Bridgepoint FY 2023 Interim Results | July 25, 2023

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PRESENTATION

Operator
Good day, ladies and gentlemen, and welcome to Bridgepoint Group plc 2023 Interim Results. (Operator Instructions) I would like to remind all participants that this call is being recorded.

I will now hand over to William Jackson, Chairman, Bridgepoint Group plc to open the presentation. Please go ahead.

William Jackson *Bridgepoint Group plc - Chairman*
Great. Thanks, Irene. Good morning, everybody, and welcome to Bridgepoint's 2023 Interim Results Presentation. I'm William Jackson, Bridgepoint's Chairman, and I'm joined this morning by Adam Jones, who those of you who tuned into these presentations regularly will know is our CFO. Xavier Robert, our CIO, is with us this morning. Xavier hasn't been at one of these presentations before, but he's a long-standing senior member of the Bridgepoint team and is well placed to talk about the current market. And of course, Andrew Konopelski, who's the Managing Partner of Bridgepoint Credit, is also with us to share his enthusiasm for current market conditions in the credit markets.

Firstly, it's a pleasure to welcome everybody to the call, and equally importantly, to present a robust set of results for the first half of 2023 and most importantly, reiterate our guidance for the full year. This morning, we're going to cover 3 topics. I'm going to talk through a summary view of where we stand today and what's been going on in that first half, including an update on the market and our fundraising progress, BE VII now in particular, coming towards a successful conclusion. Then Xavier is going to update you on our investment activity, and Andrew will take us through a review of the Credit business and the progress that's been made since the acquisition of EQT Credit a couple of years ago. It's an especially interesting time in the credit markets, and we're keen to make sure that shareholders understand how we're driving value from the opportunities that are around. Following Andrew, then Adam will talk through the details of those first half numbers, and we will of course, then open up to Q&A, which will be managed by Irene.

I'd like to just start on Slide 3 and a quick summary of the performance in the first half and where we stand today. You may remember that earlier in the year, when we reported our full year results for '22 in March, I said that we were entering 2023 in a strong position despite market uncertainty and that we were confident in our ability to deliver in this environment. I'm pleased to confirm that that remains the case and that our fund performance continues to be resilient. As you know, we're one of the world's leading alternative middle market asset managers. We finished the first half with EUR 35.5 billion (sic) EUR 39.5 billion of AUM diversified across Private Equity and Private Credit. So, what have the highlights been for the first half of the year?

Well, firstly, we continue to make progress in capital raising despite some of the well-documented slower fundraising markets. I'll talk about this a little bit in more detail later, but we've now closed Bridgepoint Direct Lending III, the main senior debt fund for Bridgepoint Credit, and we continue to make good progress on BE VII, which is now well underway to completion. Fund performance remains strong, and Xavier is going to cover that, and we continue to deploy capital across all our strategies, pretty much in line with expectations. You can see some of the PE investments made in the first half of the year along the bottom of this page, and we've got a couple of further investments to announce shortly.

As anticipated, we've had fewer exits in H1, that was in our thinking, but we have a very strong pipeline of targeted exits going into H2. In terms of financial performance, fee-paying AUM is up 24% year-on-year to EUR 24.6 billion. Correspondingly, management fees are up 24% to GBP 125 million in the first half of the year and as we look to match the evolution of our cost growth with our AUM growth, FRE is actually up 91% year-on-year to nearly GBP 43 million. As anticipated, H1 EBITDA is down year-on-year principally as a function of the fewer exits in the first half of the year versus -- especially versus H1 '22. Our exits this year are weighted to the second half of the year. That was the plan when we started the full year. But it's also worth noting we had a very, very strong H1 '22, which provides quite a tough comparator.

Now before going deeper into our performance, it's just worth providing a quick reminder of why we're excited by Bridgepoint's future ourselves because we're, of course, major shareholders in the company. We think Bridgepoint has a great market position, which is extremely well suited to the current times. We benefit both from a long-term tailwind in private markets, but also focusing on the middle market, which has remained probably the most active area during this recent period of market rotation. We have significant medium-term organic growth potential for the business, both in our existing strategies, but also as well as our opportunity to develop complementary products organically and by acquisition. For those of you who joined us at the full year 2022 results presentation in March, you might remember that Raoul Hughes, again, one of our senior leadership team, provided a detailed update on our strategy in this area and our approach to business development. Not going to go into that in further detail today, but we've got good momentum in that area, and we hope to be able to provide a good clarity on this by the year-end.

However, what I hope the update today will demonstrate is that Bridgepoint's proven ability to partner with new teams as we build out our strategies over time is illustrated by what Andrew and the team have been doing in Bridgepoint Credit. Bridgepoint has a deep and resilient investment track record. It's been developed over 30 years, and it's accompanied by a highly experienced leadership team, certainly weathered by cycles as well. All of us -- all of this has helped us build resilient investment performance using a platform that has significant financial operational leverage, which drives our performance, which Adam is going to talk about. And, of course, all of this drives shareholder value with a strong balance sheet that remains asset-light with high and stable margins and very strong cash conversion. And, of course, today, we have over GBP 650 million of cash and investments on our balance sheet as part of our current market cap. And we also pay a high dividend yield. And with our share buyback program coming to a completion later this year, the combined contribute significantly to total shareholder return.

Now turning to Page 6 and fundraising. I think everyone listening today will be acquainted with the fact that fundraising markets have had their challenges over the last 18 months. But the market has recalibrated materially. And I think investors now more than ever are focused on realised returns as the best performance benchmark. And Bridgepoint's strong investment performance in recent times, its disciplined investment strategy and a highly experienced team are really relevant at this point in the cycle, and that's proving increasingly attractive to our fund investors, especially those currently in due diligence as those markets recalibrate. And that's reflected in the progress we've made over the last 6 months with EUR 0.5 billion of commitments coming into BE VII since we last spoke to you in March. The fund now stands at having EUR 6 billion of commitments, nearing completion on -- with the target remaining unchanged.

And alongside that, Andrew will also talk about BDL III, which where we've recently completed the fundraising. I should also note that we're actively in the market with Bridgepoint Credit Opportunities IV with Bridgepoint Growth II, which is now halfway towards its target launched at the beginning of the year. And we'll probably be launching our fifth CLO later this year. And, of course, behind that, Bridgepoint Development Capital V, a highly anticipated fund is coming down the road and planned for early 2024. So, lots of activity on capital raising, both currently and over the next period of time. Looking ahead, we have a good pipeline of fund investors finalising diligence on BE VII, the flagship fund. And we're keeping that open for LP commitments into the first quarter of 2024 just to enable some of LPs, mostly recommitments, to use their allocations out of 2024 if they've got some of those challenges.

Now I'd like to turn to Slide 8, and I'll talk about Bridgepoint -- how Bridgepoint is approaching investment across our funds. A few key themes for the times in my mind. We're in a totally different environment today to 2021 or 2022. And I keep repeating that internally to our own teams. Pricing is different. There are new thematics around -- the world continues to change very fast. And as you'll hear from Xavier, we've tilted our investment strategies accordingly. If you're in a market where you have lots of liquidity where interest rates are low, where modest economic growth is helping drive returns and you have rising valuations, you've got huge tailwinds behind investment activity, especially in these very large transactions that go on. That's now gone, and certainly for now anyway.

Returns today are generated from real growth from hands-on value creation strategies and from focusing on cash generation. All of these are strengths of Bridgepoint and what we do in the market today. Within this -- this changing market dynamic, we're beginning to see momentum building back in M&A activity, which is encouraging as we enter the second half of the year. Portfolio construction, investment discipline, sector conviction all remain critical. I think to create alpha today, you need to be in the right space, you have to have genuine tools to create value and you really have to be very hands-on with the portfolio. I could go on, but I hope that gives you a view of how we're thinking about the current investment market.

And I'm now going to hand over to Xavier, who will expand on those comments. Xavier, over to you.

Xavier Robert ***Bridgepoint Group plc - CIO***
Thank you. Thank you, William, and good morning, everyone. What I would like to do this morning is really take a quick step back and spend a moment giving you another view of Bridgepoint's investment strategy because it's applying to all the funds. And our aim, obviously, is to generate outstanding returns. And that's a goal that is built on 2 cornerstones. We need to have an impressive asset selection on one hand, and then we need to have strong portfolio value creation once we own the asset. And the way we select the businesses we invest in at Bridgepoint, it was a clear and focused thematic approach, which targets areas where Europe is leading. So for example, energy transition, AdTech, pharma products, just to name a few. But once we have invested in the business, particularly on the PE side, we apply a multi-layer value creation approach, leveraging a network of local offices

that allows us to take our businesses into new geographies or execute value-enhancing M&A, but also leveraging our OSG [Operational Support Group] team to deliver operational excellence.

What I'd like to do now is spend a couple of minutes giving you a bit more detail on each of these 2 cornerstones, starting with asset selection. So, a thematic approach is central to everything we do. And you can see on the screen, the verticals we focused on and obviously, technology and is -- that is an horizontal touching everything. But even within these sectors, we don't invest everywhere and anywhere. We focus on a few subsectors, which we have specifically identified due to their structural growth. And it's not only our sector teams that are doing that, but it's the entire organization that is focused on the subsectors. And that creates what we believe is a fantastic origination machine. And the origination machine we have created, therefore, means that we will invest about 80% of our funds in the subsectors that we've selected. It also means that we expect to generate most of our deals in a bilateral way or outside conventional auction processes. And this approach to deal sourcing also results in us typically having interacted with the managers or the owners of the companies we invest in [for] more than 4 years.

And if I turn to Slide 14, you can see this approach in action, with the 3 deals we have now signed with the latest, a private equity fund, Bridgepoint Europe VII. So these 3 deals are all on thematic. They're all bought from founders or families with whom we have developed long-term relationships and all of them have organic growth of more than 20%. And I'm often asked the question, what is the typical Bridgepoint deal? And my answer is it's a deal that is within these niches that we're focusing on. It's usually with a business we've developed long-term trust relationship with -- a good product, a leading position, but what is very important is we need to have room also to improve the operations and the geographical coverage. So on top of this thematic approach, what we like also to do is to embed a number of financial characteristics in our portfolios across the PE but also the credit funds, to build resilience into the funds. So we like to have high revenue visibility, high EBITDA margin, strong cash conversion, so strong equity cover, and the numbers that you can see on the slide really speak for themselves. William has touched a little bit on investing in the current market. But on the screen now, you can see the deployment across the key funds in H1 '23, which illustrates that we are still finding attractive middle market opportunities that meet the criteria that I've just laid out. So all the funds are currently on track against their deployment targets. That's the main message.

Now I'd like to move to the second cornerstone, which was the value creation post-acquisition. So once we've acquired a company, we then deploy a well-structured playbook and develop a value creation plan that we then track obviously at the Board level within the company, but also at Bridgepoint level through regular portfolio management committees. And this value creation plans typically comprises several common elements. So, we put the right governance in place. That's fundamental for all the companies we invest in. And then we're going to select the 2 or 3 operational levers which have the biggest impact on the company, and we're going to execute on them with the help of our OSG team. But also, something that sometimes people don't realise is we spent also a lot of time repositioning the companies we invest in to make them more strategically appealing for buyers at exit.

And, of course, when we do that, digitalisation, tech enablement, sustainability are central to this approach, and we've built the necessary in-house capabilities to make this happen. And I think what is really important when you look at all of this is that it allows us to generate very strong returns, not only in one sector, but in all of them, and this is quite fundamental to the consistency of the returns, fund after fund, and a very useful tool to make sure that we're not dependent on one sector outperforming the market. So just to close this presentation, you can see on the screen now probably something that is the most important graph for me. And we're using here Bridgepoint Europe VI as an example, you can see the organic revenue growth of the portfolio, Bridgepoint Europe VI every year versus the European GDP. And you can see that we systematically outperform, thanks to a thematic approach and strong portfolio value creation. In 2022, for example, we grew portfolio revenue organically by 22% despite the challenging macro environment that we're all aware of. So for me, this is probably the best proof that our strategy is the right one.

I will now hand you back to William, who is going to talk you through the latest fund performance.

William Jackson ***Bridgepoint Group plc - Chairman***
Thanks, Xavier. Not surprisingly, everything that Xavier has just talked you through goes to fund performance. And I'd just like to cover that for a second now. As you can see from Slide 23, fund valuations were up or flat at the 30th of June and valuation progression remains in line with targets. That's extremely encouraging. We're pleased with that performance. And whilst we're definitely not immune to macro trends and you see that within the portfolio in certain places, and we're not complacent. We're well positioned for current market conditions and our middle market growth positioning with access to leverage for new investments in the space and activity still going on in the middle market is really a great place to be. And I'll say again that if our funds perform for our investors, which is always our #1 focus as a team, then our shareholders will also do well.

Finally, before I hand over to Andrew, 2 minutes on exits. As I mentioned earlier, exit markets have been more challenging. I'm going to focus on PE because credit is obviously not driven by exits in the same way. As we indicated during our full '22 year results in March, we expected H1 '23 to be a little bit slower for exits than the previous year with '23 exits phased principally in the second half of the year. What's encouraging is that despite everything that's going on, we have a very, very good pipeline of exits. Inevitably, we may see 1 or 2 of those slip into '24. But on the basis of where we are today, we currently expect to fully deliver our expectations for '23. And definitely, we are confident about the full '23, '24 investment income in aggregate and remain positive about what's going on in the market space in that regard.

With that, I'm going to pass you over to Andrew to update you on our Credit business. Andrew?

Andrew Konopelski ***Bridgepoint Group plc - Managing Partner, Credit***
Thanks, William. So I'd like to give you a short update on the Credit business as well as our view on the current market. So turning to Slide 25. Let's start with an overview of the progress we've made since the acquisition of the Credit business from EQT in October 2020. So over those last 2.5 years, we've been on quite a growth journey, and I'd like to share a few of the highlights. So we started by seamlessly merging 2 fantastic Credit teams into an even stronger combined group with a presence in 8 countries and access to the full strength of the Bridgepoint network that William and Xavier were speaking about. With that strengthened team, we've successfully raised EUR 6.2 billion of investable capital. That's over 40% of the total capital we raised in the 15 years since our inception in 2008. We also launched a new CLO initiative, investing in diversified portfolios of senior secured floating rate liquid loans.

The first CLO was launched in the fourth quarter of 2020, and we're now on track to price our fifth CLO in the next few months. So when considering the capital that ran off over that same period, total credit AUM has grown by a very healthy 76% to EUR 12 billion of capital across our 3 investment strategies. Now as William mentioned, in May this year, we had a final closing on Bridgepoint Direct Lending III, which is EUR 2.85 billion, which when combined with the fee-paying managed accounts has added a further EUR 3.4 billion of investable capital to our direct lending strategy. This is substantially larger than the preceding vintage underlying the strong investor appetite for the direct lending product in the current market. We've also successfully raised approximately EUR 1 billion for our credit opportunity strategy, which we're close to holding a final closing on our latest fund, Credit Opportunities IV. Now to support all this activity, we've also been busy building the team, which has grown considerably. We're currently 65 dedicated professionals, which is an increase of over 50% since October 2020.

Moving to Slide 26. You can see the growth in fee-paying AUM has been quite consistent year-on-year since 2020, and we anticipate a strong second half to this year. So as you know, our credit funds receive fees on invested capital. So the amount of capital invested at any one time broadly dictates the revenue of the Credit business. There are 2 points I'd like to draw your attention to here. The first is that increasingly, we're raising capital through separately managed accounts and co-investment vehicles as well as through our flagship funds. So we're pleased with this development as it indicates the strength of our origination and the sophistication of our platform, which enables us to provide our investors with vehicles that can match their risk appetite and their investment criteria.

And secondly, our credit funds are able to reinvest capital for the full investment period. So we realised capital during the investment period, we can reinvest it at least the principal amount again. And I mentioned this because it's difficult -- it's different than the typical PE model. And importantly, this enables us to generate a higher money on cash for investors, but it also increases the total lifetime fees that we generate from our funds. They both are positive developments, but differ a bit from a typical private equity fund model that you may be more familiar with. Finally, I'd like to talk briefly about the current credit markets and touch on the progress we're making in investing in our latest flagship funds. It's certainly an interesting and exciting time to be a credit investor. After the rapid rise in interest rates over the past year, we now have a meaningful base rate for the first time in a decade with 3-month EURIBOR currently about 3.7%.

The majority of our investments are floating rate loans, so that has a material impact on the total return that we're delivering for our investors. The interest rate rises plus the broader macroeconomic environment has also increased risk premiums, again, adding to the total returns we're able to generate. Now, of course, this increase in returns needs to be balanced against the health of the businesses we're lending to. We're highly vigilant and view the current market environment as a significant positive and one in which we believe we are well placed to deliver our credit investors the best returns for a decade. When coupled with the fact the public debt markets have now been largely closed the new issuance, allowing the private debt asset class to gain further share, we're really enjoying ourselves at the moment. So where does that leave our 3 credit investment strategies? If I start with our syndicated debt strategy, our CLO business continues to go from strength to strength and aims to price its fifth CLO in the next few months. The first 4 CLOs are all performing well with the portfolios in a strong position and target returns above our initial expectations.

We currently have the highest average asset price across active CLO managers in Europe, which when combined with the overall returns we are delivering is a testament to the team's ability to find optimal risk reward in this market environment. So in direct lending, I'm pleased with the progress we're making, the sponsor relationships we're building, the investment risks we're taking, the health of the portfolios and the returns we're delivering. In the latest fund, BDL III, we've already made 28 investments to date, lending to 22 different financial sponsors, of which 9 are new in this fund. So to give you a few statistics that speak to the quality of the investments we're making. Our average loan to value for those 28 investments has been 33%. So we have a very strong equity cushion behind us. And with an average EBITDA margin of 30%, it really speaks to the high quality of the business we're lending to.

In Credit Opportunities, BCO IV is at a similar point in its investment cycle with over 60% invested in 26 transactions to date. Now it's a particularly exciting time for this strategy because we look to make investments in both the primary markets where the pipeline is benefiting from the growth in private debt, but also in secondary markets, which has become particularly interesting in uncertain times. So both are providing strong investment opportunities at the moment. And this is allowing us to build a nicely diversified portfolio that's capable of delivering mid-teens returns with attractive downside protection. Now both BDL III and BCO IV are on track to meet their target returns, and we aim to be back in the market talking to investors about their successor funds within the next 12 months. So in summary, we continue to build on the good progress we've made and are confident in our ability to deliver across all 3 strategies in the current market environment.

Now I'd like to hand you over to Adam to talk you through the Group's interim financial results.

Adam Jones *Bridgepoint Group plc - CFO & COO*
Thanks, Andrew. Good morning, everyone. I'm now going to provide some more details about our financial performance for the first half of 2023 and to, of course, clarify our full year guidance. First, let's start with our fee-paying assets under management metric. Fee-paying AUM grew by 24% over the last 12 months, reflecting both the switch-on of BE VII fees following the fund's first formal close last year and, of course, the growth in invested capital across our credit strategies with credit fee-paying AUM growing by EUR 1.2 billion or 18.5% over the last 12 months. This growth -- this impressive growth is actually net of EUR 2.4 billion of fee-paying capital reductions associated with realizations and a return of capital to investors across both equity and credit strategies as well as step-down fee adjustments.

That growth in fee-paying AUM drove strong double-digit growth in fee-related income, up 23% in aggregate over the 12-month period. Management fees for the first half of 2023 reflects a more normalised profile than the second half of 2022, which include a material amount of catch-up fees on BE VII as well as a higher fee base on older funds, which have since reduced with divestment. And, of course, fee margins are stable and unchanged across both periods. On the subject of obviously reducing capital base for the same reason, fee income will naturally decline in 2024 as the net invested capital base on older fund shrinks further through their portfolio realisations that William has referenced. Fee income will then step up once more in 2025 and the transition to the next material new fund-raise, which is obviously Bridgepoint Development Capital Fund V.

Investment income recognized in the first 6 months of '23 is just under GBP 13 million. That's exactly in line with our own budget expectations. As I've previously said, investment income is not linear across any year, and it's dependent on both the progression in fund performance as well as the timing of exits. To illustrate that point, the graphic on the right side of this slide shows that investment income in 2021 was materially skewed to the second half of that year, while we saw the reverse profile in 2022, both driven by obviously the timing of exits across those years. The pipeline of planned activities we have for '23 is heavily skewed to the second half of this year, which means that our own expectation of investment income is also heavily weighted to the next 6 months as it was in 2021. Whilst we are confident in the delivery of these exits over the next 18 months in aggregate, there does remain the possibility of some slippage of investment income from 2023 to the benefit of 2024 based purely upon the timing risk associated with completion dates for those realisations. Remember that we are not entirely in control of that process based on external factors such as regulatory clearances.

Now let's look at our operating expenses, which totaled GBP 82 million for the first 6 months of this year. These expenses have grown by 4% over the prior year period, and that reflects prudent management of cost growth in light of the current macro environment despite the inflationary pressures being evident. People costs are by far the most significant expense at 75% of this total, and full-time employee headcount has grown by 3% to 379 over the last 12 months, reflecting prudent phasing of [personnel] investment in line with the pace of fundraising. Other expenses grew by 22% to GBP 21 million, reflecting principally higher premises costs associated with our new London office as well as higher legal and regulatory spend to support the growth of the Group and its listed status.

Whilst the cost growth in H1 '23 was slightly below the previous guidance of high single-digit, this reflects the timing of personnel investments that I've just mentioned, plus a more modest bonus accrual, which obviously relate to the first half investment income performance. And again, the bonus accrual will be skewed to the second half. The guidance for high single-digit growth, therefore, for '23 remains unchanged. Beyond '23, we expect more modest growth in headcount and personnel costs again reflecting the benefits of the operating leverage in our -- with our fundamental business model. Our growth in fee-paying AUM led to fee-related earnings growth of 91% as William said over the 12-month period and FRE margin materially improved from 22% to 34% for the first 6 months, exactly in line with the guidance I've previously given.

EBITDA for this period was just under GBP 56 million. That's about 10% down on the same prior year period, purely reflecting the lower recognition investment income in the current half year due to the lower number of exits as previously explained.

Now here's a high-level overview of the underlying Bridgepoint balance sheet, excluding the presentational impact of our consolidating our CLOs. And as a reminder, we are a capital-light business. Aggregate co-investments represent approximately 1% of AUM. Our net cash position at the end of June '23 was GBP 258 million plus undrawn facilities of some GBP 200 million. Those facilities were recently renegotiated to reflect the growth in the profitability of Bridgepoint since the IPO. And obviously, the combination of these 2 clearly gives the company significant resources to support its M&A activities.

Now before I move on to guidance, I thought it would be helpful just to dig into our balance sheet a little further and illustrate the potential future value of fund co-investments and carried interest. As a reminder, the value of co-invest and carry on the balance sheet is currently GBP 357 million. The first column in this chart shows that Bridgepoint has enjoyed strong investment returns over the last 5 years with nearly GBP 0.25 billion recognized since 2018. Based upon expected fund performance, we see the potential for a further GBP 220 million plus of investment returns, which is illustrated within the dotted line.

The carry recognized on the balance sheet is associated with unrealised investments and in accordance with accounting rules, that receivable is recorded at a discount. Obviously, once the underlying investments are sold, the carried interest will then be recognized with the reversal of that discount, which equates to an additional GBP 67 million of carry value based purely on current valuations. That's the second column in this chart. The absolute amount of investment return will, of course, be dependent upon the performance of the relevant fund. But for illustrative purposes, we see in the third column, an incremental GBP 159 million of investment returns if the existing funds deliver to our expectations. Importantly, this analysis does not include any contributions from those funds that are currently investing being -- obviously being Bridgepoint VII, Development Capital IV, Direct Lending III and Credit Opportunities IV. And the Group's co-investments in those funds, and therefore, its absolute returns will obviously be larger than prior funds because the fund sizes have increased. So in conclusion, there is very significant upside potential to the values that are reflected in the interim results.

To conclude my part of the presentation, I wish to now clarify our guidance for 2023 and confirm our dividend for the current year. We continue to make strong progress on the BE VII fund-raise, having raised a further EUR 500 million of commitments over the last 3 months. We now expect to hold our final close in early 2024. The target remains EUR 7 billion, as we said before, unchanged compared to now GBP 6 billion of commitments received as of today. Investment income is expected to represent around 20% of total revenues in the short term. However, in '23, we now prudently expect investment income to be in the 15% range based on the current exit pipeline with a corresponding upside in 2024 above the 20% guidance.

Whilst cost growth in H1 '23 was slightly below the previous guidance, again, due to that deliberate phasing of headcount investments, the guidance for high single-digit growth for the rest -- for the full year '23 remains unchanged. On FRE margin, the short-term guidance again remains unchanged in the 30% to 35% range, although, as I said before, 2024 will be slightly below the bottom end of that range, purely reflecting the usual margin profile of the private equity cycle. Fee-paying AUM will naturally reduce as we successfully realise the investments ahead of the next material fundraise being BDC V from January 2025. Credit deployment and therefore, the growth in fee-paying credit AUM is expected to be at least EUR 1 billion annually in the short term, including the launch of new CLOs.

On tax, the effective tax rate is expected to be at the top end of the 5% to 10% range for 2023, but again, of course, subject to any potential changes in the U.K. tax code. We are planning to pay an interim dividend of 4.4p per share in September. That represents a 10% increase on the 2022 interim dividend. When you combine that with a capital return, which is roughly 3.8p per share via the share buyback program, that means the total capital return to shareholders in the first half of this year will be more than double that in H1 2022. So in summary, we are very well placed to deliver within the range of current expectations for FY '23.

With that, I'll hand back over to William.

William Jackson ***Bridgepoint Group plc - Chairman***
Great. Thanks, Adam. As usual, we've covered a lot of material this morning at some speed. What I hope you take from the presentation is a few things. Firstly, that Bridgepoint has delivered robust financial performance in the first half of 2023, and we're confident, but, as I said, not complacent about the full year prospects in line with consensus, given the good momentum we have right across the business. With that said, we're well positioned to deliver in line with those expectations, but recognising that current -- that in the current markets, precise timing of completing exits, which drives our -- part of our investment income split between '23 and early '24 isn't entirely within our control, but we have a good pipeline to hit our numbers. Our Bridgepoint VII fundraise has now attracted strong support from new and existing investors and it's coming near to completion. And our business continues to have multiple avenues for organic growth, not least with momentum in the funds we have in the market and strong prospects ahead for BDC V and the other funds coming to market in the next 12 months.

So we remain committed to deepening and broadening our middle market investment platform. It's our key competitive advantage, and we'll do that organically and by acquisitive growth. But obviously, as Raoul Hughes talked about in March, acquisitions have to be accretive and that remains a key strategic focus. We're a balance sheet-light company, as Adam has just spoken about with 1% of our AUM on the balance sheet. But the assets that we do have on the balance sheet are a hugely valuable part of the current market capitalization of the business. And finally, we believe that Bridgepoint today continues to offer shareholders both good growth potential and real value in the balance sheet.

So thank you for listening to the presentation this morning. Irene has been -- is the facilitator for this this morning, and we're now going to open up to questions. Back to you, Irene.

QUESTIONS AND ANSWERS

Operator
(Operator Instructions) We will take our first question from Arnaud Giblat of BNP Paribas Exane.

Arnaud Giblat ***BNP Paribas Exane, Research Division - MD & Research Analyst***
Yes. I've got 3 questions, please. Firstly, can I ask about the EUR 500 million of BE VII raised in Q2? I suspect that these haven't earned any catch-up fees yet. Is that the case? And will there be earning catch-up fees in H2? My second question is generally on the portfolio companies. You show a high level of growth in EBITDA within the underlying companies. I'm just wondering if there are any portfolio companies that are causing trouble in the private equity or even in the private debt portfolios?

And just continuing the credit side, it's good to see you come back to market with the CLO. How have the asset spreads adjusted there? Are we at attractive levels to be generating attractive returns in CLOs? I mean, obviously, the CLO market feeds off the syndicated market. So I understood what you're saying about there being a huge opportunity with direct lending taking market share away from the syndicated markets. But if we're having a more healthier CLO market, I'm just wondering if we don't see the syndicated markets come back in force?

William Jackson ***Bridgepoint Group plc - Chairman***
Great. Thanks, Arnaud. Great to have you with us this morning. Adam, do you want to talk about the financial -- the EUR 500 million and when that comes into...

Adam Jones ***Bridgepoint Group plc - CFO & COO***
Yes, absolutely. Yes. So the EUR 500 million was commitments that have been agreed in the second quarter. You are right that not all of the catch-up fees on that were billed in the first half of the year. So there will be some

further catch-up fees in Q2 2023. Fee margins are entirely stable across both '22 and '23. So the blended fee margin on PE was 1.3%, both for '22 and '23 and the credit margin, 90 bps, again, across both periods. So fee margin stable. So it's all about any change of profile is really due to the catch-up fees, which obviously were more significant in '22.

William Jackson ***Bridgepoint Group plc - Chairman***
Does that answer that question for you, Arnaud?

Arnaud Giblat ***BNP Paribas Exane, Research Division - MD & Research Analyst***
It does.

William Jackson ***Bridgepoint Group plc - Chairman***
Great. Moving on to the health of the portfolio is a really, really good question in these times. I mean when you look across Bridgepoint's activities, we have a huge exposure to a whole range of companies. So it's quite an interesting window on what's going on in the market. A couple of observations for you. I mean, firstly, inevitably, anything that is consumer-facing is definitely softer. So we see that in the portfolio. I mean fortunately, across what we do -- Xavier will probably have the number, but our exposure to discretionary spend is...

Xavier Robert ***Bridgepoint Group plc - CIO***
It's below 10%.

William Jackson ***Bridgepoint Group plc - Chairman***
Well below 10%. We've been cautious on the U.K. since Brexit. So we currently have in our equity funds, probably again, similarly 10%, slightly different weighting between BE and BDC. But in BE, the flagship fund is under 5% of exposure to the U.K. economy. What I think we're seeing is inflation actually coming down pretty quickly across Europe, probably in advance of some of the numbers you're seeing from the macro economists. So that's interesting. But overall, our portfolio is in pretty good shape. No -- I mean, inevitably, with the number of companies we've got in the most buoyant times, you always have 1 or 2 that are a laggard. But I think it's fair to say, Xavier, there's nothing that we're getting sleepless nights about at the moment, but no complacency.

Xavier Robert ***Bridgepoint Group plc - CIO***
No, exactly. And we had some companies that because of COVID if I go back a bit further were impacted, but these companies have all rebounded with markets and the work we've done. But also if you look at the portfolio as a whole, we've got very high EBITDA margin of close to 30%, as Andrew said, which means that we've got really strong pricing power within the companies we have. So we've been able to pass the inflation that we've seen to the clients. So we've had very, very little impact on the margins.

William Jackson ***Bridgepoint Group plc - Chairman***
And I think one of the interesting observations we'd make about the market is that in the mid-market space and our definition of mid-market is up to about EUR 1 billion of enterprise value. There's a lot of activity going on. And if you've got high-performing businesses, there's a lot of interest from buyers in that. So while we've been -- as you can imagine, we're a long-term business, so we don't typically run these things on what's going to happen over the next quarter because the nature of sale process is that they take much longer than 1 quarter to deliver. But when you look at what's going on out there and what we've delivered in earlier funds in the first half because, obviously, the financial numbers that we're reporting on for the company, the company is interested in our most recent funds, the strong demand for exits out there, which I think also gives a sort of feel for where the market is. We just now move to your CLO question, Andrew is best to answer that. Andrew, over to you.

Andrew Konopelski ***Bridgepoint Group plc - Managing Partner, Credit***
Sure. So I think, Arnaud, if I got your question correct. I mean the current -- what matters to make the CLO attractive is the net spread between assets and liabilities. We've seen liability costs gently creep down to a reasonably attractive level, at least if we look over the past 18 months, and asset spreads have held up sufficiently such that the net is delivering a nice equity return, and as you know, we invest a portion of that equity off of our

own balance sheet. So there is a nice window at the moment. In terms of the whole market does work in a form of symbiosis in terms of the issue of new syndicated loans helps fuel CLOs, et cetera. But we have seen sufficient issuance that we can ramp a CLO this spring. We haven't rushed to issue this one, but there has been enough issuance and the secondary market in Europe continues to get deeper in terms of the market size is now about 3x the size it was in the GFC for instance. So it's a fairly deep pool of secondary investments that we can use to fill it. So we think it's quite an attractive market environment. Now there may be a window before the summer, if not, we'll come back after summer and try to get it done.

William Jackson ***Bridgepoint Group plc - Chairman***
And Andrew, of course, the really interesting about the CLO activities for the business is that as you do sequential funds, it make -- starts to make a much more meaningful difference to the company.

Andrew Konopelski ***Bridgepoint Group plc - Managing Partner, Credit***
Yes, yes, absolutely.

William Jackson ***Bridgepoint Group plc - Chairman***
Arnaud, does that answer your question on CLOs?

Arnaud Giblat ***BNP Paribas Exane, Research Division - MD & Research Analyst***
It does.

William Jackson ***Bridgepoint Group plc - Chairman***
Great. All right. Irene will open up for the next question.

Operator
The next question is from Bruce Hamilton of Morgan Stanley.

Bruce Hamilton ***Morgan Stanley, Research Division - Equity Analyst***
A couple of questions from me. Just on the Credit business, obviously, the opportunities on the investment sound good, but how do you think about the sort of potential default cycle given I think at an industry level, interest cover has fallen pretty significantly over the last 2 quarters, 3 quarters. So how are you feeling about that? Secondly, can you just remind us on sort of debt refinancing maturities for the broader PE portfolios? I think most of it is beyond 2025, but a bit more clarity there would be good? And then finally in terms of fundraising, clearly sounds as though private equity is tougher than credit and infrastructure, listening to other people and that the challenges are most acute with U.S. pension funds and better in Asia and Middle East. So how is your -- does that kind of square with your experience? And how are you sort of tilting your fundraising in terms of clients, maybe for Asia, Middle East, et cetera?

William Jackson ***Bridgepoint Group plc - Chairman***
Great. Thanks, Bruce, and morning to you as well. Credit, Andrew.

Andrew Konopelski ***Bridgepoint Group plc - Managing Partner, Credit***
Yes. So default cycle, it's been great to have higher base rates, of course, because most of what we do is floating rates, risk premiums have increased, but, of course, with that comes underlying performance of the businesses. But I think Xavier picked it up quite well. I mean, I think the first line of defence, the types of businesses you're lending to. So average EBITDA, 30% going into these investments with interest covers in the high-2s, highly cash-generative businesses, no retail, consumer, very little industrial. So looking for resilience, we've actually seen that come through. So we have seen a little bit of pressure as you'd expect on interest cover. And we did an analysis based on our second direct lending fund to try to keep a consistent cohort. What we saw was that interest coverage ratios didn't fall as far as we thought they might partly because these businesses have continued to grow.

So similar to the Private Equity business, strong businesses in the middle market have many levers they can pull.

So while we've seen a little bit of EBITDA compression, we've seen a continued growth in revenue that's actually brought EBITDA up on an absolute basis. So if we drop all that through, we've seen interest cover come from about 3x on those businesses to about 2.3x, 2.4x. So there's still quite a healthy buffer, partly because these businesses are very well positioned in their industries, and we're picking them, we're diligencing them based upon the network, the subsector thematic that Xavier laid out. So I think we have quite a few advantages on the way into these investments. Then, of course, you monitor them closely. But one of the benefits of direct lending is the very direct dialogue that you have with management teams, with private equity sponsors that we're lending to. So there is an ability to address any issues upfront, but we're -- I'd say more quickly, I'd say than the syndicated debt market. But all in all, we're quite happy with where the position -- the portfolio is positioned, and there are no investments in the direct lending portfolios, the BDL funds that we think would lead to a potential loss at this point.

William Jackson ***Bridgepoint Group plc - Chairman***
And track record on losses historically?

Andrew Konopelski ***Bridgepoint Group plc - Managing Partner, Credit***
It's been zero. I mean it's -- I think in direct lending, that's what you look for.

William Jackson ***Bridgepoint Group plc - Chairman***
Yes. Touch wood, touch wood. Actually, one of the interesting things that that's a point worth making, I think as people look at private markets, they don't often appreciate is that there's real sector biases within private markets. So when you look at the performance of private markets versus the overall equity markets around the world, you've got sector biases and indeed, niche biases, which drive performance. So the sectors tend to be higher growth, higher margin, and that reflects pricing as well, but you would expect better performance in those times. So, Xavier, we -- actually, yesterday, we went through all the debt. So Bruce's question is a timely one. We went through all the debt maturities yesterday. So you're well positioned to talk about that.

Xavier Robert ***Bridgepoint Group plc - CIO***
I've got the very current update. No, but within the private equity team, we have a very strong capital market team. So they spend the time raising the most efficient debt packages for all the deals across all our private equity funds, but they also monitor very closely the debt maturity, the hedgings that we have and the interest cover across the whole portfolio. So the good news is we have almost zero debt that are maturing in '24 and '25. We have obviously more debt maturing in '26 and '27. And the team is actually -- that's the conversation we're having yesterday, the team is starting to work on the '26 debts that are maturing. So we look 2 years to 3 years ahead in that respect. So no issue whatsoever on that side.

William Jackson ***Bridgepoint Group plc - Chairman***
Well over probably 60%, 70% is more than 3 years out. Isn't it now in refinancing dates? Really important thing to keep an eye on and also interest rate hedging. So very strong interest rate hedging in the portfolio. Historically, over the last 10 years, that's been an expensive insurance. Today, it's extremely valuable. Just moving on to the fundraise question. I mean, I guess, a couple of observations here. Sometimes when you hear announcements in the market about fundraises and it's happened quickly or it's happened slowly, you need to remember that most private equity groups are fundraising the whole time. So while you might open a fundraise from a marketing perspective on one day and close it quickly, you've generally been in the market from the day you've started investing because that's the nature of the business that we're all in.

I think when you go through times where capital is more rationed, there are certain thematics that come through and people suddenly like, well, they're more interested in the infrastructure than they are or credit or credit opportunities, et cetera, depending on what the sort of view of where markets are. And I think in '22, there was a definite swing out of PE generally and it's all on a relative basis. So I think the absolute number or amount of capital going into PE was increased. But in terms of weightings general swing out driven by a couple of things. One, the performance of PE has been very strong. So as other asset classes have recalibrated, people's allocations have just been used up.

And also, people have less exposure to credit because it hasn't been until 18 months ago, the yields have been lower. And similarly, infrastructures are [a] growing asset class. I think now what's quite interesting in the last 6 months is that as markets have recalibrated, that review of private equity has shifted a little bit. And so I'm really quite positive about the outlook. I think you're seeing that a bit in the U.S. where some of the congestion is easing up. I don't think '24 is going to be that much easier than '22, '23. But the underlying performance is strong. And that at the end of the day is what drives people's commitments.

When we look at it, I mean, I guess, in '22, the U.S. market was much stickier than the rest of the world. So we've built out our investor base significantly in the Middle East and Asia during this period. But actually, we're starting to see quite a lot of interest again from the U.S. in this final phase of the fund. And now we've got that last bit to complete on. So that's where a lot of work is going on. And I think when I look back at sort of where market -- where we are, investor base, I think the fact that we've been able to add some significant new investors from outside the markets that have traditionally been our core base bodes extremely well for the future because the long-term trends in this industry are extremely positive. So, Irene, we'll move on to the next question.

Operator
The next question is from Nicholas Herman of Citi.

Nicholas Herman ***Citigroup Inc., Research Division - VP***
Yes. Hopefully, you can hear me, okay?

William Jackson ***Bridgepoint Group plc - Chairman***
Yes.

Andrew Konopelski ***Bridgepoint Group plc - Managing Partner, Credit***
Yes.

Nicholas Herman ***Citigroup Inc., Research Division - VP***
Perfect. So I have a number of questions, if that's okay. Just quickly, just a quick follow-up on the credit question. You mentioned zero defaults. Can I just confirm also zero losses as well? And I guess just as part of that, where do you see industry loss rate peaking, please? That's the first question. Do you mind if I just do one by one or...

William Jackson ***Bridgepoint Group plc - Chairman***
Yes, Andrew, Andrew, do you want to answer that?

Andrew Konopelski ***Bridgepoint Group plc - Managing Partner, Credit***
Yes. The 0% -- I mean, 0% loss was -- is the -- I think the figure I gave. If I said defaults, I mean I'm trying to think we had any defaults, but it's the loss rate that I have to mind. Where are they going to peak?

William Jackson ***Bridgepoint Group plc - Chairman***
And that is in the direct lending business, which is the core...

Andrew Konopelski ***Bridgepoint Group plc - Managing Partner, Credit***
In direct -- yes, in the BDL funds, in the flagship funds, yes. Where are they going to peak? I find that prognostication – as William said – is a mug's game. But what I think is interesting, though, is the market level default rates, which we think about for CLOs don't really apply so much in places like direct lending, partly because of the asset selection and the very clear kind of sector and subsector bias we have. So I do believe that the very low loss rate in terms of very high recoveries because we have quite significant equity cushions behind, I wouldn't expect loss rates to tick up much. We will see a default rate, but that's a slightly different statistic that you see reported. So we are certainly vigilant, but I don't have a number for you.

William Jackson ***Bridgepoint Group plc - Chairman***
But I think the more -- sort of not more interesting, but the thing out there in the market at the moment will be the refinancing question that Bruce asked, if you haven't got interest rate cover and you've got near-term refinancing date, it's going to be painful because you're not going to get the same quantum of debt if you're going out into the market at the moment for very large amount of leverage. I mean, is it fair?

Andrew Konopelski ***Bridgepoint Group plc - Managing Partner, Credit***
Yes, no, it's certainly expensive. I mean there's a bond issuer who's come back refinancing 4.5% bonds and they come out at 11%, the same amount. So there's a pretty material step-up. And the question is, can you refinance the full amount or do you need some form of additional capital that comes into it.

William Jackson ***Bridgepoint Group plc - Chairman***
(inaudible). Yes. Yes. Second question, Nicholas.

Nicholas Herman ***Citigroup Inc., Research Division - VP***
That's helpful. In terms of -- the next question was on fundraising, please. So it sounds like you're confident of hitting the EUR 7 billion target for BE VII. So, just could you please quantify the pipeline of LPs doing due diligence on BE VII and presumably it might be more than EUR 1 billion, but just how much more? That would be helpful.

William Jackson ***Bridgepoint Group plc - Chairman***
Well, listen, I mean we're in a volatile market where events happen. So we're confident, but -- but not complacent is probably the right expression. And we've got lots of interest. I mean, the important thing, I guess, about the fundraise is that because it's now materially complete, the time that it's taking the team has -- the team has largely been released from that. But we do have more than a handful of people finishing off their work. And in this market, I think the reality is these things aren't done until the LPA is signed, but we feel we're in good shape, Nicholas.

Nicholas Herman ***Citigroup Inc., Research Division - VP***
Got it. And the last [2], just a few numbers questions for Adam, please. I guess on fee margins. If I look at the private equity fee margin, excluding catch-up fees, that the fee margin has come down modestly. Just for avoidance of doubt, can you confirm the new commitments coming are coming on at same fee rates or are they coming on lower fee rates or rather just -- just like maybe with discounts? Just trying to understand...

Adam Jones ***Bridgepoint Group plc - CFO & COO***
We don't -- as a firm practice, we don't offer early-bird discounts, which has plain vanilla pricing. So there's no compression of the fee margin at all across the products. Clearly, obviously, the flagship funds drive the material profile and they're at 1.5[%] in the primary period whilst BDC and the growth are higher, but there's been...

William Jackson ***Bridgepoint Group plc - Chairman***
The average fee was slightly under 1.5. Isn't it in total with the...

Adam Jones ***Bridgepoint Group plc - CFO & COO***
Yes, blended 1.3[%]. Yes.

William Jackson ***Bridgepoint Group plc - Chairman***
Blended 1.3, but that hasn't changed?

Adam Jones ***Bridgepoint Group plc - CFO & COO***
But no -- not at all, completely stable.

William Jackson ***Bridgepoint Group plc - Chairman***
Yes.

Nicholas Herman ***Citigroup Inc., Research Division - VP***
Okay. That's helpful. And the last one just on the FRE margin. I see you've reiterated the guidance for the 2024 FRE margin below 30%. I guess just with fundraising pushed back and exits also delayed to FY '24, I guess I would have thought that would imply more catch-up fees and higher ongoing management fees, which should boost the FRE margin. So how do I reconcile the fact that you've maintained that guidance for the FRE margin below 30%?

Adam Jones ***Bridgepoint Group plc - CFO & COO***
Well, it's all -- yes. So clearly, obviously, you get the -- I mean, I'm -- my disclosure around the -- is the underlying FRE margin. So I'm not focused on the catch-ups because I think that puts confusing volatility into our numbers. The catching [up] is just purely a timing.

William Jackson ***Bridgepoint Group plc - Chairman***
A one-off.

Adam Jones ***Bridgepoint Group plc - CFO & COO***
I'd say we're economically different when it lands. I know that you care from half to half, but for us, we're in different list when looking at the underlying long-term trend. So the reduction in the underlying margin profile is simply a function of the pace of exits as those -- as the net invested capital base shrinks. So I mean, from our perspective, obviously, that will reduce the fee base. But obviously, it's a function of success because obviously, we're returning large amounts of capital to investors. So that's -- and it's really the weight of those exits over the next 18 months, that shows that profile. But it's the underlying position that I'm talking on rather the absolute position.

Nicholas Herman ***Citigroup Inc., Research Division - VP***
And just -- and also just I want to say I didn't see any mention of the long-term FRE margin guidance, presumably that is still intact. Again, just for avoidance of doubt.

Adam Jones ***Bridgepoint Group plc - CFO & COO***
Yes. You'll see -- I mentioned the step-up in 2025 as BDC V comes online, obviously, then with BE VIII, which in the normal cycle of things will be coming on sort of post 2026. Again, you'll then see a step-up in the FRE margin. And that...

William Jackson ***Bridgepoint Group plc - Chairman***
Okay. We'll move to the next question.

Operator
The next question is from Angeliki Bairaktari of JPMorgan.

Angeliki Bairaktari ***JPMorgan Chase & Co, Research Division - Head of Diversified Financials***
Yes. Angeliki Bairaktari from JPMorgan. First of all, on the cost front, the costs (technical difficulty) we had expected. And you do mention in the release that you have slowed down hiring or you have paced hiring in line with the fundraising pace. I was wondering, does this mean that cost for 2023 overall may end up growing less than the high single-digit guidance that you had given previously? And then you mentioned that you are engaged in active discussions for potential M&A. Is infrastructure still the main area of focus for a potential expansion? And then in terms of fundraising, I thought that BDC V fundraising would actually be kicked off later this year. But I think now you mentioned it will kick off early next year. I was wondering, is that related to the fact that Bridgepoint Europe VII is staying open for a little longer than initially expected?

William Jackson ***Bridgepoint Group plc - Chairman***
Okay. Adam, do you want to do the cost question from Angeliki?

Adam Jones ***Bridgepoint Group plc - CFO & COO***
Yes. So the hiring and obviously, the timing of the headcount is obviously a function of deliberate phasing of

investment into the teams to match the fundraising. Clearly, if there's more fundraising deferred into '24, then we'll do the same with the headcount. And then there is obviously just some timing issue of natural attrition. Normally, you get attrition of the -- after the bonus period and not all of our headcount has been replaced at the half year point. The other big piece is, obviously, we're matching the bonus provision based on the actual profile of investment income. So again, that's skewed to the second half. So yes, I still expect mid to high single-digit with obviously the flexibility that we've always talked about to manage into our numbers if whatever reason the -- some of the timing of fees is deferred into 2024.

William Jackson ***Bridgepoint Group plc - Chairman***
And I think the important thing, Angeliki, is we have the levers to make sure we hit those FRE numbers. And on the -- on that bonus point, it's just simply that some of the bonuses are tied into exits themselves. So to the extent -- so to the extent, they're performance-based bonuses. So to the extent the -- the exit doesn't happen, the bonus doesn't get paid. So it's sort of linear. Just on active discussions, Raoul Hughes, spent quite a lot of time at the March presentations going through the strategies for acquisitive growth.

We -- as we said in the release, we're making good progress on that. It's really important that any acquisition we do meets a certain number of key criteria. Those are good cultural fit, strong investment performance, significant amount of uninvested capital, and most importantly, that it's accretive to shareholders from day 1. We're quite advanced in those discussions, continue to focus on infrastructure, quality of things that we've been looking at has improved with the rotation of valuations in the sector, and the value of our balance sheet has gone up. So it puts us in a strong position. But at the end of the day, this is a long-term business. We're only going to do something if it really fits and it enhances this middle market platform.

The strategy that we've got at Bridgepoint is to have total immersion in this space and to make sure that as we do grow -- and we've grown acquisitively and organically over the last 20 years, but as we do grow, having further activities really enhances all the existing things that we do as well. So yes, infrastructure remains the current area of focus and we hope that we'll be able to give you an update later in the year on that. On BDC V, BDC IV is currently or is going to come this summer to -- on transactions signed but yet announced -- yet to be announced. Currently, just under 70% invested. So in terms of deployment, we haven't talked about deployment across private equity funds, but in any detail, Adam mentioned it, but we're kind of on track. BDC in a nice position.

The historic performance of BDC is extremely strong. It is one of the top performing funds in Europe just period. And so lots of interest in the fund. No real need to start too early in that fundraise because what we don't want to do is have investors' capital sort of sitting there unused, but we expect -- we've been guiding to that fund starting investing at the beginning of '25, maybe a little bit earlier. We'll wait and see. We'll have to give an update next year because it depends on where the investment rate is. But we've got a strong list of interest in the fund. And going back to my comment, where every private equity group is always fundraising. So we haven't started it, but we've been having lots of conversations and winding up to the point where the materials are ready and people can then do their active diligence. But people are scheduling it on their investment committees for the '24 year calendar. So we feel good about that. Okay, Angeliki. Should we take the next...

Angeliki Bairaktari ***JPMorgan Chase & Co, Research Division - Head of Diversified Financials***
(inaudible) follow-up...

William Jackson ***Bridgepoint Group plc - Chairman***
Does that -- does that answer your questions?

Angeliki Bairaktari ***JPMorgan Chase & Co, Research Division - Head of Diversified Financials***
I have a small one on BDC and Bridgepoint Europe. I was just wondering if you can give us some color, how many of the investors of LPs and BDC are also in Bridgepoint Europe? Do you see a lot of them are in both funds or is that sort of...

William Jackson ***Bridgepoint Group plc - Chairman***
Yes. Well, actually, the vast majority are cross-fund investors. And inevitably, they tend to be -- to be in BDC, most people are already in BE, and that's a kind of -- it's not a total gatekeeping factor because it depends on the timing of relationships, but most people are in both. And that's an important feature of what we do. Okay. Should we move on to the next question, Irene?

Operator
The next question is from Alexandre Tissieres of Bank of America.

Alexandre Tissieres ***BofA Securities, Research Division - Research Analyst***
I had a question on M&A, but it's already been answered. So that's it for me.

William Jackson ***Bridgepoint Group plc - Chairman***
Okay. Thanks, Alexandre. Okay, Irene, next question.

Operator
There are no further questions on the conference line. I will now hand over to Adam Key to read out the written questions.

Adam Key ***Bridgepoint Group plc - Head of Shareholder Relations***
So we've got one question on the webcast, and that's from Franck Dejonckheere at Millennium: Can you please comment on possible debt covenant pressure in the private equity portfolio?

William Jackson ***Bridgepoint Group plc - Chairman***
I think, actually, Xavier has already covered that. But do you want to just -- we didn't -- probably didn't go specifically to covenant...

Xavier Robert ***Bridgepoint Group plc - CIO***
Yes, yes. We -- actually, when you look at the portfolio, a lot of the debt is cov-lite. So this is a question that is -- actually, I mean, this is a topic that is much less relevant today than it was a few years back. So most of the debts are cov-lite. When we have a covenant, it's only one of the covenants. And you know that when you look at the leverage that we apply on portfolio [companies] when we buy them, we've always been quite cautious on that side. So usually, we have about 4 turns -- between 4 turns and 4.5 turns of EBITDA of leverage, which is like 1/3 of the sort of value of the company. So we have very high conversion of cash. So there's -- we don't have covenant issues now in the portfolio on the PE side.

William Jackson ***Bridgepoint Group plc - Chairman***
Okay. So I think that was the last question, Irene, thank you for managing those questions. And thank you to everybody for joining us this morning. As you get into the releases, if you have further questions, please feel free to contact Adam Key at Bridgepoint, and we'll try and answer them. But I hope this has been a useful session for you, and good morning from London.