

### Closed End Investments



Source: LSEG

### Market data (adj. for share split)

|                             |              |
|-----------------------------|--------------|
| EPIC/TKR                    | <b>APAX</b>  |
| Price (p)                   | <b>155.4</b> |
| 12m high (p)                | 189.2        |
| 12m low (p)                 | 147.2        |
| Shares (m)                  | 491          |
| Mkt cap (£m)                | 763          |
| Disc. to Sep £ adj. NAV (%) | -30          |
| 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 investment; 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,<br>Mike Bane,<br>Stephanie Coxon,<br>Susie Farnon   |
| Inv. Adviser | Apax  |
| Contact      | <a href="mailto:investor.relations@apaxglobalalpha.com">investor.relations@apaxglobalalpha.com</a><br>+44 (0)207 666 6526<br><a href="http://www.apaxglobalalpha.com">www.apaxglobalalpha.com</a> |

### Key shareholders

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

### Diary

|          |            |
|----------|------------|
| 5 Mar'24 | FY results |
| 1 May'24 | AGM        |

### Analyst

Mark Thomas [mt@hardmanandco.com](mailto:mt@hardmanandco.com)

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

## APAX GLOBAL ALPHA (AGA)

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Our recent 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” (ca.3x the run rate of 2Q). Market-wide, there are green shoots of activity, but Apax is completing deals. The acquisitions have a broad range of EBITDA growth options, giving comfort that unchanged target returns remain realistic despite higher interest costs. We expect FY'23 results, due on 5 March, to report how investee company EBITDA will be grown to continue the record of through-cycle outperformance.

- ▶ **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.
- ▶ **Results preview:** Recent peer announcements means we expect a modest valuation increase in 4Q to £2.34. We expect continued activity. We would characterise the outturn as robust and solid in marked contrast to the weak performance implied by the NAV discount.
- ▶ **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 (30%) rises to 39%, 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 overcommitment 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  | 37,322   |
| Fin. assets/liab. net gains | 153,518 | 336,123  | (125,803) | 86,884  | 171,895  |
| Total expenses              | (5,262) | (14,879) | (6,531)   | (5,807) | (10,011) |
| Pre-tax                     | 162,092 | 345,127  | (109,806) | 114,499 | 196,606  |
| PE invest. (€m)             | 788     | 1,014    | 877       | 978     | 1,096    |
| Derived invest. (€m)        | 319     | 336      | 364       | 344     | 348      |
| Cash (€m)                   | 125     | 108      | 68        | 23      | 27       |
| NAV (€m)                    | 1,201   | 1,490    | 1,299     | 1,345   | 1,611    |
| NAV per share (€)*          | 2.19    | 2.54     | 2.34      | 2.34    | 2.56     |
| S/P prem./disc. (-) to NAV  | -12%    | -11%     | -19%      | -34%    | -39%     |
| Dividend p/sh (p)           | 10.2    | 12.3     | 11.8      | 13.9    | 14.4     |
| Dividend yield              | 6.5%    | 7.9%     | 7.6%      | 8.9%    | 9.3%     |

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

Source: Hardman & Co Research