



# Flash update: NB Private Equity Partners

October NAV from NBPE shows continued momentum...

Update  
22 November 2021

Last week, **NB Private Equity Partners (NPBE)** announced that its NAV had increased by 2.4% to \$30.44 (£22.21) thanks to strong performance from private and public company valuations. In particular, Autostore, which IPO'd in October, has been a big driver of performance this year, contributing over \$150m of gains YTD (now 6.6% of portfolio, the largest holding as at 31/10/2021).

Realisations from the portfolio continue at a strong pace (\$40m over October), bringing total announced realisations to \$365m, a record annual level for the company. These represented 11 full or partial sales, which were achieved at valuations in aggregate of double (i.e. 100% above) the 31 December 2020 valuations.

This brings the NAV total return increase over the calendar year to date (to 31/10/2021) to 39.2%, cementing NBPE's position as one of the best performing of the London listed private equity trusts. NBPE is 111% invested, one of the most fully invested of the peer group. NB have continued to selectively put capital to work, committing \$110m to seven new investments this year, and, most recently, investing \$30m into Stamps.com during October.

Stamps.com is a provider of software for e-commerce shipping and delivery, with the investment made alongside Thoma Bravo. The manager believes this was an attractive opportunity to invest in a thesis driven by sector tailwinds in the large and growing e-commerce market. In addition, this was an opportunity to partner with Thoma Bravo, one of the world's leading software and technology private equity specialists, with extensive software and operational expertise, to support the company's next phase of growth.

## Kepler View

The NBPE juggernaut shows no signs of slowing down, with yet another strong NAV announcement. The past twelve months have seen the NAV appreciate by 58%, including dividends paid, driven by strong earnings growth from underlying portfolio companies, but also realisations as companies are sold or IPO'd. As a result of IPO's and appreciation of NBPE's public stocks, NBPE's exposure to public companies has risen from 12% at 31 December 2020 to 21% at 31 October 2021, a situation we expect to reverse over time as public holdings are sold down. Of the public securities, 15.7% of the public investments can be found in the top ten holdings, illustrating how concentrated these exposures are, and

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include Petsmart Chewy, Constellation Automotive (which owns WeBuyAnyCar.com, Cinch and BCA) and AutoStore.

Private equity markets are still very buoyant, and it continues to be a 'sellers' market'. NBPE's portfolio of hand-picked co-investment deals still has an attractive maturity profile, with 67% of the portfolio in the 2017-2019 vintage bracket. Should the market remain supportive, many of these companies could be approaching the time their private equity sponsor will want to crystallise gains through an exit transaction. Assuming this is the case, this will continue to drive NBPE's progress over the medium term. With the NAV 111% geared, positive gains will be magnified for shareholders NAV (and vice versa for negative moves, which is clearly a potential risk). We note that NBPE, in making co-investments, usually does so on a fee-free basis with sponsors. This exposes investors to only one layer of fees – a management fee of 1.5% and performance fee of 7.5% over a hurdle of 7.5% (annual measurement) payable to NB.



Outside of the public markets, private equity valuations continue to be strong. The listed direct PE management companies (such as KKR, Apollo etc) that have reported Q3 performance have delivered an average total return on their investments of 6.7% over the three months to 30 September 2021 (Source: Kepler Partners). Given 43% of NBPE's portfolio is still valued at 30/06/2021, this means that the most recently published NAV might be considered conservative. On a headline basis, the shares trade on a discount to the 30/10/21 NAV of 18.1% [note: based on current price 1820p at 19/11/2021]. However, JPMorgan Cazenove estimate that allowing for public company valuation moves and assumptions on the valuation of private investments, the NAV might be \$31.70 or £23.50p, and putting the shares on a discount of 22.6% [note based on current price 1820p at 19/11/2021].

NBPE offers a unique way for investors to get access to a relatively concentrated portfolio of private companies (largely based in the US), by investing in companies that should benefit from long-term secular growth trends and which are arguably relatively defensive. NBPE's balance sheet means that investors have a somewhat geared exposure to the performance of these companies and deals. However, NBPE's co-investment strategy means it can arguably be more dynamic than its FOF peers, allowing it to actively respond to market conditions and importantly without the need of significant long-term commitments; NBPE can stop investing if the manager chooses, providing greater flexibility than most other funds which typically have large, off-balance sheet unfunded liabilities.

Reflecting the confidence of the board on the balance sheet, and NBPE's strong performance, NBPE announced a significantly higher semi-annual dividend (paid from capital) earlier this year (32% increase over the prior year). NBPE's stated policy is to pay a dividend yield of 3% or greater on NAV (as at the half year, and year end dates). Given the continued growth in the NAV, this means that dividends might be expected to be higher than the most recent interim dividend suggests. Based on the historic level of dividends, the shares yield 3.3% on the current share price of 1820p.

**[View the October 2021 NAV report](#)**

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