

# Patria Private Equity Trust

## Completes a successful £180m secondary sale

Patria Private Equity Trust (PPET) has announced that it has completed a secondary sale of a portfolio of 14 older vintage and non-core investments for c €216m (c £180m or 13% of PPET's end-August 2024 NAV). This represents a minor 5% discount to the carrying value of the sold assets at end-March 2024 (H124) and translates into a robust 1.9x multiple on invested capital and a 16% internal rate of return (IRR). We consider this good news for PPET for several reasons. The sale should allow the trust to repay part, or all, of the currently drawn portion of its credit facility within the next 12 months. It should also provide PPET with additional dry powder for new investments and dividends or buybacks and streamline its portfolio to increase its focus on the private equity (PE) mid-market.

### Disposal price underpins PPET's portfolio valuations

The small discount at which the secondary sale was agreed (which is already reflected in PPET's end-August 2024 NAV, according to press reports) is well below the 31% discount to NAV at which PPET's shares are now traded. This holds true even if we account for the fact that PPET will receive the consideration in two tranches: around 45% in December 2024 and 55% in September 2025. Notably, 10 of the 14 sold fund investments (making up c 50% of the deal value) are older vintages (2011–16), which are typically subject to wider discounts in the PE secondary markets. For example, buyout funds with 2011 and older vintages traded at a 31% discount to NAV in H124, according to the last Jefferies Global Secondary Market Review. The average discount to NAV across all limited partner-led secondary buyout deals (of which nearly 80% by volume were for 2017 or newer vintages) was 6%. Therefore, we believe that the price of PPET's transaction reflects its prudent approach to valuing its assets.

### Sharpened focus on the European PE mid-market

The other half of the deal value is attributable to fund investments with 2017–19 vintages, which were weighted to large-cap buyouts that have become non-core for PPET. This enables the trust to further shift its portfolio weighting to the PE mid-market, which we believe offers several potential advantages outlined in our [March 2024 note](#). The IRR generated on the sold fund investments is broadly in line with the 15.44% 10-year horizon pooled net return for US private equity, as calculated by Cambridge Associates as of Q124.

### Significantly improving its balance sheet headroom

The secondary transaction gives PPET more balance sheet flexibility as it now has £333m in short-term resources (cash, the undrawn part of the credit facility and the deferred consideration), comfortably covering 53% of PPET's outstanding investment commitments. The deal consideration exceeds the entire drawn amount on PPET's credit facility (£142.3m or c 47% of the facility's total size at end-August 2024). This should allow the trust to partly or fully repay its credit facility and/or drive further investments, while supporting its shareholder returns policy. Alternatively, in a scenario of net capital calls from PPET's fund investments due to a continued subdued PE exit environment, it will provide PPET with an additional cash runway.

**NOT INTENDED FOR PERSONS IN THE EEA**

Investment trusts  
Private equity

24 October 2024

**Price** 533p  
**Market cap** £813m  
**NAV\*** £1,182m

NAV per share\* 771.6p  
Discount to NAV 30.9%  
Yield 3.1%  
Ordinary shares in issue 152.4m

Code/ISIN PPET/GB0030474687  
Primary exchange LSE  
52-week high/low 586.0p 428.0p  
NAV high/low 776.4p 748.6p

\*As at end-August 2024.

#### Gearing

Net gearing at end-August 2024 10.5%

#### Fund objective

Patria Private Equity Trust's investment objective is to achieve long-term total returns through holding a diversified portfolio of private equity funds and direct investments into private companies alongside private equity managers (co-investments), a majority of which will have a European focus.

#### Bull points

- Focus on strong relationships with top-performing European private equity managers.
- High exposure to less cyclical sectors.
- Increasing share of co-investments that offer greater control over capital deployment and are not subject to second-layer fees.

#### Bear points

- Macroeconomic uncertainty and lower debt availability may curb global M&A volumes (and in turn private equity exit activity).
- Interest rate normalisation may reduce prospective private equity returns, put pressure on interest coverage and/or lead to refinancing issues across private equity-backed companies.
- Persistent muted private equity exit activity would limit PPET's new investments.

#### Analyst

Milosz Papst +44 (0)20 3077 5720

[investmenttrusts@edisongroup.com](mailto:investmenttrusts@edisongroup.com)

[Edison profile page](#)

**Patria Private Equity Trust is a research client of Edison Investment Research Limited**

---

## General disclaimer and copyright

This report has been commissioned by Patria Private Equity Trust and prepared and issued by Edison, in consideration of a fee payable by Patria Private Equity Trust. Edison Investment Research standard fees are £60,000 pa for the production and broad dissemination of a detailed note (Outlook) following by regular (typically quarterly) update notes. Fees are paid upfront in cash without recourse. Edison may seek additional fees for the provision of roadshows and related IR services for the client but does not get remunerated for any investment banking services. We never take payment in stock, options or warrants for any of our services.

**Accuracy of content:** All information used in the publication of this report has been compiled from publicly available sources that are believed to be reliable, however we do not guarantee the accuracy or completeness of this report and have not sought for this information to be independently verified. Opinions contained in this report represent those of the research department of Edison at the time of publication. Forward-looking information or statements in this report contain information that is based on assumptions, forecasts of future results, estimates of amounts not yet determinable, and therefore involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of their subject matter to be materially different from current expectations.

**Exclusion of Liability:** To the fullest extent allowed by law, Edison shall not be liable for any direct, indirect or consequential losses, loss of profits, damages, costs or expenses incurred or suffered by you arising out of or in connection with the access to, use of or reliance on any information contained on this note.

**No personalised advice:** The information that we provide should not be construed in any manner whatsoever as, personalised advice. Also, the information provided by us should not be construed by any subscriber or prospective subscriber as Edison's solicitation to effect, or attempt to effect, any transaction in a security. The securities described in the report may not be eligible for sale in all jurisdictions or to certain categories of investors.

**Investment in securities mentioned:** Edison has a restrictive policy relating to personal dealing and conflicts of interest. Edison Group does not conduct any investment business and, accordingly, does not itself hold any positions in the securities mentioned in this report. However, the respective directors, officers, employees and contractors of Edison may have a position in any or related securities mentioned in this report, subject to Edison's policies on personal dealing and conflicts of interest.

Copyright: Copyright 2024 Edison Investment Research Limited (Edison).

---

## Australia

Edison Investment Research Pty Ltd (Edison AU) is the Australian subsidiary of Edison. Edison AU is a Corporate Authorised Representative (1252501) of Crown Wealth Group Pty Ltd who holds an Australian Financial Services Licence (Number: 494274). This research is issued in Australia by Edison AU and any access to it, is intended only for "wholesale clients" within the meaning of the Corporations Act 2001 of Australia. Any advice given by Edison AU is general advice only and does not take into account your personal circumstances, needs or objectives. You should, before acting on this advice, consider the appropriateness of the advice, having regard to your objectives, financial situation and needs. If our advice relates to the acquisition, or possible acquisition, of a particular financial product you should read any relevant Product Disclosure Statement or like instrument.

---

## New Zealand

The research in this document is intended for New Zealand resident professional financial advisers or brokers (for use in their roles as financial advisers or brokers) and habitual investors who are "wholesale clients" for the purpose of the Financial Advisers Act 2008 (FAA) (as described in sections 5(c) (1)(a), (b) and (c) of the FAA). This is not a solicitation or inducement to buy, sell, subscribe, or underwrite any securities mentioned or in the topic of this document. For the purpose of the FAA, the content of this report is of a general nature, is intended as a source of general information only and is not intended to constitute a recommendation or opinion in relation to acquiring or disposing (including refraining from acquiring or disposing) of securities. The distribution of this document is not a "personalised service" and, to the extent that it contains any financial advice, is intended only as a "class service" provided by Edison within the meaning of the FAA (i.e. without taking into account the particular financial situation or goals of any person). As such, it should not be relied upon in making an investment decision.

---

## United Kingdom

This document is prepared and provided by Edison for information purposes only and should not be construed as an offer or solicitation for investment in any securities mentioned or in the topic of this document. A marketing communication under FCA Rules, this document has not been prepared in accordance with the legal requirements designed to promote the independence of investment research and is not subject to any prohibition on dealing ahead of the dissemination of investment research.

This Communication is being distributed in the United Kingdom and is directed only at (i) persons having professional experience in matters relating to investments, i.e. investment professionals within the meaning of Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended (the "FPO") (ii) high net-worth companies, unincorporated associations or other bodies within the meaning of Article 49 of the FPO and (iii) persons to whom it is otherwise lawful to distribute it. The investment or investment activity to which this document relates is available only to such persons. It is not intended that this document be distributed or passed on, directly or indirectly, to any other class of persons and in any event and under no circumstances should persons of any other description rely on or act upon the contents of this document.

This Communication is being supplied to you solely for your information and may not be reproduced by, further distributed to or published in whole or in part by, any other person.

---

## United States

Edison relies upon the "publishers' exclusion" from the definition of investment adviser under Section 202(a)(11) of the Investment Advisers Act of 1940 and corresponding state securities laws. This report is a bona fide publication of general and regular circulation offering impersonal investment-related advice, not tailored to a specific investment portfolio or the needs of current and/or prospective subscribers. As such, Edison does not offer or provide personal advice and the research provided is for informational purposes only. No mention of a particular security in this report constitutes a recommendation to buy, sell or hold that or any security, or that any particular security, portfolio of securities, transaction or investment strategy is suitable for any specific person.

---