26 September 2024

Closed-ended investments

Source: LSEG, 2024

Market data

EPIC/TKR	**APAX**
Price (p)	**142.6**
12m high (p)	172.6
12m low (p)	132.9
Shares (m)	489.9
Mkt cap (£m)	699
Disc. to Jun £ adj. NAV (%)	-33
Free float	92%
Country/Ccy	UK/GBP
Currency of reporting	Euro
Market (main)	STMM

Description

Apax Global Alpha (AGA) has a global portfolio across four core sectors – Tech, Services, Healthcare and Internet/Consumer. 80% of the portfolio is private equity (PE) and 20% 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
Contact	investor.relations@ apaxglobalalpha.com +44 (0)207 666 6526 www.apaxglobalalpha.com

Key shareholders

Berlinetta Limited	5.9%
Witan Investment Trust	5.3%

Diary

Early Nov	3Q results

Analyst

Mark Thomas mt@hardmanandco.com

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

APAX GLOBAL ALPHA

1H'24: deal activity coming back strongly

The key messages from AGA's *1H'24 results* were i) a strong rebound in deal activity both for investments and exits (the regular announcements mean this trend was expected), ii) strong growth in investee company EBITDA growth (organic 12.6%, up from 12.2% in FY'23) – widening margins reflect the value added by Apax, iii) buybacks utilising the distribution pool started at end-June, and iv) continued diversification and liquidity benefits from the debt portfolio. As noted in our July note, *CM day: further proof of value added by Apax*, the stock of exit-able businesses is rebuilding. The as-expected interim dividend (5.5p) generates an annual yield of 7.7%.

- **Fall in NAV:** The 1H'24 total NAV return was -1.4% (-3.3% constant currency). The fall was significantly driven by one investment (Vyaire impact -2.9%) and the drag from the listed holdings (-2.7%, and now just 7% of NAV). Excluding these, the total NAV return would have been 4.2% (2.4% constant currency).

- **Rising stock of exit-able investments:** Apax used the 2020-21 high valuations to exit a lot of its investments. Businesses ready for sale have been rebuilt and now 37% of the portfolio is in harvesting phase versus 13% at end-2022. Uplifts on exits continue (1H'24: 11%). We expect further exits to help the NAV grow.

- **Valuation:** AGA's discount to NAV (33%) is at the upper end of the peers' range (6%-29%) and rises further by excluding the Debt portfolio at its market value. Apax Funds continue to see exit uplifts (see recent idealista exit), and the NAV is resilient to economic downturns, making the discount absolutely and relatively anomalous.

- **Risks:** Sentiment to costs, the cycle, valuation and over-commitment are sector issues. Residual risk on the 2020-21 IPO positions appears to be modest. The Debt portfolio generates additional returns and 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 (24%), accelerating their EBITDA growth and improving their margins, and then selling the reinvigorated business at a premium to those same peers (11% 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)	2021	2022	2023	2024E	2025E
Investment income	26,853	24,476	37,545	32,449	27,559
Net gains on fin. assets/liabs. at FVTPL	336,123	(125,803)	32,198	25,000	154,237
Total expenses	(14,879)	(6,531)	(13,267)	(8,344)	(9,090)
Pre-tax profit	345,127	(109,806)	53,651	45,305	170,107
PE invest. (€m)	1,014	877	891	962	1,089
Debt investments. (€m)	336	364	310	224	204
Cash (€m)	108	68	101	75	70
NAV (€m)	1,490	1,299	1,294	1,264	1,366
Adj. NAV per share (£)*	2.54	2.34	2.27	2.22	2.44
S/P prem./disc. (-) to NAV	-11%	-19%	-32%	-36%	-42%
Dividend p/sh (p)	12.3	11.8	11.3	11.0	11.0
Dividend yield	8.6%	8.3%	8.0%	7.7%	7.7%

**2024-25E NAV converted at £1:€1.18; Source: Hardman & Co Research*

Apax Global Alpha disclaimer

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If you are a US Person, you agree that you will not seek to acquire shares of the Company unless you are a "Qualified Purchaser" within the meaning of Section 2(a)(51) of the Investment Company Act of 1940 and an "Accredited Investor" as defined in Rule 501 of Regulation D, in a transaction not subject to the registration requirements of the U.S. Securities Act of 1933.

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.

1H'24 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 €1.24bn (FY'23 €1.29bn) at 30 June 2024, equivalent to an NAV per share of €2.52/£2.13. Movement in NAV was mainly driven by a decrease in the Private Equity portfolio NAV and the dividend payment to shareholders of ca.€32m. Total 1H'24 NAV return was -1.4% (-3.3% constant currency). Excluding the impact of Vyaire (both PE and debt exposures) and the drag from the listed Private Equity holdings, the total NAV return would have been 4.2% (2.4% constant currency). The 2Q total NAV return was -1.0% (-1.5% constant currency). The 1H'24 total return in PE was -2.5% (-4.4% constant currency).

Increased exits agreed and new investments

The Apax Funds saw an increased pace of exits with five realisations signed in 2Q'24 and post period-end, including the full exits of Healthium, AffiniPay, and idealista, which are expected to close in the coming months. The Apax Funds also sold their remaining stakes in Baltic Classifieds Group and Genius Sports. AGA expects to deploy ca.€75m on a look-through basis across four PE investments as well as portfolio company M&A. This includes Zellis Group, which signed during the period and closed in Aug'24. This is nearly as much as the whole FY'23 total of €93m.

PE portfolio average EBITDA growth of 15.6% and revenue growth of 8.7%

Portfolio companies reported 15.6% last twelve months (LTM) EBITDA growth (FY'23 16.5%)[1]. The organic LTM EBITDA growth accelerated to 12.6% against 12.2% at end-2023. EV/EBITDA valuation multiples rose slightly (17.1x end-1H'24 vs. 16.6x end-2023, vs. 17.2x end-2022).

Debt Investments delivered total return of 2.1% (6.5% excluding Vyaire)

The Debt portfolio, a unique feature of AGA, achieved a total return of 2.1% ((0.1%) constant currency). Excluding the impact of Vyaire, the Debt portfolio would have achieved a total return of 6.5% (4.3% constant currency) in 1H'24. The yield to maturity at end-June 2024 was 11.3%, with an income yield of 10.0% (end-December 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 (€107m), together with the undrawn revolving credit facility (€250m), and capital invested in Debt Investments and the remaining Derived Equity (€229m), leaves AGA with resources of €586m, against commitments – which may be drawn over five years – of €903m. The Apax Funds use bridging debt facilities, so the visibility of likely calls is good. Just €150m of the €903m commitments is expected to be called within 12 months from June 2024.

Interim dividend 5.5p, representing a dividend yield of 7.7%

An interim dividend of 5.5p was declared, in line with AGA's dividend policy of distributing 11p p.a. This equates to an annual yield of 7.7%.

PE 80% portfolio, Debt Investments portfolio 20%

At end-June, AGA's invested portfolio was 80% in PE (31 December 2023: 74%) and 20% 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.

[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 summary of restatements please refer to page 64 of the *Interim Report and Accounts 2024*.

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, such as adjusted NAV, the board has agreed a change of the performance fee settlement from shares in AGA to cash. The IFRS NAV will now reflect the NAV due to investors. A reconciliation of NAV and adjusted NAV for prior periods is available in the *2024 Interim Report*. 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 it was not at the manager's instigation.

Portfolio highlights

Good diversification, by sector, vintage and geography

The portfolio is diversified by four key sectors: Tech (43%); Services (28%); Healthcare (10%); and Internet/Consumer (19%). Looking at the maturity of book from a potential realisation perspective, 40% is in the investment phase, 23% at a mature stage and 37% in harvesting (up from 13% end-2022 and 22% end-2023). 55% of the portfolio is in North America, 20% in Europe, 12% in the UK, and 5% in India.

Debt continued outperformance against benchmark

AGA's Debt portfolio delivered a total NAV return of 2.1% in 1H'24, despite the drag from its exposure to Vyaire (see later section). 56% of the Debt portfolio is invested in first lien exposures, mainly in broadly syndicated deals where liquidity is expected to remain good. The portfolio generates a 10.0% income yield (broadly stable on the 10.4% at year-end 2023). The average yield to maturity is 11.3% (end-2023 12.0%). The Debt portfolio has achieved a five-year constant currency 38.6% return, 770bp above the benchmark S&P/LSTA leveraged loan index.

Key themes

1. Strong growth in deal activity

Acceleration in both investment and exit activity in 1H'24

As noted above, in 1H'24, the Apax Funds saw an increased pace of exits, with five realisations signed in 2Q'24 and post period-end, including the full exits of Healthium, AffiniPay, and idealista, which are expected to close in the coming months. The Apax Funds also sold their remaining stakes in Baltic Classifieds Group and Genius Sports. AGA expects to deploy ca.€75m on a look-through basis across four PE investments as well as portfolio company M&A. This includes Zellis Group, which signed during the period and closed in August 2024. This is nearly as much as the whole FY'23 total of €93m.

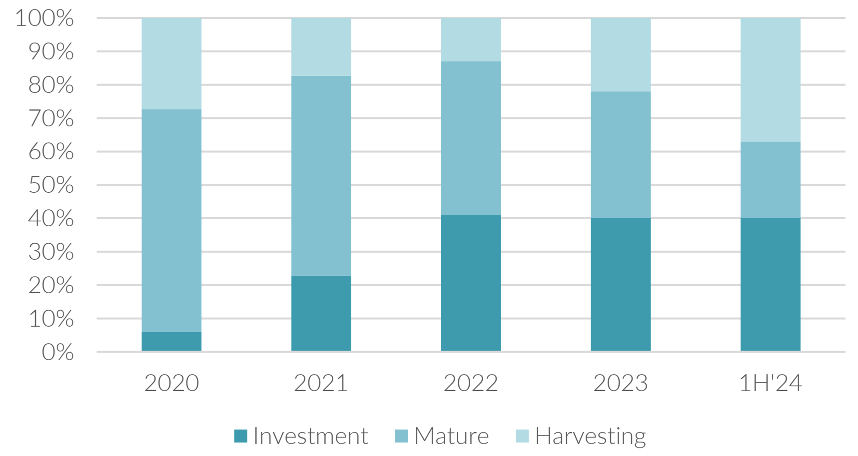
Apax's model important driver to the increased activity

To understand why Apax is converting green shoot opportunities into deals, we refer investors to our note, *"Hidden Gems" strategy: green shoots into live deals,* published 23 November 2023. In particular, we reviewed in detail what is unique about the "Hidden Gems" strategy and we noted i) Apax's focus is on the mid-market, secular-growth, resilient sectors, which attracts potential buyers, ii) improving the investee companies' operational performances creates more investment options, and iii) Apax brings scale, experience, brand and global offices. Apax's new investments have come from a broad range of sources, including carveout and public-to-private deals as well as purchases from other PE firms. Their operational improvement opportunities include using existing playbooks to enhance products, pricing, distribution, and geographical footprint as well as inorganic growth.

3x proportion of book in harvesting stage vs. end-2021. Exit uplifts have continued, so more sales will help drive NAV growth.

Looking forward, the stock of exit-able businesses has been re-build with nearly 3x the proportion of the book in harvesting phase as at end-2021. We believe exit uplifts (1H'24 average 11%) will continue, and this means that increased sales activity feeds directly into growth in the NAV.

Portfolio mix by stage (%)



Source: AGA Report and Accounts, Hardman & Co Research

Range of uplift options gives comfort that unchanged targets are realistic

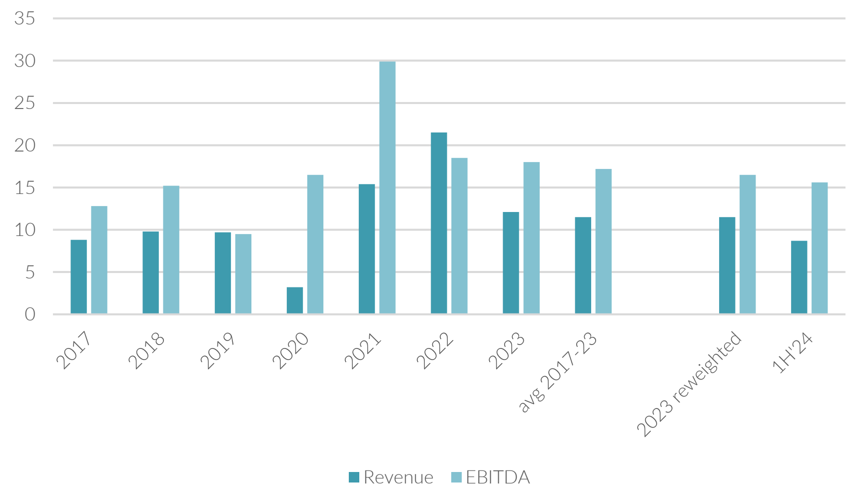
We note new investments have a broad range of EBITDA growth and exit options. Investors can take comfort that unchanged target returns remain realistic, despite the higher interest rate environment.

2. Continued operational outperformance

1H'24 investee company average EBITDA growth mid-teens. Margins widened, reflecting Apax value added.

1H'24 reported EBITDA growth was in the mid-teens and broadly stable on the reweighted FY'23. As noted above, organic growth was low double-digit and slightly accelerated on FY'23. 1H'24 EBITDA growth was 6.9% 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 (1H'24 8.7% 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 (%)

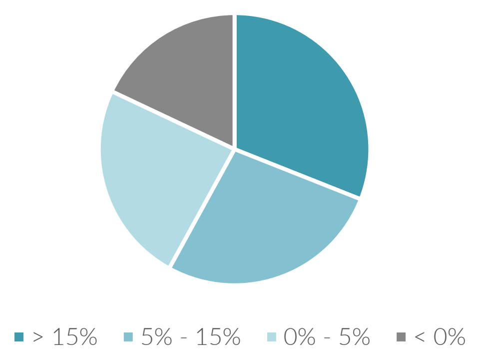


Note: the calculation methodology changed in 1H'24 with 2023 EBITDA growth reduced from 18% to 16.5% (see page 64 of interim statement). While we would expect a similar shaving from prior years, we believe the business messages of market-beating revenue and EBITDA growth and widening margins remains robust.
Source: AGA Report and Accounts, Hardman & Co Research

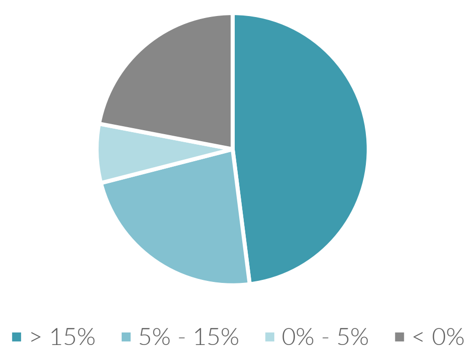
Split of portfolio by revenue and EBITDA growth shows good distribution

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. In our view, this distribution demonstrates that the growth is the result of management action not accident.

Distribution mix of revenue growth 1H'24 (% companies)



Distribution mix of EBITDA growth 1H'24 (% companies)



Source: Company results presentations, Hardman & Co Research

How outperformance is generated

Over 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.

Earnings sensitivity to interest rates

Key message: rising interest rates among many variables PE managers face over long term

Bottom line: Apax's targets are 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, including 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 1H'24, 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.

3. Capital allocation policy

1.2m shares bought back since revised capital allocation policy adopted end-June

The revised capital allocation policy was only announced with the June Capital Markets Day and the first buyback conducted on 27 June. The impact on NAV in 1H'24 was, accordingly, *de minimis*. Since the launch of the new policy to 24 September, 1,229,179 shares 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.

4. Diversification 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). As we noted above, the Debt Investments portfolio has achieved a 38.6% five-year cumulative return on a constant currency basis, compared with 30.9% from the benchmark S&P/LSTA leveraged loan index demonstrating the quality of asset selection.

Performance diversification benefit seen in 1H'24

In 1H'24, AGA's Debt Investments portfolio delivered a total NAV return of 2.1%, demonstrating its diversification benefit to overall returns. The portfolio generates a 10.0% income yield and the average yield to maturity is 12.0%. The performance in 1H'24, as in 2023, was well ahead of the PE portfolio and, as can be seen in the quarterly performance date on page 15, there is a low correlation of performance between the two portfolios (correlation co-efficient 0.54 for the quarters since 1Q'16).

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 1H'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. We expect further drawings on the debt portfolio over the next two years. At the end of this period, we forecast debt holdings, albeit a smaller proportion of the portfolio, will remain a differentiating factor compared with other listed PE vehicles.

Proportion of portfolio in Debt Investments (%)

Source: AGA Report and Accounts, Hardman & Co Research

Other issues

Reducing exposure to listed holdings

Now down to just 7% of NAV (end-2023 10%) having returned 3x cost invested by AGA

AGA has been adversely affected (-2.9% total NAV return in 1H'24) by falling market prices of its listed holdings. As a reminder, it successfully IPO'ed a number of holdings in 2020-21 when market demand for such companies was high. Since then, ratings have fallen. From end-2021 to 1H'24, the listed holdings value has fallen by €221m (more than a fifth of end-1H'24 NAV €1,237m). We note:

- following the lower valuations and further sales, this portfolio is now just 7% 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, the investments have generated good returns for investors.

Impact of Vyaire

Vyaire investment filed for Chapter 11, leading to material writedowns

Following materially deteriorating trading at Vyaire, 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 1H'24 total returns performance by 2.9%.

Thoughtworks

On 6 August 2024, Apax *announced* it was taking the group private again. Some key considerations include:

No trigger for performance fees, as Apax IX rolling over investments

- By rolling over the investment in Fund IX, there is no liquidity event.

Total proceeds received more than value of 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 $54m.
- Between the initial investment in 2017 and IPO in 2021, EBITDA increased fivefold with a more than doubling of the EBITDA margin.

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.

Portfolio metrics

Summary

Portfolio analysis (@ June 2024)	NAV (€m)	Commitment (m)	Fund size (bn)	Fund stage	% AGA total	Comment
Apax funds						
AMI	17.2	$30	$0.5	Maturity	1%	2015 fund. €60m of distributions.
AEVI	2.3	€10.6	€4.3	Harvesting	0%	2005 fund. €14m of distributions.
AEVII	21.1	€86	€11.2	Harvesting	2%	2007 fund. €94m of distributions.
AVIII	36.3	€160 + $218	$7.5	Harvesting	3%	2012 fund. €596m of distributions.
AIX	252.7	€154 + $175	$9.5	Harvesting	20%	2016 fund. €398m of distributions.
ADF	59.6	$50	$1.1	Maturity	5%	2017 digital fund. €22.9m of distributions.
ADF II	21.3	$90	$1.9	Investment	2%	2021 digital fund. 34% invested and committed.
AX	464.3	€200 + $225	$11.7	Maturity	38%	2020 fund. €46m of distributions.
AXI	17.5	€198 + $490	$12	Investment	1%	2022 fund. 14% invested and committed.
AMI II	2.6	$40	$0.6	Investment	0%	2022 fund. 8% invested and committed.
AGI	6.2	$60	$0.9	Investment	1%	2022 fund. 32% invested and committed.
Adj. NAV	**901.1**				**73%**	**79.7% of invested portfolio.**
Debt Investments	224.5				18%	Been broadly stable over recent years.
Derived equity	4.6				0%	Falling part of portfolio (end-2017 was 15%).
Total	**229.1**				**18%**	**20.3% of invested portfolio.**
Cash/other	106.6				9%	
Total	1,236.8				100%	

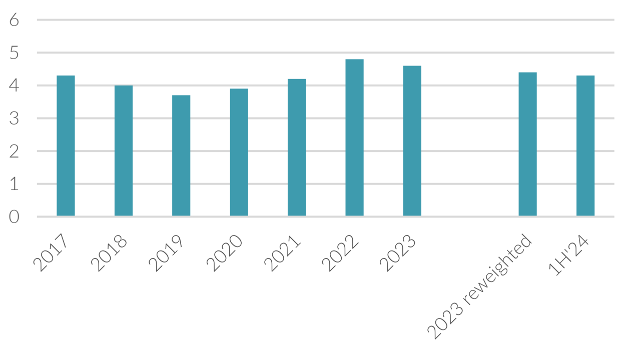
Source: AGA Report and Accounts, Hardman and Co Research

Leverage

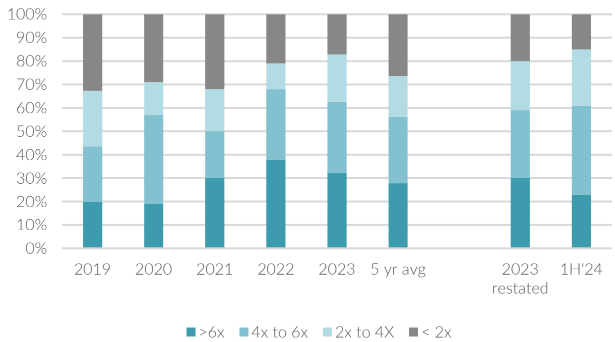
Gearing below PE market average, and fell in 2023 and again in 1H'24

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 1H'24 level of 4.3x (down from 4.4x reweighted at end-2023). The fall in 2023/1H'24 was mainly driven by the strong cash generation of the businesses. 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.

Average debt/EBITDA in PE portfolio (x)



Portfolio mix by level of debt/EBITDA (%)



Note: the EBITDA calculation methodology changed in 1H'24 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

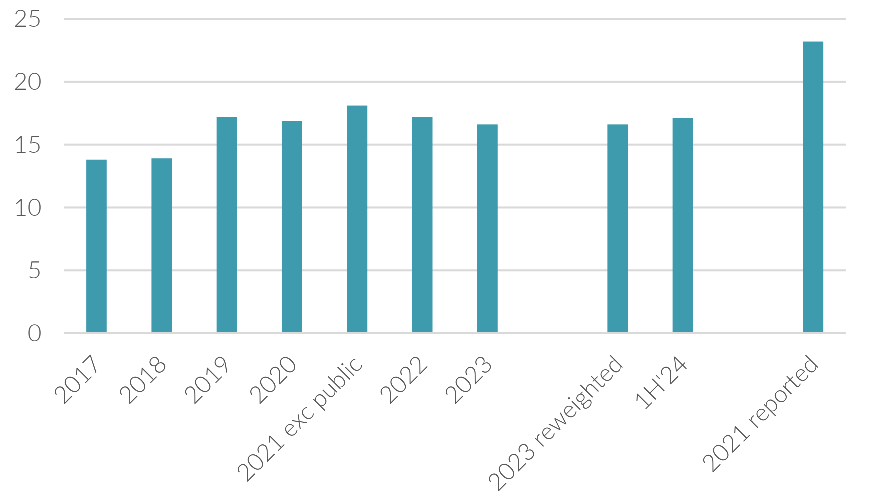
Additional metrics that should give investors comfort include the fact that the vast majority of portfolio companies' debt maturities is greater than 2027, debt is at fixed rates (a long-term policy decision). AGA gave more details in its 2023 Investor Day, which we reviewed in our 5 July note, *2023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

Broadly stable valuation multiples

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 1H'24 was 17.1x, up from 16.6x at end-2023 (unchanged on the reweighting), It is in line with the average for 2017-23 (16.2x).

EV/EBITDA, 2017-1H'24 (x)



Source: AGA Report and Accounts, 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 1H'24 (EV/LTM EBITDA multiple divided by EBITDA growth) was 1.1x.

PEG ratios since 2017

Year	2017	2018	2019	2020	2021	2022	2023	Average 2017-23	2023 reweighted	1H'24
EV/EBITDA (x)	13.8	13.9	17.2	16.9	23.2	17.2	16.6	17.0	16.6	17.1
EBITDA growth	17.9%	22.2%	15.9%	20.8%	35.3%	18.5%	18.0%	17.2%	16.5%	15.6%
PEG ratio (x)	0.77	0.63	1.08	0.81	0.66	0.93	0.92	0.99	1.01	1.10

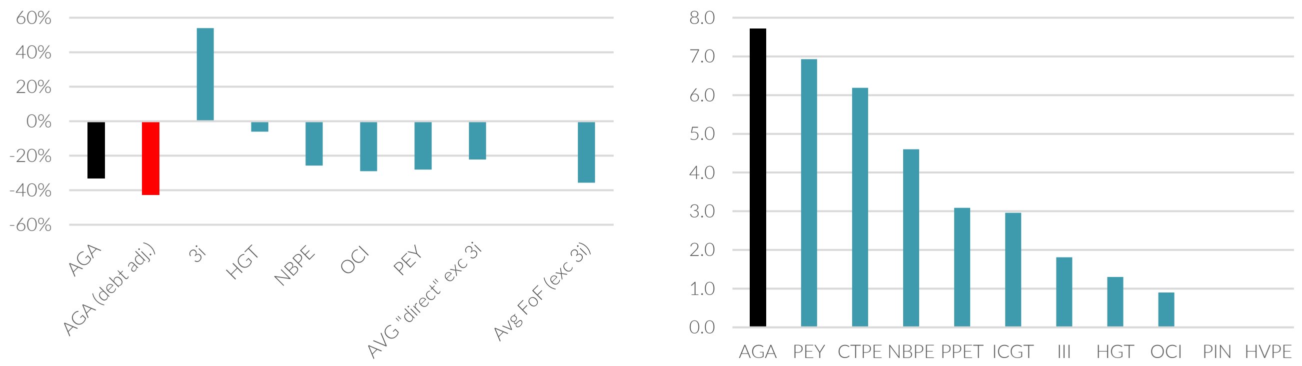
Note: 2021 includes public holdings, Source: AGA Report and Accounts, Hardman & Co Research

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 (33%) is at the higher end of the range of the direct-investing listed PE trusts. If we adjust for the 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.

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 25/9/2024

Applying par to debt book implies AGA's PE discount is much higher

AGA could be broken down into a PE fund and its Debt portfolio. The latter are marked to market, and we believe that an SOTP approach to AGA is something investors could consider. If we strip these out at their market value, the residual PE discount rises by 9%.

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 2021 represented an acceleration of exits, and so 2022/23 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 forecasts have been revised to reflect the 1H performance driven by Vyaire and listed holdings. Other assumptions are unchanged, but we start from a lower NAV base.

Profit and loss

Year-end Dec (€000)	2018	2019	2020	2021	2022	2023	2024E	2025E
Investment income	19,442	20,852	18,106	26,853	24,476	37,545	32,449	27,559
Net gains on financial assets at FVTPL	56,739	208,767	153,518	337,190	(119,740)	29,555	25,000	154,237
Net losses on financial liabilities at FVTPL	-	(2,741)	-	(1,067)	(6,063)	2,643	-	-
Realised foreign currency (losses)/gains	(2,766)	(479)	1,224	(1,488)	1,276	439	-	-
Unrealised foreign currency gains/(losses)	116	762	(3,743)	787	(74)	(210)	-	-
Total income	73,531	227,161	169,105	362,275	(100,125)	69,972	57,449	181,796
Performance fee	2,123	(6,893)	(46)	(8,390)	(22)	(6,576)	(2,000)	(2,966)
Management fee	(4,610)	(5,013)	(2,853)	(3,782)	(3,712)	(3,363)	(2,750)	(2,242)
Administration and other operating expenses	(3,107)	(2,051)	(2,363)	(2,707)	(2,797)	(3,328)	(3,594)	(3,882)
Total income less operating expenses	**67,937**	**213,204**	**163,843**	**347,396**	**(106,656)**	**56,705**	**49,105**	**172,706**
Finance costs	(2,729)	(1,860)	(1,751)	(2,269)	(3,150)	(3,054)	(3,800)	(2,599)
Profit before tax	**65,208**	**211,344**	**162,092**	**345,127**	**(109,806)**	**53,651**	**45,305**	**170,107**
Tax	(261)	(412)	(109)	(223)	(231)	(173)	(173)	(173)
Profit after tax	**64,947**	**210,932**	**161,983**	**344,904**	**(110,037)**	**53,478**	**45,132**	**169,934**
Average no shares (m)	491	491	491	491	491	491	485	475
EPS (€c)	13.2	43.0	33.0	70.2	(22.4)	10.9	9.3	35.2
DPS (p)	8.5	9.5	10.2	12.3	11.8	11.3	11.0	11.0

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

Balance sheet

@ 31 Dec (€000)	2018	2019	2020	2021	2022	2023	2024E	2025E
Non-current assets								
PE financial assets	**591,458**	**769,019**	**788,307**	**1,013,922**	**877,021**	**891,235**	**962,226**	**1,088,700**
Debt Investments	178,272	252,543	275,739	304,609	340,639	294,213	224,213	204,213
Derived Equity	142,318	89,656	43,677	30,946	23,540	15,541	0	0
Financial assets held at FV through P&L (FVTPL)	**912,048**	**1,111,218**	**1,107,723**	**1,349,477**	**1,241,200**	**1,200,989**	**1,186,439**	**1,292,913**
Cash and cash equivalents	17,306	3,277	124,569	108,482	67,966	101,375	74,503	69,907
Investment receivables	2,125	129	1,338	33,603	1,699	2,540	2,540	2,540
Other receivables	1,454	2,143	0	1,347	429	2,217	2,217	2,217
Total current assets	**20,885**	**5,549**	**125,907**	**143,432**	**70,094**	**106,132**	**79,260**	**74,664**
Total assets	**932,933**	**1,116,767**	**1,233,630**	**1,492,909**	**1,311,294**	**1,307,121**	**1,265,699**	**1,367,577**
Financial liabilities held at FVTPL	0	2,741	0	1,067	6,063	495	0	0
Investment payables	0	13,352	30,965	67	3,980	10,773	0	0
Accrued expenses	2,162	1,705	1,481	1,708	1,875	1,689	2,000	2,000
Total current liabilities	**2,162**	**17,798**	**32,446**	**2,842**	**11,918**	**12,957**	**2,000**	**2,000**
Net assets	**930,771**	**1,098,969**	**1,201,184**	**1,490,067**	**1,299,376**	**1,294,164**	**1,263,699**	**1,365,577**
Shareholders' capital	873,804	873,804	873,804	873,804	873,804	873,804	873,804	873,804
Retained earnings	56,967	218,272	327,380	607,873	425,572	413,784	389,895	491,773
Share-based pymt. perf. fee reserve	0	6,893	0	8,390	0	6,576	0	0
Total equity ownership	**930,771**	**1,098,969**	**1,201,184**	**1,490,067**	**1,299,376**	**1,294,164**	**1,263,699**	**1,365,577**
Period-end no shares (m)	491	491	491	491	491	491	482	474
Adj. NAV per share (€)	**1.90**	**2.22**	**2.45**	**3.02**	**2.65**	**2.62**	**2.62**	**2.88**
NAV growth (%)	2%	17%	10%	23%	-12%	-1%	0%	10%
Adj. NAV per share (£)	**1.70**	**1.88**	**2.19**	**2.54**	**2.34**	**2.27**	**2.22**	**2.44**
Exch. rate (£:€)	1.115	1.183	1.117	1.188	1.132	1.155	1.180	1.180
s/p (£)	1.35	1.73	1.93	2.27	1.88	1.55		

Source: AGA Report and Accounts, Hardman & Co Research

Cashflow

Year-end Dec (€000)	2018	2019	2020	2021	2022	2023	2024E	2025E
Interest received	17,896	16,963	18,024	25,553	23,577	37,341	32,449	27,559
Interest paid	(43)	(200)	(259)	(1,750)	(521)	(834)	(500)	(500)
Dividends received	1,718	2,807	1,060	906	1,815	250	1,000	1,000
Operating expenses paid	(21,862)	(7,285)	(5,460)	(6,191)	(6,038)	(9,247)	(7,000)	(7,000)
Tax paid/received	(132)	(52)	17	3	0	-6	0	0
Purchase of PE investments	(11,126)	0	0	0	0	0	0	0
Capital calls paid to PE investments	(30,812)	(165,904)	(55,651)	(199,941)	(194,380)	(89,821)	(100,000)	(150,000)
Capital distributions recd from PE invest.	133,362	182,324	207,270	275,140	227,821	90,549	35,000	150,000
Purchase of Derived Investments	(212,988)	(114,792)	(69,126)	(274,417)	(53,640)	(38,367)	(80,000)	(80,000)
Sale of Debt Investments	172,811	123,370	89,641	230,511	39,752	100,665	150,000	100,000
Sale of Derived Equity					3,746	10,663	15,000	25,000
Net cash inflow/(outflow) from operating activities	**48,824**	**37,231**	**185,516**	**49,814**	**41,862**	**101,193**	**45,949**	**66,059**
Financing costs paid	(3,309)	(1,710)	(1,706)	(2,104)	(2,822)	(2,813)	(3,800)	(2,599)
Dividends paid	(47,314)	(50,312)	(51,805)	(64,584)	(71,070)	(64,761)	(54,021)	(53,057)
Purchase of own shares	0	0	(6,970)	0	(8,412)	0	(15,000)	(15,000)
Revolving credit facility drawn	94,248	88,824	6,106	0	17,393	55,446	0	0
Revolving credit facility repaid	(94,248)	(88,824)	(6,106)	0	-17,393	-55,446	0	0
Net cash used in financing activities	**(50,623)**	**(52,022)**	**(60,481)**	**(66,688)**	**(82,304)**	**(67,574)**	**(72,821)**	**(70,656)**
Opening cash and cash equivalents	18,989	17,306	3,277	124,569	108,482	67,966	101,375	74,503
Net increase in cash and cash equivalents	(1,799)	(14,791)	125,035	(16,874)	(40,442)	33,619	(26,872)	(4,596)
FX effects	116	762	(3,743)	787	-74	-210	0	0
Closing cash and cash equivalents	**17,306**	**3,277**	**124,569**	**108,482**	**67,966**	**101,375**	**74,503**	**69,907**

Source: AGA Report and Accounts, Hardman & Co Research

Return attribution by quarter

Quarterly performance (%)	PE	Debt Invest.	Derived Equity	Perf. fee	Other	FX	Total return
3Q'16	-0.1%	2.1%	1.2%	-0.1%	-0.6%	-0.5%	2.0%
4Q'16	2.0%	0.3%	-0.5%	-0.4%	0.1%	4.0%	5.5%
1Q'17	1.1%	0.7%	0.7%	-0.3%	-0.2%	-0.6%	1.4%
2Q'17	0.7%	-0.3%	3.3%	-0.5%	-0.6%	-4.8%	-2.1%
3Q'17	1.3%	0.5%	0.5%	-0.1%	-0.2%	-2.3%	-0.3%
4Q'17	2.7%	1.4%	1.2%	-0.4%	-0.2%	-1.1%	3.5%
1Q'18	0.4%	0.4%	0.2%	0.3%	-0.3%	-1.7%	-0.7%
2Q'18	5.8%	-0.2%	-0.6%	-0.3%	-0.5%	2.7%	6.9%
3Q'18	3.5%	0.1%	-1.7%	0.2%	-0.2%	-0.1%	1.8%
4Q'18	-0.2%	0.1%	-0.8%	-0.3%	0.0%	0.5%	-0.7%
1Q'19	6.4%	0.5%	-0.2%	0.0%	-0.2%	2.2%	8.7%
2Q'19	5.3%	0.5%	0.1%	-0.3%	-0.2%	-1.0%	4.4%
3Q'19	3.1%	0.6%	-0.6%	-0.2%	-0.3%	2.3%	4.9%
4Q'19	3.2%	0.6%	1.3%	-0.5%	0.0%	-1.2%	3.4%
1Q'20	-7.9%	-2.0%	-1.7%	0.0%	-0.2%	-0.1%	-11.9%
2Q'20	11.4%	2.0%	0.8%	0.0%	-0.2%	-0.6%	13.3%
3Q'20	10.7%	1.2%	0.0%	0.0%	-0.2%	-3.2%	8.5%
4Q'20	7.6%	0.7%	1.1%	0.0%	-0.1%	-2.4%	6.9%
1Q'21	6.0%	0.7%	0.6%	-0.2%	-0.2%	3.5%	10.4%
2Q'21	6.6%	0.5%	0.4%	-0.1%	-0.2%	-0.7%	6.5%
3Q'21	7.9%	0.5%	0.2%	-0.2%	-0.1%	1.6%	9.9%
4Q'21	-1.5%	0.3%	-0.1%	-0.1%	-0.2%	1.6%	-0.1%
1Q'22	-3.6%	0.2%	0.0%	0.2%	0.2%	2.1%	-1.7%
2Q'22	-3.9%	-1.0%	-0.3%	0.2%	-0.2%	3.3%	-1.9%
3Q'22	-1.0%	0.4%	-0.1%	-0.3%	-0.2%	4.4%	3.2%
4Q'22	-1.5%	0.0%	0.3%	0.3%	-0.2%	-6.2%	-7.3%
1Q'23	1.8%	1.2%	0.1%	-0.1%	-0.2%	-0.9%	1.9%
2Q'23	0.3%	1.0%	0.0%	-0.1%	-0.2%	-0.40%	0.6%
3Q'23	-2.3%	1.0%	-0.1%	-0.2%	-0.3%	1.8%	-0.1%
4Q'23	3.3%	1.0%	0.2%	-0.1%	0.1%	-2.6%	1.9%
1Q'24	-2.3%	0.5%	0.2%	-0.2%	-0.1%	1.4%	-0.5%
2Q'24	-1.0%	-0.6%	0.0%	0.2%	-0.1%	0.5%	-1.0%
Average (since 1Q'16)	2.1%	0.4%	0.2%	-0.1%	-0.2%	-0.1%	2.3%

Source: AGA Report and Accounts, Hardman & Co Research

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