HARDMAN&CO.

APAX GLOBAL ALPHA

Jam yesterday, and tomorrow, but not today

AGA was transparent in that 2024 was a below-average year for the company, with a total NAV return of 0.8% (-3.0% constant currency, including a 4Q total NAV return of 2.6% (-1.8% cc). By comparison, the five-year total NAV CAGR return was 8.3%. Problems in healthcare (no longer a core sector), and one portfolio company in particular, meant the strong average investee company EBITDA growth did not fuel NAV growth. However, the detail in the results bodes well, with i) investee companies delivering mid-teens EBITDA growth, and ii) the stock of 2025 exit-able businesses rising at a time of increased demand (potential exit uplifts). Long-term returns should be helped by accelerating new investment.

- **Jam 2025-26:** In our view, near-term growth in NAV will be fuelled by operational performance and a return to more normal exit activity, with the associated uplifts on exit. The drags seen in 2024 from problems at one investee company, cyclically sensitive stocks, and below normal exits should moderate.

- **Jam beyond that:** Our previous notes detail how Apax's hidden gems strategy leads to investment in companies generating superior, long-term, through-cycle, EBITDA growth. Investment in 2024 (€166m) is nearly twice 2023 and calls of €205m are expected in 2025, building a deep, broad pool for value creation.

- **Valuation:** AGA's discount to NAV (43%) is above that of peers (discount range 8%-32%). Apax Funds continue to see exit uplifts and the NAV is resilient to economic downturns, which, combined with the value creation through Apax's hidden gems strategy, make the discount absolutely and relatively anomalous.

- **Risks:** Sentiment to costs, the cycle, valuation and over-commitment are sector issues. Residual risk on the listed positions is just 2% of NAV. The Debt portfolio generates additional returns and income towards dividends, and has liquidity/capital benefits, but complicates the story.

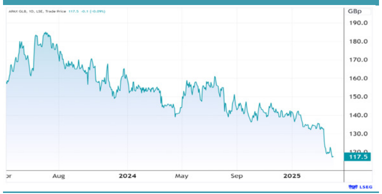
- **Investment summary:** Apax has delivered long-term market-beating returns by selecting businesses that it can transform post-acquisition. Buying these companies at a discount to peers (24%), accelerating their EBITDA growth and improving their margins, and then selling the reinvigorated business at a premium to those same peers (8% premium), is the playbook; Apax's "mining the hidden gems" strategy, 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)	2022	2023	2024	2025E	2026E
Investment income	24,476	37,545	26,286	25,368	24,224
Net gains on fin. assets/liabs. at FVTPL	(125,803)	32,198	(6,536)	153,214	168,454
Total expenses	(6,531)	(13,267)	(8,374)	(8,330)	(8,560)
Pre-tax profit	(109,806)	53,651	7,560	166,294	180,160
PE invest. (€m)	877	891	979	1,135	1,259
Debt investments (€m)	364	310	200	161	147
Cash (€m)	68	101	46	18	10
NAV (€m)	1,299	1,294	1,227	1,319	1,421
NAV per share (£)*	2.34	2.27	2.08	2.27	2.49
S/P prem./disc. (-) to NAV	-19%	-32%	-35%	-48%	-53%
Dividend p/sh (p)	11.8	11.3	11.0	11.0	11.0
Dividend yield	10.1%	9.6%	9.4%	9.4%	9.4%

**2024-25E NAV converted at £1:€1.20, 2022-23 adjusted NAV; Source: Hardman & Co Research*

Closed-ended investments



Source: LSEG, 2025

Market data

EPIC/TKR	**APAX**
Price (p)	**117.6**
12m high (p)	161
12m low (p)	132
Shares (m)	486.0
Mkt cap (£m)	572
Disc. to £ Dec'24 NAV (%)	-43
Free float	92%
Country/Ccy	UK/GBP
Currency of reporting	Euro
Market (main)	STMM

Description

Apax Global Alpha (AGA) has a global portfolio across three core sectors – Tech, Services, and Internet/ Consumer. 83% of the portfolio is private equity (PE) and 17% 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% including a dividend of 11p. It is a FTSE 250 constituent.

Company information

Chair	Karl Sternberg,
NEDs	Mike Bane, Stephanie Coxon, Alex Denny Susie Farnon
Inv. Adviser	Apax
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Key shareholders (31 Dec'24)

Berlinetta Limited	5.9%
Alliance Witan	5.4%
Nico Hansen	5.0%

Diary

May'25	1Q'25 results

Analyst

Mark Thomas mt@hardmanandco.com

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

Apax Global Alpha disclaimer

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You also agree that you will not acquire or hold any shares of the Company with the assets of (i) an "employee benefit plan" as defined in Section 3(3) of the US Employee Retirement Income Security Act of 1974, as amended ("ERISA"), that is subject to Title I of ERISA; (ii) a "plan" as defined in Section 4975 of the US Internal Revenue Code of 1986, as amended (the "US Tax Code"), including an individual retirement account ("IRA") or other arrangement, that is subject to Section 4975 of the US Tax Code; (iii) an entity which is deemed to hold the assets of any of the foregoing types of plans, accounts or arrangements that are subject to Title I of ERISA or Section 4975 of the US Tax Code; or (iv) a plan, fund or other program that provides for retirement income, a deferral of income in contemplation of retirement or payments to be made upon termination of employment (including for example, a governmental, church, non-US or other employee benefit plan) that is subject to any federal, state, local or non-US law or regulation that is substantially similar to the fiduciary responsibility or prohibited transaction provisions of Title I of ERISA or Section 4975 of the US Tax Code (collectively, "Similar Laws"), and whose purchase, holding, or disposition of the shares (a) could subject the Company (and Persons responsible for the investment of the Company's assets) to any applicable Similar Law or (b) would constitute or result in a violation of any applicable Similar Law (each of the plans, accounts, funds, programs and arrangements described in clauses (i), (ii), (iii) and (iv) are referred herein to as "Plans").

Please read our full disclaimer, which is contained at the end of this report.

2024 results – headline numbers

Small fall in NAV, driven by one private investment, listed holdings and payment of dividend

AGA's net asset value (NAV) was €1,227m (FY'23 comparable adjusted NAV €1,288m) at 31 December 2024, equivalent to an NAV per share of €2.51/£2.08. Movement in NAV was mainly driven by a decrease in the Private Equity portfolio NAV and the dividend payment to shareholders of ca.€64m. The total NAV return was 0.8% (-3.0% constant currency), with estimated 4Q total NAV return of 2.6% (-1.8% constant currency). Performance in 2024 reflects the three ongoing core sectors of Tech, Services, and Internet/Consumer generating positive contributions, but the remaining retail and healthcare investments were a drag on performance.

Increased exits agreed and new investments

AGA will have deployed €166m on a look-through basis across nine new Private Equity investments signed or closed in the year. The Private Equity portfolio also saw nine realisations in the year, including the signed exit of Assured Partners, which is expected to close in 2025. Excluding the writedown and exit of Vyaire, these realisations were at an average gross Multiple on Invested Capital (MOIC) of 2.6x (1.6x gross MOIC inclusive of Vyaire). The take-private of Paycor was announced post period-end (forecast gross MOIC of 3.3x for the Apax Funds upon close).

PE portfolio average EBITDA growth of 14.1% and revenue growth of 8.9%

Portfolio companies reported 14.1% EBITDA growth for the past 12 months (FY'23 16.5%).[1] The organic LTM EBITDA growth was 10.8% against 12.2% at end-2023. Average revenue growth was 8.9% (2023: 11.5%). The EV/EBITDA valuation multiples rose slightly (17.8x end-2024 vs. 17.1x end-1H'24, and 16.6x end-2023) with rising listed comparables. Net debt/EBITDA was 4.5x vs. 4.4x at end-2023, well below market average levels.

Debt Investments delivered total return of 7.5% (13.2% excluding Vyaire)

The Debt portfolio, a unique feature of AGA, achieved a total return of 7.5% (2.9% constant currency). Excluding the impact of Vyaire, the Debt portfolio would have achieved a total return of 13.2% (8.7% constant currency). The yield to maturity at end-2024 was 10.1%, with an income yield of 8.3% (end-2023: 12.0% and 10.4%, respectively). This portfolio reduces cash drag effects, enhances the robustness of AGA's balance sheet, generates additional returns, and provides a steady flow of income to support dividends.

Healthy balance sheet

Net cash (€46m), the undrawn revolving credit facility (€250m), and capital invested in Debt Investments/Derived Equity (€200m), leaves AGA with resources of nearly €500m, against commitments – which may be drawn over five years – of €837m. The Apax Funds use bridging debt facilities, so the visibility of likely calls is good and just €205m is expected to be called in 2025 (2.4x covered by liquid resources).

11p total dividend, representing a dividend yield of 9.4%

A final dividend of 5.5p was declared, in line with AGA's dividend policy of distributing 11p p.a. With the buyback programme, €69m was returned to shareholders in 2025.

PE 83% of portfolio, Debt Investments 17%

AGA's invested portfolio was 83% in PE (31 December 2023: 74%), 17% in Debt Investments (25%), and just 0.4% in Derived Equity positions. The reduction in Debt Investments proves the liquidity benefits from this unique strategic positioning.

Performance fee now to be settled in cash not shares – removes need to have adjusted NAV metric

To improve transparency, and reduce reliance on alternative performance metrics, the board changed the performance fee settlement from shares in AGA to cash. In our view, it is important to note that this change was driven by the trust's independent board, and was made after investor consultation, and not at the manager's instigation.

[1] FY'23 restated from 18.0% to 16.5% with reweighting based on investments stated on a gross basis, without accounting for the impact of the holdco facility. For a summary of restatements please refer to page 119 of the 2024 Report and Accounts.

Key themes

1. Jam yesterday

AGA has seen NAV volatility with:

- well-above-average realisations when markets were high in 2020-21 and below-average ones in subsequent years; and
- locked-in holdings exposed to listed market volatility

One of the major issues to have an impact on AGA has been the realisation opportunities taken by Apax in 2020-22 markets, when many of its companies attracted very high rating multiples in public markets. Apax was unusual in the extent to which it took advantage of these opportunities to do exits in this period: while peers were investing at peaks, the Apax Funds, in contrast, reported net distributions of $7bn, compared with the overall market, which saw net drawdowns of $124bn.

Apax taking profits in this period has, in more recent years, had multiple effects on the following:

- It brought forward the uplifts on exit, and therefore the NAV growth, into 2020-21 (deals announced in 2021 were included in that year's NAV, even if completion was in 2022) from 2022-24. The latter years, as a result, were below "normal" levels due to a relatively low proportion of the portfolio left in the harvesting stage and likely to achieve an optimal price on exit (with the associated uplift). In a nutshell, the stock of exit-able businesses had to be replenished.

- As is normal in an IPO process, the residual holdings in the listed entity create an exposure to public market rating beyond management control. As the ratings applied to many of its companies fell, there was a negative drag on the NAV. While Apax may be congratulated for selling part of the stake at peak, the residual holdings have proved painful. Since the end of 2021, listed holdings have reduced the NAV by €211.5m, or 17%, or nearly 6% p.a. The exposure to listed vehicles is now just 2% of NAV, limiting this risk.

- There is an impact on cashflow. Apax Fund IX reached its "catch-up" phase quickly. We discussed this detail on page 6 of our recent note *AGA passed inflexion point with deal activity rising*. In summary, while catch-up does not affect AGA's NAV, it does mean that the managers accrue all the cash return, because they are catching up for the accrued preferred return, when they were paid nothing. This was visible in 2024 when cash distributions fell despite a rise in exit activity.

While taking the opportunities available in positive markets (MOIC 3x on the listed holding exits), it has created significant distortions to annual returns. It is difficult to criticise management for taking such opportunities and, in our view, investors should focus on the long-term value creation.

2. Jam 2025-26

Acceleration in exit activity in 2024

As noted above, in 2024, the Apax Funds saw an increased pace of exits. Excluding the writedown and exit of Vyaire, these realisations were at an average gross MOIC of 2.6x (1.6x gross MOIC inclusive of Vyaire). The average uplift on exit was lower than usual, distorted by a single exit where the GP (Apax was co-investor) decided to take a lower, particular strategic buyer's offer rather than hold out for an expected, potentially higher-valuation, IPO at an unknown later date.

AGA saw net cash inflows every year 2018-23 and we expect this again in 2026

The detail, and management commentary, in the 2024 results bodes well for further expansion in exit activity in 2025. In 2024, calls exceeded distributions by €93m, but this included a period of catch-up for Apax Fund IX. Going forward, we expect 2025 to see a more matched cashflow and 2026 to see net inflows (as were seen every year 2018-23).

Positive momentum

Looking forward, the key drivers to the 2024 momentum appear likely to continue into 2025. As we detail below, AGA has a greater proportion of mature businesses that are now ready for sale, just at the time when demand in its core sectors appears robust. The latter reflects dry powder in funds waiting to be deployed, good availability of finance (significantly from large private credit funds dedicated to PE), and a more stable, if not falling, interest rate environment. Clearly, there remain significant uncertainties with both upside and downside potential. Management indicates that the nature of its investments means that only a small percentage of investee companies could be affected by tariffs, although the duration, impact and effectiveness of re-pricing and re-location mitigation actions are unclear.

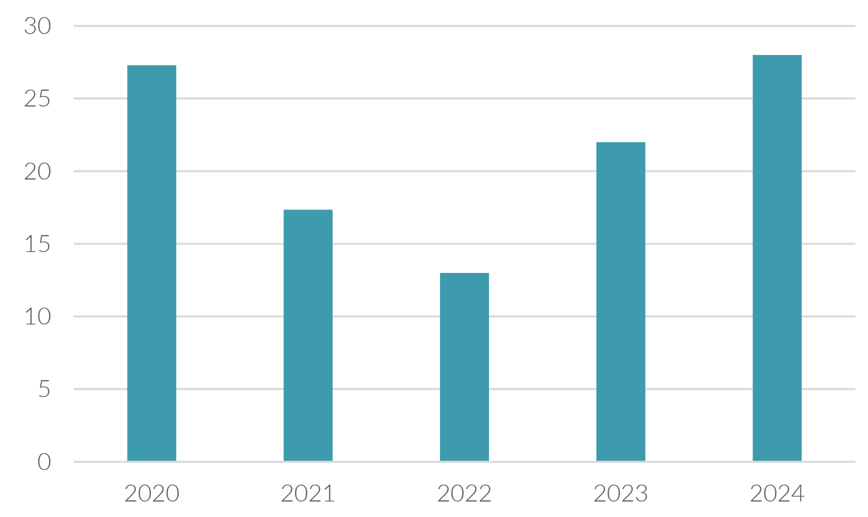
We discussed the benefits of rising exits in our note, AGA passed inflexion point with deal activity rising, published 30 January 2025. *Inter alia*, we note i) conservative accounting means the full value added by Apax is only visible on exit, and ii) sentiment to PE market has been adverse for some time. We believe further rising investment and exit activity may be the trigger for this to change.

Rising stock of exit-able businesses

Nearly 2x proportion of book in harvesting stage vs. end-2021. Exit uplifts have continued, so more sales will help drive NAV growth.

Looking forward, and despite the rapidly growing new investment in Apax Fund XI, the stock of exit-able businesses has been re-build with nearly 2x the proportion of the book in harvesting phase, as at end-2021. We believe exit uplifts will continue, and this means that increased sales activity feeds directly into growth in the NAV.

PE portfolio (%) in harvesting phase



Source: AGA Report and Accounts, Hardman & Co Research

3. Jam beyond 2026

We see two key drivers to generating longer-term trends: i) continued operational outperformance by investee companies, continuing a long-term, through-cycle

2024 investee company average EBITDA growth mid-teens. Margins widened, reflecting Apax value added.

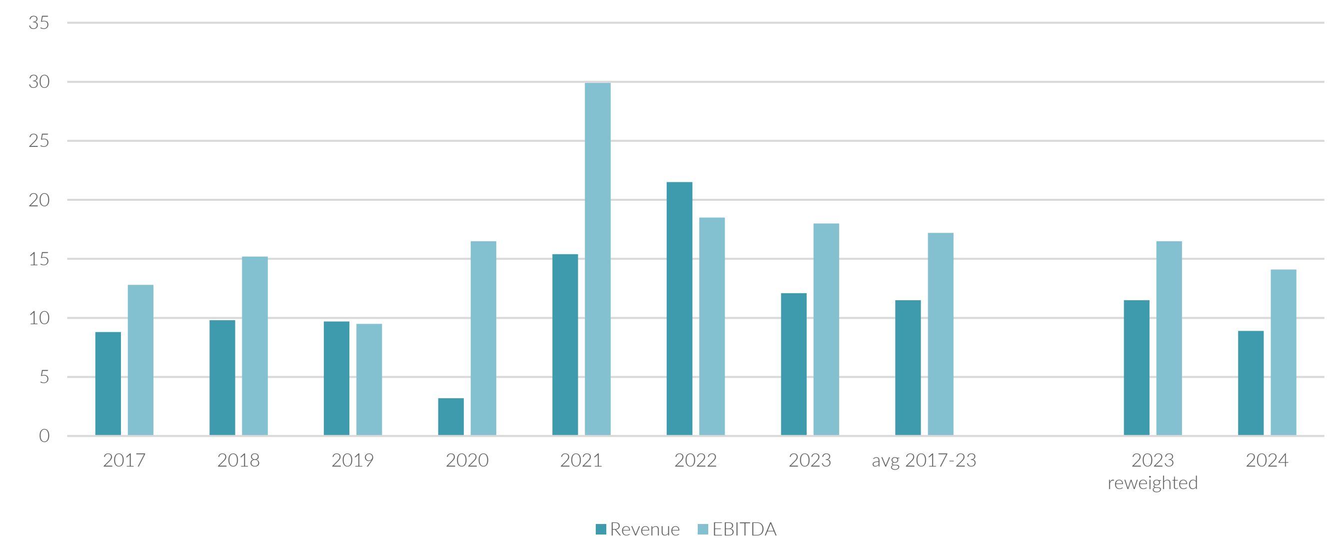
record of superior EBITDA growth; and, ii) the pace at which Apax refills the barrel of investments. 2024, and indications for 2025, are very positive for both.

Continued operational outperformance

2024 reported EBITDA growth was in the mid-teens and organic growth in the low double-digits. This was slightly down on FY'23, attributed, by Apax, to the healthcare, retail and a limited number of cyclical businesses. As we have highlighted in previous reports, one way PE is expecting to maintain IRR targets in a higher-rate environment is through more accretive M&A, so a growing gap between organic and total EBITDA growth is to be expected.

2024 EBITDA growth was 5.2% ahead of revenue growth, continuing a long-term trend. The chart below shows margins widening in all periods, except 2022 (a five-year average of 5.7% on the non-reweighted, published numbers). While, in a lower-inflation environment, revenue growth has slowed from the prior year (2024: 8.9% vs. 11.5% in FY'23), the long-term, value-added, operational improvements that Apax makes to its investee companies have continued, unaffected by market-wide conditions.

Underlying average EBITDA and revenue growth rate in PE portfolio (%)



Note: the calculation methodology changed in 2024 with 2023 EBITDA growth reduced from 18% to 16.5% (for a summary of restatements please refer to page 119 of the 2024 Report and Accounts). While we would expect a similar shaving from prior years, we believe the business messages of market-beating revenue and EBITDA growth and widening margins remains robust.
Source: AGA Report and Accounts, Hardman & Co Research

Over the long term, during tenure of Apax Funds' ownership, annual revenue growth accelerates by an average 8%, EBITDA by 15%, and margins improve by 8%

Benefits then compounded by higher growth

In our initiation, *Making pearls out of oysters,* published on 13 January 2023, we highlighted that long-term NAV outperformance was driven by Apax first selecting businesses that it can transform post-acquisition, and then transforming them. Apax improves these businesses by i) enhancing revenue growth (up an average 700bps) with customer segmentation, new market expansion and digital marketing, and ii) improving efficiency using cloud technology, acquisitions and digitalisation. Apax also brings strategic options, such as finance and expertise in M&A, which are not available to standalone entities. The bottom line is that, on average, over the long term, during the Apax Funds' ownership, investee company EBITDA growth accelerates by 1,500+bps and margins improve by 700bps, making them more valuable, and justifying a higher multiple on exit than on acquisition.

Key message: despite rising interest rates, Apax's targets remain unchanged

While revenue and EBITDA growth are important, bottom-line earnings are also sensitive to the interest environment. We discussed AGA's sensitivity in great detail in our note, *Resilience in face of rising interest rates,* published on 25 September 2023. In summary, the rising and high-interest-rate environment changes multiple aspects of PE's business, *inter alia*, the effect on investee companies' overall PE activity, including exits, and the potential returns to debt and equity holders. Our key takeaways are i) AGA's underlying company leverage is less than that of the PE market as a whole (unsurprising, given Apax's conservative culture and tilt towards smaller/mid-sized buyouts, which use less leverage), ii) exit activity slowed for a period, but the value creation in the underlying companies remains strong and ongoing, and deal activity accelerated in 2024, and iii) AGA has not changed its through-cycle returns target (12%-15%), and has a number of tools to compensate for any incremental financing cost. It is also worth noting that treasury management is a core PE competency (and often an incremental value-add to investee companies), with a long duration of debt maturities and interest typically fixed for two to three years.

New investment important driver to long-term returns

Accelerating pace

Investment has been accelerating…

In our view, the long-term returns to investors will be driven not only by the compounding growth of investee companies but also by how much is actually invested. The pace of investment has already accelerated and is expected to grow further in 2025. We noted earlier the value of announced deals in 2024 was nearly double 2023. Looking at the trust's statutory cashflow, the actual capital calls rose 72% from €90m to €155m, and the expected 2025 calls (€205m) are up a further third on 2024. Assuming this outcome, in 2025, calls will be 2.3x the level of 2023.

Focus

…with an increasingly tight focus

We note that Apax has been refocusing the portfolio into the areas where it sees the hidden gem strategy adding the most value. In practice, this has meant:

- ceasing investments in sectors where the opportunities are no longer available – retail (2017), healthcare (2024); residual healthcare is now 5% of the portfolio;
- no new debt investments in companies where there is a private equity holding (reducing the Vyaire-type risk of loss in both portfolios); and
- reduced exposure to listed holdings (2% NAV vs. 25% at peak, end-2023: 10%).

Apax XI

Performance and immediate deal synergies mean Apax XI already marked at 1.3x cost

The vast majority of new investment will be made in Apax XI, to which AGA's commitment is €198.4m + $490m (all other funds in investment stage commitment a combined commitment of $190m). The fund only closed in January 2024 (although some investments were made ahead of close), but management reports it has got off to a good start. Companies in this fund have better-than-average revenue and EBITDA growth, and on average companies are already held at 1.3x cost. While new investments are generally held at cost in their first year, the Apax XI growth reflects:

- companies bought in 2023 (which are now in their second year) seeing uplifts due to operational performance;
- strong EBITDA growth ahead of initial expectations;
- earlier-than-expected transformational deals (e.g. Zellis) where immediate deal synergies justify an uplift; and
- the benefit of rising public market comparable ratings.

4. Capital allocation policy

5.1m shares bought back since revised capital allocation policy adopted end-June (2.9m in 2024)

The revised capital allocation policy was only announced with the June Capital Markets Day and the first buyback conducted on 27 June. €30m was allocated to the "Distribution Pool" immediately to take advantage of the investment opportunity presented by the current wide discount. Since the launch of the new policy to the date of this report, 5.1m shares (2.9m in 2024) have been bought back. Investors will note the strong balance sheet and liquidity benefits from the debt portfolio mean that AGA can continue to make investments and new commitments to grow the NAV over the medium term.

A total of €69m was returned to shareholders through dividends and buybacks during 2024, representing 5.4% of 31 December 2023 adjusted NAV.

5. Benefit of the unique debt investments

AGA's outperforming Debt Investments portfolio makes it unique among listed PE

AGA's portfolio is unique among listed PE vehicles in having a significant holding in debt instruments (largely sourced after the same intensive due diligence applied to PE investments). The Debt Investments portfolio has achieved a 34.7% five-year cumulative return on a constant currency basis, compared with 32.9% from the benchmark S&P/LSTA leveraged loan index demonstrating the quality of asset selection.

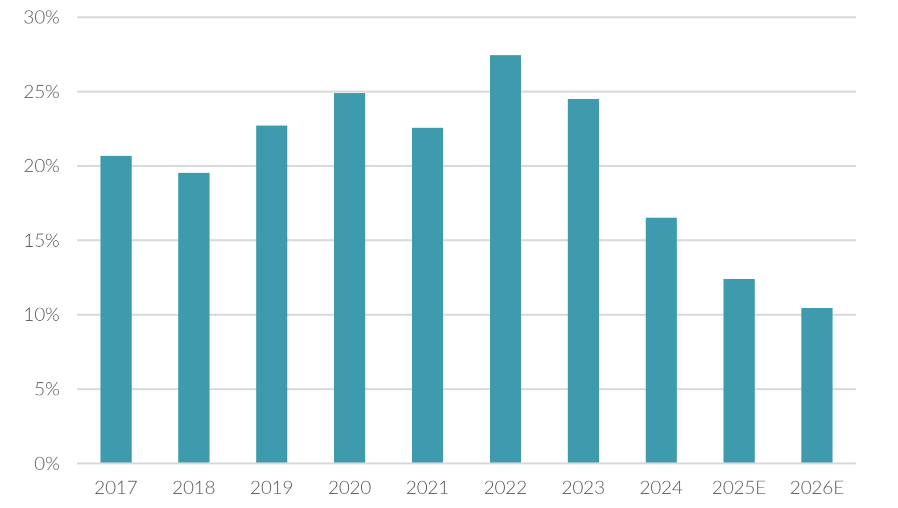
Performance diversification benefit seen in 2024

In 2024, AGA's Debt Investments portfolio delivered a total return of 7.5% and 2.9% in constant currency. Excluding Vyaire, the total returns were 13.2% and 8.7%, respectively, demonstrating its diversification benefit to overall AGA returns. The performance in 2024, as in 2023, was well ahead of the PE portfolio, and there is a low correlation of performance between the two portfolios.

Run down on proportion of Debt Investments shows it is being used, as promised, for liquidity

In addition to reducing cash drag costs and giving portfolio diversification, one of the key benefits from the portfolio is that it provides AGA with liquidity, as required. This has been demonstrated in 2023-24 when the debt holdings were reduced to a proportion of the book not seen since 2017 and around two thirds of the proportion seen at end-2022. With rising exits and investment, but lower income from the reduced debt portfolio, we still expect a net cashflow and for debt investments to fall a little more.

Proportion of portfolio in Debt Investments (%)



Source: AGA Report and Accounts, Hardman & Co Research

Other issues

Reducing exposure to listed holdings

Listed holdings exposure now down to just 2% of NAV (end-2023 10%) having returned 3x cost invested by AGA

AGA has been adversely affected by falling market prices of its listed holdings for several years. As a reminder, it successfully IPO'ed a number of holdings in 2020-21 when market demand for such companies was high, which resulted in a number of residual stakes in the newly listed entities. Since then, ratings have fallen. From end-2021 to 2024, the listed holdings value has fallen by €211m (17% of end-2024 NAV €1,227m). We note:

- following the lower valuations and further sales, this portfolio now accounts of just 2% of NAV (from 10% end-2023); and
- this portfolio has already returned more than 3x cost invested to AGA. While this peak value may have been higher, it should be remembered that these investments have generated good returns for investors.

Thoughtworks

Apax Funds made an initial investment in 2017 before seeing a partial realisation through IPO in September 2021. On 6 August 2024, Apax announced it was taking the group private again. Some key considerations include:

Proceeds more than investment

- Total proceeds received by AGA to date from Apax IX's investment in Thoughtworks stand at ca.€73m compared with the total look-through investment for Apax IX and AXI of €55m.
- By rolling over the investment in Fund IX, there is no liquidity event.
- Between the initial investment in 2017 and IPO in 2021, EBITDA increased fivefold with a more than doubling of the EBITDA margin.
- The post IPO residual holding was valued at €127m at end-2021 making it AGA's biggest position, accounting for 9% of NAV. Before it was taken private, the value of this holding had fallen to below €20m, accounting for around half of the total loss in listed company value between end-2021 and end-2024.

Improvement easier as private company

- In our view, the skills, experience and long-term focus Apax brings will make addressing recent challenges faced by the company easier than if Thoughtworks was a public, standalone company, required to meet quarterly earnings expectations.

Impact of Vyaire

Vyaire investment filed for Chapter 11, leading to material writedowns

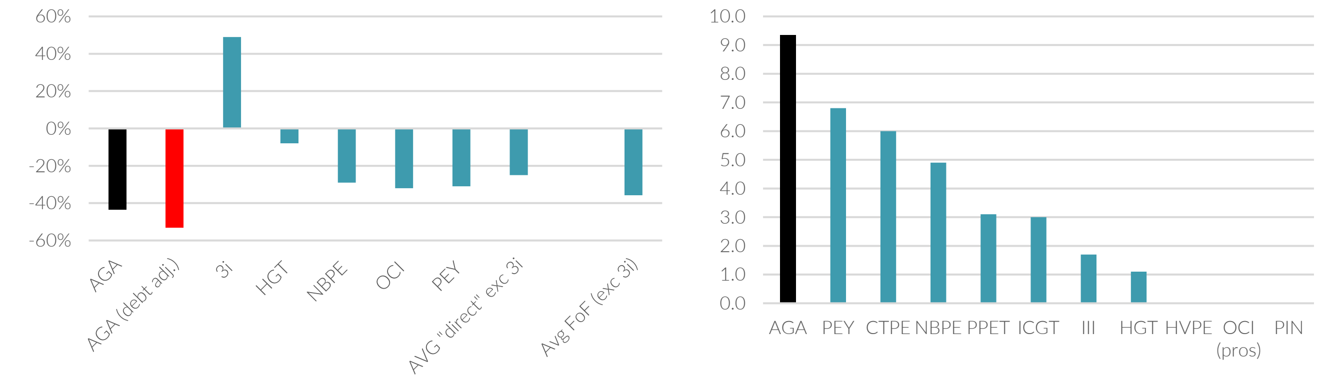
Following materially deteriorating trading at Vyaire, reflecting the drop-off and cancellation of ventilator sales post COVID-19, during 1Q'24, AGA took a €24m writedown on its value across the PE and debt portfolios, reducing AGA's PE exposure to Vyaire to ca.€5m and debt exposure to Vyaire's first lien loan to €12m. On 10 June, Vyaire filed for Chapter 11 bankruptcy protection, leading to Apax writing off the PE completely and the debt investment significantly. This alone detracted from 2024 total returns performance by 3.2%.

Valuation and financials

Valuation

Our *initiation* detailed a range of valuation approaches and sensitivities to them. As the chart below shows, AGA's reported discount to NAV (43%) is above that of peer direct-investing listed PE trusts. If we adjust for the residual debt element of its portfolio, the PE business is the highest among the close peers. Its dividend yield, supported by cash from the Debt portfolio, is well above the sector average. It is a long-term policy and as the Chair's statement in the *2024 Report and Accounts* (page 9) noted "*AGA has already returned more capital to shareholders than any of the peers since its IPO*".

Current share price discount to latest NAV (left-hand chart, %), and dividend yield (right-hand chart, %) for narrow and wider peers



Source: Company websites, factsheets and presentations Hardman & Co Research, priced at 2/4/2025

Triggers for a rerating

Both sector-wide and company-specific potential triggers for rerating

We believe potential opportunities for a rerating include i) a sector-wide revision of the discounts applied to the sector, most likely driven by increasing confidence that the NAV is real and resilient, and that the interest rate environment will not undermine business models, ii) company-specific triggers around the delivery of performance, iii) a continued widening of investor engagement, and iv) a recognition that 2020-21 represented an acceleration of exits, and so 2022-24 may be expected to be below-average years before a normalised level of activity is seen. The attractive yield may also be a trigger, especially when market expectations are for a falling interest rate environment.

Financials

Our NAV forecasts are not changed materially. We have accelerated both calls and distributions to reflect the latest information.

Profit and loss

Year-end Dec (€000)	2019	2020	2021	2022	2023	2024	2025E	2026E
Investment income	20,852	18,106	26,853	24,476	37,545	26,286	25,368	24,224
Net gains on financial assets at FVTPL	208,767	153,518	337,190	(119,740)	29,555	(6,536)	153,214	168,454
Net losses on financial liabilities at FVTPL	(2,741)	-	(1,067)	(6,063)	2,643	-	-	-
Realised foreign currency (losses)/gains	(479)	1,224	(1,488)	1,276	439	(121)	-	-
Unrealised foreign currency gains/(losses)	762	(3,743)	787	(74)	(210)	263	-	-
Total income	**227,161**	**169,105**	**362,275**	**(100,125)**	**69,972**	**19,892**	**178,582**	**192,678**
Performance fee	(6,893)	(46)	(8,390)	(22)	(6,576)	(2,861)	(2,946)	(3,240)
Management fee	(5,013)	(2,853)	(3,782)	(3,712)	(3,363)	(2,331)	(1,947)	(1,609)
Administration and other operating expenses	(2,051)	(2,363)	(2,707)	(2,797)	(3,328)	(3,182)	(3,437)	(3,711)
Total income less operating expenses	**213,204**	**163,843**	**347,396**	**(106, 656**	**56,705**	**11,518**	**170,252**	**184,118**
Finance costs	(1,860)	(1,751)	(2,269)	(3,150)	(3,054)	(3,958)	(3,958)	(3,958)
Profit before tax	**211,344**	**162,092**	**345,127**	**(109,806)**	**53,651**	**7,560**	**166,294**	**180,160**
Tax	(412)	(109)	(223)	(231)	(173)	858	858	858
Profit after tax	**210,932**	**161,983**	**344,904**	**(110,037)**	**53,478**	**8,418**	**167,152**	**181,018**
Average no shares (m)	491	491	491	491	491	485	482	482
EPS (€c)	43.0	33.0	70.2	(22.4)	10.9	1.1	33.9	33.9
DPS (p)	9.5	10.2	12.3	11.8	11.3	11.0	11.0	11.0

Source: AGA, Report and Accounts, Hardman & Co Research

Balance sheet

@ 31 Dec (€000)	2019	2020	2021	2022	2023	2024	2025E	2026E
Non-current assets								
PE financial assets	**769,019**	**788,307**	**1,013,922**	**877,021**	**891,235**	**978,823**	**1,134,867**	**1,258,680**
Debt Investments	252,543	275,739	304,609	340,639	294,213	194,748	160,936	147,124
Derived Equity	89,656	43,677	30,946	23,540	15,541	5,000	0	0
Financial assets held at FV through P&L (FVTPL)	**1,111,218**	**1,107,723**	**1,349,477**	**1,241,200**	**1,200,989**	**1,178,571**	**1,295,803**	**1,405,804**
Cash and cash equivalents	3,277	124,569	108,482	67,966	101,375	45,534	17,949	10,218
Investment receivables	129	1,338	33,603	1,699	2,540	4,906	4,906	4,906
Other receivables	2,143	0	1,347	429	2,217	2,209	2,209	2,209
Total current assets	**5,549**	**125,907**	**143,432**	**70,094**	**106,132**	**52,649**	**25,064**	**17,333**
Total assets	**1,116,767**	**1,233,630**	**1,492,909**	**1,311,294**	**1,307,121**	**1,231,220**	**1,320,867**	**1,423,136**
Financial liabilities held at FVTPL	2,741	0	1,067	6,063	495	0	0	0
Investment payables	13,352	30,965	67	3,980	10,773	0	0	0
Accrued performance fee	0	0	0	0	0	2,861		
Accrued expenses	1,705	1,481	1,708	1,875	1,689	1,671	2,000	2,000
Total current liabilities	**17,798**	**32,446**	**2,842**	**11,918**	**12,957**	**4,532**	**2,000**	**2,000**
Net assets	**1,098,969**	**1,201,184**	**1,490,067**	**1,299,376**	**1,294,164**	**1,226,688**	**1,318,867**	**1,421,136**
Shareholders' capital	873,804	873,804	873,804	873,804	873,804	873,804	873,804	873,804
Retained earnings	218,272	327,380	607,873	425,572	413,784	357,888	445,063	547,332
Treasury reserve						(5,004)		
Total equity ownership	**1,098,969**	**1,201,184**	**1,490,067**	**1,299,376**	**1,294,164**	**1,226,688**	**1,318,867**	**1,421,136**
Share-based pymt. perf. fee reserve	6,893	0	8,390	0	6,576	0	0	0
Total shareholders' equity and liabilities	**1,098,969**	**1,201,184**	**1,490,067**	**1,299,376**	**1,294,164**	**1,226,688**	**1,318,867**	**1,421,136**
Period-end no shares (m)	491	491	491	491	491	488	479	470
Adj. NAV per share (€)	**2.22**	**2.45**	**3.02**	**2.65**	**2.62**	**2.51**	**2.74**	**3.01**
NAV growth (%)	17%	10%	23%	-12%	-1%	-4%	9%	10%
Adj. NAV per share (£)	**1.88**	**2.19**	**2.54**	**2.34**	**2.27**	**2.08**	**2.27**	**2.49**
Exch. rate (£:€)	1.183	1.117	1.188	1.132	1.155	1.210	1.210	1.210
s/p (£)	1.73	1.93	2.27	1.88	1.55	1.42	1.42	1.42
Discount to NAV	-8%	-12%	-11%	-19%	-32%	-32%	-37%	-43%

Source: AGA Report and Accounts, Hardman & Co Research

Cashflow								
Year-end Dec (€000)	**2019**	**2020**	**2021**	**2022**	**2023**	**2024**	**2025E**	**2026E**
Interest received	16,963	18,024	25,553	23,577	37,341	26,672	25,368	24,228
Interest paid	(200)	(259)	(1,750)	(521)	(834)	-	(500)	(500)
Dividends received	2,807	1,060	906	1,815	250	94	1,000	1,000
Operating expenses paid	(7,285)	(5,460)	(6,191)	(6,038)	(9,247)	(5,182)	(8,330)	(8,561)
Tax paid/received	(52)	17	3	0	-6	858	-	-
Purchase of PE investments	0	0	0	0	0	-	-	-
Capital calls paid to PE investments	(165,904)	(55,651)	(199,941)	(194,380)	(89,821)	(154,548)	(205,000)	(205,000)
Capital distributions rec'd from PE invest.	182,324	207,270	275,140	227,821	90,549	61,759	205,000	250,000
Purchase of Derived Investments	(114,792)	(69,126)	(274,417)	(53,640)	(38,367)	(46,188)	(66,188)	(66,188)
Sale of Debt Investments	123,370	89,641	230,511	39,752	100,665	127,905	100,000	80,000
Sale of Derived Equity				3,746	10,663	12,465	4,600	
Net cash inflow/(outflow) from operating activities	**37,231**	**185,516**	**49,814**	**41,862**	**101,193**	**23,835**	**55,950**	**74,978**
Financing costs paid	(1,710)	(1,706)	(2,104)	(2,822)	(2,813)	(3,972)	(3,958)	(3,958)
Dividends paid	(50,312)	(51,805)	(64,584)	(71,070)	(64,761)	(64,556)	(64,976)	(63,749)
Purchase of own shares	0	(6,970)	0	(8,412)	0	(11,411)	(15,000)	(15,000)
Revolving credit facility drawn	88,824	6,106	0	17,393	55,446	0	0	0
Revolving credit facility repaid	(88,824)	(6,106)	0	(17,393)	(55,446)	0	0	0
Net cash used in financing activities	**(52,022)**	**(60,481)**	**(66,688)**	**(82,304)**	**(67,574)**	**(79,939)**	**(83,934)**	**(82,707)**
Opening cash and cash equivalents	17,306	3,277	124,569	108,482	67,966	101,375	45,534	17,549
Net increase in cash and cash equivalents	(14,791)	125,035	(16,874)	(40,442)	33,619	(56,104)	(27,985)	(7,729)
FX effects	762	(3,743)	787	-74	-210	263	-	-
Closing cash and cash equivalents	**3,277**	**124,569**	**108,482**	**67,966**	**101,375**	**45,534**	**17,549**	**9,821**

Source: AGA Report and Accounts, Hardman & Co Research

Appendix 1: Portfolio metrics

Summary

Portfolio analysis (@ December 2024)

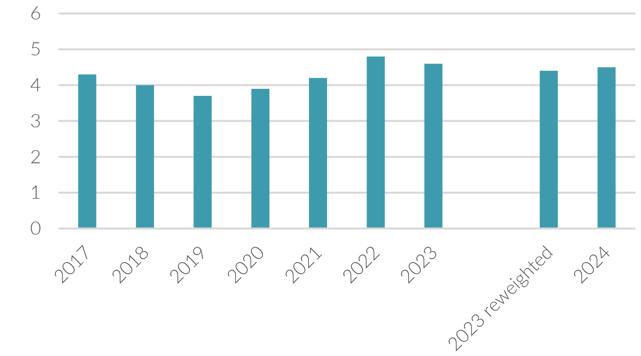
	NAV (€m)	Commitment (m)	Fund size (bn)	Fund stage	% AGA total	Comment
Apax Funds						
AMI	20.0	$30	$0.5	Maturity	2%	2015 fund. €60.0m of distributions.
AEVI	1.4	€10.6	€4.3	Harvesting	0%	2005 fund. €15m of distributions.
AEVII	21.9	€86	€11.2	Harvesting	2%	2007 fund. €94m of distributions.
AVIII	27.3	€160 + $218	$7.5	Harvesting	2%	2012 fund. €596m of distributions.
AIX	224.6	€154 + $175	$9.5	Harvesting	18%	2016 fund. €427m of distributions.
ADF	67.0	$50	$1.1	Maturity	6%	2017 digital fund. €23m of distributions.
ADF II	26.6	$90	$1.9	Investment	2%	2021 digital fund. 41% invested and committed.
AX	449.8	€200 + $225	$11.7	Maturity	37%	2020 fund. €72m of distributions.
AXI	128.6	€198 + $490	$12	Investment	10%	2022 fund. 37% invested and committed.
AMI II	4.6	$40	$0.6	Investment	0%	2022 fund. 9% invested and committed.
AGI	7.0	$60	$0.9	Investment	1%	2022 fund. 33% invested and committed.
NAV	**978.8**				**80%**	**83.3% of invested portfolio.**
Debt Investments	192.3				16%	Been broadly stable over recent years.
Derived equity	4.6				0%	Falling part of portfolio (end-2017 was 15%).
Total	**196.9**				**16%**	**16.7% of invested portfolio.**
Cash/other	51.0				4%	
Total	1,226.7				100%	

Source: AGA Report and Accounts, Hardman and Co Research

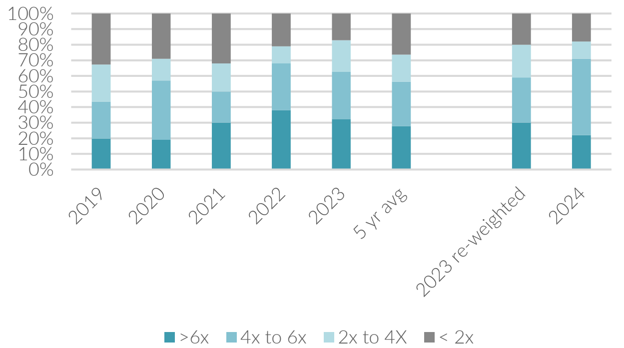
Gearing below PE market average at 4.5x

The chart below shows the level of indebtedness at investee companies in the Apax Funds' portfolio, and how this has evolved since December 2017 to its 2024 level of 4.5x (4.4x reweighted at end-2023). Strong investee cash generation has been offset by financing of M&A deals. We believe industry-average gearing (biased by larger deals) is in the range of 6x-7x, which is well above AGA's levels. The right-hand chart, below, shows the distribution of debt by multiples, and we conclude that there has been a noticeable reduction in leverage in the most geared companies, continuing a multi-year trend.

Average debt/EBITDA in PE portfolio (x)



Portfolio mix by level of debt/EBITDA (%)



Note: the EBITDA calculation methodology changed in 2024 with 2023 reweighted. Previously published numbers shown to indicate trend
Source: AGA Report and Accounts, Hardman and Co Research

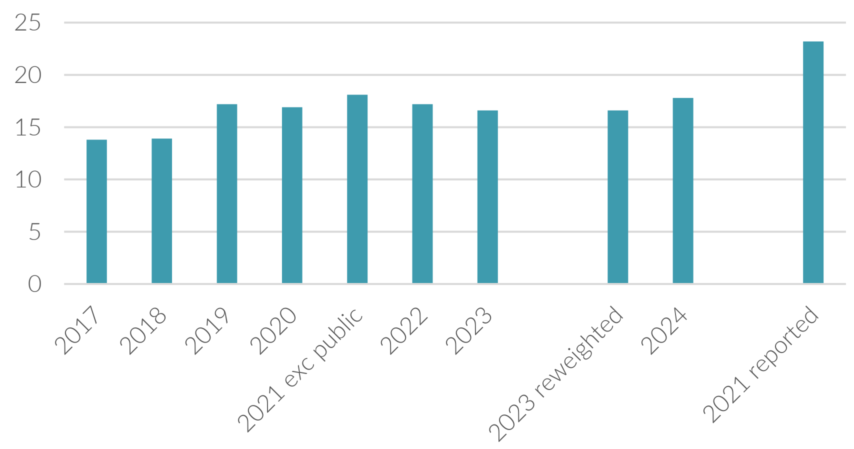
Investee company debt is fixed-rate and long-duration

Additional metrics that should give investors comfort include the fact that the vast majority of portfolio companies' debt maturities is greater than 2027, and debt is at fixed rates (a long-term policy decision). Although a little dated now, AGA gave more details in its 2023 Investor Day, which we reviewed in our 5 July note, 2023 Capital Markets Day: accessing hidden gems.

Broadly stable underlying ratings over time, and well below current market ratings for growth sectors on which Apax focuses

The overall level of EV/EBITDA at 2024 was 17.8x, up from 17.1x at end-June 2024, and 16.6x at end-2023 (unchanged on the reweighting). Management attributes the rise to increases in listed comparables. We note 67% are now at 14+ x multiples, against 62% at end-2023, with a fall in the sub-10x multiples from 14% to 10% of the portfolio.

EV/EBITDA, 2017-24 (x)

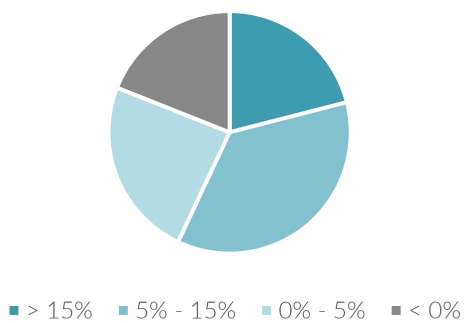


Source: AGA Report and Accounts, Hardman & Co Research

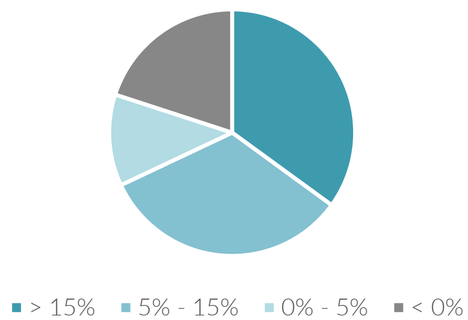
Split of portfolio by revenue and EBITDA growth shows good distribution

The charts below show the PE portfolio mix by their EBITDA and revenue growth. The key message from these charts is the good diversification seen across the portfolio in delivering growth. The proportion showing EBITDA growth of over 15% has fallen from 52% to 35% with a commensurate rise from 8% to 33% in companies showing 5%-15% EBITDA growth. Encouragingly, the number showing falling EBITDA has actually reduced, from 27% to 20%. While there are mix changes (e.g. exits, new investments), in our view this distribution demonstrates that the growth is the result of management action, not accident.

Distribution mix of revenue growth 2024 (% companies)



Distribution mix of EBITDA growth 2024 (% companies)

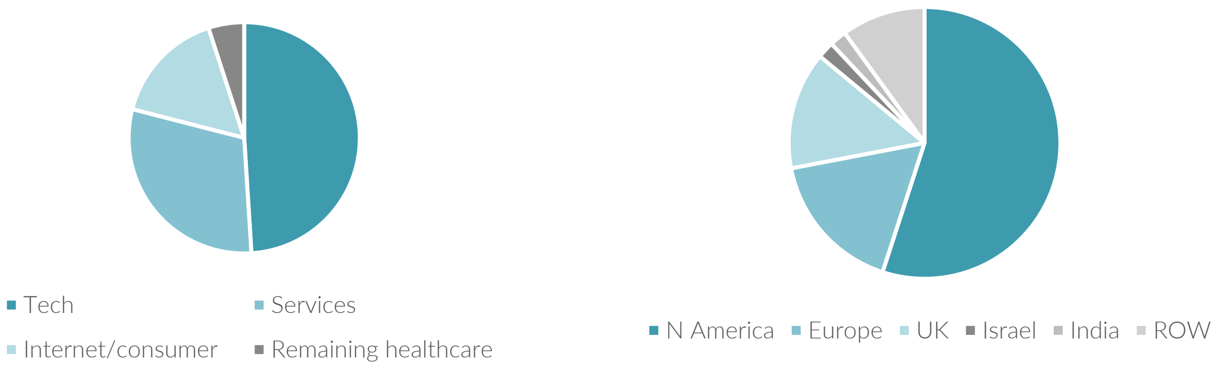


Source: Company results presentations, Hardman & Co Research

Ratings conservative and broadly stable on PEG basis, especially bearing in mind good cash conversion

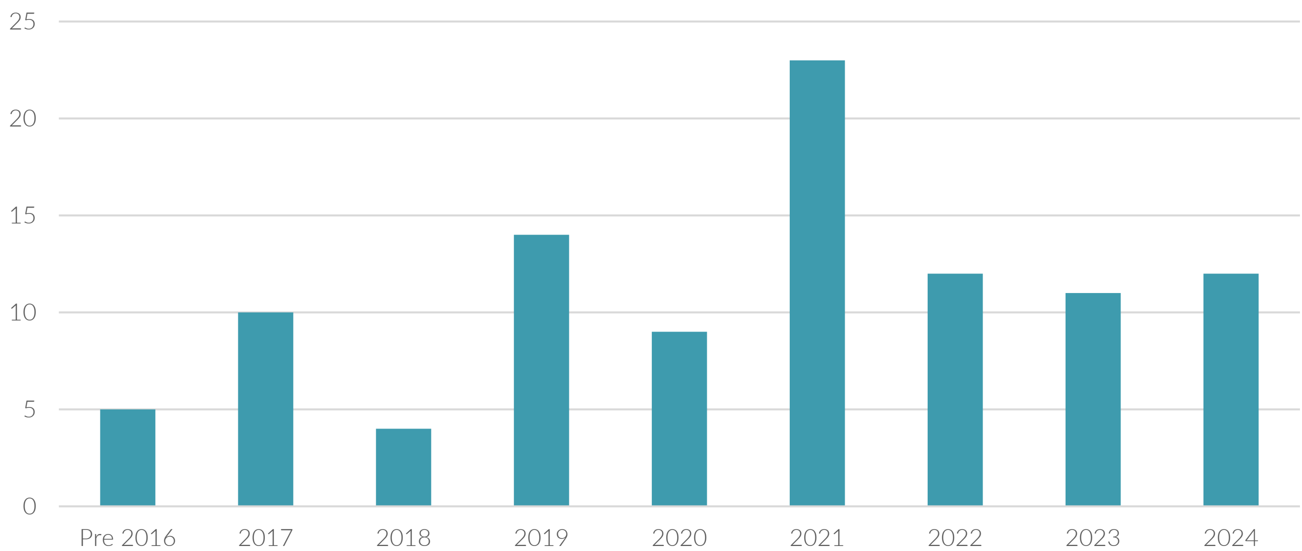
Apax Funds' investments – and so those of AGA – have, for some time, been focused on businesses with a strong growth and resilient earnings outlook, as well as good cash conversion rates. The PEG ratio in 2024 (EV/LTM EBITDA multiple divided by EBITDA growth) was 1.26x.

Portfolio split, by sector (%, LHS) and geography (%, RHS)



Source: 2024 presentation, Hardman & Co Research

PE portfolio mix, by vintage



Source: AGA 2024 presentation, Hardman & Co Research

Appendix 2 – Hardman & Co research on Apax Global Alpha

Given the regulatory restrictions on distributing research on this company, the monthly book entries can be accessed via *Hardman & Co Research*. More detailed research reports include:

- *Making pearls out of oysters* (initiation, 13 January 2023).
- *Outperformance by adding value to companies* (14 March 2023).
- *2023 Capital Markets Day: accessing hidden gems* (5 July 2023).
- *Resilience in face of rising interest rates* (25 September 2023).
- *"Hidden Gems" strategy: green shoots into live deals* (23 November 2023).
- *CM day: further proof of value added by Apax* (10 July 2024).
- *1H'24: deal activity coming back strongly* (26 September 2024).
- *AGA passed inflexion point with deal activity rising* (30 January 2025).

Each link contains a click-through to our five-minute *Directors Talk* audio interviews, summarising each report.

More information, including presentations, is available on AGA's *website*. Other regulatory news can be seen on the company's page on *the LSE website*. AGA's Capital Markets Day presentation, on 26 June 2024, is available *here*.

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