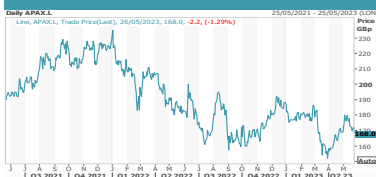


Closed End Investments



Source: Refinitiv

Market data (adj. for share split)

EPIC/TKR	APAX
Price (p)	172.4
12m high (p)	203.0
12m low (p)	151.7
Shares (m)	491
Mkt cap (£m)	847
Discount to Mar £ NAV (%)	-25%
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. 69% 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 (31 May'22)

Berlinetta Limited	5.9%
Witan IT	5.7%

Diary

3pm, 27 Jun	CM presentation
-------------	-----------------

Analyst

Mark Thomas	+44 (0)203 693 7075
	mt@hardmanandco.com

Disclosure note: 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THE INFORMATION CONTAINED IN THIS REPORT IS RESTRICTED AND IS NOT FOR PUBLICATION, RELEASE OR DISTRIBUTION IN THE UNITED STATES OF AMERICA, CANADA, JAPAN, AUSTRALIA, THE REPUBLIC OF SOUTH AFRICA, HONG KONG, SINGAPORE, OR THE EUROPEAN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.

In our note, *Outperformance by adding value to companies*, we highlighted AGA's core strengths. These have continued into 1Q'23 where the quarterly *announcement and presentation* highlighted i) continued good operating performance across the portfolio with LTM EBITDA growth of 15.6%, despite the challenging and volatile market backdrop, ii) the largest driver of total NAV return continues to be earnings growth from the PE portfolio companies, partly offset by currency headwinds, iii) two new investments and two exits in the period at an average uplift of 25%, giving confidence in the realism of the current NAV, and iv) the Derived Debt portfolio delivered a total return of 2.8% in the quarter. AGA's CM day is on 27 June at 3pm.

- ▶ **Outperformance is driven by:** i) long-term compounding returns from chosen PE investments sectors, ii) diversification by sector, geography, and vintage, iii) investment strategy well suited to generate alpha by identifying under-optimised businesses and adding value to them post-acquisition.
- ▶ **Other 1Q'23 highlights:** i) the EV/EBITDA ratio was 17.0x (end'22 17.2x), in line with the underlying average for 2017-21 (the resulting PEG ratio is just 1.1x); ii) the dividend yield of 6.9% makes AGA attractive, we believe, to both capital and income funds; iii) the debt/EBITDA ratio was 4.7x; and iv) over-commitment remains modest.
- ▶ **Valuation:** Listed holdings and Derived Investments mean that ca.40% of Apax's portfolio is marked to market. Adjusting for the debt portfolio at par, AGA's discount to NAV of 25% rises to 39%, giving a PE portfolio well above that of its direct peers (18%-34%). The NAV appears resilient to slowdowns. The 2023E yield is 8.1%.
- ▶ **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 over 20% below peer ratings, accelerating their revenue growth and improving their margins, and then selling the reinvigorated businesses at a 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 Derived Investments 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	2.61	2.85
S/P prem./disc. (-) to NAV	-12%	-11%	-19%	-34%	-40%
Dividend p/sh (p)	10.2	12.3	11.8	13.9	15.5
Dividend yield	5.9%	7.2%	6.9%	8.1%	9.0%

*2023-24 NAV converted at £1: €1.13, 2020-22 actual NAV and share price. Source: Hardman & Co Research