Polar Capital Holdings plc

H1-25 revenue and profits jump on higher AUM

18 November 2024

AUM increased £0.8bn (+4%) in H1-25 to £22.7bn on 30 Sep 24. Net flows added +£472m and investment performance +£323m. This was a highly creditable performance relative to peers, with Polar one of only two London-listed asset managers to record positive net flows (page 3). Furthermore, post-interim-results, AUM has increased another 5% to £23.9bn on 8 Nov 24.

Year-on-year average AUM jumped 15% from £19.4bn in H1-24 to £22.4bn. In turn, net management fees were also up 15% from £76.5m to £87.6m. Core operating costs grew at a lower rate of 12%, from £53.9m to £60.2m, with **core operating profit* up 21% from £22.5m to £27.3m**, a core margin of 31.2% (H1-24: 29.4%). Adjusted diluted core EPS increased 18% to 20.5p (H1 24: 17.3p).

Statutory profits grew at a lower rate, impacted by a £5.4m impairment of goodwill charge from the acquisition of Dalton Strategic Partnership in 2021 (a non-cash accounting entry). PBT was up 10% y-o-y from £21.1m to £23.1m, and basic EPS increased 7% to 17.3p (H1 24: 16.2).

Polar's balance sheet remains strong with **no debt,** net assets of £124.5m, net cash of £68.3m and £64.3m of surplus capital above regulatory requirements. The Board has declared an **interim dividend of 14.0p per share, unchanged from H1-24**. This is a continued signal of confidence in Polar's prospects and the strength of its balance sheet. If the total full-year dividend is also maintained at 46p, that would translate to a yield of 9.0%.

Fundamental value 650p, PER of 10.7 looks low

Polar's prospects remain strong, despite current headwinds for active managers which we believe will abate (page 16), and ongoing market uncertainty. It has a range of specialist investment strategies (which it continues to expand e.g. a new *International Small Company Strategy),* and an enviable longer- and shorter-term investment track record, all of which should generate ongoing demand.

Our **AUM, revenue, and profit forecasts move up** with the higher-than-forecast current AUM level (other than FY25 statutory profit forecasts which drop on the Dalton impairment). Our fundamental valuation remains 650p/share, 27% above today's price. With strong margins, balance sheet, and dividend yield we also think Polar should trade at a higher PER than its current 10.7 (page 19).

Key Financials

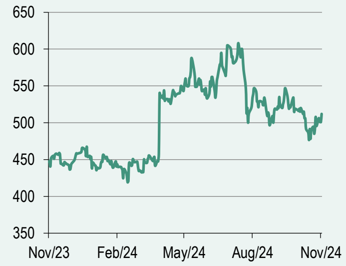
Year-end 31 Mar	FY 22A	FY 23A	FY24A	FY 25E prev.	FY 25E new	FY 26E prev.	FY 26E new
AUM, £bn	22.1	19.2	21.9	23.5	24.4	25.7	26.6
Rev, £m	224.1	182.9	195.1	199.6	205.2	222.8	230.6
Management fees, £m	210.0	176.2	176.4	198.0	203.5	211.9	219.8
Performance fees, £m	14.1	6.7	18.7	1.6	1.6	10.8	10.8
PBT, £m	62.1	45.2	54.7	55.6	50.0	63.6	63.6
Core op profit*, £m	69.4	47.9	44.8	52.7	53.9	56.7	58.5
Performance fee profit	4.1	1.7	9.6	0.7	0.7	4.8	4.7
EPS basic, p	50.8	36.8	42.3	42.6	37.1	48.0	47.5
EPS adjusted diluted, p	56.0	44.3	44.0	43.1	44.5	48.5	49.3
PER	10.1	13.9	12.1	12.0	13.8	10.7	10.8
Div, p	46.0	46.0	46.0	46.0	46.0	46.0	46.0
Yield	9.0%	9.0%	9.0%	9.0%	9.0%	9.0%	9.0%
Net assets, £m	156.2	142.9	135.9	104.0	136.2	149.9	145.9
Net cash, £m	121.1	107.0	98.9	105.6	80.7	122.2	95.7

Source: Company Historic Data, ED estimates. PER and Yield based on share price of: ***512p***

Company Data

EPIC	LSE: POLR
Price (last close)	512p
52 weeks Hi/Lo	608p/419p
Market cap	£520m
ED Fair Value/share	650p
Proforma net cash	£68m
Avg. daily volume	230k

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
- Emerging Markets & Asia
- Global Insurance
- UK Value
- North America
- Financials
- European Opportunities

AUM 8 Nov 24: £23.9bn

Next Event: AUM update, 9 Jan 25

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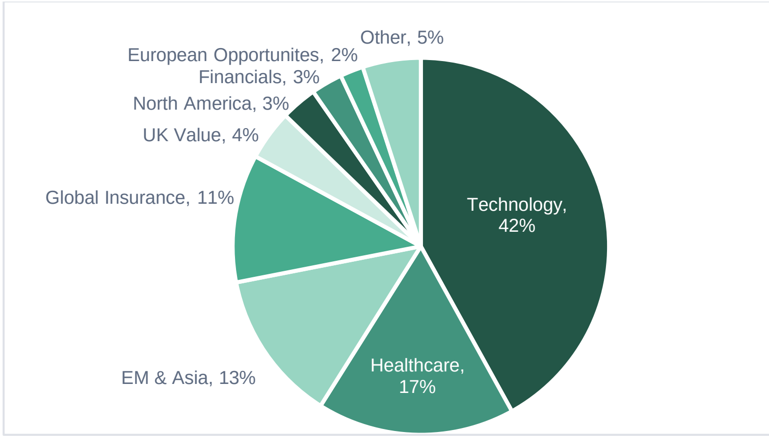
Polar at a glance

History and operating structure

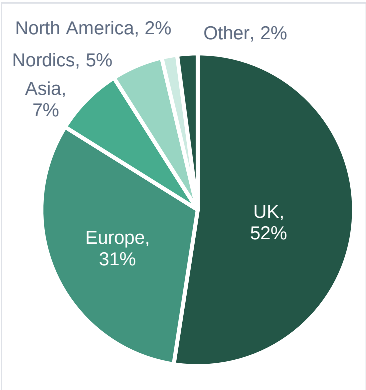
- Polar Capital is a fund management group, specialising in active management. It was founded in 2001 and listed on AIM in 2007. Headquartered in London, it has a presence in 9 countries (UK, USA, Germany, Switzerland, France, Spain, Sweden, China, and Singapore).
- 14 investment teams manage specialist portfolios and operate as semi-autonomous business units, heavily incentivised on investment performance. 'Centralised' operations support these teams.
- Technology funds have always been core to Polar, although over the years, additional investment strategies have diversified its AUM base. It manages investments primarily for institutional clients. Europe is its largest market.

Split in AUM by investment strategy (100% = £22.7bn*)



Source: Company, as at 30 Sep 24. Totals may not sum to 100% due to rounding.

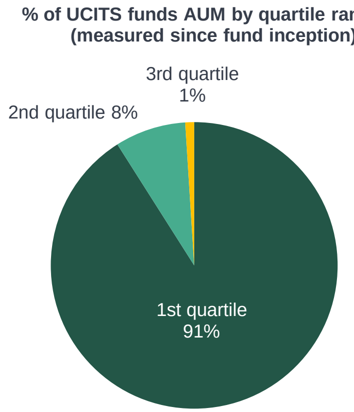
Split in AUM by client geography and client type



Bank	28%
Private Wealth Manager	19%
Platform	15%
Asset Manager	13%
Polar Investment Trusts	9%
Fund of Funds	6%
Family Office	3%
Pension Fund/Foundation	3%
Insurance Company	2%
Sovereign Wealth Fund	0.5%
Consultants	0.2%
Other	2%

Source: Company, as at 30 Sep 24. Totals may not sum to 100% due to rounding.

Impressive track record of delivering superior returns



*Source: Company, as at 30 Sep 24. *c75% of total Polar AUM. According to Lipper peer groups/ Lipper provides performance data for homogeneous groups of funds with comparable investment objectives: lipperleaders.com*

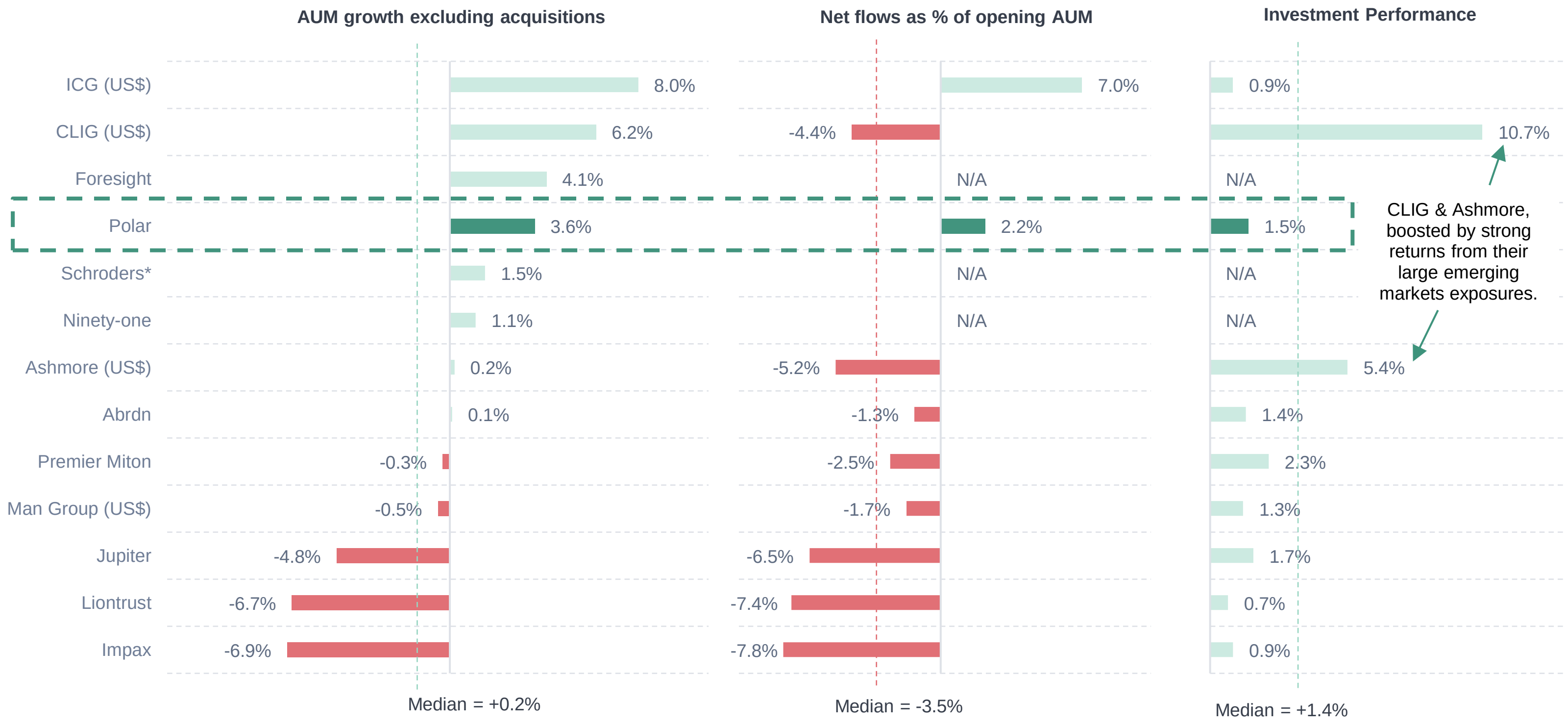
Assets under management

AUM +4% over H1-25, Polar is one of only two asset managers to record net inflows

AUM increased from £21.9bn on 31 Mar to £22.7bn on 30 Sep (net flows: +£472m; investment performance: +£323m). This was a highly creditable performance relative to peers. Polar was one of only two asset managers to record net inflows, the other was private markets specialist ICG which concluded several large capital raises.

Readers should also note some currency distortions in this half-year period. Those asset managers reporting AUM in GBP (incl. Polar) suffered a 6% currency headwind on assets held in US$ (GBP/US$ +6% from 1.26 to 1.34). We have flagged those reporting AUM in US$ (with no currency headwind) in the chart below (next to name).

The 6m to Sep 24 was characterised by mostly negative net flows and slightly positive investment returns

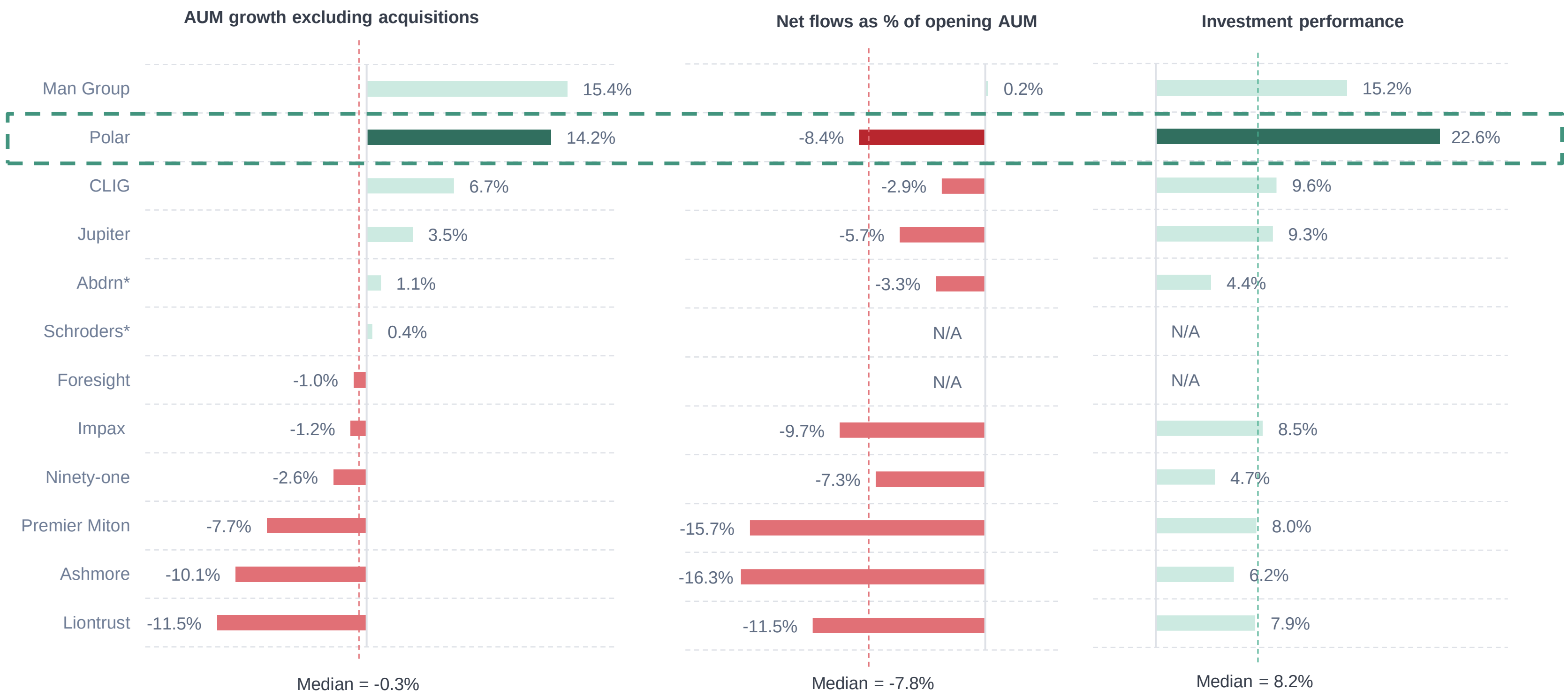


*Source: Company reports, ED analysis. *Asset management units only.*

H1-25 builds on exceptionally strong AUM growth of +14% in FY24

In the previous full financial year (FY24), Polar recorded a jump in AUM of 14% from £19.2bn on 31 Mar 23 to £21.9bn on 31 Mar 24, the second highest AUM increase among peers, driven by exceptional investment returns and net outflows just below the peer group median.

The 12m to Mar 24 was characterised by widespread net outflows but strong investment returns



*Source: Company reports, ED analysis. *Asset management units only.*

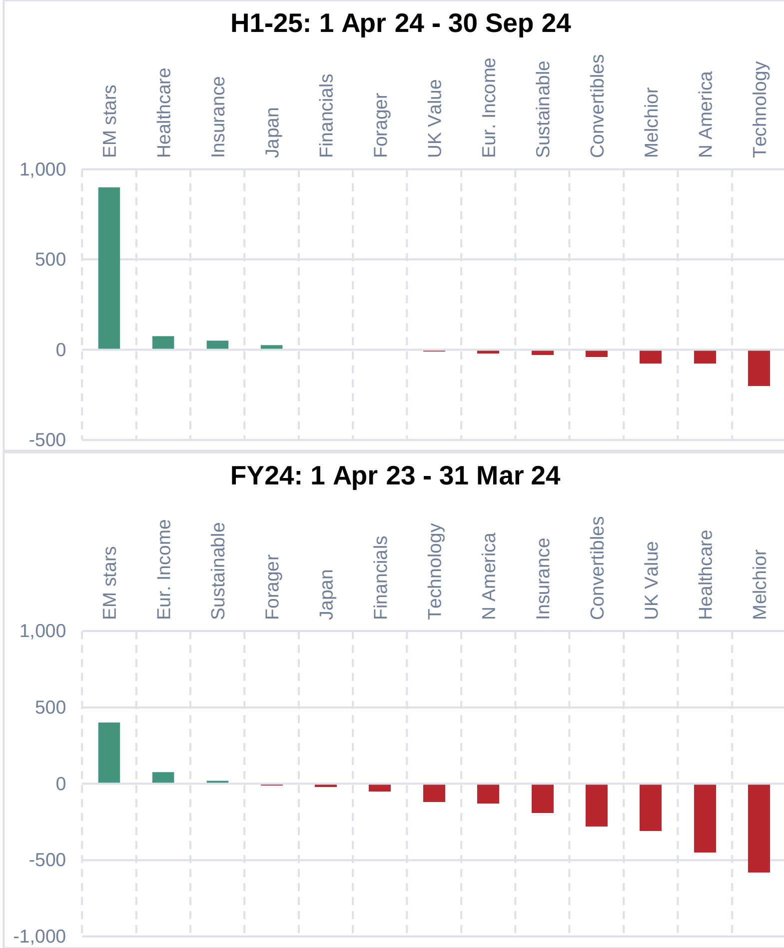
Pockets of investor interest, but deployment of funds still muted

Demand for EM & Healthcare, UK & Europe out of favour

Key fund flow developments across Polar's fund range include (all figures quoted refer to net fund flows over H1-25):

- **Continued strong demand and market share gains for the highly successful EM team (amidst muted interest in EM generally), with net flows of +£929m for the Polar Capital Emerging Market Stars & Asia Stars Funds.**
- **Continued strong demand for Healthcare strategies** with net flows of +£144m for the Healthcare Opportunities Fund and +£77m for the Biotech Fund. However, there were outflows from Separate Account Mandates of -£96m with -£40m relating to the redemption of the fixed life preference shares linked to Polar Capital Global Healthcare Trust.
- In Technology Strategies, the **Polar Capital Artificial Intelligence Fund had net flows of +£82m**, but the Polar Capital Technology Fund suffered net outflows of -£243m.
- Net flows were positive for the Polar Capital Global Insurance Fund (+£29m) and for the Polar Capital Japan Value Fund (+£22m), both of which suffered net outflows in FY24.
- The Polar Capital Smart Energy Fund suffered net outflows of -£50m, with demand for sustainable equities muted.
- Continued **negative investor sentiment towards UK and European equities** led to net outflows of -£64m for the Melchior European Opportunities Fund and the reduction of a separate account mandate of -£38m, while the Polar Capital European ex-UK Income Fund had net flows of -£21m and the Polar Capital UK Value Opportunities strategy -£11m.
- The Polar Capital North American Fund suffered net outflows of -£104m, as did the Polar Capital Global Convertible Bond funds (-£60m).

Net flows by strategy: H1-25 v FY24



Source: Company.

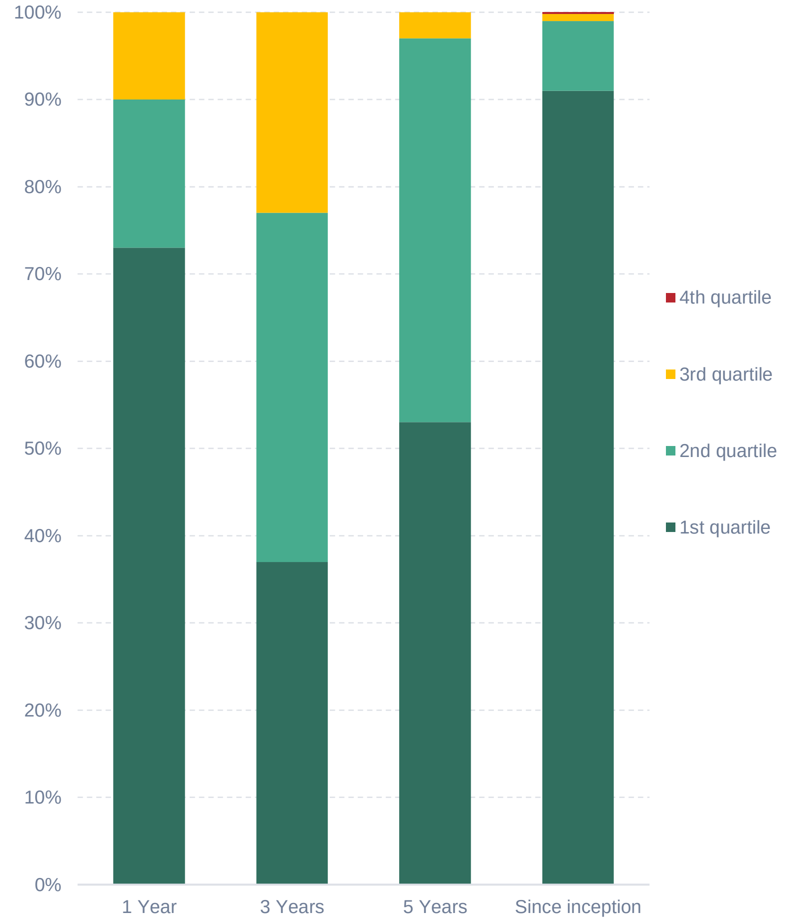
Hugely impressive investment returns over short and long term

Top-quartile long-term performance for 91% of AUM

- For Polar's UCITs fund range (around 75% of total AUM), the proportion of AUM in each benchmark quartile is shown on the right.
- **Since fund-inception, 99% of Polar's total UCITs AUM is in the top two quartiles of relevant Lipper peer groups***.
- Over five years, 97% is in the top two quartiles.
- Over three years, 77% is in the top two quartiles (negatively impacted by the technology stock rout of early-2022)
- Over one year, 90% is in the top two quartiles.

*Source: Company. *Lipper provides performance data for homogeneous groups of funds with comparable investment objectives: lipperleaders.com*

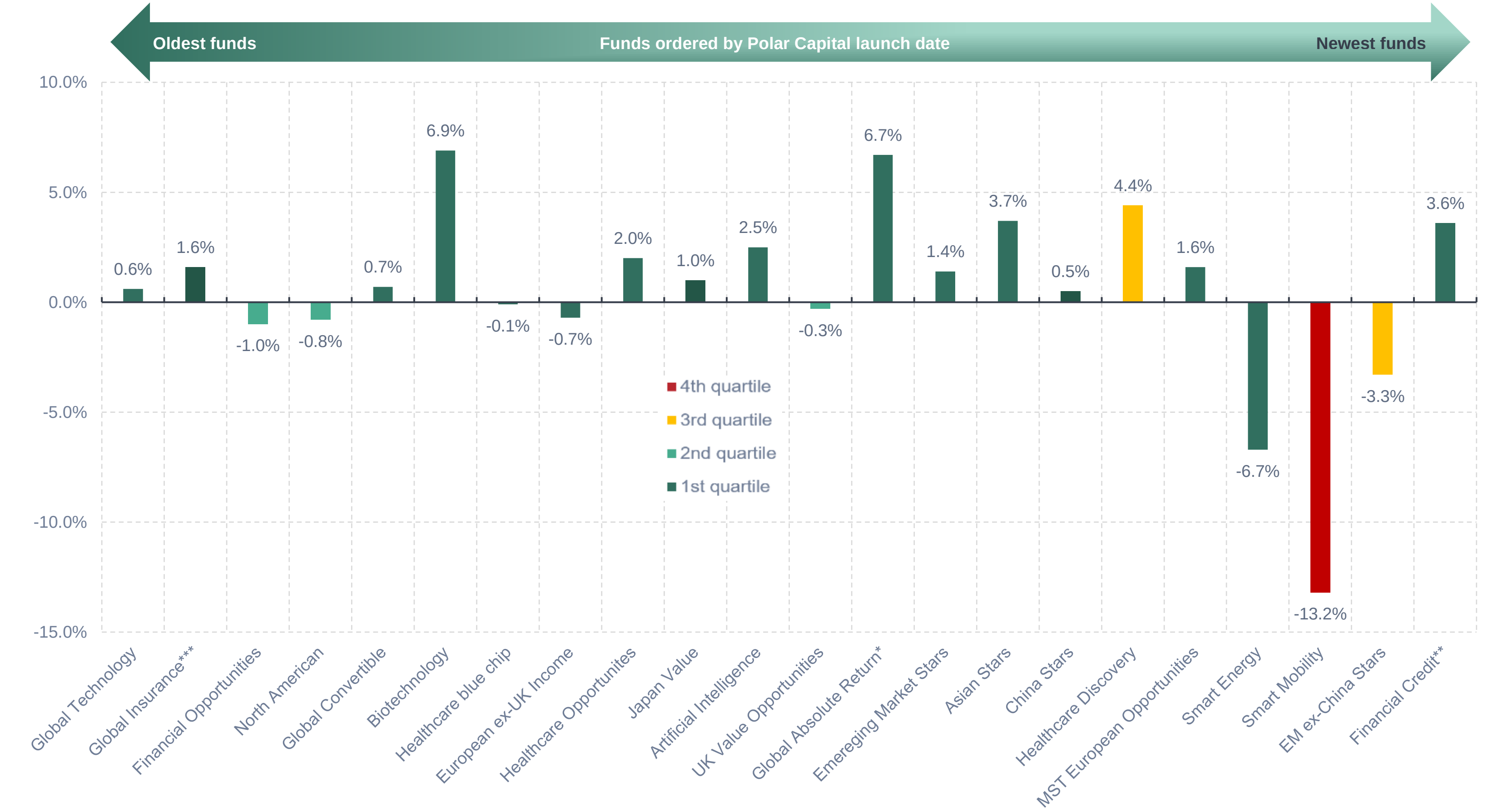
% of UCITS funds AUM by quartile ranking



Source: Company, as at 30 Sep 24. **c75% of total Polar AUM. SI = Since Inception*

At an individual investment strategy level, 16 out of Polar's 22 UCITS strategies have delivered 1st quartile returns compared to peers since inception, with 3 delivering 2nd quartile returns, two in the 3rd quartile, and only one (relatively new fund) in the 4th quartile. This breakdown is shown below, which is a split of the far-right bar (since inception) in the chart on the previous page by investment fund.

Relative annualised fund performance against benchmark (since inception)



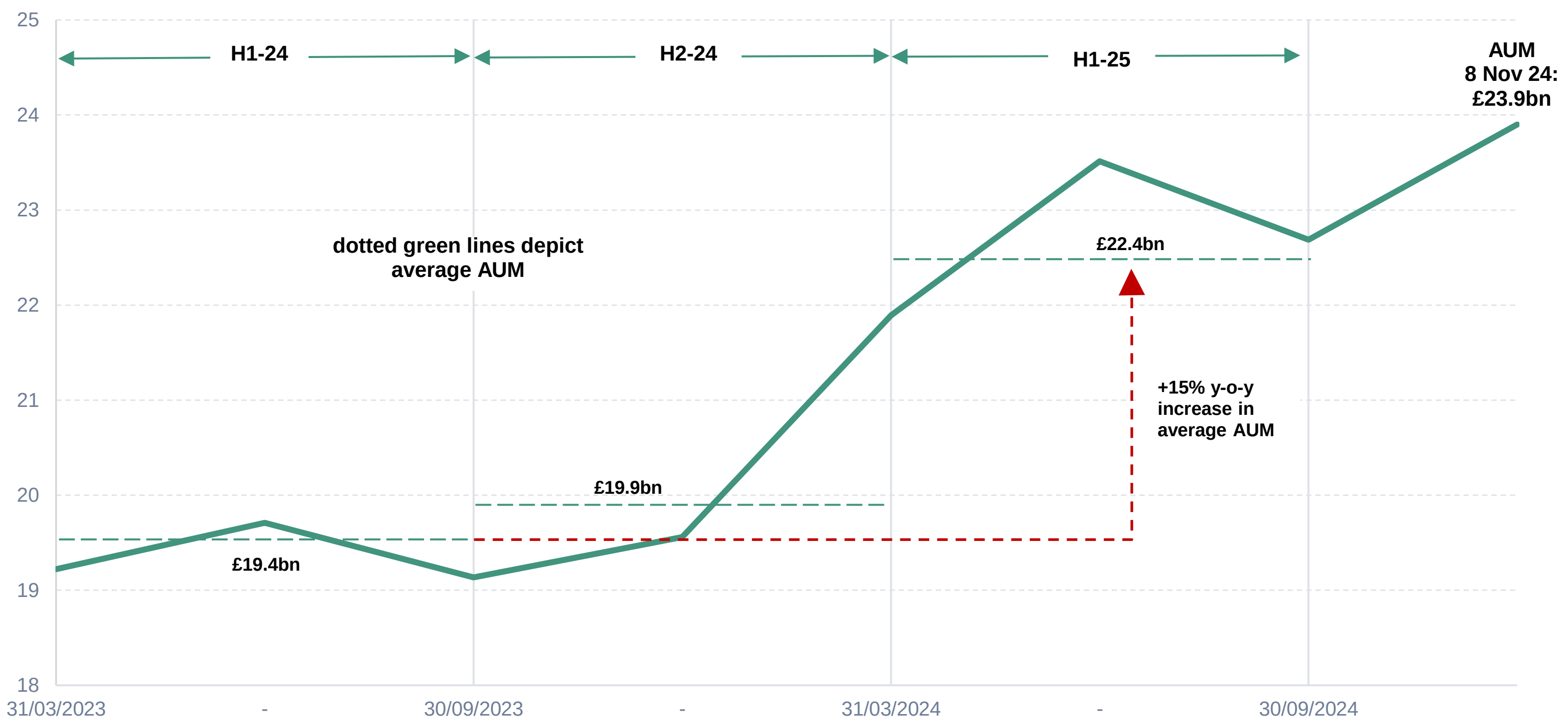
Source: Company, Original source: Lipper. Lipper quartile rankings as at 30 September 2024. UCITS performance illustrative of Polar Capital Funds plc Irish UCITS and Melchior Selected Trust European Opportunities Luxembourg SICAV fund. Geometric performance shown for all periods greater than 1yr. Figures shown reflect absolute performance. All data is based on the Fund's base currency.
**The Global Absolute Return Fund does not have a benchmark, therefore figures shown reflect absolute performance. **Financial Credit: 29 December 2023, name, objective and policy changed. ***Lipper performance is not dated since inception of the Fund (19 October 1998), but from when Polar Capital assumed responsibility for the Fund on 31 May 2011.*

Analysis of H1-24 financials

15% year-on-year jump in average AUM

Because average AUM is the main driver of Polar's largest source of revenue, IM fees, it is important to understand AUM development and AUM averages. This is presented in the chart below. It can be seen that the large AUM increase in H2-24, and smaller increase in H1-25, results in a 15% y-o-y increase in average AUM (H1-25 over H1-24).

AUM profile last 18 months, £bn



Source: Company reports, ED analysis

16% jump in revenue

Investment management fees up 16%

- Gross income increased 20% y-o-y from £86.6m in H1-24 to £103.5m in H1-25. This was boosted by +£2.9m (H1-24: -£0.3m) of 'other income' (see below). Net income (gross income less commissions and fees payable) increased 19% from £76.2m to £90.5m.
- **Investment management and research fees (IM fees) were up 16% from £86.9m in H1-24 to £100.6m, growing at around the same rate as average AUM**.
- It will be seen from the chart on the right that **we are forecasting a fairly substantial jump (+15%) in IM fees in FY25, driven mainly by the previously discussed average AUM levels.**
- Net management fee yield was slightly down from 79bps to 78bps.
- Polar does not include performance fee income in its interim results. It accounts for performance fees in year-end results when more clarity is available on performance fee levels (most performance fees crystallise on 31 Dec each year). We note however that performance fees are not expected to be particularly significant in FY25. In its Q2 AUM update, Polar disclosed that marked to market performance fee revenue (gross) stood £1.6m (£0.7m after the deduction of staff allocations).
- 'Other income' was substantially higher y-o-y (+£2.9m v -£0.3m) with interest income at a similar level (+£1.2m v +£1.1m), but mark-to-market gains or losses on the value of on-balance-sheet investments up from -£1.4m in H1-24 to +£1.7m in H1-25.

Revenue breakdown: history & forecast, £m

Source: Company reports
**Other income = interest income; gains/losses on seed capital investments, financial assets and liabilities; gains/losses on forward currency contracts; and investment income.*
Note: Performance fees are not recorded by Polar in H1 revenues.

Core operating profits +21% and PBT +10%

Expenses well under control in an inflationary environment

- Core operating profit - *profit before performance fee profits, other income, exceptional items and tax* - presents a measure of profitability excluding investment-performance-related profits and other items which may be volatile, non-recurring or non-cash in nature (it is mostly a function of growth and operating efficiency). **Core operating profit jumped 21% y-o-y** from £22.5m in H1-24 to £27.3m, driven mainly by strong revenue growth.
- Core operating costs increased 12%, much lower than revenue growth, from £53.9m to £60.2m [made up of core distributions (variable compensation paid to investment teams from management fee revenue) and other core operating costs (other staff costs, office and administrative costs etc)].
- **Core operating margin increased from 29.4% in H1-24 to 31.2%.**
- Statutory profits were impacted by a £5.4m impairment of goodwill charge from the acquisition of Dalton Strategic Partnership LLP in 2021 (a non-cash accounting entry). An impairment test was conducted based on a DCF model, and given the increased outflows, prevailing investor sentiment and outlook, the five-year projected cash flows were adjusted downward.
- IFRS operating costs increased 22% y-o-y, from £55.0m in H1-24 to £67.3m.
- Statutory PBT increased 10% from £21.1m in H1-24 to £23.1m in H1-25, with PAT increasing by 7% from £15.6m to £16.6m.
- Basic EPS increased by 7% to 17.3p (H1-24: 16.2p), diluted basic EPS by 7% to 17.1p (H1-24: 16.0p), while **adjusted diluted core EPS increased 18% to 20.5p (H1-24: 17.3p)**.

Breakdown of operating costs with y-o-y comparison

£m	H1-25	H1-24
Staff compensation costs		
Salaries, bonuses & other staff costs[1]	19.7	17.3
Core distributions[1]	24.4	20.9
Share-based payments[2]	2.8	1.5
Performance fee interests	-	-
Total	**46.9**	**39.7**
Other operating costs		
IT	3.8	3.5
Rent & rates	2.5	2.2
Professional fees	1.1	1.2
Research & Corporate access	2.0	2.1
Travel & entertainment	1.2	1.4
Other	3.8	4.3
Total	**14.4**	**14.7**
Exceptional items		
Impairment of goodwill	5.4	-
Amortisation of intangibles - Dalton	0.6	0.6
Total	**6.0**	**0.6**
Total operating costs	**67.4**	**55.0**

Source: Company
1. Including share awards under deferment plan of £0.7m (FY23: £0.9m)
2. Share based payments on preference shares, Group share awards and LTIPs

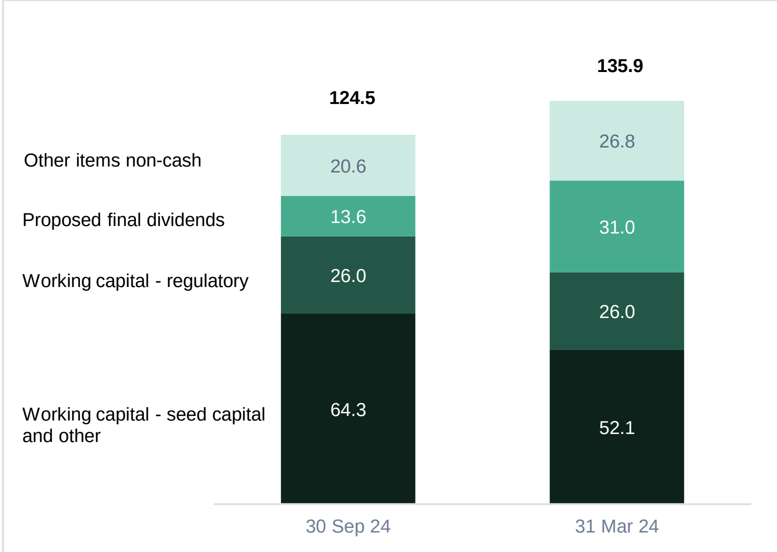
Balance Sheet and Cash Flow remain strong

Balance sheet is robust

- **Polar maintains its exceptionally strong balance sheet**, with net assets slightly down over the 6m period from £135.9m on 31 Mar 24 to £124.5m. **It has no borrowings.**
- Cash and equivalents were £68.3m (down over H1 from £98.9m), with the significant cash addition being £21.9m of cash flows from operations, and outlays being dividends of £30.9m and the £15.3m net purchase of on-balance-sheet financial assets (including seed investments).
- Polar considers capital in terms of four main categories: capital used to seed new investment products, a buffer for times of uncertainty, to pay dividends, and to fund the EBT to buy shares to reduce the dilutive effects of LTIP and option awards. The current and 6-month change of these is shown on the right.
- On 30 Sep 24 £44m (30 Mar 24: £36m) was invested to seed fledgling funds.

Source: Company

Capital allocation, £m



Source: Company

Regulatory capital position

- The Group produces a 'surplus capital' report which takes account of capital commitments and minimum levels of regulatory capital to illustrate the capital available to pursue growth opportunities, such as seeding new investment products or acquisitions.
- This **surplus capital amounted to £64.3m** (31 Mar 24: £52.1m) above its regulatory capital requirement of £26m (31 Mar 24: £26m) and Jan 25 dividend commitment of £13.6m.

Source: Company

Summary capital surplus position

	30 Sep 24	31 Mar 24
Capital after regulatory deductions	**£103.9m**	**£109.1m**
Less: dividend provision	(£13.6m)	(£31.0m)
	£90.3m	**£78.1m**
Regulatory capital requirement	(£26.0m)	(£26.0m)
Surplus capital	**£64.3m**	**£52.1m**

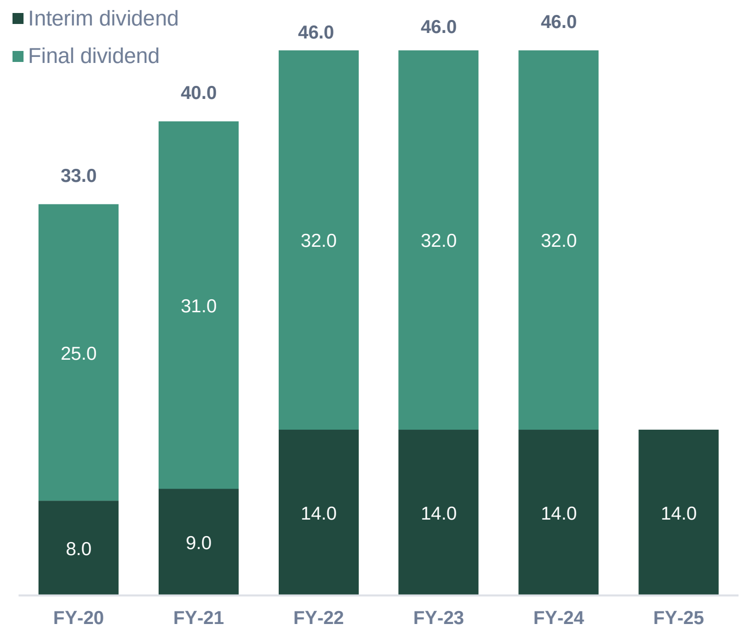
Source: Company

Interim dividend unchanged

Dividend unchanged with annual yield of 9.0%

- Polar's dividend policy is to pay an annual dividend within a range of 55% and 85% of adjusted total earnings, dependent on the scale of performance fees in the relevant year and the anticipated trading conditions for the following year.
- With adjusted earnings falling in FY22, FY23 and FY24 (primarily as a result of a fall in AUM from early-2022 until late-2023), Polar was confident enough in its outlook and its cash resources to maintain dividend levels in those years, resulting in the payout ratio jumping from 61% in FY21 to 79% in FY22, 102% in FY23, and 103% in FY24.
- Polar has again recommended an unchanged dividend for H1-25, but with adjusted earnings rising sharply y-o-y, its **H1-25 interim dividend is a far lower proportion of half-year adjusted earnings (68%) than it was at the end of H1-24 (81%)**.
- Given the group's financial position still being very strong with cash resources of £68m (around 13% of market cap), we are **not surprised to see an unchanged dividend.**
- Absent any significant downgrades in forecasts, we **would expect to see the full year dividend payout ratio fall in coming years as earnings grow.**

Historic and proposed dividends, pence per share



Source: Company historic data

Outlook

Market appetite and available capacity in key investment strategies

Some significant opportunities in key strategies

We remind readers of Polar's 'growth with diversification' strategy and how it intends to grow AUM from existing strategies and channels, and also adding new:

1. *Investment themes* (e.g. in late 2021 it launched a range of sustainable funds - Smart Energy and Smart Mobility themes, and in Sep 24 launched an International Small Company Strategy based in the US, offering US investors access to a portfolio of mostly non-US small cap equities);
2. *Channels* (e.g. its acquisition of Dalton has added a range of Luxembourg SICAV funds and segregated mandates); and
3. *Geographies* (e.g. Dalton has a strong European client base, particularly in Germany; the abovementioned International Small Company Strategy increases the North American presence which Polar sees as a significant opportunity; and it has deployed significant marketing resources in the Nordic region, enjoying substantial success in winning new business there).

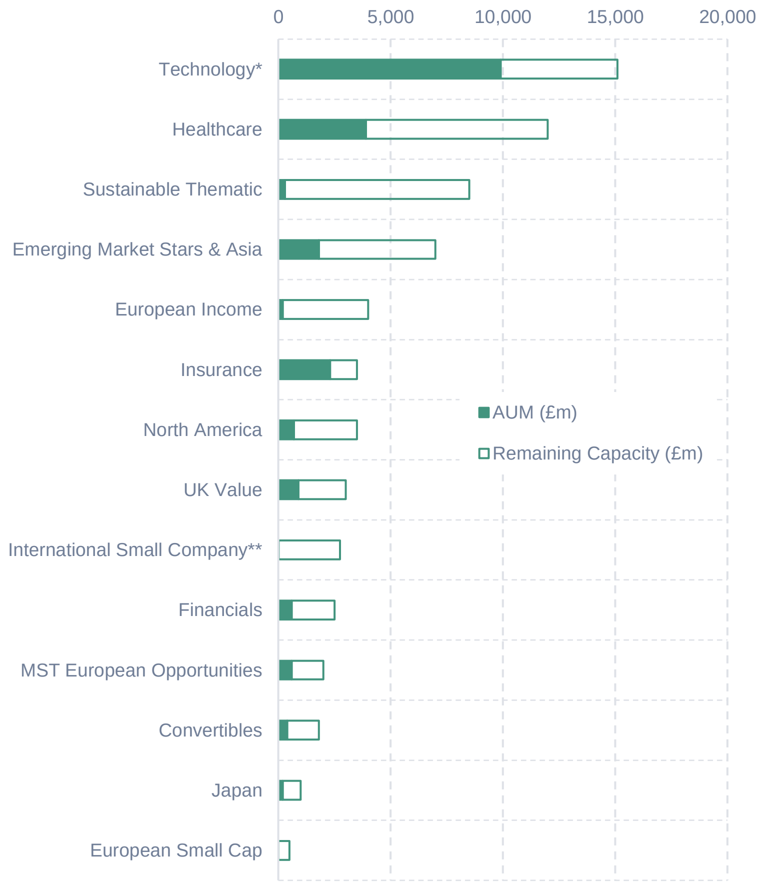
With respect to specific opportunities, large capacity remains in the Sustainable Thematic, Healthcare, Emerging Markets, Technology, European Income, North America, and new International Small Company strategies (see chart on right).

Currently, Polar has a total capacity of £64bn with a current remaining capacity (opportunity for growth) of £42bn.

Notably, positive net flows were recorded in H1 in the following strategies which also have significant remaining capacity: Emerging Markets & Asia (£4.1bn capacity); Healthcare (£7.4bn); Global Insurance (£1.3bn); Japan (£543m). Therefore, if current trends persist, the combination of solid investor appetite and available capacity should bode well for growth in the above strategies.

Source: ED Commentary

AUM and available capacity (30 Sep 24), £m



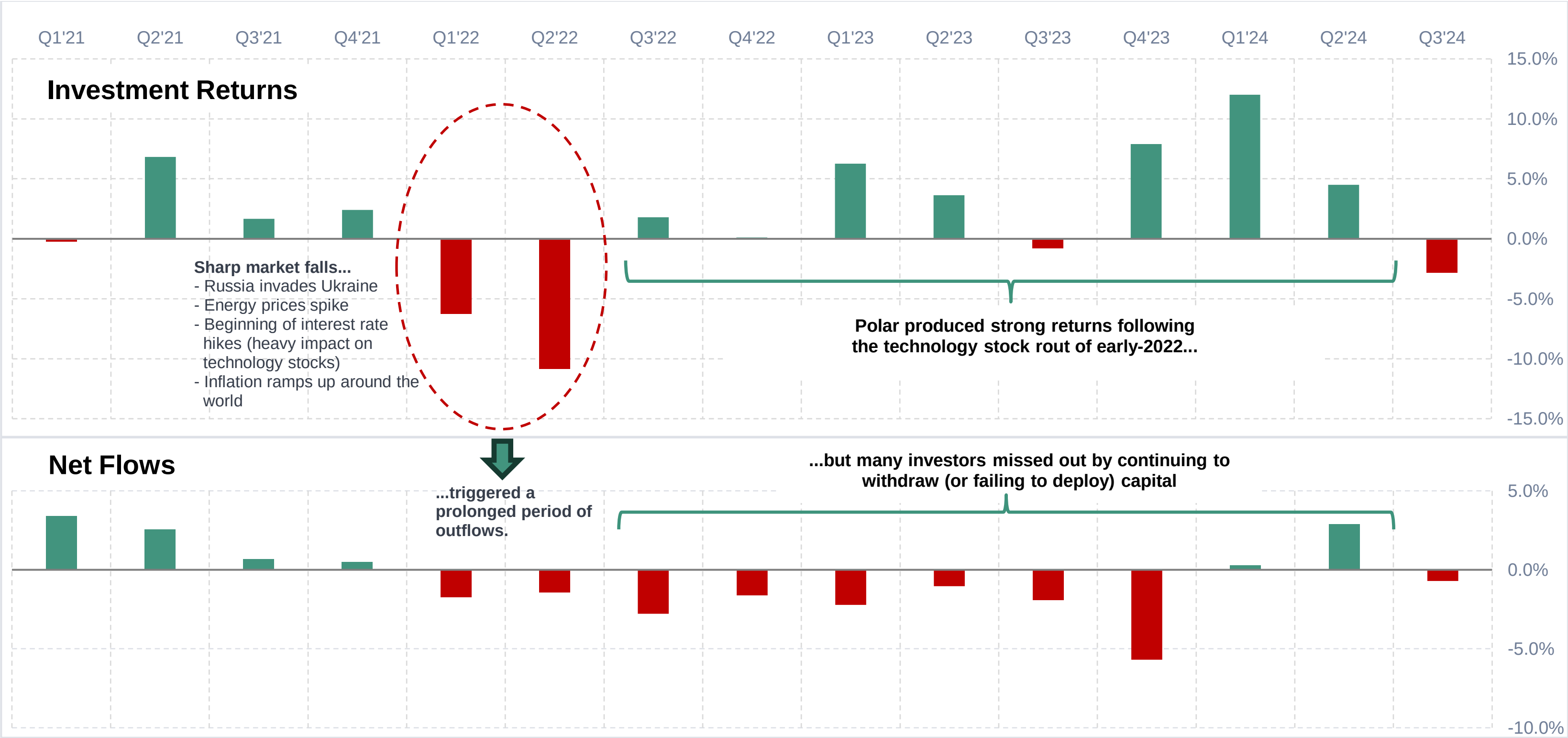
Source: Company. *Includes Artificial Intelligence Strategy. **Launched 30 Sep 24.

Recent and long-term track record a powerful incentive for clients to deploy capital

Of course, savvy clients will place emphasis on the longer-term track record of the asset managers they use. And in that regard, Polar has an exemplary record (see pages 7 & 8). But capital deployments are also dependent on more recent trends too, and in that regard, investors' withdrawal of capital from Polar in 2022 and 2023 (in line with a more widespread withdrawal from active managers), has resulted in some clients missing out on the impressive returns generated by Polar.

This started to reverse in early-2024 when Polar's net flows turned positive again, and even though calendar-Q3 of 2024 saw small net outflows, **we don't think the mismatch between Polar's returns and flows will persist and that more consistent positive flows are bound to return to this quality active manager, sooner rather than later**.

Polar's quarterly investment returns v net flows, % of AUM



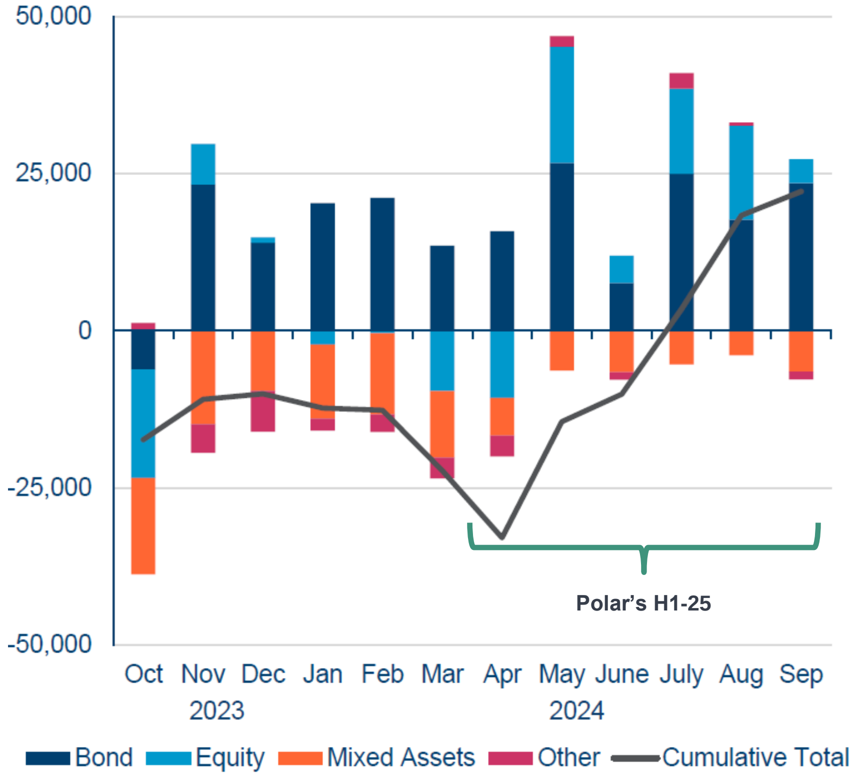
Source: Company reports, ED analysis. Calendar quarters shown, not FY quarters.

European equity fund flows positive in 2024, but passive has dominated

Fixed income attracted the strongest flows across Europe (dark blue bars below) during the period, as investors remained cautious. While total equity fund flows were also positive (light blue bars), Polar has flagged that passive strategies were driving positive flows, and that flows for active funds were negative.

Benchmark Index concentration (especially the mag-7), and the underperformance of smaller companies has created a difficult environment for active managers. However, history suggests index concentration does mean revert, and smaller companies tend to perform relatively poorly in a high or rising interest rate environment (recent past), but better in a falling interest rate environment (outlook). **According to the Polar Chief Executive's report: "These factors will not remain headwinds forever".**

Net sales of funds across Europe, €m



- Pan-European industry fund sales grew to €125bn in 6-months to 30 Sep 24
- Fixed income led inflows with €116bn
- Equity flows totalled €44bn, driven mainly by passive strategies as active strategies saw net outflows
- Greater use of passives overactive equity funds was prompted by market volatility, as investors favour swift tactical allocations and low-cost exposure to Mag-7 stocks.

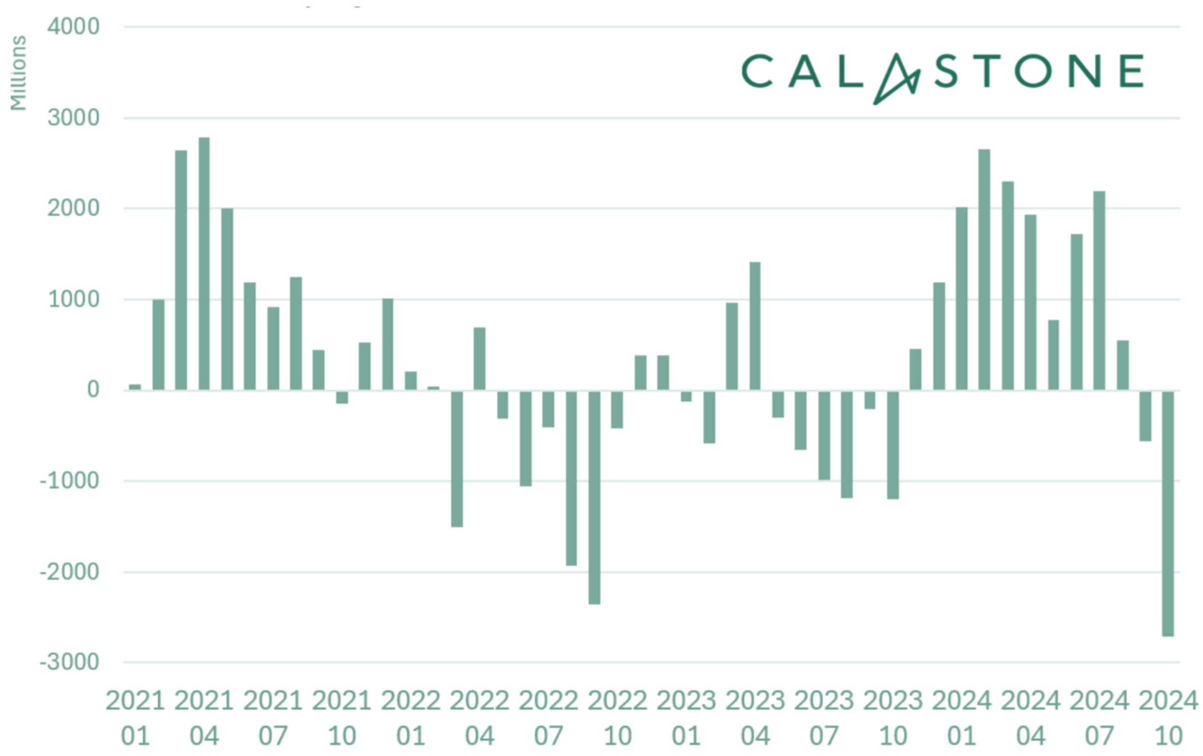
Source: Polar Capital Nov 24 analyst presentation (original source Broadridge Fund File and Fund Radar)

UK equity fund flows have also been positive (save for recent budget impact)

According to Calastone, UK equity funds had positive net flows between Nov 23 and Aug 24, but turned slightly negative in negative in Sep, and sharply negative in Oct. Edward Glyn, head of global markets at Calastone said: "*Fears of a Capital Gains Tax grab in last week's budget spurred investors to book their profits and crystallize a lower tax bill well before the Chancellor rose to her feet in the Commons. Unease in September meant the early birds took fright first, but by October investors were flocking for the exits*."

The jury is still out as to whether these negative flows will be a temporary blip for UK equity funds. Certainly, the Chancellor seems determined to create an environment for more positive flows, and especially for pension funds (key potential clients for Polar) to deploy more capital to UK-based equity funds, saying in her 14 Nov 24 Mansion House speech: "*Reform is needed to create a surer climate for investment*."

UK-based equity fund net flows, £bn



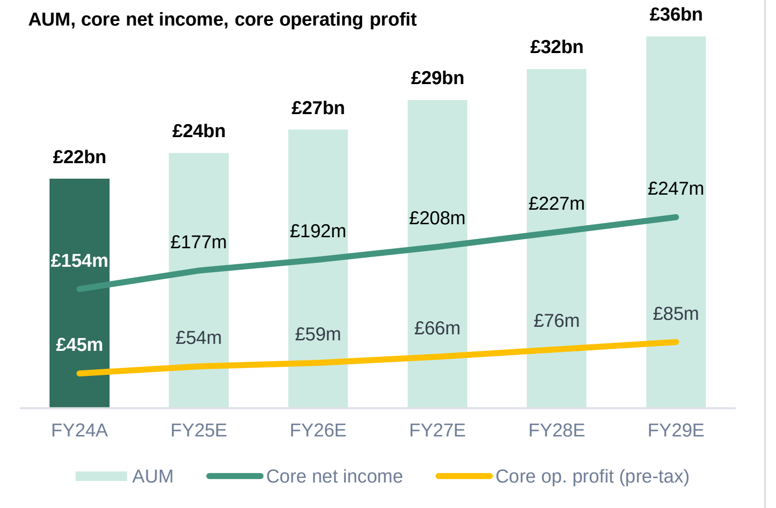
Source: Calastone, Chart reproduced with permission.

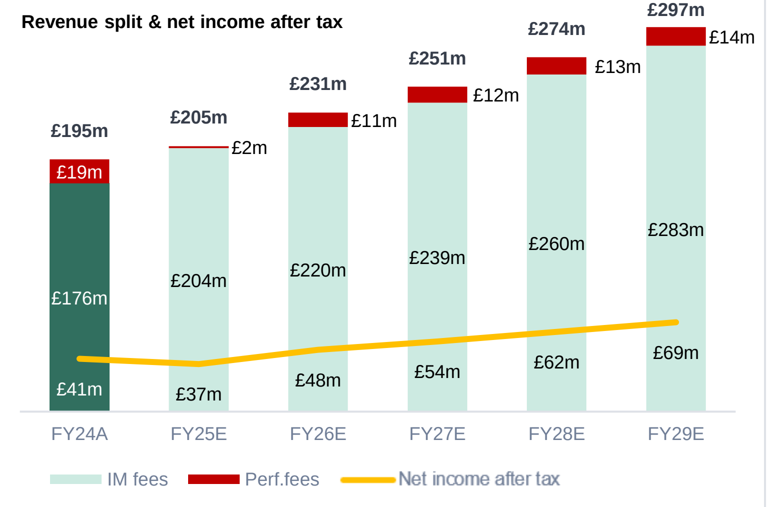
Fundamental Valuation of 650p / share

Underlying assumptions of fundamental valuation

- Our fundamental valuation uses a discounted cash flow methodology which is underpinned by a 5-year explicit growth forecast. This assumes:
- **AUM grows at c10% CAGR,** more specifically:
  - Polar returns to positive net flows in FY25 of around £500m, which looks credible given the current flow situation and outlook.
  - Net flows build to around £1.5bn per year in the latter part of our forecast – noting that that Polar achieved net inflows of around £2bn per year in the bull markets of FY18 and FY21.
  - Investment returns contribute 5% p.a. to AUM.
- **Revenue grows at c9% CAGR**, lower than AUM growth as we have assumed (historically) very low performance fees and some price erosion. Note the performance fee assumptions (in red in lower chart on right) and compare to the actual performance fees achieved in previous 5Y period (FY20: £22m; FY21: £44m; FY22: £14m; FY23: £7m; FY24: £19m).
- **Core operating margin moves from the current 31.2% to around 35% in 5 years –** noting that Polar achieved margins of 36.1% and 37.1% in FY21 and FY22 (before AUM fell off with the tech stock rout of calendar-2022).
- For the terminal value of our DCF we assume that Polar is acquired at the end of the 5-year explicit forecast period at a PER of 15 (probably conservative (see overleaf).
- All cash flows are discounted at a rate of 13.25%, which produces a **fundamental valuation of 650 pence per share**.

Summary 5Y growth forecasts





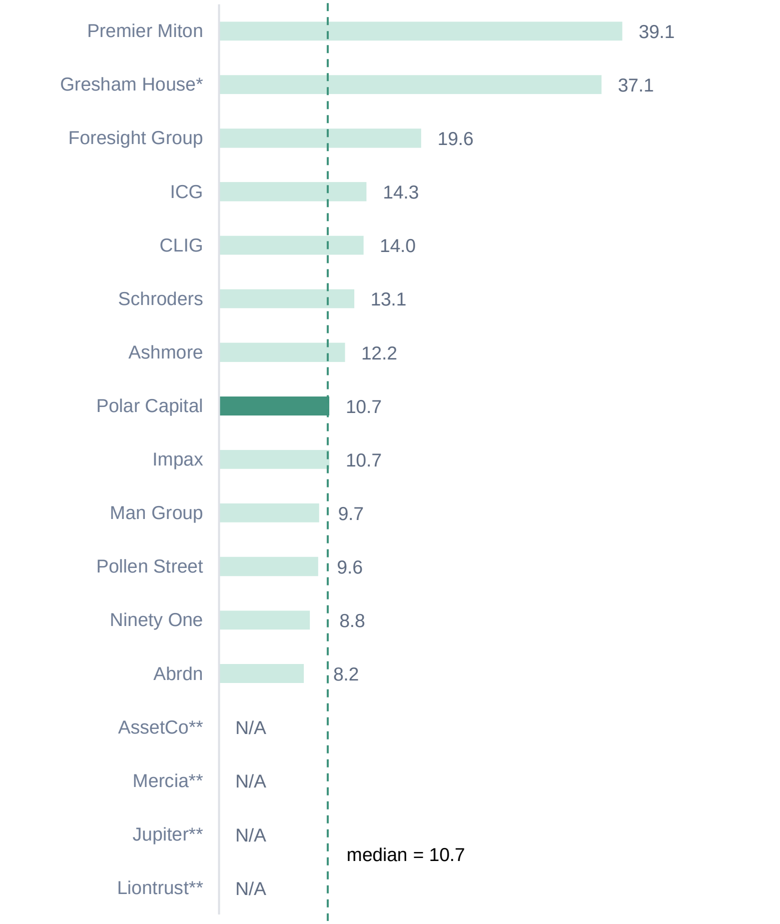
Source: Company historic data, ED forecasts and analysis

Peer comparator valuations

A sector-median PER seems strange given superior growth

- We believe the UK asset management sector is undervalued, and highlight that acquirers appear to be seeing value in high performers. This is demonstrated by the premium paid for Gresham House which was acquired in Dec 23. The acquisition was concluded at a PE multiple of 37.1, far above the PER of most peers (sector median 10.7) with the acquisition price 63% above that of the pre-announcement share price.
- Given its superior growth rate compared to peers (page 4), niche strategic positioning, strong profit margins, and strong balance sheet (£68m net cash at the end of H1-25 and no debt), would expect Polar to trade at a premium compared to peers.
- But it only trades at the peer group median PER of 10.7, and we see potential for this to adjust and for Polar's shares to re-rate.

PER (TTM) peer group comparison



Source: London Stock Exchange, company announcements. PERs based on share prices as at 15 Nov 24 and latest available basic EPS on Trailing Twelve Months (TTM) basis on that date.
**De-listed on 20 Dec 2023 after being acquired*
***All made statutory losses on TTM basis*

Historic and forecast financials

Consolidated Income Statement + Forecasts							
12 months to end March, £m	**FY22A**	**FY23A**	**H1-24**	**FY24A**	**H1-25**	**FY25E**	**FY26E**
Revenue	224.1	182.9	*86.9*	195.1	*100.6*	205.2	230.6
Other Income	1.6	2.6	*(0.3)*	2.5	*2.9*	3.3	2.8
Gross Income	**225.7**	**185.5**	***86.6***	**197.6**	***103.5***	**208.5**	**233.4**
Commissions and fees payable	(22.6)	(21.4)	*(10.4)*	(22.7)	*(13.0)*	(26.1)	(28.1)
Net Income	203.0	164.1	*76.2*	174.9	*90.5*	182.5	205.3
Operating Costs	(140.9)	(118.7)	*(55.0)*	(120.0)	*(67.3)*	(132.2)	(141.5)
Profit for the year before tax	**62.1**	**45.2**	***21.1***	**54.7**	***23.1***	**50.0**	**63.6**
Taxation	(13.2)	(9.6)	*(5.4)*	(13.9)	*(6.5)*	(13.2)	(15.9)
Profit attributable to ord. shareholders	**48.9**	**35.6**	***15.6***	**40.8**	***16.6***	**36.7**	**47.7**
Adjusted Profit, £'000							
The Group believes that aligning staff rem. and profits generated in the same period will allow users of the financial statements to gain a better understanding of the Group's results and their comparability year on year (post tax).							
+ excep. items, acquisition related costs	2.9	5.0	-	-	-	-	-
+ excep. items, amort. of int. assets	1.9	1.2	*0.6*	1.2	*0.6*	*0.6*	1.2
+ excep. items, impairment of int. assets	6.0	-	-	-	*5.4*	*5.4*	5.4
+ share-based payments on pref. shares	1.1	0.3	*0.4*	0.7	*1.0*	*1.0*	1.0
+ excep. items, FV charge on def cons	*(3.7)*	-	-	-	-	-	-
Less net amount of deferred staff rem	(0.8)	1.7	*0.2*	0.3	*0.4*	*0.4*	0.4
Adjusted Profit After Tax	**56.2**	**43.7**	***16.8***	**43.0**	***23.9***	***23.9***	**44.6**
Earnings per share, p							
Basic	50.8	36.8	*16.2*	42.3	*17.3*	37.1	47.5
Diluted	48.7	36.1	*16.0*	41.8	*17.0*	36.6	46.9
Adjusted basic	58.4	45.2	*17.4*	44.6	*24.8*	45.1	50.0
Adjusted diluted	56.0	44.3	*17.2*	44.0	*24.5*	44.5	49.3
Core operating profit (non-GAAP), £m							
Profit before performance fee profits, other income and tax. This presents a clear view of what the Group considers to be the results of its underlying operations before items which may either be volatile, non-recurring or non-cash in nature, and taxation.							
Management fees	210.0	176.2	*86.9*	176.4	*100.6*	203.5	219.8
Commissions and fees payable	(22.6)	(21.4)	*(10.4)*	(22.7)	*(13.0)*	(26.1)	(28.1)
Net management fees	187.3	154.8	*76.5*	153.7	*87.7*	177.5	191.7
P/(L) on foreign currency contracts	-	-	-	-	-	-	-
Core operating costs	(117.9)	(106.7)	*(53.9)*	(108.7)	*(60.2)*	(123.4)	(133.0)
Finance costs		(0.2)	*(0.1)*	(0.2)	*(0.1)*	(0.2)	(0.2)
Core operating profits (before tax)	**69.4**	**47.9**	***22.5***	**44.8**	***27.3***	**53.9**	**58.5**

Source: Company Historic Data, ED estimates.

Consolidated Balance Sheet + Forecasts

As at end March, £m	FY 22A	FY 23A	H1-24	FY 24A	H1-25	FY 25E	FY 26E
Non-current assets							
Goodwill and intangible assets	17.1	15.9	*15.4*	14.8	*8.8*	8.2	7.1
Property & equipment	4.1	10.5	*9.5*	8.3	*7.4*	8.1	7.9
Deferred tax assets	3.5	0.1	*1.0*	1.9	*3.4*	3.4	3.4
	24.7	**26.6**	***25.8***	**25.0**	***19.6***	**19.7**	**18.3**
Current assets							
Assets at FV through P&L	77.8	83.0	*70.5*	62.4	*81.8*	79.8	79.8
Trade & other receivables	25.4	19.5	*22.7*	21.1	*25.8*	25.8	29.0
Other financial assets	2.7	5.2	*4.7*	3.4	*1.1*	3.4	3.4
Assets at amortised cost			-	6.7	*3.3*	3.3	3.3
Cash & cash equivalents	121.1	107.0	*72.8*	98.9	*68.3*	80.7	95.7
Current tax assets	1.6	0.3	*0.6*	0.1	*0.3*	0.3	0.3
	228.6	**215.1**	***171.2***	**192.6**	***180.6***	**193.4**	**211.6**
Total assets	**253.3**	**241.7**	***197.0***	**217.6**	***200.2***	**213.1**	**229.9**
Non-current liabilities							
Provisions & other liabilities	2.9	8.9	*7.9*	7.5	*6.3*	8.9	8.9
Liabilities at FV through P&L	0.6	0.5	*0.3*	0.2	*0.1*	0.7	0.7
Deferred tax liabilities	3.4	0.5	-	-	-	-	-
	6.9	**9.9**	***8.2***	**7.8**	***6.5***	**9.6**	**9.6**
Current liabilities							
Liabilities at FV through P&L	10.0	16.4	*8.2*	5.4	*7.7*	5.4	5.4
Trade & other payables	80.1	68.7	*55.3*	64.1	*57.8*	57.5	64.6
Provisions		3.2	*0.3*	0.2	*0.1*	0.2	0.2
Other financial liabilities	0.0	0.0	-	0.0	-	0.0	0.0
Current tax liabilities	-	0.7	*2.0*	4.1	*3.6*	4.1	4.1
	90.1	**88.9**	***65.8***	**73.9**	***69.2***	**67.3**	**74.4**
Total liabilities	**97.0**	**98.8**	***74.0***	**81.7**	***75.7***	**76.9**	**84.0**
NET ASSETS	**156.2**	**142.9**	***123.1***	**135.9**	***124.5***	**136.2**	**145.9**
Capital & Reserves							
Issued share capital	2.5	2.5	*2.5*	2.5	*2.5*	2.5	2.5
Share premium	19.4	19.4	*19.4*	19.4	*19.4*	19.4	19.4
Investment in own shares	(24.9)	(31.6)	*(33.3)*	(34.7)	*(30.6)*	(30.6)	(30.6)
Capital & other reserves	12.4	12.3	*12.2*	12.0	*11.8*	12.0	12.0
Retained Earnings	146.9	140.3	*122.3*	136.6	*121.5*	133.0	142.6
TOTAL EQUITY	**156.2**	**142.9**	***123.1***	**135.9**	***124.5***	**136.2**	**145.9**

Source: Company Historic Data, ED estimates.

Consolidated Cash Flow Statement + Forecasts (page 1 of 2)

12 months to end March, £m	FY 22A	FY 23A	H1-24	FY 24A	H1-25	FY 25E	FY 26E
OPERATING ACTIVITIES							
Profit before taxation	**62.1**	**45.2**	***21.1***	**54.7**	***23.1***	**50.0**	**63.6**
Interest receivable & similar income	(0.1)	(0.7)	*(1.1)*	(2.3)	*(1.2)*	(2.3)	(2.3)
Investment income	(0.2)	(0.6)	*(0.4)*	(0.4)	*(0.2)*	(0.5)	(0.5)
Interest on lease	0.1	0.2	*0.1*	0.2	*0.1*	0.2	0.2
Depreciation on PPE	1.4	2.2	*1.2*	2.5	*1.2*	2.5	2.5
Revaluation of liability at FVTPL	-	-	-	-	-	-	-
Amort. & impairment of int. assets	7.9	1.2	*0.6*	1.2	*6.0*	6.5	1.2
Decr/(Incr) in FV of inv. securities	-	-	-	-	-	-	-
Decr/(incr) in FV of assets at FVTPL	7.7	(4.2)	*4.8*	2.9	*(2.8)*	(2.8)	-
(Decr)/incr in other financial liabilities	(10.4)	(0.5)	*(0.6)*	0.2	*1.3*	1.3	-
Incr in other financial assets	-	-	-	-	-	-	-
Decr/(incr) in receivables	(1.5)	5.9	*(3.2)*	(1.5)	*(4.8)*	(4.8)	(3.2)
(Decr)/incr in trade & other payables	8.4	(8.7)	*(16.6)*	(7.1)	*(6.7)*	(6.7)	7.1
Share-based payment charges	7.4	4.4	*2.4*	5.1	*3.6*	7.2	7.7
Incr/(decr) in liabilities at FVTPL	(3.9)	0.3	*(1.9)*	(2.2)	*0.5*	0.5	-
Release of fund units deferred rem	6.5	7.4	*1.0*	(1.2)	*1.7*	1.7	-
Other non-cash items	-	-	-	-	-	-	-
Cash generated from operations	**85.3**	**52.0**	***7.4***	**52.0**	***21.9***	**52.8**	**76.3**
Corporation tax paid	(10.9)	(7.7)	*(5.9)*	(12.4)	*(8.0)*	(13.2)	(15.9)
Interest on lease	(0.1)	-	-	-	-	-	-
Interest received		0.9	*1.1*	2.3	*1.2*	2.3	2.3
Net cash from operating activities	**74.4**	**45.1**	***2.7***	**41.9**	***15.0***	**41.9**	**62.7**

Source: Company Historic Data, ED estimates.

Consolidated Cash Flow Statement + Forecasts (page 2 of 2)

12 months to end March, £m	FY 22A	FY 23A	H1-24	FY 24A	H1-25	FY 25E	FY 26E
INVESTING ACTIVITIES							
Interest received	0.3	-	-	-	-	-	-
Investment income received	0.2	0.4	*0.4*	0.4	*0.2*	0.5	0.5
Sale of investment securities	-	-	*29.0*	56.1	*12.8*	12.8	-
Purchase of investment securities	-	-	-	-	-	-	-
Sale of assets at FV through P&L	41.2	55.3	-	-	-	-	-
Purchase of assets at FV through P&L	(70.3)	(62.8)	*(20.3)*	(36.4)	*(31.4)*	(31.4)	-
Purchase of assets at amortised cost	-	-	-	(6.7)	*3.3*	3.3	-
Purchase of property and equipment	(0.6)	(0.5)	*(0.1)*	(0.2)	*(0.3)*	(0.5)	(0.6)
Cash from business combination	-	-	-	-	-	-	-
Pmts from business combination	(8.1)	-	-	-	-	-	-
Pmts in respect of asset acquisition	(1.3)	(0.2)	-	(0.1)	*(0.0)*	-	-
Cash from disposal of cons seed inv.	-	(11.7)	-	-	-	-	-
Net cash used in inv. activities	**(38.5)**	**(19.5)**	***8.8***	**13.1**	***(15.3)***	**(15.2)**	**(0.1)**
FINANCING ACTIVITIES							
Dividends paid to shareholders	(43.4)	(44.5)	*(30.9)*	(44.3)	*(30.9)*	(44.7)	(45.8)
Lease payments	(1.3)	(1.4)	*(0.7)*	(1.7)	*(1.0)*	(1.7)	(1.7)
Interest on lease		(0.2)	*(0.1)*	(0.2)	*(0.1)*	(0.2)	(0.2)
Issue of shares	0.0	-	-	-	-	-	-
Purchase of own shares	(12.4)	(10.7)	*(7.6)*	(8.2)	*(0.5)*	(0.5)	-
3rd party subs into cons funds	9.9	20.7	*3.7*	5.0	*2.5*	2.5	-
3rd party redemptions from cons funds	(4.6)	(3.9)	*(10.2)*	(13.4)	*(0.3)*	(0.3)	-
Dividends paid to 3rd party interests	-	-	-	-	-	-	-
Net cash from /(used in) financing	**(51.8)**	**(39.9)**	***(45.7)***	**(62.9)**	***(30.2)***	**(44.9)**	**(47.7)**
Net (decr)/incr in cash & equiv.	**(15.9)**	**(14.3)**	***(34.2)***	**(7.9)**	***(30.4)***	**(18.2)**	**15.0**
Cash & equivalents beginning of year	136.7	121.1	*107.0*	107.0	*98.9*	98.9	80.7
Effect of forex rate changes	0.3	0.1	*(0.0)*	(0.2)	*(0.2)*	-	-
Cash & equivalents at end of year	**121.1**	**107.0**	***72.8***	**98.9**	***68.3***	**80.7**	**95.7**

Source: Company Historic Data, ED estimates.

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