

Strong growth, customer acquisition costs fall

20 October 2022

In Q3 of FY22 (to 30 Sep 22), customer growth continued to impress with invested customers* growing 9% in the quarter to 174k (30 Jun 22: 159k) and 68% y-o-y (30 Sep 21: 104k).

Notably, the absolute number of new customers added in Q3 (15k), was almost as high as the largest D2C market incumbent, Hargreaves Lansdown (17k) and far more than AJ Bell (8k). This is even more impressive considering PensionBee only offers pension products.

The prospects for further customer growth continues to look encouraging, with a huge pipeline to tap. 'Registered customers**' (a 'top of sales funnel' metric) reached 956k, up 7% in the quarter and 59% y-o-y. Additionally, the efficiency of marketing spend is improving with Cost per Invested Customer* reducing to £253 from £260 in Q2. Further growth and marketing efficiency benefits are expected from growing **brand awareness** and newer campaigns such as the "Believe in the Bee" TV campaign.

Robust net inflows of £206m were recorded over the quarter (+£688m YTD) which again looks impressive compared to incumbent businesses (see page 2), not only in percentage terms but in the absolute size of net inflows, where PensionBee's net inflows were larger than some incumbents several times its size. Financial market falls resulted in a market movement and investment performance impact on Assets Under Administration (AUA) of -£95m (-£487m YTD). Hence, AUA closed on £2.79bn, 4% up over Q3 and 24% up y-o-y.

Annualised run-rate revenue* reached £18m, up 27% y-o-y with management reiterating its confidence in achieving positive adjusted EBITDA by end-FY23 (on a monthly basis i.e., positive on a full-year basis by FY24). The **path to profitability** is supported by a resilient top-line, significant operating leverage (see page 4) and ability to control costs (a high level of 'discretionary' costs). PensionBee has also used the working-from-home trend to recruit new staff from across the UK and thus negate current inflationary pressures to some extent.

Fundamental value remains far above current share price

We have updated our forecasts to account for current customer numbers and AUA levels (with the latter being negatively affected by market falls). Hence our revenue forecast for FY22 reduces from £18.8m to £17.7m. However, this is offset to a degree by reduced costs with PensionBee managing to maintain strong customer growth on lower marketing spend (it now expects to spend £17m in FY22 on marketing versus £19m in our previous forecasts).

The above, coupled with the re-introduction of the increase in corporation tax rate in 2023 results in our fundamental valuation reducing slightly to 160p per share (178% above the current share price).

Key Financials						
Year-end 31 Dec	FY18A	FY19A	FY20A	FY21A	FY 22E	FY 23E
Invested customers, k	17	38	69	117	194	294
AUA, £bn	0.33	0.75	1.4	2.6	3.2	5.3
Rev, £m	1.4	3.5	6.3	12.8	17.7	26.5
Adjusted expenses**, £m	(4.8)	(9.4)	(16.7)	(29.2)	(37.4)	(42.4)
Adj EBITDA*, £m	(3.4)	(5.9)	(10.4)	(16.4)	(19.7)	(15.9)
Adj EBITDA* margin	-236%	-166%	-166%	-129%	-111%	-60%
Statutory PAT, £m	(3.4)	(7.0)	(13.3)	(24.6)	(24.1)	(20.7)
EPS basic & adj, p				(11.9)	(10.8)	(9.2)
Net cash, £m	10.2	10.3	6.5	43.8	23.8	7.6

Source: Company Historic Data, ED estimates.

* See page 3 for definitions

**Excluding share-based payments, depreciation and one-off/extraordinary expenses (mostly IPO related)

Company Data

EPIC	PBEE
Price (last close)	57.50p
52 weeks Hi/Lo	150p/54p
Market cap	£128m
ED Fair Value/share	160p
Net cash (Q3 FY22)	£24m
Avg. daily volume	71k

Share Price, p



Source: ADVFN

PensionBee was founded in 2014 and is listed on the Premium Segment of the Main Market of the LSE. Its IPO was in Apr 21.

It is a direct-to-consumer business, whose primary product gives customers the ability to easily switch their (often multiple) 'legacy' pensions, which are typically from previous jobs, and consolidate these into a single new pension. This can then be contributed to until retirement and drawn down from retirement age.

PensionBee also offers 'new' pensions to the self-employed.

AUA 30 Sep 22: £2.8bn

Next Event:

19 Jan 23: FY22 Trading Data Update

Paul Bryant (Analyst)

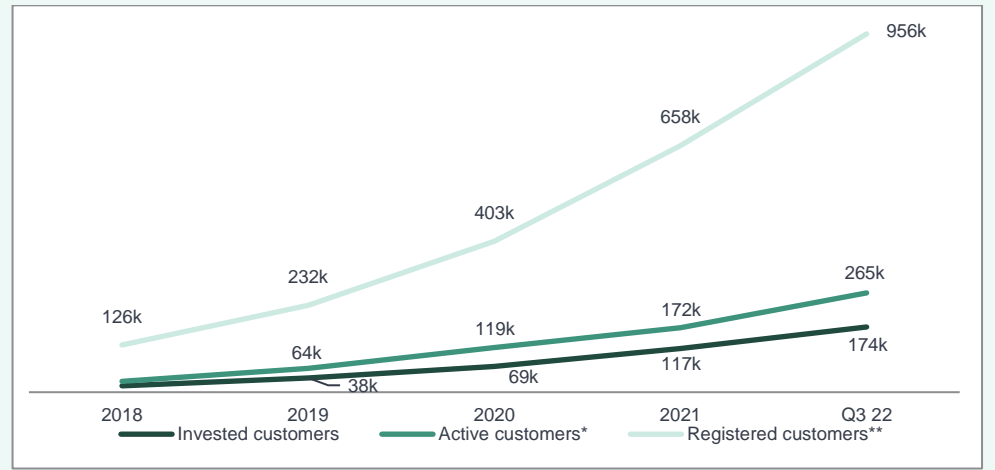
0207 065 2690

paul.bryant@equitydevelopment.co.uk

Hannah Crowe

0207 065 2692

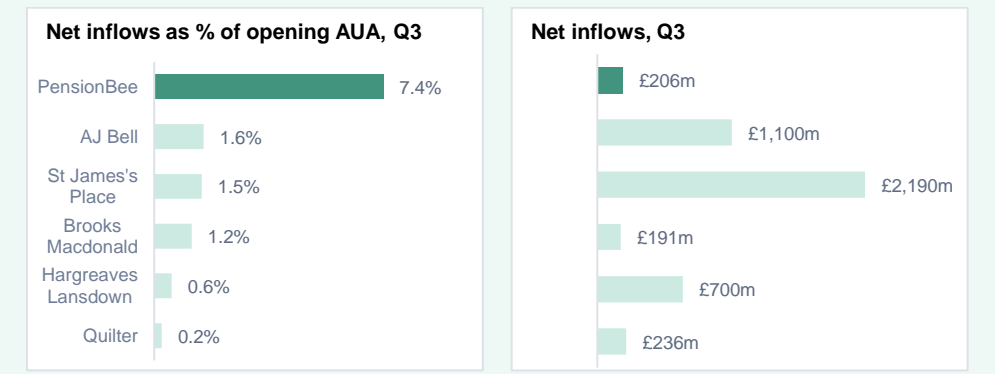
hannah@equitydevelopment.co.uk

Customer growth continues at pace ...


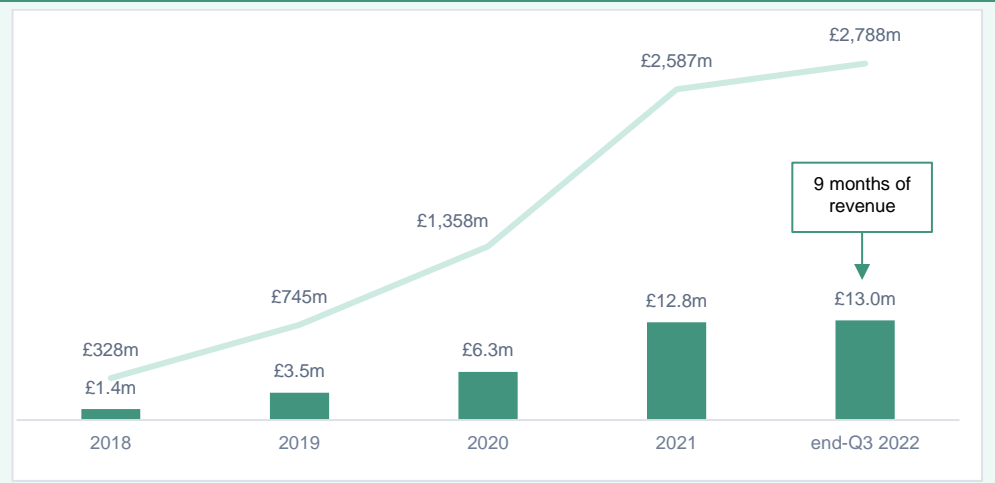
Source: Company reports

*Active = invested customers + customers with a transfer to PensionBee in progress i.e. funds not yet transferred

**Registered = invested + active customers + customers registered with PensionBee but not applied to transfer a pension

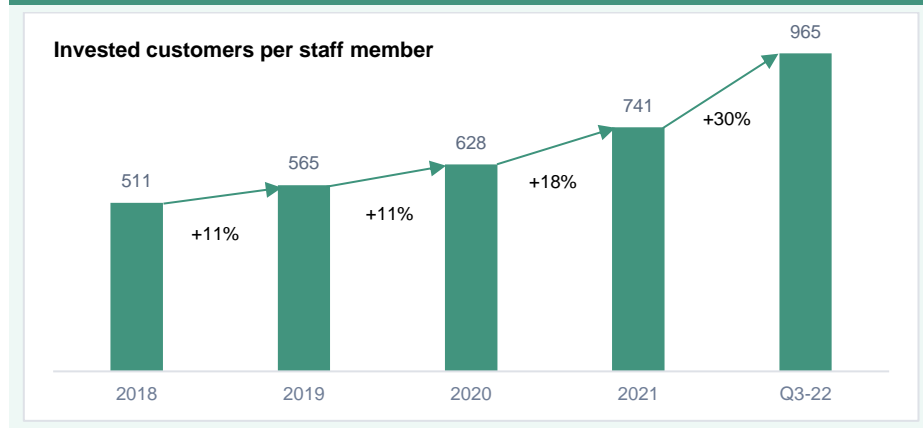
... net inflows growing faster, and are of similar size to some larger players ...


Source: Company reports, ED analysis

... which drives AUA and revenue growth (despite market falls in 2022)


Source: Company reports

PensionBee continues to demonstrate operating leverage



Source: Company reports

* end of period number of Invested Customers divided by the average FTEs for the period

Definitions:

Annual Run Rate Revenue: is calculated using the Recurring Revenue for the relevant month multiplied by 12.

Cost per Invested Customer: means the cumulative advertising and marketing costs incurred since PensionBee commenced operations up until the relevant point in time divided by the cumulative number of Invested Customers at that point in time. This measure monitors cost discipline of customer acquisition.

Adjusted EBITDA: is the profit or loss for the period before taxation, finance costs, depreciation, share based compensation and transaction costs.

Registered Customers: measures customers who have started the sign-up process and have submitted at least a name and an email address and includes those customers who are classified as Active Customers.

Active Customers: means all customers who have requested to become an Invested Customer by accepting PensionBee's terms of business but for whom the transfer or contribution process is not yet completed and all customers who are classified as Invested Customers.

Invested Customers: means those customers who have transferred pension assets or made contributions into one of PensionBee's investment plans.



Contacts

Andy Edmond

Direct: 020 7065 2691

Tel: 020 7065 2690

andy@equitydevelopment.co.uk

Hannah Crowe

Direct: 0207 065 2692

Tel: 0207 065 2690

hannah@equitydevelopment.co.uk

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More information is available on our website www.equitydevelopment.co.uk

Equity Development, 2nd Floor, Park House, 16-18 Finsbury Circus, London, EC2M 7EB

Contact: info@equitydevelopment.co.uk | 020 7065 2690