# Mattioli Woods plc

## On track for 10% annual revenue & profit growth

9 January 2024

**H1'24 revenue (to 30 Nov 23) totalled £59.1m, 8% up y-o-y (H1'23: £54.9m), with 4% organic revenue growth. H2 revenue is typically higher than H1 due to end of tax-year advice and H2 weighting of client year-ends, and we maintain our FY24 revenue forecast of £123.6m (+11% y-o-y). With MW confirming trading is in line with expectations, we also maintain our adjusted EBITDA forecast of £35.7m (+8% y-o-y and slightly lower than market consensus of £36.4m).**

**MW remains in a strong net cash position (£32.7m v £45.0m on 31 May 23), giving scope to pursue opportunities. Cash is as expected with c. £9.3m paid in dividends and some tranche-payments of previous acquisitions made. We expect cash to exceed £40m by year-end.**

Total client assets (under advice, management, and administration) were slightly down from £15.3bn on 31 May 23 to £15.2bn, with a £155m negative impact from market movements, which includes a fall in AuM from UK small-cap-focussed Amati Global Investors (unsurprising considering the FTSE AIM All Share Index fell 9% over the period, before recovering c. 5% since end-H1).

This suggests sound client asset performances across most other business units. As in FY23, MW has reported **growth within the core pension consultancy and employee benefits business segments**, with the proposed changes to pension and tax rules announced in the Chancellor's recent Autumn Statement driving strong demand for advice.

Other key points from the trading update include:

- 374 new client wins with an asset value of £82.2m;
- Recent acquisitions performing and integrating well, robust pipeline of bolt-on opportunities;
- Review of investment offering identifies revenue opportunities while reducing clients' costs;
- Cost-saving initiatives designed and earmarked for implementation in H2;
- Technology investments progressing in line with plan, including new groupwide CRM system roll-out to all regional offices by the end of FY24.

### MW still appears undervalued

**Our fundamental valuation remains 900p share, which is 50% above the current share price.** Full details can be found in our Sep '23 note Solid FY23, with acquisition synergies realised. Additionally, our sector PER analysis suggests potential for a rerating of both the sector and MW.

**Key Financials**

| Year-end 31 May | FY20A | FY21A | FY22A | FY23A | FY24E | FY25E |
|---|---|---|---|---|---|---|
| Total client assets, £bn | 9.3 | 12.1 | 14.9 | 15.3 | 16.4 | 17.5 |
| Rev, £m | 58.4 | 62.6 | 108.2 | 111.2 | 123.6 | 131.7 |
| Adj EBITDA[1] | 18.9 | 17.3 | 32.6 | 33.2 | 35.7 | 39.1 |
| Adj EBITDA margin | 32.4% | 27.7% | 30.1% | 29.9% | 28.9% | 29.7% |
| Adj PAT[2] | 12.9 | 11.5 | 23.9 | 24.5 | 23.3 | 26.6 |
| Statutory PAT | 9.5 | 1.4 | 4.1 | 7.7 | 12.0 | 15.4 |
| EPS basic, p | 34.9 | 5.1 | 8.3 | 14.9 | 23.3 | 29.7 |
| EPS adjusted, p | 47.6 | 41.1 | 48.3 | 47.8 | 45.3 | 51.3 |
| PER (on adj. PAT) | 12.6 | 14.6 | 12.4 | 12.6 | 13.3 | 11.7 |
| Div, p | 20.0 | 21.0 | 26.1 | 26.8 | 28.8 | 31.3 |
| Yield | 3.3% | 3.5% | 4.4% | 4.5% | 4.8% | 5.2% |
| Net assets, £m | 81.5 | 86.1 | 230.1 | 229.3 | 229.2 | 231.6 |
| Net cash, £m | 26.0 | 21.9 | 53.9 | 45.1 | 41.5 | 53.3 |

*Source: Company Historic Data, ED estimates. PER and Yield based on share price of: **600p***
*1 & 2, see definitions on page 3*

**Company Data**

| | |
|---|---|
| EPIC | MTW |
| Price (last close) | 600p |
| 52 weeks Hi/Lo | 655p/490p |
| Market cap | £311m |
| ED Fair Value/share | 900p |
| Net cash | £33m |
| Avg. daily vol. (12m) | 72k |

**Share Price, p**


*Source: ADVFN*

**Company Description**

Mattioli Woods (MW) 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 '23: £15.2bn

Next Event: FY24 Interims, 6 Feb '24

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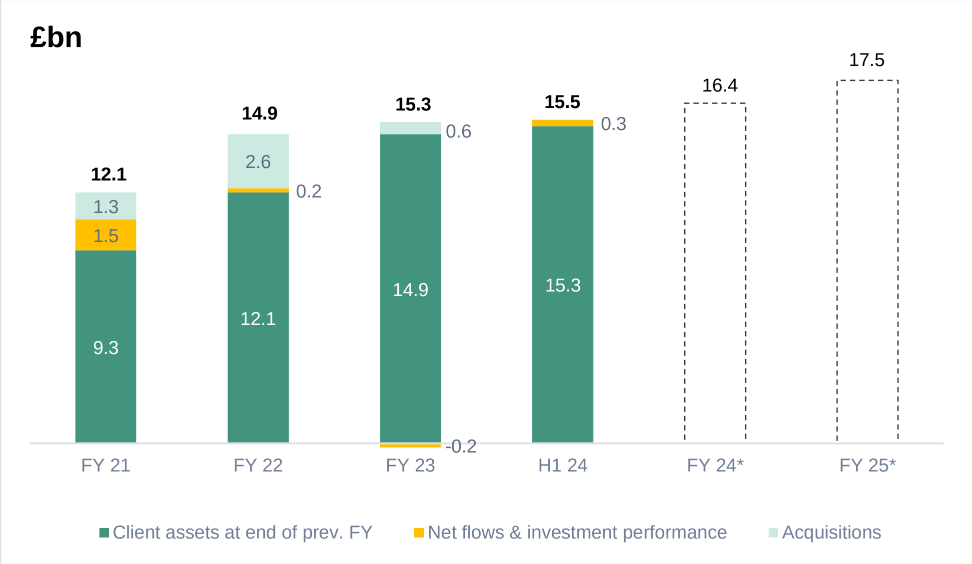
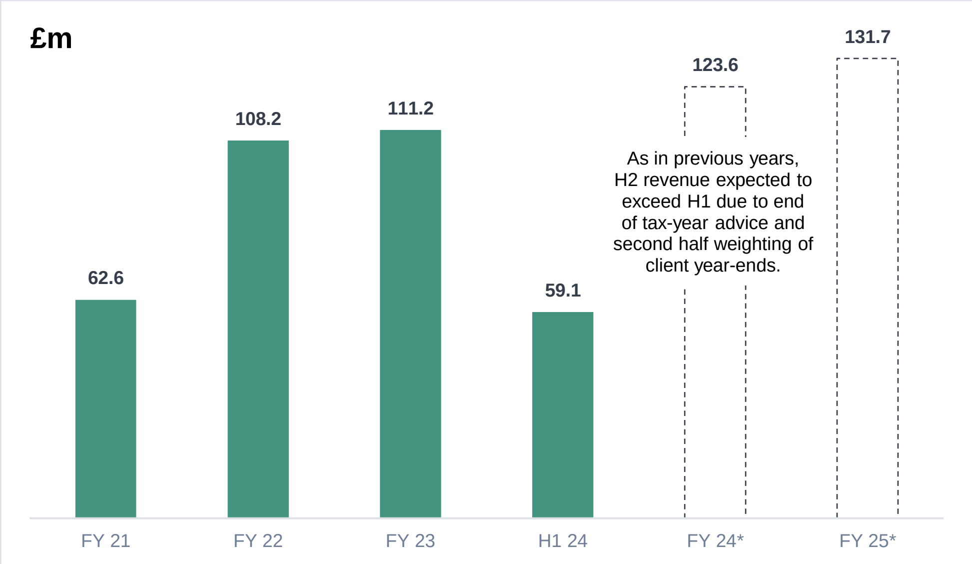
## Historic and forecast asset & revenue growth

**Total Client Assets - actuals and ED estimates for FY24 & FY25**




*Source: Company reports, ED analysis. *No new acquisitions assumed in ED estimates.*

**Revenue - actuals and ED estimates for FY24 & FY25**



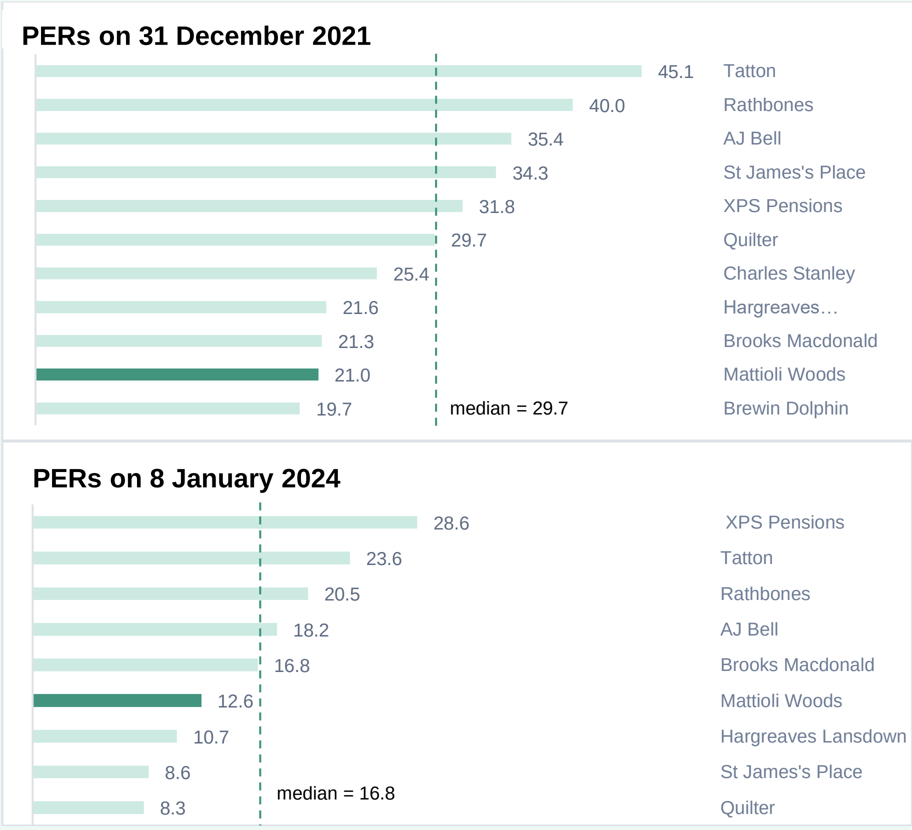

*Source: Company reports, ED analysis. *No new acquisitions assumed in ED estimates.*

## Decline in sector & MW valuations looks overdone

**Since the end of the bull market (end of 2021), investment/wealth managers and platforms have 'de-rated' significantly with the median PER of a tracked peer group declining 43% from 29.7 to 16.8.**

While valuations may well have 'over-run' to a degree at the end of the bull market, we certainly see the current median PER of 16.8 as being on the low side and see potential for a sector rerating. Also, within the sector **we see no justifiable reason for MW to trade at a discount to most peers** (on a PER of 12.6) and therefore also see potential for the removal of this discount.

**PE Ratios: UK-listed investment/wealth managers and platforms**




*Source: ADVFN, as of 8 Jan 24, ED analysis.*
** Mattioli Woods PER calculated using 'adjusted PAT' which eliminates some of the distortions in earnings created by the statutory accounting treatment of recent large acquisitions. All other PERs calculated using statutory EPS.*

Another interesting, related data point is that when the acquisition of Brewin Dolphin by RBC Wealth Management (Jersey) was announced on 31 March 2022, its PER jumped from 16.9 to 27.2, a premium of 62% to its share price the day before the deal was announced.

**This suggests that large foreign investment/wealth managers were seeing substantial value in the UK at that time. They are surely seeing even more value now.**

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Acquisition accounting rules result in MW's statutory accounts being less than ideal for like-for-like year-on-year profitability comparatives. The business therefore provides a number of useful 'adjusted' metrics:

1. *Adjusted EBITDA*: A good comparator of underlying operating profitability which 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.
2. *(a) Adjusted PBT*: A measure of profitability before taxation, excluding items that are non-cash or affect comparability between periods, calculated as statutory profit before tax excluding amortisation of acquired intangibles and acquisition-related costs, gain on bargain purchase, contingent consideration recognised as remuneration and acquisition-related notional interest charges.
   *(b) Adjusted PAT*: A measure of profitability, net of taxation, based on Adjusted PBT and deducting tax at the standard rate of 19% (until Apr 23) and 25% (from Apr 23).

## Contacts

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