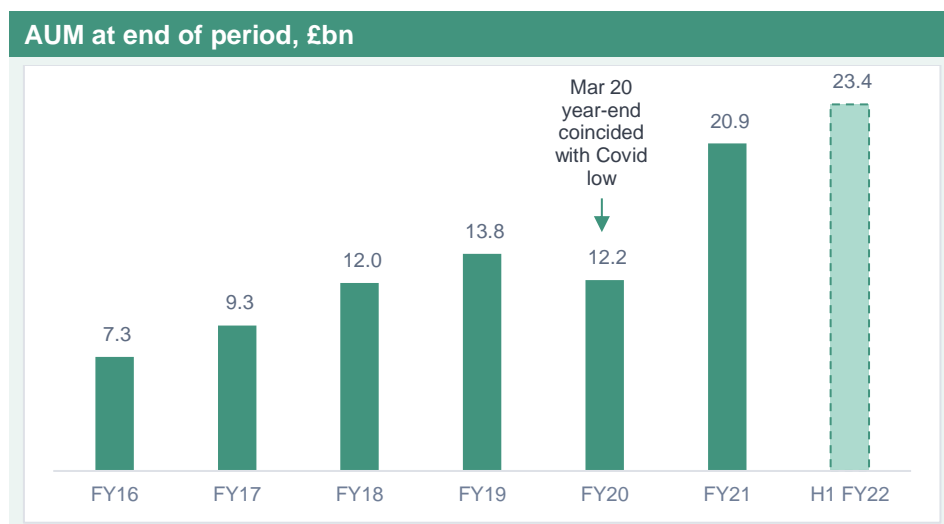


## H1 ahead of forecast and further push into sustainables

14 October 2021

Polar has maintained its growth momentum in H1 of FY22 with AUM reaching £23.4bn on 30 Sep 21, 12% up over the half-year (31 Mar 21: £20.9bn) and 43% up year-on-year (30 Sep 20: £16.4bn). It has already surpassed our original end-FY22 AUM forecast of £23.1bn. We also see huge potential for the new Sustainable Thematic Equities team (with newly launched Smart Energy and Smart Mobility funds) to contribute to maintaining the growth momentum.



Source: Company.

Market movements and performance effects totalled +£1.8bn for the 6m period which translates to around 8.2% of average AUM, considerably higher than the return of the FTSE 100 (which increased 5.1% over the same period) and the MSCI All Country World Index (5.8%), although below the strong-running S&P 500 (13.8%). **Net inflows totalled £689m or 3.3% of opening AUM.**

Net performance fees (PF) of around £2m have been accrued (PFs crystallise in Dec). In early Sep 21 we had forecast PF profits to be nil for FY22 due to the relatively weak year-to-date performance of sectors to which Polar has high exposure, most notably technology. While there is no certainty the accrued fees will materialise, it looks plausible that our assumption might be conservative.

### Share price remains well below fair value and peer comparatives

We maintain our fair value of 1305p per share for now, almost 70% above the current share price, noting the potential for upside in this valuation given that:

- AUM and performance fee accruals are ahead of our expectations (although we remind readers that asset managers' AUM levels can be volatile as they are correlated to market movements, and there is no guarantee that AUM will remain above our forecast); and
- The potential exists for the new Sustainable Equities team to overshoot expectations on the upside. The team is well known, highly experienced and previously managed €5bn AUM. It will also be operating in a booming market (in Europe, sustainable funds attracted 47% of all fund inflows in calendar H1 21, according to Morningstar).

Also noteworthy is the continuing discount in Polar's share price compared to peers. Its **PE ratio of 11.4 is far below the peer group median of 29.0** (see chart overleaf). This is despite Polar being a notable performer on a multitude of metrics – including investment performance, AUM inflows, revenue generation, operating profits, and dividends compared to peers (refer to our [initiation note of 13 Sep 21](#) for details). **There are sound reasons for a significant change in its rating.**

#### Company Data

EPIC	POLR
Price (last close)	775p
52 weeks Hi/Lo	951p/486p
Market cap	£776m
ED Fair Value/share	1305p
Net assets	£151m
Avg. daily volume	231k

#### 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 30 Sep 2021: £23.4bn

Next Event: FY22 H1 results, 22 Nov

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### Key Financials

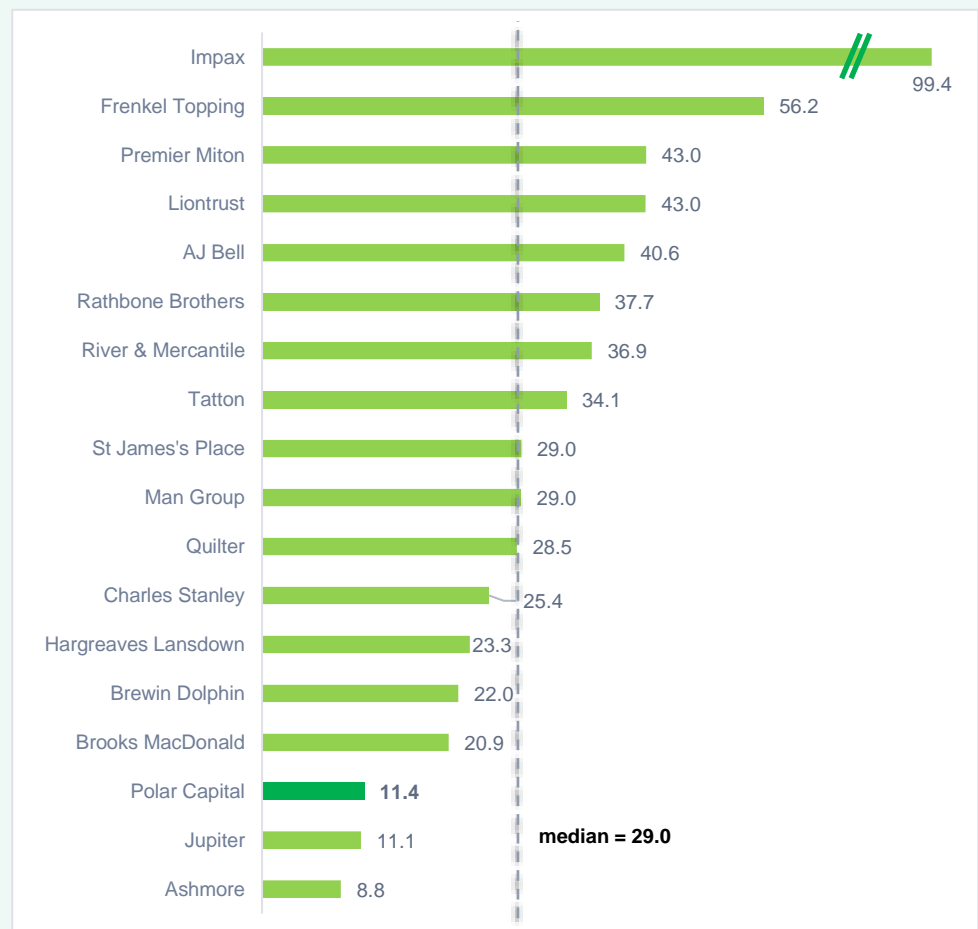
Year-end 31 Mar	FY20A	H1 21A	FY21A	H1 22 E	FY 22E	FY 23E
AUM, £bn	12.2	16.4	20.9	23.4	23.5	25.7
Rev, £m	151.7	68.8	201.5	106.3	215.8	249.0
Management fees, £m	130.8	67.9	157.3	101.7	211.1	223.8
Performance fees, £m	22.3	1.1	43.6	4.6	4.6	25.2
PBT, £m	50.9	27.0	75.9	35.4	71.3	86.2
Core op profit*, £m	41.6	22.1	51.5	33.3	69.1	75.1
Performance fee profit	8.8	0.5	19.5	2.0	2.0	10.9
EPS basic, p	43.5	23.4	67.2	30.5	60.9	72.6
EPS, adjusted, p	42.9	23.0	65.3	29.2	58.5	70.1
PER	17.8	16.6	11.5	12.7	12.7	10.7
Div, p	33.0	9.0	40.0	18.2	41.5	43.0
Yield	4.3%	1.2%	5.2%	2.4%	5.4%	5.5%
Net assets, £m	116.1	114.4	151.4	157.1	175.0	216.5
Net cash, £m	107.8	82.5	136.7	144.2	163.9	213.6
Fin inv on own BS**, £m	35.1	41.1	37.0	37.0	37.0	37.0

Source: Company Historic Data, ED estimates. PER and Yield based on share price of: **775p**

\* excluding performance fees and performance-related costs, before tax

\*\* Seed investments, securities, fund units held against deferred remuneration, other fin assets & liabilities

### PE Ratios: UK-listed asset managers and platforms



Source: ADVFN, as of 12 October 2021



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