

# Polar Capital Holdings plc



## H1 AUM +4% from quality manager with 8.6% yield

10th October 2024

AUM increased 4% over H1-25 (1 Apr 24 – 30 Sep 24) to £22.7bn from £21.9bn on 31 Mar 24. It was a half-year of two quarters with Q1 AUM up by 7.4% (net inflows: +£644m, investment performance: +£978m), while a more challenging and volatile market environment saw Q2 AUM down 3.5% (net outflows: -£172m, investment performance: -£655m).

The marginally negative net flows of Q2 (0.7% of AUM) were not a surprise for a period of investor nervousness, with UK investors withdrawing from equity funds in the latter part of the quarter (see page 2). And the negative investment performance of Q2 occurred in a period which saw an equity sell-off and a significant currency headwind on those assets held in US\$. Polar's reporting currency, GBP, strengthened by 6% over the US\$ in Q2 from 1.26 to 1.34.

At an individual strategy/fund level, Polar reported net inflows for its Emerging Market Stars vehicles (extending a run of net inflows for this high-performing team), Healthcare Opportunities, Japan Value, Artificial Intelligence and Biotechnology Funds, with combined net inflows of £393m in Q2.

September saw a new investment team join Polar and launch an [International Small Company Strategy](#). The team is led by Dan Boston, is based in the US and offers US investors access to a portfolio of mostly non-US small cap equities. It aims to boost US-sourced AUM (North American clients made up 1.3% of AUM on 31 Mar 24, with this market seen as a significant growth opportunity).

Marked to market performance fee profits stand at £0.7m, net of staff allocations, after deducting £1.0m of net PF distributions relating to prior accounting periods (deducted from FY25 for accounting purposes). This is slightly lower than our previous forecast of £1.9m. We remind readers that most performance fees crystallise in December, and there is no guarantee they will materialise.

### Fundamental value remains 650p, undemanding PER of 12.6

Other than adjusting performance fees, forecasts are unchanged. We note our end-FY25 (31 Mar 25) AUM forecast is £23.5bn, only 3.5% above that of 30 Sep 24. **Our fundamental valuation remains 650p, 22% above the share price.** With its strong profit margins, balance sheet, and a dividend yield of 8.6%, we think Polar should trade at a substantial premium to its PER of 12.6 (see page 2).

#### Company Data

EPIC	LSE: POLR
Price (last close)	534p
52 weeks Hi/Lo	608p/396p
Market cap	£542m
ED Fair Value/share	650p
Proforma net cash	£99m
Avg. daily volume	228k

#### Share Price, p



Source: ADVFN

#### Description

Polar Capital is an active fund manager, established in 2001. It has 14 autonomous investment teams managing specialist portfolios with a thematic, sector, geographic, or financial instrument focus, including:

- Global Technology
- Global Healthcare
- Global Insurance
- Emerging Markets & Asia
- UK Value
- European Opportunities
- Financials
- Sustainable Thematic Equity

**AUM 30 Sep 24: £22.7bn**

Next Event: H1-25 results Nov 24

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#### Key Financials

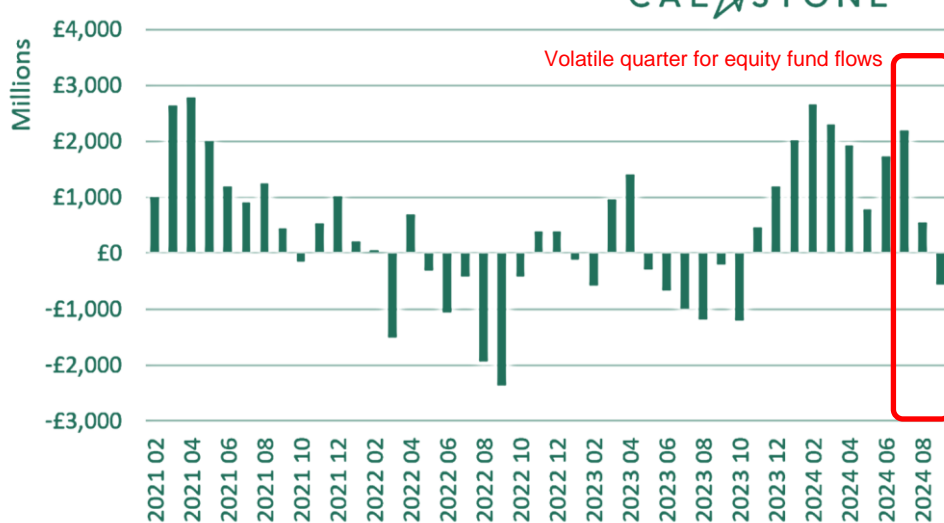
Year-end 31 Mar	FY 22A	FY 23A	FY24A	FY 25E prev.	FY 25E new	FY 26E prev.	FY 26E new
AUM, £bn	22.1	19.2	21.9	23.5	23.5	25.7	25.7
Rev, £m	224.1	182.9	195.1	202.3	199.6	222.8	222.8
Management fees, £m	210.0	176.2	176.4	198.0	198.0	211.9	211.9
Performance fees, £m	14.1	6.7	18.7	4.4	1.6	10.8	10.8
PBT, £m	62.1	45.2	54.7	56.8	55.6	63.6	63.6
Core op profit*, £m	69.4	47.9	44.8	52.7	52.7	56.7	56.7
Performance fee profit	4.1	1.7	9.6	1.9	0.7	4.8	4.8
EPS basic, p	50.8	36.8	42.3	43.6	42.6	48.0	48.0
EPS adjusted diluted, p	56.0	44.3	44.0	44.1	43.1	48.5	48.5
PER	10.5	14.5	12.6	12.2	12.6	11.1	11.1
Div, p	46.0	46.0	46.0	46.0	46.0	46.0	46.0
Yield	8.6%	8.6%	8.6%	8.6%	8.6%	8.6%	8.6%
Net assets, £m	156.2	142.9	135.9	140.9	140.0	150.8	149.9
Net cash, £m	121.1	107.0	98.9	107.1	105.6	123.2	122.2

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

534p

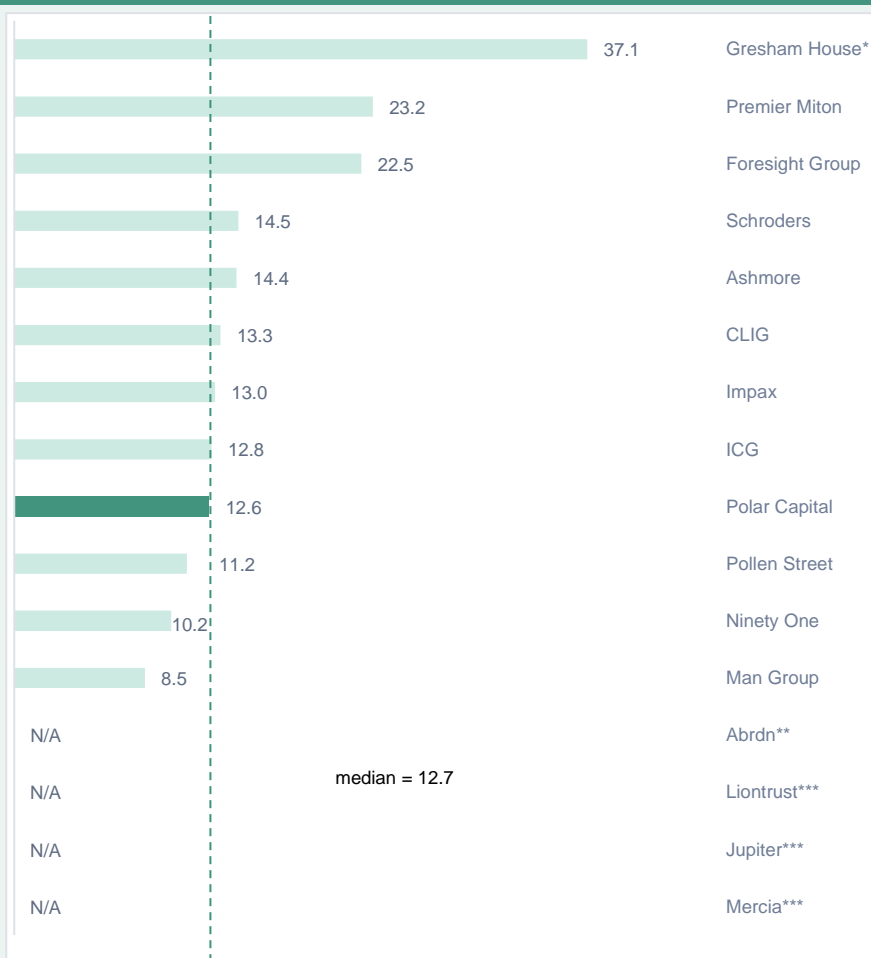
### UK investors turn nervous on equities in August and September

#### Equity Funds - net flow



Source: [Calastone](#). Chart reproduced with permission.

### Polar has an undemanding PER compared to peers



Source: Company reports, LSEG, ED analysis as at 9 Oct 24

\*De-listed on 20 Dec 2023 after being acquired.

\*\*Abrdn made a very small statutory profit of 0.1p per share in its latest full FY so has a hugely distorted PER

\*\*\* Liontrust, Jupiter and Mercia made statutory losses in their latest full FYs.



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