

Client growth & pipeline solid, markets peg back forecasts

1 November 2022

Mattioli Woods (MW) has reported continued new client growth in the first four months of FY23 (to 30 Sep 22) with 289 new clients added, a solid pipeline, and demand for advice remaining robust. Its recently launched range of passive portfolios has seen good initial traction, and its Private Equity business (Maven Capital Partners which makes up 20-25% of group revenue) is performing well with a solid outlook. In this regard, we highlight the mid-October announcement by Maven which is looking to raise an additional £40m for its four existing VCTs, reflective of continued demand from investors.

Market falls have, however, pegged back assets under management by 7.3% over the four-month period to £4.7bn (31 May 22: £5.1bn). As a reminder, total client assets managed by MW on 31 May 22 was around £14.9bn.

Forecasts trimmed but fundamental value seen >50% above share price

We have updated our forecasts to take the above into account. Our FY23 revenue forecast reduces from £118.0m to £116.2m (updated forecast: 7% y-o-y revenue growth); adjusted EBITDA from £34.0m to £32.8m; and adjusted EPS from 50.1p to 48.4p.

In turn, our fundamental valuation reduces to 925p per share. However, following recent falls in the MW share price, **this fundamental value is still 55% above the current share price.**

We also think the forward PE ratio of 12.3 (using adjusted PAT) is too low, given the group's strong growth prospects.

Company Data

EPIC	MTW
Price (last close)	595p
52 weeks Hi/Lo	893p/590p
Market cap	£303m
ED Fair Value/share	925p
Net cash	£54m
Avg. daily volume	79k

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 31 May 22: £14.9bn

Next Event: Trading update, Jan 23

Key Financials

Year-end 31 May	FY19A	FY20A	FY21A	FY22A	FY23E	FY24E
Total client assets, £bn	9.4	9.3	12.1	14.9	15.2	16.7
Rev, £m	57.5	58.4	62.6	108.2	116.2	125.4
Adj EBITDA*	14.1	18.9	17.3	32.6	32.8	35.8
Adj EBITDA margin	24.5%	32.4%	27.7%	30.1%	28.3%	28.6%
Adj PAT**	9.8	12.9	11.5	23.9	24.7	25.5
Statutory PAT	7.7	9.5	1.4	4.1	13.1	16.1
EPS basic, p	28.9	34.9	5.1	8.3	25.7	31.2
EPS adjusted, p	36.7	47.6	41.1	48.3	48.4	49.5
PER (on adj. PAT)	16.2	12.5	14.5	12.3	12.3	12.0
Div, p	20.0	20.0	21.0	26.1	26.5	28.8
Yield	3.4%	3.4%	3.5%	4.4%	4.5%	4.8%
Net assets, £m	76.4	81.5	86.1	230.1	231.4	235.4
Net cash, £m	23.2	26.0	21.9	53.9	55.2	61.6

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

595p

* 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)

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