

# Apax Global Alpha

## Seeking a fresh start

Apax Global Alpha's (AGA's) investment advisor (Apax) and board have been proactively addressing the factors behind AGA's subdued performance in recent years (including a 0.8% NAV total return (TR) in 2024), which have resulted in an annualised TR of 8.9% since inception, below the 12–15% pa target. Major actions include Apax's sharpened focus on its three core sectors (tech, services and internet/consumer), a reduction in its exposure to listed holdings and abandoning new debt investments in AGA's private equity (PE) portfolio constituents. This is against the backdrop of a gradual recovery in the PE sector in 2024, as illustrated by the 14% increase in global PE deal value and a rise in average buyout entry multiples to 11.9x from 11.2x in 2023, according to McKinsey's Global Private Markets Report 2025. A potential rebound in AGA's NAV TR (with some promising initial signs from its latest buyout fund, Apax XI), coupled with the well-defined capital allocation framework it introduced in 2024, could trigger a narrowing of the current 36% discount to NAV (£2.08 per share), above the 29% average discount across PE peers (excluding 3i).

### Sharpened focus on core sectors

Apax Funds reiterated its commitment to its core sectors: tech (49% of end-2024 portfolio value), services (30%) and internet/consumer (16%). Apax Funds (via which AGA invests) will no longer make new investments in the healthcare sector given its susceptibility to government funding and regulatory changes, which has led to lower historical returns and higher volatility for AGA's portfolio. Following the full write-down of AGA's equity and debt investment in Vyaire Medical in 2024, its remaining healthcare investments made up 5% of end-2024 portfolio value.

### Listed holdings now represent only 2% of portfolio

Apax Funds have largely phased out their exposure to listed holdings, from making up 25% of AGA's NAV in 2021 (which followed the IPOs of its PE holdings) to 2% at end-2024 after accounting for the recently agreed sale of Paycor, a provider of human capital management software, to Paychex, which AGA's manager expects to yield a 3.3x multiple on invested capital (MOIC) for Apax Funds. The 2021 IPOs allowed AGA to partly exit its investments and realise a 3x MOIC, but its remaining stakes de-rated subsequently alongside the broader markets. AGA's listed exposure was also reduced by Apax XI fund's take-private transaction of Thoughtworks to drive its business transformation. AGA initially invested in the company via the Apax IX fund in 2017, which had realised a 3x MOIC before and during the IPO in 2021.

### No new debt investments in private equity holdings

AGA will not invest in debt of Apax Private Equity portfolio companies, likely to avoid losses such as those arising from Vyaire Medical's insolvency. Despite the latter, AGA's debt portfolio slightly outperformed the S&P LSTA Leveraged Loan Index with a five-year TR of 34.7% versus 32.9% for the index. AGA views its debt investments (17% of end-2024 portfolio) as a means to manage portfolio risk and limit the cash drag on its capital reserved to fund future PE commitments. AGA's debt portfolio posted a 7.5% TR in FY24 (or 2.9% excluding FX), and its end-2024 income yield was 8.3% with a yield to maturity of 10.1%.

Investment companies  
Private equity

6 March 2025

<b>Price</b>	<b>132.20p</b>
<b>Market cap</b>	<b>£647m</b>
Shares in issue	487.1m
Code/ISIN	APAX/GG00BWWYMV85
Primary exchange	LSE
AIC sector	Private Equity
52-week high/low	154.9p 129.1p

#### Fund objective

Apax Global Alpha (AGA) provides access to a portfolio of private companies, the majority of which are owned by the Apax Funds in control buyout transactions. Capital not currently invested in private equity is deployed into a portfolio of debt investments to generate additional returns and income.

#### Bull points

- Clear sector focus on tech, services and internet/consumer.
- A well-defined capital allocation framework currently offering an 8%+ 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.

**This is a one-off publication with no commitment to writing any follow-up.**

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## An encouraging start to Apax Fund XI's investment phase

AGA's focus on its core sectors and the recent gradual pick-up in capital deployment since June 2024 is illustrated by the €166m in capital deployed across nine new investments in 2024 (c 13% of opening NAV). The Apax XI fund, fund-raising for which closed in January 2024, completed five new investments which, apart from the above-mentioned Thoughtworks take-private deal, included Zellis (a provider of payroll and HR software solutions in the UK and Ireland), WGSN (a consumer trend forecaster), Altus Fire & Life Safety (a US provider of regulation-mandated fire and life safety services) and Veriforce (a global provider of supply chain risk management services). This brought the fund's portfolio value (including capital call facilities) to 21% of AGA's end-2024 NAV. On top of this, there were two transactions recently announced (and not yet closed) by Apax XI fund: the carve-out transaction of acquiring Evelyn Partners' professional services business to create S&W, a standalone UK-mid market accountancy business (€28.2m invested by AGA on a look-through basis, announced in November 2024, expected to close in H125) and the €35m investment in CohnReznick (an audit, tax and advisory partnership in the US with 29 offices, announced in February 2025 and expected to close in March or April 2025). At present, 40% of Apax XI fund's capital has been either committed or invested. AGA invested via the Apax Global Impact Fund in Integrated Environmental Solutions (an energy simulation software provider) in June 2024, and through Apax Digital Fund II in IANS (a tech-enabled research and advisory services provider in the information security industry) and greyHR (a full-suite HR management software platform in India).

Apax XI fund had an encouraging start, with its 10 investments at end-2024 held 30% above investment cost on average, despite a short average holding period of eight months. This was underpinned by several factors, according to AGA:

- The strong performance of its 2023 investments, such as Bazooka Candy Brands and IBS software.
- Robust average revenue and EBITDA growth of 15% and 14% in 2024, respectively (vs 8.9% and 14.1% across AGA's broader private equity portfolio).
- Multiples expansion (with the weighted average EV/EBITDA across AGA's broader PE portfolio up to 17.8x at end-2024, from 16.6x at end-2023) and leverage, which at 4.5x net debt to EBITDA across AGA's broader portfolio is slightly higher than the average 4.1x for global PE deals in 2024, according to the McKinsey report mentioned above.
- Synergies arising from transformative acquisitions, for example in the case of Zellis and OCS/Finwave.

## Exits picked up in H224, but with no top-up of AGA's distribution pool

AGA received €62m in proceeds from eight full and partial exits in 2024 (c 5% of opening NAV), on which it achieved a gross MOIC of 1.6x and an internal rate of return of 8.8%. The gross MOIC was a robust 2.6x after excluding Vyaire and including the signed but not yet closed €54m exit from AssuredPartners at a 2.7x MOIC (although at a 10% discount to the last unaffected valuation). AGA achieved a marginal 0.4% average uplift to the previous carrying value on its exits during 2024 excluding Vyaire.

AGA's board highlighted that since its IPO, it has returned the largest amount of capital to shareholders relative to peers (€513m in total), largely through dividends. As part of its well-defined capital allocation framework updated in 2024, AGA now offers a stable dividend of 11p per share (€64m in total), which implies an attractive 8.3% dividend yield, as well as share buybacks. Share buybacks are funded from AGA's distribution pool, initially seeded with €30m, of which only €5m was spent by end-2024 to buy back c 2.9m shares (c 0.6% of opening share capital) due to stock liquidity constraints. The pool will be supplemented going forward with excess cash flow from distributions and portfolio income after deducting dividends, repayment of its €250m credit facility (which remained undrawn at end-2024) and ongoing charges. While AGA's exit activity picked up in H224, it remains insufficient to contribute to the distribution pool for now.

That said, at end-2024, around 59% of AGA's €837m outstanding commitments to Apax Funds was covered by AGA's cash and net current assets, undrawn credit facility and debt investments. AGA expects €204.5m of these commitments to be drawn in the next 12 months.

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