

# Partners Group Private Equity

Q324 results

Seeing good demand for several of its assets

Partners Group Private Equity's (PGPE's) recent portfolio realisation efforts (supported by the gradual pick-up in M&A activity and an opening IPO window) included, most notably, the sale of SRS Distribution earlier this year (see our [September 2024](#) note for details) and more recently Techem (3.8% of end-Q324 NAV, sold to a trade buyer in October 2024), as well as the successful IPO pricing of Galderma in March and KinderCare in October. The positive valuation effects from these activities (21% weighted average uplift to latest published NAV) were coupled with a 5.1pp contribution to portfolio performance in 9M24 from earnings growth (average 11% increase in last 12-month EBITDA across top 20 holdings) and a slight 1.2pp tailwind from peer multiples. This was partly offset by an increase in portfolio net debt amid several debt package refinancings at a lower spread to strengthen capital structures and in turn support growth. Moreover, the Q324 return was affected by a weakening US dollar, which makes up c 40% of the portfolio's exposure by currency (although these FX headwinds have more than reversed so far in Q424). As a result, the company posted a moderate 3.1% NAV total return (TR) in 9M24.

The company's shares continue to trade at 20–30% discount to NAV, which, according to the company's new capital allocation policy, implies that 50% of its free cash flow will be used for share buybacks. As the company's realisation proceeds collected in H124 were partly used to repay the credit facility (with the entire €140m amount undrawn at end-September 2024) and pay the interim dividend, no free cash flow was available for buybacks at the quarterly test at the beginning of July. Q324 realisation proceeds were a minor €8.2m and included primarily a €6.0m sale of Galderma shares through an off-market block trade to L'Oréal (which recently acquired a 10% stake in the business), as well as €1.6m from KinderCare (a US childhood education services provider) before the IPO. The company's stake in the latter is subject to a 180-day lock-up following the listing, and therefore the company has so far benefited only from an unrealised gain (a strong 50% uplift to end-August 2024 NAV based on the first day closing price). Further exit proceeds may, however, translate into positive free cash flow and share repurchases.

The company invested €10.2m in Q324, which includes €5.5m deployed into FairJourney Biologics (a biologics contract research organisation) and €1.1m into Pest Control Partnership (a greenfield entry into the European pest control market, see our [September 2024 note](#) for details). The major drivers in terms of value creation in Q324 included International Schools Partnership (which has shown continued solid financial performance, both organically and through M&A) and Telepass (which recently announced a partnership with Atlante to make over 1,000 electric charging points in Italy available via the Telepass app).

## Investment trusts Private equity

28 November 2024

**Price ord.** €10.60  
**Price (PEYS)** 884p  
**Market cap** €733m  
**NAV\*** €985m

NAV per share\* €14.24  
 Discount to NAV 25.6%  
 Yield (LTM) 6.7%  
 Shares in issue 69.2m

Codes (€/£ quote) PEY/PEYS  
 Primary exchange LSE  
 52-week high/low €11.60 €10.10  
 NAV high/low €14.96 €14.16

\*As at end-September 2024.

### Gearing

Net gearing at end-September 2024 0.0%

### Fund objective

Partners Group Private Equity (formerly Princess Private Equity Holding) is an investment holding company domiciled in Guernsey that invests in private equity and has a minor private debt position. Its portfolio consists mostly of direct investments but may also include primary and secondary fund investments. It aims to provide shareholders with long-term capital growth and an attractive dividend yield.

### Bull points

- Attractive dividend policy and a well-structured buyback framework.
- Focus on transformative trends in various 'foundational' subsectors of the real economy and entrepreneurial governance approach.
- Good earnings momentum delivered across its portfolio versus public markets historically.

### Bear points

- Interest rate normalisation may reduce prospective private equity returns, put pressure on interest coverage ratios and/or lead to refinancing issues across private equity-backed companies in the medium term.
- NAV TR below peer average in recent years.
- A persistently weak exit environment could affect the company's returns, new investment activity and liquidity.

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