

On track to meet full-year AUM forecast

13 January 2022

AUM reached £24.3bn on 31 Dec 21, nine months into the financial year, up £3.4bn or 17% over the period (1 Apr 21: £20.9bn), and 28% y-o-y (31 Dec 20: £19.0bn). Polar once again delivered a strong investment performance - its main differentiator and competitive advantage - which accounted for £2.6bn of the AUM increase. Net inflows were solid at £0.8bn. This growth is largely in line with the trajectory required to meet our FY22 year-end forecast of £25.5bn.

Performance fee profits (net of staff allocations) for the period were £4.3m (most performance fees crystallise at the end of December), up from the 30 Sep 21 mark-to-market figure of £2.0m. This reflects a strong performance from Polar's investment teams over the quarter.

Channels and strategies which are currently proving particularly attractive to clients are:

- Segregated mandates – where Polar manages a dedicated pool of funds for a client with a bespoke investment mandate – which have attracted £602m of net inflows over the period; and
- Sustainable strategies - Emerging Markets Stars, Smart Energy and Smart Mobility (the last two launched on 30 Sep 21) - which together attracted £300m of net inflows in Q3 alone.

We remain particularly bullish on the prospects for Polar's sustainable strategies, which have highly credible teams well positioned to attract significant AUM as the global structural shift towards sustainable investing continues.

Fundamental value double current share price

This AUM update is in line with our previous forecast, while the increase in performance fees between Sep 21 and Dec 21 results in a small increase of our FY22 basic EPS forecast from 56.1p to 57.4p. **Our fundamental value remains 1,400p per share**, which after the recent share price fall to 700p (closing price on 12 Jan 22 - see chart on right), is now **double the current share price**.

We also highlight that **Polar still trades at a large discount compared to peers**. Its PE ratio of 10.3 is around one third of the peer group median of 31.0 (see page 2). We maintain there are sound reasons for a significant change in rating.

Key Financials					
Year-end 31 Mar	FY19A	FY20A	FY21A	FY 22E	FY 23E
AUM, £bn	13.8	12.2	20.9	25.5	27.7
Rev, £m	177.5	151.7	201.5	224.8	255.3
Management fees, £m	126.2	130.8	157.3	214.8	242.0
Performance fees, £m	51.7	22.3	43.6	9.9	13.3
PBT, £m	64.1	50.9	75.9	68.4	87.1
Core op profit*, £m	42.2	41.6	51.5	69.0	81.1
Performance fee profit	24.0	8.8	19.5	4.3	5.8
EPS basic, p	57.8	43.5	67.2	57.4	72.0
EPS, adjusted, p	55.5	42.9	65.3	59.0	69.7
PER	12.1	16.1	10.4	12.2	9.7
Div, p	33.0	33.0	40.0	43.1	45.3
Yield	4.7%	4.7%	5.7%	6.2%	6.5%
Net assets, £m	109.7	116.1	151.4	182.1	217.8
Net cash, £m	111.7	107.8	136.7	138.9	182.5
Fin inv on own BS**, £m	31.8	35.1	37.0	61.7	61.7

Source: Company Historic Data, ED estimates. PER and Yield based on share price of: **700p**
 * excluding performance fees and performance-related costs, before tax
 ** Seed inv, securities, fund units held against deferred remuneration, other fin assets & liabilities

Company Data

EPIC	POLR
Price (last close)	700p
52 weeks Hi/Lo	951p/630p
Market cap	£701m
ED Fair Value / share	1400p
Net assets	£147m
Avg. daily volume	204k

Share Price, p



Source: ADVFN

Description

Polar Capital (Polar) is an active fund manager, established in 2001. It has 16 autonomous investment teams managing specialist portfolios with a thematic, sector, geographic, or financial instrument focus, including:

- Global Technology
- Global Healthcare
- Global Insurance
- UK Value
- North America
- Global Convertible
- Emerging Markets & Asia.
- Sustainable Equity

AUM 31 Dec 2021: £24.3bn

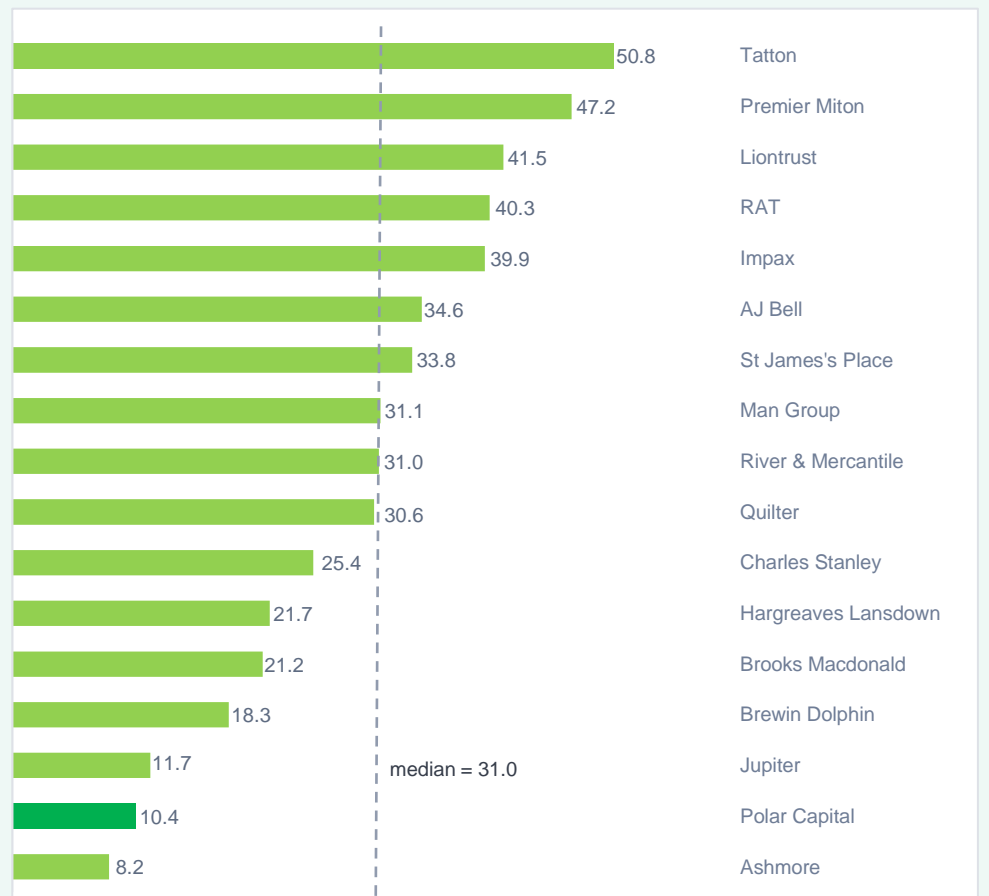
Next Event FY22 AUM: Apr 22

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PE Ratios: UK-listed asset managers and platforms


Source: ADVFN, as of 12 Jan 2022



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