



Flash update: NB Private Equity Partners

NBPE's NAV momentum continues, and the portfolio's maturity would indicate that further progress cannot be ruled out...

Update
20 September 2021

On Monday, **NB Private Equity Partners (NBPE)** published its half year results to 30 June 2021 as well as its August 2021 monthly update. The most recent NAV, updated to include publicly listed holdings as at 31 August, and full receipt of private investment valuations as at 30 June, is now £20.61. This means that in USD terms, NBPE has delivered NAV total returns of 29.7% in the calendar year to date (and 59% over the 12 months to 30/08/2021).

This latest update extends the strong momentum being seen in the portfolio, but also echoes the strong environment for realisations in private equity generally. Over the calendar year to date, NBPE has seen full or partial exits on ten investments, as well as one IPO. These realisations have been achieved at a 75% uplift from December 2020 values, and represent a return of 3.3x invested capital. These are strong numbers, and compare to the five year average uplift on valuations compared to three quarters prior of 24%.

In total \$300m has now been received (or is expected from announced transactions) over the calendar year. Aside from the realisations, the key drivers have been Constellation Automotive Group and Auto Store (where only a minority stake was sold in April), NBPE's largest and second largest holdings respectively at 31/08/2021. Set against the realisations, over the year, NBPE has invested \$40m to four new investments. The result is that the cash position of NBPE has increased to \$54m, and the investment level reduced from 119% at 31/12/2021 to 110% at 31/08/2021. NBPE has committed \$63m to three additional investments which are pending closing.

As of 31 August 2021, NBPE's direct equity portfolio had a total fair value of \$1.3bn, consisting of 92 companies, invested alongside 55 different private equity sponsors. While the portfolio is broadly diversified, the top 20 investments represented approximately 55% of fair value. Underlying weighted average LTM revenue and LTM EBITDA growth from the portfolio was 17.7% and 15.6% respectively as at 30/06/2021, representing an acceleration of those numbers reported at 31 December 2020.

Kepler View

NBPE invests directly into private equity backed companies alongside a range of third-party managers through co-

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investments. This means that it has the advantages of not paying management fees or carried interest on the large majority of these investments, yet it achieves broad diversification, and can operate at a high level of investment (currently 110% invested, as measured on a NAV basis) without the need to make significant long-term commitments. As a result, it is unique in the listed private equity sector.

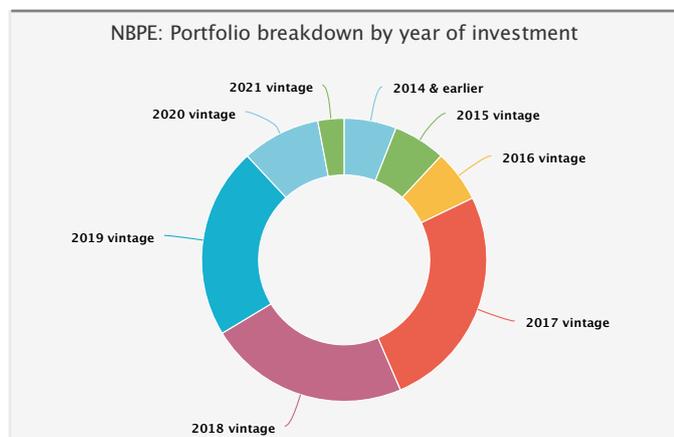
Constellation Automotive is a classic example of how private equity managers can transform businesses under their ownership. Historically, the company was not a leader in technology, but has transformed itself into a digital forerunner in the used car sector. It owns WeBuyAnyCar.com, cinch and BCA, and has grown rapidly as a result of its shift in strategy.

As the chart below illustrates, just under 50% of the portfolio is represented by 2017 and 2018 vintage investments. These investments are right within the realisation window typically targeted by private equity sponsors. Private equity is undoubtedly a seller's market currently, and so despite the



exceptionally strong performance shown by the portfolio YTD, the manager appears to be justifiably optimistic that NBPE's portfolio is well positioned for further near term exits.

Fig.1: Portfolio Breakdown



Source: Neuberger Berman

Compared to the most recent NAV of \$28.36 (or £20.61), NBPE's shares trade at a discount of 21% (based on a share price of £16.31). In our view, this continues to look attractive on an absolute basis, but also relative to the peer group. The current discount could be a potentially attractive entry point to get access to a diversified portfolio of top private equity deals (mainly in the US), in a vehicle which pays only one layer of fees (no management fee or carried interest payable on the vast majority of co-investments), but which is clearly experiencing strong momentum behind it.

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