Polar Capital Holdings

Core profit margin still over 30% in brutal markets

21 November 2022

AUM fell 15% in H1-23, from £22.1bn on 1 Apr 22 to £18.8bn on 30 Sep 22. Unsurprisingly, given the widespread sell-off in equities, investment performance accounted for -£2.1bn of the fall, with net outflows of -£0.8bn, and the closure of the Phaeacian funds in the US -£0.5bn.

In turn, net management fees fell 14% y-o-y from £92.9m to £80.0m. But core operating costs were well controlled, decreasing 4.3% from £56.6m to £54.2m with core operating profit* decreasing 29% from £36.3m to £25.8m, a core H1-23 margin of 32% (H1-22: 39%). Cost control and core margin are even more impressive given the H1-22 cost comparator does not include costs of the Sustainable Thematic team (launched Sep 2021), while H1-23 does (see page 9).

Profit before tax decreased 27% y-o-y from £31.7m to £23.0m. Basic EPS decreased by 33% to 17.7p (H1 22: 26.5p) while adjusted diluted core EPS fell 29% y-o-y to 20.1p (H1 22: 28.2p).

Polar's balance sheet remains strong, with no debt and net assets of £141.3m, down 4% y-o-y from £146.8m. Cash and equivalents were £82.5m, down 20% y-o-y from £103.4m.

Management confidence

Despite gloomy markets, there are multiple positive signals and signs of management confidence:

- Positive net inflows were recorded in multiple funds, including Global Insurance, Biotechnology, Healthcare Blue Chip, Smart Energy, European ex-UK Income, Emerging Market Stars, Forager and Global Absolute Return, and net outflows from open-ended Technology funds have slowed.
- Polar has reported a strong pipeline of investor interest in multiple strategies, and that the short list of new potential investment teams is larger than for many years.
- The board has declared an interim dividend of 14.0p per share, unchanged from H1-22 (if the total full-year dividend is maintained at 46p, that would be a yield of 9.7% at today's share price).
- **Directors' have made over £2.2m of share purchases, in cash, during 2022.**

Fundamental value 27% above current share price, undemanding PER

We maintain confidence in the strength of Polar's strategic positioning, and that it is well positioned to return to growth, despite significant short-term uncertainty.

Our fundamental valuation is 600p per share, 27% above the current share price, and we flag that Polar's PER of 9.3, is undemanding and below a peer group median of 10.0 (see page 13).

Key Financials

Year-end 31 Mar	FY21A	*H1 22 A*	FY 22A	*H1 23 A*	FY 23E	FY24E
AUM, £bn	20.9	*23.4*	22.1	*18.8*	18.3	19.7
Rev, £m	201.5	*103.6*	224.1	*90.9*	176.5	176.8
Management fees, £m	157.3	*103.6*	210.0	*90.9*	172.0	168.4
Performance fees, £m	43.6	*0.0*	14.1	*0.0*	4.5	8.4
PBT, £m	75.9	*31.7*	62.1	*23.0*	50.7	47.3
Core op profit*, £m	51.5	*36.3*	69.4	*25.8*	49.8	44.8
Performance fee profit	19.5	*0.0*	4.1	*0.0*	1.9	3.6
EPS basic, p	67.2	*26.5*	50.8	*17.7*	41.5	35.8
EPS adjusted diluted, p	62.3	*28.1*	56.0	*19.0*	40.0	34.6
PER	7.0	*8.9*	9.3	*13.4*	11.4	13.2
Div, p	40.0	*14.0*	46.0	*14.0*	46.0	46.0
Yield	8.5%	*3.0%*	9.7%	*3.0%*	9.7%	9.7%
Net assets, £m	151.4	*146.8*	156.2	*141.3*	149.0	149.9
Net cash, £m	136.7	*103.4*	121.1	*82.5*	96.7	99.1

Source: Company Historic Data, ED estimates. PER and Yield based on share price of: ***473p***
** excluding performance fees and performance-related costs, other income, exceptional items and tax*
*** Seed inv, securities, fund units held against deferred remuneration, other fin assets & liabilities*

Company Data

EPIC	POLR
Price (last close)	472.5p
52 weeks Hi/Lo	838p/380p
Market cap	£476m
ED Fair Value/share	600p
Net assets	£141m
Avg. daily volume	190k

Share Price, p

Source: ADVFN

Description

Polar Capital (Polar) is an active fund manager, established in 2001. It has 15 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
- North America
- Global Convertible
- Sustainable Equity

AUM 30 Sep 2022: £18.8bn

Next Event: Q3 AUM, Jan 23

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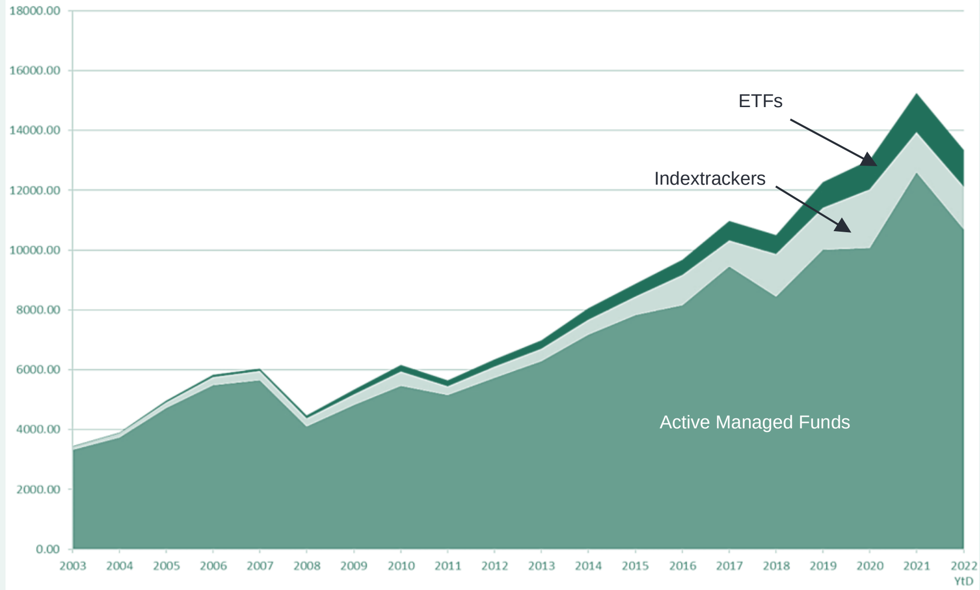
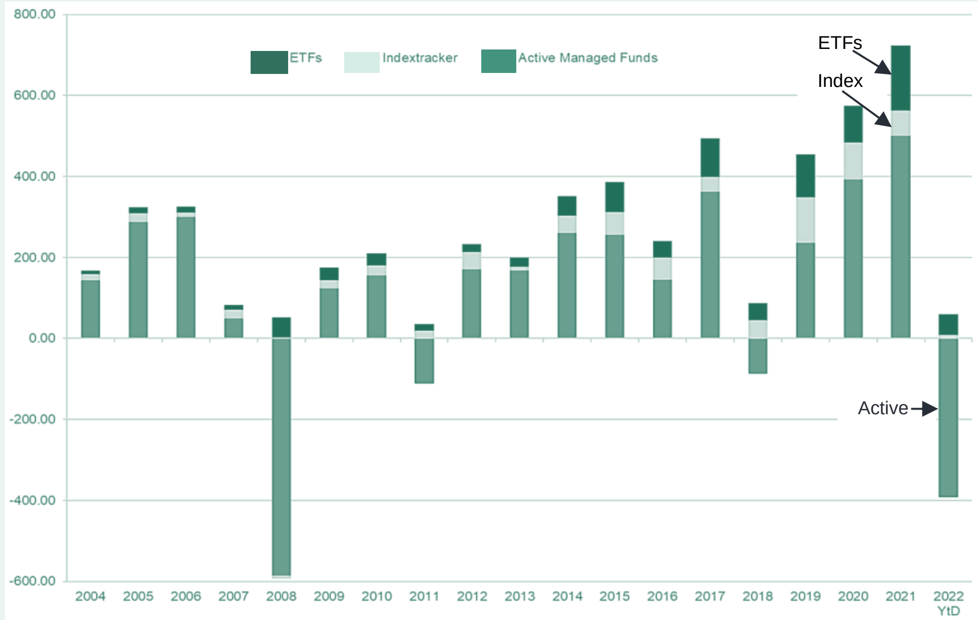
A tough 2022 for funds, especially active managers

Weak economic and market environments resulted in significant AUM reductions across the European (incl. UK) fund landscape in 2022, with AUM down 13% from €15.3trn on 31 Dec 21 to €13.3trn on 30 Sep 22. Actively managed funds were particularly hard-hit by net outflows, which is typical during sharp market falls.

European Funds: Assets Under Management by product type, €bn



Estimated European Net Fund Flows, €bn



Source: Refinitiv Lipper: European Fund Market Trends: Year-to-date Q3 2022. Chart reproduced with permission

But it is important to maintain a longer-term perspective on these developments. Notably, **active funds are still by far the largest segment of the fund universe in Europe** (Polar's largest market by some distance) **and are still in a long-term growth trend** (1st chart above), a fact that is sometime overlooked given the high-profile of passive fund growth in recent years.

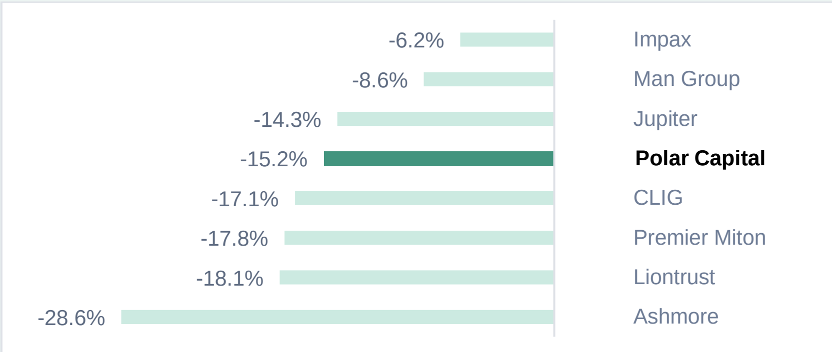
Additionally, history suggests that active funds tend to recover and return to inflows fairly quickly and continue their growth trajectory. This can be seen in the 2nd chart which shows sharp outflows in 2008 (financial crisis), 2011 (sovereign debt crisis), and 2018 (multiple factors) followed by strong recoveries.

Polar AUM down less than most London-listed peers

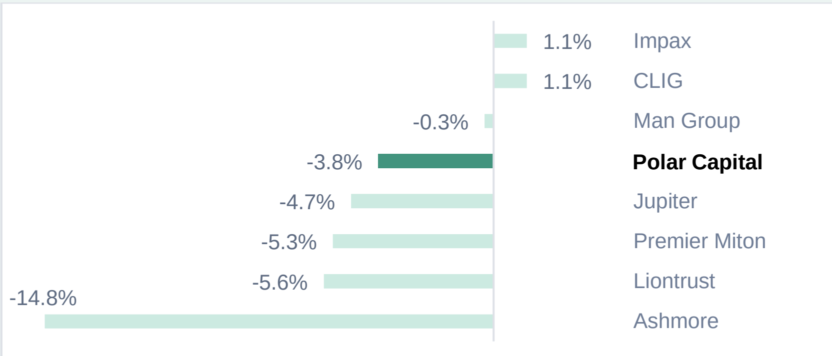
The above trends have certainly extended to a London-listed active manager peer group with every member of this group recording significant reductions in AUM during the Apr-Sep 22 period (Polar's H1-23). Polar itself recorded an AUM fall over H1 of 15%, from £22.1bn on 1 Apr 22 to £18.8bn on 30 Sep 22. Market movements and investment performance accounted for £2.1bn of the fall, net outflows £0.8bn, and the closure of the Phaeacian funds in the US £0.5bn.

However, Polar's relative performance within this group was fairly strong: 2nd quartile in AUM movement, net inflows, and investment performance. This is especially impressive given its heavy exposure to the technology sector which experienced large valuation declines and net outflows as investors rotated out of growth-oriented equities (*Dow Jones Global Technology Net Total Return* index fell 29% over the period).

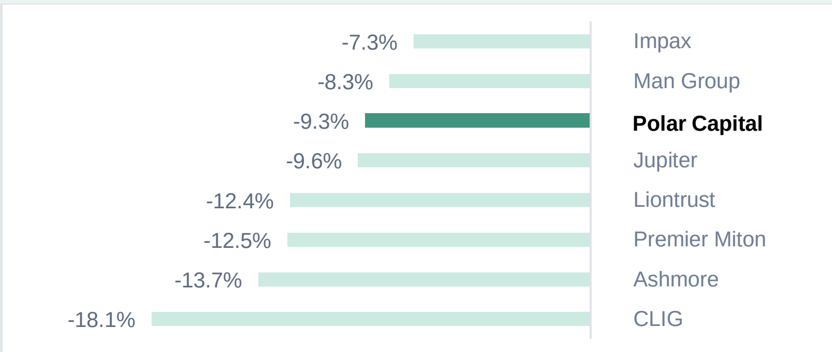
AUM movement, 6m period from 1 Apr 22 to 30 Sep 22



Net inflows as % of opening AUM, 6m period from 1 Apr 22 to 30 Sep 22



Investment performance*, 6m period from 1 Apr 22 to 30 Sep 22



Source: Company reports and updates, ED analysis
Data excludes AUM from acquisitions
**Impact of market movements and investment performance as % of opening AUM*

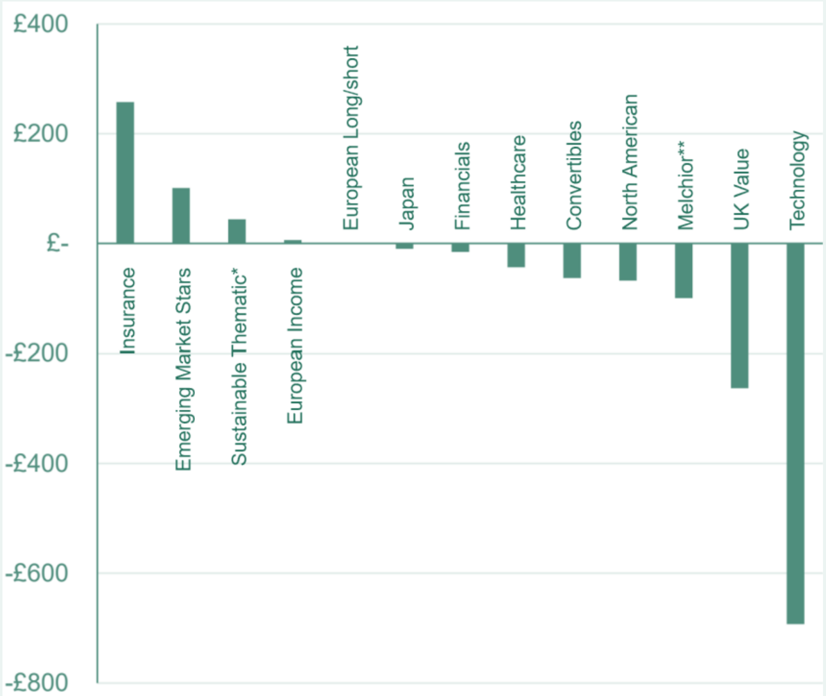
'Barbell' distribution of net flows

During 2022, multiple factors, including ongoing Covid-19 disruptions (especially in China); rising interest rates; the war in Ukraine and other geopolitical risks; and rising inflation; drove a general investment trend away from 'risk-on' growth-oriented equity funds towards areas such as government bond funds, defensive sector equity funds and funds investing in precious metals. There has also been an element of investors shunning UK equities amidst heightened political and economic uncertainty.

These trends have certainly translated into fairly heavy outflows for parts of Polar's portfolio, particularly *Technology*, and *UK Value*. However, the rate of outflows from its open-ended Technology funds continued to decline, with -£252m in Q2 compared to -£380m and -£630m in the previous two quarters.

But there have been 'winners' too. Most notably *Insurance*, as the sector is a beneficiary of higher interest rates, and Polar's sustainable-oriented strategies (*EM Stars*, *Smart Energy* and *Smart Mobility*), where investor sentiment has held up well (discussed below).

Net flows by strategy: Apr 22 – Sep 22



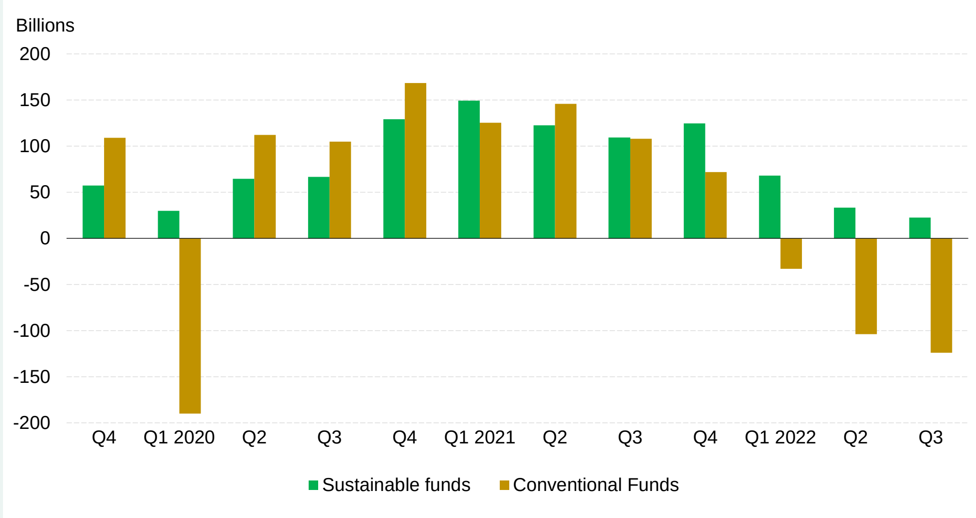
Source: Company.
**Smart Energy and Smart Mobility strategies launched in Sep 21.*
*** Includes MST European Opportunities, MST European Absolute Return and MST Global Equity.*

Indeed, amidst muted investor demand for emerging market equities, the Emerging Market Stars fund range (which has a strong sustainability theme) attracted £101m of inflows, and amidst very strong negative sentiment towards growth-equities, the Smart Energy and Smart Mobility funds (launched in Sep 2021 and very much in the growth-equity category) attracted £44m of net inflows.

Moreover, we highlight the relative strength of the sustainable investing market more generally. While 'conventional funds' have seen heavy outflows in 2022, sustainable funds have maintained positive net flows, albeit at a reduced level compared to 2021 (see chart below).

According to Morningstar: "*As demonstrated in the last two quarters—as well as in 2020 at the start of the pandemic—sustainable fund flows demonstrated overall resilience against market volatility compared with traditional peers as sustainability-focused investors—who are typically values-driven and long-term-oriented—are slower to pull money from funds they are invested in*."

European sustainable and conventional fund flows, US$bn



Source: Morningstar: Global Sustainable Fund Flows: Q3 2022 in Review, chart reproduced with permission.

We think momentum in sustainable investing will remain strong. The tailwinds that have been in place over the last few years remain firmly intact, but in addition, more recent tailwinds have emerged too:

- Asset owners (clients of investment managers such as Polar) are guarding against ‘greenwashing’ (over-egged or false green credentials) and demanding more sophisticated sustainable investing strategies. Polar’s Article 9 funds should be well placed to capitalise.
- Regulation will likely steer even more investment towards sustainable funds, for example, recent MiFID II amendments require financial advisers to consider their clients' sustainability preferences, which has the potential to accelerate adoption of sustainable investments among retail investors.
- And, while the underlying cause is a tragedy, a consequence of Russia’s invasion of Ukraine is likely to be a more significant and faster shift towards renewable energy investments, which will benefit the sustainable investment market and Polar’s Smart Energy fund in particular over the medium-to-long-term. A number of governments have already signalled significant policy shifts in this regard to diversify their energy supply (not only away from Russian-sourced fossil fuels specifically, but away from fossil-fuel-based energy more generally, in favour of renewable energy).

Fund performance mixed over ST, LT record strong

The 2022 sentiment shift to 'value' styles over 'growth' investing has led to Polar's value-oriented funds performing well over the short term (many have outperformed benchmark over three and five years), with the inverse being true for Polar's growth-oriented funds. Notable fund performances in 2022 are as follows:

- The Polar Capital Global Convertible Fund, European ex-UK Income Fund, Income Opportunities Fund, Biotechnology Fund, Healthcare Discovery Fund, Global Insurance Fund and Japan Value Fund all outperformed their respective benchmarks in the calendar year-to date.
- Polar Capital Global Insurance Fund, which has no exposure to life insurance companies, has had a strong year and returned 12% YTD, outperforming its benchmark by 7%.
- Polar Capital UK Value Opportunities Fund has materially underperformed its benchmark as it has high exposure to small and mid-cap domestic companies which have been de-rated due to the weakening UK economy. The performance of the benchmark (FTSE All Share) has benefitted from exposure to oil and resources stocks.
- Polar Capital Global Technology Fund's performance has improved but remains well off its high-water mark.
- The Smart Energy and Smart Mobility funds (launched in Sep 2021), investing in decarbonisation, electrification and sustainable transport themes have delivered returns ahead of the MSCI All Countries World Index in H1-23.

However, with growth funds being the largest proportion of Polar's AUM, this has led to weaker overall performance across the group's fund-range over shorter time horizons. But over the longer-term, its impressive track record remains firmly intact.

When measured since fund inception, 93% of UCITS AUM (approximately 74% of total Polar AUM) had performed in the top two quartiles compared to a Lipper1 peer group (71% in the first quartile) with 86% in the top two quartiles over five years (48% in the first quartile), and 87% over three years (22% in the first quartile).

Proportion of UCITS AUM* by quartile (Q) compared to peer group

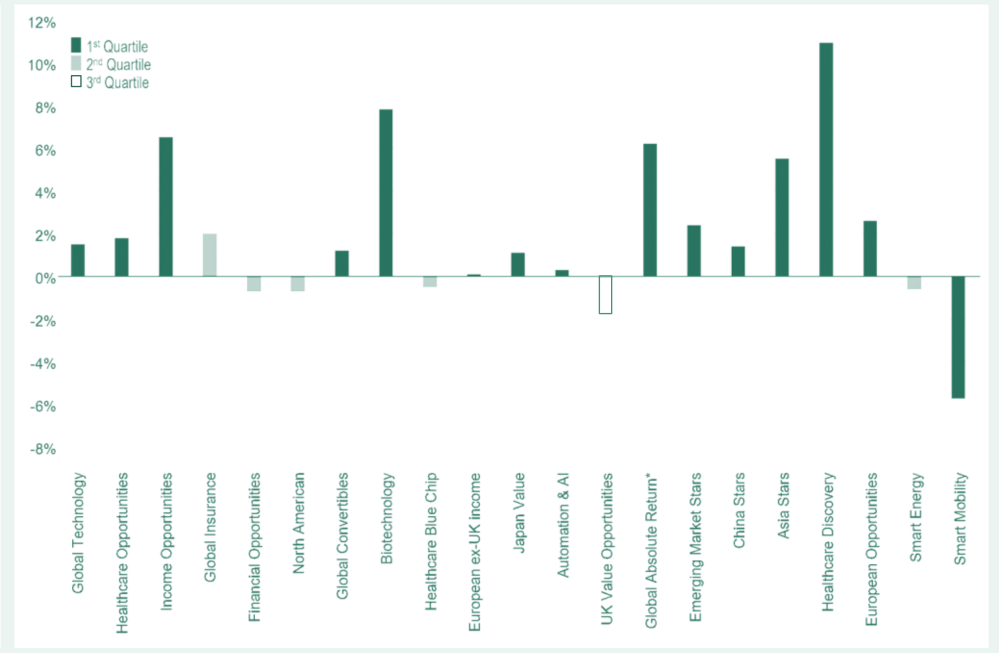
Source: Company (original source Lipper), as at 30 Sep 22. **c74% of total Polar AUM. SI = Since Inception*

[1] *Lipper provides performance data for homogeneous groups of funds with comparable investment objectives: lipperleaders.com*

At an investment fund level, 15 out of 21 UCITS strategies have delivered 1st quartile returns since inception, with 5 delivering 2nd quartile returns and one in the third quartile (UK Value, as previously discussed).

This breakdown is shown below, which is a split of the far-right bar in the chart above (SI) by investment fund.

Annualised fund performance against benchmark (since inception)



Source: Company, Original source: Lipper.
Lipper quartile rankings as at 30 Sep 2022. Only for funds that have more than 12 months performance data. Funds ordered according to launch date. All data is based on the Fund's base currency.
**The Global Absolute Return Fund does not have a benchmark. Figures shown reflect absolute performance.*

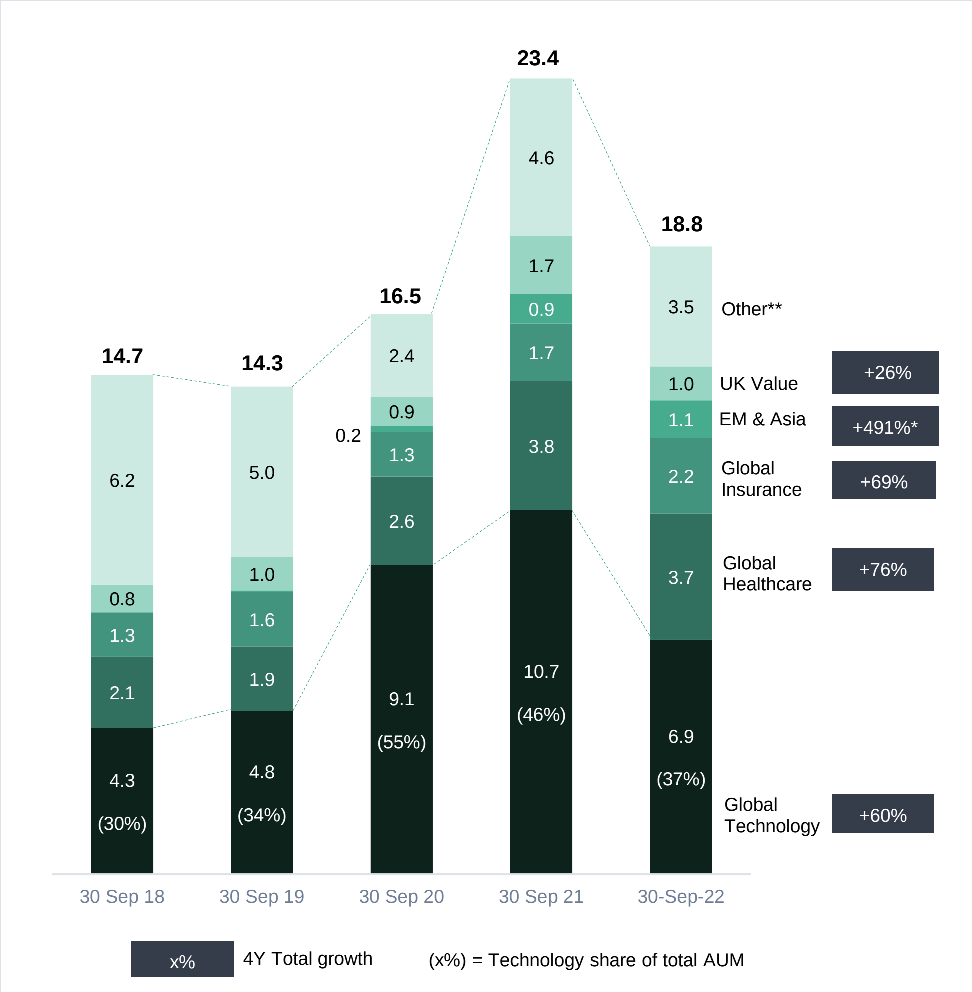
Looking through technology-led AUM volatility

While the above net inflow and investment performance related movements in AUM provide useful shorter-term perspectives on current trends, we believe it is also essential to be monitoring and keeping a perspective on a slightly longer-term time horizon.

And when we do this, analysing movements in Polar's AUM by strategy, it becomes fairly obvious that the primary story behind AUM developments is twofold:

1. **All major strategies have grown their AUM over a 4-year period**, and
2. Overlaying this, Polar's largest strategy – technology – has been characterised by a huge increase in AUM as a result of the rotation into tech prior to and particularly during the Covid-19 pandemic, followed by a sharp decline in 2022 as inflation and geopolitical fears were realised, and growth expectations of technology stocks sobered.

AUM development by largest strategies, £bn



Source: Company
** Emerging Markets & Asia Strategy 3Y Total growth, off small base in 2018, funds launched mid-late 2018*
***Decline in 'Other' between 30 Sep 19 and 30 Sep 20 was primarily as a result of a restructure and consequent outflows from North American strategy (AUM decline c£1.4bn); Increase between 30 Sep 20 and 30 Sep 21 was primarily as a result of acquisitions (c£1.9bn from Melchior and Phaeacian); Decline between 30 Sep 21 and 28 Oct 22 was primarily due to negative market movements.*

H1 Financials: Rev & profit down, balance sheet strong

Revenue

Along with the fall in total AUM, average AUM, which is the primary driver of revenue, decreased by 11% compared to H1-22 from £22.5bn to £20.0bn, and 14% compared to H2 22, the immediately preceding six months (average AUM £23.2bn).

Gross income, which includes 'other income' of -£1.2m (mostly relating to investment gains and losses) fell 13% from £102.9m to £89.7m. Net management fees (after commission and rebates) fell 14% y-o-y from £92.9m to £80.0m with management fee yield margin declining from 83 basis points to 80.

Costs and profitability

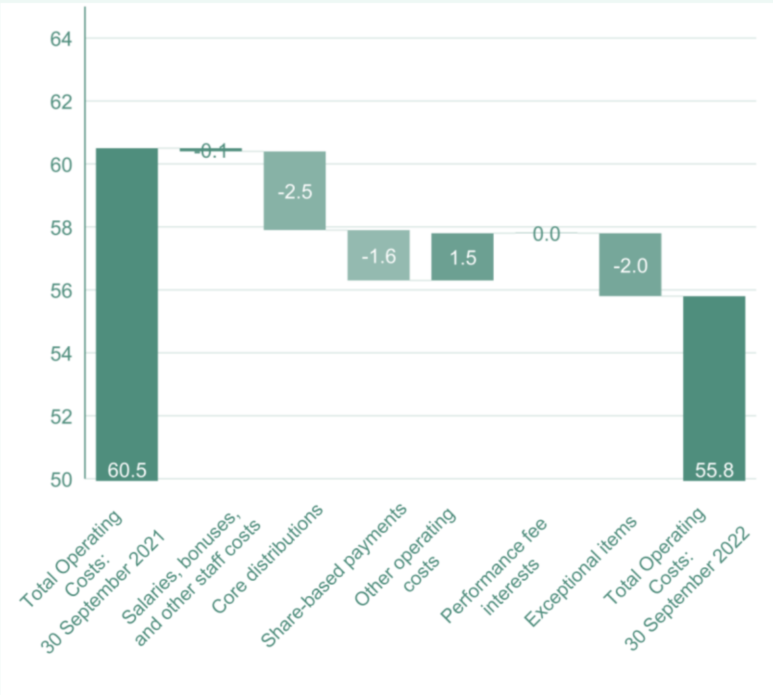
Core operating costs were well controlled in H1, decreasing 4.3% y-o-y from £56.6m to £54.2m, mainly due to lower core distributions which comprises variable compensation payable to investment teams from management fee revenue (-£2.5m compared to H1-22), share based payments (-£1.6m), and slightly higher other operating costs (+£1.5m). An increase in travel and entertainment costs made up a significant portion of the increase in other costs (+£0.9m) as Covid-19 restrictions eased.

Core operating profit - *profit before performance fee profits, other income, exceptional items and tax* – which is a measure of Group profitability, excluding investment-performance-related profits and other components which may be volatile, non-recurring or non-cash in nature, decreased 29% y-o-y from £36.3m to £25.8m.

Cost control and core margin are even more impressive given the H1-22 cost comparator does not include costs of the Sustainable Thematic team (launched Sep 2021), while H1-23. The launch costs of setting up this team in Switzerland were included in H2-22 costs, with H1-23 including a full half-year of ongoing costs. While this team has had initial success it is not yet contributing to profits, but once it does, benefits will start having a positive impact on margins.

Statutory operating costs also declined (by 8%) as illustrated in the chart below.

Changes in total Operating Costs v H1-22 (£m)



Source: Company

Profit before tax decreased 27% y-o-y from £31.7m to £23.0m. Basic EPS decreased by 33% to 17.7p (H1 22: 26.5p) while adjusted diluted core EPS fell 29% y-o-y to 20.1p (H1 22: 28.2p).

Balance sheet and cash

Polar's balance sheet remains robust, with net assets of £141.3m (down 4% y-o-y from £146.8m and 10% from £156.2m on 31 Mar 22). Cash and equivalents were £82.5m (down 20% y-o-y from £103.4m and down 32% from £121.1m on 31 Mar 22). **Polar has no debt.**

Significant movements in cash over H1 included: cash generated from operations (+£10.4m); third-party subscriptions into consolidated funds (+£12.1m); dividends paid (-£30.9m); net purchases of financial assets (-£15.8m); purchase of own shares (-£6.7m); and deconsolidation of seed investments (-£6.1m).

The total value of seed investments stood at £46.7m on 30 Sep 22 (£44.5m on 30 Sep 21).

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 shows that £71m is available to maintain a strong balance sheet and pursue these growth opportunities, up from £69m one year prior.

Surplus capital calculation

Regulatory Capital	30 Sep 2022 £m	30 Sep 2021 £m
Shareholder funds	141.3	146.8
Less: deferred tax and capital reserves	-14.1	-12.4
Less: Goodwill and intangible assets	-16.5	-26.7
	110.7	**107.7**
Less: dividend provision	-13.6	-13.5
	97.1	**94.2**
Regulatory capital	-26.0	-25.0
Surplus capital	**71.1**	**69.2**

Source: Company

Dividends

The board has declared an interim dividend of 14.0p per share, unchanged from H1 22, with the CEO commenting: "*Maintaining the first interim dividend despite a reduction in adjusted diluted core EPS reflects our confidence in the business and the strength of our balance sheet. Historically, the first interim dividend has been set at half of first half core EPS. Maintaining last year's first interim dividend of 14p represents a covered dividend that is 69% of first half adjusted diluted core EPS.*"

It is also worth noting that if the total full-year dividend is also maintained at 46p, that would translate to a yield of 9.7%.

Growth outlook

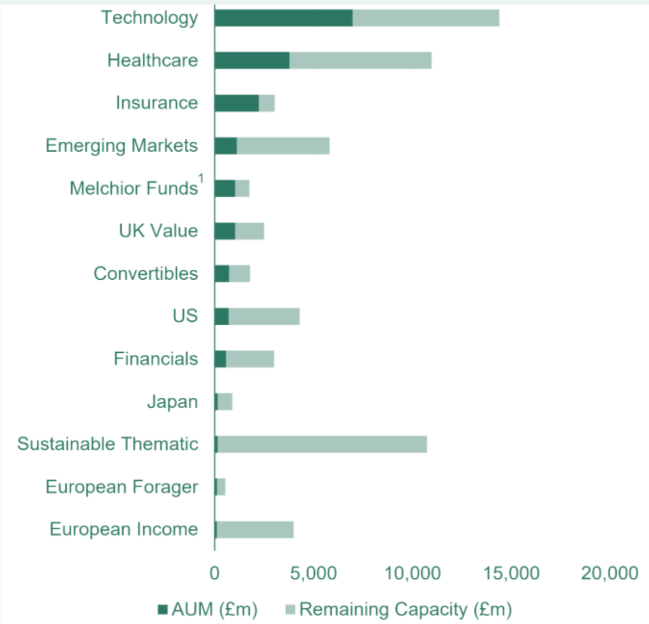
We remind readers of Polar's 'growth with diversification' strategy and how it intends to grow its AUM organically from existing strategies and channels, and also from adding new:

1. *investment themes* (e.g. in late 2021 it launched a range of sustainable funds - Smart Energy and Smart Mobility themes - run by the team lifted from Robeco Switzerland);
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 brings a strong European client base, particularly in Germany, and we highlight that it is actively seeking opportunities in the US).

With respect to organic growth though, we see particularly strong opportunities for growth for Polar's Sustainable Thematic strategies (as previously discussed, see page 4&5), Healthcare, Emerging Markets, European Income, and in the recovery of its Technology strategies (while significant short-term uncertainty prevails, we believe technology will undoubtably be a leading investment theme over the medium-long term).

These opportunities arise not only out of market opportunities, but from Polar's available capacity, which is significant in the above areas (see chart below). Currently, Polar has a total capacity of £66bn with a current remaining capacity (opportunity for growth) of £47bn.

AUM & Available Capacity (30 Sep 22)



Source: Company

[1] Includes MST European Opportunities, MST European Absolute Return & MST Global Equity.

And despite the difficulties in 2022 to date, management have certainly expressed a bullish view over Polar's future, with the CEO stating in the H1-23 commentary: "At some point, as inflation stabilises and interest rates peak, investors will require increased market exposure and we are well placed to benefit from this demand. Against this background …there is a strong pipeline of interest in many of Polar Capital's strategies and the short list of new potential investment teams is larger than for many years."

This view is certainly backed up by directors' recent share purchases, and we highlight that directors have made over £2.2m of share purchases, in cash, during 2022.

Based on its market opportunities, positioning, and its proven track record, we believe the group is well positioned to return to growth.

While significant uncertainty remains over the short-term, and in our forecasts we have allowed for some further net AUM outflows in FY23, we believe it is credible to forecast a return to positive net flows in FY24, building up to around £1.5bn of annual net inflows over five years (FY27).

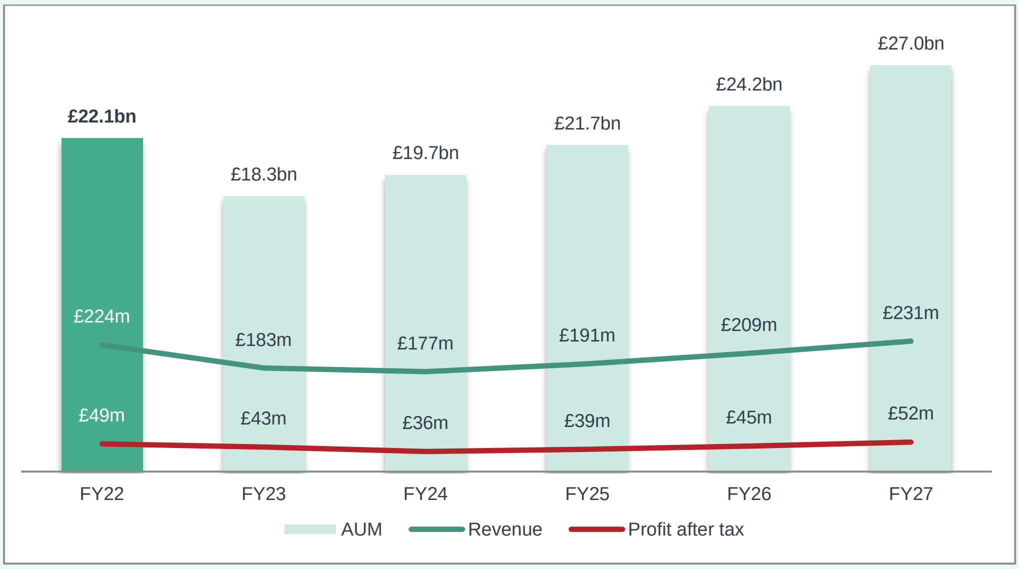
On this basis, and assuming a market movement and investment performance return of 5% per annum, we forecast that Polar can achieve an AUM level of around £26-27bn by the end of FY27.

We also highlight that that because of market volatility we have not updated our forecasts with the 30 Sep 22 mark-to-market (MTM) performance-based profits (£4.8m), and that our forecasts include the previous MTM value of £2.0m (net of staff allocations). These performance fees are not guaranteed, and we shall review our forecasts again in Jan '23, when most performance fees will have crystallised.

In producing our 5-year forecast, we have also assumed that there is some price erosion of Polar's investment management fee, and that performance fees run at only 25% of recent (5Y) average historic levels – which we believe is a conservative assumption.

The combined effect of these assumptions is shown in the chart below.

Five-year forecast key metrics



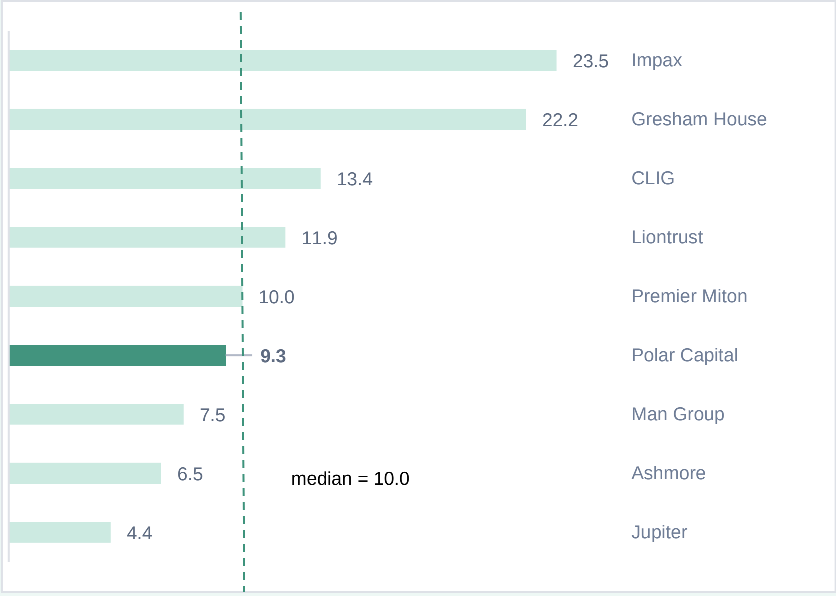
Source: Company Historic Data, ED Estimates

Valuation: fundamental and peer-comparison

Using a discounted cash flow methodology, based on the above growth assumptions and assuming a terminal value based on an assumption that the business is acquired at a PE multiple of 15, **we calculate a per share fundamental value of 600p, 27% above the current share price of 473p.**

We also highlight that Polar's PE ratio of 9.3 is, in our opinion, undemanding, and is below the peer group median of 10.0.

PE Ratios: UK-listed active fund managers



Source: ADVFN, as of 18 Nov 2022

Historical and forecast financials

Consolidated Income Statement + Forecasts						
12 months to end Mar, £'m	**FY21A**	***H1 22 A***	**FY 22A**	***H1 23 A***	**FY 23E**	**FY 24E**
Revenue	201.5	*103.6*	224.1	*90.9*	176.5	176.8
Other Income	8.3	*(0.7)*	1.6	*(1.2)*	0.5	0.5
Gross Income	**209.8**	***102.9***	**225.7**	***89.7***	**177.0**	**177.3**
Commissions and fees payable	(15.4)	*(10.7)*	(22.6)	*(11.0)*	(16.9)	(16.5)
Net Income	194.4	*92.2*	203.0	*78.8*	160.1	160.8
Operating Costs	(118.5)	*(60.5)*	(140.9)	*(55.8)*	(109.5)	(113.5)
Profit for the year before tax	**75.9**	***31.7***	**62.1**	***23.0***	**50.7**	**47.3**
Taxation	(13.2)	*(6.4)*	(13.2)	*(5.9)*	(10.1)	(11.8)
Profit attributable to ordinary shareholders	**62.7**	***25.4***	**48.9**	***17.1***	**40.5**	**35.5**
Adjusted Profit, £'000						
The Group believes that aligning staff remuneration 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)						
Add exceptional items, acquisition related costs	1.9	*2.3*	2.9	*0.6*	-	-
Add exceptional items, amortisation of intangible assets	0.4	*0.9*	1.9	*0.6*	-	-
Add exceptional items, impairment of intangible assets			6.0	*-*	-	-
Add back cost of share-based pmts on prefs	(0.3)	*0.4*	1.1	*0.1*	1.1	1.1
Add back exceptional items - FV charge on def cons on acquisition		*0.7*	*(3.7)*	*-*	*-*	*-*
Less net amount of deferred staff rem	(3.7)	*(1.5)*	(0.8)	*0.3*	(0.8)	(0.8)
Adjusted Profit After Tax	**61.0**	***28.2***	**56.2**	***18.7***	**40.8**	**35.8**
Earnings per share, p						
Basic	67.2	*26.5*	50.8	*17.7*	41.5	35.8
Diluted	64.0	*25.3*	48.7	*17.4*	39.7	34.3
Adjusted basic	65.3	*29.4*	58.4	*19.3*	41.8	36.1
Adjusted diluted	62.3	*28.1*	56.0	*19.0*	40.0	34.6
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	157.4	*103.6*	210.0	*90.9*	172.0	168.4
Commissions and fees payable	(15.4)	*(10.7)*	(22.6)	*(11.0)*	(16.9)	(16.5)
Net management fees	142.0	*92.9*	187.3	*80.0*	155.1	151.9
Profit/(loss) on foreign currency contracts	0.6	*-*	-	*-*	-	-
Core operating costs	(91.1)	*(56.6)*	(117.9)	*(54.2)*	(105.3)	(107.1)
Core operating profits (before tax)	**51.5**	***36.3***	**69.4**	***25.8***	**49.8**	**44.8**

Source: Company Historic Data, ED estimates.

Consolidated Balance Sheet + Forecasts

As at end Mar, £'m	FY21A	*H1 22 A*	FY 22A	*H1 23 A*	FY 23E	FY 24E
Non-current assets						
Goodwill and intangible assets	25.0	*26.7*	17.1	*16.5*	15.2	13.4
Property & equipment	5.1	*4.5*	4.1	*3.5*	3.9	4.5
Deferred tax assets	5.8	*4.6*	3.5	*4.2*	4.2	4.2
	35.9	***35.8***	**24.7**	***24.2***	**23.4**	**22.0**
Current assets						
Assets at fair value through P&L	57.2	*71.5*	77.8	*88.9*	88.9	88.9
Trade & other receivables	23.9	*27.6*	25.4	*20.9*	21.0	21.0
Other financial assets	0.1	*0.2*	2.7	*11.3*	11.3	11.3
Cash & cash equivalents	136.7	*103.4*	121.1	*82.5*	96.7	99.1
Current tax assets	2.0	*3.1*	1.6	*-*	-	-
	219.8	***205.8***	**228.6**	***203.6***	**217.9**	**220.3**
Total assets	**255.7**	***241.6***	**253.3**	***227.8***	**241.3**	**242.3**
Non-current liabilities						
Provisions & other liabilities	4.1	*3.5*	2.9	*2.3*	2.3	2.3
Liabilities at fair value through P&L	4.3	*7.7*	0.6	*0.5*	0.5	0.5
Deferred tax liabilities	4.1	*3.9*	3.4	*5.4*	5.4	5.4
	12.5	***15.1***	**6.9**	***8.1***	**8.1**	**8.1**
Current liabilities						
Liabilities at fair value through P&L	16.1	*15.1*	10.0	*14.5*	14.5	14.5
Trade & other payables	71.6	*64.2*	80.1	*61.2*	67.0	67.2
Other financial liabilities	4.1	*0.4*	0.0	*-*	-	-
Current tax liabilities	-	*-*	-	*2.7*	2.7	2.7
	91.8	***79.6***	**90.1**	***78.3***	**84.2**	**84.3**
Total liabilities	**104.3**	***94.7***	**97.0**	***86.5***	**92.3**	**92.5**
NET ASSETS	**151.4**	***146.8***	**156.2**	***141.3***	**149.0**	**149.9**
Capital & Reserves						
Issued share capital	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
Investment in own shares	(26.6)	*(21.7)*	(24.9)	*(28.7)*	(28.7)	(28.7)
Capital & other reserves	11.0	*12.5*	12.4	*14.1*	14.1	14.1
Retained Earnings	145.2	*134.2*	146.9	*134.0*	141.7	142.6
TOTAL EQUITY	**151.4**	***146.8***	**156.2**	***141.3***	**149.0**	**149.9**

Source: Company Historic Data, ED estimates.

Consolidated Cash Flow Statement + Forecasts (page 1 of 2)						
12 months to end Mar, £'m	**FY21A**	***H1 22A***	**FY 22A**	***H1 23A***	**FY 23E**	**FY 24E**
OPERATING ACTIVITIES						
Profit before taxation	**75.9**	***31.7***	**62.1**	***23.0***	**50.7**	**47.3**
Interest receivable and similar income	(0.1)	*(0.0)*	(0.1)	*(0.2)*	(0.4)	(0.4)
Investment income	(0.2)	*(0.2)*	(0.2)	*(0.5)*	(0.5)	(0.5)
Interest on lease	0.1	*0.1*	0.1	*0.0*	0.1	0.1
Depreciation on property & equipment	1.4	*0.7*	1.4	*0.8*	1.4	1.5
Revaluation of liability at FVTPL	(0.4)	-	-	-	-	-
Amortisation & impairment of intantible assets	0.4	*0.9*	7.9	*0.6*	1.9	1.9
Decr/(Incr) in fair value of inv securities	-	-	-	-	-	-
Decr/(incr) in fair value of assets at FVTPL	(14.3)	*2.0*	7.7	*6.6*	6.6	-
(Decr)/incr in other financial liabilities	5.1	*(3.1)*	(10.4)	*(8.7)*	(8.7)	-
incr in other financial assets	-	-	-	-	-	-
Decr/(incr) in receivables	(9.1)	*(3.7)*	(1.5)	*4.6*	4.4	(0.0)
(Decr)/incr in trade and other payables	26.5	*(7.4)*	8.4	*(18.9)*	(13.0)	0.1
Decr in provisions and other liabilities	-	-	-	-	-	-
Share-based payment charges	5.6	*4.0*	7.4	*2.7*	5.4	10.6
Incr/(decr) in liabilities at FVTPL	(6.1)	*(1.0)*	(3.9)	*(3.0)*	(3.0)	-
Release of fund units deferred rem	5.6	*3.0*	6.5	*3.5*	3.5	-
Other non-cash items	0.4	-	-	-	-	-
Cash generated from operations	**90.9**	***27.0***	**85.3**	***10.4***	**48.3**	**60.5**
Corporation tax paid	(13.6)	*(5.4)*	(10.9)	*(1.1)*	(10.1)	(11.8)
Interest on lease	(0.1)	*(0.1)*	(0.1)	*(0.0)*	(0.1)	(0.1)
Interest received				*0.2*	0.4	0.4
Net cash from operating activities	**77.1**	***21.6***	**74.4**	***9.5***	**38.5**	**49.0**

Source: Company Historic Data, ED estimates.

Consolidated Cash Flow Statement + Forecasts (page 2 of 2)						
12 months to end Mar, £'m	**FY21A**	***H1 22A***	**FY 22A**	***H1 23A***	**FY 23E**	**FY 24E**
INVESTING ACTIVITIES						
Interest received	0.1	*0.0*	0.3	-	-	-
Investment income received	0.2	*0.2*	0.2	*0.5*	0.5	0.5
Sale of investment securities	-	-	-	-	-	-
Purchase of investment securities	-	-	-	-	-	-
Sale of assets at FV through P&L	33.3	*14.7*	41.2	*17.9*	17.9	-
Purchase of assets at FV through P&L	(45.2)	*(30.7)*	(70.3)	*(33.7)*	(33.7)	-
Purchase of property and equipment	(0.2)	*(0.0)*	(0.6)	*(0.1)*	(0.6)	(0.7)
Cash introduced via business combination	1.1	-	-	-	-	-
Re-measurement of purchase consideration	-	*0.0*	-	-	-	-
Payments in respect of business combination	(8.5)	-	(8.1)	-	-	-
Payments in respect of asset acquisition	(0.3)	*(0.4)*	(1.3)	-	-	-
Cash from disposal of cons seed inv	(0.3)	-	-	*(6.1)*	(6.1)	-
Net cash used in investing activities	**(19.8)**	***(16.1)***	**(38.5)**	***(21.6)***	**(22.1)**	**(0.2)**
FINANCING ACTIVITIES						
Dividends paid to shareholders	(31.9)	*(29.8)*	(43.4)	*(30.9)*	(44.6)	(45.2)
Lease payments	(1.3)	*(0.7)*	(1.3)	*(0.7)*	(1.3)	(1.3)
Issue of shares	0.3	-	0.0	-	-	-
Purchase of own shares	(6.1)	*(7.6)*	(12.4)	*(6.7)*	(6.7)	-
3rd party subs into cons funds	12.0	*3.2*	9.9	*12.1*	12.1	-
3rd party redemptions from cons funds	(1.3)	*(3.8)*	(4.6)	*(1.2)*	(1.2)	-
Dividends paid to 3rd party interests	-	-	-	-	-	-
Net cash from /(used in) financing	**(28.3)**	***(38.7)***	**(51.8)**	***(27.5)***	**(41.8)**	**(46.5)**
Net (decr)/incr in cash & equivalents	**29.0**	***(33.3)***	**(15.9)**	***(39.6)***	**(25.3)**	**2.4**
Cash & equivalents beginning of year	107.8	*136.7*	136.7	*121.1*	121.1	96.7
Effect of forex rate changes	(0.1)	*(0.1)*	0.3	*0.9*	0.9	-
Cash & equivalents at end of year	**136.7**	***103.4***	**121.1**	***82.5***	**96.7**	**99.1**

Source: Company Historic Data, ED estimates.

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