

AUM slightly down, FY23 forecasts unchanged

12th January 2023

AUM fell 1.6% over Q3 of FY23 (to 31 Dec 22) to £18.47bn. Over the first nine months of the FY the AUM fall totalled 16%, although this was heavily impacted by the significant sell off in technology stocks in Q1 (Apr 22 – Jun 22).

Net outflows totalled £304m during the quarter, lower than the £529m recorded in Q2 and the £316m of Q1. Market movements and investment performance contributed +£19m over the quarter (Q2: +£342m; Q1: -£2,393m). The closure of Phaeacian mutual funds in Q1 resulted in a -£469 impact on AUM.

The lower net outflows of the latest quarter and two consecutive quarters of positive investment performance suggests a degree of positivity in some of the major sectors Polar is exposed to, and perhaps some stability in the most significant technology sector. More specifically, Polar has reported:

- continued demand and inflows into the Global Insurance, Healthcare Blue Chip, Smart Energy and Emerging Market Stars funds, with combined net inflows of £190m in the quarter;
- a continuing decline in the rate of outflows from its open-ended Technology funds, with £217m of outflows in Q3 compared to £252m in Q2 and £380m in Q1.

Net performance fees for the financial year are in line with our previous estimates, at £1.9m.

Fundamental value 600p, looking undervalued compared to peers

This latest AUM update suggests Polar is on track to meet our previous FY23 forecasts, which remain unchanged, as does **our fundamental valuation of 600p per share, which is 20% above the closing share price on 11 Jan 23 of 500p**. We will revisit our forecasts and valuation with the Q4 AUM update in April 2023.

We also flag that **Polar's PER of 9.8 is significantly below the 12.2 median PER of a UK-listed active fund manager peer group** (page 2).

Key Financials

| Year-end 31 Mar | FY20A | FY21A | FY 22A | FY 23E | FY24E |
|-------------------------|-------|-------|--------|--------|-------|
| AUM, £bn | 12.2 | 20.9 | 22.1 | 18.3 | 19.7 |
| Rev, £m | 151.7 | 201.5 | 224.1 | 176.5 | 176.8 |
| Management fees, £m | 130.8 | 157.3 | 210.0 | 172.0 | 168.4 |
| Performance fees, £m | 22.3 | 43.6 | 14.1 | 4.5 | 8.4 |
| PBT, £m | 50.9 | 75.9 | 62.1 | 50.7 | 47.3 |
| Core op profit*, £m | 41.6 | 51.5 | 69.4 | 49.8 | 44.8 |
| Performance fee profit | 8.8 | 19.5 | 4.1 | 1.9 | 3.6 |
| EPS basic, p | 43.5 | 67.2 | 50.8 | 41.5 | 35.8 |
| EPS adjusted diluted, p | 40.7 | 62.3 | 56.0 | 40.1 | 34.6 |
| PER | 11.5 | 7.4 | 9.8 | 12.1 | 14.0 |
| Div, p | 33.0 | 40.0 | 46.0 | 46.0 | 46.0 |
| Yield | 6.6% | 8.0% | 9.2% | 9.2% | 9.2% |
| Net assets, £m | 116.1 | 151.4 | 156.2 | 149.0 | 149.9 |
| Net cash, £m | 107.8 | 136.7 | 121.1 | 96.7 | 99.1 |

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

* excluding performance fees and performance-related costs, other income, exceptional items and tax

500p

Company Data

| | |
|---------------------|-----------|
| EPIC | POLR |
| Price (last close) | 500p |
| 52 weeks Hi/Lo | 741p/381p |
| Market cap | £503m |
| ED Fair Value/share | 600p |
| Net assets | £141m |
| Avg. daily volume | 193k |

Share Price, p



Source: ADVFN

Description

Polar Capital (Polar) is an active fund manager, established in 2001. It has 15 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 31 Dec 2022: £18.5bn

Next Event: Q4 AUM update, Apr 23

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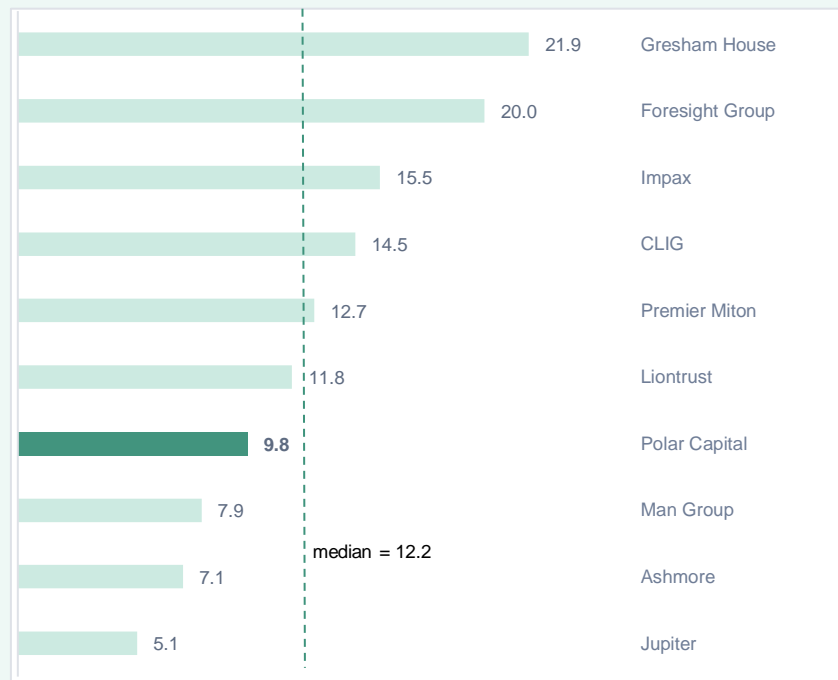
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PE Ratios: UK-listed active fund managers

Source: ADVFN, as of 11 Jan 2023, ED Analysis



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