

# Apax Global Alpha

QuickView

## Transaction activity picked up in Q324

Apax Global Alpha (AGA) reported a Q324 NAV total return (TR) of 1.7% in euro terms on a constant currency basis (-0.2% including fx changes), with a 3.2pp positive contribution from earnings momentum across its private equity (PE) investments. The company experienced a pick-up in new investments, and also saw some positive trends on the realisation front. Following recent exits and accounting for the take-private transaction of Thoughtworks, AGA's pro-forma exposure to listed holdings has been reduced to 4%, limiting the impact on AGA's returns. While these investments have already yielded a realised return of 3x investment cost, their de-rating post IPO has been one of the contributors to AGA's weaker performance lately. Within its recently updated capital allocation framework, AGA now offers a stable dividend of 11p per share (which implies an attractive 7.5% dividend yield) as well as buybacks funded with excess cash flow from realisations.

## Earnings growth supporting valuations

AGA's portfolio valuations benefited from revenue and EBITDA growth across its PE holdings in the 12 months to end-September 2024 of 7.1% and 16.3%, respectively (of which 5.5% and 13.4% was organic growth, respectively). A further 1.6pp NAV per share accretion came from slightly higher valuation multiples (including the revaluation of Thoughtworks following its take-private deal), with average EV/EBITDA of 17.6x at end-September 2024 (vs 17.1x at end-June 2024), though this was offset by higher net debt across AGA's holdings (mostly to fund M&A, with average net debt to EBITDA of 4.6x vs 4.3x at end-June 2024).

AGA's debt portfolio (making up 17% of portfolio value at end-Q324) posted a 0.3% return excluding fx impact, due to negative movements across a limited number of positions. Its debt investments include primarily first (63% share) and second lien (22%) term loans in sectors where AGA has experience from its PE investments and give the company additional balance sheet robustness and flexibility for its capital allocation, while seeking to generate enhanced risk-adjusted returns. Its income yield and yield to maturity stood at 9.1% and 11.1%, respectively, at end-September 2024.

## Share buybacks initiated in June

In June 2024, AGA announced the creation of a distribution pool for share buybacks, which it seeded with €30m (2.4% of end-March 2024 NAV) and to which it will allocate 100% of its excess cash flow from realisations until the pool reaches 5% of NAV. AGA's board will consider the attractiveness of share buybacks versus reinvestments in its portfolio when the company's shares trade at a discount to NAV of over 23%. With the current discount wider than this threshold, AGA started repurchasing shares at the end of June 2024 (which to end-September 2024 represented 0.3% of opening share capital). Overall, AGA has returned €67m to shareholders through dividends and buybacks since the start of 2024.

Investment trusts  
Private equity

15 November 2024

**Price ord** **£1.466**  
**Market cap** **£717m**  
**NAV\*** **€1,199m**

NAV per share	€2.45/£2.04	
Discount to NAV	28.1%	
Yield (last 12 months)	7.5%	
Shares in issue (ex-treasury shares)	489.1m	
Code	APAX	
Primary exchange	LSE	
AIC sector	Private equity	
52-week high/low	£1.678	£1.362
NAV high/low	£2.27	£2.04

\*As at end-September 2024.

### Gearing

Net gearing at end-September 2024 0.0%

### Fund objective

Apax Global Alpha (AGA) provides exposure to a global diversified portfolio of private equity investments by investing in funds advised by Apax. Capital not invested in private equity is deployed into private debt investments for additional sources of income to fund dividend payments and the distribution pool for buybacks.

### Bull points

- Clear sector focus: tech (47% of end-Q324 portfolio), services (27%) and internet/consumer (19%).
- A well-defined capital allocation framework offering at present a 7%+ dividend yield and share buybacks.
- Solid balance sheet, supported by AGA's debt investments.

### Bear points

- NAV total return performance below AGA's 12-15% pa target over the last five years.
- 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.
- A persistently weak exit environment could affect the company's returns, new investment activity and liquidity.

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## Five new investments and six exits in Q324

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PE has established itself as an important asset class for institutional investors globally, as it provides access to actively managed, attractive companies not accessible through public markets, and which increasingly tend to stay private for longer. PE transaction activity has been stabilising and gradually improving throughout 2024 (with the gap in buyers' and sellers' price expectations narrowing), and the public market environment has become more welcoming for IPOs. Accordingly, AGA experienced an increase in transaction activity with five investments signed or closed in Q324 into which it deployed €107m (or c 9% of opening NAV). This includes Zellis (payroll and HR software), Altus Fire & Life Safety (regulation-mandated fire and life safety services), GreytHR (human resources management software), Veriforce (supply chain risk management) and the take-private of global software development and digital transformation consulting company Thoughtworks (carried out by the Apax XI fund). AGA initially made a private equity investment in Thoughtworks through the APAX IX fund in 2017. This fund remained a significant shareholder of Thoughtworks post IPO in 2021, but has already realised c 3x the investment cost to date. The objective of the recent take-private transaction is to initiate a business transformation as Thoughtworks has been affected by the post-COVID shifts of spending by large corporations.

AGA also saw an uptick in terms of realisations and made six full exits in Q324 (of which five closed) at an attractive 2.7x average gross multiple on invested capital (MOIC), with only one exit (Guotai Junan Securities) below investment cost. These exits (excluding listed holdings) were completed at an average 10% uplift to the previous carrying value. We note that two of these exits (Baltic Classifieds Group and Genius Sports) were disposals of remaining stakes of listed holdings following their earlier IPOs. AGA received total distributions of €34m (or c 2.7% of opening NAV) from Apax funds in Q324 (vs €5m in H124).

AGA's available liquid resources at end-September 2024 included €83m in cash and a €250m revolving credit facility (fully undrawn), further supported by the €194m debt portfolio. This translates into a safe 63% coverage ratio of AGA's €838m outstanding commitments (including a 3x coverage of the €178m commitments expected to be called within 12 months).

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