Bridgepoint Group

Capital Markets Day | 24 October 2024

Adam Key, Head of Shareholder Relations

Good afternoon to those of you in Europe and good morning to those of you in North America. I'm Adam Key and I head up shareholder relations here at Bridgepoint. Today we are holding our first capital markets day and we're looking forward to updating you on our business and the outlook for the next state of growth. Over the course of the next few hours, you'll hear from leaders across the organisation covering the; business today and our ambition for the future; a more in-depth session on why the middle market is such a significant differentiator for Bridgepoint; a panel discussion with the heads of our two prominent equity strategies on recent transactions and how our funds work together; a deep dive on the credit business including opportunities to grow that strategy further; and we'll then come to infrastructure and the newest business in the group ECP. Raoul will then spend some time setting out the ambition and strategy for the Bridgepoint group before hosting a discussion about distribution including our plans for private wealth. Finally, we'll have an update from Ruth on financials and outlook. There will be plenty of time for Q&A with two dedicated slots in the programme and for those of you on the webcast, you will be able to ask questions online. So that's enough from me and I'd like to hand over to Raoul.

Raoul Hughes, Chief Executive

Good afternoon and for those of you who don't like lifts, well done for making it up onto the 42nd floor and I hope you enjoyed the view before the blinds came down. Good afternoon everybody. Thank you for joining us. I'm Raoul Hughes, Bridgepoint Group's Chief Executive.

Bridgepoint today is, in many senses, a different business from the one that listed in 2021. We are larger, more diverse, value added investor, and we feel better sets to outperform in a high growth consolidating market. Given our differentiated position this afternoon, you'll be hearing from a range of leaders across the business who will give you an in-depth sense of our current strategies. We will be talking about the opportunities we have to grow in the future.

Okay, so perhaps unconventionally, I'm going to start with the conclusion: what we want you to take away from today is that Bridgepoint is different. We offer a differentiated mid-market added value focused alternative investment exposure from our diversified platform that is not in found in other listed managers, including in the exciting field of electricity transition. We have a continuing track record of performance delivery both in terms of investing across our strategies and in the trading performance of the group. We have real white space to grow. This is the case with our existing businesses where there is still room in the long term for growth in the quantum of capital managed in new product additions without cannibalization, but also in our ability to add new verticals. We are an attractive home for m and a. We have an inclusive entrepreneurial culture. We recruit, retain, and develop great talent in what is a people business and we are of a size where partners, firms, leaders won't be swamped by our scale. We have a cohesive strategy and the depth of management to achieve our ambitions. So ultimately we want you to go away realising that this is this differentiation and opportunity mean that as investors you should absolutely have Bridgepoint as a holding in your wider portfolio.

Now I want to start with performance Bridgepoint Group is investment performance led something that was at the heart of the business when I joined 36 years ago and remains so today. Like you as institutional shareholders, our investment performance is the primary metric by which we are judged against our peers and in which turn determines our ability to successfully raise capital and ultimately drive share.

Throughout today you'll hear about sectors, geographies, market trends, how we originate and how we add value to owned assets. You'll hear and see is a combination of perspectives, market positions and abilities that we think create a differentiated and exciting combination and a proven model of repeatable success. Driving alpha through middle market investments, we have built a strong consistent investment track record over 40 years. Our PE and infrastructure funds remain top or upper second quartile, and our three credit strategies continue to deliver target returns with the lowest possible risk. As I mentioned at the interim results this year is on track to be the strongest ever in returning capital to investors. The Kyriba and Care UK transactions announced in the last week being the most recent, a notable result given the market commentary around exits and the rate of deployment in private equity and as you'll hear in particular in our infrastructure business is on or ahead of the target pace, giving confidence in the timing of our next fund cycles.

Now we are all aware of the share price performance since listing and are fully focused on doing what we can to ensure that the recent uptick is maintained. So most of what I'll cover today is focused on the next chapter of growth for the group. But before that, I want to talk briefly about the journey since the IPO and our trading performance against the objectives that we set out then. At the time we said our ambition was to double AUM In approximately five years. In practice, we've delivered nearly 2.3 times in a little over three years, growing nearly 60% organically and adding a further 27 billion of a AUM through the partnership with ECP. In terms of the group's financial performance, if we deliver the consensus the current year's consensus, our fee income will have grown by 2.7 times to just under 400 million pounds. Fee related earnings will have grown by nearly six times and by spreading our cost base across a larger AUM and fee income stream, our FRE margin will have more than doubled. Importantly, our underlying EBITDA has grown by over four times to just under 300 million. This level of growth is consistent with the long-term platform trend rather than a cyclical peak. Over the last 20 years, our strategy of pursuing both organic and inorganic expansion has delivered annual AUM growth of 16%. Despite the lumpy nature of our business, this success has been consistent regardless of market cycles proving the resilience and sustainability of our approach.

Now, when we listed, we also talked about enabling growth and providing strategic flexibility whilst remaining true to bridge point's culture and approach. I'm pleased to say that by continuing to grow our core PE and credit businesses, strengthening our global IR capability, including adding on the ground resource in Japan, Korea and Singapore, coupled with a transformation partnership with ECP, we have achieved what we set out to do. In so doing, we've built a solid foundation for long-term shareholder value creation and we are confident that this momentum will continue as we further scale and enhance our platform. Now before moving on and talking about each of our three current businesses, a few statistics representing where we stand today, we are managing over $73 billion across eight investment strategies from 14 offices around the world for the benefit of 1,200 limited partners. We have a clearly differentiated position in the global middle market that we are building on.

The strength of our platform means that we are a go-to participant in credit equity and value added infrastructure. Growth and diversification have enhanced our quality of earnings and continue to strengthen our competitive advantages. We now have diversity by investment strategy as well as by investor type and geography and aim to build further on all three. At a portfolio level, we have over 430,000 employees operating across our PE credit and ECP strategies with businesses headquartered in 19 different markets. Our private equity investments would together be a FTSE 30 business. ECP assets

produce enough electricity to power 31 million homes and in credit we have backed over 400 companies covering the waterfront from sports drinks to solar power generation.

So to turn to the individual businesses. Let me start with private equity.

In private equity. Bridgepoint has a differentiated middle market position. We typically operate at enterprise values. Below those targeted by the large cap firms and more broadly and deeply than other middle market platforms. We deliver real value from our European on the ground origination network, which offers a differentiated combination of geographic and cross sector reach. This is a distinct advantage giving us the ability to source and execute deals across Europe. It's this deep network and local expertise in combination with entrepreneurial culture and value creating operational capability that differentiates Bridgepoint from our key competitors and provides the exposure LPs are looking for. From a single fund allocation, the depth of origination creates the widest possible funnel from which to evaluate opportunities and our deep experience in growth investment means we can pick the best opportunities. We also have the scale to invest in a team that can deliver deep operational improvement within our investee companies.

In terms of credit, Bridgepoint uses its deep market presence to create investment opportunities from across the whole network with a focus on defensive sectors with strong downside protection. Importantly, collaboration across the credit and equity businesses is a factor in their ongoing success. The sharing of information perspectives across credit and equity create synergies in both the origination of opportunities and the assessment of investments. The business has more than doubled AUM since acquisition whilst retaining their investment discipline and the team's ability to invest across the corporate risk reward spectrum, creating significant opportunities for growth on the infrastructure front.

The ECP platform has a very strong position within the electricity and energy transition sector. We have a longer track record than most in a space that requires real depth of understanding and experience and it's an area that's increasingly important to investors. Given the explosion in AI and the sustained focus and energy transition, this I believe provides us with an incredible platform for future growth. As Doug and Tyler from ECP will outline in a few minutes. I'm confident that we're well positioned to capture the opportunities ahead, including being at the forefront of the delivery of electricity to the AI boom.

We have managed to achieve this continued growth whilst maintaining our culture and the values of the Bridgepoint group. We have over 40 years of working efficiently and collaboratively across multiple teams and geographies with widely shared incentives. Our culture helps us retain our opposition as an attractive home for talent, a favoured counterparty for investments and a trusted home for LP capital. It is this culture that also makes us an attractive counterparty for founders of single vertical alternative businesses who want to join.

In short, the group is well positioned to further scale existing verticals and to capitalise on the market dynamics that will drive our future success. So now let's turn to the market outlook and our plans for bridge point's next chapter.

I'm sure you'll have heard a lot of this before, but over the past decade private market assets under management have quadrupled and this growth is projected to continue at an annual rate of nine to 10% with AUM expected to reach approximately $58 trillion by 2033. This growth would see AUM more than double in 10 years fuelled by new capital sources and an increasing shift towards alternatives over traditional asset classes. Whilst alternatives remain a relatively small proportion of total investor allocations, small changes have a large impact. Now fundraising is never easy and clearly these are vast numbers, but they do illustrate the strength of our sector tailwinds from a Bridgepoint perspective, our leading position in middle market private equity investing and exposure to the high growth energy

transition space and a well-regarded credit investment platform, positions as well to capture these inflows.

Now importantly from a deployment perspective, we are confident that with our deal origination network, which you'll hear more of later, we can support the increased deployment that the measured growth in fund size requires.

So ambition, let me talk to you a bit about ambition. We have more than doubled AUM over the last fund cycles and we aim to do at least that again over the next fund cycles. Now that said, and I've said this before, I do feel AUM is a bit of a lazy proxy given that not all AUM M is equal and we are really focused on growing revenues and profits. But given that it's a number that we use, our competitors use and everyone tends to use in our industry to calibrate our ambition, let's say we're aiming to grow to around $200 billion organically and through M&A over the next five to six years. We think we have the ability and platform to grow faster than the market and as a result, grow the group's market share within alternatives to support the delivery of our ambition.

There are three things that we'll be looking to achieve. Firstly, evolution in bridge point's approach to IR. We have a strong core client set that we are rightly proud of and have the opportunity to grow further consisting of the largest blue chip institutional investors from around the world. These relationships are not easy to come by and in the case of both ECP and Bridgepoint, we have built these partnerships over decades continuing to nurture and grow this core client set, including through introducing our different investment strategies is critical, but delivering our ambition will also require tapping into new sources of capital and therefore new fundraising channels. So in addition to growing the relationships with our core client base, we will look to increase the contribution to bridge point's AUM from sovereign wealth funds, unlock the opportunity in private wealth and target increased capital from areas such as insurance.

This will require investment over the next cycle, which we expect to partially fund through efficiency gains elsewhere. Secondly, we'll continue to grow and diversify our existing investment strategies building on our strong positions in private equity credit and infrastructure. This will come through a combination of selectively growing existing funds, organically adding adjacent investment strategies and targeted complimentary m and a. These smaller infill acquisitions and team lifts will be in areas where we can gain additional expertise and exposure within an existing vertical. New products within credit and sector specific expertise in private equity could be examples of this type of expansion. In terms of scaling existing funds, we will remain disciplined and ensure that we raise the correct amount of capital to maintain our investment performance. But the white space in the middle market has created a clear opportunity to grow, which we are currently seeing in our latest BDC fundraise that has this week closed on capital in excess of its original target.

In terms of targeted M&A different geographies will be one such example. Sector specific knowledge could be another. Thirdly, we want to continue to build the business through platform enhancing acquisitions. The additions of Bridgepoint credit and ECP have been a success, integrated well and are contributing to the group from day one. We will look at similarly transformative M&A in the future.

Acquisitions enable us to enter new asset classes at scale, enhance our market presence with greater AUM, increase the diversity of our income stream as well as bringing in additional expertise and new investors to the platform. It will accelerate the growth of the group, unlock opportunities and create material value for shareholders. We will also look at M&A where it could enable us to deliver new sources of capital, for example, where it can accelerate access to retail and distribution networks or permanent capital. I'll come back later in the afternoon and talk through our strategy in a bit more detail.

So I'll now leave you with this summary before I hand over to Xavier: three years on from the IPO, we feel the platform today stands in a materially stronger position. The market is evolving fast and in favour

of diversified, differentiated platforms with strong track records like ours. And finally, we remain ambitious and motivated to continue the journey and have the right team in place to succeed.

Thank you.

And with that I'll pass over to Xavier.

Xavier Robert, Chief Investment Officer

Thanks a lot Raoul. Thank you and good afternoon to everyone in the room but also watching online. It's great to have you with us.

It's funny because I was listening to Raoul introducing this session today and I think Raoul, we've been working together for more than two decades and actually most of the team you'll see today, we've been together for a very, very long time and it's a first capital market event and it's hard not to feel proud about what Bridgepoint has achieved so far. But what I can tell you is that we're even more excited about the journey to come and I really hope that it's going to come through all the discussion this afternoon. And we are really excited because with the Bridgepoint group, obviously we can have access to an incredibly dynamic industry. The private markets with very strong growth ahead of us.

It's moving really fast, but we have as well as explained, we have positioned Bridgepoint in a very differentiated way, which we think will not only help us achieve and take advantage of these tailwinds, but go beyond and grow faster than the market. And that's really what we are going to try to bring to life for you today. For each other's strategies, private equity, private credit and infrastructure is this capacity to grow the business. So I'm going to start with the private equity side of things because it has been the foundation of Bridgepoint. It's still more actually just under half of our AUM. We have tremendous experience in the private equity. We are really, really good at what we do here. We've been investing in private equity businesses, we've been managing private equity portfolios for 40 years. We've got 140 investment professionals just focused on this market across eight offices.

We've got six offices in Europe, we've got one in the US, we've got one in Asia. We've done more than 210 deals over the past 20 plus years. But I think what is really even more interesting is the positioning of a private equity business. We are the leader of the mid market in Europe and I think we're actually starting to be a leading force behind the global market leader in the middle market. And why should you be excited about this middle market positioning? So that's the key question and we think this middle market positioning brings with it key advantages versus some of the large cap peers. And I'll make two points. The first one is volume of choice and the second one is the control of a value creation levers and exit strategy. And I want to come back on each of these two points during this presentation.

But before I do that, just a very quick snapshot to recap a private equity business today we've got three private equity strategies all focused on the mine market. We've got the flagship fund, BE – Bridgepoint Europe – looking at EVs, deals between 300,000 and 1.5 billion euros. Then we have BDC – Bridgepoint Development Capital – looking at deals between 100 and 300 million [euros] of enterprise value. And then we've got Bridgepoint Growth below that, below 100 million [euros]. The three strategies have dedicated investment teams, but they work very, very closely together and they work together through the sector teams. And that's a big advantage that we have because we cover the whole middle market and through the sector teams, through working together, it really aligns the minds of the three funds and it accelerate the communication, it accelerate the exchange of information, the exchange of network, the exchange of knowledge, and ultimately also it allows us to use our resources in a better way.

And that's a really key advantage is nobody has that in the middle market. But I want to go back to these two key attraction of the middle market, volume of choice and then control of the value creation lever.

If you look at the global private equity market, you look at Europe plus US together, 90% of the business, 90% of the deals are below 1.5 billion. What we consider as the middle market, we do track at Bridgepoint through the different IT tools that we have. We track all the opportunities that are coming in and that we generate and we see 2,800 private equity opportunities per year through the three platforms. And for me, that tells you two things. The first one is we've built an incredible origination machine that is really one of the key strength and it's very difficult to replicate. And I'll explain later how we've done that.

And the second thing is that gives us optionality. We can select, we can be selective in the deals we do, and that's essential if you want to have consistent returns time over time. So volume of choice. The second point why middle market is really interesting is that you have a much better control over your growth, over your value creation. So obviously for me, if you invest in a business that is making 10 or 50 million of EBITDA, it's easier to grow because it's smaller than a 300 million Euro EBITDA business. But it's much more deeper than that. The reality is when we invest in a business, it's not a global business because it's smaller. So usually there's a leading position in one or two countries. And what we can do is that we can take this business in other European countries, we can take this business to the us, we can take this business to Asia.

So internationalisation is a big lever for us and it's completely in, under our control. It doesn't depend on the market as is M&A. We do a lot of acquisitions for our own company. If I take Bridgepoint Europe VI, we've made 18 platform investments in this fund, but we've done seven, six add-ons for these 18 platform investments worth 3.6 billion. And that's also under control I think. But we buy on the private equity side, we buy a lot of our companies from founders, from families. And so usually these companies have good products, good services, they're not always perfectly managed. And as we scale them, we have developed a very strong playbook on how to improve the performance of the businesses. And so we bring best in class capabilities to these companies, whether it's salesforce effectiveness, pricing, supply chain management, but we do that in collaboration with the fund, in collaboration with the families.

That's really in the DNA of Bridgepoint and that's not that easy to replicate as well. And the last point I want to make is that on exit, we are not dependent because of the size of our companies, we are not dependent on the IPO market. Actually I think we've done only two IPOs in the whole history of Bridgepoint. We sell to large PE funds and we sell to strategic buyers.

Just maybe one comment here, we read a lot about the lack of liquidity, the lack of exit in the private equity market. I think this year it's going to be a record year in terms of distribution to LPs. I think we're going to be able to send back 4 billion Euros to LPs this year. So the reality is because when you're in the middle market, you're much more in the micro and much less in the macro. And we like that because as active investors, that gives us much more room to manoeuvre and watch capacity to act.

So usually when I reach this point investors, the analyst needs say, okay, that's great. You've got a great positioning. It's distinctive. You've got leadership in the middle market, but the problem is that it's going to limit your growth because you're stuck with the middle market. So we've got an answer to that, which is “absolutely not”. But what I want to do is show you why, because it's a very important question.

If I try to make an analogy with the capital market, I was looking at that the other day. So, if you go back 20 years, the largest company on the capital market was Microsoft and it was worth what, 500, 600 billion, something like this. Today – it comes and goes – but it's Apple and it was above 3 trillion. I think it's just under now. So it's five times bigger, but the same thing has happened to the private equity market and therefore the same thing has happened to the middle market. It's an elastic notion.

If you look at what a flagship fund was doing 20 years ago, you can see that on the screen. We were looking at enterprise value between a hundred and 200 million today, the sweet spot is 500 to a billion. We go even further than that. We can do deals up to 1.5 billion. So, we've, you know, multiplied by five also the size of the companies we are looking at, and that created a void underneath. That's why we have created BDC that filled that gap. And then BDC is growing as you will hear a bit later, that creates a void. We've created BG underneath and BG is growing as well. There's no reason this virtual circle will stop. And if you look at the bottom of the graph, you see the AUM of the private equity business of Bridgepoint. So this is all organic. We've tripled the AUM every 10 years over the past 20 years. So I think if my math is correct, 12% annual growth. And as Raoul was alluded to, and I think he will come back to that in his strategy section, we can also launch new products mostly around the capabilities we are on the sector side, so that comes on top.

There's no cap for us by this middle market positioning. And the previous slide, remember we said 2,800 companies per year that comes to us or opportunities we generate. We don't have a limitation in capital deployment. That's never been a problem for Bridgepoint. We're not limited in capacity to deploy. If you look at 2022, 2023, which were low years in terms of volumes for private equity, we had a very healthy deployment rate. I think we invested 1.8 billion in 2022 and 2.7 billion in 2023. So there's no slow down. We have the capacity to invest more.

So, performance is key. You need strong performance to be a successful private equity fund. So how do we do that? How do we generate with this middle market positioning, how do we generate this performance? Well, the first of all is we actually do definitely deliver performance. If you look at all the deals we've done over the past 15 years through the three strategies in private equity, all the deals that we've sold, we've generated on average 3.2 times returns for investors, 29% IRR. I mean we're clearly top quartile in terms of performance.

So how do we do that? And that's where the Bridgepoint flywheel comes. And it's not one thing, it's three thing that we combine. It's the sector insight, it's the deep local presence and it's the operational improvement capabilities. And I'm sure you've seen that elsewhere. If you look and you see how the large cap peers, what they're doing, they add that. But what is very different for Bridgepoint is we've been able to develop this for the mid-market because in order to be able to do this, you need a lot of resources.

We have 140 people to be able to afford such a platform, you need the breadth of the Bridgepoint platform. So in the middle market, it's very, very distinctive. And I've lived through that being a deal partner most of my career. When you go to see a founder, when you go to see a family and you understand the industry he is in, you can speak his language, you understand the dynamics, you understand his problems, you understand the opportunities, but at the same time, you're local.

So you effectively literally speak his language and he can cross the street to meet with you. He doesn't have to jump on the plane or take the Eurostar, and then he talks to you and he says, well, can you help me go into the US? Yeah, absolutely. We have office in the US. Can you help me go to China? We have an office in China. Can you help me with accelerating my digital revenues? Absolutely. We have that internally, but we need to be able to pay to afford for all these people. And that's very distinctive because we have the breadth of the platform we can afford it.

So, I just want to say a few words on each of the three pillars. So sectors, the investment strategy of Bridgepoint, like most of our peers is really sector led. This is not something we've started to yesterday. We've done that for 20 years. We've refined it over the past two decades. So today we have four sectors, advanced industrial healthcare services and technology, but we don't invest everywhere in the sectors. The role of the sector teams is really to define in which niches we want to deploy the Bridgepoint funds, and this is driven by the growth drivers and it's also derived from the volume of deals

that we can find. So what you see on the screen are the eight niches that we've selected. This is where we invest 80% of the money on the private equity side is deployed in these niches. If I take an example, advanced industrial to go one level deeper. So we only invest in agriculture, science and energy transition. So the teams that we have understand these spaces very, very well. They go really deep understanding the dynamics of these sectors, identifying also industry advisors.

We rarely use the Bain and BC G and McKinsey of this world. We know more than they do in these niches. And we mapped the sector, we identified the companies and we developed the dialogue with the management and the owners. And what does it mean? That means when we invest in a company, usually we've had a dialogue with the company for three or four years. We know them quite well. You'll never see Bridgepoint investing into a deal where we've received a memo from Goldman Sachs a month ago. That doesn't happen, never. And what it means as well is we generate a lot of our own deal flow. So 80% of the deals we do, they're outside auction processes. That's stuff that we have generated because we've established a dialogue with a company, with an owner.

The second pillar of the flywheel is the local presence. So it's great to have identified the companies, but then you need to win the deal and to win the deal, especially in the middle market, you need this local presence because you need, as I was explaining, to win the mines and souls of the owner of the buyer. And if you look at this map, Bridgepoint has been in France, in Germany, in Spain for more than 30 years. We've been in the Nordics for more than 20 years, obviously here in the UK 40 years. So we have very, very deep connection locally. I mean, I'm French. I started in the Paris office of Bridgepoint. Bridgepoint studied in 1991 in Paris at the very beginning of the private equity market. When you go to France, Bridgepoint is seen as a French fund. Nobody actually knows it's British. We're seen as French. But that's a massive advantage. And often I say the sector brings you the lens, tells you where to invest, but the local office give you the keys of the deal.

And the last pillar is this value creation topic. I've said in the middle market you can internationalise, you can do MA&, but we are much more sophisticated than that. We have invested a lot into operational improvement teams. So it's people and we continue to invest a lot in this and this operational improvement team. Now they work pre-transaction to try to identify the potential and then they obviously work past transaction once we owned the company to deliver and implement.

And if I try to simplify the graph that is on the screen, the set of three topics we want to have, we focus on risk and control. So we want to have good management team, we want to have good governance, and we also want to have good financial control on the businesses. So financial systems, financial reporting, KPIs, et cetera. Then we move to operational improvement. We have a playbook where we have like 30 levers that are identified. And the job of this operational improvement team is to select the three or four levers that will have the biggest impact on this company and then go and work with the management team to implement. But we go even beyond that. We look at how can we make the business better, how can we evolve the business strategically? So sometimes you can decide to change the revenue model, you can move to subscription for example, or you can completely reposition the company to make it more attractive at exit and get a better also EBITDA multiple.

So just to recap, what is a typical Bridgepoint private equity deal? It's obviously a deal in mid markets, if you've understood, EV below 1.5 billion in one of the niches that you've seen on the screen, it's a leading business. We don't invest in a business that will be number five, number six or number seven in its market. We want to be in a leading position and then be able to accelerate the growth. We like businesses that have good products, good services, but where we can still effectively improve the way it's run. So it's taking it from good to great, applying our operational improvement skills. As I said, most of them acquired outside an auction, companies where we've had a dialogue for more than three years. Point seven, prudent use of leverage. That's something I've not touched on. We have on average a

leverage on a company four and a half times EBITDA. If you look at large cap, I think it's closer to six on average. If you look at the cap structure of a typical Bridgepoint deal, it's usually one third of debt and two third of equity. It's a bit counterintuitive I think for some people. So what it means is that when the interest rates goes up, it actually only applies on one third of the cap structure. So the impact actually on the return is not that significant and returns driven by growth. The whole investment strategy is really led by growth.

So last slide for me, it's probably the most important because performance is important. Performance comes from growth for Bridgepoint. So can you generate [it], do we have the right investment strategy and do we generate growth? So you see here on the graph in red, it's the whole private equity portfolio of Bridgepoint and it's revenue growth year on year. And in grey is the European GDP. So obviously we clearly not a proxy for European GDP, but if you invest in a Bridgepoint portfolio, you invest in a portfolio that is growing at almost 20% on average per annum. And if you add to that that the average EBITDA margin of a portfolio is more than 25% and the EBITDA to cash conversion is more than 85%, you've got a very, very strong portfolio and that's what generates the strong return that we do.

So sorry, I went through that quite quickly. It was a bit of a whistlestop tour, but we are going to continue talking about private equity the next 30, 45 minutes and we are around for questions anytime as well. I hope I've been able to give you a good sense of how we've built a first class and differentiated private equity business with a refined investment and value creation strategy that leads to strong returns today and for the years to come. I think we are very well positioned. We have a differentiated platform. We are number one in Europe and we can still extend from there. And also from there we can build beyond what we are today. So what I would like to do now is show you a short video who's going to showcase some of the recent deals and also recent exits before Ruth, our CFO come on stage to interview Chris Busby and Olivier [Nemsguern], who are the managing partners of two largest private equity funds, Bridgepoint Europe and Bridgepoint Development Capital. Thank you.

[video]

Ruth Prior, Group Chief Financial Officer

Right - so it's a pleasure for me to talk to Chris and Olivier today who've built the strong businesses that you've just heard about. So perhaps Chris, I could start with you. Deployment's really good. Exits are really good, others are struggling. What's your secret sauce? How do you look at this?

Chris Busby, Managing Partner, Bridgepoint Europe

Well, thank you Ruth. I suppose maybe just look at deployment first and break this into two parts. Let's look at the market and then let's look at bridge point in terms of the market. I think Xavier has summarised some of the key points. There's a greater depth of opportunities. There's just a sheer number which gives us optionality, but it's also been more resilient. So if you look at the large cap, which is a super interesting market, but it's dropped about 35% in 2023, the mid-market dropped about 15%. So you've got a larger volume of slightly more resilient deal flow. Why is that, I suppose is the question? Well, the first of which is it is a bit less reliant on financial engineering, the cost of debt as that moves, it has a lower impact on the, should we call it the affordability of a business because you've got less gearing within it.

It's easier for trade to play in that market. There are many more trade buyers that will go and buy a 1 billion Euro asset than there are a 10 billion Euro asset and the debt markets just don't seem to turn on and off to the same degree. I think the advent of credit markets and credit funds moving into that has certainly helped. But for the 9, 10, 11, depending on where we are on the announcement schedule in deals in be, we've managed to get debt in all the deals we've wanted to as we've gone through it. So I

think from a sort of a market perspective that clearly helps. I then think if you then take us within it, I mean we are fortunate in that we can afford a network that is pretty unparalleled or is unparalleled within the mid-market. There are others in the large cap that have it, but within the mid-market, 140 people, eight offices, portfolio offices in the east and the west. That is sort of a privilege that we enjoy.

And it then leads to our biggest challenge is triage. It's not deal flow. 80% of our deals, as Xavier said, they're coming out of that sector and thematic work. So we're not waiting for the auction inbound processes, we're just not geared up for that. In fact, the vast majority of the deals so far in Bridgepoint Europe VII are off market or bilateral.

And then finally we just seem to have managed to get more traction with founder conversations. And I think part of this is the local network piece. So over half the deals in the current flagship fund have got a founder dynamic to it. So it's more than just the money. Of course, the enterprise value that is important, but it's not the only driver. So if we were to say, well the total mid-market is down about 15%, we're actually bang on track. We're two years in, we're just over 50% deployed. We're kind of in the middle of the fairway at this point.

Ruth Prior, Group Chief Financial Officer

That's good. And exits, we don't usually do IPOs, do we?

Chris Busby, Managing Partner, Bridgepoint Europe

We don't, as Xavier said earlier, we have no aversion to IPOs. Actually they are very smart exit route in the right situation, but we certainly don't rely on IPOs. And why is that? Well again, digestibility of these businesses is higher. Like others, we do a huge amount of work on our exit before we invest, but everybody does that. But 15, 20 years ago we would do that through external advisors. Now we do it through our own participation in that industry. So we'll form a view what to trade want. Is it margins? Is it growth? Is it diversification? Is it IP? Is it new markets? Where are the trade heading? And are we going to satisfy that and is the business going to become a strategic asset? And I suppose if we really can't buy into that, we won't make the investment. What that's materialised in is we have been able to return capital pretty successfully.

So we've had four exits, four, well we've had more than four, but four sizeable exits across the year. We'll have returned just under 3 billion Euros in capital out of the BE business this year. And actually I think what I find particularly pleasing is in Bridgepoint Europe VI, so the predecessor to the current fund which is still in the operational development [phase] but beginning to move into harvest mode, out of the 18/19 assets, we've sold four and we've returned half the fund. So I think when you sort of put that together, it is a good flywheel, but it is a flywheel. We need to keep spinning.

Ruth Prior, Group Chief Financial Officer

We do indeed. And then in terms of your current focus and the sectors and the geographies, what's most exciting at the moment?

Chris Busby, Managing Partner, Bridgepoint Europe

So I think our investment strategy, our origination, our triage, it's all about the thematics and the sectors that really, that's how we drive our resource deployment and it's how we're going to construct the fund. And that's critical. The attributes of the businesses that we're looking for. Xavier has summarised, but we are buying market leaders. We're buying businesses that are in fragmented spaces. We like fragmented markets because we are very, very acquisitive. We are not very good at buying a number

six, as Xavier said, and growing into that. So the thematics combined with the attributes that really sets our lens, shall we call it? Where do I think we're going to be investing?

Well geographies, we've got great coverage, but geographies are less relevant. Geographies win us the deal, but that's not how we construct the portfolio. In fact, they would compete. We don't mind if the business is in Stockholm, Stuttgart or Stockport to be honest. What we care about is those attributes.

So office of the CFO, removing Excel, the automation of that area, it's a big area of investment for us. You've seen Ag Science using science and technology to reduce waste, to increase yield. Testing and inspection, Ruth, clearly an area you know exceptionally well. Professional services in niche markets, we don't like small generalists, we like specialists. The list goes on. There's five or six areas and I won't go into huge detail where all of our thought goes for sort of B seven, B eight, but they've all got a long runway. We've invested in all of them multiple times and we think therefore we can bring a trade perspective to our investment process.

Ruth Prior, Group Chief Financial Officer

Thank you. Perhaps I can move on to Olivia. Phenomenal recent performance in BDC. Do you want to tell us some more?

Olivier Nemsguern, Partner Head of Bridgepoint Development Capital

It's pleasure. We have had good returns so far with BDC funds. BDC I and II delivered three times and 2.6 times gross multiples. And they're fully exited. BDC III is performing very well, enjoying a gross multiple above four times and net IRR above 40%. This fund was invested in 14 assets and the fund has already returned three times the cost through five full exits and three partial exits. So it's very promising for the future. Our last fund, BDC IV, whose investment has just completed is still very young, but is having a good start. So we are pleased so far with the performance.

Ruth Prior, Group Chief Financial Officer

Great. And what about fundraising for BDC five?

Olivier Nemsguern, Partner Head of Bridgepoint Development Capital

It has been the key topic for ’24. So the 2 billion target has been achieved last week and in less than 10 months. And we expect to have a final close in Q1 25 up to 2.5 billion. And we will be charging fees on that fund from October ’24. To date. BDC V has achieved the ops of the vast majority of BDC IV LPs who were invited to invest. And we have also successfully diversified the investor base in terms of geographies and LPs profiles, which creates a strong foundation to the future growth of the business. So it has been a very successful fundraising.

Ruth Prior, Group Chief Financial Officer

Very encouraging indeed. So what are the competitive advantages you get from being on the Bridgepoint?

Olivier Nemsguern, Partner Head of Bridgepoint Development Capital

There is an important context to keep in mind when we talk about competitive positioning for BDC. Most of our competitors are local funds and are much smaller than Bridgepoint. As a consequence, our large international platform is a key differentiator to optimise both our European origination but also the development of our portfolio assets globally. Second, the critical size of Bridgepoint allows us to

develop a very strong sector knowledge, as Xavier mentioned, and the relevant network of international experts. This is very important for us to build our conviction first on targets to pick the best assets and to improve our win rates. Last, I think that that critical size alongside a strong brand provide a strong leverage on advisors, lenders, and other parties on the market that treat us better because we are part of Bridgepoint and they want to develop business with the whole group. So it's very beneficial to us and these differentiators are not available for all local players.

Ruth Prior, Group Chief Financial Officer

Indeed. So I think it's great to see investment performance leading to its strong fundraising. So maybe to both of you now, what strategies, why do they compliment one another perhaps? Chris, you'd like to?

Chris Busby, Managing Partner, Bridgepoint Europe

Yeah, sure. So I think we've talked about the economics of affording the platform and I don't think we should go over that again. I think from a BE perspective, the thing I would really emphasise is it's so valuable to get the early insight into the developments of the life cycle of these businesses because a lot of these are high growth businesses. They're growing at 20, 30%. They may not fit the be mandate now, but they may well do in four or five years' time. And so actually there are multiple examples. In fact, both ways actually between the funds where we've developed a relationship with a management team, we've gained exposure to as disruptor, we've seen a new trend in terms of areas of investment in a space that's going to be relevant to us. And that partly fuels Xavier's comment earlier about three years being the average time, we'll have talked to a management team before we'll invested in that business. So from a B perspective, it's that sort of early access, but not just to teams or businesses, but it's to trends, it's to markets, it's to themes that are going to be relevant to us. I think that's the biggest thing.

Olivier Nemsguern, Partner Head of Bridgepoint Development Capital

But on our side, as I mentioned earlier, we benefit from a stronger sector knowledge and a larger network of experts. And frankly, we could not afford it on a stand on basis. We also exchange day-to-day market informations locally that proved to be very useful to deal tactics on ongoing transactions. We have 114 investors on the ground gathering relevant information, which is very powerful. And we also, as Chris said, we also exchange leads depending on the equity size requirement, and it completes very well our origination work. So I would say that our strategies are very synergetic

Ruth Prior, Group Chief Financial Officer

And the differences

Olivier Nemsguern, Partner Head of Bridgepoint Development Capital

Size, of course, equity ticket close to 100 million for BDC, average equity ticket is closer to 300 million for BE. But it's not only about size. At BDC, we tend to invest in assets that are slightly more nichey and less international assets also that require much more work to be professionalised, but assets that offer more transformational potential. We have also reasonable share of minority transactions alongside founders. It represents approximately 25% of the portfolio. And last, I think we are more focused in sector terms as healthcare – [in] the right order – tech, services, healthcare represents the vast majority of our investments while industrial deals are more opportunistic. So our investment strategies are closed, but with nuances. Indeed.

Chris Busby, Managing Partner, Bridgepoint Europe

Yeah, I think maybe just to add from a BE perspective on that, I mean I think the thing that I would say is different is there's a whole lifecycle piece, but actually we try very hard. We don't buy that many domestic businesses, nothing wrong with domestic businesses, it's just not a big part of our portfolio construction. We're trying to buy businesses that, for example, our pan-European want to become international. International, want to become global. Where does that overlap with our experience in that sector with people that we know and our own office network. And when that really matches up, that's when we get particularly enthused about a deal. And you can see that now actually, if you look at our current fund, these are all European headquartered businesses, 50% of our revenues outside the EU. So whilst it's a European platform, it's not really just European exposure. And I think growing that and finding opportunities to take businesses into new markets is something that we really focus on in be. And we do have one or two niche areas in advanced industrials, the sort of energy transition, Ag[ricultural] Science that I've talked about, which is going to continue to be important for us in Be

Ruth Prior, Group Chief Financial Officer

Thank you. So perhaps we could just use Vitamin Well, which is one of our recent exit as an example of how you've worked together.

Olivier Nemsguern, Partner Head of Bridgepoint Development Capital

So I mean Vitamin Well is our most recent exit and a very good example of the collaboration between both fans. It's also very compelling stories that start in 2016 when BDC III invested in the company. Vitamin Well is a functional drinks and food business that became a Nordic leader and expanded fast in Europe under our stewardship and put one first foot in the US at that time. But after four years, the value creation was such that Vitamin Well's weight in the portfolio was excessive. It was representing the total original cost of the fund in fact. So it's a very big problem to have

Chris Busby, Managing Partner, Bridgepoint Europe

A very nice problem to have!

Olivier Nemsguern, Partner Head of Bridgepoint Development Capital

A very nice problem. But we had to reduce our exposure. We decided to organise a partial sale and in that context we also decided to remain invested because we wanted to benefit from the next phase of value creation, even if it's very unusual to exchange assets across strategies. We thought that BE was really the best option for us to achieve both objectives, decreasing exposure, remaining invested, but also keeping the control of the asset internally. But maybe Chris, you want to say a few words

Chris Busby, Managing Partner, Bridgepoint Europe

About? Yeah, sure. So BE came later in on that journey and I think consumer actually isn't a core area for us. It's not a core sector, but it's a sector. We've got a lot of experience. But going forward, it's not a core sector, but it's certainly opportunistic and it's health and wellbeing. It's, it's got real IP, it's a consumer product. There was an international story and it's got an absolutely first class management team. And when you sort of combine that all together and we'd seen the development of the business as well, it was very clear. So it actually had many of the attributes of Pret [a Manger] when we made that investment. We could just see a long runway ahead of the business. So we invested alongside the founder and BDC and the business just did phenomenally well. We had to go through Covid as a journey.

The team did a phenomenal job. When BDC went in, it was predominantly a Nordic business. When you took it out of the Nordics, maybe across Europe, the US was less than 5% of the business at the time of B'S entry. It's about 25% if not more of the business now. And actually the size of the prize of having this really interesting for US trade was enormous. So I think that success then led to us, to be honest – we've obviously recently announced the sale of this to Cinven – we ran a pretty wide auction to dispose of the business. The business had performed exceptionally well and actually it had delivered above target returns earlier than we expected. So it was a logical opportunity for us to drive the DPI in the fund. Because of the performance of the business, our confidence in the team, collectively, we've reinvested over half a billion back into the business so that we think we can continue the next era of growth. But already it's been a fantastic journey.

Ruth Prior, Group Chief Financial Officer

Well thank you very much. Thank you for those and I think now it's coffee.

[coffee break]

Andrew Konopelski, Managing Partner, Credit

So good afternoon. I'm Andrew Konopelski. I'm managing partner of Bridgepoint Credit. And if Xavier thinks that he did a whistle stop tour, I have about 15 minutes to cover a fair bit of ground. We're going to try to get in a high level overview of the platform. I'll give you a few slides on each of the three strategies and then we'll highlight the potential growth avenues for credit in the medium term. But maybe to start with just a general idea of the recent growth in the strategy since 2020 when Bridgepoint acquired EQT credit in October that year, our AUM was about 7 billion Euros at the time. Since then, we've grown at a CAGR of about 17% to reach nearly 13 billion Euros at the end of Q3 this year.

So we invest in corporate credit primarily in Europe and across three main strategies each one offering a different risk reward profile to our investors. The two strategies in the middle direct lending and then upper right credit opportunities follow a similar fundraising approach. Regular fundraising campaigns every three or so years with a constant effort to try to raise separately managed accounts throughout the period. As a reminder in credit fees are paid on invested capital. So the objective is clearly to maintain a steady supply of new capital for the team to invest, which is then partly offset by capital being realised in older vintages. We typically invest our funds over a three to a three and a half year period and are able to recycle any returned principle proceeds for the life of the investment period before they start to kind of formally run off. In terms of the investment strategies for direct lending and credit opportunities, we have a similar sector focus and underwriting approach to the PE business, which you heard about a bit earlier because ultimately this is about using the knowledge across the Bridgepoint organisation to understand the quality of companies we're investing in to make better investment decisions on the chart.

The third strategy syndicated debt is our CLO business. While the investment approach and the way we select assets is very similar to the two other strategies, it's a fundamentally different need that we have so highly diversified portfolios. We also have a different approach to fundraising. It's similar to a bond syndication where we use investment banks to help place the CLO liabilities and build a book of interest at the time of pricing. Those CLOs are fully invested from the very beginning and remain invested throughout their life, which averages about seven years. So before diving into the individual strategies, I'd like to reflect on what makes us different from other credit managers. Our secret sauce, if you will, as you heard in the presentations this morning, Bridgepoint is an incredibly knowledgeable organisation and that gives us a real advantage in credit because it helps us better understand the risks we're taking

and it elevates our due diligence above the typical desktop research that many of our competitors rely upon.

I like to think of this slide as the knowledge bank and there are three core planks to it. The first, as you heard this morning is the organisation itself, 230 investment professionals, 40 years of track record and corporate memory sitting in offices across Europe and really being present in those local communities and being seen as a local investment firm. It's extraordinarily powerful because we look at similar mid-market businesses as our private equity colleagues. So it can almost always find a strong knowledge angle somewhere internally in the organisation. And then it also helps us with sourcing introductions to individuals in those local markets. The second plank is our sector expertise. Over 330 ex CEOs, COOs that are available to us as industrial advisors. They help us in our due diligence and their experience allows us to better understand companies that we're investigating. And that's really powerful when you can take the credit team's financial and structuring knowledge together with the advisor's operational knowledge, which really gives you a pretty good kind of 360 degree view of the companies that we're lending to.

And probably most importantly for credit, it's the risks that we're taking because we're very downside minded. We're also part of our cross product sector teams, which helps us identify the most interesting places to invest, but also to understand the macro factors that are impacting companies in the four sectors. And then thirdly, we have our own credit team, which operates as a single cohesive unit. We share an awful lot of knowledge from the 250 credits that we currently have in our portfolios from insights that we get from our own eight local offices where we sit alongside the rest of the firm, but also from the different skill sets that we've developed across the three strategies as we've invested them over the last 16 years. So all of this taken together, it helps us make us better credit investors and you can see that reflected both in our returns but maybe even primarily in our very low loss rates because we're not selecting bad assets because we have people that can help us inform those decisions.

This is great on a piece of paper, but it only works because within the firm there's a very strong culture of knowledge sharing and importantly a willingness to share that knowledge with other business lines and to help one another out. So maybe if I start on the three strategies with direct lending. Direct lending today accounts for the majority of credit AUM. It's 8 billion Euros of capital out of the total of 13. And it really sits, I'd say at the centre of the credit platform because this is really where we run the local European sourcing effort from. And it's where we have the most regular contact with financial sponsors. So it helps drive deal flow to the other strategies as well. So we have a deep and local direct origination effort where we cover about 270 or so sponsors across Europe that drives considerable deal flow.

We review actively about 500 transactions per year. We complete about 3 to 4% of them. So there is plenty of scope within that to be able to step up and invest additional capital. As in when we raise it, target returns in the strategy eight to 10% unlevered. We also run a leveraged sleeve on a one-to-one basis, one-to-one leverage basis, 11 to 14% in that sleeve. Most of this return is distributed in semi-annual cash distributions to our LPs, which is what makes it so attractive. Now our objective in the strategy is pretty simple. It's to deliver those target returns by taking as little risk as possible. And we do that as I kind of mentioned before through rigorous asset selection. So we focus on non-cyclical industries where we can use the knowledge of the organisation to help us understand those risks. And really we're just trying to avoid the bad deals because in a credit portfolio you don't make that up with two x or three x or four x type returns.

So everything needs to contribute to the overall portfolio return. Very much focused in the core middle market in Europe. That means for us 10 to 75 million Euros of EBITDA. The average is about 30 million over the last couple of vintages, and this is classic floating rate, senior secured uni tranche lending. So we have covenant protection, low concentration by borrower and country. It's what credit is supposed

to be. Typically lending to private equity backed companies, we tend to be the sole or largest lender in most of those transactions. Sometimes jokingly say it, but I think it actually has become to be quite true is we're looking for 'sleep at night' type credit. So high quality resilient businesses, robust end markets growth tailwinds not dissimilar to what we look for on the private equity side as well. So they'll tend to be market leaders. We focus, we have quite a sector bias, so healthcare TMT business services, but even within that certain subsegments that we think are most attractive.

So how do we construct the portfolios? I mean I've already given you a hint, there are a lot of numbers and some of 'em are quite small on this slide, but you can see in the characteristics across our three vintages. So we've laid out direct lending one, two, and three and you can see how they've come through in the numbers. So I think this really illustrates what we're trying to get across to our LPs, but if we maybe start at the top, EBITDA margins tend to be, in my opinion, a pretty good sign on the quality and market position of a company. And you can see that the average margin for the companies that we've lent to over the last decade have consistently been about 30% and most of that EBITDA converts straight into cash. So approximately 80% or thereabouts in terms of cash generation.

So we don't invest in high capex industrial businesses. We're very much focused on service businesses. Again, similar to our PE peers, we tend to lend at about 40% loan to value. So really sizable equity cushions behind our loans. That's where we're getting the strong downside protection in direct lending. Three on the right hand side, it's even gone as low as 32%. That's partly because these high EBITDA cash generative businesses have continued to attract very high multiples. And if you work it out, the average enterprise value of the companies we're lending to is about 17 to 18 times. So not every credit is going to go perfectly to plan, but if you actively monitor those assets, if you have a well-structured document, if you're in close dialogue with the sponsor and the management team, it gives you the best opportunity to spot and to manage out any issues that might arise.

And this is why we prefer to be the sole or largest lender in our deals, which we are about 90% of the time. So I mentioned that the sector overlaps quite nicely with private equity, so it's really about how we use that knowledge and the access of the firm. And in this strategy it's extraordinarily powerful that overlap how we can extract information and access from the rest of the organisation. So there's obviously a direct link in this strategy between the volume of M&A activity and the volume of direct lending volumes that we see in terms of the opportunity to invest. So as activity levels in private equity M&A looks set to increase. So we'll direct lending volumes over the next 12 to 18 months. But there's also, I think it's important to note there's an important offset to this strategy, which we are charging fees on invested capital. So if transaction levels are lower, new transaction levels are lower, there is a nice offset that the duration of our existing book tends to be longer. So that provides an offset to the management fees that we're generating and provides a bit of buoyancy to it.

I feel the need to comment – we're often asked about the prospect of increased regulation in funds like this, given the growing market share of loans that are going to direct lenders versus banks in Europe, our funds are in a fundamentally different position where capital is locked up and committed for a longer period than the durations of the loans we're making. And I think this is important because it's in stark contrast to banks which are typically funded by deposits and subject to duration mismatches if their clients demand those deposits back. So I'm personally of the opinion that it's quite positive that illiquid credit is increasing the hands of funds like ours because we can provide stability and corporate borrowing across Europe and we've proven to be very good partners and very consistent partners to sponsors and management teams through all phases of the cycle looking at credit opportunities.

Second strategy briefly, this is actually the first one we began investing back in 2008 and we have approximately 2 billion Euros of capital today. Quite a flexible strategy. We're looking for the best relative value through the cycle by focusing on making primary loans to high quality companies, but we

also have the ability to pivot into the secondary market during periods of market dislocation. So looking for deals in this strategy with still that same strong downside protection, but we're looking for some form of upside optionality and that's how we deliver the higher returns we're seeking, which are about 13 to 15% net. As with direct lending, we are focused on high quality companies where we can use again that Bridgepoint advantage to fully understand the risks we're taking.

So you can flip to the next slide for me, this is a bit on how we invest the strategy. I mentioned that we are investing primarily in the primary market, so lending directly to companies, to sponsors that are looking for capital to either fund initial LBOs to fund acquisitions. But we also look to step in at a time when capital is needed for some form of A & E, or amend and extend, if there's a gap in the market. And then secondary market we step into, I mentioned during times of dislocation we are buying loans at a significant discount to par and then looking to be repaid as in when those businesses will exit or refinance. So it is a fairly flexible strategy and it's been delivering quite consistent returns over the past 16 years by balancing out the two and looking for the best relative value regardless of where we are in the cycle.

So if we move on to our third strategy, this is our CLO business. We priced our seventh CLO last month. We recently opened the warehouse for our eighth, which has taken total AUM for this strategy to 2.8 billion euros. We've issued two CLOs in each of 2023 and 2024, and we expect that to be kind of the normal pace that will continue. Although we have the potential to issue three in a calendar year when the volume of new loans issued makes it possible highly diversified portfolios. We have over a hundred investments per CLO, probably closer to 120, 130 focuses on syndicated senior secured loans. They tend to be in larger companies than our other strategies. So average EBITDA is about 450 million euros. So because of the need for diversification sector focus is broader than for direct lending and credit opportunities, but we still have a strong focus on the same core sectors.

Now given the embedded leverage in a CLO, there's no requirement to stretch for higher yielding assets because we believe that alpha can be generated through highly selective portfolio construction with a focus on capital preservation combined with active monitoring and then you let the leverage do the work on top of that. So how are we positioned versus other CLO managers? It actually has the benefit, probably the only strategy in the firm of being a highly transparent market. You can get the statistics on every CLO and every CLO manager in Europe on a monthly basis. So it's easy to compare yourself and you can slice and dice based upon a whole range of statistics. Now given our focus on those same high quality resilient businesses and the active portfolio work that we put in, you'd expect to see that our CLOs benchmark pretty well. To give you a sense of how we compare, what we're trying to capture in this chart is a risk reward of the entire European CLO landscape.

So the Y axis is what we call quality here is really risk. So the average price of all the portfolio assets across each manager's portfolios, the x axis is reward, so the average margin of those loans. So it's fairly straightforward that the top where you want to be is that top right hand quadrant for optimal performance, right? That's where we have consistently been since 2020 when we started this strategy. It's where we hope to remain. It's where the best risk adjusted return is. Now this performance is important for a couple reasons. One of which is not just because it attracts external investors to our CLOs and our CLO programme, but we are investing our own balance sheet capital here. So you'll be aware that in Europe we have a retention requirement for CLOs where 5% of the credit risk has to be retained by the originator or the manager of the underlying assets for the life of that CLO.

So in order to finance our seven CLOs to date, the firm made an initial investment of 73 million Euros. We drew that down over time. The vast majority was invested into the equity portion, so the most subordinated portion of those CLOs, which we typically estimate will generate a 13 to 15% IRR over the life of it with quarterly distributions paid out. So most of that return comes in cash. We then recycled

the investment income that was generated from that original balance sheet investment back into it to support the issuance of additional CLOs to keep the growth going. So we've made all of our CLO investments to date through a Luxembourg entity, which we colloquially call the originator vehicle to date, we've owned a hundred percent of that vehicle. So because we hold a majority of the originator and the originator holds a majority of the equity tranches in six of those seven CLOs issued, the quirks of IFRS accounting dictate that we have to consolidate them.

So you will see on our balance sheet that we consolidate both the gross assets and the gross liabilities onto our balance sheet. Now if I give you a few numbers following the issuance of CLO seven, those numbers are pretty sizable. It's roughly 2.1 billion Euros of gross assets and 2.0 billion Euros of gross liabilities. Now those figures are large but they significantly overstate our actual net exposure, which is much more modest and is actually equal to the difference in the two numbers. So it's about 110 million Euros today and if I try to bring them all together, we've grown that original 73 million Euro investment that came off the balance sheet to a value of 110 million Euros today. So we've already generated a 1.5 x return on the original stake that we put in, and to remind you that 110 million Euros continues to generate a very attractive mid-teens return for the balance sheet and that's largely received through quarterly cash distributions.

So we are quite comfortable now we've scaled the platform and we're in a position where we're able to start bringing third parties into the originator alongside ourselves. We think it's a nice, differentiated investment opportunities to offer our LPs, but it also enables us to further leverage that balance sheet commitment to fund for the growth using third party capital. So just as one last thought on CLOs, I just want to remind you we have two income streams from the CLO business. FRE is generated from the fees which are currently about 45 basis points on average of the 2.6 billion Euros of fee paying AUM. So we are only charging fees just as a reminder on the issued CLOs. So we are not earning fees on the 200 million Euro warehouse eight, right? So that's the difference between the 2.8 and the 2.6 that I mentioned. The second income stream is the investment income that I mentioned on the balance sheet position. So I won't go back into that, but that's quite a tidy sum.

So the last thing I want to say on CLOs is we're now at a point where we are highly scalable, so only minimal investment in the junior investment team is required as we continue to scale this up so it gets increasingly profitable from here. So really quite pleased with what we built over the last four years with the support of the firm. Of course we've now built a very proper third leg to the credit platform, which has benefits for the whole.

If I end with just a high level view of potential growth opportunities and what we're thinking about over the next couple of years as we think about where to take credit, three broad areas of focus. First and foremost, pretty straightforward. It's the continued organic growth of each of the three existing strategies where we have multiple routes to further capital formation. So that's via our existing closed-end fund structures. It's through evergreen vehicles in both the institutional but also the wealth channels. It's also via strategic SMA with some of the largest LPs and advisors globally.

In terms of fundraising, we are currently in the market with our fourth direct lending fund, which is progressing well and we will shortly in the new year launch our fifth credit opportunities fund. Second plank of potential growth is we're considering whether we expand into other value-added strategies likely within Europe that would be complimentary to the existing kind of corporate credit offering that we have. So primary areas of focus would be infrastructure. Obviously with ECP's knowledge and experience, that's a place where I think we can invest quite intelligently. There's also asset backed lending and there's structured credit. The third avenue is geographic expansion, which Raoul's going to talk a little bit about later.

But there's the potential to replicate some or all of our current European platform in the us This would almost certainly have to be through m and a. The most logical entry point in our opinion would probably be through direct lending because again, it kind of forms the core of this corporate credit space. That being said, there are relatively few firms that offer the scale we would seek at a valuation that makes sense today, but it's something that's on our radar. So if I just in summary, never dull day in credit, we have a great platform. It's a fantastic time to be investing in terms of returns for our LPs and we're quite ambitious for the continued growth of the business over the next few years. So I will be back for Q&A at the end of this session, but for now I'd like to hand over to Doug and Tyler to talk to you about ECP.

Doug Kimmelman, Founder and Senior Partner, ECP

Good afternoon everyone. Very happy to be here and we're very excited about what's going on these days for us in the world of electricity. So I think you're going to find this as an interesting discussion. Not everyone knows us as well as everyone else. Let me just give you a little background on our firm: 20 years old, we're the largest private owner of power generation in the United States. That's both traditional power generation but also renewables. Our history about 31 billion AUM across our lifetime. We're about to launch our sixth flagship vehicle. Our team is just deep, deep, deep in this over 800 years of experience. Our team, Tyler and I go back to when electricity deregulated in the United States in the mid-nineties, actually believe it or not, it was based on the UK model of deregulation. We were both at Goldman Sachs and we built the business there and we really learned risk management and we're very proud, I think we're over 300 power plants that we've purchased over this time period and our loss ratio is zero, so we want to keep that going.

You can see kind of our flagship on the left here, primary focus. We do a lot of co-invest. I'll talk a little bit about that later, but it's strategic because our LPs want it and we're almost up to about 8 billion now on co-invest and we're charging for it. But importantly that middle column may be the fastest growth on separately managed accounts. We don't list, we've done two continuation funds, almost 3 billion between the two. And we're launching an evergreen perpetual product which fits very well, especially with long dated contracted renewables. So that's a little bit of the history on us. The last three funds going back the last 10 years, you can see the growth in co-investment on the second line.

So you can see our size between fund and co-investment, about 7 billion. The last fund size 4.4 billion. Our cycle has been about every four years we raise, but the deployment has gone faster than expected. In fund five, we are now up at about 70%. We'll be announcing a deal in the next couple of weeks that'll take us up to 80%. So we're where we need to be to launch the next one and we are quickly readying that to do that and at a size that will be higher than we launched the last time around. And I just think the macro in our sectors, you'll hear about the enthusiasm for us and what we're doing and proud of the returns.

As you can see, 17% net IRR in the last two funds for infrastructure, that's a top tier return, it's not just electricity. Probably two thirds, 70% of what we do is on the left side is electricity. And yes, it's natural gas-fired generation, which is a critical component of reliability, but it's also renewables. Everything from, we own the largest geothermal facility in the world, which is in California, but we do wind, we do solar, we do battery storage and there's a lot there waste to energy, which we've actually done in the UK as well. But then on the sustainability side, I like to say there's not a corporation in the world that isn't focused on going from brown to green. And you can see the different areas that we focus on here, renewable fuels, carbon capture, I'll talk about a little later just if you just line it up versus other private equity firms. We don't list the names of all the other private equity firms, but this is power generation who owns the most in the United States? The left is all types of power generation. The right are renewables and so we're at the top of the heap and worked hard over many decades to get there, but I

think it's going to serve us quite well as the world seems to want to electrify everything these days. Let me turn it over to Tyler to talk a little bit about the demand side of the equation.

Tyler Reeder, Managing Partner, ECP

Thanks Doug. Yeah, I think it's been for us a consistent focus on this sector. We've been active all along we've, we've been leaders and I think kind of two things have changed recently. One Doug and I keep joking about, people are finally interested in what we do. So that's exciting. After 20 years with the advent of AI, we used to be boring. Not anymore, very boring, not anymore. We always liked it. But the other really significant change is we've finally have real demand growth and the last 15 years we've had zero to half a percent demand growth. So we were largely in a supply side market analysis, which assets to own in the right markets at the right time. I think we've navigated that really well with two times money returns, mid twenties IRRs for 15, 16 years consistently. Now we have demand growth and it's real and it's coming and it's going to be a big change for our business and what we do and how we invest and we'll talk about data centres and AI.

That's 30 to 40% of that growth, but it's not all of it. There's also just the general electrification trend, which has been coming for a while, which is just buildings, commercial buildings, industrial manufacturing, beginning to move from fossil fuels to getting their power off the grid. EVs, which obviously electric vehicles, much bigger penetration in Europe, but that's coming in the us you see more of 'em on the road every day. It's a bigger market share of what's being sold. The infrastructure on the charging side is kind of catching up in the us but it's all coming and represents real demand when you total it all up. There's a lot of different projections out there, but I think it's very, very comfortable that one and a half to two times demand from where we are today by 2040. That's a stunning change for our industry and that's going to require a lot of investment, a lot of activity, and going to create a lot of opportunities for folks like us that are deeply embedded in this industry.

So the number I here that at least to me jumps off the page is the $1 trillion of investment. And this is really coming primarily from the five big hyperscalers in the US, Amazon, Google Meta, Microsoft OpenAI. They want to build obviously data centres to run AI and they want to do it fast. So it's very much speed and scale, a lot of money coming to a sector. We've never seen any of these folks in this sector for the most part in the last 20 years. And so it's a big new entrant into the sector and to sort of highlight what it means to on the power side for us, if we take one of our power plants, we have, we're about to announce in the coming weeks the first data centre at a natural gas fired facility. There's been a couple announced at nuclear facilities.

We're going to announce a gas fired one and the economics are really interesting. This is a plant that would cost about a billion, a little over a billion dollars to build. It's going to require 17 billion of infrastructure investment to build the data centre, the computer power and all that. On top of that for us as the owners of that power plant, it's going to be roughly equates to about $20 million of long-term contracted EBITDA per a hundred megawatts. So you saw on the earlier graph we own 35,000 megawatts of power. Now, not all that 35,000, in fact most of that will not be co-located with a data centre, but it shows you just how big of a deal this is. Plus getting 15 year contracts from some of the biggest companies in the world. That's something you can't find in power. We've been typically doing merchant hedging actively.

This represents a chance to get very large contracts and also highlights to me that electricity is actually not that big a part of the cost of this. And so that's why you're going to have these long-term contracts, but it's the critical linchpin to making it happen. So they can afford to write aggressive 15 year contracts, but the hard part is locating the amount of power and the speed and scale they want connecting it all together. And so it fits what we do well, which is build assets, buy assets, deep relationships, regulatory

knowledge, all that skillset. And that's why we've been, we think in high demand and having a lot of interesting discussions.

So if you look here, I mentioned already, but we're going from kind of 0% to 2.4% annualised demand growth. That is a big deal that just to keep up with that requires a lot of capital. If we were just trying to meet the two and a half percent a year, we'd be talking about 30, 40 billion a year of new plants spending going on. We also have a big chunk of our existing supply that needs to be replaced, which has the case for a while. 17% of our electricity comes from coal, that's all going away. Our nuclear fleet, which is 20% of our electricity is over 50 years old. So we have a lot of electricity to replace and keep up with this growth. So it's quite a daunting challenge. And so for us it's meant a lot of things. As I mentioned, we have much better opportunities at our existing plants for long-term contracts and do better.

It's creating just general more activity in the market, just more things that need to get built and bought. And then ultimately what it's really doing is getting us into some really interesting conversations. We've been sitting down with all the hyperscalers directly and the scale of these things are big enough that we can't just approach them from our fund. So we've been spending between Doug and I and others at ECP the last year, talking to a lot of folks who want to partner on some of the bigger initiatives. And so what you're going to see from us is an announcement in the coming week or two on a very large JV with us as the sort of power expert partnering with a leading well capitalised data centre expert. And we're going to announce a $50 billion JV that's going to put us at the table with a lot of these hyperscalers and start to pursue some of these projects. Each of these projects can be 10, 20, $30 billion. So it is the scale you need to be a serious player. Some of that capital will come out of our next fund. We think billion and a half or so will come out our next flagship longer term as we start to develop some of these projects in the JV will be large scale SMAs coming out of it as well.

Doug Kimmelman, Founder and Senior Partner, ECP

Let me just follow before, I want to talk to you about carbon capture for a second. And I assume you're all reading about what's going on with AI data centres, electricity, but this is nothing short of a dramatic transformation of the US economy and we're fortunate this is the vast majority in the world. It's happening in the us. Just think of the scale, those five hyperscalers, they're spending right, right now about 300 billion a year. The US isn't going to be able to tax its way out of deficits. We need growth and we've got growth in the energy sector and now all of a sudden this growth has fallen in the lap of the US but it can't be done without electricity. So US sitting here is the largest private owner. We kind of hold a lot of the keys to enabling this going forward. Tyler mentioned we're shutting down coal and nuclear probably about 200,000 megawatts.

We have about a million megawatts in the United States. 200,000 of them are coal roughly. That's going away. That's going to have to be replaced, but the demand may be around a hundred thousand megawatts of demand that's going to have to come on. Just think of the cost of that a thousand megawatt power plant. Today's market maybe cost a billion and a half. So if we have to do all of that a hundred thousand for these hyperscalers, that's 150 billion and we use a rule of thumb that the hyperscalers and the data centres have to spend maybe 10 times that. Okay, so do that number. That's a trillion and a half that has to go to it. So this is nothing short of dramatic and sitting in the cornerstone. What does it mean for us? It means we're going to deploy capital faster. There's more opportunities. It probably means our fund sizes are going to be larger, but it really means we're going to have a lot of separately managed accounts for our LPs to come into these unique projects that we're putting together.

Now on this, why would I put carbon capture here? There's two things, maybe two challenges or two societal complaints to this dramatic boom in AI data centre transformation. One, is it going to drive up electricity prices just at a time of inflation? We don't want that. And number two, is it going to increase carbon emissions? Well the first one means we can't take power off the grid. We're going to have to build new capacity. We can't take it away from the consumer. We've got to build new capacity for these data centres. The second on the carbon side of it, yeah, there's been these nuclear announcements, but much of what you've read about call me in 10 years for that. There's a lot of issues of bringing that online regulatory technology and otherwise. But the here and now is natural gas.

We're doing the first in the United States carbon capture on a natural gas fired power plant. We're taking the CO2 and putting it in the ground. Now the only way we justify that, we got a 500 million grant from the federal government to do it. But along comes the Microsoft and Amazon, they are not sensitive to the price of electricity on these data centre hyperscaler projects. The cost of electricity is maybe 5% of the economics. And so if they have to pay 50% of market, a hundred percent more of market for electricity, it's a little bit of a rounding error. And so perhaps they would be willing to pay the economics that no one else would to give us a long dated contract to do carbon capture. The US is blessed. We've got more geology than any country in the world that can hold the CO2. The US has been putting CO2 in the ground for over 50 years, mostly in the energy enhanced soil recovery.

So we know how to do it and we have the rocks to do it. It's just expensive. The emissions from a natural gas fired power plant may be 25% on their CO2, but you have other things, SOx and NOx. So you have to separate it out and it's expensive to do that. But the technology exists, it can be done. It's not that difficult. So that's keep an eye on carbon capture. We invest it. I think you're going to see more of it. Lemme switch over just a little bit on sustainability for Tyler to wrap up on that.

Tyler Reeder, Managing Partner, ECP

Yeah, so as we talked about earlier, about two thirds of what we do is electric infrastructure. So that's battery, renewables, storage, traditional power plants, all that. The other third is sustainable infrastructure, which does cover a lot of ground as you can see on this page. But it's really about, if you look at where our CO2 comes from, about 40% of it is from products. It's from how we make dispose of products, from plastics to food steel, all of that. So we have been investing around this macro for about 10 years now. So I think we were early movers in a wide variety of businesses because this really touches every company, every industry. They're looking at their own ESG profile, their sustainability footprint, where do things go after I use them? And that's what this business is about. A lot of it's about diverting materials away from landfills and into other uses.

So we've been at this for a decade, a lot of interesting businesses from waste to energy business. We have a used oil recycling business. We own the largest tyre recycling business, battery recycling business. So a wide variety, some renewable fuels businesses. So we've been doing a lot in this space for a long time. We like the characteristics of these deals. There is zero commodity exposure, creates a nice portfolio of diversification to what we do, tends to be long-term contracts. These are asset heavy businesses, not service. These are businesses that own critical assets and your customers have to use these businesses. These aren't typically choices. These are safe disposal of products that are often regulated and so they get very long-term sticky repeat customers with critical infrastructure. So it's been a really a great area of investment for us and one we're really excited about in the future.

And it's really early days of this, as you can see there we go, a couple numbers on here, but in the upper left there, the 70% global waste increase by 2050, similar to the macro we were just talking about, very large. That is just from all the materials. Some of it is coming from the energy transition and the things we're creating to make that happen, but it's a major issue. On top of that, over 70% of that is going into

landfills that has three problems. The one is just the CO_2 generated by putting stuff into landfills is a big issue. Two is just regulations at various levels. Countries around the world are making rules about what can and can't and how much can go into landfills and whether or not it's taxed. And three is a space of where to actually landfill everything. So what we're finding is all these businesses around reusing those products, circular economy, how do we take a product, try to reuse 99% of it, put 1% into a landfill?

And that's the sort of general theme of these businesses. UK is a good example. We've done a waste energy deal and then a couple years ago took Biffa private, which has been a great investment and I think it's a good example of this. Biffa is a company that 20 years ago, 90% of their waste went into landfills. Today that number is a little over 10%. It is being diverted across energy from waste into recycling, plastics, recycling and other materials. We love those kinds of businesses where they're route-based networks. We control the infrastructure is really the collection and route-based network of that. And then driving that waste away from landfills and into other beneficial uses been a great theme for us. So this is another area we're super excited about. We think it's got a really bright future and we're looking at a lot of interesting deals across all sectors of the economy. Back to Doug.

Doug Kimmelman, Founder and Senior Partner, ECP

So to wrap it up, I think you know where our DNA comes from. There's a lot of newcomers to the energy transition, not us. There's a lot of newcomers to electricity, electrification, not US deep relationships, which means a great origination network you're going to see in the next week or so, a very large JV that Tyler announced $50 billion JV. You will get more details on that soon. But folks were coming to us because we're kind of the only player here with these deep roots in electricity. We like to say we've been ahead of the trends in electricity. We took private Calpine six years ago, a 17 and a half billion dollars take private. A lot of people say, what are you doing jumping into electricity so heavily? But we've more than doubled EBITDA. In six years it's been producing an over 30% annual yield distribution to our investors.

And now we're sitting with these asset bases just as we kick off into electrification and the AI data centre. Boom. We're middle market. We don't like to be thinking ourselves as the 20 billion fund. I think there's a competitive advantage here in our fund size five, six, 7 billion fund sizes, middle market. I think it's a strong differentiator in the eyes of LPs. And then we throw off a tonne of co-invest, which we charge for, but also our LPs really love that we provide that volume and we're a control investor. We're the operator. We got our hands dirty. And I think that means we know how to create value. They call us a value add infrastructure player. So with that, introduce,

Tyler Reeder, Managing Partner, ECP

Yeah, finally, we just want to show a video of a recent deal we did in the renewable space. Renewables is a huge part of what we do. This is take private of a company called Atlantica. We think it's a really interesting deal, exceptional value, and I'll play the video and we can hear the team talk about it.

[video]

Raoul Hughes, Chief Executive

Very good. Well hopefully for the last three or four sessions you've got a feeling for quite why we are quite so excited about the investment performance, the investing opportunity, and the growth opportunities for the business. We're now going to get some more chairs up here and I'm going to invite the six guys who've been chatting earlier the day to come up and we'll have a sort of a 10, 15 minute sort of session on Q&A before we go to a second coffee break. We've got another Q&A happening at the

end of the afternoon. And so what would be great is if you could think about questions for this session that are to do with the investments, the investing business of Bridgepoint rather than the sort of stuff about the finances or the future or the strategy because cover that in a bit more detail. The next section, we don't want to pre-empt anything. So if you give any questions about why we think we're so good at investing and what the future for investing is, it'd be great. So with that, would you like to sort of wander up? ... And Adam, you are going to coordinate this, are you, because we did a bit of a dry run earlier and the acoustics in here, [while] it's a fantastic space, the acoustics are not the best. They're find that way [towards the audience] they're not as great coming back the other way. [towards the speakers] So you might find if we look a bit vacant, if you ask us a question, we already haven't heard it properly.

Adam Key, Head of Shareholder Relations

So we do have a couple of roving mics. So if you could wait until you've got a mic before you ask your question. Both the people on the stage, hopefully, and the people on the webcast will be able to hear you. So who wants to go first? Angeliki's was the first hand up. Mic? Where's the microphone? Just there. Perfect.

Angeliki Bairaktari, JP Morgan

Hello. Thank you for the presentation. It's Angeliki Bairaktari from JP Morgan. A couple of questions from me. Very interesting session so far. When it comes to Bridgepoint Europe, the flagship fund, you mentioned that deployment seems to be accelerating and we've actually seen quite a few deals being announced year to date. So what does that mean in terms of activation for the next vintage Bridgepoint Europe aid? When do you think we should be expecting that? And you've also spent some time saying that the fact that you're in the middle market doesn't constrain the strategy from scaling up. But in terms of over the next four or five years, where can this fund go in terms of size from the current 7 billion euros? And perhaps the second question with regards to the infrastructure business in terms of have you thought, I mean obviously there's a clear focus on energy as the name suggests, and waste management as well. Have you thought perhaps also in partnership with Bridgepoint about developing into other verticals within infrastructure? Or is that really not on the table at this stage? Thank you.

Raoul Hughes, Chief Executive

Okay. Should we do the private equity one first? And I think we say two things. Firstly, as I hopefully came out earlier, we are very disciplined in how much capital we raise. So we want to make sure that we raise the right amount of capital that we will deploy and invest it really well through a fund cycle. And that we want the fund cycles to be the three and a half to four years on a consistent basis. And we think that's really important for us to generate the returns for our fund investors, which ultimately play through to the value in the firm. So I think we are feeling very confident about be and very confident about the performance. I suspect the answer is it's not going to accelerate the next generation more than we've been taking to you before. We think it's about the same sort of timeframe as far as fund size. My view is it's far too early to give you any stares on that but I'll pass it over to my colleagues.

Chris Busby, Managing Partner, Bridgepoint Europe

Yeah, I think what I'd say is there are changes in the market, but I wouldn't say we're ahead, we're just exactly where we'd want to be, but we're where we'd like to be in a market that's slower. So I think we are just over two years in, we're just over 50%. The reality is we'll take the decision on fund size as we get to 70% because that's the point at which you're going to then be going back out to the market. So that's going to be next year. I think for us, vintage diversification is really important to our LPs. It's really

important to our investment strategy and that's something which we'll maintain. But I think the deployment rate that we've seen, obviously announcements sometimes lag because of regulatory clearances, which in itself often takes a bit longer now, but actually we've had good vintage diversification. We started in summer ’22, a four year cycle. That's going to take us to summer ’26

Raoul Hughes, Chief Executive

And I think the other key base is where our metrics are sitting in the historic funds at the point you launch. And I think as you said, in a slower market, we are in a great shape with our DPI and the cash that we've handed back. So we've all really well positioned but we're still a bit further before landing on the size of it. I think the comments about the mid-market and the space are a long-term view. Our view and Xavier was saying in there's plenty of scope and it's not just the next fund cycle, it is the next 2, 3, 4, 5. There's plenty of scope to grow the total investible capital that we have in our middle market private equity strategies across the three of them over the long term. That's the message where the next fund lands. We haven't landed totally be fair to say infrastructure. Well I think the first thing I would say is there's masses to go for in the spaces that you are in and the development around the added value, your core plus evergreen plans should talk about that, that a stuff.

Doug Kimmelman, Founder and Senior Partner, ECP

Sure.

So infrastructure I think broadly defined about two thirds of the spending and infrastructure is energy related. So we're in the dominant space to begin with, but within energy, look at what we've done over our past 20 years. We started pretty much electricity right now. A lot of renewables, battery storage, carbon capture, renewable fuels, waste to energy recycling businesses. So I think we've done a very good job expanding within that 66% energy part of transition in that value chain and there's just a lot of room to move in that and now comes AI and data centres. I'm going to say data centres are certainly infrastructure and that's now going to be a big part of it. You're not going to see us get into airports and toll roads. There's no reason for us to do that. But what you will see is geographic expansion on top of this product expansion and obviously the next place for us to go is Europe and there's quite a large synergy here with the offices and relationships and network that Bridgepoint has all over continental Europe and you're going to see us begin to focus on that as well.

Raoul Hughes, Chief Executive

Maybe 30 seconds on the Evergreen.

Doug Kimmelman, Founder and Senior Partner, ECP

Sure.

Raoul Hughes, Chief Executive

All plus we haven't sort of, it's a great exciting need downplayed a bit so far.

Doug Kimmelman, Founder and Senior Partner, ECP

Yeah, we're going to move into the perpetual product. So we are in a business that has long dated contracted assets, renewables, long dated, contracted assets who knew that natural gas, with the contract that Tyler talked about, now may have long dated contracted cash flows from hyperscalers and those contracts obviously fit very well into a more longer dated vehicle, perpetual vehicle and very much

work their way into the private wealth chains of what investors are looking for. Throwing off a nice 8% or so yield quarterly liquidity but a perpetual entity which is as an asset manager, that's a great thing when we don't have to go back to market every three or four years raising capital. So you're going to see us grow pretty rapidly. We start with institutional anchors, we think we're about to line and land the institutional anchors finding assets. We've been doing the assets in separately managed accounts and that's been growing nicely for us. So we've no problem sourcing these type of assets and now moving it to this vehicle is coming right around the corner first

And then infrastructure credit. The other area where we've got the credit to Andrew's team are sort of talking about leading on that sort of area.

Yeah, I think there's another big synergy. We're in infrastructure credit but in a modest way to fold that in to another arm of Andrew's business of the broad Bridgepoint credit. I think by putting our skillset together with their network, LP base is going to fit very well and I think that's the best way to grow it.

Adam Key, Head of Shareholder Relations

Okay, so next. Nick Herman, Citi.

Nicholas Herman, Citi

Yes. Hi, it's Nicholas Herman from Citi. Thanks for the presentation today. Some very interesting presentations. I also have two questions each with probably a couple of sub-questions. It's a terrible analyst habit, so apologies,

Raoul Hughes, Chief Executive

That's why I've got a pen and paper

Nicholas Herman, Citi

Coming back. I guess on deployment, I guess you are well resourced particularly for a mid-market investor, just I guess, and you said that deployment is not a constraint, so what volume of deployment would you say that Bridgepoint or the flagship funds, Bridgepoint, Europe, BDC and the flagship ECP strategies are set up to be able to deploy at present? On a related note, I think Chris, you said you made 18 platform investments in BE VI. I mean I know you clearly have a recipe that works, but I guess given the strength of the origination platform, could you not slightly increase the number of investments per fund without diluting returns? I mean I know that there are large, listed peers in Europe that have achieved similarly impressive returns with even larger more diversified funds. So that's the first one and then the second one on credit. Just curious on your view for the outlook for the industry, would you agree we might see more dispersion in performance in future and I guess [in] what pockets of the market might we see some underperformance and if I might just sneak in the last one, on BCO II.

Raoul Hughes, Chief Executive

2b you mean? Go ahead. Two B. Two B,

Nicholas Herman, Citi

I'll leave it.

Raoul Hughes, Chief Executive

Go on. What is it? Have out with it

Nicholas Herman, Citi

The BCO O strategy has been pretty stable in terms of size over the last couple of vintages. Just kind of curious in terms of what you see as opportunity set at this moment in time as we move into the next phase of the economic cycle. I guess that to me looks quite interesting.

Raoul Hughes, Chief Executive

Right? Chris?

Chris Busby, Managing Partner, Bridgepoint Europe

I want to start before I forget the question. So in your second question, could we do more deals in a fund? Absolutely. We're not absolutely wedded to whether we feel there's a recipe that works somewhere around, let's call it 16 to 20, but if it's 22 because they're the right deals, it's 22. If it's 24 it's not going to be 30. So I think actually it's about getting the right deals. It's about getting the right vintage diversification and the right portfolio construction. So I think – could we see a 10, 15, 20% increase in number of deals? Yes. And in fact you've seen a little bit in terms of as we've gone through the fund cycles I think in terms of can we, I suppose what's behind your question, can we ramp up deployment and then what does that tie into resources?

Well actually what you're seeing, we've learned quite a bit actually from ECP because we often have some big winners and they effectively are growing out of our space, but they're assets we know inside out or sectors we know inside out. And why don't we follow those with bigger equity positions? It moves the fund really quickly in a space we know really well normally in an asset we know.

So actually if you look at the evolution between Bridgepoint five was a 4 billion fund, we're now at a 7 billion fund with co-invest, we effectively double the deployment, certainly not double the number of people. So the scalability is there, but I think it's going to come maybe partly from number of assets, but that's more around portfolio construction. I think it'll come from some of our bigger winners or spaces where we find assets and actually using co-invest to unlock deals as well where maybe from a fund exposure it's a bit too high, but we can then use the co-invest to allow us to unlock that opportunity. That's on the private equity

Tyler Reeder, Managing Partner, ECP

For ECP. On the infra side, I think we traditionally think of it as 10 to 15 deals per fund. I think that our current fund five is going to end up around 12 or 13 deals. We're a little over 70% deployed with another deal that is weeks away that'll bring us into the 75 to 80% deployed. That's in two years, so this has been a pretty quick pace for the reasons we were just describing. The macro is accelerating so we've been moving quite quickly and as you heard, we're middle market in the size of cheques that we were putting in equity commitments within the fund. But the scale of what we do kind of ranges a long way and we'd like that because there are really compelling 200, $300 million equity check deals in our space that are often rollups and often more distributed development side that we can grow those platforms.

We want to be able to do that, which we think some of the mega funds can't. But we also are first and foremost a fund that really understands our firm, that understands our sector very well. So when the big opportunity comes, like Calpine, we went out and raised three and a half billion dollars of co-invest five and a half billion dollars equity commitment. We think that's important for us. We think we are sector expertise experts and we want to be able to scale up and go after those larger transactions. The one you just saw, the video one was another example that was north of a 2 billion equity commitment. We went out and raised a lot of co-invest and we've really by doing co-invest for a lot of years, we really know, we think our LPs well, we know who might be a fit, what stage to bring them in, I think have gotten really

efficient at figuring out when there's a larger deal, what stage to bring people in, how to pre line up that co-invest and go after larger deals. But I think in terms of number of deals per fund will be in that 10 to 15 range has felt pretty comfortable for us.

Doug Kimmelman, Founder and Senior Partner, ECP

And maybe the cycle, as I said, four years historically maybe down to three years and we're launching within the next couple of months fund six because we're out of capital.

Raoul Hughes, Chief Executive

We haven't answered question two and three

Andrew Konopelski, Managing Partner, Credit

I don't know if this is on, but I'll shout.

Raoul Hughes, Chief Executive

Yes, go

Andrew Konopelski, Managing Partner, Credit

I think question two was direct lending returns, dispersion credit opportunities, returns. Yeah, there's always a pretty wide dispersion in returns of those funds. But you're asking,

Nicholas Herman, Citi

The market for credit opportunities, credit ops opportunity set in the next cycle. It's been pretty stable.

Andrew Konopelski, Managing Partner, Credit

Yeah. Okay. So the credit opportunities opportunity set is growing. I mean it is quite a difficult investment strategy to deploy when you have zero base rates or negative base rates in Europe and everything's trading near par, right? And everybody just loves life and credit spreads are really tight in the market that we're in now, two things have happened. One is Europe continues to evolve. We are consistently five to seven years behind the US in terms of evolution, but we're getting there and that just means that borrowers are more willing to consider creative alternatives. So sponsors have opened their minds to private capital solutions, which means the primary market is growing for those sorts of things where you can structure your solutions and then a bit of volatility, a bit of fear is always good for the secondary side. So we've seen a few moments in the invasion of Ukraine, COVID progression of the economies. We will see moments. So I'd say that market opportunity set is growing for credit ops

Nicholas Herman, Citi

And sorry, the first part was 2a, or whatever you want to call it, was about, we've seen obviously very strong growth in private credit direct lending, seen very strong returns on the back of interest rates presumably. Would you agree that we're now going to see greater dispersion in terms of returns and where do you think we might see that coming through?

Andrew Konopelski, Managing Partner, Credit

It's coming / come, the biggest issue is it's very opaque. So it's not like the CLO business where you have everybody's numbers so we don't have access to it all. But in speaking to LPs, it's quite clear that some

people are starting to see the cracks appear in their portfolios. We are consistently told that our performance is right up at the top. I mean we have nothing that's below a TVPI of one. We have no trouble in the portfolio. Of course we have a few that aren't performing quite as strongly, but we are routinely told that we have one of the strongest portfolios in the market.

Raoul Hughes, Chief Executive

It's a real function of the strength of credit underwriting. You have to be very disciplined in the sectors and the nature of the business in the sectors that you're prepared to lend to. And one of the strengths of Andrew's business is the really good quality of that original across the whole of the Bridgepoint business, not just in the equity and the credit business. We are very good at defining the strike – to use an American term – defining the ‘strike zone’, what constitutes a Bridgepoint deal and whether that's in private equity or in private credit and very, very disciplined that staying within it. And that means that our sort of investment and credit committees know the right sort of thing. We're very good at picking the deals that we know work and in the credit it's critical to make sure you only pick the deals, they've got the right metrics and they've got the right sort of equity cushion and you're pretty confident even if they don't go quite as well as you wanted to, you're going to get your money back. And so the credit houses that aren't as quite as disciplined about that chase the marginal deal, it's going to come back and hit them but it's not us. Right. We need to move on

Owen McGiveron, Bank of America

Hi everyone, it's Owen from Bank of America here. Two quick ones for me. I'm aware everyone probably wants to go and have some coffee. So first on BDC, actually well two quick ones on BDC, can you just discuss momentum with fundraising as I guess you charge towards that 2.5 billion? And then also what are the kind of levers here for increasing responsible deployment? Obviously you've had the expansion of the team in Germany, I think you've got a team or one individual in Spain for that. And then secondly on ECP, more and more of a trend is that LPs are demanding co-invest, getting more involved. Could you remind us of the economics there and the major themes? Thanks.

Olivier Nemguern

So regarding BDC, regarding the fundraising, I think we are really confident, I mean we have closed more than the 2 billion we were targeting and we think 2.5 is a good number and we are pretty confident we are going to get there reasonably soon. In order to deploy enough capital and to scale our team and our organisation, yes, we opened Germany one year ago, but more importantly, I mean we have increased the team size from probably 20 people six years ago to 45 people and with people being developed and trained internally. So we recruited some young associates and we really, really worked with them and trained them and some of them now are partners and senior directors and so we have doubled the number of deal partners in the existing geographies, so UK, France and Nordics and we have opened a small team in Germany with three people including one partner. So we think our ability to deliver more deals is really, really strong and we have increased the number of assets in the fund from 14 assets in BDC I to III to 18 assets in BDC IV without any issue and we are staffed to complete maybe five deals a year and to deploy 500, 600 million [Euros] a year without any issue.

Raoul Hughes, Chief Executive

I think it's also part of a function of this transition that Xavier was talking about earlier in deal size in the mid-market and how everything moves up and if you look at the average ticket size in BDC IV versus BDC II, it's materially higher without leaving the space. So part of the deployment of larger funds in the case

of the new fund is more people and the people have grown up so that now more experienced so they can do more on their own and drive more, but it's also just the average ticket size moves up a bit and that sort of helps. I mean the fund we said we would've said to you before, we were targeting 2 billion for the BDC fund. We started earlier in the year, we have now closed on 2.2 or there, or thereabouts and we think we'll probably end up finishing around two and a half at some point early next year. We've been quite, it comes back to the point about discipline and investment sort of performance.

ECP co-invest?

Doug Kimmelman, Founder and Senior Partner, ECP

Yeah, so we charge an annual monitoring fee and we charge an upfront fee less variability on the annual, which is usually around 25 basis points. The upfront, it depends in terms of the size commitment, the commitments that LP may have with the ECP … but of late we've been in the 2% area and that can add up to quite a bit because we do so much co-invest and they're large and it becomes somewhat recurring because we're doing several a year. I dunno if I'm going to say 80% of our deals we co-invest but something like that and it's a big part of our relationship with our LPs. They expect it. Our returns historically across all of our co-invest, about 22% net and so when you're generating that we can charge fees and we've been doing that more of late.

Raoul Hughes, Chief Executive

Arnaud

Arnaud Giblat

Thank you. Yeah, it's Arnaud from BNP Exane. Two quick questions please just to follow up. I think earlier you mentioned the possibilities to do info credited and infra in Europe. I'm just wondering if you could maybe run us through the steps to scale these up in sort of dedicated strategies. What sort of investments on the ground or investment professionals are required, what sort of timeframe, what sort of size of the opportunity? And my second question is on private equity, a number of your peers have dedicated strategies in some of your sub-sectors, for example healthcare. Is that something you see as appealing? Thank you.

Raoul Hughes, Chief Executive

Yeah, scaling. You want to do credit first.

Andrew Konopelski, Managing Partner, Credit

It's a very live conversation. So great work in relationship. We've known each other for a couple of years. We have a lot of priorities as a firm, but this is a pretty high one. So as we mentioned earlier, we have a small credit team in the US and we're trying to figure out how, what is the best way to scale it and use the brand goodwill and the track record of the team and ECP. So we don't have an answer for you today, but everything's on the table in terms

Doug Kimmelman, Founder and Senior Partner, ECP

I think you heard Raoul say the most important part of the credit business is your discipline in underwriting and we understand the collateral. Look at what we own as a firm and we kind of take it as a firm tackling these things. So that's the hard part is really understanding the collateral. With that comes origination, we're in the flow as on the equity side, we're borrowing in the neighbourhood of 3

billion dollars a year so we're in the flows of all of that, but we've got to beef up the team and create a product together to go after it. So I would think there's modest hiring around this because we have a pretty good nucleus but some hiring and we may look at the marketplace on the M&A side if there were tuck in acquisitions on the credit side to get us there on an accelerated basis. We're very open to that.

Raoul Hughes, Chief Executive

And I think that applies to infrastructure in Europe isn't it? To what degree do we start off using and deploying from your next flagship fund? Can we justify raising our own fund? Can we lift a couple of people? Is there some tuck acquisition in Europe that we could do to accelerate the way in? We announced this the transaction a year or 13 months ago. We actually only completed it two months ago. So we, there's a lot of this in terms of how do we get the credit business and the infrastructure credit to work, what's the right strategy of leveraging the bridge for European position to get into infra and helping Doug's team get into infra in Europe? They're all on the agenda and we're talking about all the time. It's a bit early,

Doug Kimmelman, Founder and Senior Partner, ECP

It's coming in pieces. I mean Atlantica big portion of that deal was renewables in Europe, we've done multiple deals in the UK and understanding a wind facility, a solar facility, a storage facility just because it happens to be in Spain versus it happens to be in California, it's not all that different. So this isn't a big leap for us but we need the understanding of the local market. We need the origination network. A lot of that is here within Bridgepoint so this is one we're enthusiastically wanting to pursue it. You heard what? We're busy with a lot of stuff now, but it's coming.

Raoul Hughes, Chief Executive

I'm conscious. We actually, according to the clock down here, we're running eight minutes, 47 seconds into the coffee break. So is there any further questions? Bruce, have you got any?

Bruce Hamilton, Morgan Stanley

I can wait. We wait until the end fine. Okay. Should we leave it there and have a quick, shall I

Chris Busby, Managing Partner, Bridgepoint Europe

Shall I quickly answer Arnaud’s question?

Raoul Hughes, Chief Executive

Oh sorry. Super fast time.

Chris Busby, Managing Partner, Bridgepoint Europe

The short answer is yes, there's opportunities, so not all sectors are the same size. We undoubtedly sometimes ease off sectors because of wanting to manage the diversification within the portfolio. A sleeve would allow you to avoid having to do that, but I think against that you've got that as an opportunity, You've got continuation vehicles, these are multiple areas of sidecars you can put around your primary fund. Our absolute focus is on the primary fund but I think actually just look at tech and look at our track record long-term in that space. Actually there's definitely opportunities. As of yet we haven't exercised that but I think as we're now, as we come into the latter part of [BE] VII and think

about it, it's definitely going to be an opportunity. It's just how does it fit in with the other strategies and the primary fund.

Xavier Robert, Chief Investment Officer

The other aspect on this is energy transition actually because you may have seen that as part of the niches we invest into in the private equity side, there is energy transition and we've gained massive knowledge and actually also access to deal flow because you guys [ECP]are receiving opportunities that don't fit the infrastructure mandate. So that's potentially another opportunity.

Raoul Hughes, Chief Executive

Yeah, we should, I think the explosion that you are so excited about in the context of your core business and the capital investment in the US that's going to drive it is going to throw off private equity opportunities.

Doug Kimmelman, Founder and Senior Partner, ECP

There's many ancillary businesses in that trillion dollar spend and we're focused on that.

Raoul Hughes, Chief Executive

So we think we've got a real opportunity as a private equity vehicle in the states. Okay, coffee.

[coffee break]

Raoul Hughes, Chief Executive

Okay, I'll crack on and you'll be pleased to know we're now on the home straight.

So having covered our sort of three existing strategies and before we talk about capital raising in more detail, I just want to turn our attention to our ambition strategy again and talk a bit more about that. As I said earlier, our ambition is to grow to around 200 billion AUM over the next five to six years. This is an articulation of the scale we aim and is not a hard number so don't be careful putting it in your models. We will not grow for growth's sake. We're focused on revenue and profit, but the number does sort of capture the extent and the scale of the ambition of the organisation delivering.

This will take further development in our investor services, as we've said, continued growth in our current verticals as well as new additions to the group. The Bridgepoint group is already scaled and diversified and this gives us the ability to invest in our platform and people as hope you've got the impression earlier today and maintain the relationships that we have with our investor partners. Our growth agenda will build on this and ultimately deliver significant benefit for the business and drive returns for the shareholders. Now how we think about growth and our positioning can be captured in three words, performance, cohesion, and white space. Now starting with performance, as I said earlier, consistent investment performance is the lifeblood of the firm. Whatever we do is grounded on delivering for our fund investors. We won't lose this focus and we'll expect the same from funds or businesses that we establish or acquire.

We will look to partner with quality businesses like ECP with a good track record and their own ability to raise increasing capital, thereby ensuring that what we bring by way of enhanced investor relationships will be incremental and not substitutional cohesion. We are laser focused on continuing to build a cohesive product grouping. There will be a rationale why each product belongs in the group be this the sharing of data, the mid-market added value, thematic relevance to our investors ability to cross sell the

way the visitors can talk to each other in the way that hopefully you've got the impression from so far this afternoon. Culture will also be very important in how we think about business development. We will remain what I like to call a proper alternatives business focused on high touch investing white space. The Bridgepoint group today is well diversified and able to benefit from the economies of scale, but we're also at a point in our growth journey where we are a size and dexterity where there remains significant white space to develop further, both with fund sizes in our core funds which are not yet fully maxed out, but also in the number of adjacencies product and geography that we can expand into.

So plenty to go for further growth in our platforms means that we can deepen the relationships with our clients. To date, we've been a beneficiary of this consolidation and continuing to scale provides the opportunity for investors to commit more capital across the Bridgepoint platform, enabling us to invest further in client facing resource and benefit further from the market trend diversification of products while remaining a dedicated value added narrative brings benefit both in terms of our origination capability and the depth of knowledge and data that can be found across the group. While obviously respecting confidentiality, we share sector insights, market intelligence, as well as access to industry knowledge across our investing activities that allows data in say our credit business to help the equity team assess an opportunity further developing the platform should continue to add to this competitive edge as a business with operating leverage. Further scale will also result in higher margins as well as helping us continue to attract the best talent in the market and develop the sophistication of our central functions.

Now earlier this afternoon I mentioned three parts of our growth strategy, expanding sources of capital, scaling and diversifying existing strategies and platform enhancing m and a. Let's take each in turn, I'll start with clients and expanding our sources of capital. Over the last 40 years we've developed relationships with a global base of top tier LPs, including 14 of the 20 largest US state pension funds, plus other institution investors and sovereign wealth funds from around the world. The partnerships with these investors remains our top priority. We value them highly and we think growth offers us the opportunity to enhance them. Ultimately, this is about us being able to offer more to our clients, enabling them to commit capital to incremental spaces like energy transition or the European middle market through one investment platform. For example, the ECP partnership brings over 170 new LP relationships to Bridgepoint and Bridgepoint brings over 230 new relationships to ECP.

Critically, each investment product will need to stand on its own merits, but there is a real opportunity over the median term to deepen connections across the combined client base. We also see significant opportunity over the next 10 years to widen our sources of capital with growth in the market being driven from a combination of sovereign wealth funds, insurance capital, and private wealth. We already have great relationships with a number of different sovereign wealth funds and investment from insurers in our existing equity credit and ECP investor basis. We will build on these relationships as we grow and diversify further, looking to make them more strategic at a platform level. As the group grows, we'll continue to provide the same best in class investor services approach to new clients as we currently provide existing LPs, whilst deepening our presence in some channels and adding others to support this, we will invest in the continued development of global coverage and deep product expertise within our client services team.

This is a strategic investment that will enhance the long-term growth of the group and strengthen our position in the market. Our intention is that this near-term investment in coverage is offset, at least in part by efficiency savings elsewhere, which Ruth can cover in the finance update. Now let's talk about how we intend to scale and diversify our existing verticals across private equity credit and energy transition. We have strongly performing propositions that retain significant hedge to grow sizes over cycles. Historically, we have scaled funds in a controlled way and we anticipate there is headroom to continue to do so in the medium term, although as I said earlier, we'll be disciplined to ensure we raise

the right amount of capital through each fund cycle. So please don't just assume steady linear growth in every single one of these through the next phase of your models, but over the long term we're entirely confident of our ability to continue to deploy incremental capital in our core strategy.

Doug and Tyler have made the opportunity to grow ECP clear on the back of the significant sector tailwinds. And as Avi has outlined, we see room for our European equity businesses to just gently increase the average investment size over time in a steadily controlled way without losing our mid-market heritage and credit is plainly very scalable. We also see significant opportunity to expand our existing investment verticals through the addition of new strategies, either organically team lift outs or through added on acquisitions. For example, in credit we organically launched the CO [credit opportunities] business that Andrew talked about earlier. And in private equity we launched Bridgepoint Growth, which is our third lower smaller fund within BDC. After BDC itself was established and developed into the PE vertical a few years ago through two acquisitions in future, given the strength of our European investment platform, ECP's indisputable expertise in energy transition and the depths of the European infrastructure market.

Expanding ECP into Europe is a clear opportunity and as I said a bit earlier, will either be dressed organically or through acquisition as is also using the electricity heritage to play the AI boom in private equity. As I also said a few minutes ago for each current vertical, the medium term priorities we feel are pretty clear. Now the third element of our strategy is platform enhancing m and a. With the acquisitions of ECP and EQT credit, we have a strong track record in transactions that are materially edited to the group and we think there is potential for more such acquisitions in the future. Secondaries and real estate are obvious markets for us to look at entering through m and a, but we also think there are opportunities to further expand geographically through acquisition such as in the US or indeed Asia and use M&A to accelerate access to new sources of capital, for instance, private wealth and permanent capital.

To expand on these examples, as we think about secondaries, the appeal of the market is clear, it's fast growing, demand is still relatively unserviced, especially in the GP led and infrastructure secondary space. And once we've landed on the correct way to enter this market, we're very confident that we have the depth of experience in the firm to grow it rapidly, not least as it operates across the alternative space with relevant in each of our three existing verticals. In terms of real estate, investors will know that we've been looking at the value-added part of the market for some time. It's a large asset class with a significant number of potential partners to work with but is obviously not immune from the interest rate cycle. And so whilst we're still actively looking at opportunities, we've been more conservative over the past couple of years and have focused on infrastructure.

So probably less so than we thought at the time of the IPO if we can find the right partner, but if not, we can achieve our growth objectives without doing so post ECP and with a greater footprint in the us. We'll also aim to be looking to expand into that market. For instance, in credit as Andrew's alluded to, or indeed energy transition equity product, which we also talked about a few minutes ago. Again, if the right opportunity becomes available, we are open to an Asian investing presence. Finally, I want to touch on an alternative type of M&A transaction. As our industry continues to consolidate and some of the boundaries between alternatives and we are very much an alternatives player, don't forget, but as the boundaries and alternatives and traditional managers and asset owners blur, we are open to an opportunity to leverage our investment skills to help a third party deploy their permanent capital or tap into their existing private wealth channel. Importantly for us as we consider potential partners, it's about finding the right fit for the Bridgepoint culture, the right team, great performance, and the prospect of scaling together, adding mutual value.

The mutual nature of this value is important and I think it's worth highlighting one part of the appeal of Bridgepoint to potential partners. We have the space to add new verticals in a way that some of our larger peers do not. So we can offer potential partners the opportunity to be the business in the sector or geography rather than a cog in a mature preexisting machine. This means that they aren't subsumed but to get a seat at the table, running part of the wider Bridgepoint group and becoming a shareholder in a combined enterprise. This has been high on the list of considerations that I have heard as I've been talking to potential partners over the last few years and I know it was true in relation to both ECP and EQT credit. I hope you that gives you a bit of more detail on the strategy ahead of our ambition.

Now I've talked a bit about distribution a bit earlier and our plans in this area, so I'd now like to welcome Doug Hamish Grant, Hamish grant leads the Bridgepoint investor services team, and David Walsh who's looking at private wealth for us onto the stage to discuss the capital raising market as well as our progress in more detail.

Afternoon chaps afternoon.

So Doug, this has been badged as a distribution conversation, but given what I've just said and the attractiveness of the Bridgepoint platform to sort of founders of alternative platforms and individual firms, and although we've known each other for a while now and we signed, as I said 13 months ago, we only completed a couple of months ago, maybe a minute on how has it gone so far?

Doug Kimmelman, Founder and Senior Partner, ECP

Sure. Well, we're fortunate that maybe in some ways this deal took so long to close that we got to know each other so well.

Raoul Hughes, Chief Executive

You can say that!

Doug Kimmelman, Founder and Senior Partner, ECP

I can say that, but we got there. But everybody says they have a great culture. Every corporation in America says they have great culture, but let's just say in the world of finance, there's a lot of sharp elbows. I use this term, I call it 'undeserved arrogance'. I can't stand it, but it seems to be everywhere in the world of finance. So how lucky are we that we came along and created such deep friendships and we found a firm that has a very similar collegial approach to really working together and respecting and trusting one another. So that's been just number one on the list and we work so seamlessly together. Two is growth. I mean I'm ambitious to grow our firm and we found another firm that absolutely wants to do that, but also being public adds another catalyst and desire for growth. So that's been very exciting and it's been very much an open door here of how we go about and execute on the growth.

I think also Raoul said it about having a seat at the table. I mean I feel like we have more than a seat at the table. Every important decision discussion, we're talking about it and we're kicking it around together. What's really important, when this deal was announced, I got calls from something like 25 GPS saying, how'd you do it? Because I'm trying to think about consolidation and being part of this and a big part of this, we got called by a lot of very large firms and I wanted to have nothing to do with that. I felt that we'd be swallowed up and be an insignificant piece, but this, as I articulate to others, having a seat at the table, really, really important. And when Raoul and team is looking at other potential M&A opportunities, I'm one of the first calls "Doug, could you call them and tell them your experience?" It's just very powerful when I'm talking about to founder, founder to founder about why this platform is very inviting and you're going to be a big part of it. And that's just a huge difference in this consolidating industry to be able to offer

Raoul Hughes, Chief Executive

Thanks. And I think that the listing helps enormously, doesn't it? Because We've got this nice mix of being listed so for third party shareholders there is a route to longer term liquidity – for a founder coming to join the platform. We want the founder to come in and join the platform and take equity. So we're all in this together. But within the ownership of the business, something like 60% of the equity is still owned by the team and the wider team within Bridgepoint, 70% of the people in Bridgepoint are shareholders, in the employee base. So you've got this real great mix, I think of a listed business that is capable of growing and accessing capital markets and providing long-term liquidity for founders, but still absolutely a huge group of people running the business who are completely motivated by the shares.

Doug Kimmelman, Founder and Senior Partner, ECP

We wanted to be public and we eliminated a lot of folks that approached us that were private and saying, well, we will be public, but will you really? We're in a competitive sector if you hadn't noticed to attract and retain experts and the best people to now have common equity. We took 30% of our GP ownership and we gave it to literally everyone in our firm. And now to have that as a tool to attract people in, very, very valuable. So it was a key part of the deal.

Raoul Hughes, Chief Executive

Anyway, sorry, this is meant to be badged, the distribution checks.

Doug Kimmelman, Founder and Senior Partner, ECP

Oh, oops.

Raoul Hughes, Chief Executive

So should have moved on!

You've been around the distribution side of this industry for many, many years and spent, probably more meetings and more airmiles than you could ever imagine talking to investors as the landscape shifts and changes. What are you seeing out there at the moment?

Doug Kimmelman, Founder and Senior Partner, ECP

Yeah, I know there's something wrong with me that I like fundraising and I'm on the road constantly and out there and you name the region in the world and fortunately I enjoy it, but it's a competitive world. But first thing I'll say is that the purse strings are loosening up. It was a little bit of a tough few years, but distributions are starting to come back and we're feeling pretty bullish about the allocations that are going to be made in 2025, not just to us, but just on a macro basis. Don't forget, there are a lot of investors around the world that are under allocated to the private asset class. So there's still a lot that have to play catch up. And then Dave is going to talk about the wealth channel. That's probably the fastest growing piece and we'll be involved in all of that. And also I think LPs want to see their GPs being able to offer them multi strategies where they don't want to have to build a relationship with 300 different GPs. They want their GPs that can give them all sorts of different products across equity, across credit. And we've talked about infrastructure. So all of a sudden we're now in communication in conversations that we weren't before. Yeah, definitely.

Raoul Hughes, Chief Executive

Now maybe talking to both you and co-investment touched on co-investment quite a bit in the course of the Q and as earlier, you guys have used it much, much more than we have historically maybe between two. Touch a bit on how you and how do you see that as sort of the evils of it, the benefits of it? How are we going to use co-investments to drive revenues?

Doug Kimmelman, Founder and Senior Partner, ECP

Not many evils. We need our LPs. I listen to our LPs and what our LPs want and they want co-invest, right? It helps them manage their cash flows. Funds are a commitment period of five years. They don't know exactly when the funds are going to be called. Sometimes I have money now I want something in this sector and here it is. So that's a real positive, but for us, it allows us to be a middle market firm. We can do the smaller deals, but when a big one comes along, we've got that co-invest pipeline of LPs to join that. And increasingly we're charging fees on it. It's a big part of our growth and you heard me 10 times talk about this AI data centre, enormous capital need. We're going to rely more and more on our LPs and I thank God we've done about 8 billion of co-invest and have those relationships because I'm going to need that capital. And it just enhances the conversation with the LP that you have that as a tool as well. I put it right next to separately managed accounts because that's another thing that LPs want to see.

Hamish Grant, Head of Investor Services

We've learned from you, Doug already. So we used to see co-investment as a necessity, but something that was challenging in a middle market context. And actually we've leaned into it in the last couple of years, I think Chris may have said, but we've already delivered more co-investment to our investors in Fund [BE] VII, which is halfway through than the entirety of Fund [BE] VI. And we've seen not just a benefit in terms of fundraising, but also the transactions we can look at is unlocked transactions that were previously too big for the fund size, but where we really liked the business, we had owned the business before we had owned a competitor, a supplier, a customer. We knew the space better than any other GP out there, but because a fund size we weren't investing and now we are.

Raoul Hughes, Chief Executive

Yeah, no, very, it's a core part of our growth I think as we looked at, particularly as we look to expand the relationship with our investors across the platform. Now Hamish, talking about your role, you've been front and centre of the building of the Bridgepoint investor services platform over the course of the last couple of years. You want to talk a bit about that?

Hamish Grant, Head of Investor Services

Well, we've materially invested in our platform. If you go back to the IPO, we had coverage people in just three locations and today we are in 11. So we've added over 10 people in coverage and well over 20 net people across the platform. And just to give you an example, if you went back before the IPO, someone would probably visit Seoul maybe once a year, maybe twice in a fundraising year. In that week they would probably see 7, 8, 9, 10 investors. Today we have three people in Seoul and they're visiting 10, 20, 30 investors every week. They're having coffees, having beers, they're getting to know them. And that means that they are absolutely ready to put products in front of them when the investor wants the product. And so we are seeing massive increases in our demand from global reach rather than from a much smaller pool of investors.

Raoul Hughes, Chief Executive

And it's an interesting new development, isn't it going from just sort of mono line raising a private equity fund to people who are in market capable of raising multiple products for the group.

Hamish Grant, Head of Investor Services

Yeah, as Doug said, a lot of investors, they're struggling with the number of relationships they have. They want to concentrate that on managers that they have a relationship with they feel comfortable with. And it's a lot easier for them to just build the relationship there and then expand it into other products.

Doug Kimmelman, Founder and Senior Partner, ECP

And we’ve got one of our gentlemen in Korea, Dennis, he'll call me and say, could you do X? Right? That's what we want. We want the people out there talking to the LPs, could you create this product for them? Could you create this separately managed account in equity or credit? And it's having that kind of reverse feedback. Very valuable.

Raoul Hughes, Chief Executive

Okay, I'll turn around to this year. There's been lot of talk about the difficulty in fundraising and the difficult market over the last couple of years. I mean we've we're coming to the end of a very successful BDC fundraise. We closed BE VII earlier this year. Doug, you are absolutely, you're absolutely in the market already for ECP six. They're all sort of ready up and running. Hamish, you want to talk a bit about the setup for a bit? We're not, obviously not yet ready to have any indication about the size, but how prepared are we for B eight and how are you're thinking about that?

Hamish Grant, Head of Investor Services

I think we're in great shape. I'm very, very positive about BE VIII. If you look back to the previous world, about 10% of our capital came outside North America and Europe in the last three years. 35% of our capital has come from these new sources, from the investment we have made into the Middle East and into Asia, and also actually deeper penetration in European markets. So geographically, we're far better covered. The co-investment pivot, if you like in our strategy means that we are delivering on promises and even over delivering on promises to investors, obviously critical is the performance of the funds and the BE funds in particular are performing well. So we can go into the fundraising with a lot of confidence that we are delivering. And then I guess the last thing is we're also expanding in channels. David's going to talk about the private wealth channel. We are looking at insurance and those channels will, I think add another limb to our go to market strategy.

Raoul Hughes, Chief Executive

Great. Okay. That's a nice introduction to David. So David, we now move on to talk about private wealth. David, you spent a lot of time in the private wealth space. You're a relatively new joiner to the firm. Maybe sort of spend a minute or so giving us the benefit of your background and why you're here and why you're excited to be here and then lead us into the private wealth opportunity.

David Walsh, Managing Director, Private Wealth

Great, thanks Raoul. And good afternoon.

As Raoul said I joined a little bit less than a year ago, 20 years of experience across private markets in structuring, investing and fundraising roles. Prior to Bridgepoint and ECP. I spent eight years at Goldman Sachs where I was involved in a number of the flagship fundraises, but also involved in what I think was some of the more interesting product development areas, particularly for the Wealth Channel, which also included Goldman's first private equity fund that could be distributed to a true retail investor here in Europe.

And so Raoul, you asked the question on why Bridgepoint and ECP. My decision to join, at least personally, was both at the time and now in hindsight was an incredibly easy one. Bridgepoint and ECP as a merged firm is one of the best resourced and best built mid-market firms. And it has a huge amount of space ahead of it, not just in the wealth channels, but in so many different client channels.

Before we jump into Bridgepoint's approach to the wealth space, I think it's important just to note the size of the opportunity. And I appreciate that most of you in the room know this, but I think it's worth noting that 50%, or as Bain estimates, 50% of global AUM is held by individual investors, yet those same investors only account for about 16% of the [private assets] AUM. So what has changed and why are we so interested in it today?

So what has changed is the regulatory framework and the ability to deliver private markets exposure to individual investors has changed rapidly with a huge amount of product innovation. There is now an alphabet soup of products to choose from that enable a GP to distribute private equity or private markets to that individual investor. And importantly, we are now starting to see meaningful capital flows come into a new generation of purpose-built, evergreen open-ended vehicles.

And so if we now jump back to bridge point's approach and what is going to be our roadmap to success, we need to do three things. The first, we need to be very clear in our value proposition and brand narrative. We're very fortunate we have a differentiated position in the middle market. We have Bridgepoint local presence in Europe, and we have ECP’s rich, rich history in high growth energy transition. All of this together can make a super compelling opportunity for an individual investor. But further to this, we need to develop well-built products. We need to sequence development of these products and the cohorts of investors we go to. We need to very carefully measure where there is demand, where we can meet that demand and deploy our resources accordingly. And finally, we need to execute. So we've moved on to the what is our plan and what is it our go to market from a product perspective, the closed-end funds will always hold a key place in our engagement with wealth platforms, as we saw with ECP’s partnership with Morgan Stanley earlier this year.

But we expect as time goes on that it'll be predominantly multifamily, the multifamily office and ultra high net worth investors that stick with the traditional close end fund vehicles. Over time, we'll see the more high net worth, mass affluent and eventually retail investors will tend more and more to the open-ended evergreen structures. So this informs how we're approaching the market as we head into B eight and to e ECP six. We really want to widen the distribution of those closed-end funds to the wealth channels, but perhaps of most interest, this audience, after six months of research and development, we expect to soon be in market with our first product dedicated to the wealth space. So what is this product? We're going to be launching an open-ended evergreen private equity vehicle that will deliver our flagship equity strategies, Bridgepoint Europe, Bridgepoint Development Capital, and ECP to individual investors to bring this product to life.

We're able to draw on warehoused exposure to BE VII and ECP V to ensure that initial client flows can be deployed in a suitably seeded and diversified portfolio. After this initial ramp up phase, the open-ended fund will invest on a direct deal by deal basis alongside the respective close end fund. As you can see from the slide, this will build a portfolio that is diverse by strategy, number of positions, and by geography.

We expect to formally launch this product in Q1 2025 and hope to have a first close in Q2 2025. And we're optimistic this product can scale AUM from our existing businesses.

From a distribution perspective, I'm sorry, I went too quick there. From a distribution perspective, we're going to very much focus on the established and regulated banks. This includes both the global wealth platforms as well as the more regionally focused private banks. With these groups, we believe we can achieve scale effectively, leverage our existing IR team and ensures that we place our brand alongside equally trusted partners. Very fortunately, most of these prospective wealth clients are already well known to Bridgepoint and or ECP. Some of these groups have been investors in prior close end fund vintages and are now active in open-ended structures themselves. Whereas being other groups who may not have been investors previously, now see the open-ended structures as a great place to start a relationship with Bridgepoint and ECP.

Following the launch of our initial Lux[embourg] vehicle, which would be distributed to high net worth and mass affluent investors in Europe and Asia will then move to building a US onshore vehicle that can be distributed to individual investors in the US. And then as we continue to build the product technology, we'll expand to having open-ended credit products and open-ended yield products leveraging the wider bridge point and ECP brands. Oops. We're very confident that this sequence of products tends to our structural advantages, our firm's most established strategies at Bridgepoint and ECPs equity flagships in Europe. We can leverage our home market advantage and from a fundraising perspective then over time as we wide into the largest market being the US where we can also leverage ECPs local advantage, we can then move to the true retail market as and when that market matures.

We're still very much in the early stage of the build out of our wealth platform, but we have the key ingredients that we need. We have a differentiated mid-market offering that has clear shelf space alongside the existing offerings across both Bridgepoint and ECP. We have the investment teams and the IR teams that can scale and grow as we develop AUM. And importantly we have multiple product types, geographies and asset classes that we can ensure that we have multiple paths to growth in the wealth space similar to what we do on the institutional side. These are the core foundations that we need for success and I and we believe strongly that we have all these key foundational aspects.

Raoul Hughes, Chief Executive

Fantastic. I think we're all slightly apprehensive about how quickly it takes off both. If it goes too fast, can we deploy it and if it goes too slow it would be, although I think we are all excited about the initial product that David's developed and there's this opportunity, to have a seeded, which we've created a structure to do this, to have a seeded initial exposure across the European equity funds that we deployed together with energy transition. And we think from a retail it's quite differentiated and quite an interesting proposition and we think the relationships of the firm with the intermediaries, we are planning to build a B2B2C sales platform that will enable us to get access to this market without putting vast amounts of investment into our own sales force.

Early days, we're going to be launching it in the first half of next year. We're excited but we'll have to see how it goes.

Okay, so we're now going to move on and invite Ruth up to talk a bit about the finances of the firm and then we'll come back for questions after that. Ruth.

Ruth Prior, Group Chief Financial Officer

I am coming. Thank you Raoul. So we really now are on the home strait!

So I'm Ruth Prior, I'm the Bridgepoint CFO. I joined the company in September and so while I've met many of you, I look forward to continuing to meet many more of you today and actually over the next few months.

When I decided to take the job earlier in the year, a really big appeal was the level of ambition that was really clear during that interview process. And you've heard it directly today, 200 billion of AUM ambition within five to six years.

So we have our work cut out, but let me spend a little bit of time today on our: financial model how diversification fund size have driven performance and will continue to do so; the increasing value from PRE as Raoul’s touched on; how our listing and balance sheet supports growth; and then finally some capital allocation and medium term guidance.

Now our financial model is relatively simple but it can be lumpy. Lumpy because FRE steps up as we raise new equity and infrastructure funds over a three to five year cycle and PRE peaks as we exit assets and funds start to accrue carry, particularly during the catch-up period. Fee related earnings is the net of management fees which can be charged on committed or invested capital and operating expenses. Now three quarters of those operating expenses are people costs and they have a variable component of about 30% and currently all expenses are charged against FRE.

Performance related fees come in two forms. Co-invest and carried interest in terms of co-invest. The group invests typically between 2% and 3% into each fund and has been doing so for decades as Bridgepoint has been a corporate since inception. This means co-invest is broadly self-funding and self-sustaining and returns from it are recognised in line with fund valuations that balance sheet date, so it has a relatively smooth progression on carried interest. The plc share has varied historically with older funds, typically at low single digit percentages. This is set to rise over time by as much as in some funds up to 35%, which will deliver a material uplift in PRE when those funds start to accrue carry. I'm going to come back to this point in a moment. Carried interest is recognised when a fund reaches a point where we have a high degree of confidence in reaching the returns hurdle. And when we do this for the first time for a fund, there is a spike in carry called catch up carry which then normalises. So for carry there is timing uncertainty and it also has a peaked profile.

Now as a team we focus on EBITDA and EBITDA margin as the sustainable metric for this business. Why? Well, without the strong investment performance which drives PRE, the virtuous cycle of fundraising deployment and exits is weakened over fund cycles. So we must drive both FRE and PRE when we think about growth. We think about growing management fees and carry over time. And so it's only appropriate to think about our investment for growth and our expenses and margins across all income streams, not just one of them. And in terms of team alignment with that, carry and plc shares are held widely at Bridgepoint. Over 340 colleagues or 70% of the team are plc shareholders. 75% are exposed to carry. So I can assure you this is the strongest alignment between shareholders and management that I have ever seen and there are many, many animated conversations about our share price internally and how we improve it. So we are absolutely aligned with you.

So, if I can just move on to diversification and scale, you've heard a lot about that today. The shape of Bridgepoint has changed over the last seven years. In 2018 we partnered with our first external shareholder in dial to scale up credit in 2020 we acquired EQT credit in 21, the IPO allowed us to replenish the balance sheet with 300 million pounds of fresh equity and it gave us a listed currency. And earlier this year we completed the ECP transaction inorganic growth along with the diversification in our organic credit and equity strategies. And the increasing fund size has led AUM and management fees to grow at about 25% per annum on a compound basis against a market rate of nine to 10. And inorganic and organic growth are sort of equal participants in that growth.

So while we've achieved all of that, it is ultimately fund performance that underpins our business model. I'm therefore pleased to say that across our three verticals current funds are performing strongly. I'll take a little bit of time to explain the different ways of measuring fund performance using B five as the example gross mic. That is the multiple of invested capital shows that each Euro invested in fund has grown to a value of 2.3 Euros by the 30th of June this year TVPI - Total Value to Paid In is a similar measure, but after allowing for expenses and carried interest, and the DPI, the ratio of capital Distributed to Paid In tells us that of the 2.3 Euros of value at the fund level, investors have received 1 Euro 50 cents back for every 1 Euro they invested. And the difference of 0.8 represents fund assets which are yet to be realised and that of the impact of expenses and carry and then the equivalent internal rate of return on the 2.3 Euros or the annual growth rate compounded over the fund's life is 19%.

When comparing the performance of different funds in the market, there is data from firms such as Hamilton Lane, Cambridge Associates which sorts funds into quartiles. And as you can see here, all of our key funds whether BE, BDC or ECP are in the top quartile on a range of measures. And I'd also note that we hold valuations conservatively within our funds. Historically, a 35% step up in value has been achieved at an actual exit and in the 2024 year to date exits, the values achieved are 29% higher than fund value. So top fund performance clearly enhances PRE and underpins our ability to raise larger successor funds in each strategy and new capital for growth strategies, which clearly then grows FE.

So our management fees are stable, they're contracted locked in revenues and our current portfolio has a fee on average of 1.1% charged on funds with an average life of over nine years. And as we head into 25, we have visibility over around 85% of fee income from funds already raised and we've conservatively anticipate 20 billion Euros of funds to be raised by the end of ’26, which along with adjacent strategies within verticals will continue the low double digit organic FRE growth which we've achieved to date. And we also expect to get FRE margin up into the 40% area.

So we have strong fund performance growing and locked in FRE, but to achieve consistent PRE, we also need the ability to exit investments consistently over time. Luckily we do that too, in part because of our middle market positioning means we have multiple routes to exit and we're anticipating our best year from proceeds from exits: Dorna, Kyriba, Vitamin Well, Oris Dental and Care UK as you heard from Chris and Olivier earlier. Now as PRE is a mixture of co-invest and carry, which have a different return and complimentary timing profiles, a normalised level of PRE should be anticipated with catch up carry years as outliers and over the last seven years about 50% of our EBITDA has been generated from PRE.

So I'd like to talk about PRE potential. We anticipate this trend continuing even as a AUM grows, as the percentage carry applicable to the group increases. Actual fund performance generated PRE of about 340 million pounds from 2018 to the first half of this year. The impact of the increased plc share of carry and the increased co-investment is that PRE embedded in current vintages stands to grow 3.9 times if we achieve target performance. Now this is a material step up from historically reported earnings.

And within that carry is a percentage of PRE increases from 37% in the last few years to 58% in the next few years.

The increased proportion of carry accelerate shareholder exposure to future fund performance without the increased cost of the balance sheet investment which would be required to drive the same earnings from co-investment.

So to try and bring that to life, this slide we've pulled together that aims to help you understand the expected timing of PRE contributions fund by fund. The shaded bar showed the period when each fund is expected to be contributing co-invest while the black arrow indicates accruing carry and the dotted box indicates the catch-up period, we would therefore anticipate a reasonable step up in PRE from 2028

onwards as BE VII and BDC IV kick in. Just as a reminder, Bridgepoint group is currently exposed to 5% of carry share in BE VI and this rises to over 20% in BE VII.

So bringing all this together, our track record from 2018 to now is strong and this has been achieved against a backdrop of covid, an IPO, a significant change in macro environment and of course leadership succession. So total revenues 37% CAGR EBITDA margin up from 35% to 53% and PRE around 50% of EBITDA consistently. So a compelling and strong few years that we're now going to build on.

So looking forward … we're balance sheet light with low leverage, at the 30th of June we had 223 million pounds of cash and total liquidity of 573 million available for bolt-on acquisitions. In addition, we have a listed currency for any more substantial acquisitions, not for getting any capital which could be supported by a new partner. And our listed equity gives us an acquisition currency which is attractive as a route to liquidity for privately held businesses looking to become part of a larger group. And I think as part of the ECP transaction, we organised our corporate into an UP C structure that creates an attractive proposition for US acquisitions. And with the ECP transaction we have demonstrated how a combination of cash and equity can deliver a price and consideration acceptable to both sides while also delivering longer term alignment of interests through share lockups over time and incentives for the next generation.

Let me quickly talk about share and liquidity. Unlocking liquidity remains a key focus for us. At IPO a five-year lockup was agreed with 25% unlocked in July this year, next year and the remaining 50% in '26 and shares from ECP are released from '26 until '31, which will then broadly double the size of the free float. In July, 82 million shares were unlocked unlocking this first tranche of shares has taken the free float to 47% and resulted in increased index weightings. You'll have seen that in September a share placing was carefully undertaken by a group of shareholders, which has provided some further liquidity in the stock. I'd like you to note though that less than 20% of those unlocked shares were sold as part of the placing a testament to the strong belief our teams have in the future share price and you should expect further placings as shares unlock, which should again help to increase liquidity in the future.

Capital allocation for us is relatively straightforward. We support organic growth. You've heard a lot about that today. We co-invest in funds strategic M&A is on the agenda and capital distributions in the chart on the right hand side, you can see how our progressive dividend policy has resulted in a growing dividend per share each year with an additional return of capital via the share buyback in '23 and '24 when we felt strongly that our share price did not reflect underlying performance. Now as the share price continues to strengthen buybacks are unlikely, but the policy remains in place to March '25 at which point we will review this as part of our capital planning. Today, we feel that the balance between attractive growth opportunities for that capital versus buybacks has swung back to the former.

So our medium to long-term financial targets remain ambitious stretching and they build on the progress we've made over the last years. Our ambition is to grow AUM to around $200 billion within five to six years at the interims. We conservatively stated that 20 billion Euros of funds will be raised by the end of '26. We are comfortable this target could be reached if not exceeded with the current perimeter. Indeed, as you heard from Doug, the sector tailwinds for ECP VI are very strong and BDC has already closed around 2 billion with a further potential to get to 2.5 billion. I'll provide updated guidance on this at the year end results.

I have changed our margin target from FRE to EBITDA because I believe this is a more sustainable metric for this business. Earnings will be better quality and more valuable as a result of increasing diversification and this will require investment and focusing solely on hitting a high FRE margin at the expense of growth would be unwise. Having said that, the FRE margin is anticipated to be improved to in the forties percent.

So in terms of guidance, we expect our EBITDA margin to grow to a range of 55 to 60% by the end of this period, which was in line with industry peers. And lastly, we will continue to grow our dividend progressively. The guidance for ’24 and ’25 remains unchanged from the interims. Additional management fees from the stronger BDC V fundraise will be offset pound for pound by investment in platform capabilities necessary for growth.

And finally, just a little sort of colour around our thinking on M&A. So as Raoul said, we will seek out partnerships with other leading businesses with strong track records. We'll look to add new verticals or geographies that will drive scale and diversification. We want to add combinations that strengthen our competitive position, earnings quality and margin profile over time as well as being EBITDA and EPS accretive.

And we think that the Bridgepoint / ECP transaction is a great example of this. We've added 26 billion of AUM in a sector with strong, strong growth. We have an addition of 117 new LPs to the group, management fees of 55 million at half year, FRE margin across the group increasing from 40 to 42% and EBITDA margin increasing by 6.4 percentage points, 10% accretive to FRE per share and 14% accretive to earnings per share.

So to conclude, we have grown AUM 2.3 times since IPO and our ambition is to reach 200 billion dollars over the next five to six years or 2.5 times improvement. Fund growth – new sources of capital are underpinned by investment performance, which remains our core focus. And as a result of this focus over the last six years, PRE has on average contributed 50% of annual EBITDA as the level of carry for the plc increases we would expect to maintain this position even as AUM increases.

We anticipate our EBITDA margin will converge with the industry norm at 55 to 60%.

And finally, capital allocation will prioritise organic growth, co-investment in funds, M&A and a progressive dividend.

So hopefully that's given you a little better understanding of the financial model of how diversification has driven performance. Our listing and balance sheet will support further growth and how we think about capital allocation. And between this section and Raoul’s session on strategy, we've hopefully also built a much better picture for you around our vision strategy and delivery and therefore medium term guidance. And I think now is a good moment to go to Q&A.

I shall invite Raoul. Doug, who else?

Raoul Hughes, Chief Executive

So I think we are sort of going to go back to Q&A. Doug's going to join Ruth and I on stage, but feel free to ask questions about any bit of the day now I guess. And I think with the exception of Hamish who's actually run off to the airport, I think to get a flight to Tokyo to try and raise…

Doug Kimmelman, Founder and Senior Partner, ECP

To go get some money!

Raoul Hughes, Chief Executive

To try and get some money. Apart from Hamish, everybody else who's been on stage has is still around so if there's a question I can deflect to them then that'd be great! Who's going to go first? Bruce? Yeah, Bruce. Yeah, you've been waiting. Go on.

Bruce Hamilton, Morgan Stanley

Hi. Thanks. Maybe first one on the numbers and then one on the wealth opportunity on. So you've talked about, I know it's slightly illustrative, but the two and a half times AUM growth, you don't really talk about fee paying AUM, but I imagine given what you're saying about co-investment, it would be a little bit lower but directionally similar. Is that going to be the main difference just to check?

Raoul Hughes, Chief Executive

Yeah, I thought long and hard when we were preparing for this day I thought long and hard about how do I categorise the growth avenue for the organisation and the ambition and initially I shied away from giving an AUM number and I thought well actually everybody does and that's what the industry uses so I should hence the 200 is a nice round number, isn't it? So hence that one. I'd like you to take that away as being calibrating the scale of aspiration rather than a hard and fast number. And what we're really focused on in this group is continuing to grow the revenue and the EBITDA and the PRE and the FRE and the platform and we think the runway is likely to be such that we can grow the business to that sort of scale of AUM. I think there probably will be some element within that that is lower fee paying than historically.

I think if you do, we talked a lot about co-investment. I think co-investment is going to be a driver for how we cross-sell the products and bring in investors and encourage them to come across the wider platform. I think quite a bit of what you might think is co-invest is going to be Doug's SMAs which aren't going to pay. So we are focused much more on how are we going to grow the profit? Are we going to grow the revenue and get our FRE margin comfortably into the forties and our EBITDA margin into the 55 to sixties and the AUM M is going to sort of flow out of the back of that is the sort of way I think if it, rather than saying we're going to get to 200, how'd you break that down and how much of that is not really proper AUM? Because I think AUM is a bit, bit of a … it's a nice strap line but it's a slightly vague concept.

Our message we want you to take away from is we think the firm's in a good place and we've got multiple routes to keep on growing and I think we think there's real runway as you've hopefully gathered within the existing verticals that we've got, it's not going to be linear. We raised the right amount for each fund size cycle. The fund cycles in your case is concertinaed a bit because the be ones bang on schedule, we'll raise the right amount of capital but we think that in that sort of five to six year period, which we think of as the next couple of fund cycles within a sort of flagship fund, so probably the point at which we get to the back end of the investment period of BE VIII is the sort of that's five to six year timeframe isn't it? We think within it – using my bad proxy of AUM – the group can probably get the 73 billion to something a hundred twenty, a hundred twenty five, that sort of number.

If you add on some adjacencies and tuck in acquisitions and what you do in energy transit in your, you probably see it getting to a 150 type sort of number relatively easily. And then when it happens, I don’t know, but I really think there's a tremendous opportunity us to do another or two other ECP transactions. We think we're really a really attractive platform for people to want to come and join and I could easily see the extra 50 billion of AUM coming in that sort of way in a couple of transactions over that sort of time period. But I wouldn't want to get back into saying exactly this amount is coming in this way. I think there's multiple ways of getting there, but our key focus is getting the FRE margins into the forties, the EBITDA margin , we can go into why we're focusing on that if you want in a minute, but the EBITDA margin into the 55 to 60 and really driving the revenues.

Bruce Hamilton, Morgan Stanley

Yep, got it. Helpful. And then on the distribution opportunity, how should I think about the opportunity with institutional LPs today versus wealth and in five, six years, what proportion of your assets will be coming from wealth?

Raoul Hughes, Chief Executive

From wealth?

Bruce Hamilton, Morgan Stanley

Yes. And then OK then maybe linked to wealth in terms of the product you just so I've understood it, the product you're developing is a blend of ECP and the two PE funds?

Raoul Hughes, Chief Executive

Yes.

Bruce Hamilton, Morgan Stanley

Okay. What's the kind of return, I mean how much lower will the returns be then the flagship funds and how do you manage liquidity and that sort of thing?

Raoul Hughes, Chief Executive

Well let's do the first one first in terms of the relative scale, I think the wealth channel, if you take a 10 year view is really important and exciting. I suspect if you look at our A UM growth over the next five years, I'd hope we scale it quite nicely but it's not going to be comparable with Doug getting another a large SMA from an institutional investment.

Doug Kimmelman, Founder and Senior Partner, ECP

I mean there are some in the asset managed world saying throwing out numbers like 25% of their total has the potential to come from that. That's a big number. I dunno, we're going to quite get to that. And by the way, we already have a lot of high net worth. We're on Morgan Stanley's platform, we're on JP Morgan's platform, we're going to do more of those. So it comes in a lot of different shapes and sizes, but I think we can grow it pretty substantially. It's not going to be the lion's share but it's going to be very meaningful

Raoul Hughes, Chief Executive

And I think it's incremental, it's incremental focus. What we won't do is lose the focus on the core. That's what I was trying to get across earlier. We were not lose,

Doug Kimmelman, Founder and Senior Partner, ECP

We can do both.

Raoul Hughes, Chief Executive

We do both. We are very lucky as a combined organisation to have the LP relationships that we've had and it's through multi decades of relationships and work and delivery for those big investors and it's critical that we absolutely maintain the focus on doing that. We're not going to lose that and that's the

real key thing. And so I think there is a real wealth opportunity how quickly it scales, we'll find out, we'll probably tell you more about it next year and then the year after. I think it's really great but it's incremental to the real driver of driving the sort of institutional money.

Now David's around somewhere and he can answer your second question.

David Walsh, Managing Director, Private Wealth

So question on returns and you asked the question on portfolio construction or kind of the deal flow and they are intertwined. I think importantly we want this product to be judged against private equity returns and you've seen ECPs historical returns, they are near enough to private equity returns. There's been a 17% IRR for the last two vintages, so it doesn't create a drag on return. I think it's very additive, particularly from a lever to produce cash. So ECP typically has had at least a 10% cash yield over its life in its closed-end funds. And so when you do the portfolio construction of the open-end funds, it's very different compared to the portfolio construction of a closed end fund. You've got two variables which are hard to control. You have client inflows and client outflows and you have investment exits and the new deployment of capital.

So you're constantly balancing those things and so to build those portfolios correctly, you need to have as many levers to generate cash as possible and you also want to have as much deal velocity so you can deploy new capital but as much deal velocity. So you've got pretty consistent exits again as another way to generate cash. But very importantly there, there's some art form to constructing those portfolios because you are balancing those sort of unknown variables but there's also a lot more science as well. And one of the first hires we've made, and it's a person who's currently on gardening leave at the moment, is to be a dedicated portfolio manager for these products because that I think when we speak to our peers who've built these products, balancing your aspirations to take on more capital but also to deploy that capital in a way that gives everyone near term diversified seeded exposure and being able to scale it is one of the biggest challenges. And so even before we start to really engage with clients, we wanted to make sure we had real adults managing these portfolios as well.

Raoul Hughes, Chief Executive

I think the reason we think it's a really interesting product apart from the middle market private equity plus what Doug's team are doing is differentiated. So it is by definition differentiated product, but it is partly the fact that it will be seeded from day one and it will be seeded from assets that are in BE VII and ECP V. So these are partly mature funds and we deliberately put some warehouse capital off our balance sheet into those funds to able to do this. So when the investors start coming in, you're actually got some seeded value sitting there already, which is going to help that flow of cash because those things will exit a bit quicker and makes it quite attractive. And then the mix of mid-market private equity with our target returns together with the infrastructure target returns, which are, as you said, they're value added returns. These are not the single digits, these are high teens returns but with a decent chunk of those returns coming through running yield gives a really interesting investible mix for that sort of channel. But how quickly it sells, we'll see.

Unknown speaker:

First of all, maybe Ruth, a quick one for you. Average revenue margin, do you expect that to stay around that 1.1 mark? Presumably that's excluding co-investments?

Ruth Prior, Group Chief Financial Officer

Yes we do because I think we see particularly in Doug's world that there are some opportunities where fees will be higher. So actually yes, we do feel that as a portfolio will be around there.

Unknown speaker:

Okay, makes sense. Thanks. And then the second one, maybe more for Andrew on the credit space, just interested to hear a bit more about the competitive dynamics. So Walden's wife at the moment seems to want to enter this space in particular on probably CLOs so you even get traditional asset managers wanting to enter that and then also are banks fighting back and pushing away.

Raoul Hughes, Chief Executive

I'll let him answer both of those. He's behind you banks

Andrew Konopelski, Managing Partner, Credit

So is the question on competition specific to CLOs or no?

Unknown speaker:

Probably I guess

Andrew Konopelski, Managing Partner, Credit

There's always competition in credit. I think the interesting aspect of Europe is it's less competitive than the US I would say as a rule. I mean you get some, I'm going to steal a term somebody gave me earlier, 'tourists' that kind of come in from the other side of the Atlantic occasionally, but if you look at the core European players, I'm thinking direct lending here, they're getting larger, they've got a local footprint, you have to have a team that's built to be able to get into those local markets. You use any advantage you can, which is why we benefit greatly from our setup as a firm. So I don't see many more players coming in because it's quite difficult to start and scale from zero. So the number of players is fairly fixed. You always have some competition CLOs, there's a lot of players. I mean a lot of people issue their first or second CLOs career whether they're tourists as well, but it's a big market and it's getting larger in Europe.

I think we've troubled since the GFC type size so there's plenty of space so it's not, so while there is, we don't worry about it too much on that side. There's plenty of space to invest if you have the capital someone to use a C base, yes, it's terrible, it's lower margin and it's quite difficult to convince somebody that as a CLO manager you're going to be great in direct lending or credit opportunities or anything that pays more than Euro or plus three point a half percent. It's just a complete, the challenge of CLOs actually has more to do with managing complexity. You have a small team that manages 200 credits, so it's a lot about data, it's a lot about data mining, it's a lot about organisation using the tools available to you and then you wrap around that some senior decision makers, but it's very different than going out into the wilds of France and looking for 200 million Euro deals.

Adam Key, Head of Shareholder Relations

Great. Let's go to Nick, please.

Raoul Hughes, Chief Executive

Where are we?

Ruth Prior, Group Chief Financial Officer

One question this time!

Nicholas Herman, Citi

You'll like two C, I've got loads, I'm going to limit myself. So just quickly on Evergreens look, given the illiquidity of the assets, I'm just curious, would you be able to do the same construct without ECP, which I know kicks off a lot of distributions and liquidity, is that an essential part for you? Without that you wouldn't really be able to do it. That's the first one. And then on costs you've hired one on wealth, you've hired one portfolio manager, presumably there might be other hires as well. I guess you're going to be investing in distribution and so on.

Raoul Hughes, Chief Executive

Yes.

Nicholas Herman, Citi

But at the same time I think you referenced cost efficiencies, but I don't think you provided any detail on that. So could you please provide detail there, where does it coming from and then on a net basis, where does that work out in terms of cost inflation that underpins the 40% FRE margin or 55 to 56% EBITDA but down margin? Well, so

Raoul Hughes, Chief Executive

Can I answer the first question first: yes. So the next question because I think the ECP / Bridgepoint coming together is what's created what we think is a really interesting investible proposition

Doug Kimmelman, Founder and Senior Partner, ECP

And there's another product that ECP is doing independently our own evergreen yield product, which is going to be dominated by long dated contract renewables. And we're right now putting together multiple seed institutions because when you go out to the wealth platforms, they want to see a portfolio that is already seeded with assets and they buy into a seeded portfolio and then we grow it from there as the wealth comes in. So that is moving along pretty rapidly.

Raoul Hughes, Chief Executive

I think evergreen, that whole conundrum about an evergreen private equity fund is tricky, isn't it? Because the private equity funds are by nature, nature are liquid and I think this mix gives us the opportunity and the seeding of the initial starting point has given us the opportunity to create something that is quite interesting and avoids the issues of the J curve in a conventional private equity product would be and the lack of liquidity. And it is an interesting mix and I think the other way of doing it, you'd co-mingle a credit fund with a private equity fund to try and create the liquidity, but that doesn't really work from a return perspective because the return aspirations are just so different and it's much harder I think to try and sell that to a high net worth channel. What we're doing here is we're using the added value infrastructure as a way of creating the yield and the warehousing as a way of getting it really up and running well and seeded to enable people to come into the higher return opportunity. I think it's really quite … we've got to launch it and it's got to work and we don't really know how well take ups going to be yet, but it is, it’s really exciting. Do you want to answer the margin question?

Ruth Prior, Group Chief Financial Officer

Yes, certainly. Look, we need to improve our margins, particularly our FRE margins and they'll probably come from three places. First of all as we scale and the equity check size for the PE business, I think Chris was alluding to this, he's already managed to be quite a lot more efficient in be six and he will be in seven and he will be in eight. Okay. I think also as you grow there's always inefficiencies and you need to take a moment to actually look at what you've got and we will be, so we're looking at how we've grown to date and looking for efficiencies there and there are some, I think the other big thing that we will be looking at is automation, particularly around the back office and I think there's quite a big efficiency drive that we can have there, so we're pretty confident we will get to that FRE margin improvement.

Nicholas Herman, Citi

And I'm just going to push you here. Are you talking about here a mid single digit cost inflation number and I guess how do you conceptualise this? Because it looks like if I look at across the industry or certainly the peers that I cover, they're tracking cost inflation that's notably higher than that. So there is a real push investment growth investment going across the sector. How do you feel that that's enough to not be left behind?

Raoul Hughes, Chief Executive

Yeah, well I think there's two ways of looking at it if I can jump in.

The first one is the investment side of the business and yet you have to have the right number of people to deploy the capital well and the really good people, you have to pay them the right amount. So I suspect the industry will continue to find cost pressures and salary pressures across the investing side of the business and I don't think we are not going to assume that we are assuming that in our sort of models, but as we raise incremental funds, we are the point of we are at an element of inflexion in both the ability to deploy capital within the equity businesses without continuing to put more and more people in which will naturally drive margins. And we're at the size of scale that post the IPO, we have been building the support functions and we've probably suffered a bit of diseconomies of scale as the size of the funds and the growth of the platform gets to a point it is, and I think we're now in the place post the ECP transaction where we will absolutely be taking a cold look at that sort of cost structure and working out how we now drive the efficiencies back out of it as we continue to scale.

And there is a definite moment. If you were a small single product fund with a few people investing it a while ago, you could have got away with hardly any sort of support costs. Everybody mucks in, everybody does it. You reach a certain level of growth where you have to professionalise and we've been doing that for a number of years and through the last three cycles I suspect we've probably been moving through the curve of that inefficiency and we're now coming out the far side of it and now is the time to really drive it and Ruth's real champion of automation. So that's going to be a critical bit of the next phase.

Ruth Prior, Group Chief Financial Officer

And it also comes back to why I think EBITDA is the measure that I prefer to FRE margin because you should never cut for cutting's sake. You should be investing in those people who can drive investment performance. So for me, you know, I look at the balance but there will definitely be efficiencies so that we can invest in the capital raising platform that we need to do. So, we'll be doing that over the next 18 to 24 months.

Adam Key, Head of Shareholder Relations

Nick, could you just pass that along to your left, to Tom?

Tom Mills, Jefferies

Thank you. Just on the M&A side, it sounds like you are keen to do a secondaries deal if you can find the right thing, et cetera. Could you envisage layering in those secondaries capabilities into the private wealth offering to help with the liquidity side of things mean? Could you put that into the initial product that you are launching next year or that would be a separate product …

Raoul Hughes, Chief Executive

Well we don't have a secondary business at the moment so we'd struggle.

Tom Mills, Jefferies

No, I mean if it comes,

Raoul Hughes, Chief Executive

If we had one, yes. You could. Yeah,

Tom Mills, Jefferies

Fair. And just in terms of, I think you spoke a bit about continuation funds earlier and the flexibility that could bring within BE, say for a business like a Vitamin Well, if you decided that we could run this for longer and make more money and this would be we should run our winners, would you do that or would you be concerned that it looks like you're drifting or trying to drift up into the bigger space?

Raoul Hughes, Chief Executive

Do you want to pass the microphone too to your left and Chris can answer that?

Chris Busby, Managing Partner, Bridgepoint Europe

Yeah, so I think the short answer is we would do it. I mean we didn't do it in Vitamin Well because we were at an inflexion point with the asset actually we had a relationship with the founder. There was a lot of reasons to go to an external provider and we also rolled half a billion between the two funds. So I think that worked. But within our PE portfolio within both BDC and BE, we've got a number of assets that are obvious GP secondary opportunities and I think you will see us looking at that. So it wasn't about a negative for there, there was a particular reason why it worked for us on vitamin and well, but I think going forward it's something and we've looked at it before, there's been a couple of situations and we have done fund to fund transactions. We're very experienced in this. It's not a big part of our portfolio but I think the short version, I think continuation vehicles for certain GP assets within our portfolio, I think they're going to be an opportunity

Raoul Hughes, Chief Executive

And we can do it for assets that we know very well and we've owned a number of years maybe through a couple of fund cycles, even if they're larger than the conventional deal that we would do in a fund, we've got permission to do them, we know the asset we well, why wouldn't we want to by owning them. I think that's, and it's a good way of developing the business, I think that's absolutely fine. What we're not going to do is suddenly pivot our business so you'd be competing in an auction to buy a three

and a half billion asset. A Bridgepoint asset we've known for two or three … Kyriba is a really good example. We've just done this similar something in Kyriba. The EV was about $3 billion through that one. We're comfortable to do that because we've known the asset, we've grown with it and we're really confident about it. We wouldn't go and do something we didn't know, even if it's a space we knew very well 3 billion EV, but we've got the capacity and the permission to do that in things that we really know and it's all part of this why we feel so confident in the ability over time to continue to deploy greater amounts of capital, well not without leaving our middle market and nexus across the private equity platform.

Angeliki Bairaktari, JP Morgan

Thank you. A few questions in terms of the EBITDA margin, the upper end at 60%, is that in a year where PRE is very strong or under which circumstances should we expect to see that? Because I think if I look at consensus and my own estimates, we are okay close to the 55 but definitely not close to the 60.

Then in terms of the investor allocations, in one of the sessions earlier I heard a rather sort of bullish message in allocations continuing to grow and being areas within the world where investors are under allocated. What are LPs telling you today in terms of sort of allocation by sub-sector? Is there a preference for credit as opposed to PE or infra as opposed to PE, et cetera? And which geographies are you seeing growing the fastest? And one last question on M&A and credit, I mean you have acquired obviously the credit platform from EQT, it has made good progress but it's nowhere near some of the largest credit platforms, especially in the US and there is obviously continued news flow around m and a. So do you need to do a deal there to actually be able to play alongside the big guys when it comes to credit? Thank you.

Raoul Hughes, Chief Executive

Okay, Ruth

Ruth Prior, Group Chief Financial Officer

So getting to the upper end is towards the back end of this sort of five to six year period and yes of course if there's a catch up year as well it helps but we get there, we get there partly through scale and partly through catch up.

Raoul Hughes, Chief Executive

Do you want to touch up on LPs or would you like go first?

Doug Kimmelman, Founder and Senior Partner, ECP

Yeah, one come you kind of said where's the interest among LPs? I think the top of the list is infrastructure and credit is at the top of the list and large cap buyout is low on the list of just where the preferences are and there's a lot of regions of the world still a little bit new. Japan is an area somewhat new with a ways to go allocations. We opened into Tokyo office and brought in a person there. So there's pockets in Asia that just not there allocated and then the Middle East just the oil dollars are just flowing at incredible levels and so those sovereign wealth funds are getting just to incredible sizes and it's not just one country. You're spread the Emirates and Saudi and Qatar would be the big three Kuwait right after that. So there's a lot of places to go for that. I don't know if you had another part about the LP, does that answer it?

Raoul Hughes, Chief Executive

Yeah, I think there's still growth in private equity and there's still growth in the core investors. Even in the states they've been more capital constrained through the last cycle, but they're still need to invest and they're still growing. They're probably growing at a bit, their deployment is probably growing up, I dunno, high single digits rather than mid-teens, but it's still growing.

Doug Kimmelman, Founder and Senior Partner, ECP

Pension assets are growing. We look around the world though, places where you have younger populations, big focus all of a sudden for us is Mexico. They put in a new programme where 15% of salaries go into a pension plan, the average age is just under 30 in Mexico. So when you have a younger demographic, the dollars are going in, not coming out, need to be invested. So there's a lot of those pockets but I also made the comment that distribution seem to be starting to come back. So we're feeling a much better tone for ’25 than we did the last few years in terms of…

Raoul Hughes, Chief Executive

And having US specialists on east coast and west coast that the extra people in Asia is really paying dividends and we've signed up, he's, he's not walked in the door yet, but we've signed our first,

Doug Kimmelman, Founder and Senior Partner, ECP

I guess we can say we're opening an Abu Dhabi office,

Raoul Hughes, Chief Executive

We're opening an Abu Dhabi office.

Doug Kimmelman, Founder and Senior Partner, ECP

I think we may have just signed the lease today,

Raoul Hughes, Chief Executive

Possibly better, but I hope he turns up then we've recruited our first sales guy focus on is it going to be in market in region and go back. Historically we ran investor services and our fundraising out of London and we just flew everywhere.

Normally sort of snowy US states in the middle of winter, that was the best place to get money from them at the time, time beginning of winter. But it's made a huge difference having people actually on the ground focus on it. Maybe not in the relationship with the largest core investor because you will travel to see a big investor from everywhere, but it's the next tier down. It's the people who can write 20, 30, 40 million tickets. Unless you've got people on the ground, you just don't reach them, they're just not there. You can't get there enough to get the story out there that investments are you going to pay.

Doug Kimmelman, Founder and Senior Partner, ECP

I mean I'm a little silly with my travelling. I was in Japan 11 times last year and I've been running, I go to the Middle East twice a month so I go where the money is and it's competitive. But when you have a good product, but we needed some boots on the ground for those interim periods to help coordinate that. But we're very well positioned in those growth markets

Raoul Hughes, Chief Executive

And I think the credit one, you're right, US, US direct lend. So within credit, I think about scales of direct lending and us direct lending, you have to be really scale. Andrew touched upon this earlier, you have to have real scale strategically For us it's a, you've got to find targets but secondly and targets are the right culture but it's also a capital allocations debate and is the best place to put can we find a scaled enough direct lending credit platform in the states that is a justifiable use of our capital versus the other opportunities. That's ultimately what it comes down to. And if we can find a scale player that we can do and justify the capital allocations, I think it's a great place for us to go. It's a question of finding one and it being the right place to put the capital at that moment in time.

I think what we won't do in credit in the US is get sucked into a subscale direct lending presence in the United States. That doesn't work so it needs to be scaled. I think the credit platform in Europe, as Andrew said, it's quite different. We've got the platform, we've got the market position, we've got the depth of experience, we've got the symbiotic relationship with the equity business all around Europe. We are very well placed for that business and its deployment. It's a question of just continually raising incremental capital for a fund after fund for that within the direct lending business in Europe.

Okay, sorry, up above your right shoulder.

Arnaud Giblat, BNP Paribas

Just two very quick follow ups. How much capacity is seeded for your permanent vehicle? Permanent capital vehicle or sorry, private wealth vehicle. And the second question is, you talked about insurance, what sort of products are you targeting? I assume you're talking about the US insurance market there. Is it the ECP vehicles or anything else? Thanks.

Doug Kimmelman, Founder and Senior Partner, ECP

Yeah, I mean I'll answer the insurance market very focused on cash flowing type situations. So credit and infrastructure fits, very well. So I'd say it's an area, I view it as an opportunity. We're light in terms of insurance capital, especially at ECP light I think but light overall, so this is a high growth. A lot of other firms maybe a little more mature to it, so we're putting a lot of effort to it, but it is mostly US focused, those insurance companies, but I think we have products that fit.

Raoul Hughes, Chief Executive

And to answer your first question, fungible. I think probably a hundred / 150 million. We have a structure in ECP where it's been parked with an LP that we can call it back from and within BE there was a bit of money we left, we left, we deliberately left on the balance sheet to be able to do it. The combination is probably up to about 150 million.

Doug Kimmelman, Founder and Senior Partner, ECP

The seeding

Raoul Hughes, Chief Executive

Size as a seeding thing, but it depends on what and how it goes.

Doug Kimmelman, Founder and Senior Partner, ECP

Yeah, grow from there.

Raoul Hughes, Chief Executive

Yes, from there.

Raoul Hughes, Chief Executive

Okay. Well I think one more last one.

Owen McGiveron, Bank of America

Just on size of potential acquisitions for secondaries that seems more like bolt-on environment. If it was something like real estate, should we expect something more transformative, something like an ECP size deal or potentially even larger and then time horizons for these several years or how motivated I with these sorts of actions?

Raoul Hughes, Chief Executive

Thanks. Yeah. To answer both of the first two questions, I think it's a function of availability. If you think about the secondaries platform, it's likely to be a smaller starting platform. Either we're either going to find one in the relative short order that year or maybe 18 months or so. And if we haven't, we will find a way of starting it organically. I think it's an interesting place to be. We are pretty confident that we actually could scale it really well. I mean I think the GP led secondaries within the, I think the LP secondaries is one thing. GP led secondaries I think is a really interesting space and we've got great opportunities to do that and the skill that we've got in the business. I think just having GP led secondaries are difficult. You don't get the relationships with the wider investor base and stuff and the GPs that you get if you've got an LP secondaries business too. So there's a benefit in being in both of them. And if you can find the right partner, that's a great start.

If we haven't done that in 18 months, we'll probably need to think another way in. That's the second I suppose.

Real estate. Yeah, I think the issue there is finding a really interesting platform that is sufficiently added value that fits within the cohesion of the wider network. So it needs the whole nature of what we're trying to build as a business and finding it as defence enough scale. It is much more likely to be a standalone opportunity rather than it being the second we think we can cross sell across it and we can sort of add value to it. The second a real estate platform will be more separate. And so I think it needs to be something of sufficient scale that we can scale it sufficiently quickly to justify having it in the portfolio. So it probably would be because that's what we find. No, I would say one, I mean it's really interesting.

Doug said that after we announced our deal, he was spoken to called up by lots of people. We are constantly in dialogue with lots of people who are interested, like founders of a firm. So they're interested in our story, in the story. What could we do together? How might they fit? And the multiple conversations going on all the time and we've got to be a bit careful. We don't spend all the time having initial conversations with too many people. We are in a consolidating industry. There's a lot of conversations. We are a differentiated platform because of the scale relative to other people and that's really quite interesting to people. The result of that, you're having lots of dialogue,

Doug Kimmelman, Founder and Senior Partner, ECP

But we're patient and picky.

Raoul Hughes, Chief Executive

I'm patient, we’re picky. And it comes back to it's got to be a really good firm. We want what we can bring to any firm to be incremental, not substitutional. We don't want to bail out a firm that can't raise its own money. We'd rather what we bring to be incremental to their ability to continue to raise capital and we want to have, therefore they've got a good track record and culturally we've got to feel we can get on with them.

Doug Kimmelman, Founder and Senior Partner, ECP

I mean really the greatest, we have a great model in this deal and it's this model that causes this as we're talking to other people, one to compare it, but also because when there's a really good firm out there, they're probably talking to multiple folks and we think we can win those just based on what this platform [is], who we are and that we've done one, because it's not many private equity firms out there that have done scale combinations. So that sets us apart.

Raoul Hughes, Chief Executive

Yeah, when it happens, it'll happen. It'll happen in the five to six year timeframe. I'm pretty confident it's going to happen, but when it is, I can't handicap that.