



Results analysis: NB Private Equity Partners

Robust performance and a tightening discount bode well for NBPE...

Update
26 April 2024

- NB Private Equity Partners (NBPE) has released its full year results for 2023, as well as its monthly NAV update for 31/03/2024. NAV total returns for 2023 stood at 2.3%. However, returns for the private company portfolio stood at 5.3% on a constant currency basis driven by strong operating performance and realisation activity.
- Private companies are valued at 14.9x which compares to 15.2x at the end of 2022 with growth primarily driven by operating performance rather than multiple expansion.
- In the year to date, NAV total returns decreased by 1.4%. The bulk of the trust's private holdings remain valued at 31/12/2023, so this small level of weaker performance was driven primarily by FX and performance in NBPE's quoted holdings, which were 9% of NAV at the end of March.
- Last Twelve Month (LTM) revenue growth averaged 11.4% across the private portfolio at the close of 2023, with equivalent LTM EBITDA growth of 15.2%. That superior level of earnings growth was due to various operational improvements to portfolio companies, driven by synergies from M&A, and cost efficiencies.
- NBPE benefitted from realisations totalling \$171m in 2023, or 12% of the portfolio value at the start of the year and an aggregate 2.1x cost. Investments for the period totalled \$22m, although these were primarily in support of M&A activity for existing portfolio companies. Since the start of the year the trust has invested \$38m into two new healthcare investments, compared to \$64m in cash proceeds received. The managers expect to receive a further \$42m from realisations in the months ahead and have committed \$28m to a further new, as yet undisclosed, investment.
- NBPE is well-positioned to take advantage of any opportunities that present themselves. The trust has \$362m of available liquidity as at 31/03/2024, with \$151 million in cash and \$210 million from its credit facility.
- NBPE chairman William Maltby said: "The NBPE portfolio is well positioned given the 'all-weather' investment approach the Neuberger Berman team has followed for many years. The portfolio is focused on two key themes, long-term secular

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growth and/or business with low cyclicality and is invested in well-diversified, industry leading businesses, with attractive cash flow generation and resilient business models, made alongside some of the most experienced and well-resourced private equity managers globally."

Kepler View

Sales and earnings growth of 11.4% and 15.2% respectively over the course of 2023 illustrate the strength of **NB Private Equity Partners' (NBPE)** portfolio companies today. That EBITDA growth outstripped increases in sales is also a tangible sign that the synergies the managers bring to portfolio holdings, whether that's via M&A activity or cost efficiency improvements, can have a meaningful impact on a company's returns.

Although the backdrop for private equity remains challenging, positive earnings growth also continues to be supportive of valuations. It also suggests the



managers are meeting their aim of investing in businesses that can deliver secular growth and/or which operate in lower expected cyclicity.

Realisations in the portfolio of \$171m in 2023 represented 12% of the start of year NAV, a robust level given the tough market backdrop for exits. Low investment levels of \$22m in 2023 and a further \$38m in Q1 of this year with an additional \$28m pending means that NBPE is in a strong position to invest when opportunities arise, with the managers sitting on \$362m of available liquidity. However, it is also worth noting that the trust was 102% invested at the end of March, meaning they are not under pressure to invest over the short term.

NBPE's policy is to pay an annual dividend that represents 3% of NAV and the trust now has a more than decade-long track record of either maintaining or increasing dividends. The trust maintained that track record last year, with dividends per share of \$0.94 over the year. NBPE paid its first interim dividend of \$0.47 in February, with a TTM yield of 4.6% as at 24/04/2024. The trust also bought back \$5m in shares over the course of 2023. Buybacks have continued into 2024, with \$5.4m of shares repurchased in Q1.

The discount narrowed substantially over the course of 2023 from 32% to 24% at the end of the year. The trust's shares continue to trade at a 24.5% discount to NAV as at 24/04/2024. Although the market backdrop does remain challenging, NBPE's portfolio companies continue to deliver strong financial results. The trust's co-investment model also means that investors have much greater transparency on those holdings relative to peers. With the trust sitting on large levels of dry powder, we think the managers are well-positioned to take advantage of opportunities sourced from the \$110bn NB Private Markets platform. Continued strong performance and smoother market conditions may also result in a tightening of the discount, providing prospective investors with a greater uplift to capital.

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