NEUBERGER BERMAN

# NB PRIVATE EQUITY PARTNERS: STIFEL PRIVATE EQUITY SEMINAR

Paul Daggett, Managing Director, Private Investment Portfolios Group

FOR PROFESSIONAL CLIENT USE ONLY

# OVERVIEW

## NBPE invests in private equity backed companies

### KEY HIGHLIGHTS

**Listing Date:** 2007

**Market Capitalisation**: $621.6m

**Net Asset Value (NAV):** $776.6m

**NAV per Share:** $15.91

**Total Return 1 Year NAV / Share Price Growth**: 14.8% / 17.0%

**Total Return 3 Year NAV / Share Price Growth:** 40.1% / 44.2%

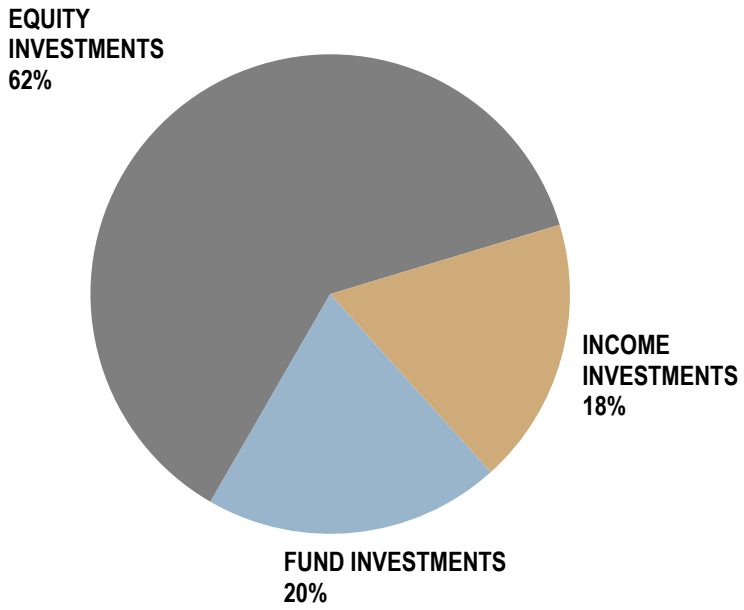
**2016 Avg. Daily Trading Volume**: ~60k shares per day

**Current share price:** $12.74 (~17% discount)

**Dividend Yield (on Share Price):** 3.9%

Investors have option to reinvest dividend or to receive dividend in sterling

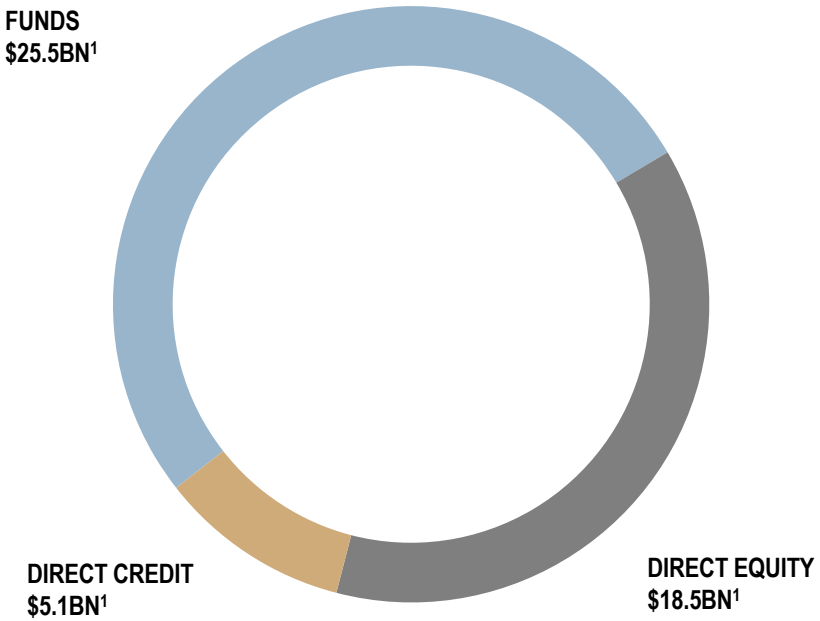
### INVESTMENT TYPE BY FAIR VALUE




*Note: NBPE data as of 31 December 2016. Market data as of 22 March 2016. Numbers may not sum due to rounding All performance figures assume re-investment of dividends at NAV or closing share price on the ex-dividend date and reflect cumulative returns over the relevant time periods shown and are not annualised returns. Average trading volume represents daily average across London Stock Exchange, Euronext Amsterdam and over-the-counter trading platforms.*

# NBPE MANAGER: NEUBERGER BERMAN

## Over $45 billion of commitments managed




### KEY HIGHLIGHTS

**Industry Leadership:** 30 years as a private equity investor; committed approximately $5 billion annually[(2)] to private equity over the past three years

**Active Fund Relationships**: 400+ with over 270 funds reviewed each year

**Experienced Investors:** Expertise across fund investments, direct investments and yielding investments

**Deep Team:** Over 115 dedicated private equity investment professionals with extensive networks

**Global Presence:** Investment offices in New York, Dallas, Boston, London, Milan, Hong Kong and Bogota

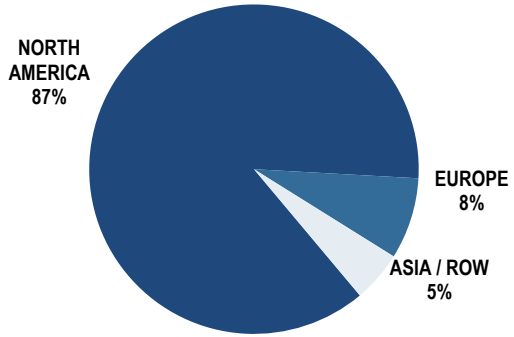
**LEADING, GLOBAL PRIVATE EQUITY PLATFORM**

*Note: Represents aggregate committed capital since inception as of January 2017, including commitments in the process of documentation.*
*1. Committed capital from inception through January 2017, including dry powder.*
*2. Average over the past three years (2014 – 2016).*

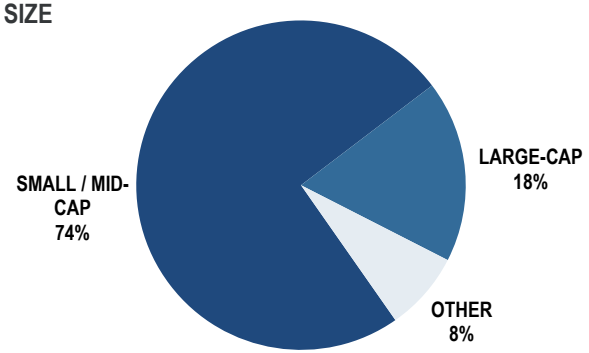
# NBPE PORTFOLIO DIVERSIFICATION

## Well diversified portfolio weighted to North American investments

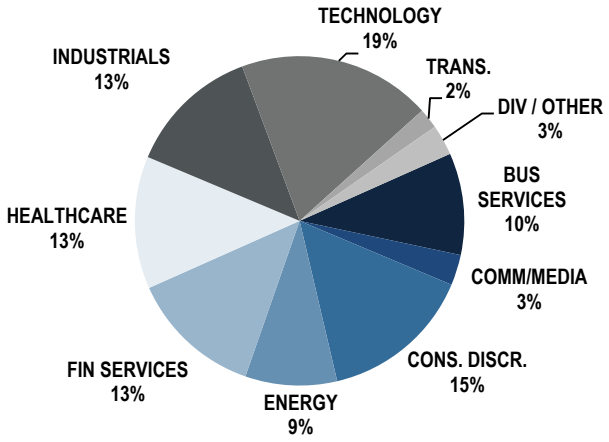
### GEOGRAPHY



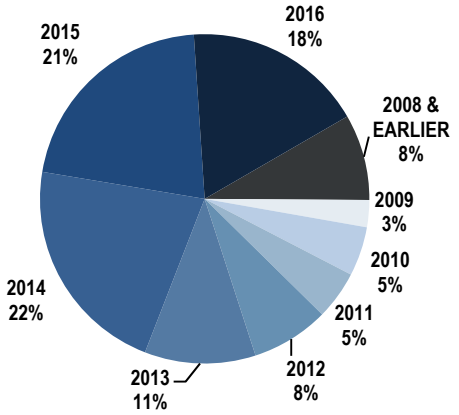

### COMPANY SIZE




### INDUSTRY




### VINTAGE YEAR

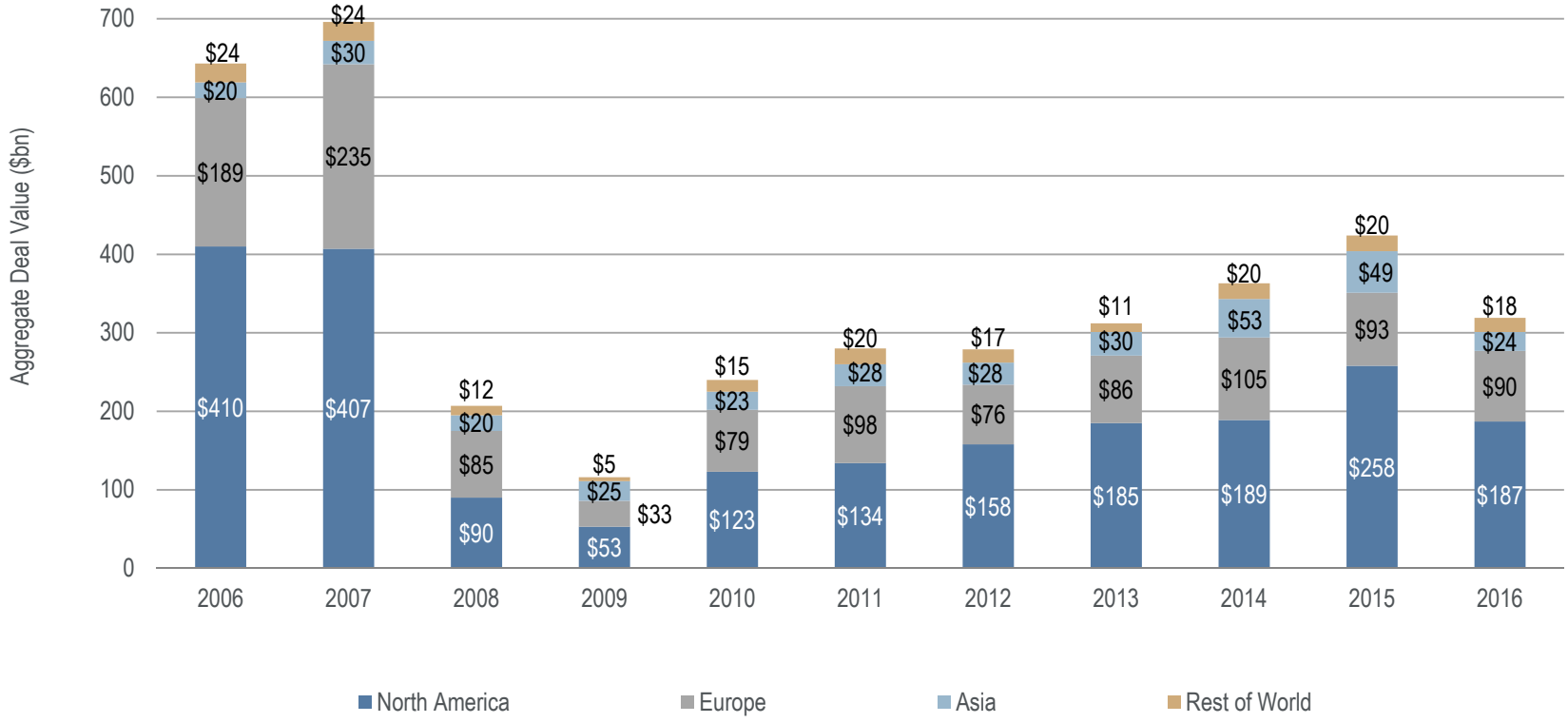



*Note: as of 31 December 2016. Numbers may not sum due to rounding. Please see endnotes for information on diversification calculations.*

# PRIVATE EQUITY-BACKED BUYOUTS

## North America continues to represent the largest proportion of transaction value

**AGGREGATE VALUE OF PRIVATE EQUITY-BACKED BUYOUTS BY REGION, 2006 - 2016**

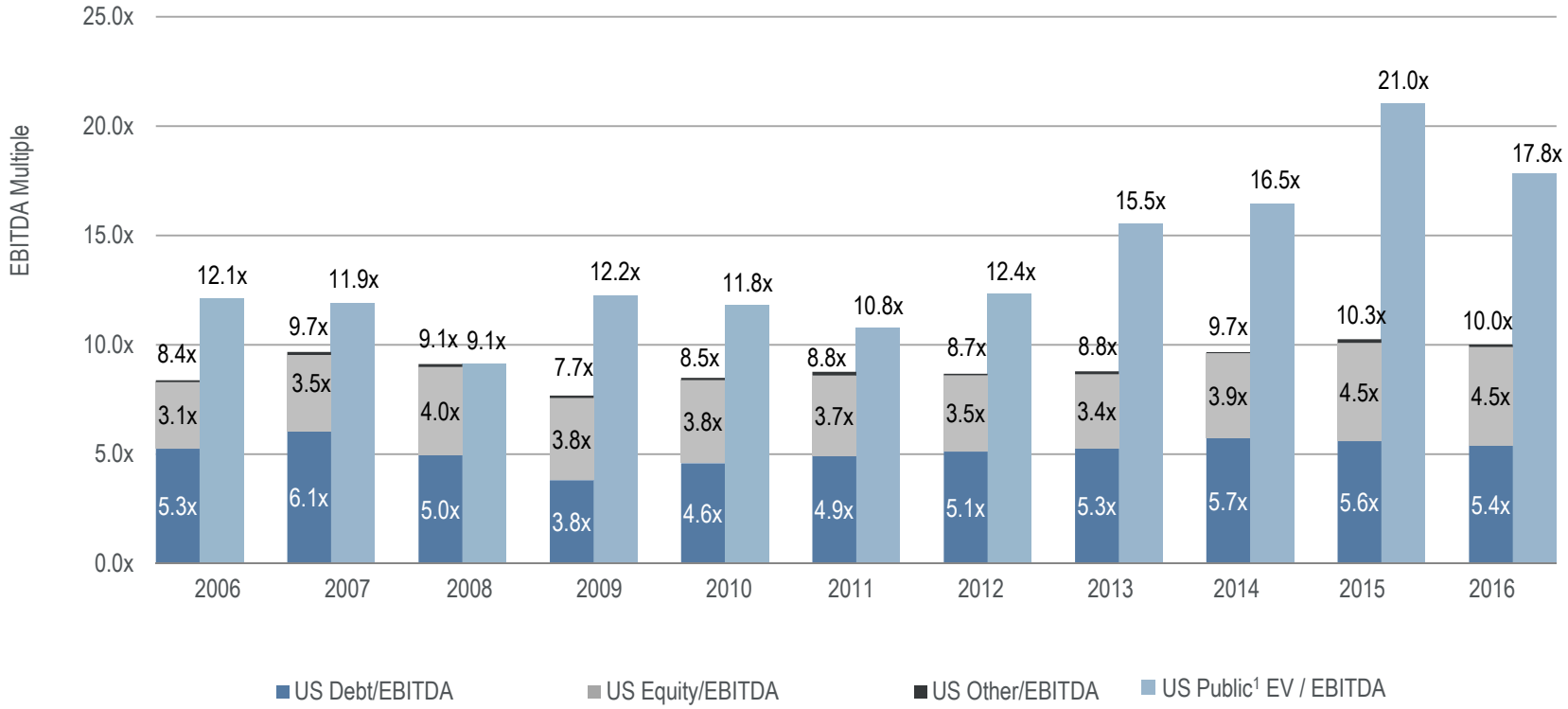



*Source: 2017 Preqin Global Private Equity & Venture Capital Report.*

# PRIVATE EQUITY-BACKED BUYOUT PURCHASE MULTIPLES

## Over the last several years, overall purchase multiples have steadily risen in the US, but remain well below public market averages

**AVERAGE U.S. LBO MULTIPLES, 2006 - 2016**

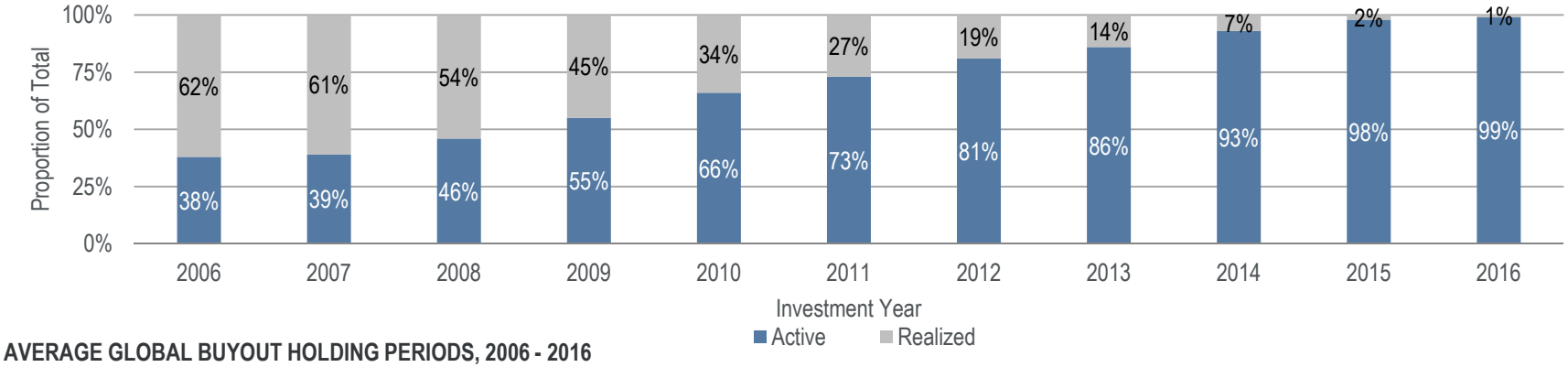



*Source: S&P Leveraged Buyout Q4 2016 Quarterly Review.*
*1. Source: Bloomberg. Multiples based on Russell 2000.*

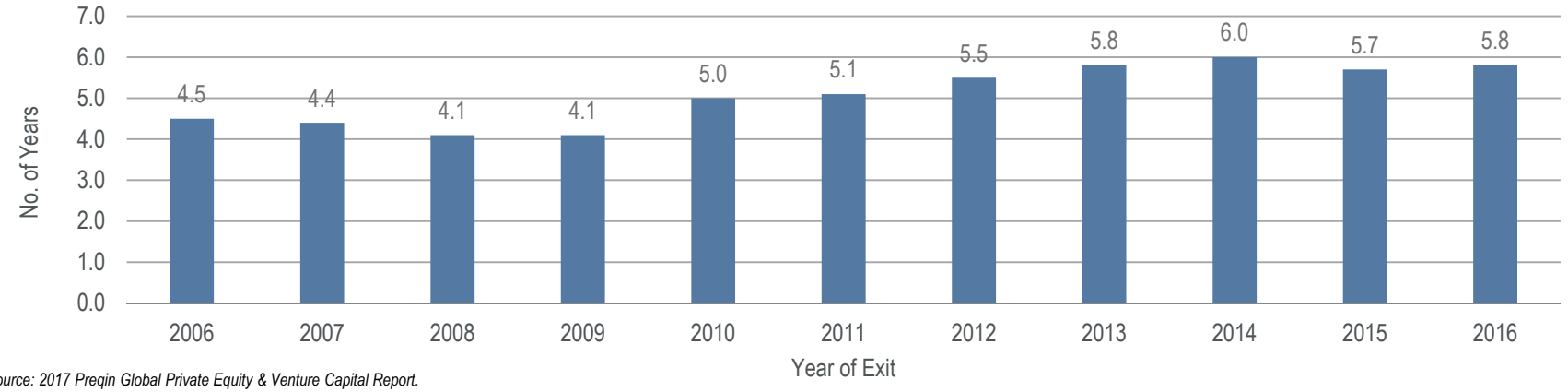
# GLOBAL BUYOUT EXIT OVERVIEW

## A large proportion of companies remain active in older portfolios, as average holding periods have increased

**PROPORTION OF ACTIVE AND REALISED PRIVATE EQUITY-BACKED BUYOUT DEALS BY INVESTMENT YEAR, 2006 - 2016**




**AVERAGE GLOBAL BUYOUT HOLDING PERIODS, 2006 - 2016**




*Source: 2017 Preqin Global Private Equity & Venture Capital Report.*

# NBPE DIRECT EQUITY PORTFOLIO

## NBPE has a well diversified direct equity portfolio, giving access to growing companies alongside high quality PE sponsors

**NBPE DIRECT EQUITY INVESTMENTS**

**77** direct equity investments with **$474.9** million of fair value

**DIVERSIFIED PORTFOLIO**

Diversified by industry, geography, vintage year and sponsor

**2016 GROWTH[1]**

**5%** LTM Revenue growth / **7%** LTM EBITDA growth

**VALUATION & LEVERAGE[1]**

**10.3x** EV / EBITDA & **4.7x** Net Debt / EBITDA

**2016 EXITS[2]**

**11** Exits generating a **2.3x** average gross multiple

**TOP TEN INVESTMENTS**

| Investment Name | Vintage | Industry | FV ($m) |
|---|---|---|---|
| Extraction Oil & Gas (NASDAQ: XOG) | 2014 | Energy | $32.7 |
| Evans Delivery Company | 2012 | Bus. Serv. | 21.6 |
| Patheon (NYSE: PTHN) | 2014 | Healthcare | 18.8 |
| The Warranty Group | 2014 | Fin. Serv. | 16.0 |
| ProAmpac | 2016 | Packaging | 15.5 |
| Saguaro | 2013 | Energy | 14.1 |
| Capsugel | 2011 | Healthcare | 13.7 |
| Black Knight Financial Services (NYSE: BKFS) | 2013 | Financial Services | 12.5 |
| Financial Services Company* | 2016 | Fin. Serv. | 12.2 |
| Engineering Ingegneria Informatica | 2016 | Technology | 11.6 |
| **TOP TEN INVESTMENTS** | | | **$168.7** |

*Note: As of 31 December 2016. *Undisclosed company.*

1. *Portfolio company operating and valuation metrics are based on the most recently available (unaudited) financial information for each company. Where necessary, estimates were used, which include pro forma adjusted EBITDA and Revenue, annualised quarterly operating metrics and LTM periods as of 31/12/15 and 30/9/15. Data based on 43 traditional buyout companies valued based on EV/EBITDA; excludes companies based on other valuation metrics including book value, revenue multiples, discounted cash flow, latest round of financing and public share price.*
2. *Returns are presented on a "gross" basis (i.e. they do not reflect the management fees, carried interest, transaction costs and other expenses that may be paid by investors, which may be significant and may lower returns). Returns are pro forma for Deltek, which closed in December, but cash was not received until January 2017.*

# NBPE DIRECT INCOME PORTFOLIO

## The NBPE income portfolio is well diversified, performing well and has a reasonable average level of total leverage

### NBPE INCOME INVESTMENTS

**31** income investments with **$139.0** million of fair value

### CASH YIELD & LEVERAGE STATISTICS

- **9.9%** cash yield / **11.2%** estimated yield to maturity
- **5.6x** total leverage / **4.1x** senior leverage
- **80%** of fair value in floating rate debt
- **52%** dividend coverage from portfolio cash yield

### KEY STATS

- **90%** are in asset light companies
- **75%** are in a market leading position[2]
- **66%** are in companies with a >40% equity cushion
- **47%** are in companies with a >25% EBITDA margin
- **100%** are in performing credits with no covenant issues

### TOP TEN INVESTMENTS*

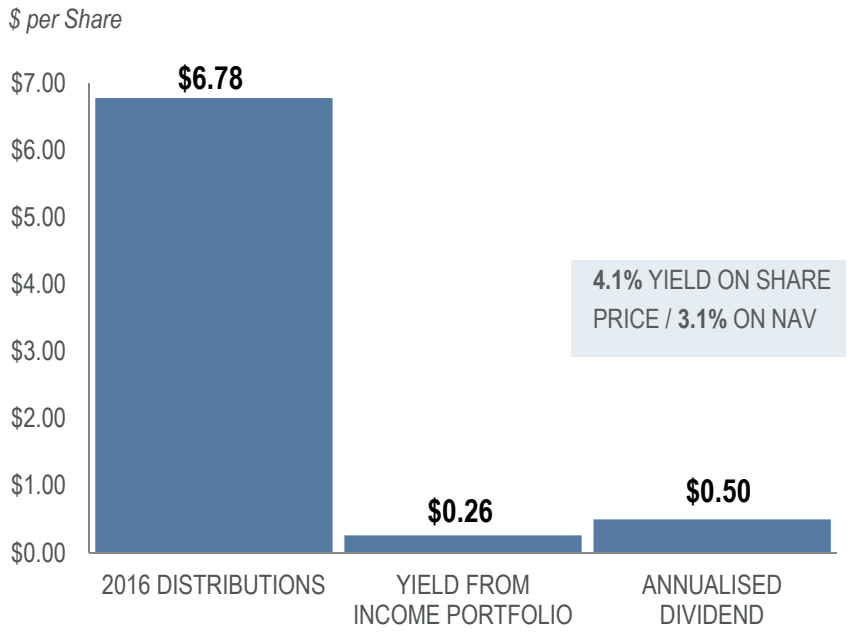
| Investment Name | Industry | Cash Yield | FV ($m) |
|---|---|---|---|
| Total Fleet Solutions | Bus. Serv. | 10.4% | 10.2 |
| Linxens | Technology | 9.2% | 10.1 |
| Funding Circle Small Business Loans | Consumer | N/A | 10.0 |
| Schumacher Group | Healthcare | 9.4% | 9.9 |
| GCA Services | Bus. Serv. | 10.1% | 8.9 |
| Hyland | Technology | 8.1% | 6.4 |
| Flexera | Technology | ` | 6.1 |
| ProAmpac | Packaging | 9.6% | 6.0 |
| Central Security Group | Consumer | 10.3% | 5.9 |
| Taylor Precision Products | Consumer | 13.1% | 5.7 |
| **TOP TEN INVESTMENTS** | | | **$79.2** |

*Note: As of 31 December 2016. Debt key statistics exclude credit opportunities investments, healthcare credit investments and small business loan portfolios. US PE Buyouts data from S&P Leveraged Buyout Q4 2016 Quarterly Review.*
**Top 10 Investments exclude credit opportunities investments.*
1. *Capital structure excludes small business loan programs and healthcare credit investments. Small business loan programs are excluded from yield calculations but are at an interest rate at least at the rate stated above.*
2. *Companies have a leading market position in their industry or niche based on NB's due diligence.*

# DIVIDENDS AND CAPITAL POSITION

## Dividends strongly covered by cash distributions and yield from the income portfolio

### DIVIDENDS




**4.1%** YIELD ON SHARE PRICE / **3.1%** ON NAV

### CAPITAL POSITION[3]

**CASH POSITION**

**$243.7** million of cash & available credit facility

**UNFUNDED COMMITMENTS**

**$29.4** million of adjusted unfunded commitments

**COMMITMENT COVERAGE**

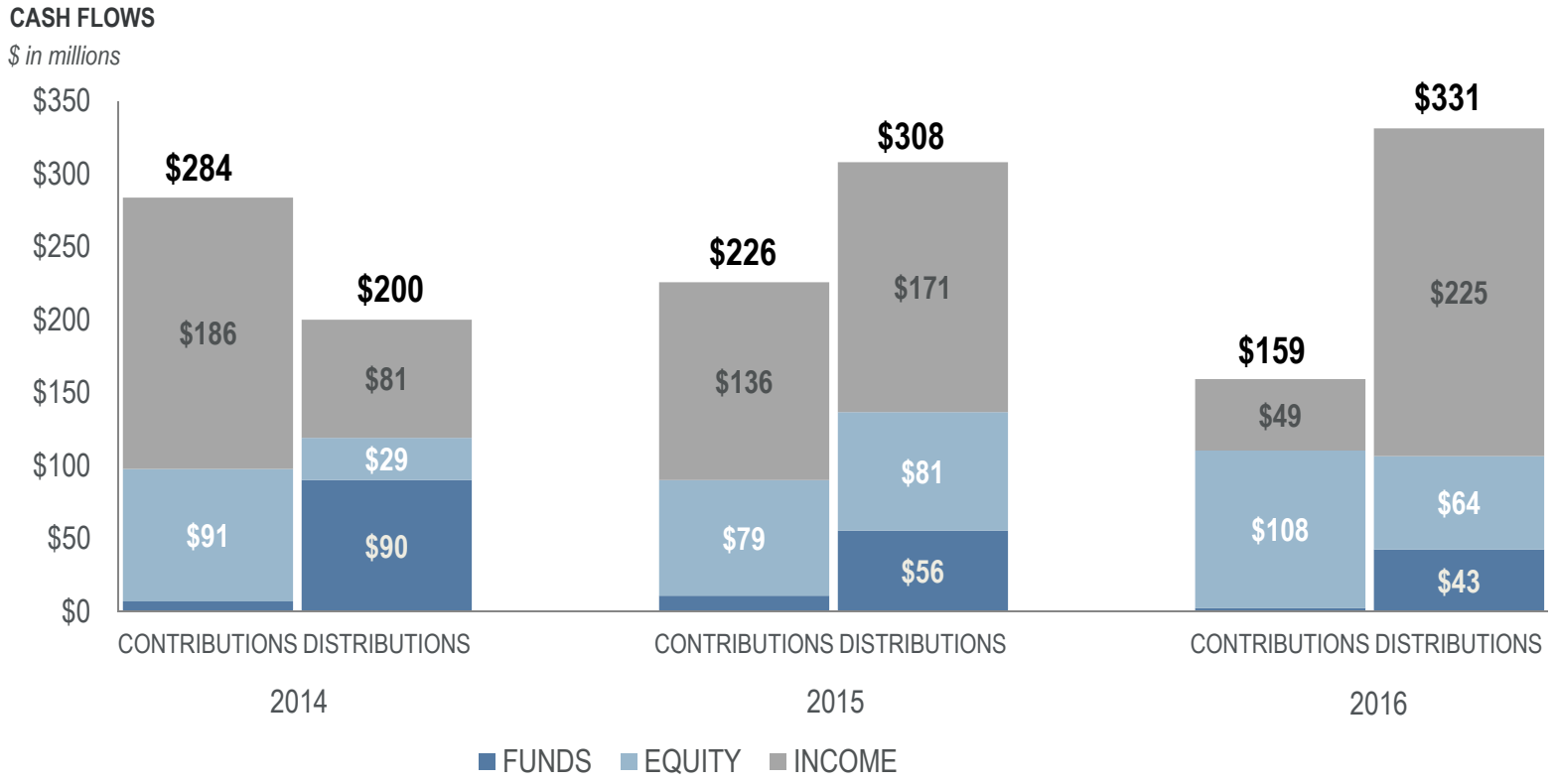
**829%** adjusted commitment coverage

*Note: See endnote #3 for important information related to the dividend. Total yield (inclusive of PIK interest) represents the return (IRR) from this reporting period to the maturity of the investment. As of 31 December 2016.*

1. *Dividend coverage is gross of fees, expenses and financing costs.*
2. *Based on the company's most recent dividend and the London Stock Exchange closing share price of $12.74 on 22 March 2017 and the 31 December 2016 NAV of $15.91 per share.*
3. *Unfunded commitments are adjusted by funds past their investment period and amounts which NBPE has the right to terminate if it so chooses.*

# PORTFOLIO INVESTMENT ACTIVITY & LIQUIDITY

## Over $830 million of distributions in the last three years




*Note: as of 31 December 2016. Numbers may not sum due to rounding.*

# PERFORMANCE OVERVIEW BY INVESTMENT TYPE

## 2016 annual, three year, and five year investment performance summary

**NBPE PERFORMANCE MEASURED BY GROSS IRR**

| INVESTMENT TYPE | 31 DEC 2016 FAIR VALUE ($M) | 2016 ANNUAL | THREE YEAR | FIVE YEAR |
|---|---|---|---|---|
| DIRECT EQUITY INVESTMENTS | $474.9 | 22.7% | 23.0% | 20.3% |
| INCOME INVESTMENTS | $139.0 | 13.5% | 10.4% | 11.8% |
| FUNDS | $153.4 | 8.4% | 5.5% | 9.4% |
| TOTAL PORTFOLIO | $767.3 | 16.7% | 13.7% | 13.7% |

**KEY TAKEAWAYS:**

**DIRECT EQUITY INVESTMENTS HAVE PERFORMED WELL ACROSS TIME PERIODS**

**INCOME INVESTMENTS ARE PERFORMING WELL AND HAVE PROVIDED STRONG YIELDS**

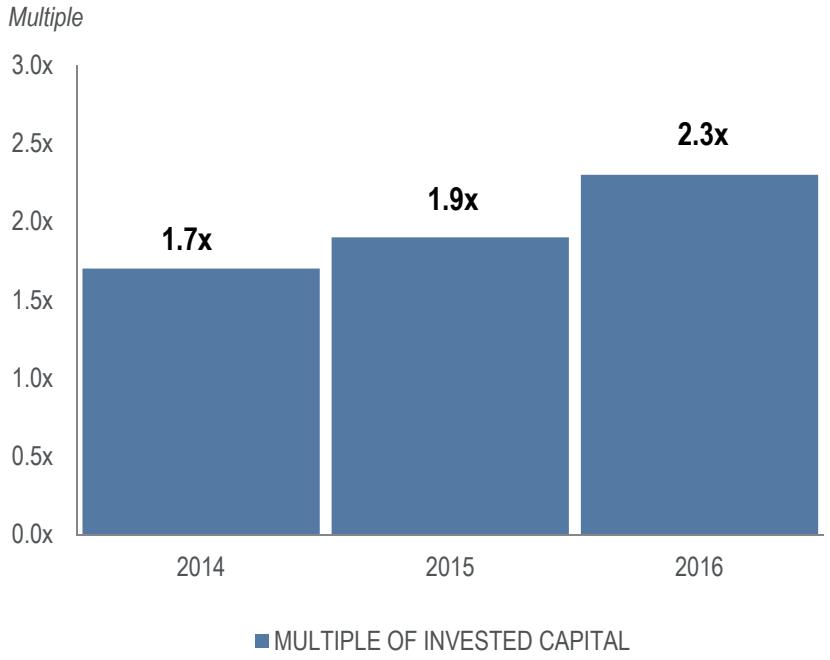
**FUNDS ARE NOW "TAIL-END" AND WINDING DOWN OVER TIME**

*Note: As of 31 December 2016. Numbers may not sum due to rounding.*

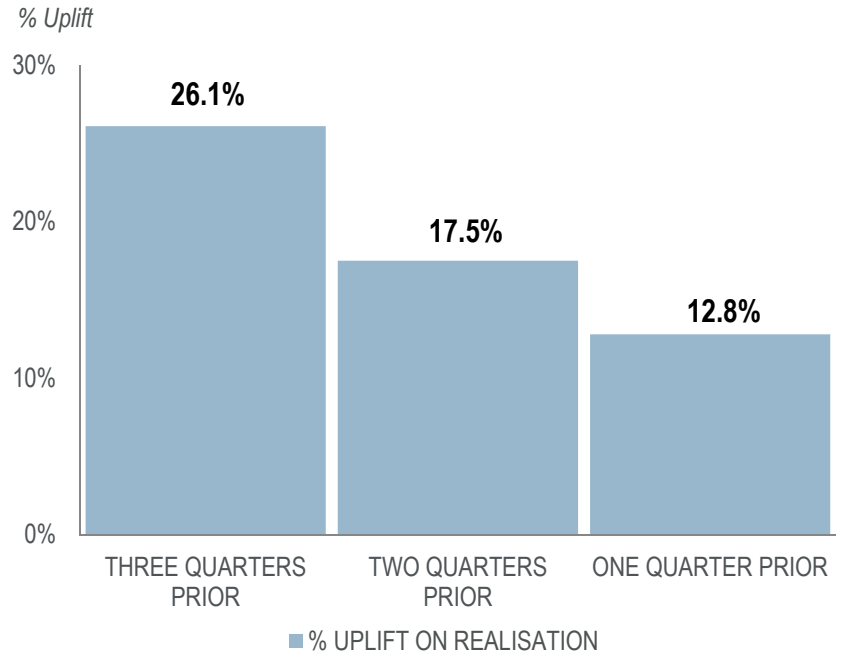
# DIRECT EQUITY EXITS & VALUATION UPLIFT

## NBPE has seen strong exits and valuation uplift relative to carrying values

**GROSS MOIC ON EXITS[1] (FULL EXITS ONLY)**




**VALUATION UPLIFT ON EXIT[2] (ALL EXITS)**




*1. As of 31 December 2016. Includes full exits only and includes the exit of Deltek on a pro forma basis as cash was received in January. Excludes partial exits, recapitalisations and IPOs until the stock is fully exited. Year represents the year of final exit. Exit year for public companies determined by the date of the final cash flow. Proceeds include funds that are currently in escrow, but are expected to be received. Returns are presented on a "gross" basis (i.e. they do not reflect the management fees, carried interest, transaction costs and other expenses that may be paid by investors, which may be significant and may lower returns).*
*2. As of 31 December 2016. Analysis includes eight IPOs, two partial exits, and sixteen full direct equity investment exits since January 2014 and includes the exit of Deltek on a pro forma basis as cash was received in January. For investments which completed an IPO, the value is based on the closing share price on the IPO date; however NBPE remains subject to customary IPO lockup restrictions. Excludes Industry Loss Warranties due to investment duration. Returns are presented on a "gross" basis (i.e. they do not reflect the management fees, carried interest, transaction costs and other expenses that may be paid by investors, which may be significant and may lower returns).*

# NBPE FINANCIAL PERFORMANCE

## Strong NAV and share price performance over the short, medium and long term

**CUMULATIVE RETURNS OVER TIME**

| TOTAL RETURN | ONE YEAR | THREE YEAR | FIVE YEAR | SINCE INCEPTION |
|---|---|---|---|---|
| **NET ASSET VALUE** | 14.8% | 40.1% | 65.5% | 82.6% |
| **SHARE PRICE** | 17.0% | 44.2% | 101.7% | 41.2% |

*Note: NAV data as of 31 December 2016. NBPE share price data based on NYSE Euronext as of 31 December 2016.*
1. *All performance figures assume re-investment of dividends at NAV or closing share price on the ex-dividend date and reflect cumulative returns over the relevant time periods shown and are not annualised returns.*
2. *Based on 31 December 2016 NAV of $15.91 per share.*

# PROPOSED VOTING RIGHTS AND LISTING AMENDMENTS

## The company today announced its intention to grant voting rights for the election of directors and to apply for admission to the premium segment of the London Stock Exchange

### Change to Voting Structure

- Extension of voting rights for the election of Directors to the Class A shareholders
- Voting mechanics allow the company to fully enfranchise its Class A shareholders while addressing the company's obligations under U.S. law

### Changes to Listing Arrangements

- Transition from the Specialist Fund Segment to the Premium Segment of the London Stock Exchange
- The Company's market quote on the London Stock Exchange would be redenominated into Sterling
- Eligibility for inclusion in the FTSE UK Index Series

### Change to Board

- Chris Sherwell would resign as director of the Company prior to Admission and be replaced with a new director

### Other Changes

- Amendments to the Articles, investment policy and management arrangements to reflect the proposed alterations to the Company's voting structure and to make them suitable for a company whose shares are admitted to trading on the Premium Segment

We believe that the proposed changes will place NBPE at the forefront of good corporate governance practices and broaden the appeal of the Class A Shares, all whilst facilitating NBPE's eligibility for inclusion in the FTSE UK Index Series

NEUBERGER BERMAN

# APPENDIX

# TRADING INFORMATION

| | |
|---|---|
| **Trading Symbol:** | Class A Ordinary Shares: NBPE |
| **Exchanges:** | Euronext Amsterdam & London Stock Exchange |
| **Base Currency:** | USD |
| **Bloomberg:** | NBPE NA, NBPE LN |
| **Reuters:** | NBPE.AS, NBPE.L |
| **ISIN:** | GG00B1ZBD492 |
| **COMMON:** | 030991001 |

| | |
|---|---|
| **Trading Symbol:** | 2017 ZDPs / 2022 ZDPs: NBPZ / NBPP |
| **Exchanges:** | London Stock Exchange & The International Stock Exchange |
| **Base Currency:** | GBP |
| **Bloomberg:** | NBPEGBP LN / NBPP:LN |
| **Reuters:** | NBPEO.L |
| **ISIN:** | GG00B4ZXGJ22 / GG00BD0FRW63 |
| **SEDOL:** | B4ZXGJ2 / BD0FRW6 |
| **Gross Redemption Yield at Issuance:** | 7.30% / 4.0% |
| **Share Life:** | 31 May 2017 / 30 September 2022 |
| **Final Capital Entitlement:** | 169.73p / 126.74p |

# CONTACT INFORMATION

| | |
|---|---|
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# ENDNOTES

1. The diversification analysis by geography, industry and vintage is based on the fair value of underlying fund investments and direct/co-investments; the diversification analysis for company size is based on the fair value of the underlying direct/co-investments and the fair value of funds with a focus on the company size described. Determinations regarding geography, industry, vintage and company size represent the Investment Manager's estimates. Accordingly, the actual diversification of our investment portfolio and the diversification of our investment portfolio on an ongoing basis may vary from the foregoing information. For the NB Alternatives Direct Co-investment Program and the NB Healthcare Credit Investment Program commitments, total exposure only reflects the funded investments to date. Unfunded amounts and unfunded percentages within each of these programs are excluded from the analysis, as capital deployment is opportunistic and cannot be accurately forecast at this time.

2. Guidance regarding NBPE's future portfolio and performance is a target only and not a profit forecast. There can be no assurance that this target will be met or that the Company will make any future distributions whatsoever. Any such changes will be notified to shareholders through a regulatory information service. NBPE's Board of Directors will continue to evaluate the Company's financial position, annual dividend target and the timing of future dividends. Future dividend payments will be announced by NBPE after the Board of Directors have completed such evaluation.

3. Yield to maturities represent the return (IRR) from this reporting period to maturity of the investment. Includes a portfolio of small business loans at an interest rate at least at the rate stated above but not included in the yield calculations. The Taylor Precision Products debt notes currently pay 13% cash, but issuer has the option to pay 11% and 2% PIK.

4. Actual unfunded commitments are $260.9 million at 31 December 2016, corresponding to actual over commitment of $17.2 million and an actual commitment coverage ratio of 93.4%. Unfunded adjustments include removing unfunded commitments to funds past their investment period (although some amount may be called for future follow-ons or expenses), and amounts which can be terminated by NBPE if it so chooses.

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