

Closed-Ended Investments Funds


Source: Refinitiv

Market data

EPIC/TKR	PIN
Price (p)	2,150
12m High (p)	2,620
12m Low (p)	1,274
Shares (m)	54,089
Mkt Cap (£m)	1,163
NAV p/sh (p)*	2,724.8
Discount to NAV*	21%
Market	Premium equity closed-ended investment funds

 *Manager valuations: 1% Dec'19,
86% Mar'20, 13% Jun'20

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.	David Melvin
Sen. Ind. Dir.	Susannah Nicklin
Inv. Mgr.	Pantheon
Managers	Helen Steers
Contact	Vicki Bradley
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Key shareholders (31 May'20)

Quilter	9.40%
USS	8.15%
Esperides SA Sicav-SIF	5.75%
East Riding of Yorkshire CI	4.70%
APG Asset Mgt.	4.44%
Investec Wealth	4.37%
Private Syndicate Pty	3.76%
Brewin Dolphin	3.45%

Diary

Mid-Sep	Aug NAV
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Analyst

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PANTHEON INTERNATIONAL

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We reviewed PIP's recent results in our note, *Positioned for sustained growth*, of 14 August 2020. In summary, PIP is "generally well placed to withstand and, in certain cases, to benefit during a period of significant economic and market turmoil". The key statistics were i) 11.6% average annual NAV growth since inception, ii) +4.0% NAV per share growth in the year, despite valuations being based off March 2020 market lows, and iii) £228m distributions vs. £118m calls, a £110m net cashflow. PIP had £121m of net available cash and £310m of undrawn borrowing facilities. A 21% discount to NAV appears anomalous with performance.

- ▶ **Results summary:** FY'20 valuation gains and income were impacted by COVID-19, but still saw a positive effect (+3.9% NAV against average since 2013 of 10.1%). Expenses (-1.5%) were consistent with 2013-19 averages. The period saw a positive FX effect (1.6%), delivering overall NAV growth of 4.0%.
- ▶ **Outlook:** PIP's outlook confidence is driven by i) the Manager's more than 40 years' PE experience, ii) a conservative stance, including limiting debt, taken in advance, iii) a bias to IT/healthcare in newer investments, iv) permanent capital and strong liquidity, v) a collegial culture, and vi) a track record of outperformance.
- ▶ **Valuation:** PIP shares trade at a 21% discount to NAV, despite their long-term outperformance. We believe the "real" NAV is likely to be above the book value on the accounting date, and the NAV was at March, when markets were at recent lows. PIP re-invests returns for superior capital growth and pays no dividend.
- ▶ **Risks:** We note i) sentiment to the economic cycle (NAV rose every year in the 1990s' recession and in FY'20), ii) adverse sentiment to illiquid and unquoted investments (PIP has permanent capital and proven exit uplifts), and iii) sentiment to the sustained discount could be an issue. Short term, there can be FX 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. This has delivered 11.4% annual NAV growth since inception. Corporate governance is strong, and the NAV is conservatively valued. Investors get liquid access to the whole PE market. There are risks around the cycle, and illiquid and unquoted underlying assets, but these, against the historical returns, make the current discount to NAV an anomaly.

Financial summary and valuation

Year-end May (£000)	2017	2018	2019	2020	2021E	2022E
Gains on investments	201,198	149,778	204,473	85,607	174,996	200,249
Investment income	17,436	15,504	13,222	9,452	11,218	17,115
Inv. Manager's fee	-12,659	-15,020	-16,584	-18,000	-18,500	-19,500
Other expenses	-1,783	-3,270	-573	-4,710	-1,500	-1,500
Int. pay/similar exps.	-1,791	-1,950	-2,386	-2,386	-2,223	-2,223
Return pre-tax	204,790	131,947	194,918	62,964	163,990	194,141
NAV per share (p)	2,190	2,415	2,771	2,882	3,183	3,539
S/P prem./disc. to NAV	-2%	-11%	-22%	-25%	-32%	-39%
Investments	1,224	1,275	1,450	1,548	1,712	1,893
Equity issues/buyback	-26	-3,546	-500	0	0	0

Note: forecasts will be reviewed with results. Source: Hardman & Co Research