

Strong start to FY25 with AUM up 7% in Q1

11th July 2024

AUM was up £1.6bn (+7%) over Q1 of FY25, from £21.9bn on 31 Mar 24 to £23.5bn on 30 Jun. Investment returns were strong over the quarter, contributing +£978m (+4.5%). Pleasingly, net flows continued to gain momentum, contributing +£644m, the second successive quarter of positive net flows (Q4 24: £+56m) - a marked turnaround from the net outflows which characterised calendar 2022 and 2023, when many investors rotated out of equities.

It certainly looks like Polar has continued its trajectory of being one of the fastest-growing publicly quoted asset managers in the UK. We remind readers of the analysis we presented in our recent note covering Polar's FY24 results - [A sector growth-leader with an 8.5% yield](#) - which highlighted that Polar had the second highest AUM increase over its FY24 period among a London-listed peer group.

Polar reported broad demand for its funds, with Q1 positive net flows for its Emerging Market Stars and Asian Stars funds (enjoying particularly strong flows) and also for its Healthcare Opportunities, Global Insurance, Japan Value, Artificial Intelligence and UK Value Opportunities funds.

Bullish outlook, but investors still nervous

We think Polar's track record will attract significant inflows over the longer term, as detailed in the abovementioned note covering FY24 results. Indeed, even now, its Q1 AUM level is ahead of the trajectory required to meet our FY25 AUM and revenue forecast, Polar has reported a strong pipeline, and there are signs of investors allocating more capital to equities in some markets (see page 2).

But it has also flagged a potential for further redemptions, given prevailing geopolitical and market risks. Being so early in the financial year, and with potential volatility of AUM levels, we conservatively leave our forecasts unchanged for now. We will review this at the end of Polar's Q2 in early October.

Share price trades at a discount to fundamental value, undemanding PER

Our fundamental valuation remains 650p, with potential to tick up if AUM remains at or increases from current levels over the next quarter. Given its superior growth rate, niche strategic positioning, strong profit margins and strong balance sheet, we think Polar should trade at a **substantial premium PER to most peers**, but it does not and so we see potential for a re-rating (page 2).

Company Data

EPIC	LSE: POLR
Price (last close)	582p
52 weeks Hi/Lo	588p/396p
Market cap	£591m
ED Fair Value/share	650p
Proforma net cash	£99m
Avg. daily volume	208k

Share Price, p



Source: ADVFN

Description

Polar Capital is an active fund manager, established in 2001. It has 13 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 Jun 24: £23.5bn

Next Event: AUM update, 10 Oct 24

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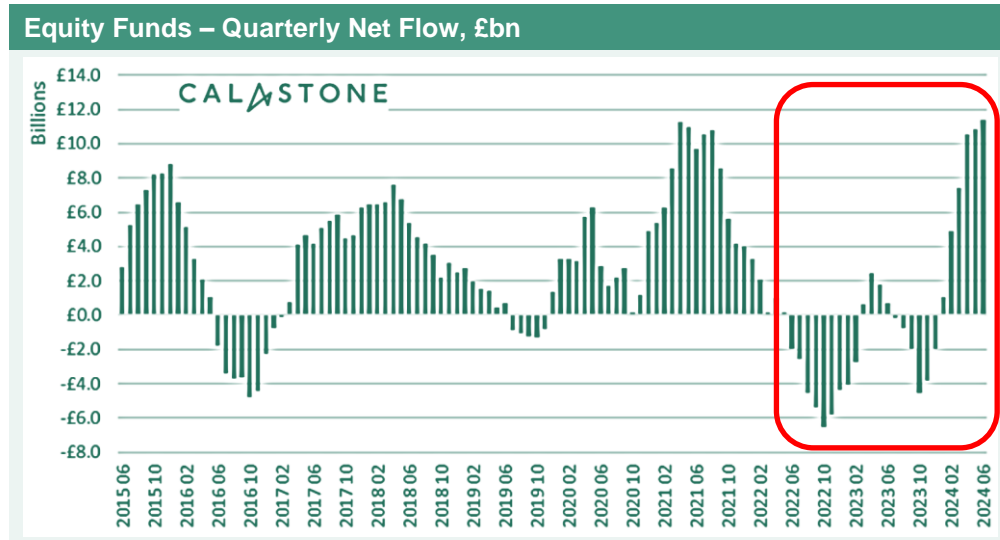
Key Financials

Year-end 31 Mar	FY 22A	FY 23A	FY24A	FY25E	FY 26E
AUM, £bn	22.1	19.2	21.9	23.5	25.7
Rev, £m	224.1	182.9	195.1	202.3	222.8
Management fees, £m	210.0	176.2	176.4	198.0	211.9
Performance fees, £m	14.1	6.7	18.7	4.4	10.8
PBT, £m	62.1	45.2	54.7	56.8	63.6
Core op profit*, £m	69.4	47.9	44.8	52.7	56.7
Performance fee profit	4.1	1.7	9.6	1.9	4.8
EPS basic, p	50.8	36.8	42.3	43.6	48.0
EPS adjusted diluted, p	56.0	44.3	44.0	44.1	48.5
PER	11.5	15.8	13.7	13.4	12.1
Div, p	46.0	46.0	46.0	46.0	46.0
Yield	7.9%	7.9%	7.9%	7.9%	7.9%
Net assets, £m	156.2	142.9	135.9	140.9	150.8
Net cash, £m	121.1	107.0	98.9	107.1	123.2

Source: Company Historic Data, ED estimates. PER and Yield based on share price of: 582p

Data supports a positive growth outlook

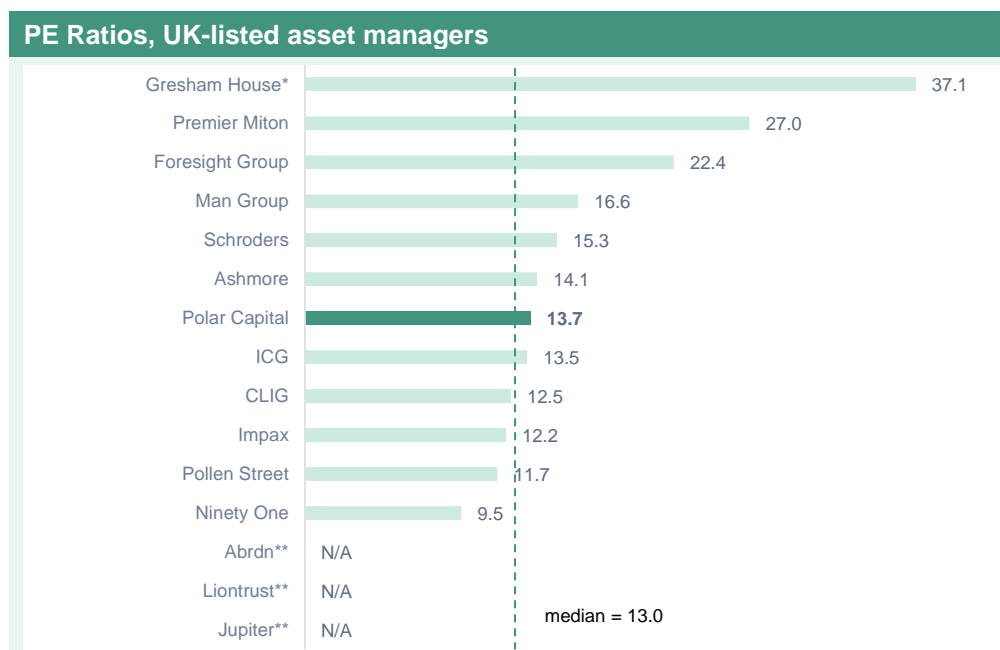
In our [27 June research note](#) covering FY24 results, we highlighted some positive data emerging in early-2024 which backed up our positive outlook for Polar. This has been further backed up by recent calendar-Q2 data out of the UK with further inflows into equity funds following the heavy outflows in 2022 and 2023.



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

Edward Glyn, head of global markets at Calastone said: "All eyes are trained on the world's central banks, looking for signals that long-awaited rate cuts from the Fed and the Bank of England will follow those like the ECB, Swiss National Bank and the Bank of Canada which have already begun to bring the price of money down. Hopes for cheaper money after the painful rate squeeze of the last two-and-a-half years are the clear driver of record flows into equity funds so far this year."

Undemanding PER on an absolute basis and compared to peers



Source: London Stock Exchange, company announcements. PERs based on share prices as at 10 Jul 24 and latest available basic EPS on that date.

*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, Jupiter made a statutory loss of 2.5p in its latest full FY, and Liontrust a statutory loss of 5.5p per share.



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