

Customer growth on track, markets slow AUA gains

21 July 2022

PensionBee has continued to grow its customer base in line with targets, with a 72% annual increase in invested customers¹ to 159k on 30 Jun 22 from 92k on 30 Jun 21 (+36% over H1-22 from 117k on 31 Dec 21). It remains on track to meet our forecast of 200k by the end of FY22. Registered customers² (a 'top of sales funnel' metric) grew 66% y-o-y from 538k on 30 Jun 21 to 897k (+36% over H1 from 658k on 31 Dec 21). The rate of customer growth is evidence that the post-IPO ramp-up in marketing spend is having the planned 'scale-up' impact.

Assets Under Administration (AUA) grew 35% y-o-y from £1.99bn on 30 Jun 21 to £2.68bn on 30 Jun 22, but AUA growth was pegged back over H1-22 (+3.4%; AUA on 31 Dec 21: £2.59bn) by the sharp declines in financial markets. Impressively, even during the market turmoil of H1, **net inflows remained robust**, accounting for £481m of AUA growth, while market movements and investment performance accounted for a £392m decline in AUA (-15.1% of opening AUA). This is roughly in line with an index we have constructed to model PensionBee's overall AUA³ (-14.7% over H1).

Net inflow performance over H1 is even more impressive bearing in mind that inflow values would have also been depressed by falling markets, because the value of new client portfolios would have already declined before being transferred to PensionBee.

H1 revenue was approximately £8.3m, 53% up on H1-21 (£5.4m); adjusted EBITDA (excluding share-based payments, depreciation, and IPO-related transaction costs) declined from -£7.6m to approximately -£14.9m, but would have been impacted, as planned, by the ramp-up in marketing spend (£6.1m in H1-21 vs £12m in H1-22). Annual Run Rate Revenue increased by 37% y-o-y from £12m in Jun 21 to £17m in Jun 22.

Market falls reduce forecasts, fundamental value >100% above share price

While PensionBee has certainly met our growth forecasts in terms of customer numbers, market falls have pegged back AUA growth, and we have reduced our AUA, revenue and profit growth forecasts accordingly, and will refine these, and our longer-term forecasts with H1-22 results on 22 Sep 22.

Our AUA forecast for end-FY22 reduces to £3.6bn (from previous forecast of £4.3bn but +39% over FY21); revenue forecast for FY22 reduces to £18.8m (from £21.1m but +47% over FY21, with PensionBee guiding for revenue to be in the range of £17-£20m); and our adjusted EBITDA forecast reduces to -£20.9m (from -£16.4m, with PensionBee still guiding positive adj. EBITDA by FY24).

In turn, our fundamental value adjusts to 200p per share from 230p.

Company Data	
EPIC	PBEE
Price (last close)	95p
52 weeks Hi/Lo	173p/95p
Market cap	£212m
ED Fair Value/share	200p
Net cash	£45m
Avg. daily volume	49k



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 30 Jun 22: £2.7bn

Next Event:

22 Sep 22: FY22 Interim results

Paul Bryant (Analyst)

0207 065 2690

paul.bryant@equitydevelopment.co.uk

Hannah Crowe

0207 065 2692

hannah@equitydevelopment.co.uk

Key Financials

Year-end 31 Dec	FY20A	FY21A	FY 22E	FY 23E
Invested customers, k	69	117	202	309
AUA, £bn	1.4	2.6	3.6	5.8
Rev, £m	6.3	12.8	18.8	29.2
Adjusted expenses*, £m	(16.7)	(29.2)	(39.7)	(45.3)
Adj EBITDA, £m	(10.4)	(16.4)	(20.9)	(16.1)
Adj EBITDA margin	-166%	-129%	-111%	-55%
Statutory PAT, £m	(13.3)	(24.6)	(25.4)	(20.9)
EPS basic & adj, p		(11.9)	(11.4)	(9.2)
Net assets, £m	10.7	51.2	32.7	20.7
Net cash, £m	6.7	43.5	21.8	4.7

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

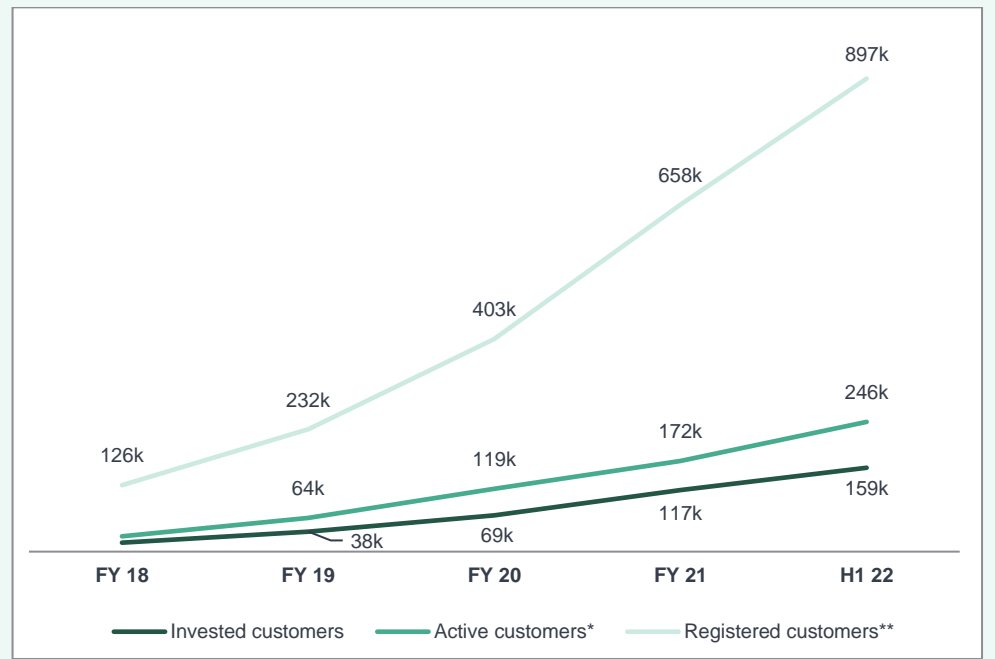
95p

* Excl. share-based pmnts, depr. & one-off/extrordinary expenses (mostly IPO related)

¹ Customers who have transferred pension assets or made contributions to a PensionBee investment plan

² Customers who have started the sign-up process and have submitted at least a name and an email address

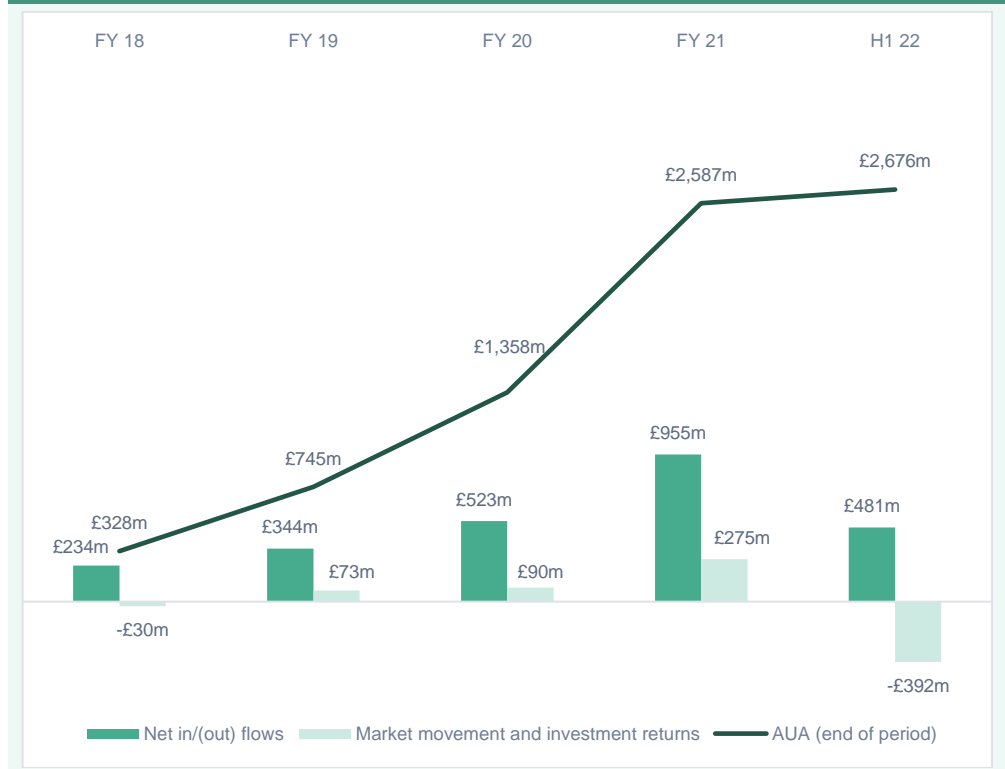
³ Overall AUA is roughly invested as follows: 75% equities; 20% fixed income; 5% other assets, mostly cash.

Customer growth remains strong and on track


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

Inflows remain strong but markets peg back top line AUA growth


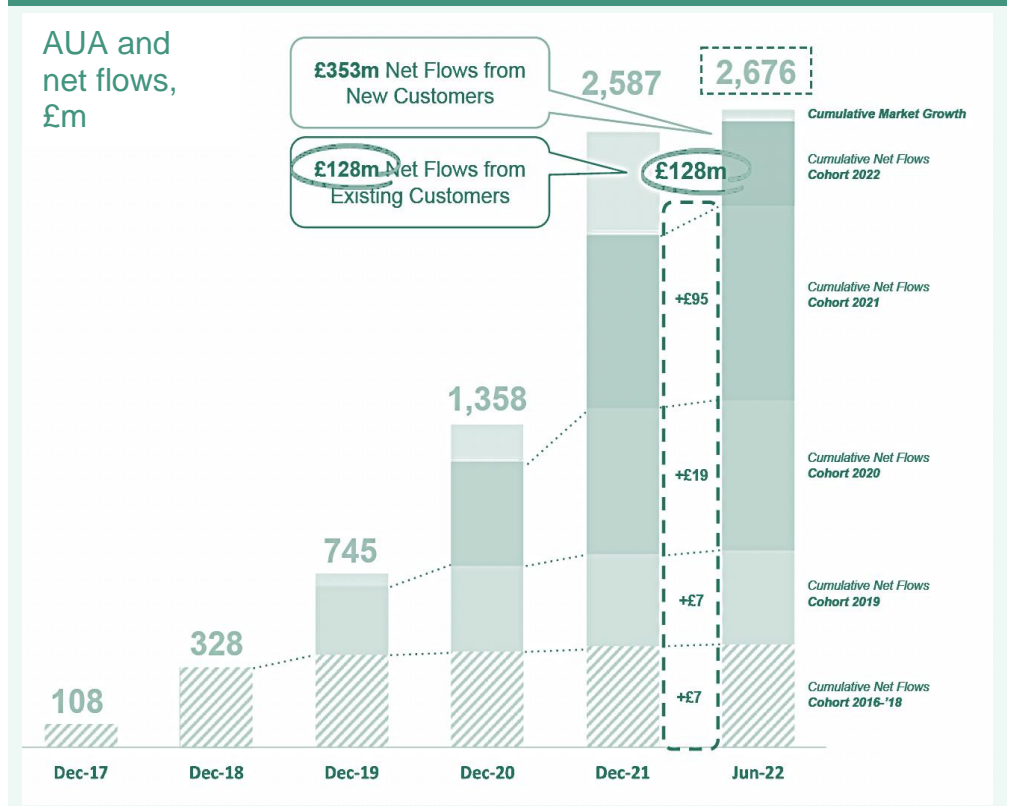
Source: Company reports

Customer retention rates continue to improve ...



Source: Company

... with these retained customers a significant source of net inflows



Source: Company

Operational leverage maintained: ratio of invested customers / staff member



Source: Company reports



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

Equity Development Limited is regulated by the Financial Conduct Authority

Disclaimer

Equity Development Limited ('ED') is retained to act as financial adviser for its corporate clients, some or all of whom may now or in the future have an interest in the contents of this document. ED produces and distributes research for these corporate clients to persons who are not clients of ED. In the preparation of this report ED has taken professional efforts to ensure that the facts stated herein are clear, fair and not misleading, but makes no guarantee as to the accuracy or completeness of the information or opinions contained herein.

This document has not been approved for the purposes of Section 21(2) of the Financial Services & Markets Act 2000 of the United Kingdom ('FSMA'). Any reader of this research should not act or rely on this document or any of its contents. This report is being provided by ED to provide background information about the subject of the research to relevant persons, as defined by the Financial Services and Markets Act 2000 (Financial Promotions) Order 2005. This document does not constitute, nor form part of, and should not be construed as, any offer for sale or purchase of (or solicitation of, or invitation to make any offer to buy or sell) any Securities (which may rise and fall in value). Nor shall it, or any part of it, form the basis of, or be relied on in connection with, any contract or commitment whatsoever.

Research produced and distributed by ED on its client companies is normally commissioned and paid for by those companies themselves ('issuer financed research') and as such is not deemed to be independent as defined by the FCA, but is 'objective' in that the authors are stating their own opinions. This document is prepared for clients under UK law. In the UK, companies quoted on AIM are subject to lighter due diligence than shares quoted on the main market and are therefore more likely to carry a higher degree of risk than main market companies.

ED may in the future provide, or may have in the past provided, investment banking services to the subject of this report. ED, its Directors or persons connected may at some time in the future have, or have had in the past, a material investment in the Company. ED, its affiliates, officers, directors and employees, will not be liable for any loss or damage arising from any use of this document, to the maximum extent that the law permits.

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