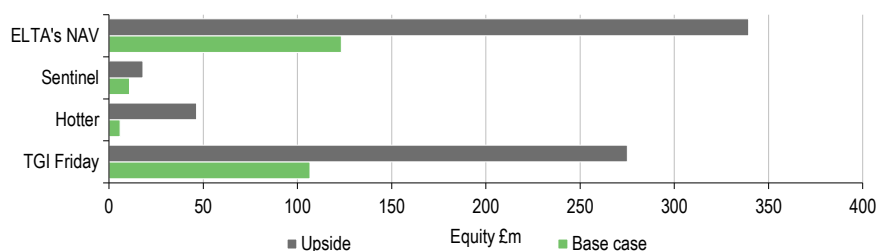


Electra Private Equity

The realisation strategy – step by step

On 15 April, Electra Private Equity (ELTA) announced the disposal of Sentinel – one of the company’s three remaining operating businesses – for £22.2m (58.1p per share), £11.3m higher than the asset’s carrying value on the balance sheet as at 30 September 2021. ELTA has been following a realisation strategy since October 2016, when it had a market cap of c £1.7bn, and has since returned c £2bn to shareholders. Since our 16 December 2020 initiation note, the shares have appreciated from a 22% discount to NAV to currently trading at a 4.1% premium.

ELTA’s NAV upside potential (from base case*)



Source: ELTA, Edison Investment Research, at 9 December 2020. Note: *Based on ELTA’s management estimates. The base case is the current NAV at 30 September 2020. Also please see our [initiation note](#) on ELTA.

Key takeaways

- Sentinel’s proceeds of £22.2m were in line with our upside of c £20m, built on applying peer and sector multiples to management’s pro forma business scenarios (see chart above and our [initiation note](#)).
- ELTA management believes that TGI Fridays’ business with 87 sites (32 currently operating for outside dining and the rest due to open according to government guidance) is well positioned to emerge from lockdown strongly, with a strong pipeline of additional sites due to open in 2021 and beyond.
- Hotter Q121 EBITDA is up £0.9m on Q120, despite its shops being closed throughout the quarter, on track to deliver more than £6–7m EBITDA for FY21.
- With cash increased to £23.5m (17% of NAV) from £1.3m (1% of NAV) at end September 2020, ELTA is on track with its realisation programme (see Exhibit 1 on page 2).

Investment trusts
Special situations – private equity

16 April 2021

Price 368.0p
Market cap £140.9m
AUM £134.9m

NAV* 353.4p
Premium to NAV 4.1%

*Including income. As at 14 April 2021.

Yield 0.0%

Ordinary shares in issue 38.3m

Code ELTA

Primary exchange LSE

AIC sector Private Equity

52-week high/low* 377.0p 125.0p

NAV** high/low 372.5p 353.4p

*A-shares. **Including income.

Gearing

Net cash at 15 April 2021 £23.5m

Fund objective

Electra Private Equity’s (ELTA) investment objective is to follow a realisation strategy, which aims to crystallise value for shareholders through balancing the timing of returning cash to shareholders with maximisation of value. Following the realisation of Sentinel, ELTA intends to retain the cash received pending further asset realisations and confirmation of future distributions to shareholders in due course.

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[Edison profile page](#)

Electra Private Equity is a research client of Edison Investment Research Limited

ELTA's NAV reconciliation at 15 April 2021

Exhibit 1: NAV reconciliation with two key investments: TGI Fridays and Hotter Shoes (post Sentinel's disposal)

Investment	Sector	Projected % of UK revenue* for 2021	Year of investment	Purchase price (£m)	Unrealised value (£m)	Value (% of NAV)	Cum. value (% of NAV)
TGI Fridays	Consumer discretionary	100	2015	99	106.6	79%	79%
Hotter	Consumer discretionary	90	2014	84	5.8	4%	83%
					112.4	83%	
Other portfolio core assets					3.9	3%	86%
Other portfolio non-core assets					1.4	1%	87%
Total portfolio				183	117.7	0.9	
Liquid assets					5.6	4%	
Cash					23.5	17%	
Other non-core assets & liabilities					(0.2)		
Net asset value (NAV)					135.3	100%	

Source: Electra Private Equity as at 30 September 2020, Edison Investment Research at 15 April 2021. Note: *Company projections.

A further update will be provided by the company on 21 May with publication of ELTA's interim results for the period to 31 March.

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