Results analysis: NB Private Equity Partners

NBPE's results show good underlying progress...

Update
30 April 2025

Analysts:

William Heathcoat Amory
+44 (0)203 384 8795

- **NB Private Equity Partners (NBPE) has released its final results for the twelve months to 31/12/2024. The net asset value (NAV) total return was 1.5% over the year, whilst the total share price return was -1.1%.**
- **FX movements and the performance of the quoted holdings masked a respectable performance from the private portfolio, which increased by 6.9% on a constant currency basis (i.e. removing currency fluctuations). This growth was driven by revenue and EBITDA growth of 8.1% and 12.1% respectively, on a weighted average basis for this part of the portfolio.**
- **As of 31/12/2024, the NBPE portfolio was comprised of 80 companies, of which 73 companies were private. NBPE made four new investments during 2024 in companies in the healthcare, financial services and aerospace and defence sectors. These 2024 vintage investments (~$93m invested) are reportedly off to a strong start. They are already valued at a 1.1x gross multiple of capital and have generated a 22% IRR on a combined basis as of 31/12/2024.**
- **Overall exit activity increased in 2024 relative to the previous year, though exit options remained more constrained: IPOs were largely inactive and strategic acquirors scarce. NBPE's portfolio generated $179m of cash realisations.**
- **NBPE's investment level was 102% as at 31/12/2024 (and unchanged at 31/03/2025), which is at the lower end of the long-term target investment level range of 100-110%. As of 31/12/2024, the Company had available liquidity of $283m, comprising $73m of cash/liquid investments and $210m of available credit facility. Maintaining balance sheet strength is a core focus for the Board.**
- **In February 2025, the Board announced that it was reserving $120m for share buybacks over the next three years, subject to certain criteria. In the calendar year to 25/04/2025, NBPE has repurchased approximately 624k shares for $12.3m at a weighted average discount of 29%, resulting in a NAV accretion of approximately $0.10 per share.**
- **A dividend of $0.94 for 2024 was paid in two semi-annual instalments in February and August, a historic yield of c. 4.8% on the share price at 31/12/2024. NBPE's ongoing charges ratio was 1.86% for the year ended 31/12/2024 (2023:1.94%).**
- **NBPE's Chairman, William Maltby, said: "the Board remains confident that the composition of the underlying portfolio, the positioning of the balance sheet and co-investment model will enable the portfolio to continue to deliver long-term value creation for Shareholders."**

Kepler View

The annual report includes an analysis provided by NB of the potential impact on **NB Private Equity Partners' (NBPE)** portfolio of tariffs. Happily, the conclusion is that tariffs are expected to have a limited direct impact, but clearly NBPE's underlying companies will not be immune to the indirect effects of a global economic slowdown or other macro events. Sector-wise, over half of the portfolio is invested in three sectors: Tech, Media & Telecom (22%), Consumer/e-commerce (21%) and Industrials/Industrial technology (17%) all of which offer the prospect of long-term growth. The portfolio is invested alongside 51 private equity sponsors, which means that shareholders benefit from a range of different skills and specialisms being applied to portfolio companies. Typically, we believe that private equity backed companies are well placed to deal quickly and effectively with sudden changes to the macro outlook, which should hopefully see the underlying portfolio revenue and earnings metrics continue to outperform aggregate figures for quoted markets.

Certainly, the private equity industry faces the prospect of a continued period of slower realisations, which is likely reflected in the discount to NAV widening to 36% at the time of writing. Realisation activity over 2024 represented a 5% increase relative to 2023, at c. 14% of the portfolio's opening fair value which compares to the long-term average of approximately 17%. The managers report being pleased with the level of realisation activity in a difficult environment for private equity exits. In aggregate, the full and partial sales were at a 6% uplift to the value three-quarters prior to the announced exit. This uplift is below the five-year average (which includes exits in 2021) of 35%, but potentially provides comfort regarding the valuations within NBPE's portfolio.

NBPE's managers have full control over investment decisions, and so the managers' current caution on the outlook as well as the desire to have a strong balance sheet, is reflected in the relatively low investment level of 102%. Together with the fact that the average age of investments in the portfolio is 5.2 years at 31/12/2024, we think this puts NBPE in a strong position to weather a continued slowdown in exit activity, but will be in a good position to benefit when the environment starts to improve. In the meantime, shareholders will be paid to wait, with a dividend yield of 5.3% at the time of writing, and a significant buyback programme which will be highly accretive at the current level of the discount.

NBPE does not pay two layers of fees on the vast majority of co-investments, making it cost-effective relative to many peers. The portfolio is diversified, delivering attractive and resilient revenue and earnings growth even against a tougher economic backdrop. The annual report (link below) outlines the five companies in the portfolio that have contributed the largest increases in value in the portfolio, which illustrate the varied business types and market segments accessible through an investment in NBPE's shares. Short term, with so much volatility in markets, in our view it is unsurprising that the discount has widened. However, for investors who can take a long-term view, the 36% discount to NAV may in time be seen as an opportune entry point.

Click here to read the FY report on RNS

Click here to read our latest research on NBPE trust

Click here to add NBPE to your watchlist

Disclaimer

This report has been issued by Kepler Partners LLP. **The analyst who has prepared this report is aware that Kepler Partners LLP has a relationship with the company covered in this report and/or a conflict of interest which may impair the objectivity of the research.**

Past performance is not a reliable indicator of future results. The value of investments can fall as well as rise and you may get back less than you invested when you decide to sell your investments. It is strongly recommended that if you are a private investor independent financial advice should be taken before making any investment or financial decision.

Kepler Partners is not authorised to make recommendations to retail clients. This report has been issued by Kepler Partners LLP, is based on factual information only, is solely for information purposes only and any views contained in it must not be construed as investment or tax advice or a recommendation to buy, sell or take any action in relation to any investment.

The information provided on this website is not intended for distribution to, or use by, any person or entity in any jurisdiction or country where such distribution or use would be contrary to law or regulation or which would subject Kepler Partners LLP to any registration requirement within such jurisdiction or country. In particular, this website is exclusively for non-US Persons. Persons who access this information are required to inform themselves and to comply with any such restrictions.

The information contained in this website is not intended to constitute, and should not be construed as, investment advice. No representation or warranty, express or implied, is given by any person as to the accuracy or completeness of the information and no responsibility or liability is accepted for the accuracy or sufficiency of any of the information, for any errors, omissions or misstatements, negligent or otherwise. Any views and opinions, whilst given in good faith, are subject to change without notice.

This is not an official confirmation of terms and is not a recommendation, offer or solicitation to buy or sell or take any action in relation to any investment mentioned herein. Any prices or quotations contained herein are indicative only.

Kepler Partners LLP (including its partners, employees and representatives) or a connected person may have positions in or options on the securities detailed in this report, and may buy, sell or offer to purchase or sell such securities from time to time, but will at all times be subject to restrictions imposed by the firm's internal rules. A copy of the firm's Conflict of Interest policy is available on request.

PLEASE SEE ALSO OUR TERMS AND CONDITIONS

Kepler Partners LLP is authorised and regulated by the Financial Conduct Authority (FRN 480590), registered in England and Wales at 70 Conduit Street , London W1S 2GF with registered number OC334771.