



TriplePoint Venture Growth BDC (TPVG)

Updated August 15th, 2024 by Nikolaos Sismanis

Key Metrics

Current Price:	\$7.27	5 Year CAGR Estimate:	14.8%	Market Cap:	\$290.5 M
Fair Value Price:	\$8.52	5 Year Growth Estimate:	0.0%	Ex-Dividend Date:	09/16/2024
% Fair Value:	85%	5 Year Valuation Multiple Estimate:	3.2%	Dividend Payment Date:	09/30/2023
Dividend Yield:	16.5%	5 Year Price Target	\$8.52	Years Of Dividend Growth:	N/A
Dividend Risk Score:	F	Retirement Suitability Score:	B	Rating:	Buy

Overview & Current Events

TriplePoint Venture Growth BDC Corp is a business development company specializing in providing capital and guiding companies during their private growth stage, before they eventually IPO to the public markets. TPVG offers debt financing to venture growth companies, proposing a less dilutive way to raise capital than raising additional equity while also helping with the businesses' acceleration and expansion. Its investment portfolio mainly consists of debt provision in 44 companies (83% of total portfolio's fair value), and \$71.9 million (5%) of warrants in 109 companies and equity investments in 60 companies (12%). It is well-diversified amongst 20+ industries, with its highest exposure of 17.4% in consumer products and services. The majority of its funds are allocated in the tech sector. The \$290.5 million BDC, based in Menlo Park, California, has helped finance some of the world's leading companies, including Facebook, Etsy, Fastly, Splunk, Square, Workday, CrowdStrike, and various other successful tech giants.

On August 7th, 2024, TriplePoint Venture Growth BDC slashed its dividend by 25% to \$0.30.

On the same day, the company posted its Q2 results for the period ending June 30th, 2024. For the quarter, total investment income of \$27.1 million compared to \$35.2 million in Q2-2023. The decrease in total investment was mainly due to a lower weighted average principal amount outstanding on the BDC's income-bearing debt investment portfolio. Specifically, the number of portfolio companies fell from 49 last year to 44.

Nonetheless, the company's weighted average annualized portfolio yield came in at an impressive 15.8% for the quarter, up from 14.7% in the prior-year period. Also, during Q2, the company funded \$38.7 million in debt investments to five portfolio companies with a 15.5% weighted average annualized yield at origination.

That said, net investment income (NII) per share was \$0.33, compared to \$0.53 in Q2-2023. The significant decrease in net investment income between periods was driven primarily by lower total investment income and other income that compressed profitability margins significantly. Based on the company's current portfolio composition, we forecast a FY2024 NII/share power of \$1.42.

Growth on a Per-Share Basis

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2029
NII/share	\$1.30	\$1.46	\$1.42	\$1.61	\$1.71	\$1.54	\$1.57	\$1.33	\$1.94	\$2.07	\$1.42	\$1.42
DPS	\$1.28	\$1.44	\$1.44	\$1.44	\$1.44	\$1.44	\$1.44	\$1.44	\$1.55	\$1.60	\$1.20	\$1.20
Shares¹	9.9	15	16.2	16.3	20.5	24.8	30.6	30.9	35.3	37.6	38.7	50.0

Note that we are using Net Investment Income (NII) and Distributions per share (DPS) instead of earnings-per-share and dividends, as this better reflects the underlying nature of TriplePoint. During the company's brief history in the public markets, management has achieved a solid net income per share record, substantially covering its distributions. Due TriplePoint investing in companies carrying higher risks as well as the recent originations taking place at a slightly higher yield, we believe that its debt yields will remain above 14%, though this figure should be expected to fluctuate. We don't forecast any growth in the company's NII/ share and distributions in the medium-term as we uncertain about the BDC's

¹ Share count is in millions.

Disclosure: This analyst has no position in the security discussed in this research report, and no plans to initiate one in the next 72 hours.



TriplePoint Venture Growth BDC (TPVG)

Updated August 15th, 2024 by Nikolaos Sismanis

ability to drive meaningful growth in the current macro environment. The company slashed its base dividend for the first time in Q2 of 2024, despite its notable undistributed spill-over, suggesting that net investment income growth is likely to remain subpar over the medium-term.

Valuation Analysis

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	Now	2029
Avg. P/NII	11.9	8.42	7.7	8.5	7.6	11.0	7.0	12.4	7.0	5.0	5.1	6.0
Avg. Yld.	7.5%	9.8%	13.3%	10.9%	11.1%	9.4%	9.4%	8.7%	11.4%	15.6%	16.5%	14.1%

TriplePoint's valuation appears to be implying a discount relative to the rest of its BDC peers. The current multiple of 5.1 times our expected FY2024 net investment income likely undervalues the stock considerably, whose fair P/NII we have lowered to a prudent 6.0X. Rising rates have hampered investment activity, but also raised the company's investment spreads. The rather depressed valuation also indicates the market's dissatisfaction following the recent dividend cut. NAV/share was \$8.84 as of June 30th, 2024, also indicating undervaluation, especially since the recent NAV decline is largely due to higher interest rates affecting discount rates. A medium-term pull-to-par effect could normalize NAV. Despite the dividend cut, shares are trading with a high yield of 16.5%

Safety, Quality, Competitive Advantage, & Recession Resiliency

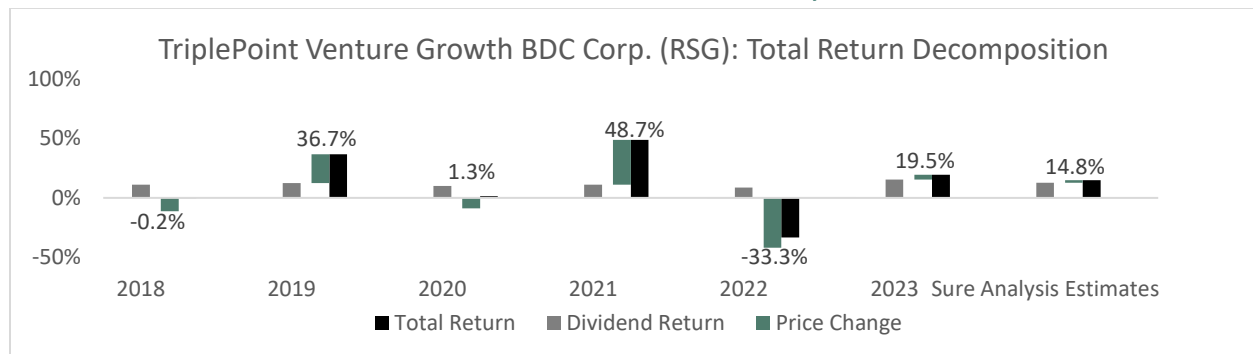
Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2029
Payout	---	99%	101%	89%	84%	94%	92%	108%	80%	77%	85%	85%

While the payout ratio may seem alarming, especially during periods such as FY2021 when the payout ratio exceeded 100%, distributions should remain covered by the company's increase in net assets. Also, the estimated undistributed taxable earnings from net investment income currently stand at \$0.98 per share. We do not anticipate another cut after the recent one, which admittedly took us by surprise. That being said, due to their obligatory distribution requirements, there is little to no margin for capital maneuverings. Still, while management's proficiency has helped it negotiate sky-high yields even during the low-rates environment a few years ago, future competition could squeeze this surplus. Another risk at this is that the company's sky-high dividend yield makes it almost prohibitive to issue shares to fund investments. Given that the company's outflows would surge in such a scenario, the company portfolio size may shrink moving forward. We saw this occur in 2023. Finally, a potential recession could adversely impact the company's results.

Final Thoughts & Recommendation

Shares of TriplePoint currently come attached to a massive dividend yield of 16.5%. We assess that payouts are safe post-cut, and estimate that the stock can achieve annualized returns of 14.8% during the medium-term. This is to be driven by the hefty yield and the possibility of valuation tailwinds. Shares earn a cautious buy rating, and we suggest investors be aware of the risks attached to BDCs.

Total Return Breakdown by Year



Disclosure: This analyst has no position in the security discussed in this research report, and no plans to initiate one in the next 72 hours.



TriplePoint Venture Growth BDC (TPVG)

Updated August 15th, 2024 by Nikolaos Sismanis

Income Statement Metrics

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Revenue	---	23	18	26	44	40	45	87	(9.5)	(27)
SG&A Exp.	---	4	4	4	5	6	7	6	6.7	9
Net Profit	---	16	11	19	37	32	35	77	(20)	(40)
Net Margin	---	68.9%	61.2%	73.8%	83.0%	79.0%	77.8%	88.5%	(211%)	(148%)
Free Cash Flow	---	0	(92)	25	(18)	(188)	61	(145)	(101)	106

Balance Sheet Metrics

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Total Assets	326	382	434	510	467	684	684	928	1015	979
Cash & Equivalents	7	32	8	4	3	20	38	51	51.5	153
Total Liabilities	326	382	434	510	467	684	283	493	595	634
Accounts Payable	7	32	8	4	3	20	3	0	0	0
Long-Term Debt	---	71	168	139	96	336	261	468	567	608
Shareholder's Equity	145	232	216	235	335	333	400	434	420	346
LTD/E Ratio	---	0.31	0.78	0.59	0.29	1.01	0.65	1.08	1.35	1.76

Profitability & Per Share Metrics

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Return on Assets	---	---	2.7%	4.1%	7.5%	5.5%	5.2%	9.5%	(2.1%)	(4.0%)
Return on Equity	---	8.2%	5.0%	8.5%	12.8%	9.5%	9.6%	18.3%	(4.7%)	(10.4%)
ROIC	---	---	3.2%	5.1%	9.1%	5.8%	5.3%	9.8%	(2.1%)	(4.1%)
Shares Out.	9.9	15	16.2	16.3	20.5	24.8	30.6	30.9	32.7	35.7
Revenue/Share	---	1.50	1.12	1.60	2.15	1.62	1.47	2.82	(0.29)	2.97
FCF/Share	---	0.01	(5.69)	1.54	(0.87)	(7.55)	1.98	(4.68)	(3.09)	

Note: All figures in millions of U.S. Dollars unless per share or indicated otherwise.

Disclaimer

Nothing presented herein is, or is intended to constitute, specific investment advice. Nothing in this research report should be construed as a recommendation to follow any investment strategy or allocation. Any forward-looking statements or forecasts are based on assumptions and actual results are expected to vary from any such statements or forecasts. No reliance should be placed on any such statements or forecasts when making any investment decision. While Sure Dividend has used reasonable efforts to obtain information from reliable sources, we make no representations or warranties as to the accuracy, reliability or completeness of third-party information presented herein. No guarantee of investment performance is being provided and no inference to the contrary should be made. There is a risk of loss from an investment in marketable securities. Past performance is not a guarantee of future performance.