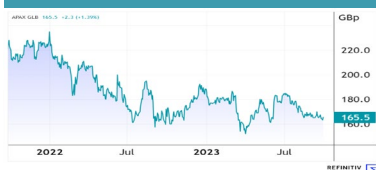


Closed End Investments



Source: Refinitiv

Market data (adj. for share split)

| | |
|-----------------------------|-------------|
| EPIC/TKR | APAX |
| Price (p) | 164.0 |
| 12m high (p) | 194.6 |
| 12m low (p) | 151.7 |
| Shares (m) | 491 |
| Mkt cap (£m) | 805 |
| Disc. to Jun £ adj. NAV (%) | -28 |
| 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: | |
| | investor.relations@apaxglobalalpha.com |
| | +44 (0)207 666 6526 |
| | www.apaxglobalalpha.com |

Key shareholders

| | |
|--------------------|------|
| Witan IT | 6.2% |
| Berlinetta Limited | 5.9% |

Diary

| | |
|-------|------------|
| 2 Nov | 3Q results |
|-------|------------|

Analyst

| | |
|-------------|--|
| Mark Thomas | mt@hardmanandco.com |
|-------------|--|

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

APAX GLOBAL ALPHA (AGA)

THE INFORMATION CONTAINED IN THIS REPORT IS RESTRICTED AND IS NOT FOR PUBLICATION, RELEASE OR DISTRIBUTION IN THE UNITED STATES OF AMERICA, CANADA, JAPAN, AUSTRALIA, THE REPUBLIC OF SOUTH AFRICA, HONG KONG, SINGAPORE, OR THE EUROPEAN ECONOMIC AREA (with the exception of the Netherlands, Luxembourg, Belgium, Denmark, Sweden and Ireland and then only to professional investors in each such jurisdiction) OR ANY OTHER JURISDICTION WHERE ITS RELEASE, PUBLICATION OR DISTRIBUTION IS OR MAY BE UNLAWFUL.

We reviewed AGA's recent *interim results* in our note, *Resilience in face of rising interest rates* published 25 September. 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. Despite rising interest rates, the investee companies, Apax Funds and the trust itself have shown great resilience.

- ▶ **Successful strategy:** Apax's strategy of "mining hidden gems", focusing on chosen high-quality subsectors, identifying companies within that space that have the potential to improve and then executing operational improvements, has delivered positive returns and cash generation, despite challenging markets.
- ▶ **Interest rate sensitivity:** Investee companies' gearing is below-average (4.4x, vs. PE industry average 6x-7x), their strong cash generation has reduced leverage in 1H'23 (4.4x EBITDA, vs. 4.8x end-2022), 75% of debt is fixed and swaps mainly mature post mid-2024. Our note detailed the trust's and PE sensitivities.
- ▶ **Valuation:** Listed holdings and Derived 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 (27%) rises to 40%, well above the peers' range (17%-31%) 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 Derived Investments 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% | -31% | -36% |
| Dividend p/sh (p) | 10.2 | 12.3 | 11.8 | 13.9 | 15.5 |
| Dividend yield | 6.2% | 7.5% | 7.2% | 8.5% | 8.8% |

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

Source: Hardman & Co Research