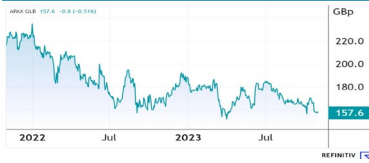


Closed End Investments


Source: Refinitiv

Market data (adj. for share split)

EPIC/TKR	APAX
Price (p)	157.6
12m high (p)	194.6
12m low (p)	151.7
Shares (m)	491
Mkt cap (£m)	774
Disc. to Jun £ adj. NAV (%)	-31
Free float	92%
Country/Ccy	UK/GBP
Currency of reporting	EUR
Market (main)	STMM

Description

Apax Global Alpha (AGA) has a global portfolio across four core sectors – Tech & Digital, Services, Healthcare and Internet/Consumer. 71% of the portfolio is private equity (PE) and 29% Derived Investments; the latter is held for liquidity and balance sheet robustness, and generates cash for the dividend. AGA targets an annualised net total NAV return across economic cycles of 12%-15% and a dividend yield of 5% of NAV. It has a Premium listing, and is a FTSE 250 constituent.

Company information

Chair	Tim Breedon
NEDs	Chris Ambler, Mike Bane, Stephanie Coxon, Susie Farnon
Inv. Adviser	Apax
Contact:	
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Key shareholders

Witan IT	6.2%
Berlinetta Limited	5.9%

Diary

9 Nov	3Q results
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Analyst

Mark Thomas
mt@hardmanandco.com

Disclosure: the relevant analyst is a shareholder in Apax Global Alpha.

APAX GLOBAL ALPHA (AGA)

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We reviewed AGA's recent *interim results* in our 25 September note, *Resilience in face of rising interest rates*. The results reconfirmed AGA's core strengths, notably i) Apax enhances the operational performance of the funds' investments – LTM revenue and EBITDA growth of 16.0% and 14.1%, respectively, are, we believe, ahead of the market, albeit slowing in 2Q, ii) a 24% uplift on exits, proving conservative accounting and that the NAV is realistic, iii) a 2.4% NAV return, with the five-year 12.4% annualised return, and iv) the Debt portfolio proved its worth, with diversified, more stable returns, and generating cash to pay the dividend. We expect the 9 November 3Q results to show similar resilience, albeit somewhat slower revenue and EBITDA growth.

- ▶ **New Chair designate:** On 2 October Apax announced the appointment of Karl Sternberg as a non-executive Director and a member of its audit committee, with effect from 1 March 2024. It is intended that he become Chairman of Apax Global Alpha in 2H'24, allowing for an appropriate handover period.
- ▶ **Investment in Bazooka Candy Brands:** On a look-through basis AGA is investing ca.€16.6m in this company, which is a top-10 manufacturer in the non-chocolate confectionary category and holds a leading share position in 'front of store sales', a coveted, high-margin segment for retailers. 80% of sales are US.
- ▶ **Valuation:** Listed holdings and debt mean that ca.25% of Apax's portfolio is marked to market. Adjusting for the debt portfolio at par, AGA's discount to NAV (31%) rises to 45%, well above the peers' range (22%-39%) on its PE portfolio alone. The NAV appears resilient, making the discount absolutely and relatively anomalous.
- ▶ **Risks:** Sentiment to costs, the cycle, valuation and over-commitment are sector issues. Residual positions in highly rated stocks, following 2020-21 IPOs, saw exposures to underperforming 2022 names, recognising that value was extracted on the IPOs. The Debt portfolio generates income towards dividends, and has liquidity/capital benefits, but complicates the story.
- ▶ **Investment summary:** Apax has delivered market-beating returns by selecting businesses that it can transform post-acquisition. Buying these companies at a discount to peers (ca.20%), accelerating their revenue growth and improving their margins, and then selling the reinvigorated business at a premium to those same peers (ca.10% premium), is the playbook that has been repeated again and again. Investments are focused in sectors with structural growth and resilience. Capital flexibility is enhanced by the Debt portfolio. The discount is the "icing on the cake".

Financial summary and valuation

Year-end Dec (€000)	2020	2021	2022	2023E	2024E
Investment income	18,106	26,853	24,476	36,021	38,383
Fin. assets/liab. net gains	153,518	336,123	(125,803)	198,592	185,691
Total expenses	(5,262)	(14,879)	(6,531)	(11,392)	(10,276)
Pre-tax	162,092	345,127	(109,806)	220,621	211,198
PE invest. (€m)	788	1,014	877	1,084	1,216
Derived invest. (€m)	319	336	364	344	348
Cash (€m)	125	108	68	23	22
NAV (€m)	1,201	1,490	1,299	1,452	1,611
NAV per share (€)*	2.19	2.54	2.34	2.53	2.77
S/P prem./disc. (-) to NAV	-12%	-11%	-19%	-33%	-39%
Dividend p/sh (p)	10.2	12.3	11.8	13.9	15.5
Dividend yield	6.4%	7.8%	7.5%	8.8%	9.2%

*2023-24E NAV converted at £1: €1.17, 2020-22 actual NAV and share price

Source: Hardman & Co Research