

21 April 2022

Marketing investment bearing fruit, growth on track

In Q1 of FY22, PensionBee has reported an 18% quarterly increase in invested customers from 117k on 31 Dec 21 to 138k on 31 Mar 22, a y-o-y growth rate of 70% (31 Mar 21: 81k), and is on track to meet our forecast of 200k+ by the end of FY22 (f'cast annual growth 73%). Importantly, 'registered customers' (a 'top of sales funnel' metric, see page 2) jumped by 141k from 658k on 31 Dec 21 to 799k, an increase far in excess of the previous quarter (+56k Oct-Dec 21).

Growth in assets under administration (AUA) was pegged back a little by the rocky quarter for financial markets generally (MSCI ACWI -5.4%), but still grew 6.2% over the quarter from £2.59bn on 31 Dec 21 to £2.75bn, and 67% y-o-y (31 Mar 21: £1.65bn). Market movements and investment performance accounted for a £78m reduction in AUA (-2.9% of average AUA). **Yet most pleasing from a longer-term growth perspective was that net inflows remained robust, accounting for £237m of the AUA increase** (up from £235m in the previous Oct-Dec 21 quarter).

PensionBee has reiterated its **confidence in achieving its previous revenue guidance of £20m+** for FY22, as well as its medium-term guidance. Our forecasts are also unchanged (see table below).

Transitioning from High Growth to Main Market segment of LSE

In additional news PensionBee has announced that its planned transition from the High Growth Segment of the Main Market of the London Stock Exchange to the **Premium Main Market segment** is on track to take place on 21 April 2022.

This segment has some of the highest listing standards and shareholder protections in the world and opens the door for the inclusion of PensionBee in FTSE indices. Indeed, PensionBee has stated that it intends to apply for **inclusion in the FTSE UK Index Series** at the next quarterly review of FTSE Russell's Europe, Middle East and Africa Equity Advisory Committee.

The combined effect of an enhanced company profile from the premium listing (including among large institutional and international investors), an increased demand for shares if included in FTSE indices, and the gradual easing of 'lock-up' restrictions on pre-IPO shareholders over the next year (refer to our [initiation note](#) page 22 for full details) leading to an **increased 'free float'** of PensionBee shares, should together lead to increased trading volumes in the months to come.

Forecasts unchanged, fundamental value >60% above share price

PensionBee appears on on-track to meet our previous forecasts and we maintain our **fundamental value of 230p per share**, over 60% above the current share price.

Key Financials							
Year-end 31 Dec	FY20A	FY21A	FY 22E	FY 23E	FY24A	FY 25E	FY 26E
Invested customers, k	69	117	202	315	426	541	662
AUA, £bn	1.4	2.6	4.3	7.0	10.0	13.8	18.4
Rev, £m	6.3	12.8	21.1	35.1	53.9	74.3	99.4
Adjusted expenses*, £m	(16.7)	(29.2)	(40.5)	(48.0)	(53.3)	(60.6)	(68.8)
Adj EBITDA, £m	(10.4)	(16.4)	(19.5)	(12.9)	0.6	13.7	30.7
Adj EBITDA margin	-166%	-129%	-92%	-37%	1%	18%	31%
Statutory PAT, £m	(13.5)	(25.0)	(23.9)	(17.7)	(4.5)	8.3	25.0
EPS basic & adj, p		(11.9)	(10.7)	(7.8)	(2.0)	3.4	9.6
PER		-11.7	-13.0	-17.8	-70.6	40.6	14.4
Net assets, £m	10.7	51.2	34.6	26.6	35.1	60.2	107.5
Net cash, £m	6.7	43.5	23.3	9.2	8.2	19.8	47.4

Source: Company Historic Data, ED estimates. PER based on share price of: **139p**

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

Company Data

EPIC	PBEE
Price (last close)	139p
52 weeks Hi/Lo	187p/122p
Market cap	£308m
ED Fair Value/share	230p
Net cash	£45m
Avg. daily volume	73k

Share Price, p



Source: ADVFN

PensionBee was founded in 2014 and listed on the High Growth Segment of the Main Market of the London Stock Exchange 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 31 Mar 22: £2.75bn

Next Event:

21 Jul 22: Q2 trading update

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Other selected Q1 FY22 metrics		
Metric (Q1 unless otherwise shown)	Value & comparator	ED comment
AUA retention rate	>95% (vs >95% in FY21)	In line with expectations
Revenue	£4m (vs £2m in Q1 21)	Roughly in line with expectations. (Because of rapid growth rate, quarterly revenue is expected to accelerate during the year).
Annual Run Rate Revenue (Mar 21)	£17m (vs £11m in Mar 21)	Roughly in line with expectations. (Revenue tends to 'snowball' as customers add additional pension pots, make contributions, and accumulate investment returns.)
Cost per invested customer	£268 (vs £246 in FY21)	As expected, because of large ramp-up in marketing spend and 'lag' from time of marketing spend to investment made by customer. (Expected to drop to around £250 by end of FY22).
Adjusted EBITDA	£-10m (vs -£16.4m in FY21)	Expected to break even on monthly basis by Dec 23 (with full-year adj EBITDA profitability in FY24). Currently affected by ramp-up in marketing spend (as planned) - heavily weighted to H1.
Invested customers per staff member	832 (vs 741 on 31 Dec 21)	Evidence of scale benefits/operational leverage.
Active Customers (on 31 Mar 22)	215k (vs 172k on 31 Dec 21)	43k increase during quarter confirms acceleration in new customer acquisition momentum (+17k in Oct-Dec 21 quarter).

Source: PensionBee, Equity Development

Definitions:

AUA Retention Rate: measures the percentage of retained PensionBee AUA from Transfer Outs over the average of the trailing twelve months. High AUA retention provides more certainty of future Revenue. This measure can also be used to monitor customer satisfaction.

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. PensionBee's desired CPIC threshold is £200-£250.

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. Annual run-rate revenue:



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