Mattioli Woods plc

Solid H1, interim dividend +6% implies confidence

8 February 2023

Mattioli Woods (MW) has reported a solid set of interims in challenging market conditions. Management maintains a confident outlook, noting that H2 is typically characterised by higher inflows and revenue (due to tax year-end and other effects), and have highlighted positive signals from some leading indicators (e.g. the value of clients onboarded in H1 was up 10% y-o-y). They have backed this up by increasing the interim dividend 6% from 8.3p to 8.8p.

Total client assets closed H1 on £14.6bn, a 2% fall over the period (£14.9bn on 31 May 22). However, this was a creditable performance considering the market and economic uncertainty that prevailed, which was hardly conducive to attracting new client assets.

Revenue increased 10% y-o-y from £49.9m in H1 22 to £54.9m in in H1-23, with organic revenue growing 2.2%. Adjusted EBITDA fell from £15.8m to £15.0m with positive effects from a changing revenue mix towards higher-yielding services, and negative effects from a higher cost base, largely because of this period incurring the full costs of the Maven and Ludlow acquisitions which were made in H1 22. PBT increased 46% from £3.3m to £4.8m, while basic EPS jumped 69% from 3.5p to 5.9p, impacted positively by lower one-off acquisition costs and expensed contingent considerations..

MW's net cash position remained robust at £38.3m and it has no debt.

Looks undervalued on fundamentals and compared to peers

While our revenue forecasts have been trimmed by around 3%, management have indicated that continued close management of variable spend reductions including variable staff pay, recruitment activity and other discretionary spends, should result in profits roughly in line with previous forecasts.

Our fundamental valuation remains at 950p per share (52% above the current share price), using a DCF methodology with what we believe are conservative assumptions. We also note that MW's PER of 12.9 (using adj. PAT) is well below a peer group median of 17.8. This is unjustified in our opinion.

Additionally, we flag an encouraging increase in trading volumes in MW shares in 2023 (page 15).

Key Financials

Year-end 31 May	FY21A	*H1 22A*	FY22A	*H1 23A*	FY23E	FY24E
Total client assets, £bn	12.1	*15.1*	14.9	*14.6*	15.2	16.3
Rev, £m	62.6	*49.9*	108.2	*54.9*	112.6	121.7
Adj EBITDA*	17.3	*15.8*	32.6	*15.0*	32.5	35.8
Adj EBITDA margin	27.7%	*31.6%*	30.1%	*27.3%*	28.9%	29.4%
Adj PAT**	11.5	*11.5*	23.9	*10.8*	24.6	25.6
Statutory PAT	1.4	*1.7*	4.1	*3.0*	12.9	16.1
EPS basic, p	5.1	*3.5*	8.3	*5.9*	25.2	31.2
EPS adjusted, p	41.1	*23.8*	48.3	*21.2*	48.1	49.7
PER (on adj. PAT)	15.2	*13.2*	12.9	*14.8*	13.0	12.6
Div, p	21.0	*8.3*	26.1	*8.8*	26.2	28.8
Yield	3.4%	*1.3%*	4.2%	*1.4%*	4.2%	4.6%
Net assets, £m	86.1	*230.5*	230.1	*225.3*	231.7	235.6
Net cash, £m	21.9	*44.3*	53.9	*38.3*	58.5	68.1

Source: Company Historic Data, ED estimates. PER and Yield based on share price of: ***625p***

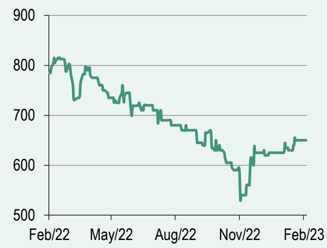
** excluding items that are non-cash or affect comparability between periods, calculated as statutory operating profit before financing income or costs, tax, depreciation, amortisation, impairment and acquisition related costs, share of profit from associates (net of tax), gain on bargain purchase and contingent consideration recognised as remuneration*

*** statutory PBT excl: amortisation of acquired intangibles, acquisition related costs, gain on bargain purchase, contingent consideration recognised as remuneration, acquisition related notional interest, less tax at standard rate of 19% (25% Apr '25)*

Company Data

EPIC	MTW
Price (last close)	625p
52 weeks Hi/Lo	815p/530p
Market cap	£320m
ED Fair Value/share	950p
Net cash	£38m
Avg. daily vol. (12m)	86k

Share Price, p



Source: ADVFN

Company Description

Mattioli Woods was founded in 1991 and listed on AIM in 2005.

It provides financial advice, administration, and investment management services to mass affluent and high-net-worth private clients, and employee benefits services to corporate clients.

It has five business segments:

- Investment and asset management
- Pensions consultancy and administration
- Private equity management
- Property management
- Employee benefits

Client assets 30 Nov 22: £14.6bn

Next Event: Trading update, 5 Jul 23

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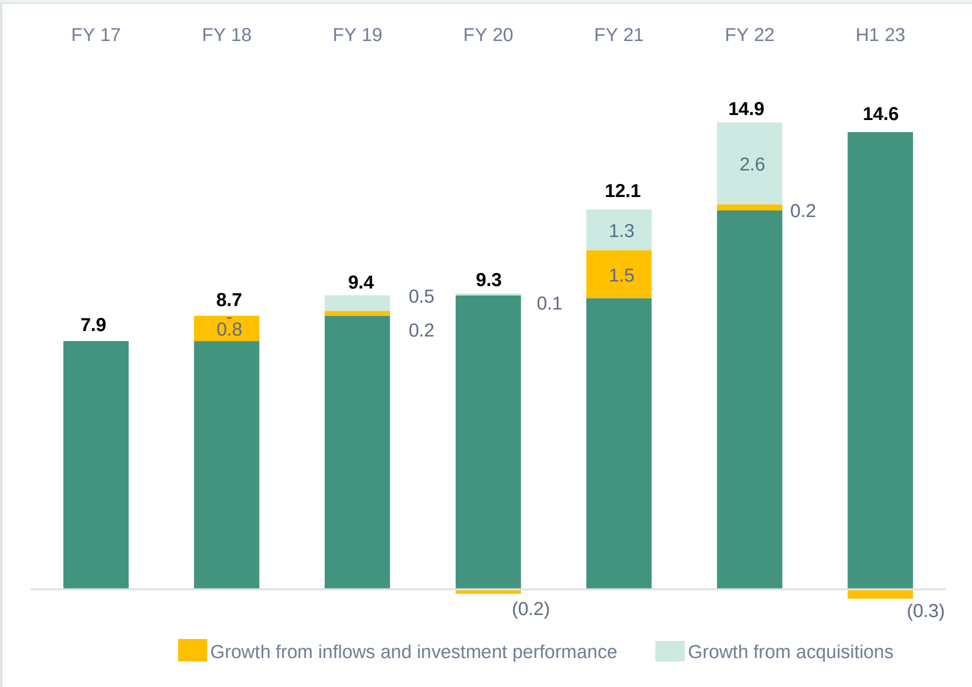
Client assets and AUM hold up in difficult markets

Total client assets closed H1 on £14.6bn, a 2.0% fall over the half-year period (£14.9bn on 31 May 22). However, this was a creditable performance considering the huge market and economic uncertainty that prevailed, hardly conducive conditions to attracting new client assets.

While difficult market conditions may have stalled growth in 2022, **MW's longer term growth trajectory is still strong**, and management have highlighted several factors that suggest confidence in the H2 and longer-term outlook:

- as in previous years, H2 is revenue expected to exceed H1 due to end of tax-year advice and second half weighting of client year-ends;
- the value of new clients on-boarded in H1 is over 10% up y-o-y;
- the new business pipeline has increased despite market conditions, and the acquisition pipeline is attractive;
- all recent acquisitions are integrating well, trading in-line or ahead of budget, and have delivered earnings to support full payment of any contingent consideration;
- joint-fundraising between MW and Maven (acquired Jun 21) continued to gain traction with two recent Investor-Partner deals;
- discretionary managed funds performed in line with benchmarks;
- the digital client experience has been enhanced with launch of the MWise online investment platform;
- Amati AIM VCT won VCT AIM Quoted Category at Investment Week's Investment Company of the Year Awards 2022.

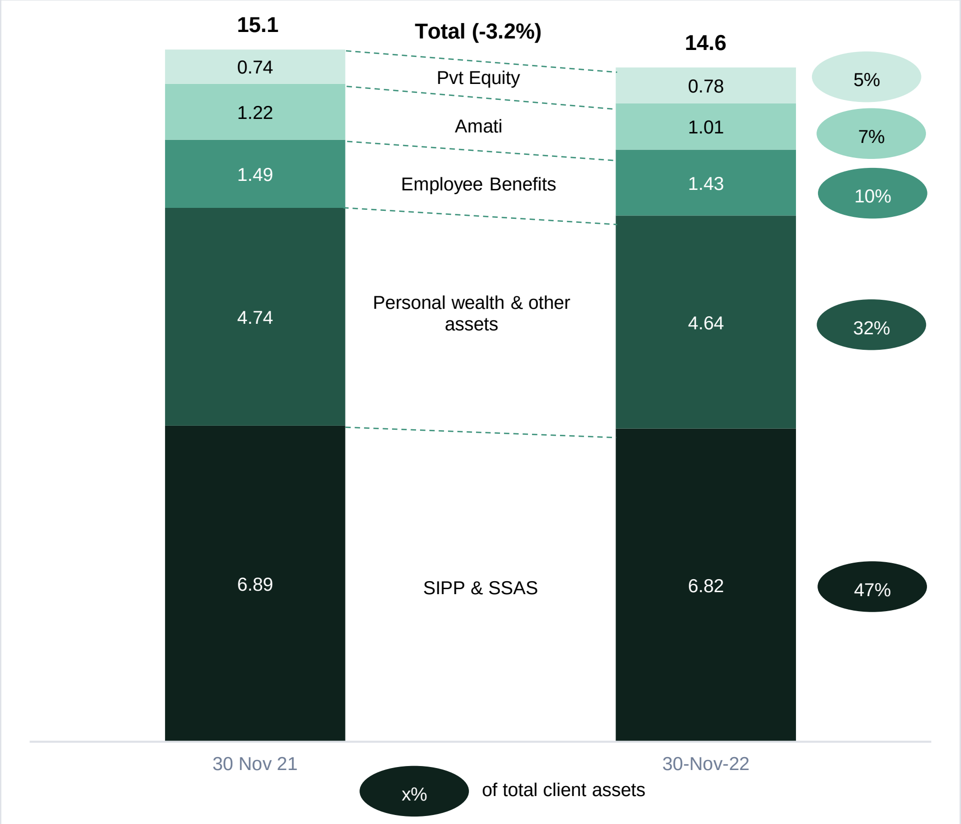
Total Client Assets at end of period, £bn



Source: Company reports

Growth in private equity AUM tilted the split of client assets by operating segment in its favour from 1 year prior, which has a **positive impact on overall group yield** (private equity commands significantly higher fees as a percentage of AUM).

Breakdown and 1-year change of Total Client Assets, £bn



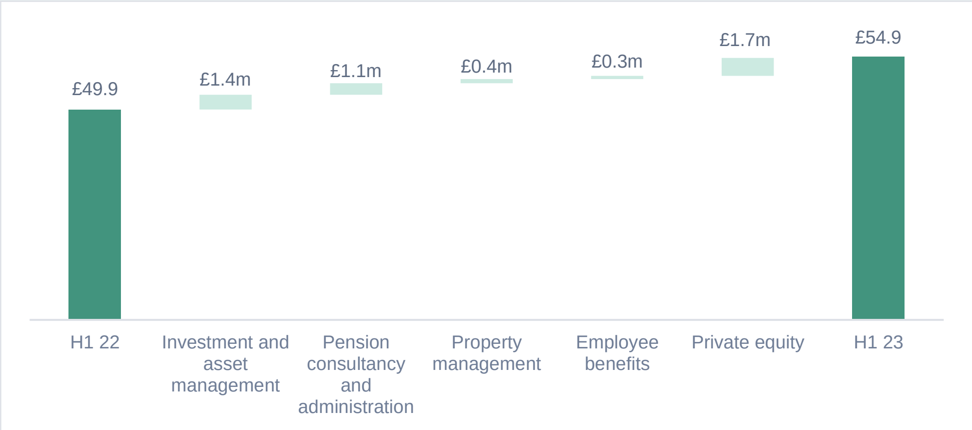
Source: Company reports
Totals may not add due to rounding

H1-23 results

Revenue

H1-23 revenue grew 10% y-o-y to £54.9m (H1-22: £49.9m) which was boosted by a full six months' contribution from the acquisitions of Maven, Ludlow and Richings. However, organic revenue growth was still positive at +2.2%.

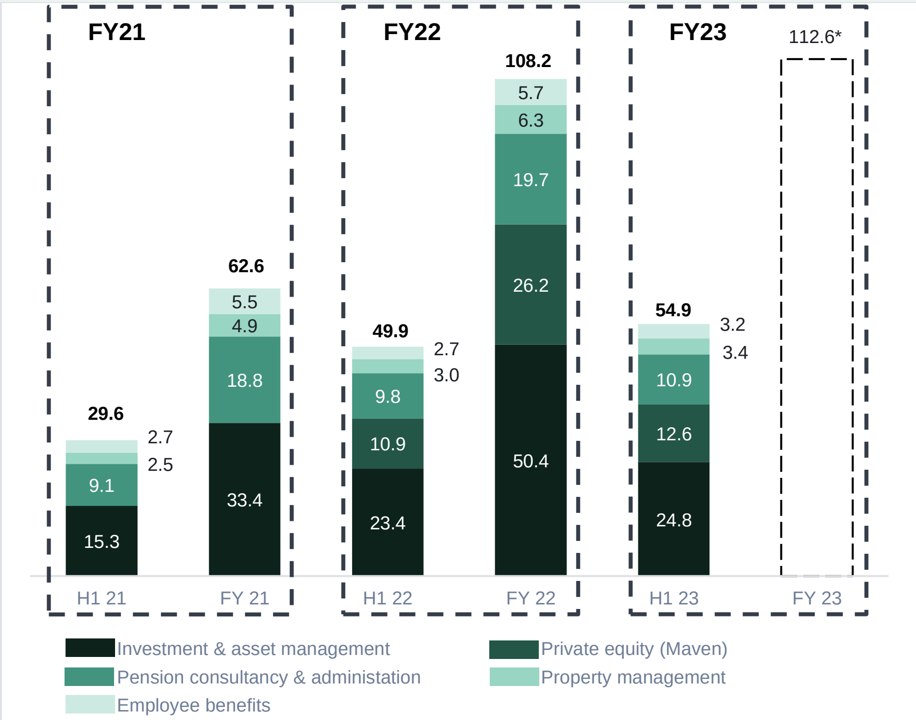
Split of revenue growth: H1 22 to H1 23



Source: Company

Over the last two years, the revenue profile of the group has changed, primarily because of the Ludlow and Maven acquisitions. Two years ago, in H1-21, revenue totalled £29.6m with *Investment and asset management* and *Pensions consultancy and administration* making up 82% of group revenue. In H1-23, revenue is 85% greater at £54.9m with those two business units making up 65% of group revenue. Notably, *Private equity management* (Maven) made up 23% of group revenue in H1-23 (nil in H1-21).

Revenue split by business segment FY21-FY23, £bn



Source: Company reports
**ED FY23 forecast*

It is worth highlighting that having more than one third of revenue not linked to AUA/AUM levels (this revenue is instead fee based linked to services provided) is a feature of MW's business model and offers a level of **downside protection from market falls** compared to other wealth managers.

Recurring revenues represent 90% of total revenue (H1 22: 88%). The recurring revenues are made up of annual pension advice and administration fees; ongoing adviser charges; level and renewal commissions; banking income; property, discretionary portfolio and other annual and fund management charges.

Costs

Employee benefits expense is MW's largest operating cost by some distance which grew 10% from £27.1m in H1 22 to £29.8m in H1 23. However, most of this increase was because of H1 23 incurring a full-period of costs from large acquisitions made in H1-22 (which attracted only part-period costs of these acquisitions - Maven was acquired in Jul 21 with H1 22 incurring 5 months of expenses while Ludlow was acquired in Sep 21 with H1 21 incurring c3 months of expenses).

Total headcount increased from 832 to 877 y-o-y with the number of fee-generating consultants increasing to 184 (H1 22: 183). However, the cost of the increased headcount was partially offset by a reduction in variable remuneration with **employee benefit expenses as a proportion of revenue essentially unchanged at 54.3% (H1:22 54.2%)**. We expect this ratio to drop going forward, depending obviously on the nature and timing of future acquisitions.

Other administrative expenses increased 3% from £9.9m in H1 22 to £10.2m with acquisitions again being primarily responsible for the y-o-y increase, plus increased marketing and IT costs, partially offset by reduced professional and regulatory costs and savings from reduced office occupancy across the Group estate.

Share-based payment costs totalled £0.9m (H1 22: £0.6m) which represent the cost of options expected to vest under long-term incentive plans and the cost of matching shares awarded to employees under the Company's Share Incentive Plan.

The effective rate of taxation was 37% (H1 22: 48.0%), above the standard rate of tax of 19.0%, primarily due to significant non-deductible expenses from contingent and transaction specific consideration arrangements accounted for as remuneration and acquisition-related fees.

It is also worth highlighting that MW's statutory costs included a £3.9m (H1 22: £3.2m) non-cash charge related to the amortisation of acquired client portfolios. [Client portfolios acquired through business combinations are recognised as intangible assets.]

Profitability

Statutory accounts do not provide a simple year-on-year profitability comparative, primarily because of the nature of acquisition accounting.

However, the group does calculate an 'adjusted EBITDA' metric which is a useful year-on-year comparator of underlying operating profitability. [Adjusted EBITDA excludes items that are non-cash or affect comparability between periods, calculated as statutory operating profit before financing income or costs, tax, depreciation, amortisation, impairment and acquisition related costs, share of profit from associates (net of tax), gain on bargain purchase and contingent consideration recognised as remuneration.]

This metric decreased from £15.8m in H1 22 to £15.0m in H1 23 with adjusted EBITDA margin declining from 31.6% in H1 22 to 27.3%.

Operating profit before financing was up 64% to £4.6m (H1 22: £2.8m), with the positive impact of increased revenue, lower acquisition-related costs of £0.5m (H1 22: £2.6m) and contingent consideration recognised as an expense falling to £3.9m (H1 22: £4.6m). This was partially offset by a full period of overheads associated with those businesses acquired in H1 22 and increased staff and IT investment.

Statutory profit before tax jumped 46% from £3.3m to £4.8m, with profit after tax increasing 79% from £1.7m in H1 22 to £3.0m, although this jump was exacerbated by an abnormally high tax charge in H1 22 (48% vs 37% in H1 23). **Basic EPS increased 69% from 3.5p to 5.9p**.

MW also produces non-statutory, adjusted PBT, adjusted PAT and adjusted EPS measures which the board considers to be relevant for investors who want to understand the underlying earnings of the Group, excluding items that are non-cash or affect comparability between periods.

Adjusted profit before tax was down 4% from £14.1m to £13.5m. This metric includes adjustments made for acquisition-related costs, the recognition of contingent consideration as an expense under IFRS 3, amortisation charges on acquired intangible assets of £3.9m (H1 22: £3.3m) and acquisition-related notional interest charges of £0.5m (H1 22: £0.4m).

Adjusted PAT is calculated by applying the standard rate of corporation tax to PBT, thus eliminating the large tax-related swings in profitability seen in MW's statutory accounts. This declined 6% from £11.5m to £10.8m.

Adjusted EPS fell 11% from 23.8p to 21.2p, negatively impacted by the issue of 190,743 (H1 22: 128,425) shares under the Company's share plans. The prior period also included 5,325,705 shares issued as consideration for acquisitions during H1 22, and 16,969,697 shares issued as part of a placing.

Statutory to adjusted profit bridge

	Profit 1H23 £m	***EPS 1H23 pps***	*Profit 1H22 £m*	*EPS 1H22 pps*
Statutory profit before tax	**4.8**		3.3	
Income tax expense	**(1.7)**		(1.6)	
Statutory profit after tax / Basic EPS	**3.0**	**5.9**	1.7	3.5
Statutory profit before tax	**4.8**		3.3	
Amortisation of acquired intangibles	**3.9**		3.3	
Acquisition-related costs	**0.5**		2.6	
Acquisition-related notional finance costs	**0.5**		0.4	
Deferred consideration as remuneration	**3.9**		4.6	
Adjusted PBT	**13.5**		14.1	
Income tax expense at blended standard rate	**(2.7)**		(2.7)	
Adjusted PAT / Adjusted EPS'	**10.8**	**21.2**	11.5	23.8

Source: Company
Figures in table may not add due to rounding.
Adjusted PAT & EPS are stated before acquisition–related costs, amortisation and impairment of acquired intangibles, gain on bargain purchase, deferred consideration as remuneration and acquisition-related finance costs.

Balance sheet and cash position

MW maintains a robust balance sheet, with net assets of £225m on 30 Nov 22 (end of H1 23), down from £230m on 30 Nov 21 (end of H1 22). Cash and equivalents were £38.3m on 30 Nov 22, down from £44.3m at the end of H1 22m, **but still leaving ample cash headroom to pursue both organic and acquisitive growth opportunities.** MW has no debt.

Cash generated from operations was -£1.5m (H1 22: +£4.5m) impacted especially by two significant items: 1) an £8.9m (H1 22: £2.5m) decrease in accruals and deferred income; and 2) £8.5m of contingent consideration recognised as remuneration paid in the period (related to acquisitions).

The change in cash position over the period is illustrated in the cash waterfall chart produced by the company below.

Change in cash position over H1 23

Source: Company

The group also produces a 'surplus capital' calculation, which shows the cash it has available to pursue growth activities, after allocating funds to regulatory capital requirements. This is shown below and shows **£26.3m of surplus cash**, 176% above its regulatory capital requirement of £14.9m.

Surplus capital as at 30 Nov 22

Regulatory capital (MTW Company)	Nov 2022 £000	May 2022 £000
Capital resources – MIFIDPRU	**41.2**	**39.4**
Regulatory capital requirement	14.9	14.9
Surplus on capital requirements	**26.3**	**24.5**
Surplus as % of requirement	***176%***	***165%***

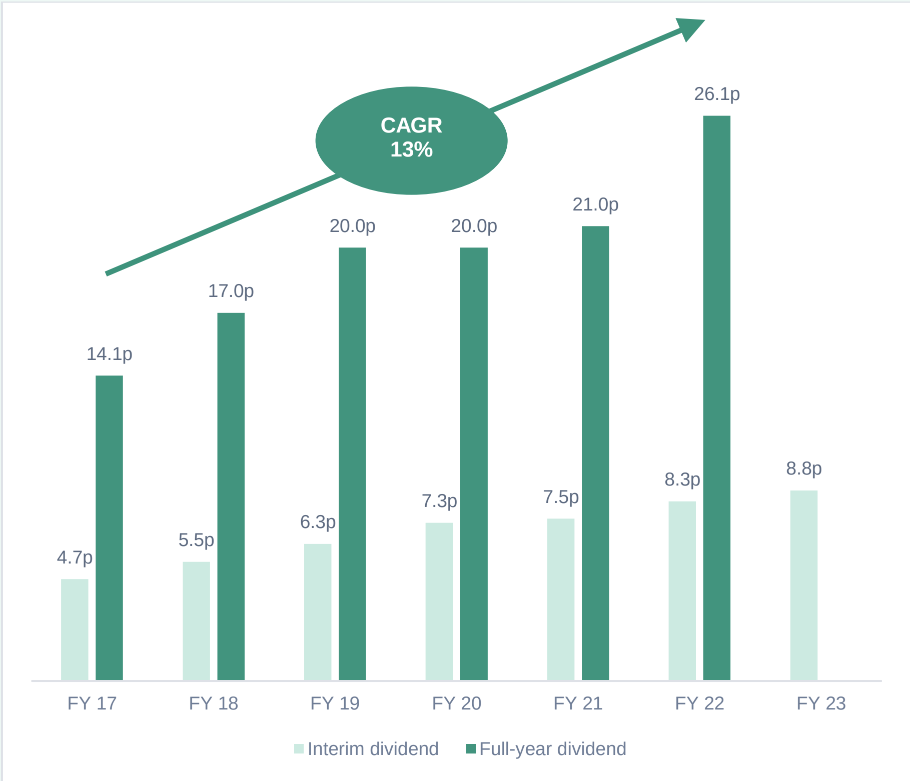
Source: Company

Dividends

MW has proposed an interim dividend of 8.8p (6% up on the interim dividend in FY 22 of 8.3p) which is a sign of management confidence in the group's prospects, despite the weak economic and financial market environment of 2022.

This keeps MW in line with its stated progressive dividend policy. **Its full-year dividend has grown at a CAGR of 13% over the last five years:**

Historic dividend progression



Source: Company

Segment commentary

MW has five operating segments which could also be considered as the primary product offerings.

Investment and asset management

This segment makes up 45% of group revenue and includes:

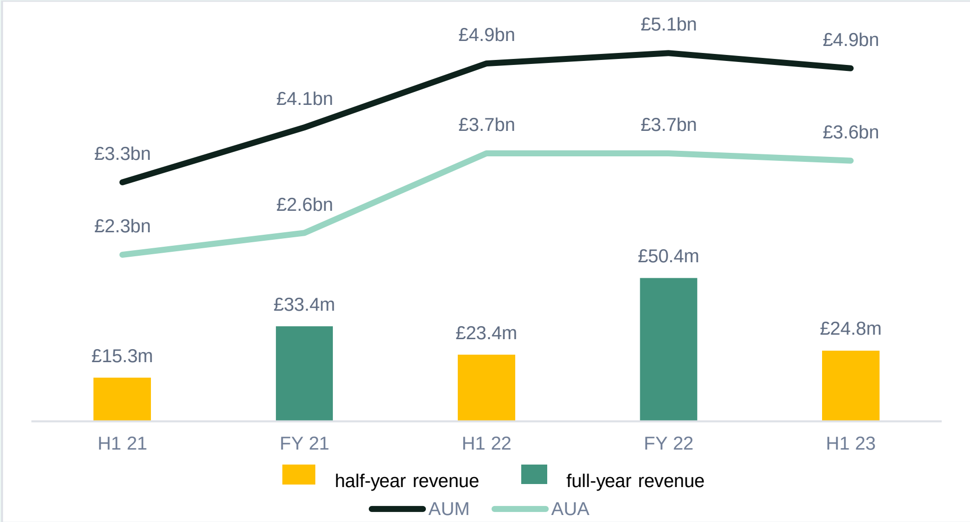
- *Financial advice and planning*: the heart of MW's proposition (it describes itself as being 'advice-led'), where around 184 in-house consultants (financial advisers, financial planners etc) service primarily mass affluent and high-net-worth individuals; and

- *Investment management*: where MW runs a discretionary portfolio management (DPM) service and operates a range of investment products with the bulk of AUM coming from advised clients (forming an integrated investment management and financial planning service) while some AUM comes from clients who are not MW-advised (sourced from other advisers, platforms etc).

Investment and asset management revenues generated from advising clients on both pension and personal investments increased 6.0% to £24.8m (H1 22: £23.4m). Income from both initial and ongoing portfolio management charges was £13.3m (H1 22: £13.8m).

Adviser charges based on gross assets under advice of £3.6bn (H1 22: £3.7bn) increased to £11.2m (1H22: £9.5m), with the higher revenue margin from acquisitions partially offset by the impact of lower asset values and market movements.

Investment and asset management: AUM, AUA, revenue



Source: Company reports
Note: Revenue excludes that generated by Custodian Capital for services provided to Custodian REIT (reported in 'Property management' segment), Maven revenue (included in 'Private equity management' segment), and Amati revenue (accounted for as an associate company hence revenue not shown in MW accounts, only MW share of Amati profits).

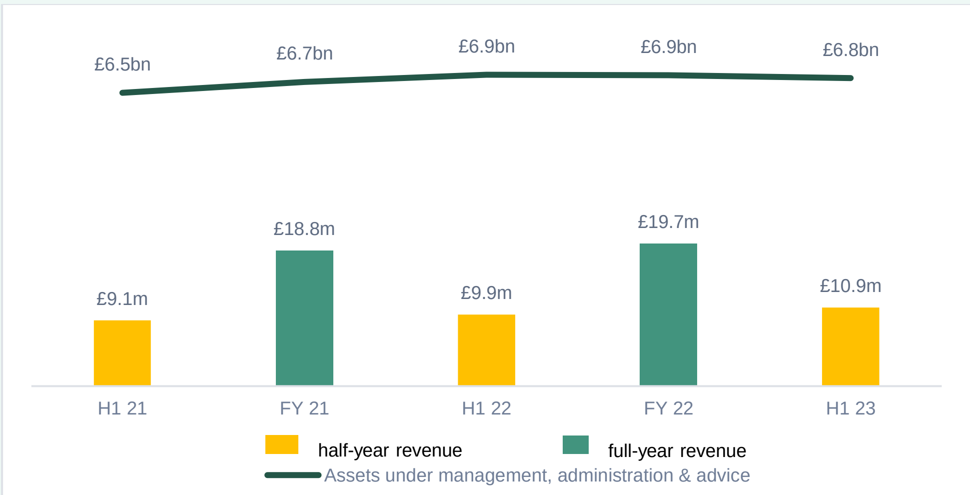
Pension consultancy and administration

This segment, makes up around 20% of group revenue, is the business upon which MW was founded and remains core to its client proposition. It involves advising on and providing administrative services for Self-Invested Personal Pensions (SIPP), Small Self-Administered Pension Schemes (SSAS), and bespoke pension arrangements.

Segment revenue increased 11% to £10.9m (H1 22: £9.9m) due to the strong demand for advice, with the total number of SIPP and SSAS schemes administered by the Group decreasing 0.6% to 11,014 (H1 22: 11,023) due to the continued wind-down of a number of SIPP schemes operated on an administration-only basis.

Direct advice and administration fees (SIPP and SSAS schemes where Mattioli Woods acts as pension consultant and administrator) increased 13% to £9.2m (H1 22: £8.1m). The number of direct schemes increased to 7,120 (31 May 22: 7,098), with 186 new schemes gained in H1 of the year.

Pension consultancy and administration: AUA/AUM, revenue



Source: Company reports

Private equity management (Maven)

This business segment, arising from the acquisition of Maven Capital Partners on 1 July 2021, makes up around 23% of group revenue and delivers private equity investment opportunities via Venture Capital Trusts and directly on a deal-by-deal basis to institutional investors, family offices and high net worth individuals.

The acquisition enhanced the MW investment proposition by providing efficient access to private equity investments, which are of particular interest and suited to wealthier clients. Given the specialist nature of Maven's investments, and the higher risk profile, it is able to price at a premium and enhance the client TER (total expense ratio).

AUM grew 6% y-o-y from £745m on 30 Nov 21 to £788m on 30 Nov 22. Revenue was up 15% from £10.8m to £12.6m, driven by a healthy level of new deal flow and transaction-based revenues and deal arrangement fees.

Performance and exit fees also increased on the successful realisation of a number of Maven Investor Partner and VCT investments.

Importantly, the group realised a number of cross-sell revenue synergies, with the Maven Investor Partner business completing its first two property transactions with the Mattioli Woods PIC, generating £0.6m of initial fees and embedding significant future performance fee potential.

Maven: AUM, revenue

Source: Company reports, Maven Members' Reports and Consolidated Financial Statements
**Maven AUM on 31 Mar 21 (pre-MW-acquisition), Maven revenue for the year 1 Apr 20 - 31 Mar 21 (pre-MW-acquisition)*
***5-months of revenue in H1*
****11-months of revenue*

Property management

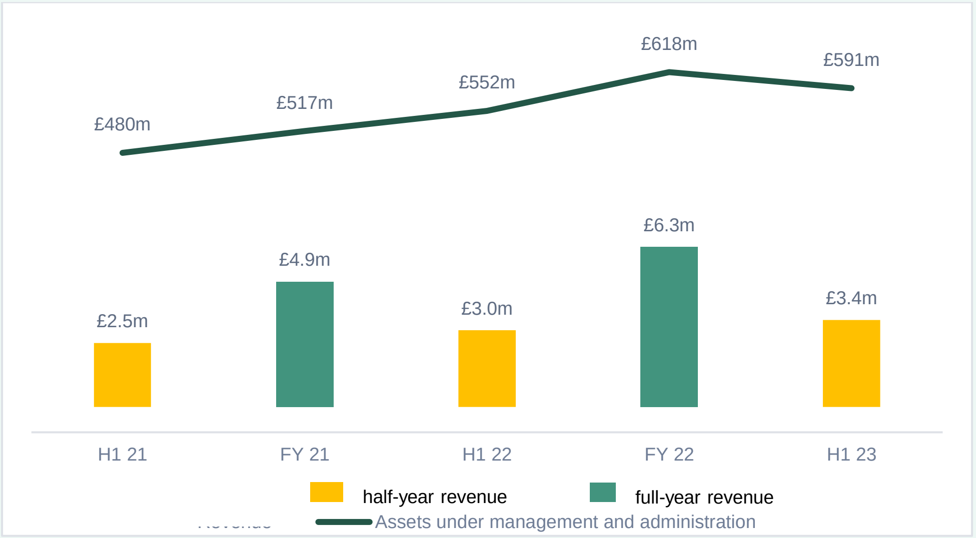
MW's property management business segment makes up around 6% of group revenue and is operated mainly via subsidiary Custodian Capital Limited (CCL). CCL's core business is acting as the investment manager to Custodian REIT plc (REIT = real estate investment trust) which is listed on the premium main market of the London Stock Exchange.

In addition, CCL facilitates direct property ownership on behalf of pension schemes and private clients and manages the Mattioli Woods Private Investors Club, which offers alternative investment opportunities to suitable clients using private investor syndicates.

CCL's AUM and AUA increased from £552m on 30 Nov 21 to £591m on 30 Nov 22 following an increase in commercial property market values. This translated to a 14% increase in management revenues increased from £3.0m in H1 22 to £3.4m in H1 23.

CCL also continues to facilitate direct property ownership on behalf of pension schemes and private clients and manages a "Private Investors Club", which offers alternative investment opportunities to suitable clients by way of private investor syndicates. Two new syndicates were launched in H1 23 attracting £7.6m of investment. Synergies exist between this initiative and Maven's client base and the group has flagged that several new opportunities are planned for launch in H2.

Property management segment: AUA/AUM and revenue



Source: Company

Employee benefits

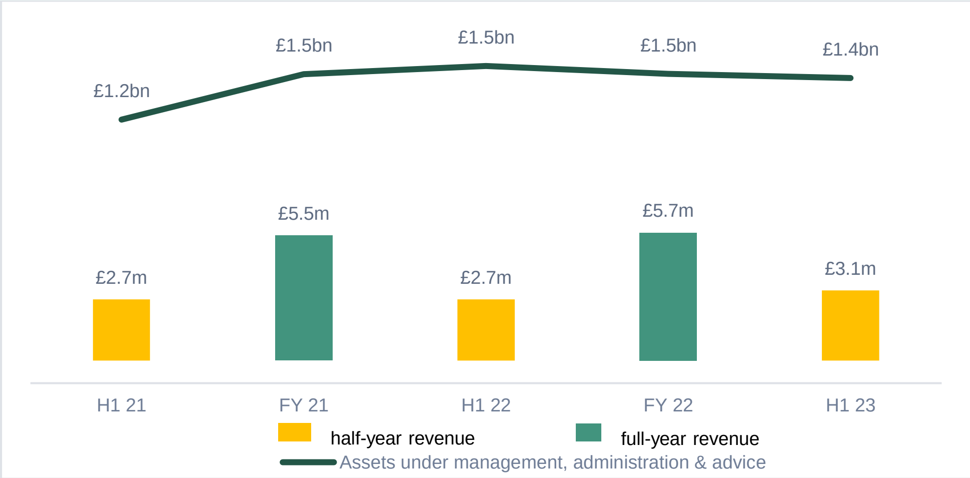
Employee benefits (EB) makes up around 6% of group revenue and provides employee-related services to corporate clients, including consultancy, design, implementation and administration services on defined contribution and defined benefit pension schemes, workplace savings, healthcare, international benefit solutions, risk benefits, employee wellbeing and financial education.

Revenue grew 16% y-o-y from £2.7m in H1 22 to £3.1m in H1 23, with the number of corporate clients remaining roughly the same y-o-y (782 on 30 Nov 22 vs 785 on 30 Nov 21).

It is worth noting that EB revenue is mostly fee based and relates to services rendered and is not linked to the value of client assets in the way that some wealth management revenue is.

So, while client assets declined marginally, revenue increased as the trend of employers encouraging staff wellbeing and retirement savings continued to strengthen and drive fee income for MW.

Employee benefits segment: AUA/AUM and revenue



Source: Company

Amati Global Investors

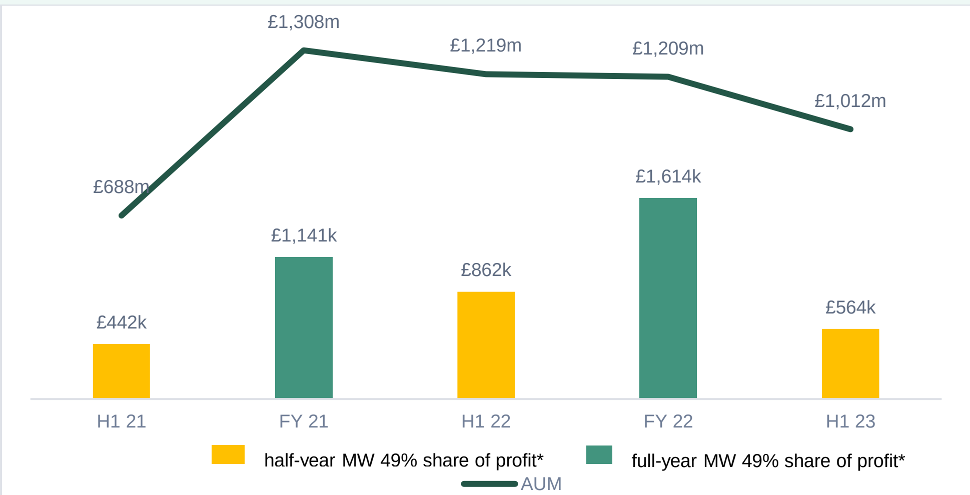
MW also owns a 49% stake in Amati Global Investors Limited, which it acquired in February 2017. Amati is accounted for as an associate company (with MW's share of profit after tax reported in the group income statement) and is not an MW business segment.

Amati is integral to the group's investment product offering and greatly enhances MW clients' investment choices with specialist investment offerings focussed mainly on small and mid-sized companies.

Market conditions have been particularly challenging for pure-play asset managers such as Amati, and it did experience an AUM fall over the period from £1,209m to £1,012m. £166m of the fall was due to market movements while £32m was due to net outflows. The most significant impact was the fall in the value of the Amati UK Smaller Companies Fund to £666.3m (31 May 2022: £840.3m). The Amati AIM VCT also fell to £213.7m (31 May 2022: £238.0m) and the Strategic Metals Fund to £75.1m (31 May 2022: £77.6m). However, the AUM of its IHT portfolio service increased to £52.1m (31 May 2022: £51.8m).

Amati's recent AUM profile and MW's share of its profits is shown in the chart below:

Amati: Gross AUM and MW share of profit*



Source: Company
**after tax (share of associate profit is reported in group income statement after tax)*

Valuation

We look at MW's valuation on a fundamental and a peer comparison basis.

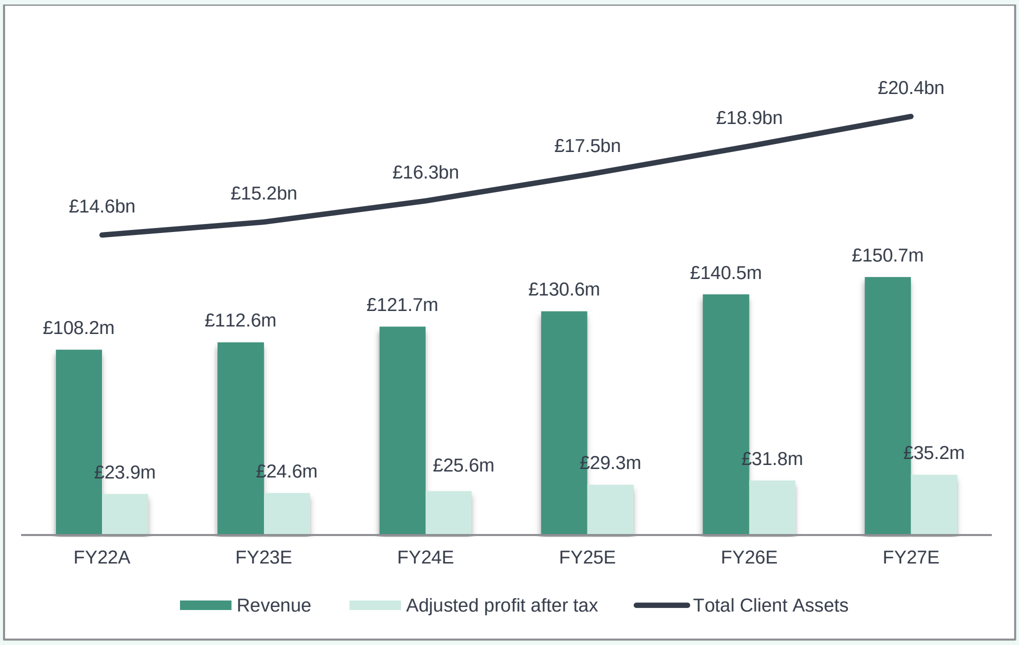
Fundamental valuation

Our fundamental valuation uses a discounted cash flow methodology, **which produces a per share value of 950p, 52% above the current share price of 625p.**

This valuation is based on the following key assumptions:

- A five-year explicit growth forecast summarised in the chart below (this excludes any potential growth from acquisitions). We also remind readers of MW's medium-term goals of growing the business to £30bn of total client assets, £300m of revenue, and £100m of EBITDA (these goals include acquisitions).

Mattioli Woods plc (group) 5 years forecast: key metrics



Source: Company Historic Data, ED Estimates

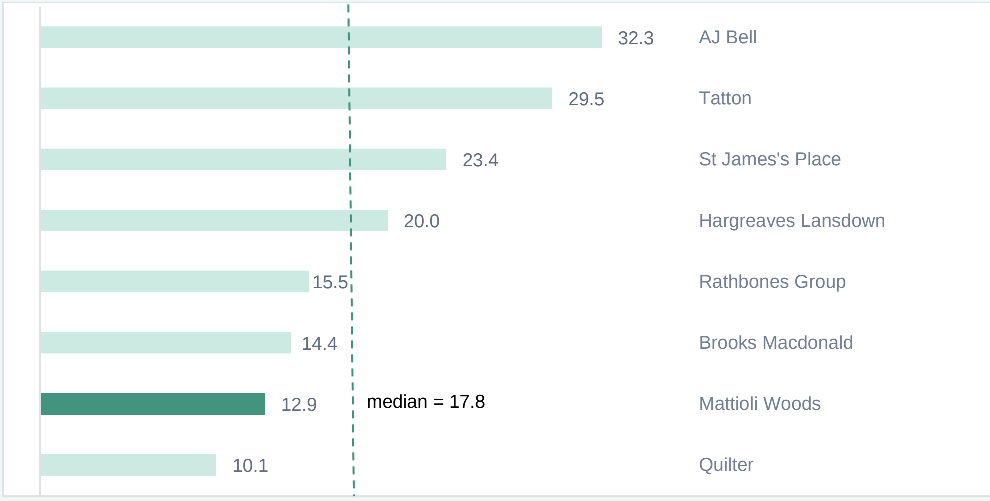
- A terminal value based on an assumption that the business is acquired at a PE multiple of 15 at the end of year five (see current sector PE's below).
- Discounting the cash flows from the above assumptions at a discount rate of 8.0%.

Peer comparison valuation

When considering MW's relative valuation compared to peers, as the largest part of its business is in wealth management, we believe this comparison is most appropriate.

And when **compared to this group of peers, MW appears significantly undervalued, with a PER of 12.9, the second lowest of the group and far below the median of 17.8** (with MW's PER calculated using adjusted PAT per share which eliminates some of the non-cash effects of acquisition accounting – which were significant in the previous FY).

PE Ratios: UK-listed wealth managers, DFMs and platforms

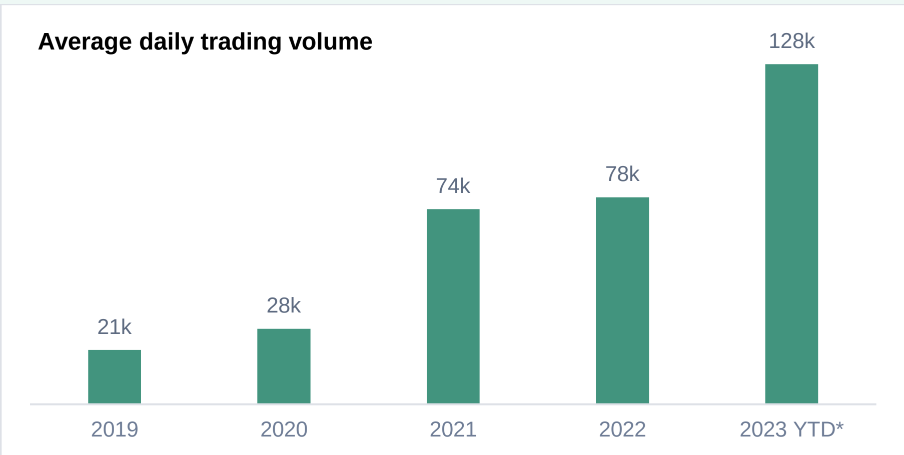


Source: ADVFN, ED analysis, as of 07 February 2023
**Calculated using adjusted PAT per share which eliminates some of the non-cash effects of acquisition accounting*

In summary, on a fundamental bass, and on a peer-comparison basis, we think that MW is looking undervalued and has the potential for a re-rating.

Lastly, we would also highlight an encouraging increase in trading volumes in MW shares in 2023. While this is certainly only a short-term data point, it is a metric worth tracking. If interest and trading volumes in MW shares does increase significantly, this could contribute to closing the gap between its share price and its fundamental or peer valuation above.

Encouraging recent rise in share trading volumes



Source: ADVFN
**as at 2 Feb 23*

Investment case

- **MW is operating in a huge market with substantial tailwinds** that should underpin substantial growth over the medium to long term.
- It has a long-standing brand and franchise in the UK nurtured over 30+ years.
- It has **a** proven **track record of setting and achieving ambitious growth and profitability goals**.
- Its business model and positioning provide significant competitive advantages:
    - Its advisers are well trained, incentivised, have ample capacity to service more clients, and are a relatively young cohort, positioned to capture a disproportionate share of ‘next generation’ wealth.
    - It has a unique portfolio of investment products to offer clients, which can be distributed though in-house advisers as well as through external channels such as platforms.
    - It has a highly efficient administration platform that should generate economies of scale with growth.
    - Unlike many competitors, it earns fees across the entire wealth management value chain.
- It has a **long record of finding and executing value-adding acquisitions**.
- On a fundamental and peer comparison basis, MW appears **substantially undervalued**.

Appendix 1: Historic and forecast financials

Consolidated Income Statement + Forecasts						
12 months to end May, £m	FY21A	*H1 22A*	FY22A	*H1 23A*	FY23E	FY24E
Revenue	**62.6**	***49.9***	**108.2**	***54.9***	**112.6**	**121.7**
Employee benefits expense	(34.1)	*(27.1)*	(59.6)	*(29.8)*	(59.5)	(64.0)
Other administrative expenses	(13.3)	*(9.9)*	(19.8)	*(10.2)*	(20.1)	(21.6)
Share based payments	(1.5)	*(0.6)*	(1.7)	*(0.9)*	(1.7)	(1.8)
Impairment loss on financial assets	(0.0)	*(0.0)*	(0.3)	*(0.1)*	-	-
Profit on disposal of fixed asset investments	-	-	0.4	-	-	-
Profit/(loss) on disposal of property, plant & equipment	(0.0)	*(0.0)*	0.0	*(0.0)*	-	-
Gain on bargain purchase	0.3	-	-	-	-	-
Deferred consideration as remuneration	(3.8)	*(4.6)*	(9.7)	*(3.9)*	(6.9)	(5.0)
Gain on revaluation of derivative financial instrument	-	-	-	-	-	-
EBITDA	**10.1**	***7.7***	**17.6**	***10.1***	**24.4**	**29.3**
Adjusted EBITDA						
add back …						
Acquisition related costs	*2.6*	*2.6*	*3.7*	*0.5*	*-*	*-*
Share of profit from associates	*1.1*	*0.9*	*1.6*	*0.6*	*1.2*	*1.5*
Gain on bargain purchase	*(0.3)*	*-*	*-*	*-*	*-*	*-*
Deferred consideration as remuneration	*3.8*	*4.6*	*9.7*	*3.9*	*6.9*	*5.0*
Gain on derivative financial asset	*-*	*-*	*-*	*-*	*-*	*-*
Adjusted EBITDA	***17.3***	***15.8***	***32.6***	***15.0***	***32.5***	***35.8***
Amortisation and impairment	(3.1)	*(3.4)*	(7.5)	*(4.3)*	(7.5)	(7.5)
Depreciation	(2.8)	*(1.4)*	(2.8)	*(1.2)*	(2.0)	(1.9)
Operating profit before financing	**4.2**	***2.8***	**7.3**	***4.6***	**14.9**	**20.0**
Net financing (costs)/revenue	(0.2)	*(0.4)*	(0.9)	*(0.4)*	(0.0)	(0.0)
Share of profit from associate, net of tax	1.1	*0.9*	1.6	*0.6*	1.2	1.5
Profit before tax	**5.1**	***3.3***	**8.0**	***4.8***	**16.1**	**21.4**
Adjusted PBT & PAT						
add back …						
Acquisition related costs	*2.6*	*2.6*	*3.7*	*0.5*	*-*	*-*
Amortisation of intangibles acquired	*2.8*	*3.3*	*7.2*	*3.9*	*7.2*	*7.2*
Gain on bargain purchase	*(0.3)*	*-*	*-*	*-*	*-*	*-*
Deferred consideration as remuneration	*3.8*	*4.6*	*9.7*	*3.9*	*6.9*	*5.0*
Acquisition related notional finance cost	*0.1*	*0.4*	*0.9*	*0.5*	*0.5*	*0.5*
Adjusted PBT	***14.2***	***14.1***	***29.5***	***13.5***	***30.7***	***34.1***
Adjusted tax expense	*(2.7)*	*(2.7)*	*(5.6)*	*(2.7)*	*(6.1)*	*(8.5)*
Adjusted PAT	***11.5***	***11.5***	***23.9***	***10.8***	***24.6***	***25.6***
Income tax expense	(3.8)	*(1.6)*	(3.9)	*(1.7)*	(3.2)	(5.4)
Profit for the year	**1.4**	***1.7***	**4.1**	***3.0***	**12.9**	**16.1**
Basic EPS, p	5.1	*3.5*	8.3	*5.9*	25.2	31.2
Adjusted Basic EPS, p	41.1	*23.8*	48.3	*21.2*	48.1	49.7

Source: Company Historic Data, ED estimates.

Consolidated Balance Sheet + Forecasts						
As at end May, £m	**FY21A**	***H1 22A***	**FY22A**	***H1 23A***	**FY23E**	**FY24E**
ASSETS						
Non-current assets						
Property, plant and equipment	14.3	*14.3*	14.1	*13.9*	13.9	13.7
Right of Use Assets	2.2	*3.9*	3.3	*2.9*	2.6	2.1
Intangible assets	60.5	*201.9*	199.3	*195.3*	195.0	193.8
Deferred tax assets	1.0	*1.1*	0.8	*0.7*	0.7	0.7
Investment in associate	4.3	*4.9*	4.2	*4.7*	3.6	3.2
Other investments	0.5	*5.5*	5.5	*5.4*	5.5	5.5
Total non-current assets	**82.7**	***231.7***	**227.2**	***222.8***	**221.4**	**219.0**
Current assets						
Trade and other receivables	19.2	*26.5*	28.4	*26.6*	31.1	34.1
Current tax receivables	0.0	-	-	-	-	-
Finance lease receivable	0.3	*0.3*	0.4	*0.3*	0.4	0.4
Investments	0.0	*0.0*	0.3	*0.3*	0.3	0.4
Cash and cash equivalents	21.9	*44.3*	53.9	*38.3*	58.5	68.1
Total current assets	**41.4**	***71.1***	**83.0**	***65.5***	**90.3**	**103.0**
TOTAL ASSETS	**124.2**	***302.8***	**310.2**	***288.3***	**311.6**	**322.0**
LIABILITIES						
Non-current Liabilities						
Trade and other payables	-	-	-	-	-	-
Lease liabilities	1.7	*3.2*	2.8	*2.7*	1.5	0.2
Deferred tax liability	9.4	*28.2*	27.5	*26.9*	26.9	26.9
Provisions	1.5	*8.1*	8.6	*1.2*	1.2	1.2
Total non-current liabilities	**12.7**	***39.6***	**38.9**	***30.7***	**29.5**	**28.2**
Current Liabilities						
Trade and other payables	15.5	*19.9*	25.1	*15.5*	33.0	40.6
Current tax liability	-	*1.1*	2.0	*1.6*	2.0	2.0
Lease liabilities	0.9	*1.2*	1.0	*0.6*	1.0	1.0
Provisions	9.0	*10.6*	13.2	*14.6*	14.6	14.6
Total current liabilities	**25.4**	***32.8***	**41.2**	***32.3***	**50.5**	**58.1**
TOTAL LIABILITIES						
NET ASSETS	**86.1**	***230.5***	**230.1**	***225.3***	**231.7**	**235.6**
EQUITY						
Issued capital	0.3	*0.5*	0.5	*0.5*	0.5	0.5
Share premium	33.8	*142.8*	143.4	*144.0*	144.0	144.0
Merger reserve	17.5	*57.2*	57.2	*57.2*	57.2	57.2
Equity-share-based-payments	3.6	*3.8*	2.8	*3.0*	4.5	6.3
Capital redemption reserve	2.0	*2.0*	2.0	*2.0*	2.0	2.0
Own shares	(0.6)	*(0.6)*	(0.6)	*(0.6)*	(0.6)	(0.6)
Retained earnings	29.6	*24.8*	24.8	*19.1*	24.0	26.2
TOTAL EQUITY	**86.1**	***230.5***	**230.1**	***225.3***	**231.7**	**235.6**

Source: Company Historic Data, ED estimates.

Consolidated Cash Flow Statement + Forecasts						
12 months to end May, £m	**FY21A**	***H1 22A***	**FY22A**	**H1 23A**	**FY23E**	**FY24E**
Operating activities						
Profit for the year	**1.4**	***1.7***	**4.1**	**3.0**	**12.9**	**16.1**
Adjustment for:						
Amortisation	3.1	*3.4*	7.5	4.3	7.5	7.5
Depreciation	2.8	*1.4*	2.8	1.2	2.0	1.9
Impairment of investment in subsidiaries	-	-	-	-	-	-
Gain on bargain purchase	(0.3)	-	-	-	-	-
Deferred consideration as remuneration	3.8	*4.6*	9.7	3.9	6.9	5.0
Investment income	(0.0)	*(0.0)*	(0.1)	(0.2)	(0.1)	(0.1)
Interest expense	0.3	*0.5*	1.0	0.6	-	-
Share of profit from associate	(1.1)	*(0.9)*	(1.6)	(0.6)	(1.2)	(1.5)
(Profit)/loss on disposal of plant, property & equipment	0.0	*0.0*	(0.0)	0.0	-	-
Profit on disposal of fixed asset investments	-	-	(0.4)	-	-	-
Gain on revaluation of other investments	-	*(0.0)*	(0.0)	0.3	-	-
Equity settled share-based payments	1.5	*0.6*	1.7	0.9	1.7	1.8
Dividend income	-	-	-	-	-	-
Income tax expense	3.8	*1.6*	3.9	1.7	3.2	5.4
Cash flows from operations before changes in working capital & provisions	**15.1**	***12.9***	**28.6**	**15.1**	**32.9**	**36.0**
Decrease/(increase) in receivables	1.0	*(1.7)*	(5.3)	2.1	(2.7)	(3.0)
(Decr)/incr in trade and other payables	5.0	*(3.4)*	1.8	(9.8)	1.0	2.7
(Decrease)/increase in provisions	(0.7)	*(3.3)*	(5.4)	(8.9)	(6.1)	-
Cash generated from operations	**20.4**	***4.5***	**19.6**	**(1.5)**	**25.0**	**35.7**
Interest paid	(0.0)	*(0.0)*	(0.0)	(0.0)	(0.0)	(0.0)
Income taxes paid	(2.5)	*(1.4)*	(3.3)	(2.4)	(3.2)	(5.4)
Net cash flows from operating activities	**17.8**	***3.0***	**16.4**	**(3.9)**	**21.8**	**30.3**
Investing activities						
Proceeds from sale of property plant and equipment	0.2	*0.0*	0.1	0.1	-	-
Purchase of property and equipment	(0.4)	*(0.3)*	(1.0)	(0.6)	(1.1)	(1.1)
Purchase of software	(0.4)	*(0.2)*	(0.4)	(0.3)	(0.1)	(0.1)
Purchase of client portfolio	-	-	(0.7)	0.0	-	-
Contingent consideration paid on acquisition of subsidiaries	(1.1)	*(0.6)*	(1.6)	(1.6)	(3.0)	(6.2)
Acquisition of subsidiaries	(17.7)	*(72.9)*	(72.9)	-	-	-
Cash received on acquisition of subsidiaries	4.8	*8.9*	8.9	-	-	-
Investment in other equity holdings	(0.5)	*(1.1)*	(1.6)	(0.2)	-	-
Cash received on hive up of group companies	-	-	-	-	-	-
Dividends received from associate undertakings	0.6	*0.2*	1.7	-	1.8	1.9
Proceeds from disposal of derivative financial assets	-	-	-	-	-	-
Proceeds on disposal of other investments	0.0	-	0.7	0.1	-	-
Loans advanced to property syndicates	(1.1)	*(0.3)*	(0.0)	(0.6)	-	-
Loan repayments from property syndicates	0.0	*0.0*	1.3	0.4	-	-
Interest received	0.0	*0.0*	0.0	0.2	0.0	0.0
Dividends received	-	-	-	-	-	-
Net cash used in investing activities	**(15.7)**	***(66.2)***	**(65.3)**	**(2.4)**	**(2.4)**	**(5.5)**
Financing activities						
Proceeds from the issue of share capital	0.6	*109.0*	109.3	0.4	-	-
Cost of own shares acquired	-	-	-	-	-	-
Dividends paid	(5.7)	*(6.8)*	(11.0)	(9.1)	(13.5)	(13.9)
Repayment of borrowings	-	*(15.9)*	(15.9)	-	-	-
Pmt of lease liabilities	(1.1)	*(0.6)*	(1.3)	(0.6)	(1.3)	(1.3)
Net cash from /(used in) financing activities	**(6.2)**	***85.6***	**81.0**	**(9.3)**	**(14.8)**	**(15.2)**
Net (decr)/incr in cash & equivalents	(4.1)	*22.4*	32.0	(15.6)	4.5	9.6
Cash & equivalents at beginning of year	26.0	*21.9*	21.9	53.9	53.9	58.5
Cash & equivalents at end of year	**21.9**	***44.3***	**53.9**	**38.3**	**58.5**	**68.1**

Source: Company Historic Data, ED estimates.

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