

## FY23 results justify recent rise in share price

13th July 2023

**FUM closed FY23 (30 Jun 23) on £16.9bn, 7.5% up y-o-y (30 Jun 22: £15.7bn) and 0.3% up over Q4 (31 Mar 23: £16.8bn). Q4's net FUM flow of +£97m continues BM's impressive run of positive net flows (now spanning nine consecutive quarters – see page 2) during a period of difficult market conditions and investor nervousness. FY23 net flows totalled +£817m (FY22: +£785m). BM has flagged a healthy pipeline for FY24, although investor sentiment is still subdued.**

Investment performance added +£363m to FUM over FY23, or 2.3% of opening FUM, above the benchmark *MSCI PIMFA balanced index* which returned 1.6%. In Q4, investment performance was slightly negative at -£44m or -0.3%, but again ahead of the benchmark return of -0.5%.

UK Managed Portfolio Services (MPS) performed strongly with +£285m of net flows in Q4 and +£1,322m over FY23, with small outflows from other segments: UK Bespoke Portfolio Services (BPS): -£76m in Q4, -£207m over FY23; UK Funds: -£72m, -£181m; International: -£40m, -£117m.

### New CFO strengthens Executive team and Board

Andrea Montague has been appointed CFO and Executive Director, effective 1 Aug 23, to replace Ben Thorpe, subject to regulatory approval. Andrea has an impressive executive and board track record in the long-term savings and asset management sector. She leaves Aviva where she was Group Chief Risk Officer, and prior to that, Group Chief Financial Controller.

### FY23 results expected to be in line, shares still looking undervalued

BM has indicated it expects **FY23 results to be in line with forecasts**, although we see a slight change in how revenue is made up, with FUM ending the year a little below our previous estimate and average revenue yield expected to be a little higher with the continued rise in interest rates. The slightly lower closing FY23 FUM level does reduce our FY24 forecasts: revenue from £131.5m to £128.2m and underlying PBT from £34.1m to £31.2m.

**Our fundamental valuation reduces a touch to 3100p per share but is still 38% above the current share price. We also believe the current PER of 15.0 is undemanding. An additional noteworthy point for investors is the marked uptick in the volume of BRK shares being traded since late-2022, which suggests growing investor interest (see page 2).**

#### Company Data

EPIC	BRK
Price (last close)	2240p
52 weeks Hi/Lo	2525p/1665p
Market cap	£367m
ED Fair Value/share	3100p
Net cash	£38m
Avg. daily volume	22k

#### Share Price, p



Source: ADVFN

Brooks Macdonald was founded in 1991 and listed on AIM in 2005.

It provides investment management services to financial advisers and private clients in the UK, and to international clients via its operations in Jersey, Guernsey, and Isle of Man. Its main product offerings include:

- Bespoke Portfolio Services (tailored for individual clients)
- Managed Portfolio Services (risk-profiled 'model' portfolios)
- Funds (mostly multi-asset funds for simpler or smaller portfolios)
- Financial Planning Services
- BM Investment Services (B2B white-labelled investment proposition for IFAs)

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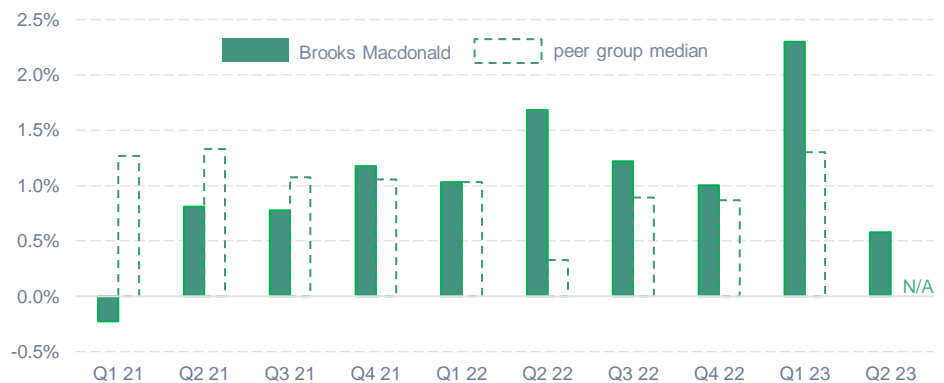
#### Key Financials

Year-end 30 Jun	FY20A	FY21A	FY 22A	FY 23E	FY24E
AUM, £bn	13.7	16.5	15.7	16.8	18.8
Rev, £m	108.6	118.2	122.2	122.8	128.2
Underlying expenses*	85.6	87.6	87.7	93.0	96.7
Underlying PBT*	23.0	30.6	34.5	29.8	31.6
Underlying PBT margin	21.2%	25.9%	28.2%	24.3%	24.6%
Statutory PBT, £m	10.1	25.1	29.5	25.4	27.0
EPS basic, p	43.2	125.3	149.0	129.3	126.8
Underlying diluted EPS**, p	123.7	150.6	168.8	147.1	143.5
PER	51.8	17.9	15.0	17.3	17.7
Div, p	53.0	63.0	71.0	75.0	83.0
Yield	2.4%	2.8%	3.2%	3.3%	3.7%
Net assets, £m	123.5	134.0	148.4	159.0	166.2
Net cash, £m	50.2	54.9	61.3	56.3	66.2

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

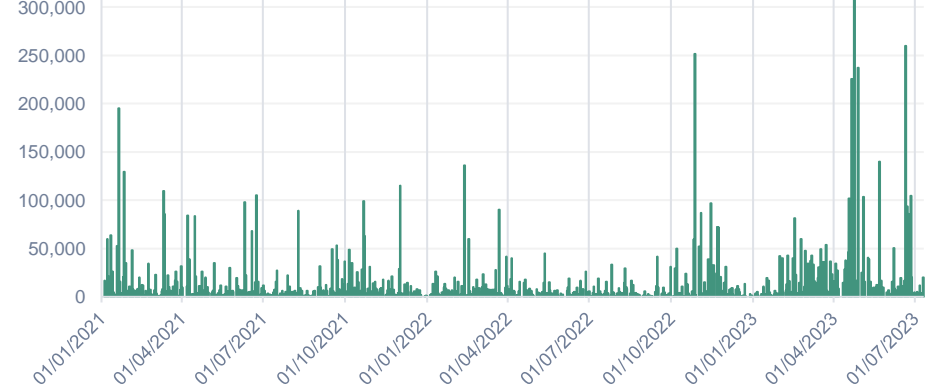
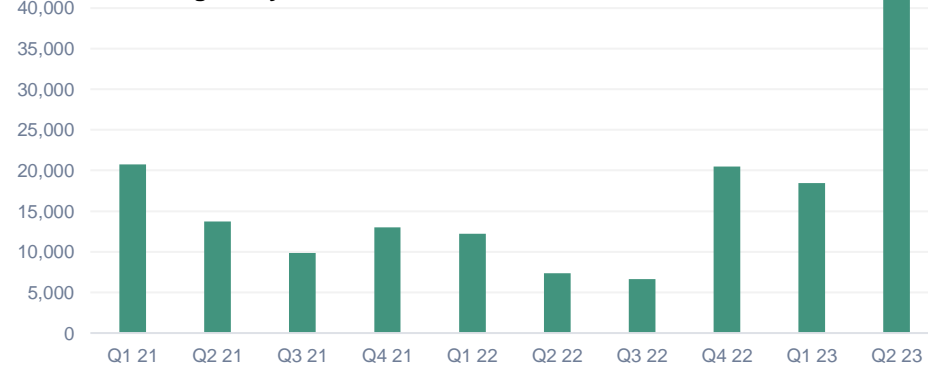
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\* 'Underlying' excludes one-off expenses, mostly acquisition-related, & goodwill amortisation, gains & losses. \*\* After tax

**BM's organic growth rate has been higher than peers for some time**
**Net inflows, % of opening FUM**


Source: Company reports, ED analysis. Calendar quarters shown not FY quarters.

Peer group consists of: Quilter, St James's Place, Hargreaves Lansdown, AJ Bell, Rathbones, Brooks Macdonald, Brewin Dolphin (up to Q2 22). Peer group data not yet available for Q2 23.

**Recent jump in BRK trading volumes suggests growing investor interest**
**Daily volume of shares traded**

**Average daily volume of shares traded**


Source: ADVFN, ED analysis. Calendar quarters shown, not FY quarters.

Some of the increase in trading volume is undoubtedly being driven by increased interest from some fund managers. For example, in June, **Gresham House increased its stake in BRK to 5.6%** with well-known UK equity fund manager Ken Wotton [quoted as saying](#): "The firm favours Brooks as a high-quality business that is fundamentally undervalued ... It trades on a forward EV/Ebitda multiple of just over seven times, that compares to Brewin Dolphin's takeover by RBC at more than double this rating."



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