



Results analysis: NB Private Equity Partners

NBPE's underlying companies continue to deliver strong revenue growth...

Update

26 September 2024

- NB Private Equity Partners (NBPE) has released its interim results for the six months to 30/06/2024. The net asset value (NAV) per share was \$28.87 (£22.05), which translates to a NAV total return of 1.0% over the six-month period. This was driven by an increase of 4.3% in the value of the private companies that NBPE owns, on a constant currency basis (i.e. removing currency fluctuations). That was partially offset by continued volatility in NBPE's quoted holdings, as well as foreign exchange headwinds.
- Operating performance of the companies NBPE invests in continues to be positive, with the aggregate weighted average revenue growth of 11% and EDITDA growth of 16% over the last 12 months.
- Investment activity was robust during the period, with \$72 million invested in new and follow-on investments. Two of the new investments were in the healthcare industry, with Zeus, a medical device component maker, and Benecon, a company focused on health insurance. NBPE partnered with EQT and TA Associates for these respective deals.
- Despite a subdued private equity exit environment, NBPE received cash proceeds of \$126 million. This includes transactions that were announced in 2023 but closed in 2024. In addition, after the six-month period these results cover, NBPE received \$25 million from a partial liquidity event in Action, the Dutch discount retailer. Together with additional proceeds during July and August, total realisations for the first eight months of the year were \$158 million.
- NBPE's liquidity position remains strong; its \$386 million of cash, liquid investments and undrawn credit line leaving it well positioned to take advantage of investment opportunities. Management expects to be active during the second half of the year.
- A dividend of \$0.47 for the first half of 2024 was paid in February, with a further semi-annual dividend paid in August, after the company's interim reporting period. Total dividends paid since 2013 total around \$360 million.
- Paul Daggett, managing director at Neuberger Berman, said: "We are pleased with the positive operating performance

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of our portfolio companies which we believe reflects the high-quality nature of the underlying assets. We think this performance can be attributed to the active ownership of our underlying private equity managers, who continue to drive operational enhancements and revenue growth, both organically and through M&A, in a still challenging market environment. We believe the portfolio remains well positioned, supported by our two key themes of long-term secular growth and companies with lower expected cyclicality."

Kepler View

Realisation activity started to increase in the second half of 2023 and has continued into 2024, which has helped **NB Private Equity Partners (NBPE)** step up the pace of investment.

NBPE has a number of competing options for its cash, including funding of new investments, the



dividend and buybacks. Any option must further consider the maturity of the 2024 ZDPs in October, which the board have announced their intention to repay.

The good news is that NBPE has a strong balance sheet, which is a corollary of the manager having a high degree of control over the timing of new investments. It also gives the managers and board plenty of flexibility to be opportunistic.

In our view, buybacks will continue to be opportunistic and tactical and the dividend will remain the main way capital will be returned to shareholders. The dividend policy of targeting an annualised dividend yield of 3% of NAV or greater gives shareholders the opportunity to participate directly in the performance of the underlying portfolio.

Realisation may arguably be the most visible value driver for private equity portfolios, but it is far from being the only driver. Private equity managers have plenty of other levers at their disposal to drive value creation within portfolios.

While the board acknowledges that opportunities for exits remain constrained, some of the headwinds that have caused this are subsiding, suggesting that deal activity and exits could increase in the short to medium term. Indeed, sponsors are actively seeking liquidity routes.

NBPE's underlying companies continue to deliver strong revenue and EBITDA growth and are increasingly mature: the average age of the portfolio was 4.9 years at 30/06/2024, suggesting that there are plenty of companies within the portfolio with the potential to benefit from liquidity events.

A further fall in interest rates could be an additional benefit, if it precipitated a rebound in deal activity more broadly. As a result of all this, investors who are taking a long-term view may see the current discount to NAV of around 26% as a potentially attractive entry point.

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