Bridgepoint

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PRESENTATION

Operator

Good day ladies and gentlemen, and welcome to Bridgepoint Group PLC's 2024 full year results. (Operator Instructions) please note that this call is being live streamed to a webcast for a wide audience and will be recorded. During the Q&A element of this morning's call, if you wish to ask a question, we ask that you please use the raise hand function at the bottom of your Zoom screen. If you already have a question, please do this now, ready for when Q&A begins.

I would now like to hand the call over to Raoul Hughes, CEO, to open the presentation.

Raoul Hughes ***Bridgepoint Group plc - CEO***

Good morning everyone and welcome to Bridgepoint's 2024 full year results. I'm Raoul, Bridgepoint's Chief Executive, and I'm delighted to be joined with me in the room this morning by Ruth Prior, our CFO.

I'm going to kick off this morning with a high-level snapshot of our performance before talking in a bit more detail about the broader positioning of our business. Ruth will then talk you through our financial performance and revised guidance in detail before we open to Q&A. I expect we'll probably be chatting for about half an hour.

I thought I'd start with the key message to take away today. Bridgepoint continues to perform strongly, and we are increasingly confident in the outlook for 2025 and perhaps more importantly, carrying this into the longer term. We are a more diversified and scaled group following the closing of the ECP transaction with a correspondingly higher quality of earnings.

Importantly, we expect to make further progress on our diversification journey over the next few years as part of our medium term strategy to grow to $200 billion of AUM. I'll talk more about this a bit later, but first let me turn directly to performance. In 2024, we maintained our deployment pace while retaining necessary investment discipline with our funds continuing to perform across the board.

We returned a record amount of capital, some EUR8.5 billion to our fund investors, no mean feat given the broader market trends. And we made strong progress towards our fundraising target of EUR20 billion by the end of '26. And that's why we're now raising the expectation of EUR24 billion today.

To that end, our SMID cap private equity strategy will shortly close BDC V at its hard cap of EUR2.8 billion against a cover number of EUR2 billion. Perhaps more a knockout performance than a new extrapolatable trend, but an impressive demonstration nonetheless of investor interest in the Bridgepoint brand.

Overall, we're in a position where the core drivers of long-term value are in place, which has given us increased confidence about our growth ambitions.

Turning to further detail on performance. Consistent with previous presentations, we're showing our 24 numbers, including a full 12 month contribution from ECP. We've helpfully coloured it blue for clarity.

Our private equity and credit businesses continue to grow and perform strongly, and of course the inclusion of ECP drove a step change in scale compared to '23. AUM grew by 4% organically and stepped up by 69% including ECP. Management fee and other income grew 14% following successful flagship fundraises for Bridgeport Europe and ECP as well as increased invested capital in credit.

FRE grew by 16%. EBITDA increased by 7% organically and almost doubled to GBP292 million when ECP is included. Now I'm really pleased to say that despite 24 consensus EBITDA increasing by 19% during the course of last year, each of these measures is ahead of current consensus as well by further single digit percentages. AUM by 9%, and importantly FRE and EBITDA by 5% and 3%, respectively.

That's the headline for financials, but perhaps more importantly from a go forward perspective is the fact that the large group is now more diversified. This applies to the type and geographic location of fund investors, and it also applies to the diversity of investment strategies by vertical and geography.

But excitingly, there is more to come – further increase in sovereign wealth capital and indeed private wealth, or the building out of geographies in which our verticals operate, either side of the Atlantic and also perhaps further east.

On fundraising, 2024 was a strong year, with the completion of two flagships and a very successful fundraise for BDC. In total, we raised EUR8 billion with EUR6 billion towards the new increased target we've announced today of raising EUR24 billion for next cycle funds by the end of '26.

BDC V was notable for being raised quickly in a difficult market and became fee-paying in the second half of '24. BDL IV has already had a first close at 50% of the cover number. And we've ... and we have also closed our sixth, seventh, and as of last week, we've priced our eighth CLO, which brings total CLO AUM to over EUR3 billion.

This year, we've launched fundraising for ECP's next flagship fund and will also be raising a core plus Evergreen product that will initially attract institutional capital, indeed a 1 billion anchor investor agreed to join this week, before subsequently entering the wealth channel.

In credit, we will continue to fundraise for BDL IV, start to fundraise and invest BCO V and expect to price at least one further CLO.

Diversifying sources of capital beyond the institution LP investor base is a key opportunity, and we expect to hold an initial launch of our wealth product, which will be called Generations in the first half of this year. As a reminder, this will be an open-ended evergreen private equity vehicle that will deliver our flagship strategies to individual investors.

From a distribution perspective, we're going to focus on the established and regulated banks. This includes both the global wealth platforms as well as the more regionally focused private banks. We believe we can achieve scale effectively, leverage our existing IR team, and ensure that we place our brand alongside equally trusted partners.

Finally, next year, 2026, is expected to see BE VIII become fee paying from mid-year, with fundraising expected to complete in 2027, plus raising yet another further two CLOs.

So, I'd like to move on to ... I could spend a moment to chat about strategy. Our medium term target is to grow to around $200 billion of AUM organically and through M&A over the next five to six years. As you've no doubt heard me say before, I do feel AUM is a bit of a lazy proxy, and I'm focused, as indeed is Ruth, on growing revenues and profits. Indeed, I don't think all AUM is equal. As an as a value added alternative assets manager, I would hope that our AUM drives higher fees per dollar than some of our competitors.

As we look to grow, there are three things that we'll be looking to achieve.

Firstly, we expect the existing footprint to continue to grow as we diligently incrementally build the size of our current series of funds, ensuring we raise the right amount of capital for each product in each cycle, but also by diversifying our fund offerings within existing investment strategies, building on our strong positions in private equity, credit, and infrastructure. As I alluded to at the CMD in October, we are confident that this can deliver growth of around $50 billion of AUM.

Secondly, we'll look to accelerate this growth with targeted bolt on complementary M&A and team lifts. These will be in areas where we can gain additional expertise and exposure. New products within credit and sector specific expertise in private equity could be examples of this type of expansion.

Thirdly, we want to continue to build the business through platform enhancing acquisitions. The additions of Bridgeport Credit and ECP have been a success, integrated appropriately and have contributed materially to the group. We will look at similarly transformative M&A in the future. Acquisitions enable us to enter new asset classes and geographies at scale, enhance our market presence with greater AUM, increase the diversity of our income stream, as well as bringing additional expertise and new investors to the platform. It would accelerate the growth of the group, unlock opportunities to create material value for shareholders.

Such opportunities could be in additional verticals like real estate and or new geographies, where our existing verticals have less presence, be Asia, Europe, or indeed the United States. Such transactions are though binary and clearly dependent on culture, but I would be confident that over a five to six year period, Bridgepoint will be able to deliver circa $50 billion of AUM growth this way, while materially enhancing the quality of our earnings.

Now, I'd like to move on and talk to you through a couple of slides on each of our three existing verticals to bring out why we feel they are all really well positioned within their markets. And given the current excitement about all things electricity, let me start with added value infrastructure.

ECP is well positioned in both electricity and sustainability. Now there's been a lot of talk about AI and the impact on electricity demand, but in addition to this, the US electricity investment market is set to benefit from the need for new generation capacity to replace coal-fired and older nuclear plants, as well as from demand growth from the re onshoring of manufacturing, the electrification of transportation, the development of crypto markets, and obviously the construction of AI data centers. The strategic partnership with KKR to invest in data centers is a powerful endorsement of ECP's expertise in a complex and regulated market where navigating the permitting and grid connections needed to bring new generation for AI data centers online is a valuable and very rare skill set.

Now, I wanted to spend a moment on Calpine as an example of ECP's ability to buy well, optimize operations, and then sell well. While technically not a 2024 event and is still subject to regulatory approvals, the sale to Constellation Energy is a great example of the kind of transaction that ECP does really well. It was ECB's largest ever investment back in 2017 and will result in our largest ever exit. And indeed one of our industry's largest ever exits. On completion, the consideration will be split between cash and constellation shares, retaining exposure to the US electricity generation sector until the shares are sold. The timing of the sale announcement has the added benefit of delivering material returns to fund investors ahead of the ECP VI fundraising, which is always a good thing.

Now turning to our credit business, we have continued momentum in a key fundraising year for the strategy across direct lending, credit opportunities and CLOs. BDL III continues to perform well. With direct lending, net leverage currently at 5.8 times EBITDA. Importantly, by maintaining good interest cover at 1.9 times and low loan to value at 35%, there is plenty of cash and equity value buffer if needed. The portfolio is well diversified across our target sectors and geography, collectively meaning that we have a low level of what we call watch lists credits, and fingers crossed, I'll expect to be able to continue to report that the strategy has zero realised losses going forward.

A quick word now also on our CLO business, which has been a real success story for the firm. We launched the strategy organically in 2020 and continued to print two CLOs each year, the most recent being CLOs 8, which, as I said, was priced last week. But I also wanted to highlight a really impressive event earlier this year, which further demonstrated the success of the strategy with the upsizing and refinancing of CLO IV. The size has increased from EUR320 million to EUR450 million against a backdrop of strong demand from new and existing investors. Additionally, the reinvestment period is extended to 2029, and the cost of capital lowered to market leading levels. A demonstration of the low risk of the portfolio and I'd like to say, quality of the manager. As a result, we will be able to charge fees for longer and our equity return will be enhanced.

Now, finally, turning to private equity. It's worth recapping how we drive returns in private equity through a combination of selecting assets which meet our gatekeeping criteria and then creating value while in our ownership. In addition to our focus on specific niches, we look for companies operating in Europe, which have high revenue visibility, high EBITDA margins, and strong cash conversion.

We then look to create value through various combinations of driving international expansion, taking a national champion and expanding it across Europe and or into the US to build more global revenue streams, buy and build programs, especially in fragmented markets, and helping companies move up to the next level in terms of operational excellence, or sometimes repositioning a company to address new opportunities.

Having bought well and added value, we're then able to sell well, often to US businesses, and generate attractive returns for our investors.

On the subject of the US, there's been a lot of talk about tariffs recently. As you'd expect, we've done some analysis on the potential impact of tariffs on our equity portfolio, and I'm pleased to report that we'd expect any impact to be relatively limited given the general structure of our portfolio operations in the United States. The United States is an important market for us, but our portfolio sales generally don't come from imports, and our portfolio companies with the most material sales, the two of them really, Meristem, which is in agtech and Balt in Medtech, have both have domestic US production facilities.

We are stock pickers rather than macro market investors. We continue to benefit from investing in select niches within high growth sectors in Europe. While European GDP has lagged other regions for many years, the overall market growth in our four chosen sectors is well ahead of the European GDP growth of between 6% and 11%. And the growth in the specific niches we invest in within each of these sectors is higher still, at between 12% and 38%, with an average in the low-20's. These growth niches underpin the returns which we were able to achieve in the middle market, as demonstrated by the realised returns for each sector.

Now a case study, Vitamin Well is a great example of how we create value. We first invested in 2016 following an off-market process by our BDC team in Stockholm, and it reinvested via our flagship in 2021. It started as a successful functional food and beverage business in the Nordic region. The capital we invested over the last eight years supported geographic expansion across Europe and then into the US, which grew to account for around 30% of group revenues last year. We also supported new product development and category expansion to increase the addressable market. And lastly, we reinforced the management team significantly and helped implement new structures, systems and processes to support and sustain the company's growth.

Since we first invested, the business has seen revenue increase by a factor of 14. And as you can see from the slide, following the sale of a controlling interest last year, we've been able to deliver an extraordinary return of capital to our investors.

So, to put it all together, ECP is a leading investor in North America across energy transition, electrification and decarbonisation, with significant tailwinds remaining in those sectors following the change of administration in the United States. In credit, we have a strong European platform, our portfolio metrics remain favorable, and our funds remain on track to deliver target returns for fund investors. Our private equity business occupies an in-demand part of the market due to us investing in growing middle market companies in select niches, which have a track record of delivering consistently strong performance through cycles.

And with all that, I'll hand you over to Ruth.

Ruth Prior *Partner, Chief Financial Officer - Bridgepoint Group plc*

Good morning. I will take you through our financial performance in 2024 and then update you on guidance for '25. I'll present underlying results for the group as a whole, assuming ECP have been in the group for 12 months, as well as show you the the organic performance of the business without its inclusion.

Including the impact of both organic growth and the contribution from ECP, EBITDA almost doubled in 2024, increasing by 96%. And EBITDA margin increased by 8% points to 54%, the first time it has exceeded 50%. This is a great sign of the increasing strength and trajectory of the group.

Successful fundraising from the previous cycle has locked in near term FRE and driven organic FRE growth of 16%. And following a year of record capital returns to funding investors across all strategies, we are upgrading our guidance for fundraising in the current cycle and now expect to raise EUR24 billion starting from mid '24 to the end of '26.

My summary for '24 is the combination with ECP has increased our scale and diversification and increased our quality of earnings, and combined with our strength across deployments, exits, and fund performance gives us confidence to increase our fundraising guidance. Assets under management now stand at $75.6 billion.

Over the last 12 months, we have raised a total of EUR5.7 billion across BE VII, BDC V, Direct Lending III, Credit Opportunities IV, and CLOs 6 & 7, as well as delivering EUR4.6 billion of divestments. Valuation gains in our funds added a further EUR3.2 billion. Consequently, including ECP, AUM finished 80% ahead of the prior year, noting that the difference between the growth percentages in dollars and in euros is due to FX.

Turning to fee paying AUM, in the last year we raised EUR3.4 billion and deployed EUR2.3 billion of new fee paying capital across our credit strategies. Set against this, reductions in fee paying assets from the sale of investments and return of capital total EUR3.6 billion. Again, including ECP's EUR10.6 billion of fee paying capital, fee paying AUM increase by 49% to EUR38.7 billion.

Putting our 2024 performance into our longer term track record shows continuous improvement, with an EBITDA of 38% since 2018. The EBITDA margin has increased from 30% to 54%, well on track to meet the target of 55 to 60%, which we set at the CMD last year. So a compelling and strong few years that we will continue to build on.

Moving to the specifics of 2024 deployment, exits and fund performance.

We've enjoyed strong deployment across all investment strategies last year. BE VII has committed 64% of its capital across 13 investments. 11 of these have been off-market or bilateral processes, drawing on our network of sector teams and local offices to identify and convert opportunities. Recent investments include Esker, a leading global provider of AI powered automation solutions for offices of the CFO based in Lyon, Schuberg Philis, a managed IT service provider for mission critical applications across large organizations based in the Netherlands, and Samy Alliance, a social first digital marketing group based in Madrid, where having taken a minority position in '23, we've now become the majority shareholder.

BDC V is already 11% deployed, having bought two platform companies with the tape private of Eckoh, a global provider of customer engagement data security solutions, and Argon, a global consultancy focused on industrialization and supply chain excellence.

In infrastructure, ECP V is now 66% deployed, with ECP V expected to become fee paying in mid '25 once ECP V is over 75% deployed.

Bridgepoint Credit has continued to deploy well, with EUR1.9 billion deployed across direct lending, credit opportunities and CLOs. And lastly, with BDL III now 88% committed, fundraising has started for BDL VI.

As well as strong deployment, we have returned funds to our investors well. '24 was a record year for capital returns, better even than 2019 and 2022, the previous high water marks. Private equity and credit combined returned EUR4.7 billion to fund investors, while ECP returned EUR3.8 billion for a total of EUR8.5 billion. These material returns of capital clearly position us well as we embark on the next cycle of fundraisings in BE and ECP. Notable exits in the year included Kariba, Care UK, Vitamin Well, and Oriental, plus the agreement to exit Calpine, which continues with dividends until a full exit. And to note the Dorna and Calpine transactions remain subject to regulatory approval and are not included in these figures. Dorna would add a further EUR1 billion and Calpine $1.4 billion. And as we reach the end of the first quarter, we have good visibility over the exit pipeline for 2025.

Ultimately fund performance underpins our business model. Across our three verticals, funds continue to perform strongly. All of our flagship funds are in the top quartile on a range of measures.

Valuation uplifts in our funds were trading driven, with 83% of unrealised valuation, multiples either flat or reduced over that period. Which really does underscore the strength of the earnings performance within our portfolio. Thinking about valuation, it is also worth remembering that historically a 35% step up in value has been achieved at an actual exit, and in 2024, the values achieved were 29% higher than the latest fund values. And as Raoul has outlined, we are well placed to continue this performance in 2025.

Our management fees are stable. They're contracted locked in revenues, and our current portfolio has an average fee of 1.17%, charged on funds with an average life of over night years, and we currently have visibility of about 85% of fee income in 2025 from funds that we've already raised.

Total management fees and other income increased by 14% organically, and 52% year on year if you include ECP. I've just talked about exits, record capital returns and strong fund performance and this translated into a 150% increase in

PRE. Having said that, organic PRE declined slightly year on year, given that some transactions agreed in 2024 had not closed by year end.

But PRE as a percentage of total income at 26% was slightly better than our guidance of circa 25%. Looking ahead, there is a material increase in PRE to come over the next cycle. Driven by an increasing share of carry coming to the PLC and a greater quantum of co-investment in our newer funds. As an example, has carried for BE VI is 7%, and for BE VII is 23%. And fund sizes are increasing, so you're getting a higher percentage of a larger number.

These charts show that between 2018 and 2024, we invested GBP0.7 billion into co-investment in the funds outlined, recognized GBP0.4 billion of gains in the P&L, and received GBP0.6 billion in cash distributions. From this year to 2031, and assuming the funds, which we've already raised and which are listed on the right hand side, achieve their market, their target returns, the equivalent figures would be a further GBP0.2 billion of co-investment. Another GBP1.2 billion recognized in the P&L and a further GBP1.8 billion received in cash on top of the cash already received.

Now capital allocation for us is relatively straightforward. To recap what we said at the CMD, we support organic growth, we co-invest in funds, M&A is on the agenda, and then there are capital distributions.

In the chart on the right right hand side, you can see how our progressive dividend policy has resulted in a growing dividend per share each year, and in the table below you can see the aggregate amount of capital return to shareholders by the dividends as well as via the share buybacks in '23 and '24.

When the current programme expires at the end of the month, we are not proposing to extend it. Today, we feel that the balance between attractive growth opportunities for that capital versus buybacks has swung back to the former. And finally, let me talk you through guidance, including the upgrade to our expectations for fundraising.

Last year we guided that EUR20 billion of funds would be raised by the end of 2026 for the next cycle funds. Today, we have increased that number and our expectation is now that we will raise EUR24 billion by the end of 2026. That will be split roughly evenly between strategies, with perhaps a little less in credit than private equity and infrastructure.

While we expect BE VIII to become fee paying in mid '26, we expect fundraising for it to continue into 2027, so the full amount will not count towards the EUR24 billion target.

To support that growth, continued investment in the platform capabilities necessary for growth will result in expenses growing at a high single digit percentage each year.

We continue to expect PRE to be a 25% of total income across 2025 and 2026. And as always, this is a matter of timing, and there are exits which may fall into Q4 of this year or Q1 next year, notably Calpine, as well as the timing of carry recognition of BE VI.

In 2025, as in previous years, we currently expect PRE to be weighted approximately two-thirds to the second half.

We expect our EBITDA margin to be in the range of 52% to 55% in '25 and '26 before increasing to 55% to 60% in line with industry peers by the time we've reached $200 billion of AUM.

And with that, let me hand you back to Raoul, before taking Q&A.

Raoul Hughes *Bridgepoint Group plc - CEO*

Fantastic, thank you very much, Ruth. So to conclude. You've heard that we are a more diversified and scaled group following the closing of the ECP transaction. Bridgepoint Group performed really strongly in '24, delivering financial results ahead of market expectations.

It was a strong year across deployment and fund performance, and importantly, we saw record capital returns ahead of the next cycle of fundraising, which has allowed us to increase our fundraising target today.

And we're confident in delivering on the organic and inorganic opportunities to realise our growth ambitions. So overall, we find ourselves in a position where the core drivers of long-term value are all positive, and we are increasingly confident in our ability to increase AUM to over $200 billion over the next few years.

And with that, I'll now hand you back to Sophie, who can talk you through the process of asking questions. Thank you very much.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions)

Angeliki Bairaktari, JP Morgan.

Angeliki Bairaktari *J P Morgan - Analyst*

Good morning and thank you for taking my questions. Just like a few questions from me, please. Firstly, in terms of the credit fee paying AUM, those grew a little bit slower than I expected. Can you talk about the deployment and realisation dynamics you are seeing at the moment, in credit?

And second question, thank you very much for the detail on the Evergreen products, both on the ECP product and also the Bridgepoint product you are planning to launch. Can you remind us what will be the management fee margin, that you will be earning at the, on this ECP Evergreen and also your Evergreen.

And last question with regards to the EBITDA margin guidance, now at 52% to 55% for 2025, 2026, you still guide for high single digit growth in expenses per annum. Consensus seems to assume around 6% higher costs and flattish revenues for 2025. So I was wondering if you can give us some colour, is the upside for the margin expected to come from higher management fees or higher performance fees this year? Thank you.

Raoul Hughes *Bridgepoint Group plc - CEO*

Okay, thank you very much, Ruth, do you … shall I take the last first?

Ruth Prior *Partner, Chief Financial Officer - Bridgepoint Group plc*

So the EBITDA margin is being driven, Angeliki, by better FRE and PRE and actually the costs are guided to high single digit because we need to invest in growth.

Raoul Hughes *Bridgepoint Group plc - CEO*

Evergreen – this is going to be reverse order – evergreen products.

I would think you're probably being reasonably conservative and assuming circa 100 basis points sort of thing, average across the piece. I think some will … I suspect the Generations will be a bit higher, and I would imagine the the the core plus infrastructure Evergreen will end up being a little bit lower.

But broadly that's a reasonable sort of proxy. I mean, they are new products for us and so we will, this will evolve as we as we build the capital within them, credit fee paying AUM.

Ruth Prior *Partner, Chief Financial Officer - Bridgepoint Group plc*

So I think, consensus probably wasn't quite where it needed to be, because actually we think credit is doing remarkably well at the moment, as you discussed.

Raoul Hughes *Bridgepoint Group plc - CEO*

Yeah. So I mean credit, I mean I think they, they are deploying reasonable amounts of capital across the the products and as you'd expect there's a, it's from a wider market perspective, the credit deployment and redemption is really a function of market activity. You stand here in sort of Q1, '25, I think our feeling is that there is greater levels of market activity.

We're certainly looking at our equity perspective, we're definitely finding more opportunities to deploy capital than we probably were 18 months ago, and I think that there is a sense that the market is opening up a bit. Is the deal activity at anything like the levels it was a few years ago? Not yet, no. And I think that will be reflected in the nature of the credit business.

Angeliki Bairaktari *J P Morgan - Analyst*

And I, if I may just follow up. So on the evergreen products, can you clarify if any fundraising is part of the $24 billion 2024-'26 guidance?

Ruth Prior *Partner, Chief Financial Officer - Bridgepoint Group plc*

So the Evergreen in the ECP yes, it's part of it and for Generations, no, it's not.

Angeliki Bairaktari *J P Morgan - Analyst*

Okay. And on the credit and deployment and realisations, I'm asking the questions because what we have seen is that the broadly syndicated loan market is actually taking some market share from direct lending players over the past year. So I was wondering if that's something you're seeing or in the middle market you're a little bit more insulated from this trend.

Raoul Hughes *Bridgepoint Group plc - CEO*

I wouldn't, well, it's not a noticeable trend that we've, that we, we've seen in our business and our deployment within our credit team.

Angeliki Bairaktari *J P Morgan - Analyst*

Thank you.

Raoul Hughes *Bridgepoint Group plc - CEO*

We, we're just sort of, we're, we're one market participant and all we look at is is where our origination platform is generating opportunities for us. It's quite hard to sort of look at it from a total market perspective.

Angeliki Bairaktari *J P Morgan - Analyst*

Very clear. Thank you very much.

Operator

Nicholas Herman, Citi,

Nicholas Herman *Analyst - Citigroup*

Morning, Raul. Ruth, thank you for the update. Three questions for me, please. So excuse me, firstly, does the guidance on fundraising through the cycle include the continuation fund and SMA opportunities that you reference, or is that upside? And I guess, are these ECP specific or is that also private equity as well?

Secondly, on the KKR partnership, at the CMD obviously you didn't want to quantify that opportunity on the partnership as as it was, as you said, it was quite hard to quantify and the partnership had not yet been announced. That's obviously understandable. I guess with the benefit now of several months to work through that, do you have better visibility on how that partnership could shape out in future?

And then finally, just on ECP VI, you referenced, I think, a cover number of EUR5 billion, that's only – only inverted commas – a 14% uplift versus fund five. When you're building that fund and engaging with investors, can you just talk about appetite and I guess what … what leads you to such a small uplift in light of clearly strong strategy performance and strong exits like Calpine and so presumably you would see upside to that? And I guess as part of that, when would you expect to have a view on the ability to set a hard cap? Thank you.

Raoul Hughes *Bridgepoint Group plc - CEO*

Okay, so we'll try and answer all three of them together. I think they are joint because I think they all they all sort of come together, don't they really, as a three and so let me kick off and then Ruth will sort of, will come in.

I think the way we'd like people to think about fundraising is we've, we've, we have a sort of a whole raft of fundraising opportunities across the verticals and the products within the verticals, and we sit down and we think about how much capital are we aiming to try and raise for different strategies at different times over over the investment cycle and and look add it all up and think some of that will happen, some of it won't happen, some of it will be delayed, some of it we'll have to bring forward. When you look at it in the round, what sort of number do we feel as – well the two of us ultimately because we're sitting here, but the whole business – feel willing to say publicly is a number we're going to achieve. And when you look at, when we did that exercise, we felt that the opportunities to raise capital across the platform gave us real confidence in in saying to you guys today that $24 billion is a good number as opposed to the $20 billion we were guided in the past, based upon where we feel we are today.

If you try and break up the $24 billion, and as Ruth said in her presentation, we broadly think of it as roughly equal across the three verticals, although probably in reality the credit fundraisings because of the scale of our credit business relative to the others will be slightly lower than the other two. And that's the sort of guidance we we want to give you in terms of the fundraising rather than what is a specific number in any specific fund, is probably the way to look at it.

So what do we feel as a business as a team within the business, are we confident in telling you guys we will deliver for next generation funds in that time frame?

Now, what we're defining is capital that we will raise for next generation funds in '24, '25 and '26. At some point during the course of probably the next year, we will move that forward to '27 and other, other time frames, but that's the sort of time frame we're talking about and it's it it includes funds that we raise for the current, the current vintages, and those will either be the flagships and the core funds in our spaces, or indeed SMA's and things along the side of it, and one thing I think there's evidence of, particularly in the credit world, but it's, I think it is coming towards infrastructure and private equity anyway, is the old model of just raising a flagship fund and then raising another one is is changing and people will be raising different types of funds that will co-invest alongside each other through an investment sort of period.

So I wouldn't get too, I'm trying to, we're trying to guide you away from being too specific about where where the capital sits in either a a flagship fund or an SMA or something alongside it and think about it in its totality. It, it's the number that we are forecasting to raise during that period.

If you think about the timing of the next flagship equity fund, BE VIII, our expectation is we said that we will start raising that fund probably after the summer. There's a, we've started the pre-marketing. There's a lot of people going around the world talking to and the initial conversations with investors about appetites and thinking.

And as we shape the strategy, but we will be launching that probably after the summer. We'd anticipate it it moves into fee paying mode from sort of halfway through next year. But the reality of a fundraising cycle is that we will not have finished that fundraising until 2027. And so a proportion of that fund will. Sit outside the $24 billion that we're talking about today because it won't be raised in the time frame.

Ruth Prior *Partner, Chief Financial Officer - Bridgepoint Group plc*

And then sort of your question specifically about ECP and I think it was the KKR partnership co-investment SMAs. I think at the moment we would say that most of that is not in the 24 [billion target] as Raoul just described, we're looking at an overall picture. And I would say that we are still looking at the opportunities there, and we will guide further as we think fit during the year or into next year. And then in terms of ECP VI, the cover number is five. Do you want to talk about cover numbers?

Raoul Hughes *Bridgepoint Group plc - CEO*

Yeah, so we've sort of, the the the cover number obviously is the number that you put on the cover of a PPM [private placement memorandum]. We're describing it as a cover number as opposed to how people might have interpreted these in the past as targets, and that's because we don't necessarily see the number that goes on the cover of a book as the target that we're aiming to raise, as we've said consistently over time, our intention is always to raise the right amount of capital for a fund through a fund cycle and ultimately how much you raise will depend upon, obviously it will depend upon the demand, but it also depends on a sense of how well you feel you can deploy it through that period of time. And so a cover number, I would not take it for, I ask you not to take [it] as being a hard and fast view that we would have about how much capital will be raised. It's a number that happens to go on the book.

Ruth Prior *Partner, Chief Financial Officer - Bridgepoint Group plc*

And as an example, BDC V had a cover number of two, and we've just closed that at EUR2.8 billion. To give sort of an example --

Raoul Hughes *Bridgepoint Group plc - CEO*

But, then other funds that you have a cover number which is where you decide you're going to stop. But I think if --

Ruth Prior *Partner, Chief Financial Officer - Bridgepoint Group plc*

Yeah, if Doug was here, he'd say that's the start of the conversation, for ECP.

Nicholas Herman *Analyst - Citigroup*

Thank you, that's very helpful. I just – on ECP VI, as you said, we, the cover number is not, it's kind of it should be, what, sorry, the number you should be raising is kind of based on how much you think you can deploy. Clearly, ECP has said that it has lots of opportunities to deploy, which is also why it's going to be raising SMAs. So how should we go about framing that and then the split of SMAs versus the fund?

Ruth Prior *Partner, Chief Financial Officer - Bridgepoint Group plc*

Well, I think, as I said a moment ago, the SMAs and the KKR partnership are not part of our $24 billion, really it's the Evergreen, ECP VI, and a little bit of co-invest and continuation fund, and we will start to give you more guidance around the other items later.

Nicholas Herman *Analyst - Citigroup*

Super, thank you so much.

Operator

Duncan Farr, Jeffreys.

[silence]

Gregory Simpson, BNP Paribas.

Gregory Simpson *BNP Paribas - Analyst*

Yeah, morning, can you hear me okay?

Raoul Hughes *Bridgepoint Group plc - CEO*

Yeah.

Gregory Simpson *BNP Paribas - Analyst*

Perfect. All right. Yeah, a few from my end. Firstly, a meaningful part of the consideration for Calpine is in Constellation Energy shares, which have been quite volatile. Can you provide some colour around how Calpine is factored into the 25% PRE guidance, sensitivity, there?

Secondly, on BE VII, you deployed about a third of the fund last year and it's about two-third invested today, I guess. Would you see scope for the mid '26 activation of BE VIII to be conservative, any kind of comments on the deployment outlook for for BE? Okay.

And then finally, just any comments on M&A, we have seen a bit of a pick-up in deals in the industry this year. Is that still on the agenda for you? Thank you.

Raoul Hughes *Bridgepoint Group plc - CEO*

Okay, do you want to do the first?

Ruth Prior *Partner, Chief Financial Officer - Bridgepoint Group plc*

One? Yes, so Calpine, the simple answer is that Calpine will underpin PRE, our 25% guidance on PRE really over the next two to three years. That's the simple answer. I'll give you a little bit more colour in that the group is exposed to Calpine in two funds, so ECP IV and the Calpine continuation fund, and the carry percentages, I think, are 12% and 15% respectively.

The deal was $4.5 billion of cash and the rest in 50 million of shares of Constellation, and we can sell those shares June '26, 50%, and June '27, 50%, and clearly it's still got to go through regulatory approval, which we think could take up to 12 months, which is why I was saying, that one of those items that could flip from Q4 to Q1 quite easily. It's currently valued in our books clearly, and our policy is to discount carry by about 30% until we're much closer to an exit, so it's got some PRE impact in '24.

It'll have clearly some ... if we get regulatory approval in '25, and then clearly if we sell shares in '26 and '27, it'll have some more. And it will depend on the shares of Constellation, the share price of Constellation, which, as we know, has oscillated since the agreement from I think – it went up as far as 340-odd and down to 250.

The view from analysts who cover Constellation is that the share price should be somewhere between 250 and 350. I think for us, the best way for you to think about it is part of the 25% guidance, and we have the ability to decide when we sell the shares.

Raoul Hughes *Bridgepoint Group plc - CEO*

And maybe one other thing to add is that when you, when we calibrate the 25% guidance, we've been reasonably conservative in our assumptions about what then happens to the, the Constellation share price in reaching that guidance.

Yes. There's a way to look at it. But the the shares will be held in the ECP fund. ECP will make a a call post the lockups. I mean they will be, they are very liquid shares, but they will make a call about when do they feel as an investment committee, because this is mainly a fund investment that we've got some exposure to, when is the right time to sell the shares based upon a a view about the the future of of electricity generation in the United States.

As you come back to what we said earlier in the discussion, there's a lot of positivity about where that that that sector in the US is going to continue to go, so I'm not necessarily sure that the view that ECP will take will be to sell out the shares as soon as they unlock as soon as they could. We'll have to see.

It's a very fair question to ask because it causes, unusually for a business like ours, the way you think about our investment activities are generally pretty well diversified and it is one of the features of ... if you look at a typical Bridgepoint equity fund, we are, we're investing in 16 to 20 platform investments, so we tend not to be specifically exposed to any one particular exit or any one particular asset. In the case of Constellation, because of the the maybe, because of the scale of the investment, but most importantly because of -- blowout returns and the absolute success of the returns, it is, there is an element of concentration around that one asset that's unusual for us, so you're right to mention it. BE VII, I mean, we keep saying that this, I mean the pipeline of investable op ... sorry, the date, the time at which BE VII transitions to BE VIII is a function of BE VII's investment pace.

We have a tremendous origination team around Europe constantly looking at opportunities. The pipeline in BE feels really good at the moment. It feels there are a good volume of opportunities that the team are looking at across Europe. We're stock pickers, we only buy what people want to sell to us. It's binary, much the same with M&A, which I'll come on to in a minute.

It's the ability to keep on investing is binary. If you go through a period of of investing, winning a number of deals and investing quicker, it might be a bit quicker than we're saying, but I wouldn't want to bake that in. The most important thing for us is finding the right deal and doing the right deal and investing it really well. And the marginal month when you flip it over is the less relevant to us as a business.

M&A. So we sort of spent quite a bit of time at the in in October talking about M&A. What I guess my headline today is that nothing materially has changed from when we were outlining this in October. I think the M&A that we will be looking to do falls into into a couple of discrete buckets as we've been, as I sort of tried to allude to earlier, there is the sort of the infill smaller tuck-in opportunities within the existing verticals. Those are things that we are seeing all the time.

There are a number of conversations ongoing. Well, will they lead to something or not, we'll see, but there are more modest individual transactions, then there are more transformational M&A opportunities, and as I said earlier, sitting here in sort of March '25, I feel really confident that within that sort of five to six year window that we've set ourselves, that there will be opportunities for material M&A across the platform. We think we've got a great business, we think we've got a really well positioned business and we think it's also a very attractive platform for other people, other market players within the alternative space to want to come and join.

We think we've got quite ... as we keep on talking, the sort of added value middle market globally diversified platform that we've got, we think is a really interesting place for other sort of alternative people to want to come and work in and so I'm pretty confident at some point we will deliver one or two transactions that will increase the sort of -- by the sort of $50 billion that we're talking about.

Is that going to be '25, '26, '27? It depends on on binary outcomes. We, we're very selective. There are lots of conversations going on all the time. I spend quite a bit of my time talking to lots of people around the world who are interested in or might be interested at some point in joining Bridgepoint. It's an ongoing dialogue, they're all fascinating dialogues and always worth doing.

It's finding the right one, I'm confident we will. Which and where it will be, we'll see ultimately, and as we said this before as well, it comes down to culture. There are lots of really great firms that would fit neatly into this business. We want to find the firm at the right moment in time that culturally feels very much akin to the culture of the business as it is today. In an industry that's very people dependent and people dominated, we think we've got to really.

Good culture that's very good at adapting and bringing people into it, but I, not me, it's in the firm, but I think the EQT credit business was was a great addition for Bridgepoint. The team is all still here, they're running the wider credit platform. They absolutely feel part of the of the furniture of the organisation.

I know only sort of seven or eight months in the ECP team feels exactly the same. I mean, they're tremendous, tremendous people, we get on very well, they feel they just feel part of the leadership team, and I think that says a lot for the the the people in this business and the openness and the culture of the organization, and I'm confident we will find interesting businesses that want to join us who culturally will fit in.

Gregory Simpson *BNP Paribas - Analyst*

That's very helpful, thank you.

Raoul Hughes *Bridgepoint Group plc - CEO*

Okay. Has our friend unmuted? Duncan.

Ruth Prior *Partner, Chief Financial Officer - Bridgepoint Group plc*

Duncan?

Operator

Not yet, but we have other questions from the Zoom webinar. We'll now address the questions submitted via the webcast page. I will now hand over to Adam Key to read out the questions.

Adam Key *Bridgepoint Group plc – Head of Shareholder Relations*

There haven't been any questions on the webcast page.

Raoul Hughes *Bridgepoint Group plc - CEO*

Lovely. Right, do we need to give Duncan another minute? No, okay. In which case he's had his chance.

Fantastic, thank you very much everybody, and we'll leave it there.