Bridgepoint

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PRESENTATION

Raoul Hughes *Chief Executive*

Well, hello, everybody, and welcome to Bridgepoint's 2024 interim results presentation. I hope you've all managed to see the results, given the problems with RNS this morning. But let's hope that's the case. Anyway, I'm Raoul Hughes, Bridgepoint's Chief Executive, and I'm joined in the room this morning by Doug Kimmelman, Founder and Senior Partner at ECP. And on video, by Adam Jones, Bridgepoint's COVID-hit CFO.

The key message today is that we've beaten expectations and Bridgepoint is in good shape. The strong performance in '23 has continued, and as a result, we are increasingly confident in the medium-term outlook. Our flagship funds have completed fundraising, which locks in future management fees ahead of expectations outlined in March. And deployment and realisation activity has been good, and we stand to benefit further from long-term sector tailwinds with our leadership in the middle market a clear differentiator.

On ECP, the business is trading strongly, but we're still waiting for the final regulatory clearance from the US energy regulator before we can close. We haven't received any fundamental challenge to the transaction, but the timing of the regulatory clearance is later than we had anticipated, with the recent change in commissioners at FERC, a potential reason it is taking a bit longer. Whilst we await approval, we've continued to work with the ECP team on plans for collaboration post completion. Obviously, we're joined by Doug, who will give a short update on ECP in a few minutes.

From an H1 performance perspective, given the revised timing of closing, we've presented these results, both including and excluding ECP.

Finally, Adam will talk through the guidance in detail. But in summary, given our strong performance, we are upgrading our outlook for '24, and therefore, as a result, '25.

Now let me turn to the high-level numbers. As I mentioned, we are presenting Bridgepoint standalone as well as alongside a full first half of ECP. On the back of a strong fundraising and investment performance, we've seen good growth across all metrics, whether including ECP or looking at Bridgepoint standalone. FRE is up 44% and PRE by 92% on a stand-alone basis, resulting in better than anticipated EBITDA. And before people go down the rabbit hole, this is not just because of catch-up fees. As we have said consistently before, as a general rule, we expect PRE to be skewed to the second half, and that remains our view today. When we include ECP, the go forward perimeter would have delivered EBITDA of GBP145 million for the first half, comfortably ahead of the guidance case we outlined when we announced the transaction last September.

Next, I'd like to take a minute or two to talk about the core building blocks of strong investment performance: fundraising, deployment, and access. H1 '24 has been a good period for deployment and exits with significant further activity in the short-term pipeline, which obviously builds confidence for fund cycles. We plan to host a Capital Markets Day in October when my colleagues and I will be talking a lot about this more in detail. But for now, let's start with fundraising.

The start to '24 has been a positive period for fundraising, with the completion of two flagships; BE VII at EUR7.0 billion and ECP V ahead of guidance, which Doug will talk about in a minute. We've also closed our sixth CLO, bringing CLO AUM to over EUR2.4 billion. The strategy is performing well and is an example of successful organic development following its launch in '21. We're off to a strong start with the BDC V fundraise, aided by the fact that BDC III, its benchmark fund is, across any metric, one of the top-performing PE funds in Europe. BDC V has already closed on around EUR1.1 billion of its EUR2 billion target. And we could potentially see the transition from BDC IV to BDC V happen this year rather than early next year, which would be ahead of our current guidance. Diversifying sources of capital beyond the institutional LP investor base is a key opportunity, and we've now put in place a core team to work on the private wealth channel with a view to an initial launch of product in the first half of '25. While strategic, we will maintain a resource-light approach, but do not anticipate building a large direct sales team. We'll talk more about this at our Capital Markets Day.

Now, turning to deployment. H1 was a strong period for deployment across the business. We said in March that markets had recalibrated and we continue to see a corresponding uptick in deployment. As I have said before, the nature of our business is lumpy and there is a certain seasonality to deployment. As I have said before, the nature of our business is lumpy and there is a certain seasonality to deployment. As we sit here today, some of the deals we hope to sign pre-summer are still ongoing. So these numbers may well look even more impressive by the autumn. Looking at the charts, you can see that BE VII is now circa 50% deployed across nine platform investments. Seven of these have been off-market or bilateral processes. Interestingly, they cover all of the core sectors and thematics with the sector network identifying opportunities and our office network converting them into transactions. Recent investments include the next generation of French intranet developer LumApps, which is agreed in May, and you may have also seen that we've recently made an offer to acquire Alpha FMC, the financial services consultancy in a UK public to private. That transaction has been recommended by the Alpha board but is obviously still subject to the usual shareholder approval. BDC IV is now almost fully invested. There may be room for one or two more deals and is now likely to transition to BDC V later in the year, as I've said. ECP V has also made substantial progress, which Doug will talk about shortly.

It's encouraging to see a significant uptick in activity of Bridgepoint Credit, particularly in Q2. In the year to date, the Bridgepoint direct lending team has completed 13 deals, including 10 new primary deals and three further commitments to existing investments, totalling EUR1 billion of deployment across all core geographies and target sectors. As a lender to predominantly mid-market private equity-backed companies, this increased level of activity further demonstrates the recovery in deal volumes.

Now let's talk about returning capital to fund investors. For Bridgepoint, H1 was the strongest period of returning capital since the first half of '22, driven by four PE exits, a refinancing, and good returns in our credit strategies. Looking towards the second half of the year, we have a strong pipeline with multiple potential exits in process. As you know, we deal in binary outcomes, but we anticipate a good year, perhaps our strongest ever of returning capital to investors. The strong capital returns in conjunction with decent portfolio trading performance has meant continued progress in fund valuations across private equity, credit and infrastructure, which underpin the PRE we have reported today.

Now on the subject of PRE, I'd like to take a minute to touch on the investment returns more generally. On the slide, you can see our forecast for the PRE that we will be generated from the current vintage of Bridgepoint funds compared to the PRE reported in the prior six years from the previous fund vintages. For illustrative purposes, we've kept fund performance the same. The impact of increased group share of carry and increased co-investment as fund sizes scale is that PRE stands to grow by 3.6 times. To put this differently, and looking at the business today on a pro forma basis for the current perimeter of assets, if the 2018 to 2023 private equity funds, BE V and BE VI, had the same proportion of that carried interest owned by the company as BE VII does, we would have reported profit from carried interest in that period in the three times higher. We think this is a strong illustration of the significant future PRE value to the Group over the next fund cycle, and that pro forma earnings for the current perimeter are materially ahead of reported earnings. Now with that thought, I'll hand you over to Doug for an update on ECP. Doug?

Doug Kimmelman, *Energy Capital Partners, Founder & Senior Partner*

Thanks, Raoul. And I really appreciate the opportunity to be here and to discuss interim results and give you an update on ECP. As you've just heard, we successfully closed in May on USS$6.7 billion of new fee-paying capital, and that was split $4.4 billion to our flagship fund and $2.3 billion to adjacent co-invest vehicles. Our investment pace has been strong as we are now over 50% invested in our flagship fund V, making it increasingly likely that we will be back to market with fund VI within the next year. Deal flow remains strong. We are also pursuing multiple other products in the meantime, including separately managed accounts in equity and credit as well as an open-ended perpetual clean energy vehicle. Our largest sector of investing remains electric power generation, where we currently are the largest private owner of power generation and renewable assets in the United States, complimented by the recently announced $7 billion take-private of Atlantica. Let's just put that in scale. Our 74 gigawatts of power generating capacity equates in size to the entire generating capacity of the UK. Power generation sector has experienced heightened focus as of late as perhaps as some have pointed, the picks and shovels way, to play the dramatic growth in AI. Public equities, if you look at that in the power generating sector, have rallied significantly over the past 12 months with the largest players trading up over 150%. So why all of this exuberance around power? Well, we now have quite the challenge supply demand outlook for electricity in the United States that is driving up profit margins significantly. In addition, Europe is seeing similar dynamic. Goldman Sachs just recently forecast a 40% to 50% growth in electricity consumption in Europe over the next 10 years, driven by this AI data centre and electrification initiatives. Our power generation portfolio could cumulatively reach close to US$5 billion in EBITDA this year. The supply story surrounds retiring baseload coal and nuclear facilities due both to age and environmental mandates. And those two still account for about 40% of our total power-generating capacity in the US. And replacing them with intermittent renewables, certainly only heightens the instability of the grid. The solution, perhaps, building new gas power plants to make up the supply shortfall, well that faces delays with equipment back orders approaching five years, permitting process is still very slow, and pipeline access to gas challenging. The demand story though, may be even more extreme and encompasses the electrification trend that is spreading across the nation. Electric

transportation, new constructions that mandates electricity over natural gas supplies to new homes and buildings. There are over 200 electricity intensive manufacturing projects that have been announced just this year, mainly those driven by government incentives, think of the CHIPS Act as well as the Inflation Reduction Act. Don't forget cryptocurrency mining, where in this sector, demand for electricity in Texas, for example, is matching that of the entire city of all of Houston. And the big one is, as you've all heard, AI data centre demand, a true game changer.

So here's a few intriguing data points: electric power demand has been virtually flat for the past 15 years and is now forecast to rise 1.8 times over the next 15 years with data centre demand rising to about 8% of total demand from where it is maybe 2%or 3% today. Major tech companies are expected to invest US$1 trillion in data centres over the next five years. And in the next five years, consumers and businesses will generate two times as much as all of the data created over the past 10 years. And AI data centre racks, well, they could require up to seven times more power than traditional data centre racks. So all in all, quite the excitement around electricity these days and power seems to be one of the best ways to play this AI demand boom. That really gives us confidence that our limited partner investors in infrastructure, well they're going to want increasing exposure to our sectors of investing.

In general, the ECP and Bridgepoint teams continue to heavily interact as we approach the closing of the deal, which [we] remain confident, will soon work its way to the top of the FERC approval agenda. The commercial logic behind our combination remains as strong as ever. So thank you for listening today to a bit more about ECP, and I look later to answering any questions that you may have. Let me turn it over to Adam Jones.

Adam Jones Group CFO & COO

Thank you, Doug. Good morning, everyone. Sorry, I can't be there in person. And now I'm going to take you through our financial performance in the first half of this year and update you on the increased guidance for 2024 recognising that there is a knock-on benefit into 2025 as well. I'll be presenting underlying results for Bridgepoint standalone as well as the pro forma view, which assumes ECP had joined the group on the January 1, 2024, which makes future comparatives a lot easier.

Overall financial performance was strong in the first half of the year with Bridgepoint's fee related earnings growing by 44%, following the successful conclusion of the BE VII fund raise. The short-term outlook for PRE remains strong based on transactions currently in the exit pipeline for the second half of this year and into 2025. And as you may remember from our FY23 results presentation in March, we have recently strengthened the balance sheet through the pricing of a US private placement, which will enable us to undertake further accretive M&A when, of course, the time is right.

The interim dividend that we've announced today is 4.6p per share, which is in line with our progressive dividend policy. In addition, with approximately GBP33 million of our second GBP50 million share buyback program still remaining, that will represent a further 4.1p per share. So combined, these will represent a capital return of 8.7p per share this year prior to the final dividend. And lastly, we are formally upgrading guidance for 2024, and I'll say more about this shortly.

Let's start with Assets Under Management. We raised a total of EUR4.1 billion in Bridgepoint over the last 12 months across BE VII, Bridgepoint Direct Lending III and Credit Opportunities IV, as well as delivering EUR2.7 billion of divestments. Valuation gains linked to the strength and resilience of our aggregate fund performance added a further EUR1.8 billion. These valuation uplifts were trading-driven with 86% of unrealised valuation multiples either flat or reduced over that period, which really does underscore the strength of the earnings performance within our portfolio. Consequently, AUM finished 8% ahead of the prior year at EUR42.7 billion.

Interestingly, the annualised AUM growth since the IPO is 14%. Pro forma AUM with the addition of ECP, including ECP V, which is closed ahead of its target, is EUR67.3 billion.

Now turning to fee-paying AUM. Over the last year, we've raised a further EUR1.6 billion of fee-paying capital commitments and deployed GBP2.3 billion of new fee-paying capital across our credit strategies. Set against this, fee-paying asset reductions from the sale of equity investments and the return of capital and credit totalled EUR2.4 billion. So in total, our fee-paying AUM has grown by 5% year on year. Again, with the addition of ECP's EUR11 billion of fee-paying capital, pro forma fee-paying AUM is EUR36.8 billion.

The increase in fee-paying AUM drove strong growth in management fees and other income, which grew by 25% to GBP156.6 million, including the final catch-up fees for BE VII, which amounted to GBP22.2 million. At ECP, management fees were GBP55.2 million in the first half year, which also includes catch-up fees on ECP V of GBP8.2 million. In combination therefore, pro forma management fees grew 69% to GBP211.8 million. If you look at the management fee margin across each of these three first half years, you can see that this has remained consistent and stable at around 1.16%, excluding the impact of ECP.

Now let's look at PRE or performance related earnings by which, of course, we mean current investment gains plus the corporate share of carry. At Bridgepoint, these have grown increased by 92% year on year to GBP24.4 million, driven notably by valuation progression in Bridgepoint Development Capital III. ECP's PRE added a further GBP32.5 million, which delivers a pro forma total of GBP56.9 million for the six months. As a reminder, we initially guided for PRE to be approximately two-thirds weighted to the second half of 2024, including a full year pro forma for ECP. But given the better-than-expected PRE performance at ECP, we now anticipate that H1 pro forma PRE will represent between 40% and 45% of the full year total.

Now turning to operating expenses. These totalled GBP94.8 million which represents growth of 15% from GBP82.2 million in the first half of 2023. As previously guided, this has been driven by continued cost inflation and improvement in exit activity, which leads to a corresponding increase in bonus accruals in the first half year as well as the impact of delayed recruitment from 2023 on the full year cost base in 2024. FTE headcount grew by 7% to 405, with the increase in central FTEs predominantly due to the strengthening of the investor services team, which we covered in our full year 2023 results. Looking ahead, we expect the cost base in the second half of this year across both Bridgepoint and ECP to be essentially flat to the numbers recorded in the first half rather than weighted to the second half as in prior years at Bridgepoint. We also expect the full year split to move marginally in favour of personnel expenses. We now expect 2025 expenses to continue to grow at a high single digit rate from 2024. ECP's operating expenses in the first half of the year totalled GBP28.9 million and adding their 92 FTE headcount to ours results in total pro forma FTE headcount of 497.

Now let's move on to FRE and EBITDA and the positive margin developments therein. At Bridgepoint stand-alone FRE increased by 44% to GBP61.8 million, reflecting that 25% increase in management fees compared to only 15% growth in operating expenses. Notwithstanding the benefits of catch-up fees in the period, FRE margin increased from 34% to 40%, demonstrating the operating leverage that our business model delivers as fund sizes continue to grow. Including ECP's FRE of GBP26.3 million, pro forma group FRE of just over GBP88 million yields a pro forma FRE margin of 42%. Adding the PRE from both Bridgepoint and ECP, which totalled GBP56.9 million, pro forma EBITDA is GBP145 million.

Now let me walk you through the upgrades to guidance for the remainder of this year, and also consequently for 2025. As we explained in March, the guidance is based on the pro forma combination of Bridgepoint and ECP from beginning of this year. Starting with fundraising, BE VII closed on its target EUR7 billion, and at an average fee rate of 1.5% whereas in March, we had actually conservatively guided to 1.4%. This then leads to a

higher fee income across the entire commitment period of the BE VII fund, which obviously benefits both 2024 and 2025. ECP V raised US$4.4 billion in its core fund against the initial guidance of US$4 billion, which similarly results in higher fees through the life of that fund, plus obviously, the co-investment. In contrast to our PE funds where the fee rate typically steps down after the commitment period, it is worth reminding you that ECP V's fee margin does not step down after the commitment period, although of course, the fee paying basis does switch from committed capital to invested cost. As Raoul has already mentioned, with the progress and deployment of Bridgepoint Development Capital IV, it is now likely that BDC V will become fee-paying before the end of the year versus H1 '25, which was the previous guidance. And ECP VI is now expected to become fee-paying in roughly one year's time in Q3 2025. Overall for fund raising, our guidance is that we now expect to raise at least EUR20 billion by the end of 2026, which reflects our increased confidence across all strategies following the successful fundraising that we've had year to date. On FRE margin, we now expect this to be approximately 37% in 2024 with cost growth expected to remain in the high-single digits next year, guidance for FRE margin to be around 35% in the medium term remains unchanged until BE VIII starts to generate fund fees. Now moving on to PRE. This is now expected to be around 25% of our total income in both 2024 and 2025, which is at the top end of our guidance range, given the strength of the expected exit pipeline over the next 18 months. And lastly, our guidance on the underlying effective tax rate also remains unchanged at around 15% including ECP. With that, I'll hand back to Raoul.

Raoul Hughes *Chief Executive*

Thanks, Adam. Now given this is your final results presentation, I'd like to this opportunity to thank you for everything you've done over the past six years through a period of significant change and progress within Bridgepoint. And actually, indeed, even before that, as the CFO of Pret, one of our most successful investments. So in total, 10 years in the Bridgepoint family, and I'm sure it's quite often felt a lot longer than that.

As you know, we will be welcoming Ruth as CFO from September 1. Although she's already spent time getting up to speed and getting to know the team. Ruth is currently the CFO of Element, another one of our former Bridgeport portfolio companies. I was a member of the Board of Element throughout the period of our ownership and know her well. Importantly, prior to Element, Ruth has significant experience as a CFO in the public market environment, and so won't be a stranger to presentations like this. Now before we conclude, I would like to take a few minutes to touch on the longer term and how we think about driving sustained success for the business. Again, we'll revisit this in detail at the October Capital Markets Day, but I want to give you a high-level view now.

Let's start with the alternative markets as a whole. Overall, private market AUM has quadrupled over the last 10 years and is expected to nearly triple again in the next 10 to 12 years. To pull this timeline forward a little bit, we're looking at private market AUM in 2028 being twice that at the time of our IPO. If you add real estate and secondaries to this picture, both markets we have mentioned expanding into before, you can add a further 25% of the forecast market AUM. There are many drivers of this growth, but I'll touch on three. Private markets are performing well. They remain attractive to institutional investors searching for yield and diversification over public market investments and allocation targets will likely increase further, given many LPs continue to face structural funding challenges and pressures and deliver returns. Secondly, there are still major pools of capital with very limited exposure to private markets. We've touched on the significant opportunity in private wealth, but equally important is that there are many institutional investors around the world without material private markets positions representing significant white space for the asset class. And finally, turning to the deployment side, there are significant funding needs that will increasingly require private capital. We've seen this with the emergence of private credit and even more so relevant for ECP's core market of energy transition, as Doug has

alluded to earlier. So our market is set to grow. At the same time, it is also consolidating with an increasing share of capital held by a small number of managers. So let's talk about the ingredients for success in this market.

I'm confident that the Bridgepoint Group is well positioned to benefit from this market dynamic. We have a clearly differentiated and diversified position in the global middle market that we are building upon. The strength of our platform means that we are a go-to participant in credit, equity, and value-added infra. We are consistently originating opportunities off market and our approach to investment means that we're delivering returns through real business growth rather than leverage. Pre-pandemic, we had one strategy that had raised more than EUR2 billion. We now have six. We have a diversified well-invested distribution network with investment from over 550 LPs. As our platform continues to grow, we're continually investing in sales resource, building out globally, and broaden[ing] the routes to market for our products. Finally, on platform enhancing M&A, we've shown that we can significantly accelerate growth and enhance margin through acquisition. And this remains an important element of our strategy today and will be a focus as we move forward.

Combining our success in fundraising, together with the growth and diversification that come from the partnership with ECP has seen AUM grow by three times since the IPO. Diversity and scale have enhanced our quality of earnings, our margins and continue to strengthen our competitive advantages. Whilst the combined platform is now significantly larger and more diverse than at the time of the IPO, as we look forward, we are no less ambitious.

I'll conclude with a final summary. Bridgepoint is in good shape and in a growing and consolidating market. In the first half of this year, we've seen performance ahead of expectations and have upgraded guidance for '24 and therefore, consequently, '25. We have made a good start to new fundraising, particularly with BDC V. Deployments and realisations have been strong and increases our confidence in the timing of future fundraisings and future fee streams coming online. Our disciplined investment approach continues to deliver high quality returns for our fund investors. And looking ahead, the outlook for M&A is also positive. So, standing back the business is in good shape. We have a differentiated position. We're performing well. And I believe we are set to outperform in a high-growth consolidating market, and that's all from us. So now I'll hand back to Laura, who can look forward to your questions.

QUESTIONS AND ANSWERS

Operator

Ladies and gentlemen, we'll now begin the question-and-answer session. (Operator Instructions)

Nicholas Herman.

Nicholas Herman *Citi*

Yes, good morning. Thank you for the presentation. Hopefully you can hear me okay? I have a bunch of questions to be honest but I'll try to limit myself to three. On fund raising first of all, just curious what level of upsizing are you typically embedding in your GBP20 billion guidance over the next fundraising cycle? Because at least from what I can see from an outside perspective, it seems somewhat conservative, and maybe essentially less than, let's say, 20%? Secondly, on exits. You've noted the high level of confidence on exits. I guess beyond a more constructive macro backdrop, more committed to financing markets and so on, I guess, what do you see specifically that's giving you that confidence in terms of -- and which fund strategies do you expect to drive exits over the next 6 to 12 months? And then finally, on fee rates, the increase in fee rates on BE VII to a 150 basis points from 140, is that pretty unique to BE VII or do you also see scope to increase fee rates for other strategies? And I guess as part of that, do you expect to hold that level for BE VIII? Thank you very much.

Raoul Hughes *Chief Executive*

Right. Okay. There was quite a lot in that. I think I got them. Let me -- I'll try and kick off. Fund fundraising GBP20 billion -- the GBP20 billion number relates to the next series of fund sort of vintages. So within that, we are talking BDC V, which is -- these are funds which haven't yet started -- BDC V, BE VIII, ECP VI, continuation funds sitting around and the next wave of credit funds. So it's not including BE VII, that sort of thing. So it's the next wave. We've tightened our guidance on that compared to March and been more specific about a high degree of confidence of that will have happened by the end of '26, which gives you hopefully better visibility on the next wave and timing of those fund raise[s]. Is it conservative? Well, time will tell, I suspect. Exits, growing confidence. I think we -- the short-terms confidence in exits is driven by the quantum of platform investments that we are -- are either looking to sell in the market at the moment or are being prepared for sale coming up. When let's say, when you look across both of our private equity product, main product, new products in BE and BDC, when you also look at Doug's business, Doug can comment on this in a second, Doug's business in ECP -- across the board, we've got a number of assets that have matured to a level where we're now pretty confident it's the right time to exit. And so my confidence in the shorter term element of exits is driven by knowing what's in the pipeline. And a sense that in the medium term, the maturation of our portfolio means that we're going to have a greater wave of exits beyond it. And I think it's across the Board in the equity and infrastructure. But Doug, you want to comment on ECP?

Doug Kimmelman, *Energy Capital Partners, Founder & Senior Partner*

Yeah. When you look at us, we throw off a high yield on our investments. Meaning, it's not all coming from the terminal value. So first of all, cash performance from our projects has been very high. But as you know, we're a value-add infrastructure. So it means we're either building things, developing them out, growing our businesses, setting them up for exit. And the pool of capital for a fully operating contracted cash-flowing project, really has grown. There's a lot of what we call core infrastructure funds out there and the strategics in the energy sector have been doing well financially. And in our sectors where we have more stable cash flow, the debt markets have been pretty co-operative. So we do have a pretty heavy backlog of sales that we anticipate over the next 12 to 18 months.

Raoul Hughes *Chief Executive*

And then the fee question, I think that there's two elements of that question, I think BE VII, and then more generally. When we guided in -- the headline fee rate in the PPM for BE VII was 1.5%. When we were guiding in March, we were conservative. We hadn't closed the fund; we were being a bit conservative and assuming that the average fee rate would be a bit lower than that at 1.4%. In reality, we closed the fund without making any concessions on fees and so the fee rate is 1.5%. So that's that sort of balance. And what's the view on fees? I mean, fees are a constant theme in all asset management businesses, whether that's alternatives or non-alternatives, isn't it? I mean, I'm reasonably confident in the mid-market and given the differentiation that we've gotten and that ECP have got, that we have a good chance of maintaining fees. We're not complacent about it.

Doug Kimmelman, *Energy Capital Partners, Founder & Senior Partner*

Yeah. And I'd say for us, we throw off a lot of co-invest. We historically have thrown off maybe $8 billion of co-invest, and we've seen an increasing trend to be able to charge some fees associated with that co-invest. So that is a nice supplement to what's happening on the fund size. There's a lot of demand out there from LPs for co-invest.

Nicholas Herman *Citi*

That's helpful. Thank you. If I could just ask a follow-up to Doug, please.

Raoul Hughes *Chief Executive*

Yeah. Can you speak up a bit?

Nicholas Herman *Citi*

Quick follow-up then, Doug. The 120-basis points fee rate on ECP V that you disclosed at acquisition, is that for the main fund only or is that the blended fee rate with co-invest? And if it's not blended, could you help us with the blended fee rate for that, I guess, $6.7 billion?

Doug Kimmelman, *Energy Capital Partners, Founder & Senior Partner*

It's the main fund. And I think, as you know, in the infrastructure area because we're a slightly lower returning asset class than traditional buyout or private equity, the fees are a little bit below that. And so we have been supplementing that with co-invest fees. We don't disclose specifically the co-invest fees, but let's just say there's an ability to charge an annual fee, which I think is warranted and it offsets expenses with putting vehicles together, and then for investors that are not in our funds, we've been able to charge a fee and there's been an increasing number of those that have supplemented our co-invest.

Nicholas Herman *Citi*

OK, thank you.

Operator

Arnaud Giblat, BNP Paribas.

Arnaud Giblat *Exane BNP Paribas*

Yeah, good morning. I've got three questions. First is a follow up on the EUR20 billion guidance. You said essentially that BE VII wasn't in that guidance but BE VIII was. If I can just follow up on that because I suspected BE VIII will be raised over a number of years and probably start in '26 and spill over into 2027, so I'm just wondering if you're factoring in a full BE VIII in that guidance. As well, are there any new strategies that are included? Or is this just a bare-bones flagship only? And my second question is on fund valuations. I think during the presentation, you said that 86% of unrealised valuations, multiples were flat to taking down. I'm just wondering where we are in that dynamic. Do you think that we can have multiples -- as they stabilise, can grow given the strength in public markets? And finally on private wealth. You talked a bit about the opportunities there. I'm just wondering if you could give us a bit more detail around what products are in development and what distributions you might have signed on? Thanks.

Raoul Hughes *Chief Executive*

Okay. In order, the EUR20 billion is at least EUR20 billion – it designed to be the next suite of flagship funds in the businesses. That's the BDC V, the BE VIII and ECP VI together with continuation funds that come off the back of together with the credit. It does not assume that we've launched any material new use new sort of product lines either within the verticals or perhaps through M&A outside those verticals. It's business as usual through the core. It does assume a reasonable number for BEVIII. I'm not going to give a number for it at this stage of the process. But I think you're right, it's going to go probably into '27 before it completes, but there is a proportion of that EUR20 billion that is BE VIII, but I'm not going to get into details where we're thinking that's going to land yet. It's too far out. Valuations. I think there's two that I think we are -- where do I think they're going to go from here? I think there is a bit of a -- we think we valued our businesses very sensibly. We are

continuing to see a material uplift in value at exit. We put that in the presentation, that continues to be a theme within our businesses, that you value businesses on a current trading basis, you tend to sell them on a forward-looking basis, and that tends that so -- So I'm confident that when you look at the next wave of exits, there will be upticks in valuation compared to the previous marks coming through as we exit them. Where do I see valuations going? I suspect that we've probably reached a floor in expectations of values in the market. How will they bounce back? I don't know. I think these are ultimately -- we've said this consistently, we are in a binary game. We buy individual companies and a lot of the value comes down to the nature of the individual business.

Doug Kimmelman, *Energy Capital Partners, Founder & Senior Partner*

And I just say (multiple speakers) we're both in the business of value add. We're growing EBITDA. And I would say, which is much more a driver is how much we're growing our businesses. And we've seen, yes, in the electricity business, we've seen you know quite a bit of growth in margin and EBITDA. And so even if exit multiples have plateaued or even if exit multiples trend down a little bit, I think we outweigh that by where we've driven our EBITDA over time.

Raoul Hughes *Chief Executive*

Yeah. Wealth channel, this is something we're planning to cover in a lot more detail in October. We've got a dedicated team looking at it. We've developed a product that we are aiming to launch in '25. I don't want to say too much about but it will be a specific product geared to providing the opportunity for private wealth investors to invest across the Bridgepoint ECP platform. Yes, we're devising as a separate structure to go out in '25. We've sort of devised a structure. We're engaged with lawyers, setting it all up at the moment and planning to launch in the first half of next year. I think it's a topic we'd like to discuss in detail in October.

Doug Kimmelman, *Energy Capital Partners, Founder & Senior Partner*

Yeah, we're focused on it as well as what Raoul's mentioned on that product, we also have what we call an open-ended product that we are now out in the marketplace with, we call it evergreen yield, and really what the private wealth and retail investors, they're looking for liquidity in open-ended where they have some degree of liquidity. Yield is very popular in this day and age, which we've been able to do that in ... in our sectors. And they like products where the capital is all called upfront. That's kind of uncertain capital calls in the future. So we have something around that. We've hired someone to help coordinate all of our private wealth. So we both think that this is going to be a large growing area for us and for the overall private equity industry. I think you're hearing this -- it is in addition to going on wealth platforms. A lot of the major investment banks have wealth platforms that cater to their clients, but also through direct channels. We're focused on both.

Raoul Hughes *Chief Executive*

But more to come at the CMD.

Arnaud Giblat *Exane BNP Paribas*

Sounds good. Thank you.

Operator

Angeliki Bairaktari, JPMorgan.

Angeliki Bairaktari *JPMorgan Chase & Co*

Hi, good morning. Thank you for taking my questions. Just a few on my end, please as well. So first of all, a follow-up on the exit activity. You sound more constructive than some of the larger cap -- some of your peers which are playing more in that larger buy-out base. So I was wondering, is this because of specific geographies where you have invested in the past and you see perhaps a bit more traction? Or does that have to do with the fact that mid-market investments are a bit more flexible when it comes to exit relative to the large buy-out market? So any colour you can give there with regards to sort of why you're being more constructive relative to other listed peers there? And second question with regards to credit. So first of all, are you seeing any signs of credit flow in your portfolios? And also, when it comes to deployment and fundraising, in particular, the BDL IV fund. So we have seen some recent articles on Bloomberg and also, if we look at public data, leverage loan yields are trending down in recent months relative to where they were before. Is the return profile deterioration of the asset class this year relative to last year at all a concern when it comes to fund raising for the BDL IV fund or deploying more broadly? And one last question for that, if I may, with regards to US election, how can that affect, if at all, your investment portfolio, given you know, quite geared to utilities? Thank you.

Raoul Hughes *Chief Executive*

Last one might take a long time to answer. (multiple speakers) Exits -- I think it is a middle market for what -- it's based upon what we're seeing within our own assets on our own business. Others perhaps are seeing something different in their assets it is the nature of .... that's what we see. It feels to me I think then we said we've said this consistently, the middle market has been a more tradable part of the market through the whole of the last few years compared to the large buyer market. We are, as Doug alluded to, we tend to be a growth investor. We're buying growth businesses, I mean the average EBITDA growth of our Bridgepoint private equity portfolio in our sixth flagship fund was on a high teens annual EBITDA growth. So these are growth businesses. And they are -- they tend to be smaller and they tend to be non-perfect businesses when we buy them. We make them better. And there, I think the exit markets for that type of business and the nature you're selling them to have probably naturally been more open, more open through the last couple of years than the larger buyout where you're probably more likely to be GDP plus type businesses and you're more likely to be dependent on listings as exits or big transactions. I think it is a more robust, robust space to do it and our confidence is coming from what we're seeing within our own portfolio rather than others. Credit. There has been a bit of there's been a bit margin compression. I don't think it's been material within our direct lending portfolio. And you look at those -- I mentioned in the presentation they've done sort of 10 new deals in the half year and then there's no sense of material margin compression within it. You're still seeing absolute returns and credit being materially higher than they were two or three years ago, because of, because base rates are higher and they're unlikely to fall to the same sort of levels. I think from a delivery perspective within direct lending, this is an absolute return strategy and the returns that you're advertising, delivering, when you go to market are currently materially lower than the ones that have been delivered. So I think there's room for that to be balanced. There is some sense that you're right, margins, which from a private equity perspective is good news at the margin, coming in a little bit. But I don't think that's the major issue for our ability to raise funds and credit. US elections?

Doug Kimmelman, *Energy Capital Partners, Founder & Senior Partner*

US election. Well with the minute-by-minute drama, this could take two hours, but we won't do that. But let's just put in context, energy. Energy, the industry, has been an enormous driver of the US economy and neither party wants to backtrack and take the economy backwards. When I talk about energy, I've used the word reliability. That's really what this industry is. And reliability is stretched. Stretched, because the economy has been growing and there haven't been sufficient resources. There's been constraints to some degree on things like new pipelines for natural gas. And now with all of this boom in demand that I talked about - electrification,

electric vehicles, but as well as AI, so capital needs to flow into the sector. And I think both parties realise that. I think both parties may have a little bit of a different slant of which sides of energy they would prefer, but I would back it up to the states. Most of the mandates towards growing out clean energy, growing out renewables, that's driven by the states. Over 30 states have what's called renewable portfolio standards, requiring utilities to get to anywhere between 50%, 100% renewables. That's not coming from the federal government. The federal government has juiced it up a little bit with the Inflation Reduction Act with tax credits. But this trend was happening long before the Inflation Reduction Act. And if you look at where renewable projects are in the country, some of the more red-leaning Republican states are some of the biggest renewable states. Texas is probably number one in renewables, and is still a red state. And I just don't think either party is going to back away from all of that economic growth that has occurred. So very low on our list in terms of the election, changing the dynamic or growth of our sector.

Raoul Hughes *Chief Executive*

But presumably something that you and your colleagues chat about at the water cooler all the time given what it going on?

Doug Kimmelman, *Energy Capital Partners, Founder & Senior Partner*

All the time and as the largest private owner of power generation in the country, let's just say we are part of the dialogue at the state level and the federal level of making sure reliability is maintained because that's what we need for a functioning economy. We're in the middle of all of that.

Angeliki Bairaktari *JPMorgan Chase & Co*

Thank you very much.

Operator

Hubert Lam, Bank of America.

Hubert Lam *Bank of America*

Hi. Good morning. Thanks for taking my questions. I've got three of them. Firstly, how should we think about the target size of BDC V? Are you maintaining a guidance of EUR2 billion or do you seeing an upside for that, given the continued strong performance of BDC III? Second question is related to that -- how should we think about the terminal fund size of the BDC strategy? Just given the typical investment size that tends to top out at about 125 million? And lastly, question on wealth. I know you'll be talking more about it in at the CMD in October. But just generally, are there any idiosyncrasies with middle market funds in the wealth channel? Or should we expect similar demand and success as some of the larger, some of the funds that have been launched by the larger market players out there? Thank you.

Raoul Hughes *Chief Executive*

Okay. Thank you. BDC, I think I'll answer both of those questions together. One of our key ... key determinants within Bridgepoint is we were always mindful to actually raise the right amount of capital in a fund that we are confident the team will be able to deploy in really good quality opportunities in a sensible fund cycle. And that's the driver for optimising the fund size. We think -- the reason we do that is the most important driver for the future fund size and the future growth of this business, and therefore, the shareholder value of this business is that we continue to invest really well. So we will not go out as a business and raise more capital for a strategy than we're confident we can deploy within a sensible 3.5-to-4-year fund cycle. From a BDC perspective, we've

gone out with a target size of GBP2 billion. There is, at the moment, you never know, but at the moment, there seems to be reasonable demand for that product. And I wouldn't want to speculate at the moment about whether we think it's appropriate to raise more than GBP2 billion, we will see. How far are you scale up that business in the medium term? I think that depends on the general scaling of the business and I think there are routes to grow the BDC strategy. It's been historically focused on the UK, France, and the Nordic regions within the wider Bridgepoint network. We've recently recruited a team of people with BDC in Germany so that we can deploy more capital, some capital from that strategy into the German market. And we have a colleague based in Spain looking at the Spanish market. So part of this evolution of the product is that you, you increase the geographic reach, which gives you more opportunity to have deploy more capital in that strategy through a fund cycle. But the thing to bear in mind in BDC is this is our -- this is, by definition, our Midcap strategy. And it's really important to that this strategy sized in a way that the team can continue to deliver breakout returns within the funds. That's what the investors want and that's the real driver for us for that strategy.

Doug Kimmelman, *Energy Capital Partners, Founder & Senior Partner*

When I mentioned just on wealth, I'll do a little bit just because we've been on wealth channels. Our latest one was just on the Morgan Stanley wealth channel, which is one of the largest out there. And what I found was that retail investors, they are looking for both brands, name brand firms, as well as investment teams. And I certainly think, you know, Bridgepoint with ECP global reach across different products, I really think our brand is well established and growing in notoriety. Themes, I think we score very well. Certainly for us, energy transition is the theme that retail investors want to invest in. Products that throw off yield, equity products that throw off yield, is a theme that retail investors wanted. And I think Middle Market European exposure is another theme. So we focus it that way. Yes, we're building our brand, but I think we have themes and even structures that are conducive to what the retail markets understands and is looking for.

Hubert Lam *Bank of America*

Thank you.

Operator

Marina Massutti, Morgan Stanley.

Marina Massutti *Morgan Stanley*

Hi, good morning. Thanks for taking my questions. So I have one on fund raising. Other peers have pointed to the need for cash flows back to the LPs in order to ease the pressures. Is this something you are seeing -- clearly with BE VII done this is perhaps less of an issue for you -- but it would be interesting to know what LPs are saying in terms of the appetite for reallocation, and any regional colour of where's easier and harder to raise money? Another one, as you mentioned, you have plans to tap into the wealth opportunity, but just wanted to check if there untapped opportunities within the institutional investor base, maybe perhaps by returns or any clientele? Thanks.

Raoul Hughes *Chief Executive*

OK, do you want to go first?

Doug Kimmelman, *Energy Capital Partners, Founder & Senior Partner*

I can. Well we refer to it as DPI in terms of the distributions that are coming around to investors, that issue, that stress that the investor has not gotten the capital back so that maybe they're going to delay their new

commitments, it's very sector and regional specific. I think some of the pension plans maybe [the] ones suffering a little bit on waiting for more cash flow. And it's not just cash flow from our funds. They look at their whole portfolio and it's very true. It's been lagging. But we have other regions of the world where there are sovereign wealth funds, for example, re not really impacted by that. We have other regions of the world just the growth in the overall economy, the growth in pension assets more than offset that. So the good news is, our investor approach between both of our firms is we blanket the globe. And we're really strong whether it's in Asia, whether it's in the Middle East, whether it's in Europe, whether it's in North America and now more with the retail base. It's not just concentrated in any one sector. So we go where the demand is, and we've got a flexible team all over the globe to go where the demand is. So I don't think it's been as big as an impact as we're not reliant on any one sector.

Raoul Hughes *Chief Executive*

I think it's historically Bridgepoint over because over-indexed in our historic private equity funds on the on US capital and certainly through the last couple of years, two or three years with the indigestion in the market that's been more evident in the US capital and has elsewhere. And what that's forced us to do in BE VII is change the nature and the base of our investors. So we've raised higher proportion of BE VII from non-US based investors in the Middle East and in the Far East then we had we had before, which actually puts us in a really good place for BE VIII -- because I'm assuming that the US market will recalibrate and will come back. So I mean, I think the answer to your question is right, there has been a congestion and I think there is elements of it easing. I think the conversation in the sense that exits will start moving and across the whole industry. It'll take a while, but it will a block and it will come through. But as Doug says, there are other pockets of capital that haven't had the same indigestion issues and it's sort of strategically is making sure you've got the right relationships and access to those pots of capital as well. And as Doug said, one of the things that we've been doing collectively as a firm or we will do when we come together, is we've been investing significantly in the sales force across the organisation. And the sales force, geographically. So historically, your sales force would have predominantly been US and ours based in London, we've now built a sales platform. We continue to build a sales platform that sits in the US. We've got people in London and on the ground in Continental Europe. We've got a sales team in Korea, We've got an office in Singapore. We've got people on the ground in Mainland China, and in Tokyo. So we've built a more global distribution network that is giving us the opportunity to have regional specialists talking to investors across the globe. And I think expect the next place, we'll be looking to recruit for us is in the Middle East.

Doug Kimmelman, *Energy Capital Partners, Founder & Senior Partner*

The biggest area of investment.

Raoul Hughes *Chief Executive*

Yes. So there are yes as indigestion. I suspect over time, it is going to it's going to ease off as the capital flows do start coming back. From a Bridgepoint perspective, we've invested in a global sales team that is giving us access to the various pots of capital around the world.

Marina Massutti *Morgan Stanley*

Very clear, thanks.

Operator

There are no further questions. I will now hand back to management for closing remarks.

Raoul Hughes *Chief Executive*

Okay. Well, thank you very much, everybody, and look forward to speaking to you again in the autumn. Thank you.

Doug Kimmelman, *Energy Capital Partners, Founder & Senior Partner*

Thank you.