



Bridgepoint H1 2022 Results | July 26, 2022

Operator (Christophe):

Good day, ladies and gentlemen, and welcome to Bridgepoint Group PLC 2022 Interim Results. At this time, all participants are in listen only mode. Later, we'll conduct the question and answer session through the phone lines and the instructions will follow at that time. Participants can also submit questions through the web test page, using the 'Ask a Question' button. I would like to remind all participants that this call is being recorded. With that, I'll hand you over to William Jackson, Executive Chairman of Bridgepoint Group plc, to open the presentation. Please go ahead.

William Jackson:

Thanks, Christophe. Good morning, everybody, and thank you for joining us today. I'm William Jackson, Bridgepoint's Chairman, and I'm joined this morning by Adam Jones – many of you know Adam, Adam, our Group CFO – just to take you through our interim results for the half year 2022 and the outlook for the rest of the year.

Just to remind you, these are our first formal set of interim results since we listed just over a year ago. I'm really pleased to report a strong set of maiden first half trading performance ahead of expectations. Within our numbers this morning, you'll see that, importantly, we've now banked a high proportion of our exit activity for the full year into the first half performance. That gives us real confidence in our ability to deliver the full year results in line with expectations.

The key highlights for today, of our interims this morning, are [that] our company's financial performance is ahead of expectations with some favourable first half weighting, as I just noted, driven by those exits. Fundraising activity, we've got to talk a bit about that in detail. It's making good progress. And I'm also pleased to report strong underlying fund performance over the last six months with valuation uplifts in our main funds, being driven both by the exits that I've just mentioned and very strong EBITDA growth, which is offsetting some decline in benchmark valuations as a result of quoted market rotations in the multiples we are using for those valuations. I think the results demonstrate the strength of the Bridgepoint model in these challenging times.

Just moving on to the next slide, I'd like to start a detailed look at the results with our H1 financial performance, which reflect the resilience and continued strong progress of our business despite, frankly, what is a much more volatile market backdrop than I think any of us expected at the beginning of the year. Prior to any fees from BE VII, and there aren't any included in the first half numbers, in the first half of the year the business generated revenues of £140.1 million. That's an increase of 15% from H1 2021. Underlying EBITDA was £61.8 million, that's an increase of 17% from the same period last year. Underlying profit before tax was £51.9 million, an increase of 23% from H1 2021.

That performance was driven by income from recently raised funds, strong investment performance in the first half of '22, and operating leverage helping drive our efficiency in our cost space.

Our capital raising plans for Bridgepoint Europe VII, our new flagship fund, and our Direct Lending fund, remain on plan, despite the congested markets we referred to in the last update we gave you. We believe that in these times, Bridgepoint Europe funds are actually very well suited to the current times, and that's certainly being reflected in the progress being made in capital raised for Bridgepoint VII. I'm pleased to say that Bridgepoint Europe VI is now fully deployed. It's built a high quality portfolio, and importantly, the transition to Bridgepoint Europe VII has been formalised with a mid-May 2022 transition likely. That sounds a bit bizarre to say 'it's likely to have happened in mid-May 2022'. Just to explain there, the exact date gets confirmed on the receipt of competition clearance for the last Bridgepoint Europe VI investment. And we have to wait for that clearance; otherwise, we would be jumping the gun on that clearance. But at that ... we don't expect any issues out of that, we don't have any competition issues on that transaction at which point BE VII will start to contribute revenue as fee paying AUM.

At the start of 2022, our equity funds capitalised on attractive market conditions to deliver very strong exits ahead of the original timings that we were thinking of for the year in our pipeline of planned exits. At the full year results in March, we spoke about the exits of Element and Miller and the breakout returns we achieved from them. I think what's noticeable is that, since then, in May Bridgepoint Development Capital announced the sale of HKA, which delivered an outstanding return of seven times the original cost despite the external macro, still delivering strong exits right up to the most recent times. These exits, together with strong underlying trading across most of our portfolio companies, have driven increases in our underlying valuations across our equity portfolios, leading to fund performance ahead of expectations in H1 '22, more of which a little bit later.

We are very alert to more volatile market conditions and the market backdrop than we'd expected at the beginning of the year, but we've maintained our fund investment activity in the first half of 2022 at a level slightly ahead of the first half of 2021, taking advantage of some of the new, interesting opportunities that we're seeing in these markets. Our equity funds invest in profitable growth companies in attractive 21st century sectors, which, combined with disciplined portfolio construction, typically deliver strong absolute and risk-adjusted returns. In that context, Bridgepoint VII has been well placed to attract significant amounts of capital, holding its first close in Q2 2022 at €4 billion. Since then, the fund has enjoyed further closes and is now working on the final third of its fundraising targets.

With the market congestion, that I mentioned earlier, resulting in elongated fundraising timetables back towards the kind of length that funds used to take to raise, some investors have asked us to use 2023 allocations for their commitment. And as a result, we expect the fund to hold its final close in H1 2023, remembering of course that the exact date of the final close doesn't influence the date at which the fund becomes fee-paying, and people coming into the fund pay the fees back to the original transition date – an important point there. In summary, these results reflect a period of strong performance driven by both our equity and debt strategies, with continued strong portfolio realisations and valuation uplifts recorded in H1 2022, in particular, with our sixth fund maturing really well. And we'll come back to that a little bit later.

Just moving on to the next slide, in the context of the current macro environment, I'd like to say a few words about the positioning of Bridgepoint in these times. Because I think every company out there that's reporting results is faced the backdrop of unexpected challenges in geopolitics, supply chains, monetary policies, and facing into higher inflation. We are certainly not complacent about that environment, but we are confident in our business. We have a thirty year track record of delivering

strong and compelling investor and shareholder returns. Our funds have delivered consistent investment performance through multiple economic cycles. Importantly, we construct private equity portfolios that deliver strong and absolute returns with both growth and resilience. And our strong performance is underpinned by disciplined portfolio construction and I think we're very well positioned for the opportunities created in uncertain times in both our private equity and our private credit strategies.

Now, while we won't normally go [into the level of detail I'm going to go into next, on this occasion I thought it would be really helpful to remind you of our long-term track record, how we do build resilience into our portfolio and, of most interest to shareholders, what that means for recent fund performance. I'm focusing mainly on our equity funds here because private credit is a much more stable than private equity in the sense that it's a senior strategy, so I'm going to give you the stats mainly for the private equity portfolio. Looking at the next slide. As I mentioned earlier, Bridgepoint benefits from a very experienced management team, leadership of which has huge experience of operating in different economic cycles. And as you can see here, these are the three-year rolling performance stats that our team has delivered since the GFC [Global Financial Crisis] in 2008. And when it comes to building resilience into our portfolios, there are three key elements of the approach which I think are worth highlighting. Gatekeeping metrics, measured diversification – we don't like too much diversification because, ultimately, we're focused on absolute returns, but measured diversification is important, particularly in vintage year deployment, making sure you're not exposed to one particular point in the macro. And very importantly, our sector driven thematic investment strategy.

On the next slide, you will see that our strategy is to acquire proven, high quality businesses, which are domestic or pan-European, operating in niches which have potential for strong and sustainable end market growth. To be a good investment for Bridgepoint, those companies have to have attractive entry valuations, but with the potential for operationally led value creation, where we can roll up our sleeves to help our mid-market businesses grow either through international expansion, through consolidation, with buy and build acquisitions, improved operational efficiencies or substantial market repositioning. Looking at the evolution of our key gatekeeping metrics across our three most recent flagship funds, the strength of our funds can be seen in the portfolio companies showing increased revenue visibility. Very important that one year revenue visibility. You can see in fund VI, 78% gives strong confidence in the outturn for the fund. High EBITDA margins are very important to us. It gives us potential to ride through difficult macro and, in the new world, demonstrates the fact that the portfolio is made up mainly of price makers, where you can have the ability to absorb some inflation pressure. And strong cash conversion is very important. You see 88% cash conversion. Now, that is after maintenance Capex, gives the ability to pay down debt as well as fund Capex, important drivers of returns.

Building on those attractive financial characteristics, we ensure that our portfolios are sensibly diversified by geography, by sector and, although not shown here, by vintage year of investment. That latter point is really, really important and you're going to see that in the market at the moment. If you invest a fund in 12 months or 18 months, you get very exposed to one period in the macro. So our funds invest over three to four years for that reason. As you can see in the examples shown here, we typically invest [in] between 16 and 18 assets in each flagship fund, and no asset represents more than 12% of the capital.

Turning to the next slide, whilst we carefully construct our portfolios, as I mentioned earlier our number one focus is on absolute returns and doing that with a quality of return. So, measured by the risk we take in portfolio construction, and that is driving strong performance across all key metrics. So our private equity funds show strong performance across all three metrics that we are judged by, net IRR, total value to paid in capital and distributions to paid in capital. And in these times, our mature fund

values include a high level of realised value - these are not just paper gains. Very, very important that when people are worried at the valuation rotations that have been going on over the last six months and people are looking closely for validation of those unrealised valuations, because ultimately we are marking our own homework there.

To answer that question, we point to our history. Over the last five years, we've achieved a consistent premium from exit to the prior two quarters unrealised value. So in that five year period, on average, we have achieved a 40% uplift to the prior unrealised value. And actually, in the last 12 months that's been a remarkable 64% uplift, just demonstrating that there is prudence in the unrealised valuations. As you've heard me say before, the vast majority of our value creation at Bridgepoint is driven by earnings growth rather than multiple expansion and that has been the case in our most recent valuations.

And each of our main equity funds has enjoyed a multiple number of what we would describe as breakout returns. Those are returns over three times capital invested. And just to give you some updated numbers, that has been on average to date seven exits in fund V, which is our benchmark fund, our most mature fund, flagship fund. Those seven exits, the total capital there has been realised at 3.7 times cost and in BDC – Bridgepoint Development Capital III, that is running at 3.4 times money. Likely to rise quite fast with the impact of exits like HKA, BDC is performing incredibly strongly. So that is encouraging as that fund comes to market towards the end of next year or early in '24.

And I think I'd just also add to this data for you, that those metrics are not achieved by taking excessive risk. We do take risk but that risk we take is evidenced by a loss ratio of less than 1% of invested capital since the GFC.

Now just moving on to final slide before I hand over to Adam, of course, in all of this, we also aim to be a responsible investor. Our approach is one of constant improvement in this area and we invest in all stages of the ESG maturity curve with the intention of making a difference and making sure that our portfolio companies make a difference.

And I'd like to just give you an update and highlight a few points here. Bridgepoint became carbon neutral in 2021 with all our offices now running on 100% renewable electricity. This year, we also appointed a new head of sustainability reporting to our group CIO, Xavier Robert, and we became a founding member of the Private Equity Sustainable Markets Initiative. And our funds are aligned with article eight of the Sustainable Finance Disclosure Regulation and BE VII, the new flagship fund will have a sustainably linked fund financing facility.

So with that now over to Adam to take a detailed look at our numbers. Adam, over to you.

Adam Jones:

Thank you William. Good morning, everyone.

As William said, I will now provide some more details about our financial performance for the first half of 2022 and to clarify our full year guidance.

Let's start with AUM. The assets under management grew by 30% over the 12 months to June, 2022 to 37.1 billion euros. And that reflects good momentum in both our equity and credit fundraising objectives with just over 7 billion, 7.1 billion euros raised over that 12 month period. In addition to that, the strong valuation gains that William described, 5.4 billion and probably importantly that growth is also net of significant realisations across our portfolio with 3.9 billion euros of capital returned to our investors. And that reflects our established practice of regular distributions to our investors to drive fund performance metrics.

Turning to FPAUM that 6% increase is largely driven by the growth in invested capital across our credit strategies with credit fee paying AUM growing by thirty seven and a half percent over the last 12 month period.

And again, that growth is net of 2.1 billion euros of fee paying capital reductions associated with realisations across both our equity and credit strategies. Obviously, fee paying AUM will step up in the second half of 2022 as we start to charge fees on the closed commitments associated with Bridgepoint Europe Fund VII.

Now let's look at revenue and fee margins. We delivered double digit growth in group revenues up 15% over the 12 month period. Management fees, which represented 72% of group revenues, grew by just under 5%. That reflects both credit deployment and a strong period of exits ahead of the imminent acceleration from Bridgepoint Europe VII fees.

Investment income, which represented the balance of 28% of group revenues, grew by 52% and reflects the increase in the value of the underlying co-investments in our funds with Bridgepoint's funds V, VI, and Development Capital III delivering the majority of those gains.

As you know, investment performance is not linear across the year and the performance for the first six months of 2022 is ahead of our expectations and it should represent a reassuring de-risking of our full year forecast with almost two thirds of our 2022 forecast already delivered. The annualised fee margin of 1.24% in the first half of 2022 is consistent with the prior year period and is expected to remain stable – sorry, 1.22% [annualised fee margin].

Now let's look at the investment in the platform

Operating expenses total 78 million pounds for the first six months of 2022. And those expenses have grown by 13% over the last 12 months, reflecting both investment in our PLC infrastructure and investment in the robustness of our operating platform. As we've said before, people costs are by far the most significant expense at 78% of that total. And those costs have increased by 10% to just over 60 million pounds. Full-time employee head count has grown by 15% to 368 over the last year. And that growth breaks down to 10% in our investment team and 20% in our specialist functions. The growth in the investment team reflects ongoing investment to support the AUM growth across all of our strategies and the growth in our specialist teams reflects the continued investment in the strength of our operating platform and additional hires to support our PLC status, including finance, legal, regulatory compliance, and shareholder relations. As we've said previously, we expect more modest growth in headcount and personnel costs after this year as our PLC related hiring's largely complete and we continue to see the benefits of operating leverage.

Other expenses increased by 27% to 17 million pounds, and that reflects principally higher legal and regulatory spend to support the growth of the group and its listed status, higher premises costs associated mostly with our new London office and more normalised levels of travel after COVID.

Now let's look at EBITDA. Our revenue growth, alongside investment in the operating platform, led to EBITDA growth of 17% over the 12 month period and a slight increase in our EBITDA margin to 44%.

Fee related earning margin for this period is 23% and that's obviously ahead of a material step up in the second half of '22 as Bridgepoint Europe Funds VII fees start being earned.

Now let's look at cost below EBITDA. As many of you recall from our presentations last summer, we do have limited costs below EBITDA, namely depreciation, amortisation, and finance costs and those total just over 9 million pounds for the first six months of '22. [The] amortisation charge relates to the intangible assets acquired with the EQT credit business, which will be expensed over seven years. And the majority of our depreciation expense relates to office leases. And the increase from 2021 reflects

the start of our new London office lease in July 2021. And as previously advised, just to remind you, we are depreciating both our old and new London offices until we move in September 2022. So that double cost is expected to lead to a depreciation charge of approximately 11 and a half million pounds this year before normalizing at £10 million from 2023 onwards.

Within finance costs, the movement in 'other' is driven by a decrease in amounts payable to Bridgepoint V co-investors and interest expense savings following the full repayment of our borrowing facilities, which we did use the IPO proceeds last summer.

Now let's look at our balance sheet. Here's a sort of a high level summary of the underlying Bridgepoint balance sheet, excluding the presentational impact of our CLO investments.

As a reminder, we are a capital light business and our aggregate co-investments represent approximately 1.2% of AUM at June, 2022.

Our cash position at the end of June '22 was 239 million pounds plus obviously we have the undrawn facilities of 125 million pounds.

Now let's look at the statutory P&L reconciliation, and these are the components on this next slide. Exceptional costs are those outside the normal course of business and in 2022, those were mostly costs relating to the acquisition of EQT credit. The amortisation adjustment relates to the acquired intangible assets within the EQT credit business that I mentioned earlier and exceptional financing relates to the remeasurement of the deferred consideration liability that we have for EQT credit tied to fundraising.

So let's finish with our dividend and full year guidance.

We are planning to pay an interim dividend of four pence per share, which represents a 10% increase on the 2021 dividend that was declared for the six month period, post-IPO.

Subject to performance, we expect to split the total annual dividend 50:50 between the interim and final components.

And beyond 2022, dividends are expected to grow progressively, as the business scales.

So just to finish, I'd like to reiterate our full year guidance as follows: the transition to Bridgepoint Europe VII, subject to competition clearance, likely took place in mid-May 2022. Fees from Bridgepoint Europe VII in the second half of the 2022 will clearly benefit profits and margins. We'll expect management fee rates to remain stable across all our strategies. Investment income guidance remains unchanged, at 20% to 25% of total revenue for the medium term. And our co-investment commitments for future funds are expected to be in the 2% to 3% range. You should expect modest growth in headcount and personnel costs, relative to fee rate growth, over the medium term. And our full-year guidance for 2022 cost remains unchanged, at high single digit percentage growth.

With the transition to Bridgepoint Europe VII, our FRE margin is expected to be in the 30% to 35% range in 2023, and we'd would expect the FRE margin to grow to 45% to 50% in the longer term, once we have the impact of Bridgepoint Development Capital Fund V and Bridgepoint Europe Fund VIII.

Our effective tax guidance remains unchanged, at around 7.5% in both the short and medium term, subject, of course, to any potential changes in the UK tax code. And we are well placed to deliver on the current consensus expectations for FY 2022.

And with that, I'll hand back to William.

William Jackson:

Great. Thanks, Adam. Lots of detail there. So we'll open up for questions. But just before we do that, a few words on the outlook for the rest of the year.

As I said at the beginning, the strong performance we're reporting today for the first half gives us a lot of confidence in delivering the financial performance for the full year in line with expectations. Our pace of deployment and strong exits in the first half, I think, show the real strength of our business model. That does not, in any way, show complacency to what are more difficult market conditions that we're moving into, as a whole.

Disciplined fund construction and thematic sector-led origination helps us build resilience into our portfolio, and I think is underpinning our strong fund performance that we've shared with you today. And, importantly, we remain very excited about the strategic development opportunities for our business. We continue to make progress with our long term strategy of strengthening our mid-market platform, but we will do so in a patient and prudent way, to make sure we make best use of our strength and balance sheet. And we'll update you on our plans on that, in due course.

With all this in mind, we're confident that our business has very strong prospects ahead. And as I've said many times before, our focus is on delivering strong returns to our fund investors. And if we do that, our shareholders will do very well indeed, alongside that.

So with that, I'm going to pause, and we'll open up for questions from those of you who've dialed in.

Operator:

Thank you.

Ladies and gentlemen, we will now begin the question and answer session. We will begin with questions from the phone line, followed by questions received via the webcast page. As a reminder, participants can submit written questions using the 'Ask a Question' button on the webcast page. And to ask a question on the phone line, please press star one on your device. However, if you would like to withdraw your question, just simply press star two on your device.

You and the first question is coming from Arnaud Giblat from BNPP Exane. Arnaud, please go ahead.

Arnaud:

Yeah. Good morning. Thank you for the presentation. I've got three questions, please.

Firstly, could you please confirm the cost base on which you're guiding to high single digit growth? I think that there were some one-offs in the 2021 cost base, if you could confirm that?

My second question is on the uplift you've seen in portfolio evaluations over the last six months. Could you talk a bit about the MOICs, multiple on investment capital, for what will be V and VI, and how these evolved over the last six months?

And, since you've given us a realized portion of BE VI's portion, can you talk about the unrealised portion of those funds?

And my final question's on the outlook for capital commitments. So capital deployed has stepped up over the last 12 months. How does it look from here? Thank you.

William Jackson:

Adam, do you want take the first question there?

Adam Jones:

Yeah, absolutely. So, Arnaud, you are right. Last year's cost base included just under 6 million pounds of investment related bonuses. So the cost base, excluding that, was £116 million for 2021.

William Jackson:

Arnaud, on your second question on valuation uplifts, do you want to just repeat that, Arnaud – the second question? To make sure I've got it right?

Arnaud:

Yeah. I was just looking for the component parts, in terms of the uplift. So you talked about significant uplift on realisations. I'm just wondering how your unrealised portion of your portfolios have evolved over the last six months?

William Jackson:

Yes. Yes. So the unrealised [portion] has moved forward materially. So BE V flatlined at Q2, after a very strong Q1, mainly driven by those exits. BE VI is maturing fast, and reflecting, actually, just quite an unusual period of its life, where we tend to do more primary investments – first time buyouts – with the consequence that it takes probably 18 months before some of the hands on operational work starts to be reflected in the performance numbers of the business. And we're right at that moment on that fund, where that impact is starting to show through in the performance, with the average life of the fund at about two years.

And so the unrealised performance has gone up. the fund, as a whole, MOIC has gone from, Adam will correct me on this, but roughly 1.4x money to 1.55[x]. BE V is sitting at 2.5[x] MOIC. So both in strong positions. Obviously, fund VI is of a less mature, fund VI running currently at a 33% net IRR. So strong performance, but that'll come down a bit over time, I would expect.

And BDC III performing very strongly. I think its MOIC, Adam, please come in if I've got this wrong, is currently running about 2.8x, but forecast to be going into the threes over the next 12 months.

Adam Jones:

That's correct. Just for context, I would add that about 40% of our H1 investment returns was related to realised investment activities. So you've only got 60% [which] is effectively represented by paper gains. But when you look at the breakdown between EBITDA and multiples, and again, to emphasise William's point about being prudent, 72% of our H1 valuation multiples were either flat or down. And therefore, really, the lion's share of all the growth was delivered by EBITDA growth – strong momentum over the first six months.

William Jackson:

And I think that's an interesting point on the distinction between mid-market and large buyout. In large buyout, you get very favorable valuation moves with highly leveraged businesses, when multiples are going up. And you see the reverse when they're not. Obviously, in the mid-market, you don't have the same high levels of leverage, and it's much more driven by EBITDA and operating growth. So our average leverage across our portfolios is probably four to four and half times. So we are much less exposed to those market corrections. On capital commitments, I think your question there was what was the outlook for capital commitments for the year? I think it's more of the same, really. We're seeing some interesting opportunities in this market. Obviously, we're looking at where do we see pockets of value,

where there's been a correction, where we can use our operating skills to drive value. But we see plenty of opportunities out there at the moment.

Does that answer your questions?

Arnaud:

It does. Just a very quick follow up. You mentioned some 72% of valuation multiples flat or down. Therefore, EBITDA growth compensating. So could you give us a bit more colour, maybe, on what the EBITDA growth is in the overall portfolio companies?

William Jackson:

It probably would be running – and again, Adam, come in if I'm wrong on this – but it's probably running in the mid-teens.

Adam Jones:

Yeah, north of 10%.

Arnaud:

Great. Thank you.

William Jackson:

All right. Across the portfolio...

Operator:

Thank you. The next question is coming from Bruce Hamilton from Morgan Stanley. Bruce, please go ahead.

Bruce Hamilton:

Yeah. Thanks, guys. Maybe first on the opportunity for investments, obviously, you talk about interesting opportunities. So it sounds as though you don't anticipate there'll be much constraint from tighter financing markets and deals you were doing in the second half. Is that the way to read it?

Then secondly, on the credit business, just thinking around the opportunities for that side of the business, because presumably, the opportunity set should look better. But equally, you've got to manage risk. So are there any areas of the market or sectors on the credit side you're being quite careful about?

And the final question on strategic. Obviously, you indicate you're making progress. We'll hear more in due course. Should we still be thinking around strategic development evolving on a new strategy leg? I think infrastructure and real estate, you talked about, at the time of the IPO. Or could it be broader than that, given some of the dislocation in the market?

William Jackson:

Yeah, thanks Bruce. Morning, as well. So, I think on the tighter financing markets, as far as our equity strategy is concerned, because we are not raising large amounts of debt, the access to that debt is easier. So in our recent financing, we're typically doing four, four and a half times leverage in profitable growth companies. So pricing has gone up, but that's something we need to reflect in the entry price

that we're buying at. But the access to debt has not, so far, been a problem. So we don't... And actually, by the way, when we go back to the GFC, or prior to that, that was never a problem. So we're not, we're not sort of...

I was interested to read the FT's comment on the Morrison situation. We're not raising bulk amounts of debt, which requires vast underwriting. And so that's a real advantage in this market.

I think Andrew Konopelski is with us this morning, Adam. So maybe if Andrew... Is Andrew with us?

Adam Jones:

He is, yeah.

William Jackson:

He could give you a view on what's happening in the ... Andrew Konopelski heads Bridgepoint Credit and there are lots of interesting things going on there so, Andrew, do you want to answer that question?

Andrew Konopelski:

Sure. I think there were two questions, one was about the opportunities in the market and you're absolutely right, opportunities in the credit market are very attractive at the moment.

It's really on two fronts, one is the primary market has become more of a private credit market so with the public markets not exactly closed, but certainly, you know, more constrained, we've seen a big market share gain in the private credit side – so I'm thinking direct lending primarily here, which has been great from the standpoint of increased opportunity set, so you can be even more selective as well as slightly better terms and margins.

You also mentioned managing risk. It's an interesting truism in a private credit business that the time to manage risk is a few years before a crisis actually hits so I think the mentality that we have had in terms of how we manage our credit funds has been a focus actually on very similar industries that Bridgepoint as a whole does, those more stable, cash generative, high margin businesses in business services, TMT as well as healthcare. So [the] portfolio is quite well positioned and quite stable: resilient, high margin businesses that can absorb some of that inflation pressure that we've talked about, but in quite good shape at the moment.

William Jackson:

Thanks Andrew.

Bruce, just coming back to your strategic question, you know, our day job is buying businesses and we raised capital last year to strengthen our balance sheet to position us to add a third leg as and when we found the right opportunity. We've had our heads down focusing on delivering what we said we'd do in the core business first, obviously, but what's interesting is that I think, in many ways, the market has come towards us in that as there's been a recalibration of values where the value of our cash has gone up and the opportunity set has broadened.

So I think your question is bang on when we were talking a year ago, we were saying that a new leg was likely to be infrastructure or real estate, it could be quite a bit broader now, but we're in no hurry to execute on this. We will do it when we find the right thing, that's right for the long term business and that is a great addition to the Bridgepoint portfolio. We've got a tremendous platform as it stands and we'll only execute when we find the right thing. We're not afraid of executing just to be clear, but we're hypercritical on making sure we get it right.

Bruce Hamilton:
Got it. Thank you.

Operator:
Thank you. The next question is coming from Philip Middleton from Bank of America. Philip, your line is now open.

Philip Middleton:
Yeah, thank you and good morning. I wondered if you could go into a little bit more detail about what you see as the investment opportunities in the next six to 12 months being like, particularly more in the equity strategies. Are you seeing pricing adjust yet because the received wisdom is that pricing tends to be quite sticky when you see changes in the market. How much does that matter to you? And is that something you're seeing yet?

William Jackson:
Yeah. Morning Philip. Yeah, it's a good question. I mean, I think generally, in alternative markets, it takes six or nine months for pricing rotations to come through and what you tend to see is that you either can or can't sell a business and the things that you would expect to come down in price become unsellable because people just don't want to buy those risky, at these kind of moments, those riskier assets and actually if you've got assets that are of really high quality, which have either strong growth or [are] defensive, then you know, they maintain their value.

I think that's a sort of generic sort of observation that I would make based on 20 plus years of investing in these markets. Our strategy is slightly different on this because what we're trying to do is take a look over the medium term and look in spaces where we see, in sort of niches as much as sectors, where we see really interesting, long term growth where we can use the rather unique skills that we've got, tools that we've got on our platform, which are very typical in the large buyout world, but [are] not so typical in the mid-market to create and add value.

And we are looking for relative value as well, so we would expect prices to adjust in what we're acquiring and we are pretty disciplined about that. And one of the strengths of Bridgepoint is that we've never really had origination issues. The big challenge, the intellectual challenge, is always getting our heads around where do we think we're going to get the best growth? And of course we're well practised at that, because we operate in Europe and Europe has been, from a macro perspective, dull for 25, 30 years so I mean Europe's never had 6, 7% GDP growth, but it does have some amazing niches where you get brilliant businesses that you can grow strongly that way outpace the macro and particularly in [the] mid-market where you see these emerging companies in MedTech, in AgriTech, in pharma services, et cetera, some really great opportunities.

So I'm not worried at all about our ability to find opportunities and we have a long list of things that we're looking at. What we've got to spend time on is looking at how does the macro influence the ability to drive value in those companies? How's that going to need us to tack in the way we execute and making sure that we do get the price right on the way in, because that's one of the things that we can control, but having a big team of people in these markets is very advantageous because you can look at a lot of different things before you decide what to do.

Philip Middleton:
Okay. Thanks. That's helpful.

Operator:

Thank you. There are no further questions on the conference line. We will now address the questions submitted via the webcast page. I will now handover to Adam Key to read out the written questions.

Adam Key:

So we've got two questions online from David McCann at Numis, the first of which [is]: "Will BE VII charge catch up fees back to May 22 for investors who come in after the first close?"

William Jackson:

Yes.

Adam Jones:

Okay. I can tell you that one. Yeah, it's very simple. Yes. So the timing of the close is not relevant. The date [from which fees start] is the date of transition. So from mid May, all investors will be charged fees from that day, regardless of when they come into the fund.

William Jackson:

And just to be just to be clear how it works is that from mid May we have been ... the whole resource of Bridgepoint has been working on fund seven and we would expect shortly to be announcing the first investments for that fund and so when people come into the fund, they get a proportion of the investments that you've already made and so we make sure it's fair for every investor. People pay back their fee to the start of the fund life.

Adam Key:

And the second question: "is the EBITDA growth in portfolio companies of over 10%, the first half of 22 versus the first half of 21, or is it the six month growth rate?"

Adam Jones:

It's the six month growth rate.

Adam Key:

That was the two questions online.

William Jackson:

Great. Well, unless there are any other questions, Adam, I think we will close, is that right?

Adam Jones:

Yep.

William Jackson:

Yep, okay. Well listen, thank you very much to everybody for joining us this morning. I hope the session has been useful. Please feel free to reach out to Adam Key if you have any further questions and in the meantime, what I hope from you will... you will have taken from this morning and the results is that

Bridgepoint is on track doing what it said it would do. With that, thank you very much. Thank you Christophe for chairing the call this morning and we'll close there. Thank you.

Operator:

Thank you very much, everyone that concludes your conference call for today. You may now disconnect. Thank you for joining and enjoy the rest of your day.