

Closed End Investments



Source: Refinitiv

Market data (adj. for share split)

EPIC/TKR	APAX
Price (p)	155.0
12m high (p)	189.0
12m low (p)	147.2
Shares (m)	491
Mkt cap (£m)	761
Disc. to Dec E £ adj. NAV (%)	-32
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	Karl Sternberg Chris Ambler, Mike Bane, Stephanie Coxon, Susie Farnon
Inv. Adviser	Apax
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Key shareholders

Witan IT	6.2%
Berlinetta Limited	5.9%

Diary

5 Mar	FY results
1 May	AGM

Analyst

Mark Thomas mt@hardmanandco.com

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

APAX GLOBAL ALPHA (AGA)

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AGA reported its NAV, along with the performance of the APAX funds, on **8 February**. The estimated adjusted NAV (31 December 2023) was ca.€1,288m (FY'22 ca.€1,299m) or €2.62/£2.27 per share. Over the year, income from the portfolio and gains were largely offset by ca.€65m paid in dividends and the impact of FX due to the EUR strengthening against the USD. The FY'23 total adjusted NAV return was 4.1% (6.1% constant currency) with 4Q total return of 1.9% (4.5% constant currency). The 4Q acceleration is encouraging, and in line with the trends in our note, "**Hidden Gems**" strategy: **green shoots into live deals**". The detailed results due are on 5 March.

- ▶ **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.
- ▶ **WGSN acquisition:** AGA announced on 2 February it was investing, on a look-through basis, ca.€21.5m in WGSN, the consumer trend forecaster. Revenue growth, pre-acquisition was 8% CAGR 2016-22. APAX's experience in the data and information space, should help enhance and expand the product range.
- ▶ **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 (32%) 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 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	36,756
Fin. assets/liab. net gains	153,518	336,123	(125,803)	27,306	164,537
Total expenses	(5,262)	(14,879)	(6,531)	(2,828)	(9,869)
Pre-tax	162,092	345,127	(109,806)	57,900	188,824
PE invest. (€m)	788	1,014	877	921	1,032
Derived invest. (€m)	319	336	364	344	348
Cash (€m)	125	108	68	23	29
NAV (€m)	1,201	1,490	1,299	1,289	1,611
NAV per share (€)*	2.19	2.54	2.34	2.27	2.48
S/P prem./disc. (-) to NAV	-12%	-11%	-19%	-32%	-38%
Dividend p/sh (p)	10.2	12.3	11.8	13.9	14.4
Dividend yield	6.5%	8.0%	7.6%	9.0%	8.9%

*2023-24E NAV converted at £1: €1.156, 2020-22 actual NAV and share price

Source: Hardman & Co Research