

Forecasts up on positive outlook, dividend +8%

2 March 2023

Brooks Macdonald (BM) recorded a solid H1-23 (to 31 Dec 22) with FUM up 4% to £16.2bn, from £15.7bn on 30 Jun 22. Net inflows totalled +£347m and investment performance +£212m (+1.4% compared to -0.3% of the benchmark *MSCI PIMFA Private Investor Balanced Index*).

A 7th consecutive quarter of positive net flows was recorded, with impressive resilience through the 2022 bear market, pointing to very strong fundamentals when it comes to attracting and retaining client assets. In calendar-2022, BM's net inflow rate was one of the highest among a London-listed peer group of wealth managers and platforms (see page 3).

Managed Portfolio Services (MPS) MPS was the strongest performer with +£539m of net inflows (36% annualised inflow rate), even higher than the broader fast-growing MPS market (25% CAGR over 5 years – see page 4). Bespoke Portfolio Services (BPS) recorded small net outflows of -£88m (-2% annualised inflow rate), as did UK-funds (-£75m) and International (-£29m).

Y-o-y financial performance was down, primarily because market falls resulted in a lower average FUM. H1 revenue fell 5% to £58.9m (H1 22: £61.9m) and underlying PBT 18% to £14.5m (H1 22: £17.6m). BM's balance sheet remains strong, with net assets of £151m, cash and equivalents of £38m, and no debt. **An interim dividend of 28.0p has been declared, up 8% on H1 22 (26.0p), indicative of the strong capital position and board confidence in BM's prospects.**

Forecasts and valuation upgrades

We have upgraded our FY23 and FY24 FUM forecasts on a more positive net flow outlook than we originally assumed, and on a mark to market adjustment of FUM levels. We now forecast £17.4bn FUM at end-FY23 (previously £17.0bn). Our revenue forecast increases from £119.5m to £122.8m on the FUM upgrade, current yields being slightly higher than our original assumptions, and on contributions from acquisitions. Our underlying PBT forecast increases from £31.7m to £34.1m.

Our fundamental valuation increases to 3,150p per share, 57% above the current share price. We also flag that BM's PER of 13.5 is 36% below a peer group median of 21.2 (page 11), which doesn't look justified.

Key Financials							
Year-end 30 Jun	FY20A	FY21A	H1 22 A	FY22A	H1 23A	FY23E	FY24E
AUM, £bn	13.7	16.5	17.3	15.7	16.2	17.4	19.4
Rev, £m	108.6	118.2	61.9	122.2	58.9	122.8	131.5
Underlying expenses*	85.6	87.6	44.3	87.7	44.4	93.0	97.4
Underlying PBT*	23.0	30.6	17.6	34.5	14.5	29.8	34.1
Underlying PBT margin	21.2%	25.9%	28.4%	28.2%	24.6%	24.3%	25.9%
Statutory PBT, £m	10.1	25.1	13.2	29.5	9.8	25.4	29.5
EPS basic, p	43.2	125.3	65.5	149.0	51.8	129.4	137.6
Underlying diluted EPS**, p	123.7	150.6	85.4	168.8	72.5	147.2	153.8
PER	46.5	16.0	15.3	13.5	19.4	15.5	14.6
Div, p	53.0	63.0	26.0	71.0	28.0	75.0	83.0
Yield	2.6%	3.1%	1.3%	3.5%	1.4%	3.7%	4.1%
Net assets, £m	123.5	134.0	140.3	148.4	151.1	159.0	168.1
Net cash, £m	50.2	54.9	45.7	61.3	37.6	56.3	68.7

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

2,010p

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

** After tax

Company Data

EPIC	BRK
Price (last close)	2010p
52 weeks Hi/Lo	2660p/1750p
Market cap	£327m
ED Fair Value/share	3150p
Net cash	£38m
Avg. daily volume	11k

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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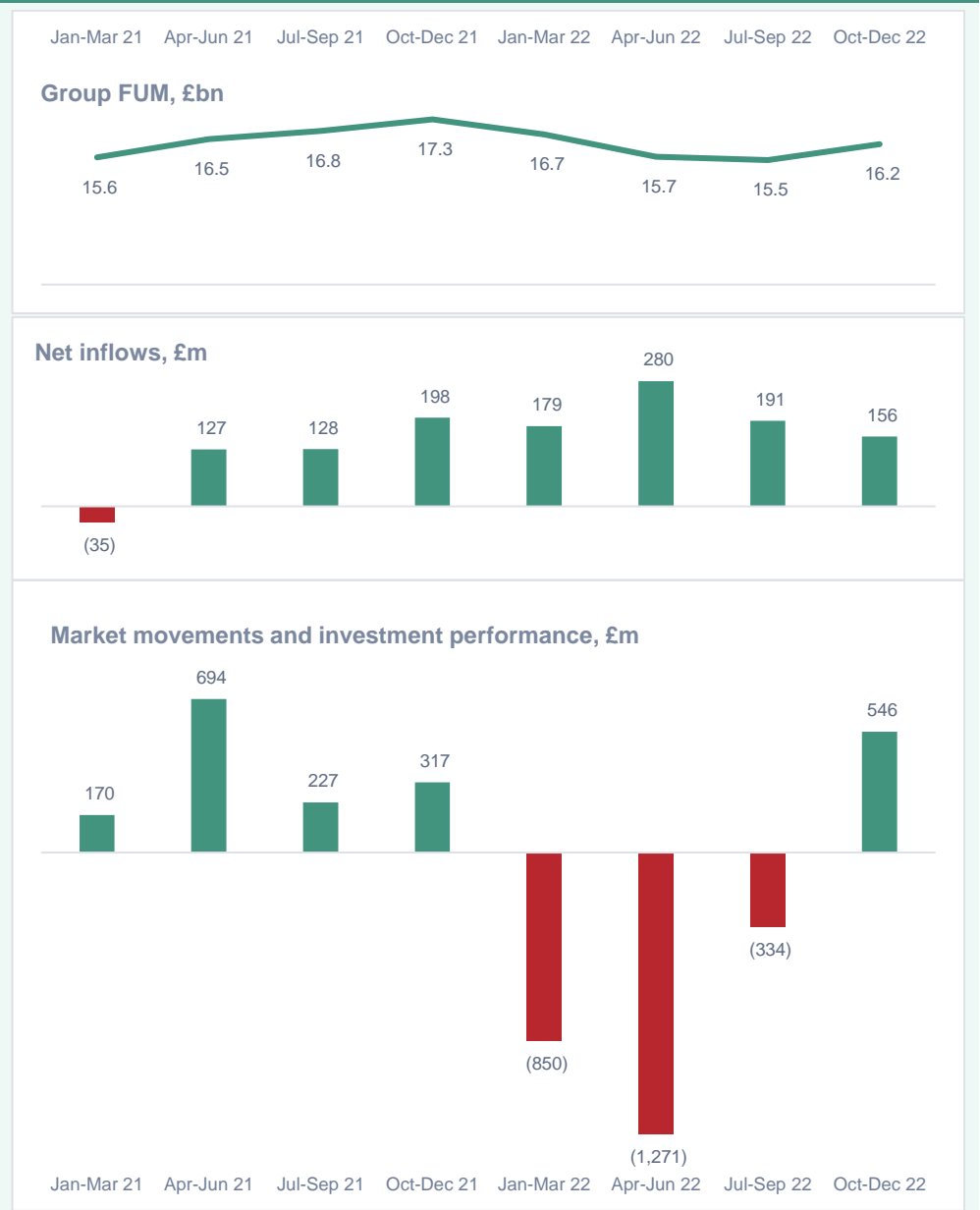
FUM ticks back up after market falls

Over H1-23, FUM grew 4% from £15.7bn on 30 Jun 22 to £16.2bn on 31 Dec 22 with +£347m of net inflows and a +£212m contribution from market movements and investment performance.

The half-year can be summarised as a period during which **BM continued to maintain the momentum of its net inflows, recording its 7th consecutive quarter of positive net flows**, but of contrasting investment performance between Q1 (-£334m) and Q2 (+£546) as geopolitical and macroeconomic uncertainty continued to cause financial market volatility.

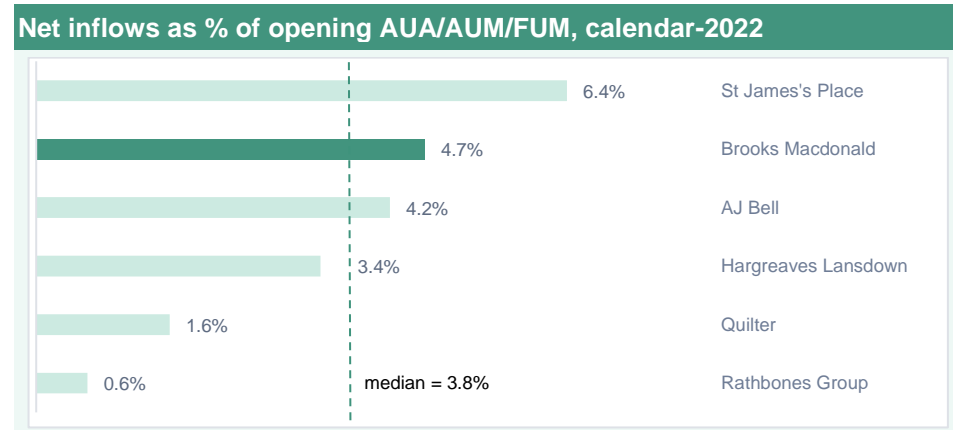
Zooming out to a 2-year view, BM's inflows have been remarkably consistent over the end of the 2021 bull market and through the 2022 bear market, pointing to **very strong fundamentals when it comes to attracting and retaining client assets**. However, sharp market falls over the first three calendar quarters of 2022 negated these inflows with FUM dipping during this period before recovering somewhat in the last quarter of 2022.

2-year view of FUM, net inflows and market movements by quarter



Source: Company reports, ED analysis.
 Calendar quarters shown, FY quarters: Q1 = Jul-Sep, Q2 = Oct-Dec, Q3 = Jan-Mar, Q4 = Apr-Jun.

Over calendar 2022, **BM's net inflow rate has in fact been one of the highest** among a London-listed peer group of wealth managers and platforms.



Source: Company reports.

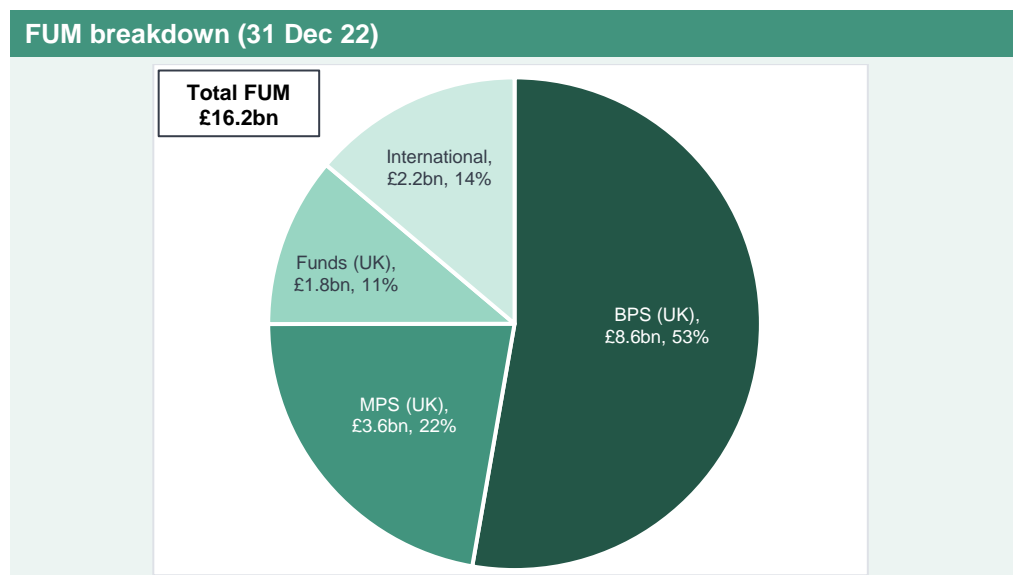
Peer group includes London-listed wealth managers/investment managers and platforms (typically managing or administering client investment portfolios) but excludes 'pure play' asset managers/fund managers whose funds would typically make up only a small part of individual client portfolios and hence have different inflow characteristics.

Considering that **BM's 2022 net inflow rate of 4.7%** was achieved during a period of sharp market falls, which often correlates with weakening flows for investment managers, management's medium-term net inflow rate target of 8-10% look eminently credible.

MPS drives inflows

We remind readers of BM's product/business unit segments and the split in FUM:

- **BPS, UK:** investment portfolios constructed to meet a client's specific requirements, mostly suited to wealthier and older clients with more complex needs.
- **MPS, UK:** a range of risk-profiled, multi-asset class, 'model' portfolios, used across the wealth spectrum but most commonly by clients who are still in the 'wealth accumulation' phase of their investment lifecycle.
- **Funds, UK:** multi-asset funds (essentially an investment portfolio represented by a fund), often used by advisers when the client's needs and risk profiling are not complex and/or the portfolio is small.
- **International:** catering to the often-complex needs of offshore clients, including BPS, MPS, services for trustees, multi-currency products, specialist funds, and financial planning.



Source: Company reports, ED analysis

While BPS is BM's 'flagship' product and saw small outflows over H1-23 of -£88m (H2 22: +£31m), **MPS was the primary driver of net inflows with +£539m (H2 22: +£511m).**

This tilt towards MPS is in line with broader market trends. Research house Platform reports that UK on-platform discretionary fund management (DFM) managed portfolio services (MPS) AUM reached £81bn in 2022, up from £25bn in 2017, a CAGR of 25%. It has also forecast that this growth rate is set to continue and that the DFM MPS market reaches £200bn by the end of 2026. Notably, BM's platform MPS CAGR over the 2017-2022 5-year period was 35% (60% since Oct 2020), indicating it is rapidly gaining market share.

The group reported strong growth in BM Investment Solutions (BMIS) – a B2B offering to IFAs generally delivered in Platform MPS format where BM works with an adviser firm to provide a tailored investment proposition.

It is also worth highlighting the strategic relationship between BPS and MPS at BM. **BM is pursuing a deliberate strategy to target a younger client base and sees them as a 'pipeline of future over-55s',** whose investment pots will grow more rapidly as their careers progress, whose investment needs will become more complex, and **who are likely to migrate to higher-yielding BPS services over time, fuelling future growth.**

BM's UK funds business saw net outflows of -£75m during H1-23 (H2 22: -£60m) while the international business saw small net outflows of -£29m (H2 22: -£23m). Management remains bullish on both of these business units however, seeing an opportunity in the funds business through more competitive pricing, and a large growth opportunity in the Channel Islands, although it is reviewing options to improve the performance of the international segment.

In addition to the positive organic net flows in H1, BM completed two acquisitions of financial advice firms with which it enjoyed long-standing relationships: Integrity Wealth Solutions in Nuneaton, with a strong West Midlands client base; and Adroit Financial Planning in Manchester, with a broader franchise across the country focused on Court of Protection and vulnerable clients.

Investment performance remains impressive

Also of significance is the **strong longer-term performance of BM's five primary risk-rated portfolios compared to their benchmarks** (see table below: outperformance shaded in green, underperformance in red).

Consistently strong investment performance, %					
	3 m to 31.12.22	1Y to 31.12.22	3Y to 31.12.22	5Y to 31.12.22	10Y to 31.12.22
BM Low Risk	3.66	-9.18	-2.73	2.87	31.34
ARC Sterling Cautious PCI	1.96	-7.60	0.34	4.49	27.31
Relative performance	1.70	-1.58	-3.07	-1.61	4.03
BM Low-to-Medium Risk	3.63	-10.13	1.02	8.41	50.26
ARC Sterling Balanced Asset PCI	2.24	-9.14	2.02	8.18	45.83
Relative performance	1.38	-0.99	-1.00	0.24	4.44
BM Medium Risk	3.80	-11.49	4.25	12.80	67.18
ARC Sterling Steady Growth PCI	2.62	-10.23	3.47	12.28	65.03
Relative performance	1.18	-1.26	0.78	0.53	2.15
BM Medium-to-High Risk	3.60	-14.20	6.41	16.11	85.78
ARC Sterling Equity Risk PCI	3.02	-11.40	5.30	16.23	81.62
Relative performance	0.58	-2.80	1.11	-0.11	4.16
BM High Risk	3.36	-15.87	6.85	17.49	98.34
ARC Sterling Equity Risk PCI	3.02	-11.40	5.30	16.23	81.62
Relative performance	0.35	-4.48	1.54	1.27	16.72

Source: Brooks Macdonald, Asset Risk Consultants (ARC)

All figures rounded to 2 decimal places. Totals/differentials may differ from sums/differences of components due to rounding. All performance figures net of underlying fund charges and Brooks Macdonald management fees but gross of professional adviser charges. Deduction of these fees will impact on the performance shown.

Digital transformation advances

We remind readers that the cornerstone of BM's drive to improve its service delivery and operations is a **digital transformation programme** which is underpinned by a technology and services partnership with NASDAQ-listed SS&C – one of the world's largest technology and outsourcing providers to the investment sector (ssctech.com) – announced in October 2020.

Key elements of rolling out the partnership included:

1. Transferring a range of administrative processes, including funds administration and portfolio management to the SS&C platform.
2. Introducing automated client onboarding including fully digital and paperless applications, digital signatures, digital and remote client checks and identity verification etc.
3. Introducing full adviser and client facing portal functionality (a fully digital 'front office' experience), including bespoke reporting for advisers and clients.

Following previously announced completions of points 1 and 2 above, in its H1-23 results announcement, BM has announced the completed migration of all its adviser- and client-facing processes to the SS&C platform (point 3 above), and that progress is now being made to embed the SS&C systems and processes into the business, with a programme of work under way to deliver the full efficiency benefits. BM is aiming to achieve a best-in-class client and intermediary experience.

Other elements of the Group's digital transformation continued to progress, including replacing the core financial planning system and preparing an upgrade to the client relationship management system.

H1 23 financial results

Revenue

Group revenue fell 4.8% y-o-y to £58.9m (H1 22: £61.9m), primarily as a result of a fall in average FUM levels between H1-22 (£17.0bn) and H1-23 (£15.8bn). Other contributing factors were lower transaction-related revenues and a repricing of the Cornelian Risk Managed Fund range (see below).

The UK Investment Management (UKIM) segment revenue fell 4% to £48.8m (H1 22: £50.9m), with average yield increasing from 65.9bps in H1-22 to 67.1bps in H1-23.

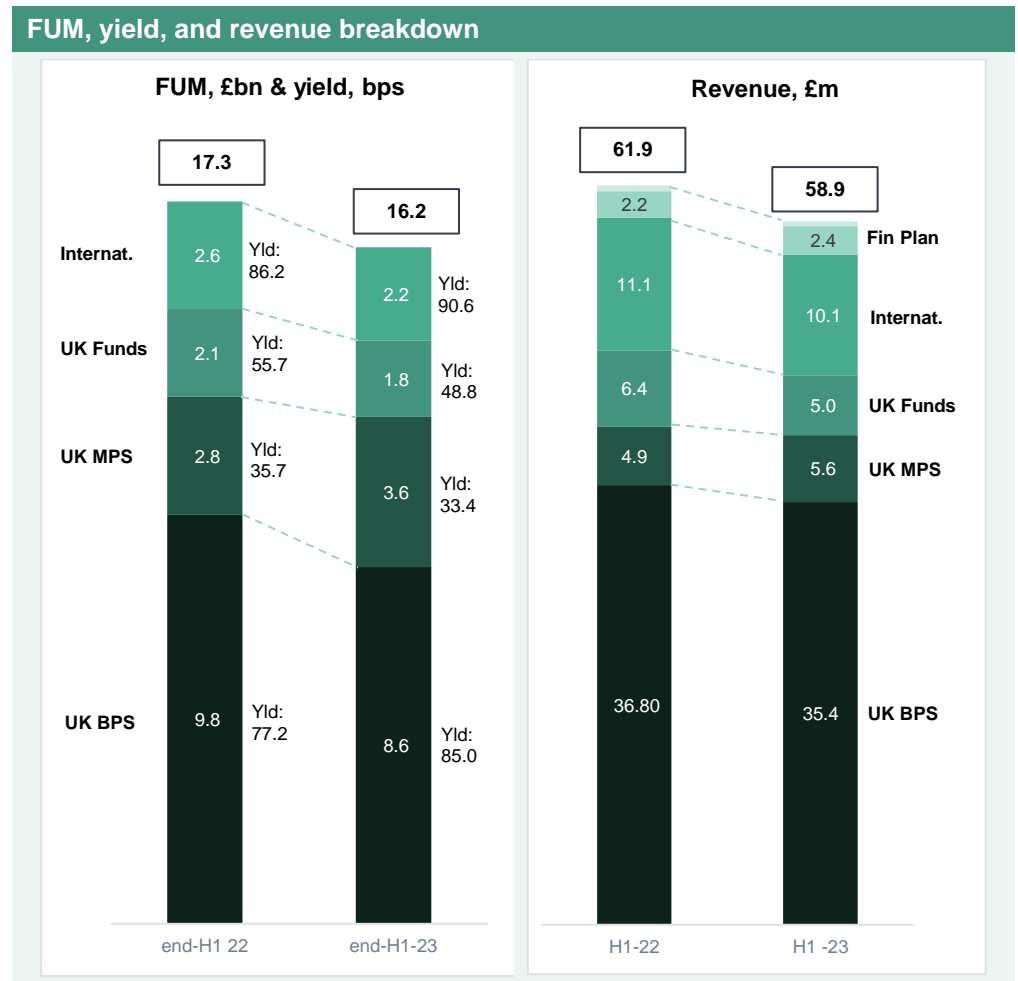
Within UKIM, BPS revenue fell 4% from £36.8m to £35.4m. Yield on BPS fees decreased by 1bp to 65.3bps driven by a change in mix between fee-only and fee and dealing accounts and rates achieved on new business. BPS non-fee transactional income yield increased marginally by 0.3bps, with the yield on interest turn growing from 0.6bps to 9.1bps as interest rates increased.

MPS revenue increased 14% to from £4.9m to £5.6m as a result of the previously described FUM growth. Yields on MPS custody dropped by 1.3bps to 58.5bps as a result of the change in mix within the portfolios, while MPS platform yields remained relatively stable.

Funds revenue fell 12% from £6.4m to £5.0m. Funds fee yields reduced by 6.9bps to 48.8bps, primarily due to an intentional price reduction in the Cornelian Risk Managed Fund range to make this range more competitive. BM is targeting a significant increase in market share with advisers and networks that predominately use multi asset funds to deliver their investment offering.

The International segment revenue fell 9% from £11.1m to £10.1m. International fee income yield reduced by 3.5bps to 72.6bps as a result of the change in mix and the impact of the timing of inflows and outflows during the period. Non-fee income yield increased significantly by 11.3bps because of the rise in rates earned on both GBP and foreign currency account balances.

Fees from Financial Planning increased 9% from £2.2m to £2.4m, driven by the first contribution from the recently acquired Integrity Wealth Solutions and Adroit Financial Planning businesses of £0.4 million.



Source: Company reports, ED analysis
 Yield = revenue as a proportion of average FUM (basis points)
 *Financial Planning includes UK + international financial planning revenue

Costs and profitability

In addition to its full statutory reporting, BM reports 'underlying' costs and profits, which are useful metrics to understand the cost structure and operating leverage potential of the business. Underlying costs exclude certain one-off costs or credits such as acquisition-related costs to provide a more appropriate year-on-year comparison and are detailed in the table below.

The business **demonstrated impressive cost control with underlying costs increasing only marginally from £44.3m to £44.4m**, with H1 23 including £0.3m of costs from the recent acquisitions of Integrity Wealth Solutions and Adroit Financial Planning.

The benefit of BM's remuneration model was highlighted with staff costs decreasing by 9% from £28.3m to £25.8m, driven by lower variable staff costs, which decreased by 48% (see table below).

Non-staff costs totalled £18.6m (H1 22: £16.0m), of which £0.1m related to the recent acquisitions, and £1.3m related to terminated M&A processes and other one-off costs. Excluding the impact of these and the acquired costs, non-staff costs for the core business increased by £1.2 million or 7.5% on H1 FY22.

Underlying profit before tax fell 18% to £14.5m (H1 22: £17.6m) which was in line with prior guidance. Underlying profit margin decreased to 24.6% (H1 22: 28.4%) with the fall in revenue resulting in an interruption of the upward trend in underlying profit margin. We believe as FUM returns to growth, underlying margin will increase again, and we remind readers that **we think a medium-term underlying profit margin target of around 30% is realistic**.

Underlying PBT

£m	<u>FY 19</u>	<u>FY 20</u>	<u>FY 21</u>	<u>H1 22</u>	<u>FY 22</u>	<u>H1 23</u>
Revenue	107.3	108.6	118.2	61.9	122.2	58.9
Total underlying costs	(86.6)	(85.6)	(87.6)	(44.3)	(87.7)	(44.4)
Staff cost	(41.6)	(39.9)	(40.0)	(20.0)	(40.5)	(21.5)
Non-staff cost	(34.2)	(35.0)	(34.4)	(16.0)	(32.4)	(18.6)
Variable pay	(11.0)	(10.8)	(13.2)	(8.3)	(14.8)	(4.3)
Underlying PBT	20.7	23.0	30.6	17.6	34.5	14.5
Margin	19.6%	21.2%	25.9%	28.4%	28.2%	24.6%

Source: Company reports, ED analysis
Totals may not tally exactly due to rounding

Underlying basic earnings per share decreased 16% from 88.6p to 74.4p, with underlying diluted earnings per share falling 15% from 85.4p to 72.5p.

Statutory profit before tax fell 26% to £9.8m (FY22: £13.2m) and PAT 20% from £10.3m to £8.2m. Basic earnings per share declined by 21% from 65.5p to 51.8p, while statutory diluted earnings per share fell 20% from 63.1p to 50.6p.

Balance sheet and cash

BM maintained its healthy balance sheet, with net assets increasing 8% y-o-y to £151.1m (H1 22: £140.4m), while cash and equivalents remained healthy at £37.6m, despite declining 18% y-o-y (H1 22: £45.7m). **The business has no debt.**

This reduction in cash was impacted by £14.9m being spent on the acquisitions of Integrity Wealth Solutions and Adroit Financial Planning. Excluding this outflow, cash decreased by £8.8m from 30 June 22, with £7.0m spent on the FY22 final dividend during the current period.

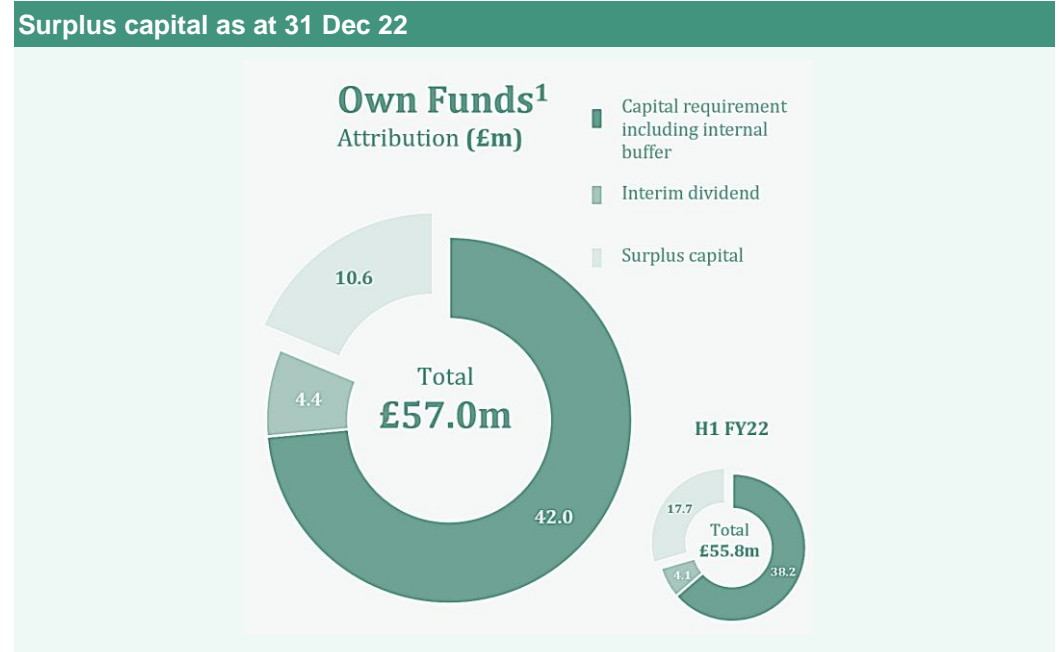
Changes in cash position

£m	H1 FY22	H1 FY23
Opening cash	54.9	61.3
Cash flows from operating activities	18.5	16.1
Working capital movement	(9.1)	(9.8)
Dividends paid	(6.3)	(7.0)
EBT purchase net of shares issued	(1.1)	(1.7)
Net tax paid	(2.8)	(2.6)
Capital expenditure	(2.4)	(2.3)
Deferred consideration paid	(6.0)	-
Net cash paid on purchase of subsidiaries	-	(14.9)
Net interest received	-	0.4
Exceptional items	-	(1.9)
Closing cash	45.7	37.6
Change in cash	(9.2)	(23.7)

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 (including risk appetite buffers) and spending commitments.

This is shown below and shows **£10.6m of surplus cash**.

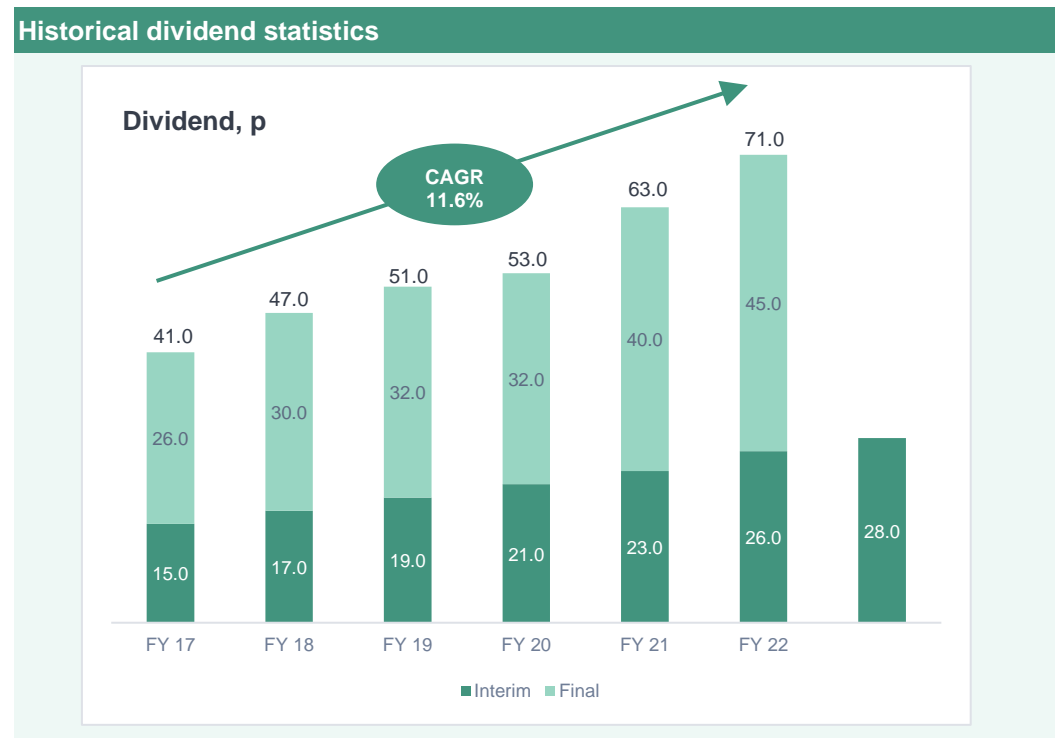


Source: Company

1. Own Funds includes profit for the year ended 31 Dec 2022

Dividends

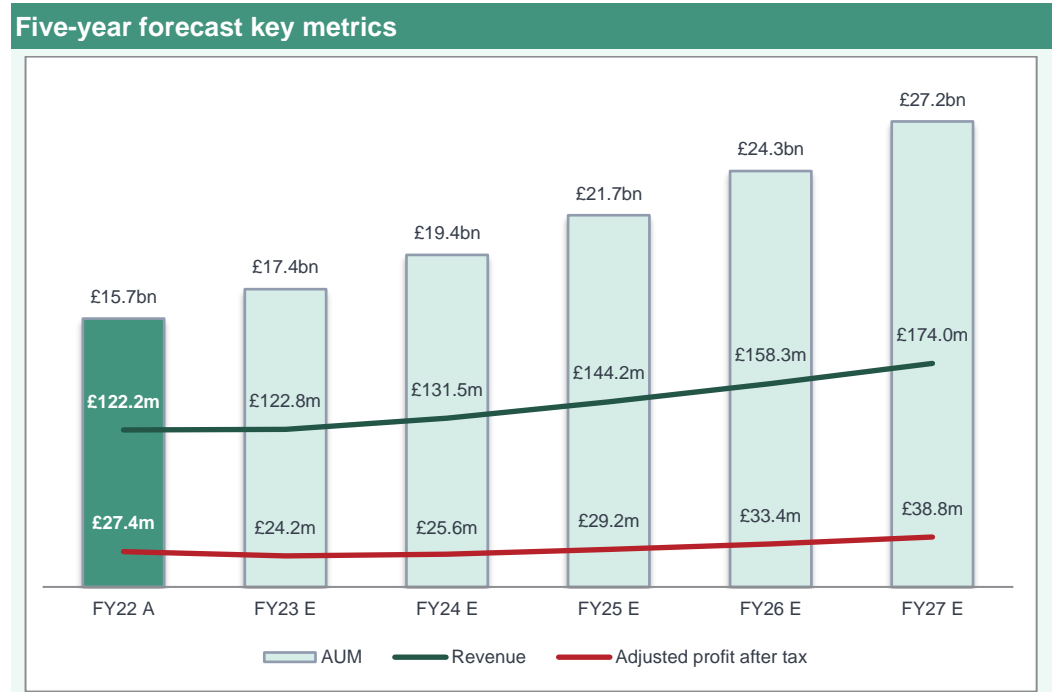
BM's interim dividend increased 7.7% to 28.0p (H1 22: 26.0p) indicative of its very strong capital position and the Board's continuing confidence in BM's prospects (as stated in the interim results announcement).



Source: Company

Growth forecasts and valuation

Our summary 5-year projections for BM (excluding acquisitions) used in our fundamental valuation are shown in the chart below.



Source: Company Historic Data, ED Estimates

Fundamental valuation

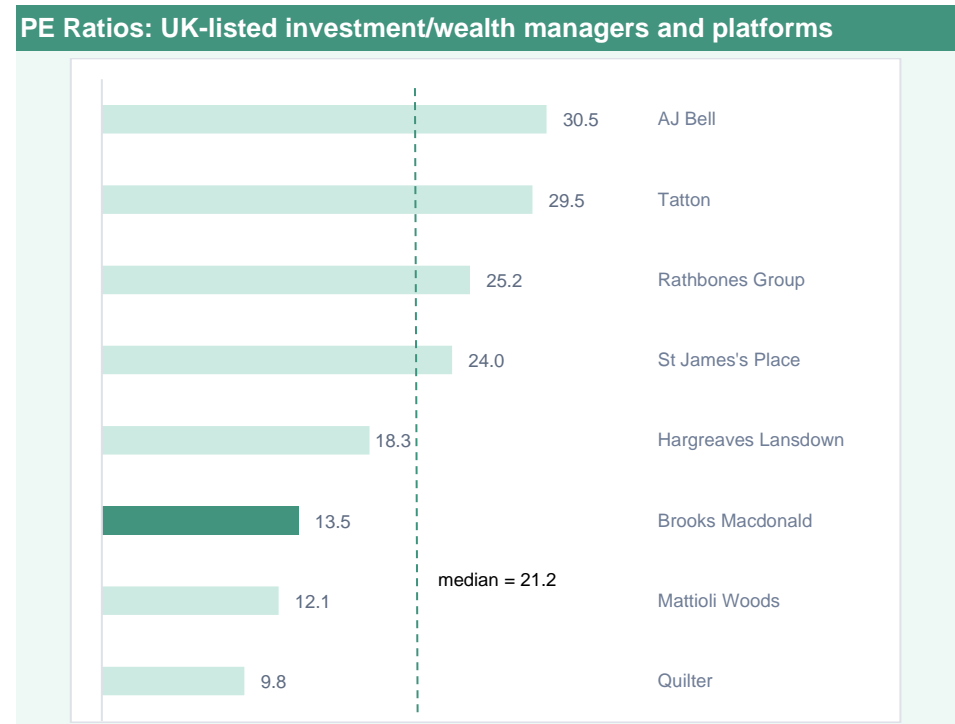
This valuation is based on a discounted cash flow methodology, with key assumptions including:

- BM continues to build on its current positive net inflow trajectory, growing this over time to around £1.5bn p.a. in around five years.
- FUM growth from investment returns are 5% per annum. We also remind readers that investment returns will inevitably be subject to a degree of volatility as a result of market movements.
- A terminal value based on an assumption that the business is acquired at a PE multiple of 15 at the end of year five – which we believe is conservative and below the sector's median PE. We also highlight the most recent large acquisition in the sector - Brewin Dolphin being acquired by RBC Wealth Management (Jersey), a wholly owned subsidiary of Royal Bank of Canada. When the proposed acquisition was announced in March 2022, Brewin's PER jumped from 16.9 to 27.2, a premium of 62% to its share price the day before the deal was announced.
- Discounting the cash flows from the above assumptions at a rate of 9.75%.

This produces a per share fundamental value of 3,150p per share, 57% above the current share price of 2,010p.

Peer Comparison

We have also compared the relative valuation of BM to a group of peers, on a price-earnings ratio basis, and highlight that **BM's PE ratio of 13.5 is 36% below the sector median of 21.2.**



Source: ADVFN, as of 01 Mar 23, 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.

Both of the methodologies above suggest that the current share price doesn't reflect BM's inherent value and we see clear potential for a rerating.

Appendix – Historical and Forecast Financials

Consolidated Income Statement + Forecasts							
12 months to end Jun, £'m	FY20A	FY21A	H1 22A	FY 22A	H1 23A	FY 23E	FY 24E
Revenue	108.6	118.2	61.9	122.2	58.9	122.8	131.5
Administrative costs	(93.8)	(96.0)	(48.5)	(95.3)	(49.3)	(97.6)	(102.1)
Gross Profit	14.8	22.2	13.4	26.9	9.6	25.2	29.4
Other gains/(losses)	(4.5)	(1.4)	0.0	(0.1)	0.0	-	-
Operating Profit	10.2	20.8	13.5	26.9	9.6	25.2	29.4
Gain on bargain purchase	-	5.0	-	-	-	-	-
Finance Income	0.3	0.0	0.0	0.1	0.4	0.6	0.5
Finance Expense	(0.5)	(678.0)	(229.0)	(372.0)	(135.0)	(373.7)	(400.3)
Profit Before Tax	10.1	25.1	13.2	29.5	9.8	25.4	29.5
Tax	(3.6)	(5.4)	(3.0)	(6.1)	(1.7)	(4.8)	(7.4)
Profit After Tax	6.4	19.6	10.3	23.4	8.2	20.6	22.2
Profit/(Loss) from discontinued Operations	-	-	-	-	-	-	-
Profit attributable to shareholders	6.4	19.6	10.3	23.4	8.2	20.6	22.2
Basic EPS, p	43	125	66	149	52	129	138
Diluted EPS, p	43	125	63	144	51	125	133

Source: Company Historic Data, ED estimates.

Consolidated Balance Sheet + Forecasts

As at end Jun, £'m	FY20A	FY21A	H1 22 A	FY 22A	H1 23A	FY 23E	FY 24E
ASSETS							
<u>Non-current assets</u>							
Intangible assets	83.8	89.9	88.2	85.9	102.5	99.2	94.7
Property, plant and equipment	3.2	2.8	2.5	2.2	2.2	2.2	1.9
Right of Use Assets	7.0	6.0	5.2	5.0	4.7	4.0	3.2
Financial assets at FV through P&L	0.5	0.5	0.5	0.5	0.5	0.5	0.5
Deferred tax assets	1.5	2.7	3.2	3.0	3.6	3.6	3.6
Total non-current assets	96.0	101.9	99.7	96.6	113.5	109.5	103.9
<u>Current assets</u>							
Financial assets at FV through P&L	0.5	0.6	0.9	0.8	0.8	0.8	0.8
Trade and other receivables	26.1	28.4	29.8	30.5	32.8	32.5	34.7
Current tax receivables	-	0.0	-	-	-	-	-
Cash and cash equivalents	50.2	54.9	45.7	61.3	37.6	56.3	68.7
Total current assets	76.8	84.0	76.4	92.6	71.2	89.6	104.2
Total assets	172.8	185.9	176.1	189.1	184.7	199.1	208.1
LIABILITIES							
<u>Non-current Liabilities</u>							
Deferred consideration	(6.3)	(0.3)	-	-	(1.0)	(1.0)	(1.0)
Lease liabilities	(6.7)	(5.4)	(4.5)	(4.1)	(3.6)	(2.6)	(1.2)
Provisions	(0.2)	(0.3)	(0.3)	(0.3)	(0.3)	(0.3)	(0.3)
Deferred tax liability	(7.2)	(8.9)	(8.4)	(8.0)	(9.4)	(8.0)	(8.0)
Other non-current liabilities	(0.3)	(0.5)	(0.8)	(0.6)	(0.4)	(0.6)	(0.6)
Total non-current liabilities	(20.7)	(15.5)	(14.0)	(12.9)	(14.8)	(12.5)	(11.1)
<u>Current Liabilities</u>							
Trade and other payables	(22.8)	(27.1)	(18.0)	(23.9)	(15.3)	(24.0)	(25.7)
Current tax liability	(0.5)	-	(0.1)	(0.8)	(0.1)	(0.8)	(0.8)
Deferred consideration	(1.7)	(5.9)	(0.3)	(0.3)	(0.3)	(0.3)	(0.3)
Lease liabilities	(1.3)	(1.4)	(1.4)	(2.0)	(2.0)	(1.6)	(1.2)
Provisions	(2.3)	(2.0)	(1.9)	(0.8)	(1.1)	(0.8)	(0.8)
Total current liabilities	(28.5)	(36.4)	(21.8)	(27.8)	(18.9)	(27.5)	(28.9)
Net assets	123.5	134.0	140.3	148.4	151.1	159.0	168.1
EQUITY							
Share capital	0.2	0.2	0.2	0.2	0.2	0.2	0.2
Share premium	78.0	78.7	78.9	79.1	80.2	80.2	80.2
Other reserves	6.4	8.5	9.8	10.0	10.4	10.0	10.0
Retained earnings	39.0	46.7	51.4	59.2	60.3	68.7	77.7
Total equity	123.5	134.0	140.3	148.4	151.1	159.0	168.1

Source: Company Historic Data, ED estimates.

Consolidated Cash Flow Statement + Forecasts

12 months to end Jun, £'m	FY20A	FY21A	H1 22 A	FY 22A	H1 23A	FY 23E	FY 24E
OPERATING ACTIVITIES							
Operating Profit	10.2	20.8	13.5	26.9	9.6	25.2	29.4
Discontinued operations	-	-	-	-	-	-	-
Adjustment for:							
Amortisation of intangible assets	5.3	7.7	3.9	6.9	3.3	6.1	6.4
Depreciation on non-current prop & equip	2.0	1.0	0.4	0.8	0.4	0.5	0.5
Depreciation of right-of use assets	1.3	1.6	0.8	1.7	0.9	1.0	0.8
Other losses/(gains) - net	4.5	1.4	(0.0)	0.1	(0.0)	-	-
Decrease/(increase) in receivables	2.6	(2.3)	(1.3)	(2.0)	(1.2)	(2.0)	(2.2)
(Decr)/incr in trade and other payables	(0.2)	3.8	(9.1)	(3.2)	(9.0)	0.1	1.7
(Decrease)/increase in provisions	0.4	(0.3)	(0.1)	(1.1)	(0.3)	-	-
Incr/(decr) in other non-current liabilities	(0.4)	0.2	0.2	0.0	(0.2)	-	-
Share-based payment charges	3.6	3.0	2.2	2.8	2.0	3.4	3.5
Net cash flow from operating activities	29.4	36.9	10.5	32.8	5.5	34.2	40.2
Corporation tax paid	(5.9)	(5.8)	(2.8)	(5.3)	(2.6)	(4.8)	(7.4)
Tax refund	-	-	-	3.0	-	-	-
Net cash from operating activities	23.6	31.1	7.6	30.5	2.9	29.4	32.8
INVESTING ACTIVITIES							
Purchase of software	(1.6)	(3.1)	(2.2)	(2.9)	(1.9)	(2.5)	(1.9)
Purchase of property and equipment	(2.0)	(0.6)	(0.2)	(0.3)	(0.4)	(0.5)	(0.2)
Consideration paid	(21.1)	(5.3)	-	-	(14.9)	(14.9)	-
Deferred consideration paid	(0.9)	(2.4)	(6.0)	(6.0)	-	-	-
Acquisition of subsidiary, net of cash	-	-	-	-	-	-	-
Purchase of financial assets at FV through P&L	-	-	-	(0.2)	-	-	-
Proceeds from sale of discontinued ops	0.6	-	-	-	-	-	-
Interest received	0.3	0.0	0.0	0.1	0.4	0.6	0.5
Proceeds from sale of financial assets at FV	-	-	-	-	-	-	-
Cash flows from inv net of discontinued ops	-	-	-	-	-	-	-
Finance costs paid	(0.0)	-	-	-	-	(0.4)	(0.4)
Net cash used in investing activities	(24.8)	(11.3)	(8.4)	(9.3)	(16.8)	(17.6)	(2.0)
FINANCING ACTIVITIES							
Proceeds of issue of shares	38.9	0.7	0.2	0.4	1.1	1.1	-
Shares issued as consideration	(9.0)	-	-	-	(1.0)	(1.0)	-
Pmt of lease liabilities and initial direct costs	(2.1)	(2.0)	(1.1)	(1.8)	(1.1)	(1.8)	(1.8)
Proceeds of lease reverse premium	1.3	-	-	-	-	-	-
Purchase of own shares by EBT	(4.6)	(5.2)	(1.3)	(3.1)	(1.8)	(3.5)	(3.5)
Dividends paid	(7.7)	(8.6)	(6.3)	(10.3)	(7.0)	(11.6)	(13.1)
Net cash from/(used in) fin activities	16.8	(15.0)	(8.4)	(14.8)	(9.8)	(16.8)	(18.4)
Net (decr)/incr in cash & equivalents	15.6	4.7	(9.2)	6.4	(23.8)	(5.0)	12.4
Cash & equivalents at beginning of year	34.6	50.2	54.9	54.9	61.3	61.3	56.3
Cash & equivalents at end of year	50.2	54.9	45.7	61.3	37.6	56.3	68.7

Source: Company Historic Data, ED estimates.



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