is now orienting itself more toward activities related to opex rather than capex expenditures and has a more balanced geographical footprint on three platforms: North and South America, Asia and Europe. Our growth potential was strengthened once again through six acquisitions that support the development of our strategic plan. Our acquisition pipeline will offer numerous future opportunities, while we maintain strict financial discipline,» said Didier Michaud-Daniel, Bureau Veritas's CEO.*

To learn more, please read the press release published on February 28, 2019 at [www.wendelgroup.com](http://www.wendelgroup.com)



### • Bureau Veritas and Microsoft join forces in artificial intelligence

On February 27, 2019, Bureau Veritas and Microsoft, leader in productivity services and platforms, signed a worldwide partnership. Their collaboration aims at developing artificial intelligence-based laboratory testing. With this partnership, Bureau Veritas also consolidates its technical approach, creating a data lab composed of AI experts so as to pursue the group's digital transformation goals.

This alliance is part of Bureau Veritas's strategic plan to make digital technologies a vector for supporting its growth initiatives. Thomas Daubigny, VP and Group Chief Digital Officer of Bureau Veritas, pointed out that under this agreement «we will better serve customers by making our testing more efficient, while optimizing the working conditions of our laboratory technicians.»

To learn more, please read the press release published on February 27, 2019 at [www.wendelgroup.com](http://www.wendelgroup.com)



## • Wendel to sell large stake in Allied Universal

Wendel announced it has entered into an agreement to sell approximately 40% of its equity stake, along with other existing shareholders, in Allied Universal, the leading security services provider in North America, to Caisse de dépôt et placement du Québec ("CDPQ") at an enterprise value of more than \$7 billion. Simultaneously, Allied Universal has entered into an agreement whereby CDPQ will provide up to approximately \$400 million to support the Company's growth strategy and acquisition plans.

Following the transaction, Wendel will retain an approximately 18% ownership stake in Allied Universal. *Pro forma* for the transaction, CDPQ will become the largest shareholder in Allied Universal. Wendel is expected to receive approximately \$350 million in cash proceeds as part of the transaction.

Following the transaction, Wendel will have received cash proceeds, including prior distributions, in excess of its total initial investment.

**To learn more, please read the press release published on February 20, 2019**

at [www.wendelgroup.com](http://www.wendelgroup.com)



## • Allied Universal acquires Securadyne Systems

Wendel welcomes the definitive agreement signed by Allied Universal to acquire Securadyne Systems, a security systems integration company based in Dallas, Texas with deal expected to close on April 15, 2019. This acquisition will combine a leading U.S. security services company with a technology solutions provider, which will serve as a platform for providing technology-enabled security solutions on a global scale.

Founded by CEO Carey Boethel in 2011 in partnership with Pamlico Capital, Securadyne Systems specializes in integrated security solutions by offering security consulting, design, engineering and installation. With revenues in excess of \$73 million and more than 300 employees, Securadyne has a branch network of more than 17 locations across the United States.

**To learn more, please read the press release published on April 8, 2019**

at [www.wendelgroup.com](http://www.wendelgroup.com)



Bruno Fritsch



Jérôme Richard

## • Two Operating Partners to strengthen the Wendel team

Bruno Fritsch, based in London starting in September, and Jérôme Richard, based in Paris, have been named Operating Partners, a newly-created investment team function. Reporting to the Executive Board, they will work closely with the senior managers of the Group's portfolio companies.

## • ***Inhabiting time with Lee Ufan***

The Centre Pompidou-Metz is presenting a retrospective of the work of Lee Ufan, tracing the South Korean artist's career over more than five decades.

The title of the exhibition, *Inhabiting time*, is not accidental. Lee Ufan's work is an invitation to slow down, step outside the world - with its endless influx of imagery and communication - and focus our attention on perception itself. A meditative pathway that may take as its starting-point a single, insignificant detail, or infinity itself.

As Ufan explains, «*It's not that the universe is infinite; it's that infinity is the universe.*»

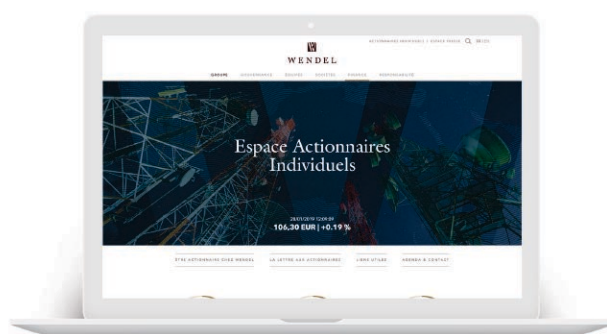
The exhibition runs until September 30, 2019.

**For more information, please visit the site of the Centre Pompidou-Metz**

[www.centrepompidou-metz.fr](http://www.centrepompidou-metz.fr)



Credits: Peinture à l'eau sur les pierres, 1998, Vallée Hakone © Lee Ufan Studio and all rights reserved



## **Your «Individual Shareholders» section gets a facelift**

Just as your «Letter to shareholders» has been redesigned, so has the menu of the «Individual Shareholders» section of our website, which is dedicated to you. Navigation has been simplified, the look and feel are more modern, and the content has been enriched. We want the site to be easy to use and to help you learn about us.

**Take a look at the new «Individual Shareholders» section of Wendel's website**

[www.wendelgroup.com/en](http://www.wendelgroup.com/en)

## • **Family Business: Strategic alliances between family-owned enterprises**

On March 28, the Wendel International Center for Family Enterprises held a round-table discussion in Wendel's Paris premises on the topic of strategic alliances between family-owned companies. During the event, corporate executives gave concrete examples of strategic alliances. For example, Yves Gonnord, Chairman of Fleury Michon's family holding company, presented the joint venture between his company and Beretta.

Olivier Mellerio, CEO of Interfinexa, Bertrand Louvet, general partner at Portulane / AEL Consultants, Yves Doz, Director of INSEAD's strategic alliances program, and Vincent Barbier and Sabine Matheson, Chairmen of the Lefebvre-Sarrut family holding companies, also took part in the discussion.

The Wendel International Center for Family Enterprise holds conferences, round-table discussions and other events throughout the year on topics related to family-owned enterprises in an effort to promote and support this business model.



**For more information, please visit  
the Center's website  
[www.insead.edu](http://www.insead.edu)**

## CSR NEWS



In 2018, 100% of companies had a Committee or Board of Directors including CSR topics.

*\* Fully consolidated*



# Save the date

## **ANNUAL SHAREHOLDERS' MEETING ON MAY 16, 2019**

Wendel's next Ordinary and Extraordinary Shareholders Meeting will be held on Thursday May 16, 2019 at 2 PM at the **Salle Wagram, 39-41 Avenue de Wagram, 75017 Paris (France)**.

Nicolas ver Hulst, appointed as Chairman of the Supervisory Board at last year's Meeting, will chair the event.

Shareholders who cannot be physically present at the Annual Meeting can watch a live webcast on Wendel's website.

For more information, please visit the website  
[www.wendelgroup.com/en](http://www.wendelgroup.com/en)



## **AGENDA**

**05.16.2019**

**2019 Annual General Meeting** / Publication of NAV as of March 31, 2019, and Q1 trading update (pre-market release).

**07.30.2019**

**Q2 2019** / Publication of NAV as of June 30, 2019, and trading update (post-market release).

**09.06.2019**

**2019 Half-Year consolidated financial statements** / Condensed Half-Year consolidated financial statements (pre-market release) – No NAV publication.

**11.07.2019**

**2019 Investor Day** / Publication of NAV as of September 30, 2019, and Q3 2019 trading update (pre-market release).

# THE SHAREHOLDER'S voice

## How to participate in Wendel's Shareholders' Meeting?

All shareholders whose shares are recorded in an account two days before the Shareholders' Meeting may attend the Meeting or be represented at the Meeting as explained below:

**You have several options. You can:**



attend the Shareholders' Meeting personally by requesting an admission card, then showing ID and proof that you are a shareholder on the day of the Meeting,



give a proxy:

- to the Chairman of the Meeting,
- to any other person or legal entity of your choice, whether that person/entity is a shareholder or not,



fill out and return the proxy voting form by post.

Note: Shareholders who have already cast their vote remotely, sent a proxy or requested an admission card for the Meeting may no longer change their method of participation.

**By participating and voting in the Shareholders' Meeting, you take part in the important decisions of the Company.**

If you would like further information, you can download the «Shareholder's Guide» brochure from the [Individual Shareholders section of Wendel's website](#).



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