HARDMAN & CO.

12 May 2025

NB PRIVATE EQUITY PARTNERS

2024: short-term noise over long-term growth

Like many in the PE space, NBPE's 2024 total $ NAV return (1.5%) was below the five-year average (11.0%), driven by falling valuations of listed holdings and forex. The private company growth (6.9% constant currency) was also below average, with lower-than-usual exit activity seeing less exit uplift benefit. In our view, 2024 was noise within a long-term value-creation model that should outperform listed equities. Despite challenges, the past 12-month EBITDA growth from investee companies was a strong 12%. NBPE has cash and credit facilities totalling $283m, and minimal fund commitments, meaning it can flexibly take new investment opportunities as they arise.

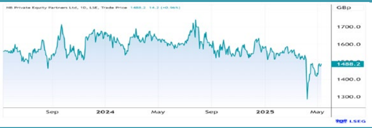
- **Medium-term performance:** Over five years to end-March 2025, NBPE has delivered i) an 18% gross IRR on direct investments, ii) 2.4x multiple of cost on realisations, iii) 33% average uplift to carrying value on exit, including the strong 2021. In our view, alongside the EBITDA growth, this gives investors a good view of the NBPE model.
- **Managing long-term opportunities:** The NB platform is seeing an increasing number of co-investment opportunities (2024 11.8 per week vs. 3.6 in 2015), and NBPE has the liquidity to pursue these opportunities. The strong EBITDA growth is indicative of the value creation by PE managers after acquisition.
- **Valuation:** The 28% discount is narrower than most direct peers (average 35% exc. HGT), but it rose sharply in 2022, to well above historical levels (10%-15%). In this note, we consider what may lead to a reversion to these levels. The discount appears absolutely and relatively anomalous with a resilient, conservative NAV.
- **Risks:** Sentiment to costs, the cycle, residual positions in highly rated listed companies following IPOs in 2020-21, the duration of the discount and valuation are the key issues for NBPE, as they are across the whole listed sector. As we detail below, they are sentiment issues and do not reflect reality, as we see it. The benefits from the current strategy may not yet be fully appreciated.
- **Investment summary:** With 98% of the portfolio invested in direct equity, co-investments, NBPE is the most focused listed vehicle in the low-cost, attractive co-investment subsector of the market-beating PE sector. The company and GP selection have proved resilient in downturns, and consistent, large historical premiums on exit should give investors comfort in the NAV. Its portfolio is diversified by name, sector, GP and geographically, but it has enough concentration for individual investments to add value. The discount is anomalous with long-term, market-beating returns.

Financial summary and valuation

Year-end Dec ($m)	2021	2022	2023	2024	2025E	2026E
Interest and dividend income	6	5	7	9	9	9
Net fin. assets/liab. gains (FVTPL)	532	(76)	58	47	195	220
Total expenses	75	38	38	36	38	44
Net asset change from ops.	463	(109)	27	17	163	182
PE invest.	1,569	1,401	1,321	1,298	1,465	1,609
Net debt (incl. ZDP)	(46)	(66)	(120)	(17)	(61)	(63)
NAV per share ($)	31.65	28.38	28.07	27.53	30.75	33.81
NAV per share (£)	23.37	23.59	22.02	21.98	23.12	25.42
S/P prem./disc. (-) to NAV*	-21%	-33%	-24%	-28%	-35%	-41%
Dividend p/sh ($)	0.72	0.94	0.94	0.94	0.94	0.94
Yield	3.5%	5.2%	4.9%	5.0%	4.7%	4.7%
Year-end exch. rate (£:$)	1.354	1.203	1.275	1.253	1.330	1.330

*2025-26E NAV to current s/p; Source: Hardman & Co Research

Closed End Investments



Source: LSEG, 2025

Market data

EPIC/TKR	**NBPE/NBPU**
Price (£)	**15.08/$19.00**
12m high (£)	17.40/$22.00
12m low (£)	12.74/$16.50
Shares (m)	45.6
Mkt cap (£m)	687
NAV (Mar'25)	£21.05/$27.17
Disc. to £ NAV (%)	-28
Free float	100%
Ctry/Ccy of listing	UK - GBP/$
Market	FTSE 250, STMM

Description

NB Private Equity Partners (NBPE) leverages the platform of its manager, the PE division of Neuberger Berman (NB), including NB's relationships, dea flow and expertise, and has built a portfolio of 76 direct investments diversified by manager, sector, geography and size. It focuses on investing in companies that benefit from secular tailwinds and/or lower cyclicality, with high barriers to entry, or the delivery of mission-critical products or services.

Company information

Chair	William Maltby
NEDs	Trudi Clark, Pawan Dhir, John Falla, Louisa Symington-Mills, Wilken Von Hodenberg
Key NB Managers	Peter von Lehe, Paul Daggett

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www.nbprivateequitypartners.com

Key shareholders (31 Dec'24)

Quilter	10.4%
Evelyn Partners	8.4%
Schroders	8.3%
Treasury shares	6.8%
City of London IM	5.6%
New Jersey Div. of Inv.	5.3%

Diary

Mid-May	April factsheet

Analyst

Mark Thomas *mt@hardmanandco.com*

Discloser: the relevant analyst is a shareholder in NBPE

NBPE disclaimer

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Please read our full disclaimer, which is contained at the end of this report.

Results summary

2024 results to end-December 2024

NBPE and benchmark annualised total returns (%)

As @ 31 December 2024	1 year	3 years	5 years	10 years
NAV TR ($)	1.5	(1.3)	11.0	10.3
MSCI World TR ($)	19.2	6.9	11.7	10.5
Share price TR (£)	(1.1)	(0.8)	10.1	12.7
FTSE All-Share TR (£)	9.5	5.8	4.8	6.2

Source: NBPE, Report and Accounts, Hardman & Co Research

Modest NAV growth, with private company valuations up, but listed down on negative forex

- NAV per share was $27.53 (£21.98), with a 1.5% NAV TR in the 12 months to 31 December 2024, driven by an increase in private valuations (6.9% in 2024 on a constant currency basis), offset by quoted holdings (-8.6%) and FX. The listed holdings exposure is now modest, at just 6% March 2025 portfolio fair value compared to 20+% of the portfolio in 2021. In our view the risk of further performance drag has reduced significantly.

Investee company average EBITDA growth strong at 12% and margins widened

- Portfolio company operating companies, on average, delivered LTM revenue and EBITDA growth of 8.1% and 12.1%, respectively, during 2024 (2023: 11.4% and 15.2%, respectively). To see further wider margins on near double-digit revenue growth in the current environment is hugely encouraging. These numbers also do not include companies owned for less than a year, and these businesses showed above-average growth of 17.2% in revenue and 28.1% in EBITDA. The slower-than-2023 growth reflects one large M&A deal included in the prior year.

Stable realisation proceeds but below long-run average level

- $179m of proceeds from realisations were received in 2024 (2023: $171m), 14% of the opening portfolio value (against a 17% five-year average). Uplifts to the carrying value three quarters before (to avoid any exit distortion) averaged 6%, well below the five-year average of more than 30%, which includes the strong 2021. We discuss this in more detail below, noting the fall is significantly driven by one deal and listed holding sales.

Average hold period 5.2 years – many assets ready for exit

- The average private company hold period is 5.2 years, which, in our view, evidences a portfolio with considerable exit potential, with investee companies mature enough to be realised when market conditions are appropriate.

Accelerating new investment, as expected

- New investments totalled $104m (2023: $22m, 2022: $55m). End-2024 saw NBPE 102% invested against its long-run target range of 100%-110%. NBPE has the resources to fully exploit investment opportunities with $283m of cash and undrawn credit line available at the year-end.
- $0.94 per share of dividends were paid during 2024, as in 2023.
- Private portfolio LTM/EBITDA valuation multiple was 15.3x (14.9x at end-2023) and now represents a price/EBITDA to growth (PEG) ratio of 1.2x. In our view, the latter is supportive of a conservative valuation.
- Weighted average net debt was 5.3x, flat on the 5.3x reported for end-2023, and from 5.5x at 31 December 2022. Strong LTM EBITDA growth generating cash was partially offset by debt to finance M&A.

March 2025 NAV update

The key issues are:

NAV TR increase of 0.4% YTD 2025

- NAV TR increase of 0.4% YTD 2025, with the 31 March 2025 NAV per share of $27.17 (£21.05). YTD NAV has been driven by positive FX adjustments, offset by further declines in quoted holdings. The fair value of NBPE's portfolio, as of 31 March 2025, was based on i) 6% of the portfolio valued as of 31 March 2025 in public securities, ii) 94% of the portfolio valued as of 31 December 2024 with 93% in private direct investments and 1% in residual private fund investments.

$47m proceeds already received, $20m more due

- $47m of realisation proceeds received in the first three months of 2025, driven by full exits of USI and Kyobo Life Insurance, partial realisations of Tendam, Qpark, Clearent, and Osaic, as well as full and partial realisations of some quoted holdings and income investments. A further ca.$20m of proceeds is expected in the coming months from pending transactions.

Robust liquidity – well positioned to take advantage of opportunities

- NBPE has $283m of available liquidity ($73m cash/liquid investments and $210m of credit line). A key feature of the co-investment model is that it does not incur long-term PE fund commitments, and NBPE has huge flexibility on when to invest.

2025 share buybacks

- As of 25 April 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.

- The five-year to end-March 2025 gross IRR on direct investments has been 18.0%, with a 2.4x multiple to cost and an average uplift on exit of 33.3%.

Key theme 1: delivering long-term value

NB track record of identifying opportunities with value drivers

The 10-year cumulative share price total return is 195%, against 82% for the FTSE All share index. Despite the below-average 2024, the 10-year $ NAV return is in line with the MSCI World Index (which has been materially driven by the now ca.20% weighting to the US Magnificent Seven tech names).

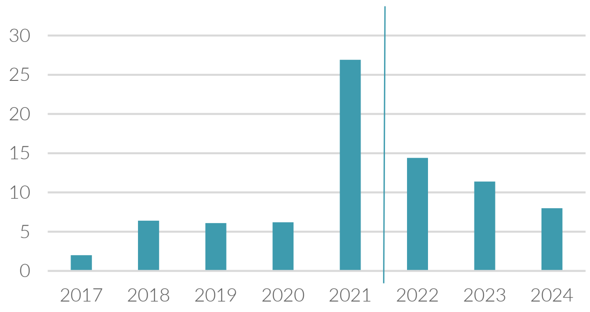
Manager selection more critical than ever and returns suggest NBPE good at picking managers

- We, and NBPE, are expecting greater divergence in GP performance, with the good managers outperforming weaker ones by a greater degree than in the past. In terms of evidencing good manager selection and value added to date, we note the five-year to end-March 2025 annualised gross IRR (18%) and the 2.4x gross multiple of cost on realisation.

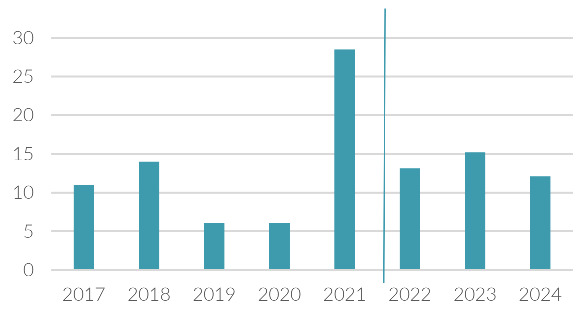
Long-term share outperformance significantly driven by long-term investee company operational outperformance

- We believe that, over the long term, PE can only deliver outperformance against listed markets, if the underlying performance of the investee companies is better. In that regard, we note the strong portfolio investee company operating metrics reported by NBPE in 2024. The chart below shows the average revenue and EBITDA growth. Despite the non-recurrence of one, large, strategic M&A-related increase, NBPE investee companies have delivered relatively stable low-teen EBITDA growth over the past three years. In our view, this widening margin is reflective of the value added by NBPE partner GPs. The latest investments have been performing even better than the portfolio average and are not included in the numbers until they have been held for a full year.

Reported average LTM revenue growth (%)



Reported average LTM EBITDA growth (%)



Note: unadjusted for 2022 methodology change, which stripped out some (high) outliers. Source: NBPE Report and Accounts, Hardman & Co Research

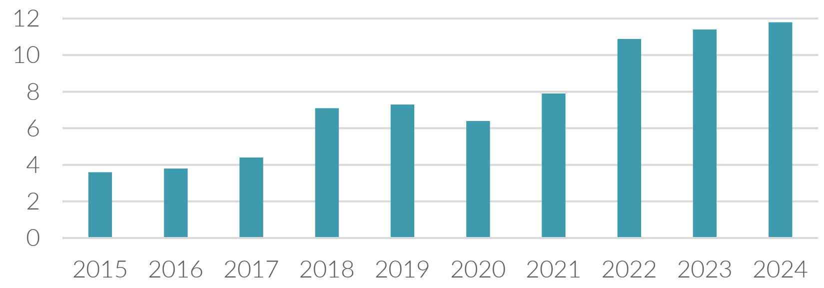
Majority of top 30 completed M&A during NBPE's period of ownership

- In terms of M&A, a number of NBPE's top 30 private companies have completed M&A during ownership, including those whose business case involved small-scale roll-up and a few with more opportunistic transformational deals. In our view, M&A expertise is a core competency brought to investee companies by GPs and a competitive advantage over standalone businesses. The level of M&A will vary in any period (as noted above, 2023 revenue and EBITDA growth figures were distorted by a single strategic deal done that year, but, strategically, we see a long-term competitive advantage in doing deals).

New investment accelerating, with NBPE having strong balance sheet

- To deliver long-term value also requires new investment to replenish the portfolio as it is realised. As noted above, NBPE has $283m of available liquidity and is at the lower end of its target investment range (102% invested vs. target 100%-110%). Perhaps more important is that the NB franchise has been generating an increasing number of opportunities for NBPE to participate in. The chart below shows how these opportunities have more than trebled over the course of the past 10 years.

Weekly co-investment opportunities originated across the NB platform



Source: Slide 25 NBPE April 2025 investor presentation, Hardman & Co Research

Sector and subsector choices provide good risk/return and secular growth

- NBPE's stated investment approach is to focus on sectors with secular growth, which can see through-cycle increased revenue. In the portfolio section that follows, we illustrate the sector diversity. While it indicates a focus on companies in sectors, it does not give the full picture. If we were to take the analysis one stage further and look at subsectors, we believe that the growth resilience would be even more evident. Consumer/e-commerce is a very good example of such an allocation, with some subsectors showing strong secular growth and others very much more challenged. NBPE's largest holding is classified as consumer, but Action's value bears little resemblance to overall trends in that market. We believe this approach is across all NBPE sectors with industrials, for example, being more industrial tech than heavy manufacturing.

Range of managers

- NBPE's strategy sees it partner with 48 managers (as at end-March 2025), thus introducing diversification. It is not dependent on one manager but instead has a range of GPs with expertise in their specific sector or niche.

Majority of portfolio now in harvesting phase

- While realisations were stable in dollar terms compared with 2023 ($179m vs. $171m proceeds received), they are still below the medium-term average as a percentage of opening portfolio (14% vs. 17%). In our view, this is above market peers but below long-run average levels. We note that 60% of the portfolio has been held for between four and eight years, which may be considered as being in a harvesting stage and ready for exit should the right opportunity arise for the PE manager NBPE is investing alongside.

Exit uplifts affected by one deal and a number of listed holding sales

- 2024 was a below-average year with average uplift on exits just 6% (2023: 11%) against the five-year average of 35% including the strong 2021. As a co-investor, NBPE does not control the exit, and we understand the lower-than-usual level reflects i) one situation where the GP was a willing seller ii) disposals of listed holdings (the last carrying value and exit are market-price-related, at the relevant dates), and iii) the disposal of more mature, less core assets. Exits moving forward are likely to be more multi-stage processes rather than single deals. Going forward, we do not expect the same level of uplift with more value being created over time in the NAV rather than just on exit, but we still expect them to be seen and give confidence in the valuation process.

Mid-life portfolio more likely to see uplift than new investment as improvement under GP already under way

- The type of co-investment mix varies with the optimal market opportunities. At some times, NBPE will be more weighted at the deal origination, while at others (such as more recently), it will participate more in mid-life deals. While, generally, GPs do not give an uplift in value in year one, a mid-life deal is not their first year and so more uplifts on new deals can be seen than in periods when most investments are at the early stage.

NAV-accretive buyback facility increased with wider discount

- We detail below how the capital allocation policy was changed early in 2025. There appears to be a willingness to deploy more capital for buybacks when the discount is unusually high, and this should prove NAV-accretive.

Key theme 2: downside resilience

Specific tariff-related risk

Direct effects

Only 1% of portfolio value significantly at risk from direct effect of tariffs

NBPE has given extensive disclosure on the likely impact of tariffs – see separate presentation or summary on Slide 17 of the results presentation (both available *here*). In brief, NBPE has summarised that it expects little to no direct impact from tariffs on the vast majority of the portfolio, as tariffs do not directly affect many services businesses and other investee companies may have the ability to pass them on. Management expects only ca.14% of the portfolio (by fair value) to be affected directly to some degree by tariffs and just ca.1% of the portfolio fair value could see a meaningful impact.

Indirect effects including economic slowdown

We have written multiple times on why NBPE is an all-weather investment

We summarise why NBPE is an all-weather investment in the section below. In terms of a tariff-induced impact, management commented "*We believe the portfolio's emphasis on companies with lower expected cyclicality and/or long-term secular growth drivers, alongside reasonable leverage, generally positions it well*" and "*The companies in NBPE's portfolio generally maintain strong capital positions, and more specifically the top 30 positions, have no near-term maturities; ~91% of the top 30 companies have cov lite debt or low levels of leverage*".

Looks likely that deal activity will slow until there is more clarity (1Q delay appears likely minimum)

The impact on deal activity (including exits with associated uplifts) is also unclear. PE sponsor-to-sponsor deals are an important exit route and there are very few times when a PE owner is a forced seller or that buyers have a time-critical need to execute acquisitions. These deals are more valuation-sensitive, and until there is more clarity (unlikely before the 90-day moratorium of tariffs expires), activity is likely to slow. Management commented that the number of opportunities seen has slowed from the 11.8 per week seen in 2024 and noted above. As in previous uncertain times, there is likely to be a bifurcation of activity, with a flight to top, high-quality names, which are expected to still trade at full multiples, and reduced activity in lower-quality names.

Impact on interest rates unclear

The impact on interest rates is also unclear. There are arguments for higher costs driving inflation, but other policies (such as "drill baby drill") may see costs reduce. It is also unclear how the Fed will respond to a lower growth environment and the impact that will have on inflation. We believe that investors have been concerned about the impact of higher rates, although, as we have noted in previous reports, target returns are unchanged and GPs are adapting how they deliver returns to the environment.

Macroeconomic downturn risk

In terms of overall sensitivity to a recessionary environment, we have written multiple times (see Appendix) on why PE, and NBPE specifically, should be considered an all-weather investment. In summary:

Choice to invest in established, profitable businesses with less rating volatility than venture

- The vast majority of NBPE investee companies are EBITDA-positive, as it is investing in established, profitable businesses. It is not present at the venture capital stage, where valuation ratings are most vulnerable to the discounting of future cashflows at higher discount rates.

Despite slower market activity, NB platform seen acceleration in deal opportunities and activity

- Higher rates have affected market activity, and a continued period of uncertainty and high rates could see this continue. However, NBPE's strategy has moderated the effects: i) NBPE has continued to see exits at uplifts to carrying value, reflecting its choice of attractive businesses and being in the mid-market, which has slowed at less of a pace than large deals; and ii) the number of opportunities for co-investment across the NB Platform has been rising as GPs seek greater equity support in deals.

We addressed, in our initiation, the resilience of NBPE investments to downturns

- On pp31-33 of our initiation, Co-investments generating superior performance, we reviewed why, in our view, NBPE's NAV should prove resilient to any downturn. This reflects the incremental value of PE as a whole to investee companies with committed capital, strategic optionality, operational support, long-term focus and defensive sector positioning. This market-wide resilience is enhanced by incremental risk reduction adopted by NB and NBPE. Its strong outperformance through COVID-19 and, more recently, in 2022 with valuations increasing 4.4% (ex-FX), despite a decline of more than two turns in the multiple, is ample proof that the theory works in practice. The manager's views on resilience were provided in a December 2022 review called Private Equity in the economic headwinds and a detailed analysis entitled The historical impact of economic downturns on private equity, published in May 2022.

Further evidence in 2024 supports our view

In terms of further evidence from the 2024 results, we note:

- the continued reduction in portfolio leverage, with strong operating company cashflow generation offsetting incremental debt for M&A;
- widening average EBITDA margins; and
- NB's platform continues to see an increasing number of co-investment opportunities. In considering what happens in a downturn in 2020, we note it fell to 6.5 per week from 7.3 in 2019, a relatively modest decline.

Sub-whole portfolio analysis provides further support for this opinion

We recognise that portfolio statistics do not tell the whole picture, as there may be individual companies within the portfolio that are especially stressed, even if the portfolio as a whole is robust. Based on historical disclosure, in our opinion, it appears likely that the companies facing the most challenging conditions with higher gearing are amongst the smaller companies in the portfolio.

Other issues

Capital allocation – dividends & buybacks

Dividend maintained

In our March 2025 note, Update on: NAV, capital, Trump and interest rates, we detailed the new capital allocation framework, announced on 19 February. The key points are:

With annualised five-year sterling NAV return of 11%, deploying capital into new investment is principal use

- Over the long term, the board views new investment as the principal use of the company's capital. Despite a relatively weak 2024, the March 2025 five-year annualised dollar NAV return is 11%, which is, of course, post all expenses. In our view, the compounding benefit from new investment is the key driver to long-term returns and hence having it as the principal use of capital appears sensible.

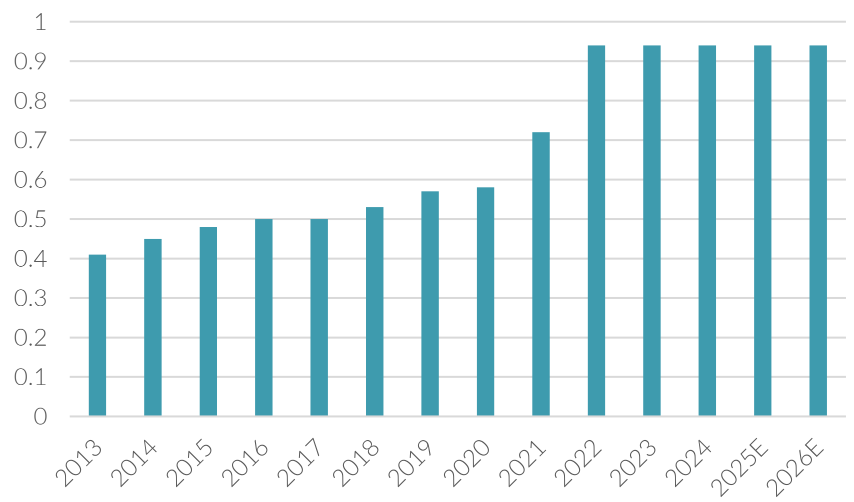
New investments in 2024 off to strong start

- Additionally, we note the new investments in 2024 delivered faster-than-average LTM revenue and EBITDA growth (17.2% and 28.1%, respectively). They are already valued at a 1.1x gross multiple of capital and generated a 22% IRR on a combined basis as of 31 December 2024. This strong performance was achieved despite a weighted average holding period of only 0.7 years. By investing medium-term, uplifts in value may be seen (most GPs do not uplift new investments in the first year, but a medium-term co-investor joins after this when GPs do change carrying values). At 31 March 2025, NBPE was 102% of NAV invested, at the lower end of its 100%-110% optimal range.

Dividend policy, linked to NAV, proved progressive

- NBPE's dividend policy targets an annualised yield on NAV of 3.0% or greater, with the goal of maintaining or prudently increasing the level of dividends over time. As the chart below shows, by linking the dividend to a rising NAV, NBPE has proved progressive. In periods of low returns, it has maintained rather than cut the annual payout. The new capital allocation policy, in February 2025, indicated an unchanged payout for 2025.

Dividend ($)



Source: NBPE, Hardman & Co Research

Three-year buyback pool increased to $120m and reviewed quarterly

- The NBPE board has increased the capital available to the buyback pool to $120m over the next three years. Non-public parameters are used, including NBPE's share price discount to NAV, market conditions, performance and other relevant information, with capital available for both regular market buybacks and more opportunistic/targeted ones. The board will re-evaluate the buyback every quarter.

$12.3m done 1 Jan 2025 to 25 April

  - Between 1 January 2025 and 25 April 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. We have revised our assumed buyback to $30m for 2025, as it is unclear how long the discount will continue or the liquidity of stock available for repurchase. There is upside to the NAV from our assumption.

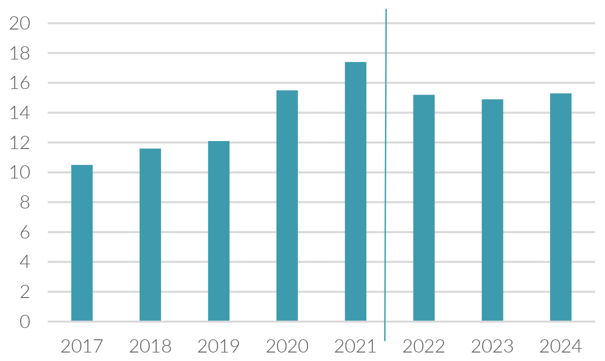
Full utilisation of buybacks and just maintaining dividend would see $250m returned over three years vs. $445m since inception in 2007

Maintaining the current dividend level and fully utilising the additional capital allocated to buybacks would result in NBPE returning approximately $250m to shareholders over 2025-27, a meaningful acceleration on the $445m since inception in 2007 to 2024.

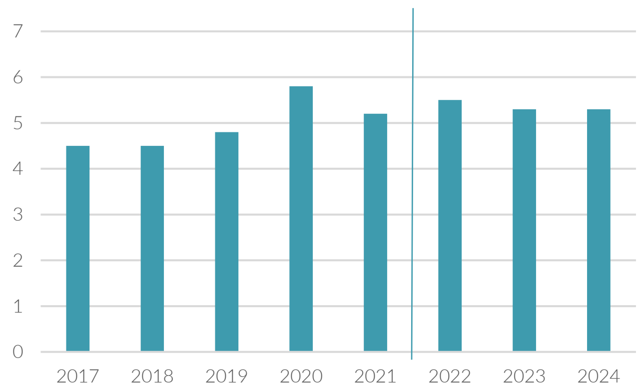
Key portfolio metrics

The charts below show some of the key metrics for NBPE.

EV/EBITDA (x)

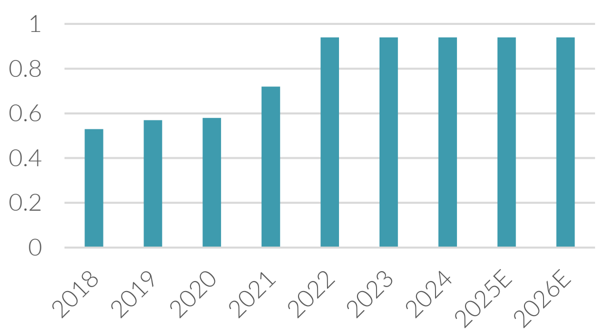


Debt to EBITDA (x)

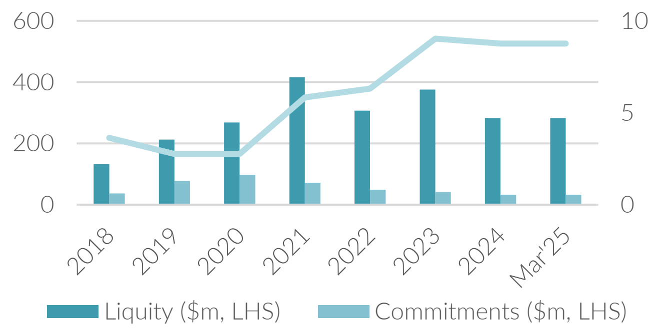


Note: unadjusted for 2022 methodology change, which stripped out some (high) outliers. Source: NBPE Report and Accounts, Hardman & Co Research

Dividend (c)



Available liquidity, commitments and cover ($m)

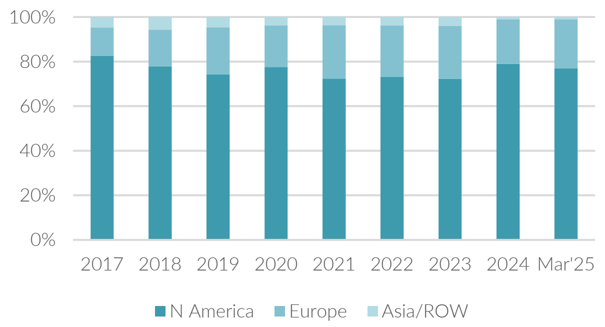


Source: NBPE Report and Accounts and March 2025 Factsheet, Hardman & Co Research

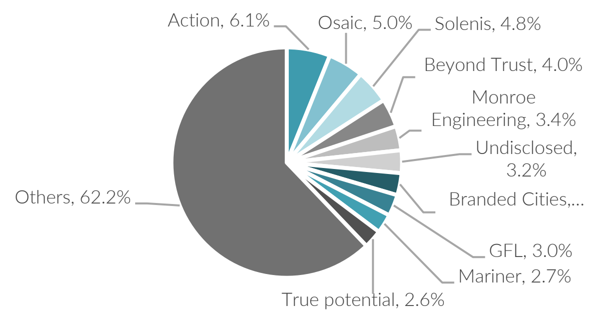
Portfolio summary (Mar'25)

The charts below show some of the trends in the portfolio. There has been a continuation of trends, rather than anything dramatic, which is not surprising, given the long-term nature of NBPE's investments.

Geographical mix of assets (% portfolio value)

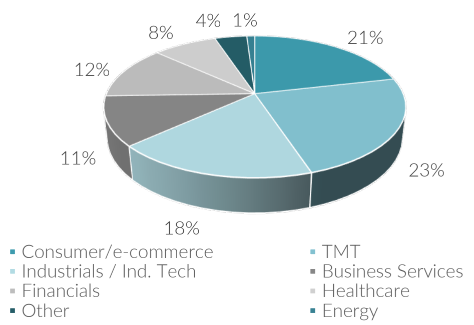


Largest holdings (% NAV)

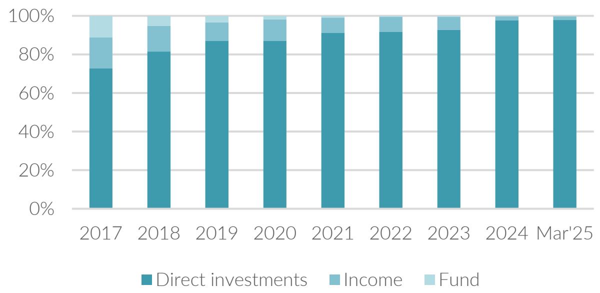


Source: NBPE Report and Accounts and March 2025 Factsheet, Hardman & Co Research

Sectoral mix of investments (% portfolio value)

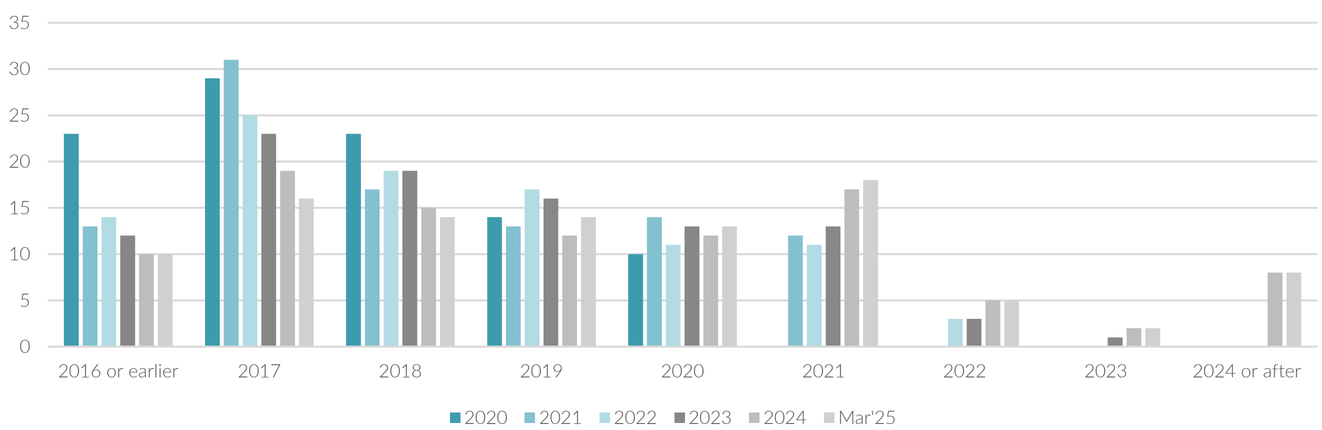


Mix by type of investment (% portfolio value)



Source: NBPE Report and Accounts and March 2025 Factsheet, Hardman & Co Research

Mix of investments by vintage at each period-end (% portfolio value)



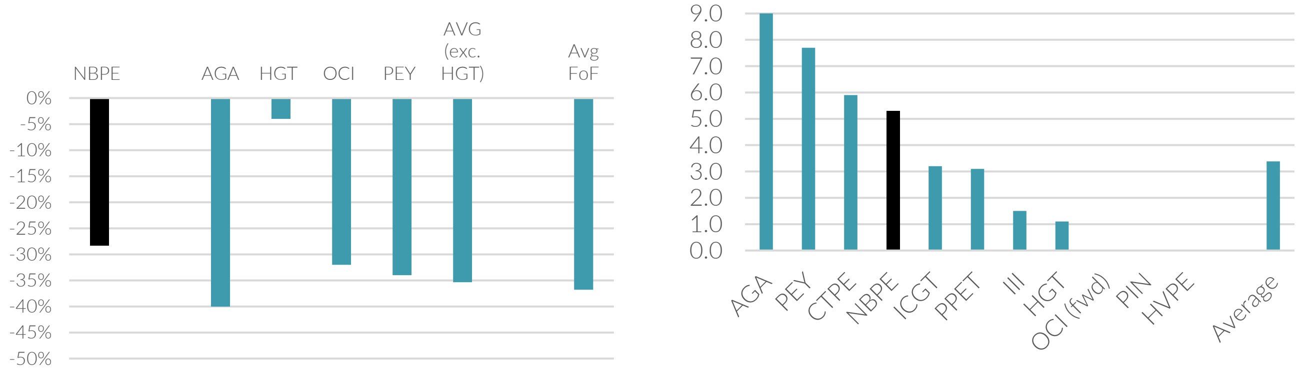
Source: NBPE Report and Accounts and March 2025 Factsheet, Hardman & Co Research

Valuation

Discount is below most direct investing PE names

As the chart below shows, NBPE's current reported discount to NAV (28%) is narrower than the direct investing listed PE trusts, excluding HGT. Its dividend yield is appreciably above the sector average.

Current share price discount to latest NAV (LHS, %), and dividend yield (RHS, %) for narrow and wider peers



3i currently on 70% premium, Source: Company websites, factsheets and presentations, Hardman & Co Research, priced at 11 May 2025

Sector-wide concerns about the validity of the current NAV and its resilience have been addressed in earlier sections and appear to be more sentiment issues than reality. If NBPE were a trading company, we would use a GGM model to reflect the value added by management. Using this model, it should trade on a multiple appreciably above NAV, given returns are a long way above cost of capital and that it has grown strongly over the medium term.

What could lead to a rerating?

We reviewed in detail, in *our initiation*, our view that there are two possible elements to a rerating.

First element is sector rerating, which, arguably, has already started

The first element of a rerating would be a reversal of the 2022-1Q'23 increase in sector-wide discounts. This requires more confidence in NAV and economic resilience, driven by i) continued exit uplifts and returns, which could give investors this confidence, and ii) a risk-on rather than risk-off environment, which will help. This may coincide with confidence that a US recession has been avoided or a market view that interest rates have peaked or lower tariff concerns.

Second element is final 10%-15% of the discount to par. NBPE requires delivery of returns but may take more time.

At the end of 2018, the discount was 21%, falling to 16% at the end of 2019. This rose to 29% at the end of 2020 on COVID-19, before falling again, at end-2021, to 21%. The group's transition to being a co-investment vehicle has evolved (end-2017 nearly a third of PE investments were in income investments and funds, against just 2% at end-2024), so a migration from a fund-of-fund comparative valuation to a direct one has also been seen. Within this noise, and adjusting for the current business mix overall, we would characterise the trust as having an historical sustained discount of around 10%-15%. Given the returns in underlying companies driving market-beating investor returns, and the strong capital structure inherent in a co-investing vehicle, any discount appears to be a fundamental anomaly. In our view, eliminating it over the longer term is about delivery of returns, which, at some stage, is likely to be recognised by the market.

Financials

Following the results, our forecast NAV is broadly unchanged. There has been a small uplift associated with a greater buyback than previously included in estimates:

Profit and loss								
Year-end Dec ($m)	**2019**	**2020**	**2021**	**2022**	**2023**	**2024**	**2025E**	**2026E**
Interest and dividend income	17.4	12.5	9.5	5.7	7.1	8.5	8.5	8.5
Expenses								
Inv. mgt. and services	14.3	15.3	16.7	22.5	20.5	19.1	18.8	21.2
Carried interest	0	6.9	15.2	37.2	0	0	5.3	8.2
Finance costs								
Credit facility	4.5	8.5	6.3	4.1	8.9	9.1	9.1	9.1
ZDP shares	4.8	6.0	6.4	6.9	3.3	3.5	-	-
Administration and professional fees	3.6	3.7	3.5	4.3	4.9	4.8	5.1	5.5
Total expenses	27.3	40.4	48.1	75.1	37.6	36.3	38.3	44.0
Net investment income (loss)	**(9.9)**	**(27.9)**	**(38.6)**	**(69.3)**	**(30.5)**	**(27.8)**	(29.8)	(35.5)
Net realised gain (loss) on inv. and fx	64.4	33.8	90.2	212.4	(0.7)	(2.3)	(2.3)	(2.3)
Net change in unrealised loss	(7.8)	72.1	133.3	319.7	(31.3)	(30.1)	(32.1)	(37.8)
Net realised and unrealised gain (loss)	56.6	105.9	223.5	532.1	82.5	32.9	64.9	73.3
Net change in net assets from ops.	**46.6**	**78.0**	**184.9**	**462.7**	**(24.1)**	**14.0**	129.8	146.5
Non-controlling interest	-	(0.1)	(0.4)	(0.5)	58.4	47.0	194.6	219.8
Net change in net assets	46.6	77.9	184.6	462.2	27.1	16.9	162.5	182.0
Average no shares (m)	48.8	47.5	46.8	46.8	46.5	46.3	45.8	45.3
EPS ($)	0.95	1.64	3.95	9.88	0.58	0.36	3.54	4.00
DPS (p)	0.53	0.57	0.58	0.72	0.94	0.94	0.94	0.94

Source: NBPE, Report and Accounts, Hardman & Co Research

Profit and loss								
Year-end Dec ($m)	**2019**	**2020**	**2021**	**2022**	**2023**	**2024**	**2025E**	**2026E**
PE financial assets	1,087.0	1,254.6	1,569.3	1,401.4	1,321.3	1,297.6	1,465.1	1,608.9
Govt obligations	0.0	0.0	0.0	0.0	115.2	0.0	0.0	0.0
Cash	9.5	3.0	116.5	7.0	50.6	72.8	28.9	26.9
Other assets	4.4	9.1	3.5	2.7	2.3	1.8	1.8	1.8
Proceeds receivable	1.5	0.6	0.3	0.2	0.3	0.0	0.0	0.0
Total assets	**1,102.5**	**1,267.4**	**1,689.6**	**1,411.3**	**1,489.8**	**1,372.2**	**1,495.8**	**1,637.6**
Liabilities								
ZDP share liability	146.1	157.0	162.0	72.8	80.4	0.0	0.0	0.0
Credit facility loan	47.0	35.0	0.0	0.0	90.0	90.0	90.0	90.0
Carried interest payable to Special LP	6.9	15.2	37.3	0.0	0.0	0.0	5.3	8.2
Payables to Inv. Mgr.	3.9	4.6	5.8	5.2	4.9	4.7	4.7	4.7
Net deferred tax liability	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Accrued expenses and other	2.6	2.4	2.2	4.1	7.0	2.1	2.1	2.1
Total Liabilities	206.5	214.2	207.3	82.1	182.3	96.8	102.1	105.0
Net assets	**895.9**	**1,053.2**	**1,482.3**	**1,329.2**	**1,307.5**	**1,275.3**	**1,393.7**	**1,532.6**
Period end no shares (m)	46.8	46.8	46.8	46.8	46.6	46.3	45.3	45.3
$ NAV per share	**19.11**	**22.49**	**31.65**	**28.38**	**28.07**	**27.53**	**30.75**	**33.81**
£ NAV per share	**14.43**	**16.45**	**23.37**	**23.59**	**22.02**	**21.98**	**23.12**	**25.42**

Source: NBPE, Report and Accounts, Hardman & Co Research

Appendix: Previous Hardman & Co research on NBPE

Given the regulatory restrictions on distributing research on this company, the monthly book entry and other research on the company can be accessed via *Hardman & Co Research*. Specific research reports include:

- *Co-investments generating superior performance* (initiation, 16 June 2023).
- *1H'23 results summary: continued growth* (3 October 2023).
- *2023 CMD: value creation from growing companies* (23 October 2023).
- *Value creation in a higher-rate environment* (7 March 2024).
- *Wider operating company EBITDA margins in 2023* (13 May 2024).
- *NB: adding value in attractive co-investment sector* (8 October 2024).
- *Update on: NAV, capital, Trump and interest rates* (18 March 2025).

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