



Source: Refinitiv

Market data

EPIC/TKR	PIP
Price (p)	2,450
12m High (p)	2,620
12m Low (p)	1,975
Shares (m)	54,089
Mkt Cap (£m)	1,344
NAV p/sh. (p)	2,749.3
Discount to NAV	11%
Market	Premium Equity Closed-Ended Investment Funds

Description

The investment objective of Pantheon International PLC (PIP) is to maximise capital growth by investing in a diversified portfolio of private equity (PE) assets and directly in private companies.

Company information

Chairman	Sir Laurie Magnus
Aud. Cte. Chr.	Ian Barby
Sen. Ind. Dir.	Susannah Nicklin
Inv. Mgr.	Pantheon
Managers	Andrew Lebus/ Helen Steers
Contact	Vicki Bradley +44 20 3356 1725 www.piplc.com

Key shareholders (31 May'19)

USS	8.2%
Merian	7.0%
Eserides SA SICAV- SIF	5.7%
East Riding of Yorkshire	4.7%
APG Asset Mgt.	4.4%
Investec Wealth	4.4%
Private Syndicate pty.	3.8%
Brewin Dolphin	3.4%

Diary

27 Feb	Interim results
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Analyst

Mark Thomas	020 7194 7622 mt@hardmanandco.com
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PANTHEON INTERNATIONAL

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We reviewed PIP in our *initiation report*, published on 6 September 2019, and in our note, *History of value added to portfolio by holding Pantheon*, published on 26 November 2019. PIP, on average, has generated ca.1.5x the market's returns since inception in 1987 (11.6% p.a. CAGR in NAV per share), delivered by i) PE-owned businesses outperforming quoted ones, ii) PIP investing in the right PE subsectors, iii) benefits from being in the Pantheon family, and iv) a structured fund.

- ▶ **PIP December NAV:** PIP's 31 December 2019 NAV per share was 2,749.3p, a 49.9p (-1.8%) reduction in the month. Foreign exchange movements (-60.1p, -2.2%) and expenses and taxes (-3.7p, -0.1%) exceeded valuation gains (+8.5p, +0.3%) and investment income (+5.4p, +0.2%).
- ▶ **Peer news:** On 17 January, Harbourvest announced that its NAV rose \$0.45 to \$26.92 during December. On 15 January, Standard Life Private Equity Trust reported a monthly NAV fall of 2.5p to 438.5p. ICG Enterprise Trust, on 23 January, announced a three-month to October NAV fall of 2.5% to 1,140p (forex-driven).
- ▶ **Valuation:** PIP currently trades at an 11% discount to NAV, despite its record of market outperformance outlined above. We believe the "real" PIP NAV is likely to be above the accounting value, making the discount even higher. PIP reinvests returns for superior capital growth, and does not pay a dividend.
- ▶ **Risks:** Sentiment to the economic cycle is material (PIP's NAV rose every year in the early 1990s' recession). Even though PIP has permanent capital and proven uplifts on exit, market sentiment towards investments with illiquid and unquoted shares is adverse. Forex movements can create short-term volatility.
- ▶ **Investment summary:** PIP is in an attractive market, can pick the best part of that market, and has competitive operational advantages. Its manager selection and portfolio structuring have added value. Corporate governance appears strong, and the "real" value of the assets is, we believe, above their accounting value. Investors are getting liquid access to the whole PE market. There are risks around the cycle, and illiquid and unquoted underlying assets; however, comparing these with the historical returns makes the current discount an anomaly, in our view.

Financial summary and valuation

Year-end May (£'000)	2017	2018	2019	2020E	2021E
Gains on investments	201,198	149,778	204,473	169,607	187,019
Investment income	17,436	15,504	13,222	14,496	15,984
Investment manager's fee	-12,659	-15,020	-16,584	-21,710	-23,751
Other expenses	-1,783	-3,270	-573	-1,000	-1,000
Interest payable/similar expenses	-1,791	-1,950	-2,386	-2,386	-2,386
Return before taxation	204,790	131,947	194,918	152,008	169,866
NAV per share (p)	2,190	2,415	2,771	3,047	3,356
S/P discount to NAV	12%	1%	-12%	-20%	-27%
Investments	1,224	1,275	1,450	1,598	1,765
Equity issued/buyback	-26	-3,546	-500	0	0

Source: Hardman & Co Research