

## Strong H1, AUM growth continues post-results

22 November 2021

We knew momentum was strong on an absolute basis in H1 22 with AUM reaching £23.4bn on 30 Sep 21, 12% up over H1 (31 Mar 21: £20.9bn) and 43% up y-o-y (30 Sep 20: £16.4bn). Now, with most asset managers and platforms having reported AUM for the July-Sept quarter, growth looks impressive compared to peers too. Polar had the 4<sup>th</sup> highest organic AUM growth (out of 15) in the 6 months to 30 Sep, and the 3<sup>rd</sup> highest over 12 months (see page 2). Growth has continued in H2 with AUM reaching £25.0bn on 12 Nov.

Revenue jumped 51% y-o-y to £103.6m, while core operating costs increased only 43% (significantly lower than revenue growth, showing operating leverage). Core operating profit - before performance fees, other income, exceptional items and tax – increased 65% y-o-y from £22.1m to £36.3m.

Profit before tax increased 17% y-o-y from £27.0m to £31.7m, with the increase depressed by the inclusion of £3.9m of exceptional expenses, mostly acquisition-related. Basic EPS increased 13% to 26.5p (H1 21: 23.4p) while adjusted diluted core EPS grew 56% y-o-y to 28.2p. Mark-to-market performance-based profits were £2m at 30 Sep 21 but are not included in H1 financials as they have not crystallised. Most performance fees crystallise at the end of December and are recognised then.

Polar maintains a strong balance sheet, with net assets of £146.8m (up 28% y-o-y). It has no debt. The board has declared an interim dividend of 14p, 56% up on the 9p declared at the end of H1 21.

### Fair value increases on higher-than-expected AUM

**We increase our fundamental value from 1305p to 1400p, 70% above the current share price.**

We had previously forecast AUM of £23.4bn on 31 Mar 22, but it is already £25.0bn. If we assume no growth from market movements or investment performance for the remainder of the FY, with net inflows continuing at the average of H1 (just over £100m per month), our revised estimate is £25.5bn.

We also note the continuing discount in valuation compared to peers. Polar's **PE ratio of 12.2 is less than half of the peer group median of 30.0** (page 12), which seems strange given its growth and profitability profile. **We maintain that there are sound reasons for a significant change in rating.**

| Key Financials          |       |        |       |         |        |        |
|-------------------------|-------|--------|-------|---------|--------|--------|
| Year-end 31 Mar         | FY20A | H1 21A | FY21A | H1 22 A | FY 22E | FY 23E |
| AUM, £bn                | 12.2  | 16.4   | 20.9  | 23.4    | 25.5   | 27.7   |
| Rev, £m                 | 151.7 | 68.8   | 201.5 | 103.6   | 221.7  | 255.3  |
| Management fees, £m     | 130.8 | 67.9   | 157.3 | 103.6   | 217.0  | 242.0  |
| Performance fees, £m    | 22.3  | 1.1    | 43.6  | 0.0     | 4.6    | 13.3   |
| PBT, £m                 | 50.9  | 27.0   | 75.9  | 31.7    | 66.8   | 87.1   |
| Core op profit*, £m     | 41.6  | 22.1   | 51.5  | 36.3    | 69.7   | 81.1   |
| Performance fee profit  | 8.8   | 0.5    | 19.5  | 0.0     | 2.0    | 5.8    |
| EPS basic, p            | 43.5  | 23.4   | 67.2  | 26.5    | 56.1   | 72.0   |
| EPS, adjusted, p        | 42.9  | 23.0   | 65.3  | 29.4    | 57.7   | 69.7   |
| PER                     | 18.8  | 17.5   | 12.2  | 15.5    | 14.6   | 11.4   |
| Div, p                  | 33.0  | 9.0    | 40.0  | 14.0    | 42.1   | 45.3   |
| Yield                   | 4.0%  | 1.1%   | 4.9%  | 1.7%    | 5.1%   | 5.5%   |
| Net assets, £m          | 116.1 | 114.4  | 151.4 | 146.8   | 180.9  | 217.6  |
| Net cash, £m            | 107.8 | 82.5   | 136.7 | 103.4   | 138.2  | 183.4  |
| Fin inv on own BS**, £m | 35.1  | 41.1   | 37.0  | 56.2    | 61.7   | 61.7   |

Source: Company Historic Data, ED estimates. PER and Yield based on share price of:

\* excluding performance fees and performance-related costs, before tax

\*\* Seed investments, securities, fund units held against deferred remuneration, other fin assets & liabilities

820p

### Company Data

|                     |           |
|---------------------|-----------|
| EPIC                | POLR      |
| Price (last close)  | 820p      |
| 52 weeks Hi/Lo      | 951p/584p |
| Market cap          | £821m     |
| ED Fair Value/share | 1400p     |
| Net assets          | £147m     |
| Avg. daily volume   | 226k      |

### Share Price, p



Source: ADVFN

### Description

Polar Capital (Polar) is an active fund manager, established in 2001. It has 16 autonomous investment teams managing specialist portfolios with a thematic, sector, geographic, or financial instrument focus, including:

- Global Technology
- Global Healthcare
- Global Insurance
- UK Value
- North America
- Global Convertible
- Emerging Markets & Asia.
- Sustainable Equity

**AUM 12 Nov 2021: £25.0bn**

Next Event Q3 AUM: 13 Jan 22

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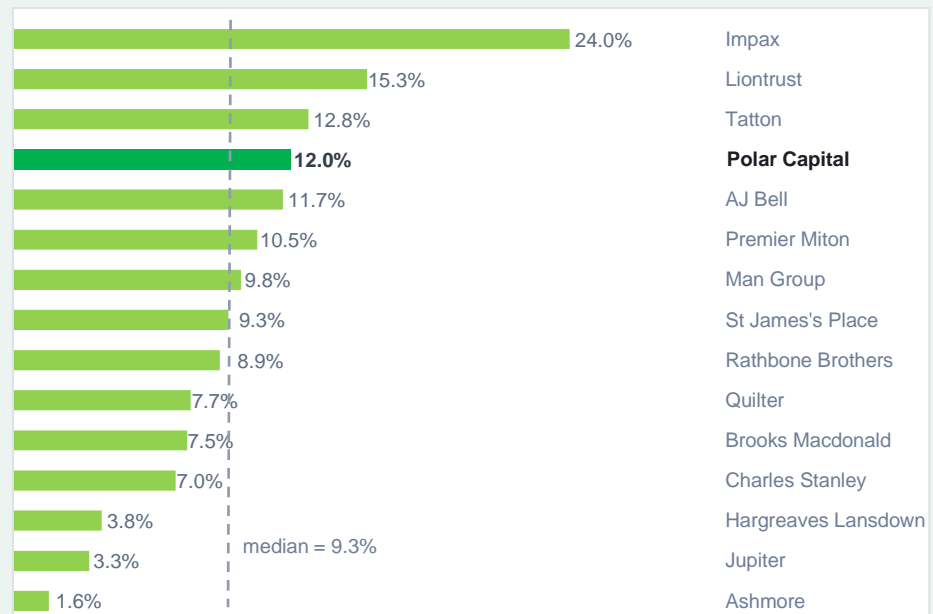
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## AUM growth momentum

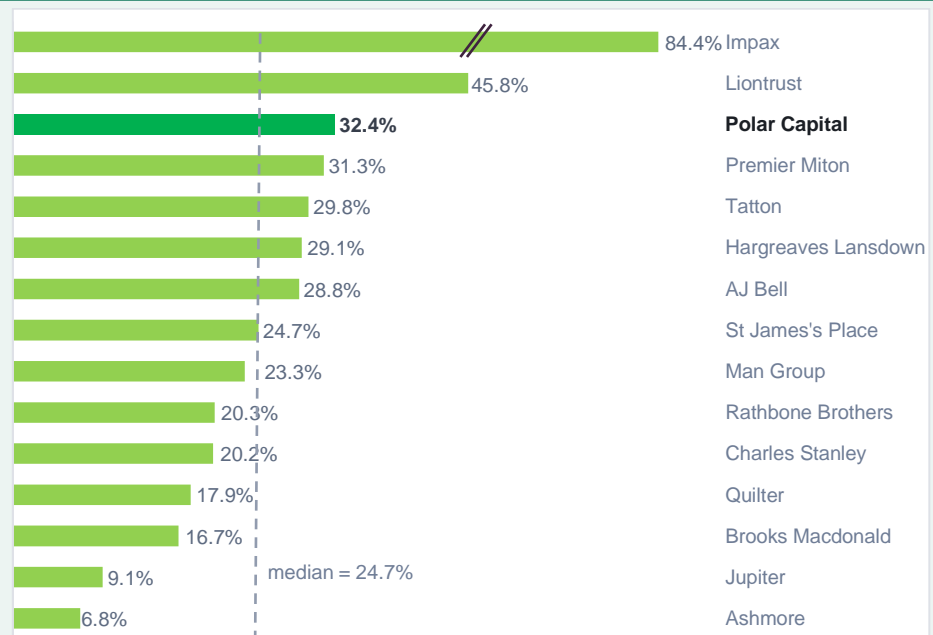
AUM reached £23.4bn on 30 Sep 21, 12% up over H1 (31 Mar 21: £20.9bn) and **43% up y-o-y** (30 Sep 20: £16.4bn). **Market movements and performance effects contributed £1.8bn** which translates to around 8.0% of average AUM, considerably higher than the return of the FTSE 100 (+5.1% over the same period) and the MSCI All Country World Index (5.8%), although below the strong-running S&P 500 (13.8%). **Net inflows totalled £689m or 3.3% of opening AUM.**

**Over both six and twelve months time horizons, Polar's organic growth rate is among the highest of London-listed asset managers and platforms.**

### Organic AUM growth\*, % of opening AUM, 6m to 30 Sep 21



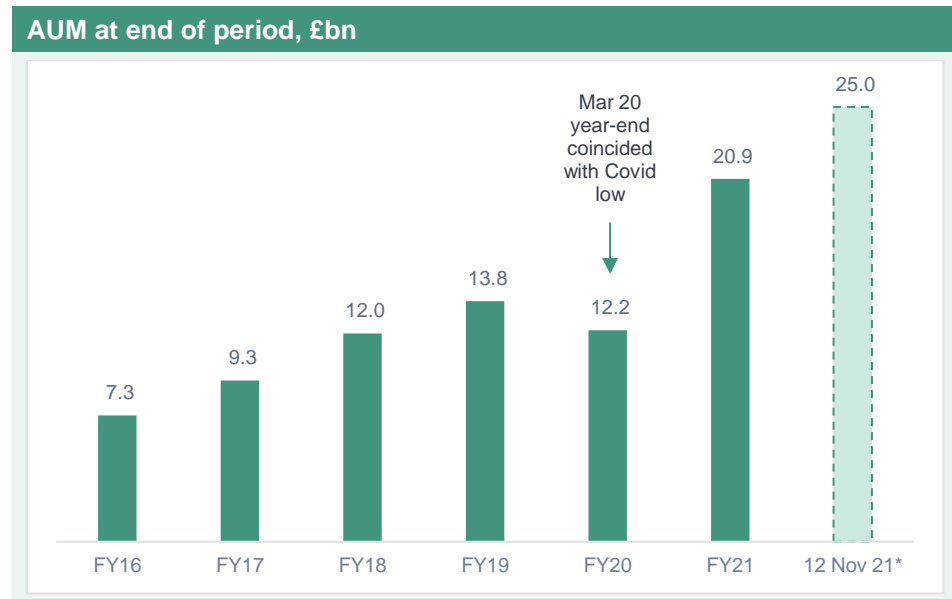
### Organic AUM growth\*, % of opening AUM, 12m to 30 Sep 21



Source: Company reports and updates, ED analysis

\*Data excludes AUM from acquisitions (Polar acquired £1.7bn AUM through acquisitions in this period)

In the post-results period, AUM ticked up fairly sharply, with £1.6bn added in around six weeks, reaching £25.0bn on 12 Nov 21. Polar's longer-term AUM growth trajectory remains firmly in place.



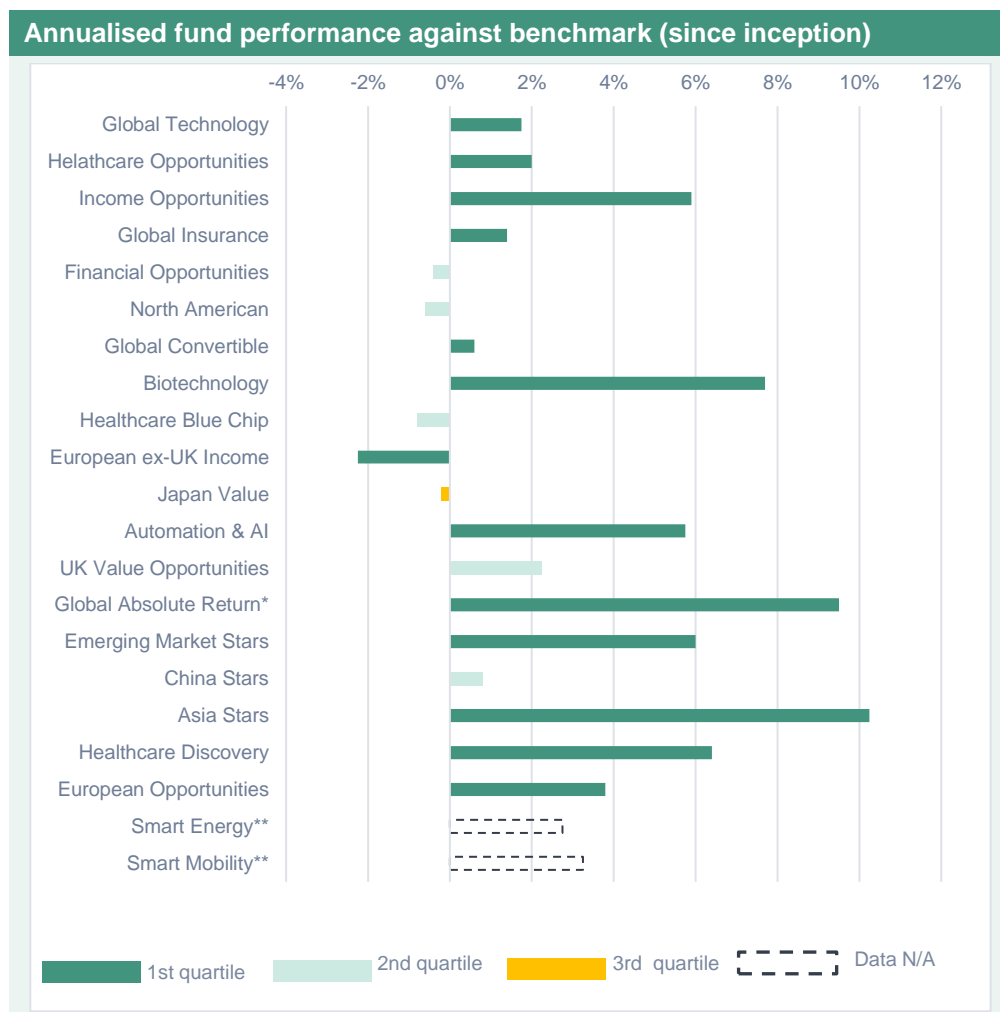
Source: Company.  
 \*approx. 7.5 months into FY22

## Fund performance leader but mixed bag over H1

Over the medium and long term, Polar has an impressive track record of delivering outstanding investment returns compared to peers.

When measured **since fund inception, 99% of AUM performs in the top two quartiles compared to peers, with 84% in the top quartile**; over five years, 93% is in q1 and q2 with 74% in q1; and over three years, 74% is in q1 and q2 with 21% in q1.

At an investment strategy level **13 out of 21 strategies delivered 1<sup>st</sup> quartile returns with 5 delivering 2<sup>nd</sup> quartile returns** (see chart below which shows UCITS funds only, around 76% of total AUM). One delivered 3<sup>rd</sup> quartile returns while data is not yet available for two funds (the new Smart Energy and Smart Mobily funds).



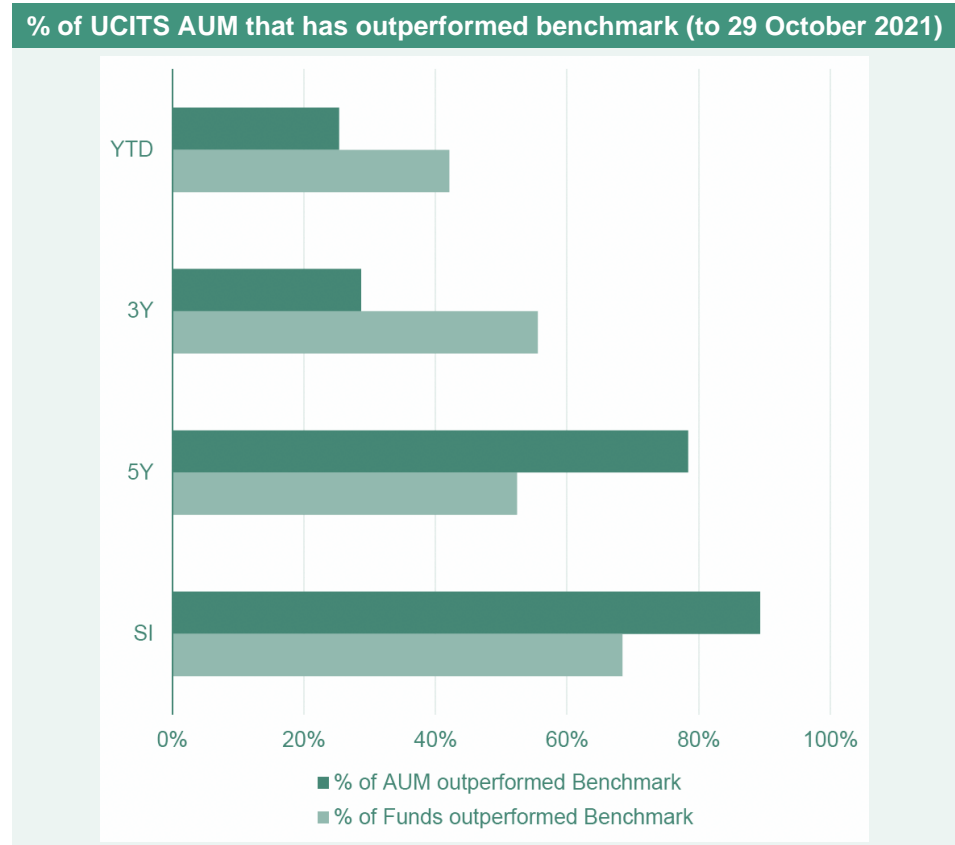
Source: Company.  
 Lipper quartile rankings as at 29 October 2021. Funds ordered according to launch date.  
 UCITS performance illustrative of Polar Capital Funds plc Irish UCITS and Melchior Selected Trust European Opportunities Luxembourg SICAV fund.  
 Geometric performance shown for funds launched before 29 October 2020.  
 \*The Global Absolute Return Fund does not have a benchmark. Figures shown reflect absolute performance.  
 All data is based on the Fund's base currency.  
 \*\*The Polar Capital Smart Energy & Polar Capital Smart Mobility Funds launched on 30 September 2021, Lipper data is not available yet. Performance data for these funds is not shown on an annualised basis.

However, over H1, performance was mixed, with Polar's growth-oriented strategies performing far better than those that are value-oriented, as broader market sentiment favoured growth over value during the period.

Growth strategies such as Emerging Market Stars (EM Stars) and Asian Stars delivered outperformance compared to benchmarks, as did strategies which combine value and quality, such as UK Value and Phaeacian International Value.

Those strategies with greater value orientation, such as North America and European ex-UK Income underperformed over the period. The Technology and Healthcare teams (combined making up 62% of AUM) also underperformed, partly due to the outperformance of very large companies in these sectors while Polar's strategies have an all-cap orientation. This underperformance played a large part in overall AUM performing poorly versus benchmarks on a year-to-date basis (see chart below).

Within the healthcare and technology strategies, some funds still managed to outperform benchmarks, such as the small and mid-cap Healthcare Discovery fund, the Healthcare Blue Chip fund, and the Automation and Artificial Intelligence fund.

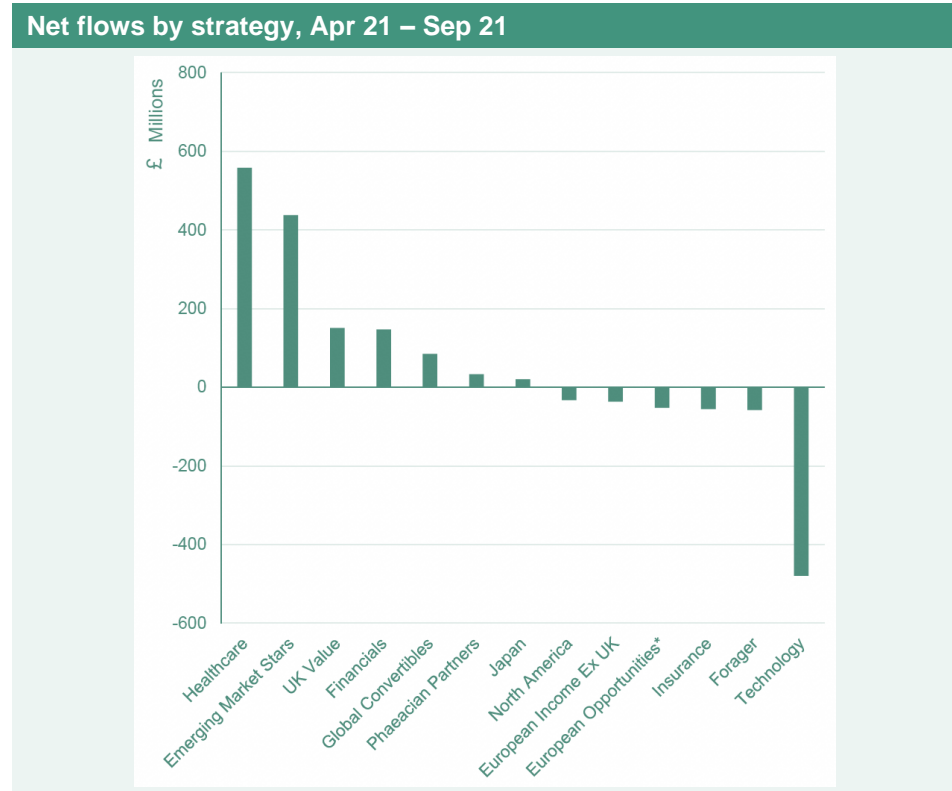


Source: Company.  
 YTD = year to date; SI = since inception; UCITS AUM = 76% of total Polar AUM

## Growth outlook strong

We believe Polar is well positioned to continue its growth momentum. In particular, we see potential for its existing **Healthcare** and **EM Stars** strategies, and its relatively new (launched Sep 21) **Sustainable Thematic Equities** strategy to play a significant role in driving AUM growth. Current momentum, market outlook, and Polar's capacity management practices support this view.

In H1, the EM Stars Fund (with a strong ESG focus) attracted net inflows of £366m, with the Asian Stars Fund attracting £70m. Within healthcare, the Biotechnology Fund attracted net inflows of £199m and three segregated healthcare mandates were funded with £427m.



Source: Company.

The market outlook for both of the above strategies is favourable, but for the new Sustainable Thematic Equities funds (Smart Energy and Smart Mobility), it is particularly bullish. The team is well known, highly experienced and previously managed €5bn AUM before joining Polar. It will also be operating in a booming market. In Europe, sustainable funds attracted 47% of all fund inflows in calendar H1 21, according to Morningstar, with global sustainable fund assets almost doubling in the six months to 30 Sep 21 to reach US\$3.9 trillion<sup>1</sup>.

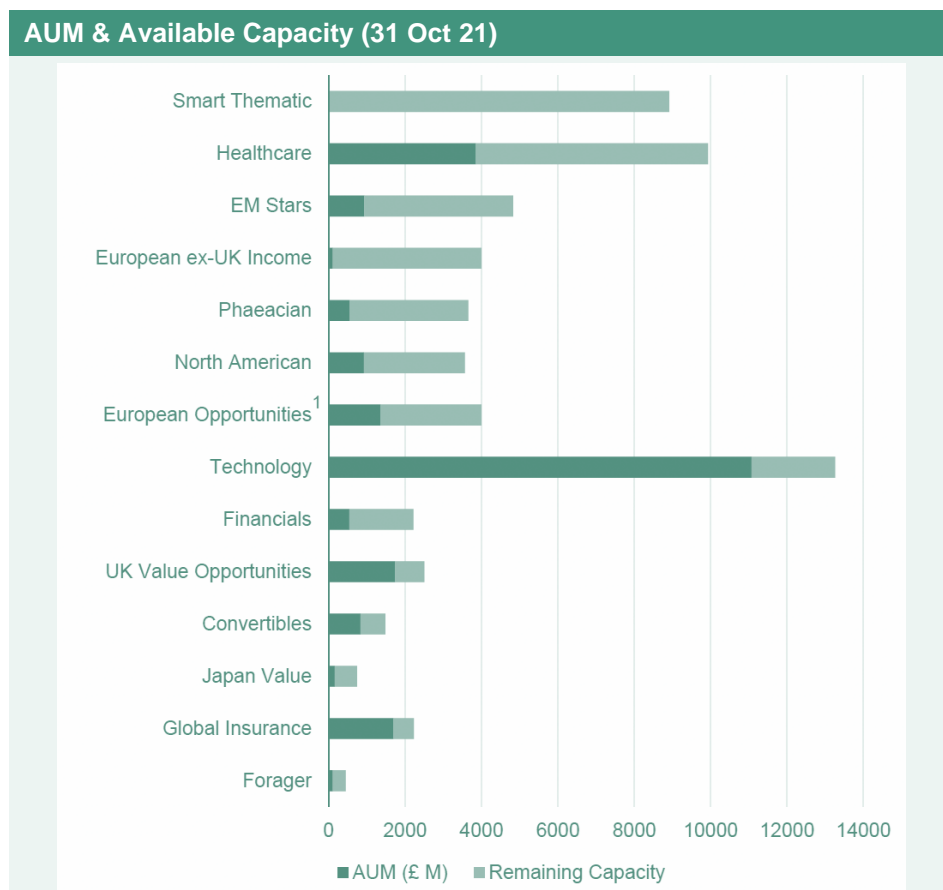
The above funds are classified as Article 9 (or 'dark green') funds under the European Union's SFDR (sustainable finance disclosure regulation), i.e., having a specific sustainable investment objective.

We highlight though that the benefit of the broader trend towards sustainable investing is not restricted to Polar's new sustainable funds. Around a year ago, Polar established a new Head of Sustainability role and put in place separate Sustainability and Diversity committees to increase focus on these areas. Today, six of Polar's funds have been classified as Article 8 (or 'light green') under SFDR, which are defined as funds which promote ESG characteristics. Polar also has a pipeline of funds aiming to reclassify as Article 8.

We then remind readers of Polar's capacity management practices, which plays a large role in determining where future AUM growth is likely to come from. To this end, **Sustainable Thematic Equities, Healthcare, and EM Stars have huge 'available' capacity, or headroom to grow.**

To clarify, this is because Polar strictly manages the maximum total AUM of its funds (investment capacity) **to preserve investment performance.** Each fund has an AUM limit which is influenced by *stock liquidity* (how easy it is to trade in a particular security under different scenarios), *trading patterns* (an assessment of each investment team's typical trading behaviour including turnover and the potential ability to find liquidity in a stock), and *client concentration* (how diversified the underlying investor base is).

<sup>1</sup> Morningstar: European Sustainable Fund Flows: Q1 2021 in Review; Global Sustainable Fund Flows: Q2 2021 in Review.



Source: Company  
 'Smart Thematic' = Sustainable Thematic Equities funds

Polar's Global Technology Fund, which had benefited from inflows in 2020, experienced net outflows in H1 (£413m) – see previous chart 'Net Outflows by Strategy, Apr 21 – Sep 21'. The fund was soft-closed i.e. closed to new investors in 2020 for capacity management reasons – see further details below. Being soft closed will naturally lead to net outflows from a fund as all funds experience some outflows, but without corresponding inflows, net outflows are the result.

The UK Value Opportunities Fund, also soft-closed in 2020, suffered modest net outflows of £18m in H1, but won a segregated mandate of £169m.

The North American Fund which suffered sustained prior periods of net outflows saw this trend reduce and net outflows in the six-month period were £33m with Polar reporting net inflows in the more recent months.

It is worth highlighting the **benefits of the uptick in AUM managed via segregated mandates** (in H1, £596m of net inflows went into segregated mandates, with total AUM managed via these mandates increasing to £1.1bn, up from £0.4bn on 31 Mar 21):

- These tend to be longer-term relationships with institutional investors and are therefore 'stickier' AUM;
- Even though they may have marginally lower investment management fees, the present value of these fees is higher than other forms of AUM because of the longer-term duration of the relationship;
- They do not reduce the capacity of an investment team, because the mandates are ringfenced from existing funds; and
- Managing the relationship is easier because there is a single point of contact for a higher AUM level, as opposed to fund structures where more relationships would typically have to be managed with the equivalent AUM.

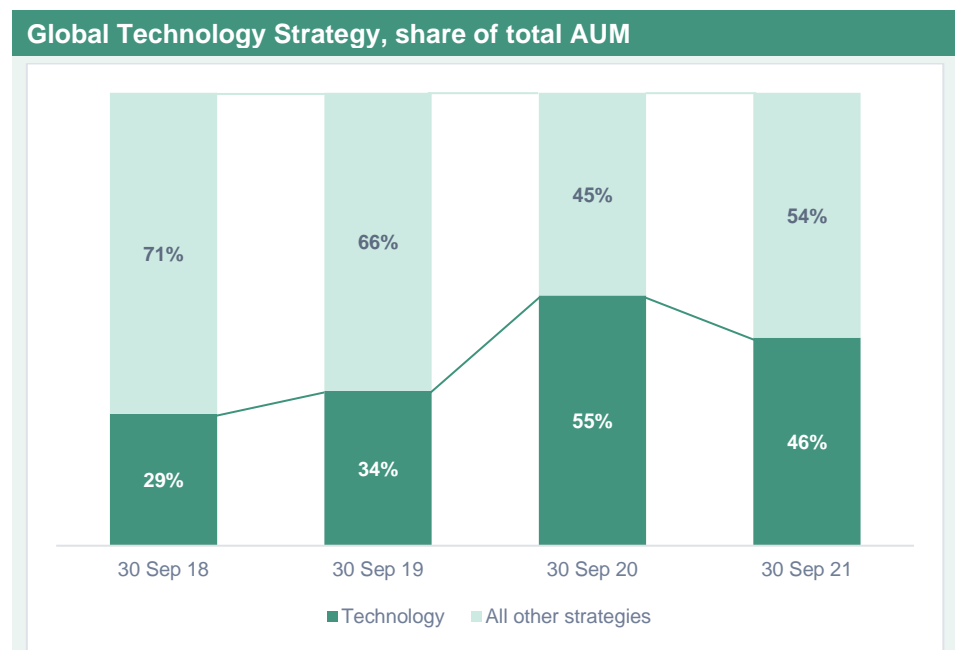
## Further AUM diversification expected

Delivering on the above growth potential is also important in achieving a more diversified AUM base.

While technology funds have always been core to Polar (two of its co-founders left the Henderson Global Investor's technology team to start Polar in 2001), over the last few years its Global Technology strategies rapidly increased their overall share of AUM, creating a concentration of AUM in this sector. The rapid rise of technology company valuations, Polar's strong investment returns compared to the sector, and strong AUM inflows into its technology funds all contributed to this concentration.

However, the twelve months to Sep 21 saw a **reduction in this concentration**, not because Technology AUM decreased (it grew 18% from £9.1bn to £10.7bn between Sep 20 and Sep 21), but because:

1. **Other significant strategies experienced higher growth rates**, e.g., Global Healthcare grew around 40% from £2.7bn to £3.8bn, Global Insurance grew 30% from £1.3 to £1.7bn, and UK Value grew around 90% from £0.9bn to £1.7bn); and
2. **New investment teams joined Polar with existing books of business** (Melchior acquisition has added £1.3bn AUM and Phaecian acquisition has added £0.6bn).



Source: Company, ED analysis.

**We see this reduction in concentration continuing.** This is because of the previously outlined growth opportunities and Polar's capacity management processes which now restricts further growth in its largest fund, the Global Technology Fund (£6.6bn AUM), which is closed to new investors (the Automation and Artificial Intelligence fund can still accommodate new client assets however).



## Impressive H1 financial results

The strong AUM performance of H1, coupled with good cost controls, resulted in an impressive set of financial results for the half-year.

### Revenue

Average AUM, which is the primary driver of revenue, increased by 53% y-o-y from £14.7bn to £22.5bn, and 20% compared to H2 21, the immediately preceding six months (average AUM £18.7bn).

**Revenue consequently jumped 51% y-o-y to £103.6m, with net management fees (after commission and rebates payable) increasing 50% from £61.9m to £92.9m.** Management fee yield margin declined marginally to 83 basis points.

### Profitability

Core operating costs were well controlled in H1, increasing 43% (notably lower than revenue growth) from £39.7m to £56.6m, offering **evidence of operational leverage.**

**Core operating profit** - *profit before performance fee profits, other income, exceptional items and tax* – which presents a measure of the Group's profitability excluding investment-performance-related profits and other components which may be volatile, non-recurring or non-cash in nature (therefore it is mostly a function of growth and operating efficiency) **increased 65% y-o-y from £22.1m to £36.3m.**

Mark-to-market performance-based profits were £2m at 30 Sep 21 but are not included in H1 financials as they have not crystallised. Performance fees crystallise at the end of December for the majority of Polar's funds. At that time, crystallised performance fees are recognised in the financial statements.

Profit before tax increased 17% y-o-y from £27.0m to £31.7m, with the increase depressed by the inclusion of £3.9m of exceptional expenses, mostly related to recent acquisitions.

Basic EPS increased by 13% to 26.5p (H1 21: 23.4p) while adjusted diluted core EPS grew 56% y-o-y to 28.2p.

### Balance sheet and cash

**Polar maintains its exceptionally strong balance sheet**, with net assets of £146.8m (up 28% y-o-y from £114.4m but down 3% from £151.4m on 31 Mar 21). Cash and equivalents were £103.4m (up 25% y-o-y from £82.5m but down 24% from £136.7m on 31 Mar 21). **Polar has no debt.**

Significant items responsible for the decrease in cash over H1 included an increase in investments including seed investments (~£31m) and the payment of the final FY21 dividend (£29.8m). The total value of seed investments as at 30 Sep 21 was £44.5m.

The group produces a 'surplus capital' report which takes account of capital commitments and minimum levels of regulatory capital to illustrate the capital available to pursue growth opportunities, such as seeding new investment products or acquisitions.

**This shows that nearly £70m is available to maintain a strong balance sheet and pursue these growth opportunities.**

### Surplus capital calculation

| Regulatory Capital                      | 30 Sep<br>2021<br>£m | 30 Sep<br>2020<br>£m |
|---|----------------------|----------------------|
| Shareholder funds                       | 146.8                | 114.6                |
| Less: deferred tax and capital reserves | -12.4                | -9.2                 |
| Less: Goodwill and intangible assets    | -26.7                | -                    |
|   | <b>107.7</b>         | <b>105.4</b>         |
| Less: dividend provision                | -13.5                | -8.4                 |
|   | <b>94.2</b>          | <b>97.0</b>          |
| Regulatory capital                      | -25.0                | -25.0                |
| Surplus capital                         | <b>69.2</b>          | <b>72.0</b>          |

Source: Company

### Dividends

The board has declared an interim dividend of 14p, 56% up on the 9p declared at the end of H1 21.

## Growth assumptions

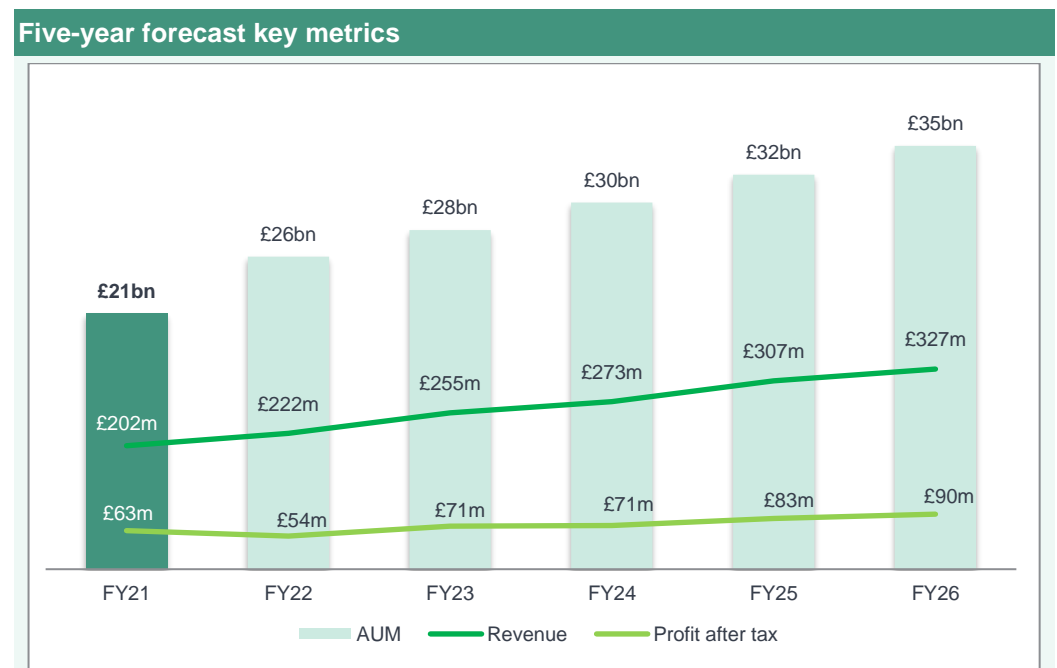
We remind readers of Polar's 'growth with diversification' strategy and how it intends to grow its AUM in addition to organic growth from existing strategies. It will pursue:

1. *new investment themes* (e.g. its recently launched Smart Energy and Smart Mobility themes, run by the team lifted from Robeco Switzerland);
2. *new channels* (e.g. its recent acquisition to form Phaeacian Partners has added a range of US 40 Act Mutual Funds and its recent acquisition of Dalton has added a range of Luxembourg SICAV funds and segregated mandates); and
3. *new geographies* (e.g. Phaeacian Partners brings US-sourced AUM and Dalton brings a strong European client base, particularly in Germany).

**Based on its market opportunities, positioning and its proven track record, we believe the group is well positioned to grow its AUM by £2-3bn per annum on average, and achieve an AUM level of around £30-35bn by FY26 (i.e. over 5 years).**

In producing our 5-year forecast, we have assumed that there is some price erosion of Polar's investment management fee, and that **performance fees run at only 25%-50% of recent (5Y) average historic levels** (from FY23 onwards, FY22 performance fees have been estimated based on the 30 Sep 21 mark to market figure: £2m net fees). At the same time, we see economies of scale kicking in as the business grows and think it is realistic for the core operating margin to increase by 0.5% to 1.0% per year.

The combined effect of these assumptions results in us estimating Group revenue in FY26 to be around £325m (£202m in FY21) and profit after tax increasing from the £63m of FY21 (a very strong year boosted by higher-than-average investment-performance-related-profits) to around £90m. These projections are summarised below.



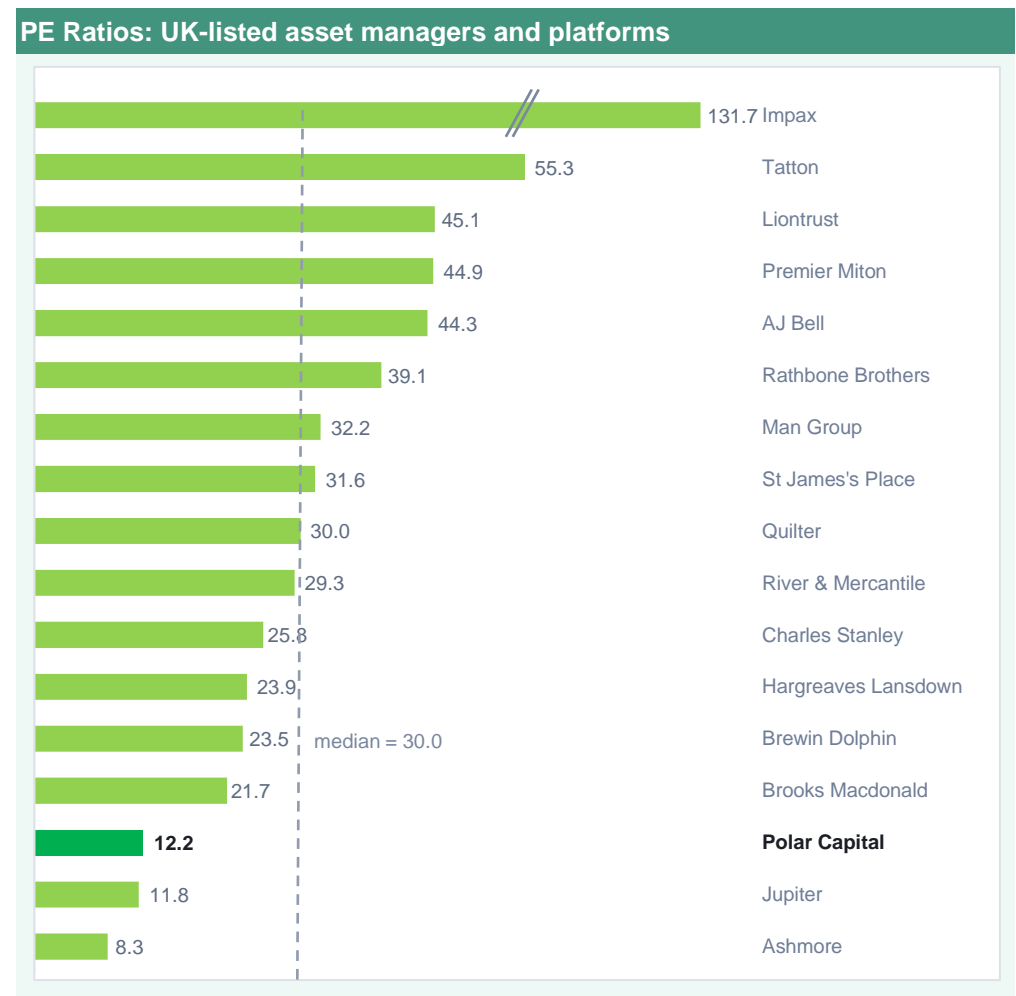
Source: Company Historic Data, ED Estimates

Note: The dip in FY22 profit forecast is primarily due to an assumption of a very low level of performance fees for FY22, because of the relatively weak year-to-date performance of sectors to which Polar has high exposure, most notably technology; and because FY21 included larger-than-usual: 1) performance fee profits (£19.4m), and 2) 'other income' (£8.4m: mostly positive revaluation of seed income investments). The low level of profit growth between FY23 and FY24 is impacted by the increase in UK corporation tax rate from 19% to 25%.

## Valuation: fundamental and peer-comparison

Using a discounted cash flow methodology, based on the above growth assumptions and assuming a terminal value based on an assumption that the business is acquired at a PE multiple of 15 (which we believe is conservative and well below the sector's median PE, see below - although we highlight that the current sector median PE is well above historical levels, for example, in December 2019, the sector median PE was around 17), **we calculate a per share fundamental value of 1,400p, 70% above the current share price of 820p.**

We have also compared the relative valuation of Polar to other UK-listed asset managers and platforms, **where Polar has one of the lowest PE ratios of the entire peer group and well under half of the peer group median of 30.0.**



Source: ADVFN, as of 19 November 2021

While Polar's revenue and profitability are exposed to a slightly greater degree of volatility compared to most peers (because of the significance of its performance fee income), and it does have a high sector exposure to technology (which is reducing – a trend we think will continue), this in no way explains its lowly rating.

**We maintain our view that there is potential for a significant re-rating at Polar.**

## Historical and forecast financials

| Consolidated Income Statement + Forecasts  |                |               |                |                |                |                |
|--|----------------|---------------|----------------|----------------|----------------|----------------|
| 12 months to end Mar, £'000  | FY20A          | H1 21A        | FY21A          | H1 22 A        | FY 22E         | FY 23E         |
| Revenue  | 151,714        | 68,826        | 201,508        | 103,647        | 221,662        | 255,265        |
| Other Income   | 1,029          | 5,290         | 8,306          | (722)          | (722)          | 500            |
| <b>Gross Income</b>  | <b>152,743</b> | <b>74,116</b> | <b>209,814</b> | <b>102,925</b> | <b>220,940</b> | <b>255,765</b> |
| Commissions and fees payable   | (11,300)       | (6,055)       | (15,389)       | (10,735)       | (22,572)       | (23,712)       |
| Net Income   | 141,443        | 68,061        | 194,425        | 92,190         | 198,368        | 232,053        |
| Operating Costs  | (90,563)       | (41,020)      | (118,510)      | (60,468)       | (131,573)      | (144,973)      |
| <b>Profit for the year before tax</b>  | <b>50,880</b>  | <b>27,041</b> | <b>75,915</b>  | <b>31,722</b>  | <b>66,795</b>  | <b>87,080</b>  |
| Taxation   | (10,695)       | (5,216)       | (13,197)       | (6,366)        | (12,691)       | (16,545)       |
| <b>Profit attributable to ordinary shareholders</b>  | <b>40,185</b>  | <b>21,825</b> | <b>62,718</b>  | <b>25,356</b>  | <b>54,104</b>  | <b>70,535</b>  |
| <b>Adjusted Profit, £'000</b>  |                |               |                |                |                |                |
| The Group believes that aligning staff remuneration and profits generated in the same period will allow users of the financial statements to gain a better understanding of the Group's results and their comparability year on year.                            |                |               |                |                |                |                |
| (post tax)   |                |               |                |                |                |                |
| Add exceptional items, acquisition related costs   |                |               | 1,908          | 2,262          | 2,262          | -              |
| Add exceptional items, amortisation of intangible assets   |                |               | 419            | 932            | 932            | -              |
| Add back cost of share-based pmnts on prefs  | 89             | 429           | (333)          | 444            | (333)          | (333)          |
| Add back exceptional items - FV charge on def cons on acquisition  |                |               |                | 686            | 686            | -              |
| Less net amount of deferred staff rem  | (682)          | (832)         | (3,728)        | (1,500)        | (2,000)        | (2,000)        |
| <b>Ajusted Profit After Tax</b>  | <b>39,592</b>  | <b>21,422</b> | <b>60,984</b>  | <b>28,180</b>  | <b>55,651</b>  | <b>68,202</b>  |
| <b>Earnings per share, p</b>   |                |               |                |                |                |                |
| Basic  | 43.5           | 23.4          | 67.2           | 26.5           | 56.1           | 72.0           |
| Diluted  | 41.3           | 22.5          | 64.0           | 25.3           | 53.6           | 68.8           |
| Adjusted basic   | 42.9           | 23.0          | 65.3           | 29.4           | 57.7           | 69.7           |
| Adjusted diluted   | 40.7           | 22.1          | 62.3           | 28.1           | 55.1           | 66.5           |
| <b>Core operating profit (non-GAAP), £m</b>  |                |               |                |                |                |                |
| Profit before performance fee profits, other income and tax. This presents a clear view of what the Group considers to be the results of its underlying operations before items which may either be volatile, non-recurring or non-cash in nature, and taxation. |                |               |                |                |                |                |
| Management fees  | 130.9          | 68.0          | 157.4          | 103.6          | 217.1          | 242.1          |
| Commissions and fees payable   | (11.3)         | (6.1)         | (15.4)         | (10.7)         | (22.6)         | (23.7)         |
| Net management fees  | 119.6          | 62.0          | 142.0          | 92.9           | 194.6          | 218.3          |
| Profit/(loss) on foreign currency contracts  | (1.4)          | (0.1)         | 0.6            | -              | -              | -              |
| Core operating costs   | (76.6)         | (39.7)        | (91.1)         | (56.6)         | (124.9)        | (137.3)        |
| <b>Core operating profits (before tax)</b>   | <b>41.6</b>    | <b>22.1</b>   | <b>51.5</b>    | <b>36.3</b>    | <b>69.7</b>    | <b>81.1</b>    |

Source: Company Historic Data, ED estimates.

| <b>Consolidated Balance Sheet + Forecasts</b> |                |                |                |                |                |                |
|---|----------------|----------------|----------------|----------------|----------------|----------------|
| <b>As at end Mar, £'000</b>                   | <b>FY20A</b>   | <b>H1 21A</b>  | <b>FY21A</b>   | <b>H1 22 A</b> | <b>FY 22E</b>  | <b>FY 23E</b>  |
| <b>Non-current assets</b>                     |                |                |                |                |                |                |
| Goodwill and intangible assets                |                | -              | 24,998         | 26,743         | 25,811         | 23,947         |
| Property & equipment                          | 6,271          | 5,651          | 5,104          | 4,458          | 5,244          | 5,390          |
| Deferred tax assets                           | 2,157          | 2,737          | 5,783          | 4,598          | 4,598          | 4,598          |
|   | <b>8,428</b>   | <b>8,388</b>   | <b>35,885</b>  | <b>35,799</b>  | <b>35,653</b>  | <b>33,935</b>  |
| <b>Current assets</b>                         |                |                |                |                |                |                |
| Investment securities                         | -              | -              | -              | -              | -              | -              |
| Assets at fair value through P&L              | 38,654         | 49,729         | 57,151         | 71,451         | 78,125         | 78,125         |
| Trade & other receivables                     | 14,815         | 30,118         | 23,924         | 27,621         | 26,317         | 30,306         |
| Other financial assets                        | 2,322          | 68             | 84             | 164            | 84             | 84             |
| Cash & cash equivalents                       | 107,753        | 82,474         | 136,718        | 103,382        | 138,152        | 183,438        |
| Current tax assets                            | 1,008          | 1,438          | 1,966          | 3,136          | 3,151          | 3,151          |
|   | <b>164,552</b> | <b>163,827</b> | <b>219,843</b> | <b>205,754</b> | <b>245,829</b> | <b>295,105</b> |
| <b>Total assets</b>                           | <b>172,980</b> | <b>172,215</b> | <b>255,728</b> | <b>241,553</b> | <b>281,482</b> | <b>329,040</b> |
| <b>Non-current liabilities</b>                |                |                |                |                |                |                |
| Provisions & other liabilities                | 5,387          | 4,775          | 4,123          | 3,505          | 4,123          | 4,123          |
| Liabilities at fair value through P&L         |                | -              | 4,258          | 7,692          | 4,258          | 4,258          |
| Deferred tax liabilities                      | 512            | 1,243          | 4,116          | 3,896          | 4,116          | 4,116          |
|   | <b>5,899</b>   | <b>6,018</b>   | <b>12,497</b>  | <b>15,093</b>  | <b>12,497</b>  | <b>12,497</b>  |
| <b>Current liabilities</b>                    |                |                |                |                |                |                |
| Liabilities at fair value through P&L         | 3,457          | 6,360          | 16,124         | 15,076         | 16,124         | 16,124         |
| Trade & other payables                        | 45,102         | 43,063         | 71,598         | 64,182         | 71,598         | 82,452         |
| Other financial liabilities                   | 2,444          | 2,348          | 4,069          | 367            | 367            | 367            |
| Current tax liabilities                       | -              | -              | -              | -              | -              | -              |
|   | <b>51,003</b>  | <b>51,771</b>  | <b>91,791</b>  | <b>79,625</b>  | <b>88,089</b>  | <b>98,943</b>  |
| <b>Total liabilities</b>                      | <b>56,902</b>  | <b>57,789</b>  | <b>104,288</b> | <b>94,718</b>  | <b>100,586</b> | <b>111,440</b> |
| <b>NET ASSETS</b>                             | <b>116,078</b> | <b>114,426</b> | <b>151,440</b> | <b>146,835</b> | <b>180,896</b> | <b>217,600</b> |
| <b>Capital &amp; Reserves</b>                 |                |                |                |                |                |                |
| Issued share capital                          | 2,417          | 2,462          | 2,468          | 2,502          | 2,502          | 2,502          |
| Share premium                                 | 19,101         | 19,139         | 19,364         | 19,364         | 19,364         | 19,364         |
| Investment in own shares                      | (24,139)       | (26,129)       | (26,579)       | (21,683)       | (21,683)       | (21,683)       |
| Capital & other reserves                      | 8,341          | 9,177          | 11,030         | 12,451         | 12,451         | 12,451         |
| Retained Earnings                             | 110,358        | 109,777        | 145,157        | 134,201        | 168,262        | 204,966        |
| <b>TOTAL EQUITY</b>                           | <b>116,078</b> | <b>114,426</b> | <b>151,440</b> | <b>146,835</b> | <b>180,896</b> | <b>217,600</b> |

Source: Company Historic Data, ED estimates.

| <b>Consolidated Cash Flow Statement + Forecasts (page 1 of 2)</b> |               |                |               |               |               |                |
|---|---------------|----------------|---------------|---------------|---------------|----------------|
| <b>12 months to end Mar, £'000</b>                                | <b>FY20A</b>  | <b>H1 21 A</b> | <b>FY21A</b>  | <b>H1 22A</b> | <b>FY 22E</b> | <b>FY 23E</b>  |
| <b>OPERATING ACTIVITIES</b>                                       |               |                |               |               |               |                |
| <b>Profit before taxation</b>                                     | <b>50,880</b> | <b>27,041</b>  | <b>75,915</b> | <b>31,722</b> | <b>66,795</b> | <b>87,080</b>  |
| Interest receivable and similar income                            | (313)         | (41)           | (53)          | (13)          | (58)          | (64)           |
| Investment income   | (279)         | (155)          | (239)         | (190)         | (500)         | (500)          |
| Interest on lease   | 151           | 65             | 107           | 51            | 107           | 107            |
| Depreciation on property & equipment                              | 1,361         | 670            | 1,399         | 678           | 1,328         | 1,339          |
| Revaluation of liability at FVTPL                                 |               |                | (443)         | -             | -             | -              |
| Amortisation & impairment of intangible assets                    |               |                | 419           | 932           | 1,864         | 1,864          |
| Decr/(Incr) in fair value of inv securities                       | -             | -              | -             | -             | -             | -              |
| Decr/(incr) in fair value of assets at FVTPL                      | 581           | (9,656)        | (14,270)      | 2,001         | 3,899         | -              |
| (Decr)/incr in other financial liabilities                        | (1,940)       | -              | 5,109         | (3,050)       | (3,702)       | -              |
| incr in other financial assets                                    | -             | -              | -             | -             | -             | -              |
| Decr/(incr) in receivables  | 431           | (15,302)       | (9,109)       | (3,697)       | (2,393)       | (3,990)        |
| (Decr)/incr in trade and other payables                           | (2,751)       | (2,059)        | 26,491        | (7,433)       | -             | 10,854         |
| Decr in provisions and other liabilities                          | -             | 3,311          | -             | -             | -             | -              |
| Share-based payment charges                                       | 5,159         | 2,282          | 5,625         | 4,047         | 12,342        | 13,562         |
| Incr/(decr) in liabilities at FVTPL                               | 404           | 175            | (6,134)       | (1,004)       | -             | -              |
| Release of fund units deferred rem                                | 4,917         | (613)          | 5,633         | 2,971         | 2,971         | -              |
| Other non-cash items  | -             | -              | 404           | -             | -             | -              |
| <b>Cash generated from operations</b>                             | <b>58,601</b> | <b>5,718</b>   | <b>90,854</b> | <b>27,015</b> | <b>82,652</b> | <b>110,253</b> |
| Corporation tax paid  | (16,308)      | (5,069)        | (13,606)      | (5,404)       | (12,691)      | (16,545)       |
| Interest on lease   | (151)         | (65)           | (107)         | (51)          | (107)         | (107)          |
| <b>Net cash from operating activities</b>                         | <b>42,142</b> | <b>584</b>     | <b>77,141</b> | <b>21,560</b> | <b>69,854</b> | <b>93,600</b>  |

Source: Company Historic Data, ED estimates.

| <b>Consolidated Cash Flow Statement + Forecasts (page 2 of 2)</b> |                 |                 |                 |                 |                 |                 |
|---|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| <b>12 months to end Mar, £'000</b>                                | <b>FY20A</b>    | <b>H1 21 A</b>  | <b>FY21A</b>    | <b>H1 22A</b>   | <b>FY 22E</b>   | <b>FY 23E</b>   |
| <b>INVESTING ACTIVITIES</b>                                       |                 |                 |                 |                 |                 |                 |
| Interest received   | 292             | 37              | 53              | 13              | 58              | 64              |
| Investment income received  | 192             | 137             | 193             | 176             | 500             | 500             |
| Sale of investment securities                                     | -               | -               | -               | -               | -               | -               |
| Purchase of investment securities                                 | -               | -               | -               | -               | -               | -               |
| Sale of assets at FV through P&L                                  | 18,119          | 18,166          | 33,292          | 14,698          | 14,698          | -               |
| Purchase of assets at FV through P&L                              | (24,123)        | (18,357)        | (45,188)        | (30,666)        | (30,666)        | -               |
| Purchase of property and equipment                                | (108)           | (50)            | (156)           | (30)            | (172)           | (189)           |
| Cash introduced via business combination                          |                 |                 | 1,060           | -               | -               | -               |
| Re-measurement of purchase consideration (business acquisition)   |                 |                 |                 | 38              | -               | -               |
| Payments in respect of business combination                       |                 |                 | (8,472)         | -               | -               | -               |
| Payments in respect of asset acquisition                          |                 |                 | (325)           | (363)           | -               | -               |
| Cash from disposal of cons seed inv                               | -               | -               | (264)           | -               | -               | -               |
| <b>Net cash used in investing activities</b>                      | <b>(5,628)</b>  | <b>(67)</b>     | <b>(19,807)</b> | <b>(16,134)</b> | <b>(15,581)</b> | <b>375</b>      |
| <b>FINANCING ACTIVITIES</b>                                       |                 |                 |                 |                 |                 |                 |
| Dividends paid to shareholders                                    | (30,657)        | (23,494)        | (31,907)        | (29,836)        | (43,341)        | (47,393)        |
| Lease payments  | (1,145)         | (648)           | (1,296)         | (653)           | (1,296)         | (1,296)         |
| Issue of shares   | 43              | 9               | 257             | -               | -               | -               |
| Purchase of own shares  | (9,707)         | (3,900)         | (6,118)         | (7,585)         | (7,585)         | -               |
| 3rd party subs into cons funds                                    | 902             | 2,501           | 12,037          | 3,194           | 3,194           | -               |
| 3rd party redemptions from cons funds                             | (63)            | (94)            | (1,289)         | (3,811)         | (3,811)         | -               |
| Dividends paid to 3rd party interests                             | -               | -               | -               | -               | -               | -               |
| <b>Net cash from /(used in) financing</b>                         | <b>(40,627)</b> | <b>(25,626)</b> | <b>(28,316)</b> | <b>(38,691)</b> | <b>(52,839)</b> | <b>(48,689)</b> |
| <b>Net (decr)/incr in cash &amp; equivalents</b>                  | <b>(4,113)</b>  | <b>(25,109)</b> | <b>29,018</b>   | <b>(33,265)</b> | <b>1,434</b>    | <b>45,286</b>   |
| Cash & equivalents beginning of year                              | 111,734         | 107,753         | 107,753         | 136,718         | 136,718         | 138,152         |
| Effect of forex rate changes                                      | 132             | (170)           | (53)            | (71)            | -               | -               |
| <b>Cash &amp; equivalents at end of year</b>                      | <b>107,753</b>  | <b>82,474</b>   | <b>136,718</b>  | <b>103,382</b>  | <b>138,152</b>  | <b>183,438</b>  |

Source: Company Historic Data, ED estimates.





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