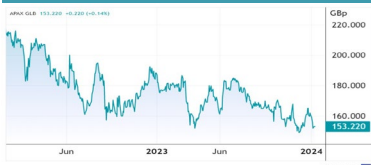


Closed End Investments



Source: Refinitiv

Market data (adj. for share split)

EPIC/TKR	APAX
Price (p)	153.0
12m high (p)	189.2
12m low (p)	147.2
Shares (m)	491
Mkt cap (£m)	751
Disc. to Sep £ 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. 74% of the portfolio is private equity (PE) and 25% debt 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

5 Mar	FY 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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Our 23 Nov report, *“Hidden Gems” strategy: green shoots into live deals*, noted that, in our view, the most interesting news from AGA’s *3Q results* was the comment “a further five investments post quarter end” with a further one announced since. This performance compares with two investments in 2Q. Market wide, there are green shoots of activity, but Apax is now completing deals. We explored in the note what is unique about the “Hidden Gems” strategy and why it is creating these opportunities. The deals have a broad range of EBITDA growth options, giving comfort that unchanged target returns remain realistic despite the higher interest rate environment.

- ▶ **Successful strategy:** In our view, Apax’s recent new investment acceleration has been materially driven by its unique position and strategy. Focus is on improving the operational performance of investments, the mid-market, secular-growth, resilient sectors, and exploiting its scale, experience, brand and global offices.
- ▶ **Investment in Petvisor:** On 15 November, AGA announced that, on a look-through basis, AGA is investing ca.€3.2m in this company, which is a best-in-class veterinary and pet services business management and client engagement software platform with more than 10k veterinary clinic clients.
- ▶ **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 41%, well above the peers’ range (13%-30%) 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%	-37%	-42%
Dividend p/sh (p)	10.2	12.3	11.8	13.9	15.5
Dividend yield	6.6%	8.1%	7.7%	9.1%	9.5%

*2023-24E NAV converted at £1: €1.15, 2020-22 actual NAV and share price

Source: Hardman & Co Research