



Flash update: NB Private Equity Partners

Recent write-up leaves NBPE's NAV +22.2% YTD with potentially further progress to come...

Update
16 July 2021

This week, **NB Private Equity Partners (NPBE)** announced that its NAV had increased by 6.5% to \$27.10 (£19.62) following the write up of Constellation Automotive Group, a co-investment led by TDR Capital. Constellation is now the largest holding in the portfolio following a capital raise by Cinch, its online car marketplace. Constellation also owns WeBuyAnyCar, another well-known brand in the UK.

In May 2021 it was announced that Cinch raised over £1bn to accelerate the growth of its highly successful online B2C used car marketplace across the UK and Europe. The capital raised came from a group of leading global institutional investors including other Neuberger Berman funds, and has enabled the business to accelerate its expansion and continue its investment in people, technology, data science, infrastructure and brand building.

Over 2021 so far, NBPE's NAV has increased by 22.2%. This includes ten full or partial realisations that have been announced, but reflects only 25% of the portfolio having been valued at 30 June. 75% of the portfolio remains marked at 31 March 2021 valuations.

Kepler view

This announcement shows a continuation of the very strong tailwinds that private equity funds are exhibiting this year, but most especially for NBPE. As we highlighted in **April**, NBPE's increasingly mature portfolio is generating strong returns which have driven the NAV progressively higher. We think it noteworthy that of the ten exits announced thus far, only one was in the top ten investments at 31 December 2020. In our view, this illustrates that NBPE is not simply realising the largest or most mature holdings which one might ordinarily expect from a private equity trust and suggests that there is potentially more room to run assuming market conditions do not deteriorate.

Underpinning the NAV is the fact that NAV growth of 22.2% since 01 January 2021 has been achieved despite approximately 75% of investment valuations still reflecting 31 March 2021 marks. Private equity funds normally provide valuations sixty days or more after the valuation date, and so the July monthly NAV (announced mid-August) may reflect a majority of the portfolio valued at 30 June, and substantially all of the portfolio as at this date is expected by the August NAV (announced mid-September).

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In terms of progress since 31 March, listed equities provide a comparative source for valuation movements. We note that the S&P500 Index increased in value by 8.2% over the quarter to 30/06/2021. NBPE's portfolio is heavily exposed to US headquartered companies at 69% of NAV, but the make-up of companies differs significantly when compared to the S&P 500. This is part of the reason NBPE delivered such a resilient NAV performance during 2020. NBPE remains exposed to growth sectors and defensive companies.

With a weighted average age (since investment) of approximately 3.5 years, NBPE's portfolio is within the window of the three to five year holding period that is typically targeted by most private equity sponsors. As such, it can be seen as increasingly mature, and that continued strong progress in the NAV during 2021 cannot be ruled out. In this regard, NBPE has previously identified several deals that have been announced but not yet closed. We understand that around \$20m of uplifts are yet to be recognised and



should translate into further NAV uplifts of c. 1.6% once they have been incorporated into the NAV.

NBPE currently trades on a discount to NAV of 27% and is unique in the listed private equity sector, given that it invests through co-investments directly into private equity companies without the need for significant long-term commitments. With gearing having significantly reduced over the past 12 months, NBPE is now 112% invested and is in a strong position from a balance sheet perspective. Perhaps as a sign of the health of the balance sheet, as well as confidence from the board, NBPE has also announced a significantly higher semi-annual dividend (paid from capital). The next payment will be \$0.41 per share, representing a 32% increase from the February 2021 dividend. This represents a dividend yield of 3.0% of NAV, which is in line with NBPE's stated dividend policy. At the current share price of 1425p, the prospective yield to investors is 4.2%.

NBPE appears well placed to continue to deliver strong NAV returns. As such, the current discount of 27% could potentially be an attractive entry point to gain access to a diversified portfolio of the top private equity deals, in a vehicle which charges a single layer of fees only (no management fee or carried interest payable on the vast majority of co-investments), but continues to show strong momentum.

[View the June 2021 NAV report here](#)

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