Polar Capital Holdings

Impressive FY22 despite market & AUM falls in Q4

27 June 2022

Driven by a 37% increase in average AUM (from £16.7bn to £22.8bn), gross investment management fees* grew 33% from £157m to £210m. However, a drop in performance-related revenue from £44m in FY21 (a bumper year) to £14m slowed total revenue growth to 11% (£224m v £202m in FY21). Core operating profit (excl. perf. fees, other income, exceptional items and tax) jumped 35% from £52m to £69m while PBT fell from £76m to £62m, with the fall mainly as a result of the reduction in performance-related profits (FY21 £19m; FY22 £4m).

Polar's balance sheet remained robust, with net assets of £156m, cash and equivalents of £121m, and no debt. Full-year dividends totalled 46p, 15% up y-o-y, producing a yield of 8.8%.

Sharp equity market falls during the first quarter of 2022 (Q4 of Polar's FY22), coupled with outflows from its Global Technology strategies (as investors shunned 'growth stocks') were primarily responsible for end-FY22 AUM (£22.1bn) closing 8% down from end-Q3 levels (although AUM grew 6% y-o-y). Markets continued to drop post-results causing AUM to fall to £19.9bn on 31 May 22.

However, **a number of Polar's strategies and channels have demonstrated strong momentum**, including: *Polar Capital Sustainable Emerging Market Stars* with +£0.87bn of net inflows in FY22; *segregated mandates* (managing a dedicated pool of funds for a client with a bespoke mandate), with +£0.77bn of net inflows; and *Healthcare*, with +£0.56bn. We see potential for this momentum to continue and are **especially bullish on Polar's newer sustainable investment offerings** (Smart Energy and Smart Mobility, lauched in Sep 21). **Indeed, EM Stars, Smart Energy & Smart Mobility attracted +£228m of net inflows in Q4 alone (a period of widespread net outlflows).**

We also note that active managers generally have seen large outflows in Q1 22, but historical trends suggest that this tends to reverse as markets recover (see page 8), which bodes well for Polar.

Forecasts trimmed but share price far below fundamental value

Recent market and AUM trends have led us to reduce our FY23 AUM forecast to £19.0bn. This results in a drop in average AUM, revenue and profit from FY22 to FY23. However, **given its strategic positioning and growth opportunities, we think Polar can re-ignite its growth trajectory** and reach £25-26bn of AUM over the next four years or so. **Our fundamental valuation is 800p per share, over 50 % above the current share price**, but down from 1,000p.

Key Financials						
Year-end 31 Mar	**FY19A**	**FY20A**	**FY21A**	**FY 22A**	**FY 23E**	**FY24E**
AUM, £bn	13.8	12.2	20.9	22.1	19.0	20.9
Rev, £m	177.5	151.7	201.5	224.1	176.5	185.7
Management fees, £m	126.2	130.8	157.3	210.0	171.7	176.9
Performance fees, £m	51.7	22.3	43.6	14.1	4.7	8.8
PBT, £m	64.1	50.9	75.9	62.1	51.1	53.0
Core op profit*, £m	42.2	41.6	51.5	69.4	50.1	50.3
Performance fee profit	24.0	8.8	19.5	4.1	2.0	3.8
EPS basic, p	57.8	43.5	67.2	50.8	42.3	40.1
EPS adjusted diluted, p	51.5	40.7	62.3	56.0	40.8	38.7
PER	9.0	12.0	7.8	10.3	12.3	13.0
Div, p	33.0	33.0	40.0	46.0	46.0	46.0
Yield	6.3%	6.3%	7.7%	8.8%	8.8%	8.8%
Net assets, £m	109.7	116.1	151.4	156.2	164.6	170.2
Net cash, £m	111.7	107.8	136.7	121.1	119.2	128.4

Source: Company Historic Data, ED estimates. PER and Yield based on share price of: ***521p***
** excluding performance fees and performance-related costs, before tax*
*** Seed inv, securities, fund units held against deferred remuneration, other fin assets & liabilities*

**Investment management fees + Research fees*

Company Data

EPIC	POLR
Price (last close)	521p
52 weeks Hi/Lo	951p/496p
Market cap	£522m
ED Fair Value/share	800p
Net assets	£156m
Avg. daily volume	185k

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 May 2022: £19.9bn

Next Event: Q1 AUM update, 14 Jul

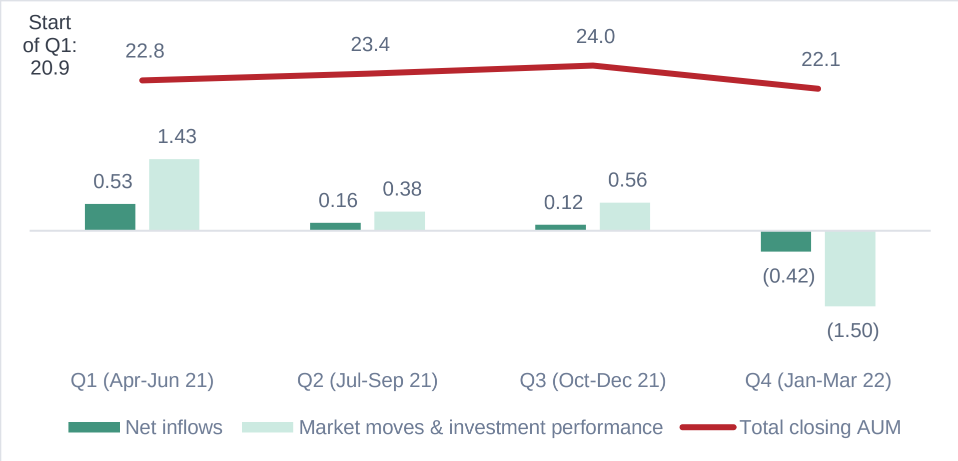
Paul Bryant (Analyst)
0207 065 2690
paul.bryant@equitydevelopment.co.uk

Hannah Crowe
0207 065 2692
hannah@equitydevelopment.co.uk

Strong Q1-Q3 AUM growth pegged back in Q4

While over the full FY22 (to 31 Mar), **AUM grew £1.3b or 6% to £22.1bn,** intra-year AUM levels were characterised by solid growth in Q1-Q3 (Apr to Dec 21) and a sharp dip in Q4. However, the AUM drop in Q4 had a more limited impact on **average AUM** (Polar's primary driver of revenue, see below) **which increased by 37% from £16.7bn to £22.8bn**.

FY22 AUM movements by quarter, £bn

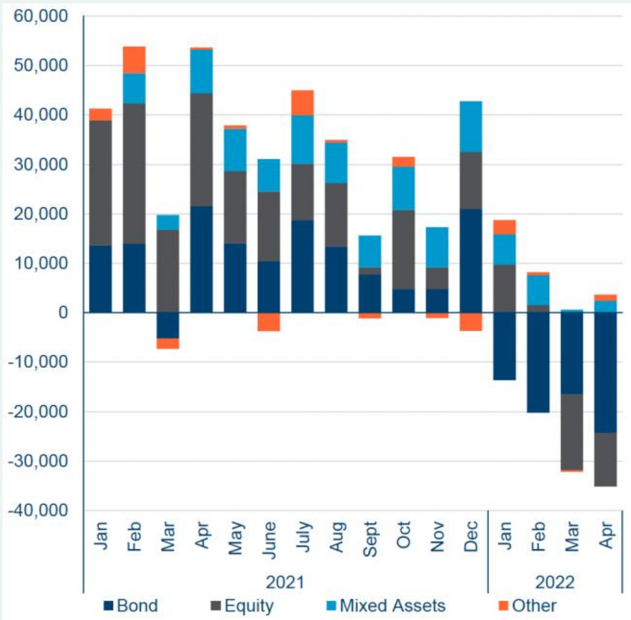


Source: Company

Market movements and investment performance were responsible for a +£0.9bn annual AUM gain (+£2.4bn over Q1-Q3; -£1.5bn over Q4), with the Q4 performance (-6.5% of average AUM) hardly surprising given the falls in equity markets generally and Polar's key benchmark indices. The MSCI ACWI was down -5.4% in Q4, the Dow Jones Global Technology Index -11.4% (technology strategies made up c42% of AUM on 31 Mar 22); and the MSCI World Healthcare Index c3.2% (healthcare c17% of AUM).

Full-year net inflows totalled +£0.4bn, with Q1-Q3 net flows of +£0.8bn and Q4 net outflows of -£0.4bn, breaking a 7-quarter long positive net flow streak. **The outflows in Q4 were nothing unique to Polar.** Asset managers more generally also experienced outflows, as is often the case when markets fall.

Market context: Net sales of funds across Europe* (€m)



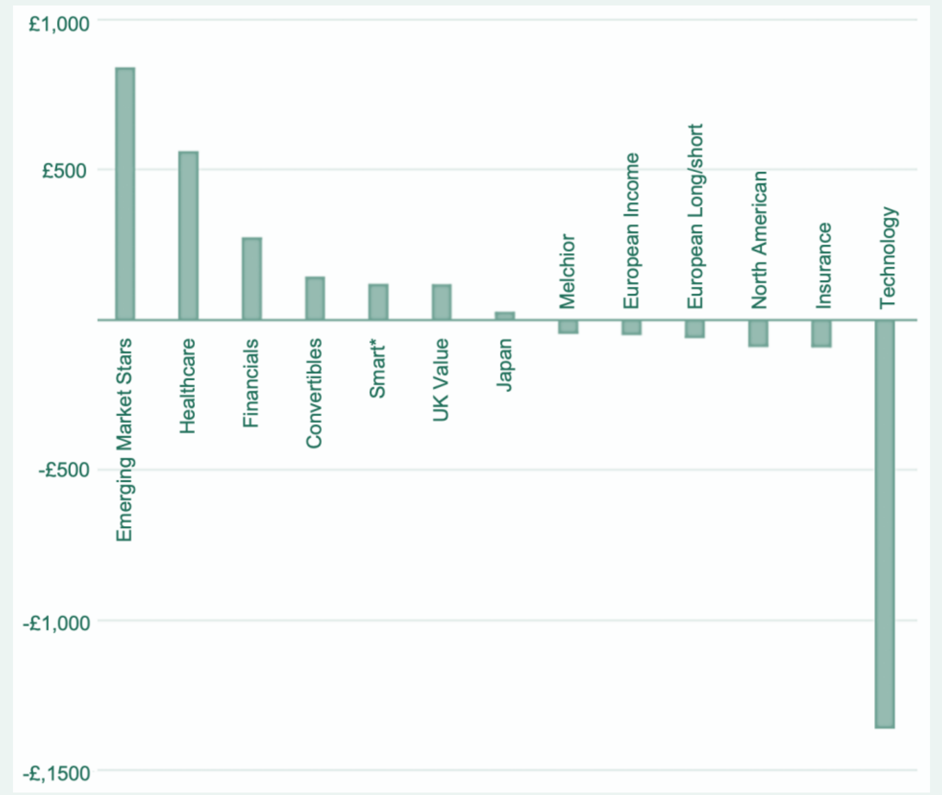
Source: Polar Analyst Presentation, June 22; original source Broadridge Fund File and Fund Radar. Data as at 30 April 2022; excludes funds of funds, money market funds and ETFs.

Sector rotation & sustainable investing dominate FY22 net flow story

During the year, 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.

These trends have had both positive and negative impacts on Polar, as it has investment products in both 'growth' and 'value' camps.

Net flows by strategy: Apr 21 – Mar 22



Source: Company.
**Smart Energy and Smart Mobility strategies launched in Sep 21. These are 'Article 9' funds i.e. the highest sustainability categorisation under EU Sustainable Finance Disclosure Regulations. Article 9 funds have sustainable investment or a reduction in carbon emissions as objectives, and are distinct from 'Aricle 8' funds which are 'general ESG' funds that promote environmental or social characteristics.*

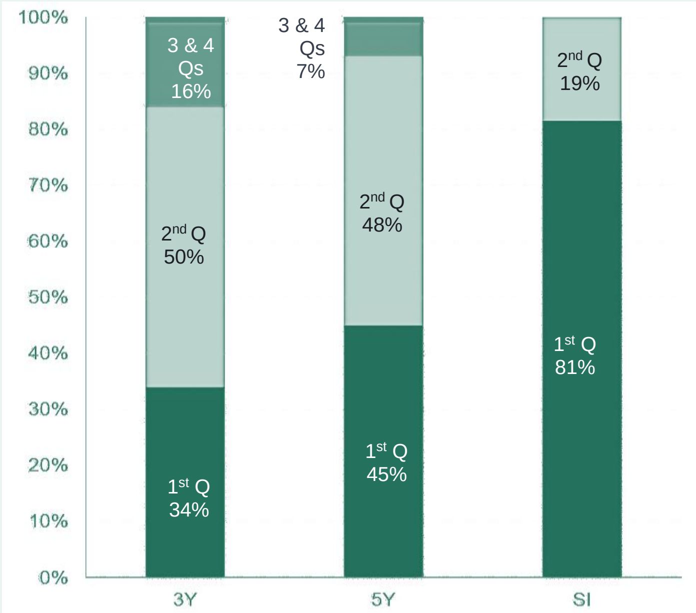
There is no denying that £1.3bn of net outflows from Polar's Technology strategies (FY21: £1.8bn net inflows) are a prominent feature weighing on FY22. **But the positive performance of a number of other strategies (most notably Polar's strong and growing offering in sustainable investing) are significant, have outweighed this negative, and bode well for Polar's outlook**:

- *Emerging Market Stars*, with a strong Asian and ESG focus, achieved +£873m of net inflows;
- *Healthcare* achieved +£561m of net inflows;
- *Financials* interest was strong with Polar Capital Global Financials Trust issuing £276m in new shares;
- 'Alternative' *Convertible Bond* funds achieved +£143m of net inflows;
- 'Sustainable' *Smart Energy* & *Smart Mobility* attracted +£120m of net inflow since Sep 21 launch;
- **'Sustainable' *EM Stars, Smart Energy & Smart Mobility* attracted +£228m in Q4 alone (when most sectors and strategies were experiencing outflows;**
- *Segregated mandates* (not an investment strategy but a 'channel' where Polar manages a dedicated pool of funds for a client with a bespoke mandate), attracted +£769m of net inflows.

Longer-term performance leader

Over the long term, Polar has an impressive track record of delivering outstanding investment returns compared to peers. When measured **since fund inception, 100% of UCITS AUM (approximately 77% of total Polar AUM) had performed in the top two quartiles compared to a Lipper[1] peer group (81% in the first quartile) with 93% in the top two quartiles over five years, and 84% over three years.**

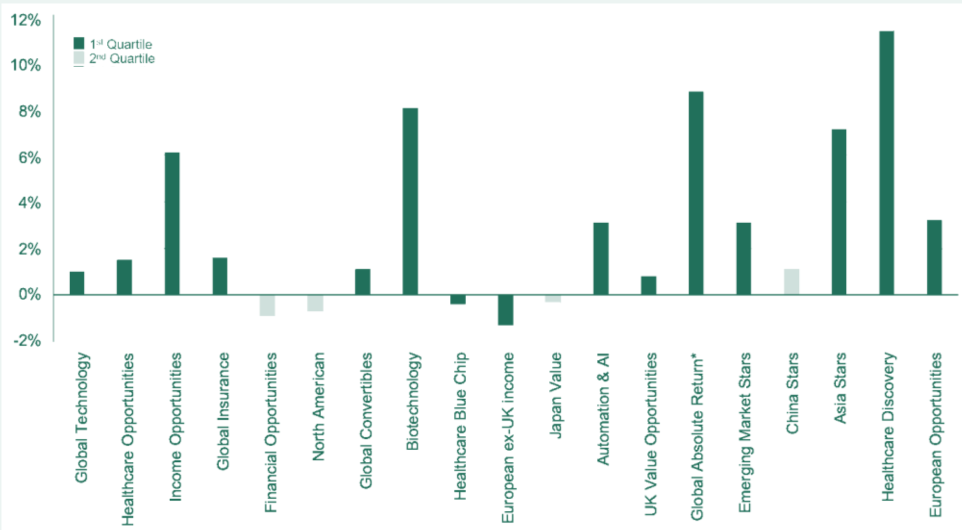
Proportion of UCITS AUM* by quartile (Q) compared to peer group



Source: Company (original source Lipper), as at 31 Mar 22. **c77% of total Polar AUM. SI = Since Inception*

At an investment fund level, **15 out of 19 UCITS strategies have delivered 1st quartile returns since inception, with 4 delivering 2nd quartile returns and none in the third or fourth quartile.** 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 31 March 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.*

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

Orientation towards 'growth funds' hurts short-term record

While Polar does not maintain a 'house view' on its investments – its strategy is to present clients with a range of investment strategies which span both value and growth – the sheer size of its largest growth-oriented Technology strategies (42% of AUM on 31 Mar 22, down from 49% on 31 Mar 21) meant that the general investment trend shift from growth to value has hurt Polar's short-term investment performance more than many asset managers.

In addition, its leaning towards smaller-cap technology investments over large-cap technology (with the former underperforming the latter over the last year) further hurt its one-year performance record.

Over one year, 28% of its total UCITS AUM was ranked in the first quartile of the Lipper peer group (compared to 34% over three years, 45% over five years, and 81% since inception). However, Polar has indicated that performance since 31 Mar has shown signs of improvement.

In its second largest strategy, healthcare (17% of AUM) four out of five sub-strategies outperformed benchmarks in FY22. The Polar Capital Healthcare Blue Chip Fund, the Polar Capital Global Healthcare Trust, the Polar Capital Healthcare Discovery Fund, and the Polar Capital Biotechnology Fund all delivered returns in excess of their benchmark. **Polar Capital Healthcare Blue Chip Fund and Polar Capital Biotechnology Fund achieved first quartile rankings.**

While in its third largest strategy, Global Insurance (9% of AUM), the Polar Capital Global Insurance Fund delivered a strong absolute return (+21.0%), and outperformed its benchmark too, achieving a first quartile ranking.

Its fourth largest strategy, **UK Value** (7% of AUM) achieved a third quartile ranking but was actually close to achieving a second quartile ranking (54th percentile).

The fifth largest strategy, Melchior European Opportunities Fund (6% of AUM), outperformed its benchmark by 0.8% and achieved a first quartile ranking.

And in its sixth largest strategy, **Emerging Markets and Asia,** (5% of AUM), Emerging Market Stars and Asian Stars achieved a ranking of 55th percentile ranking (3rd quartile but again close to 2nd quartile), while China Stars achieved a 50th percentile ranking (2nd quartile).

[The strategies discussed above account for around 85% of total AUM].

Short-term uncertainty on AUM outlook, strong medium-long term outlook

In the post-results period, AUM was affected by further market falls, and fell to £19.9bn on 31 May 22. And we caution that significant short-term market volatility prevails which could further reduce AUM.

But Polar has reported positive net inflows in a number of strategies subsequent to 31 Mar 22, including Global Insurance, Healthcare Blue Chip, Emerging Market Stars and Global Absolute Return, and a slowing of outflows from its Technology funds.

In addition, the Polar Capital Global Financials Trust continued to trade at a premium and continued to issue new shares. And its two new (launched Sep 21) sustainable Smart Funds (Smart Energy and Smart Mobility), have good flow momentum and have a promising new business pipeline, according to the FY22 results release. All of the above are encouraging signs.

However, and most importantly, **over the medium to longer-term, Polar's growth outlook remains bullish**. It's 'growth with diversification strategy' of adding new investment teams and offerings in different sectors, asset classes and geographies, appears to be bearing fruit, with many of its non-technology related strategies thriving. Indeed, its newer investment teams are mostly flourishing, with three **of its largest teams having launched or been aquired by Polar over the past five years.**

New investment teams driving diversification

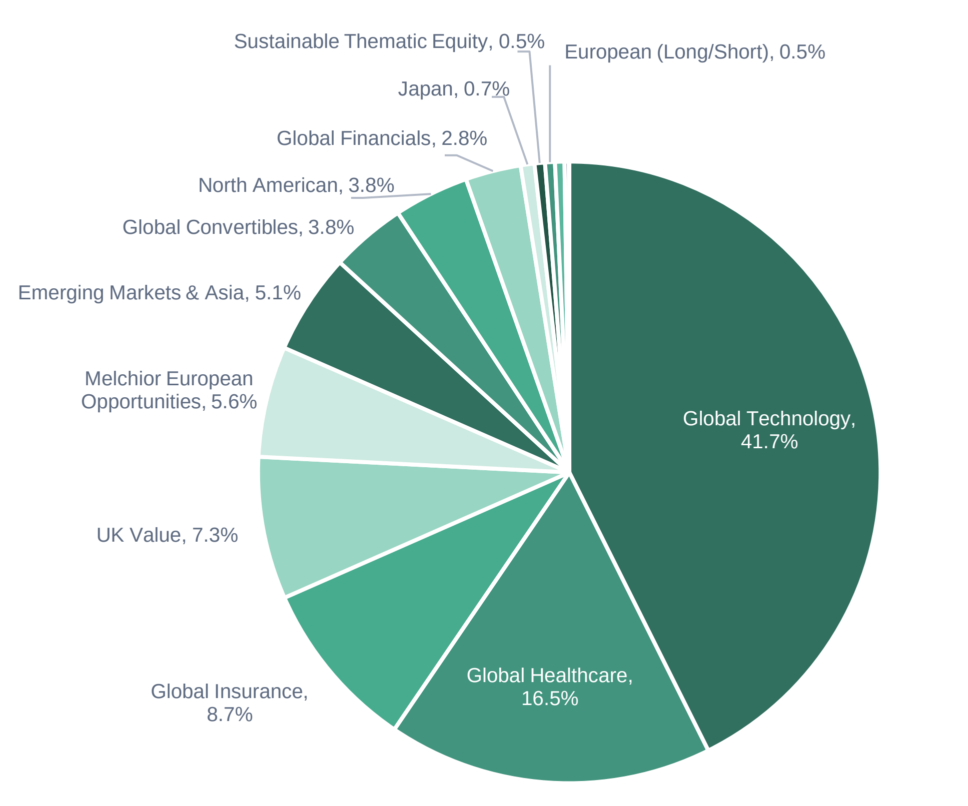
Investment teams by AUM: 31 March 2022	AUM	1 year % AUM Growth
1. Global Technology	£9.2bn	-9.9%
2. Healthcare	£3.7bn	+23.7%
3. Insurance	£1.9bn	+13.9%
4. UK Value Opportunities	£1.6bn	+12.0%
5. European Opportunities	£988m	+19.2%
6. Emerging Markets & Asia	£1.1bn	+160.8%

Launched / Acquired In Last Five Years

Source: Company, AUM as at 31 Mar 22

This strategy has also contributed to **a less concentrated AUM portfolio,** notably that **the Global Technology strategy has reduced its overall share of AUM from 55% in Sep 20 to 42% on 31 Mar 22.**

Split in AUM by strategies (strategies with <0.5% of AUM not shown)



Source: Company, as at 31 Mar 22

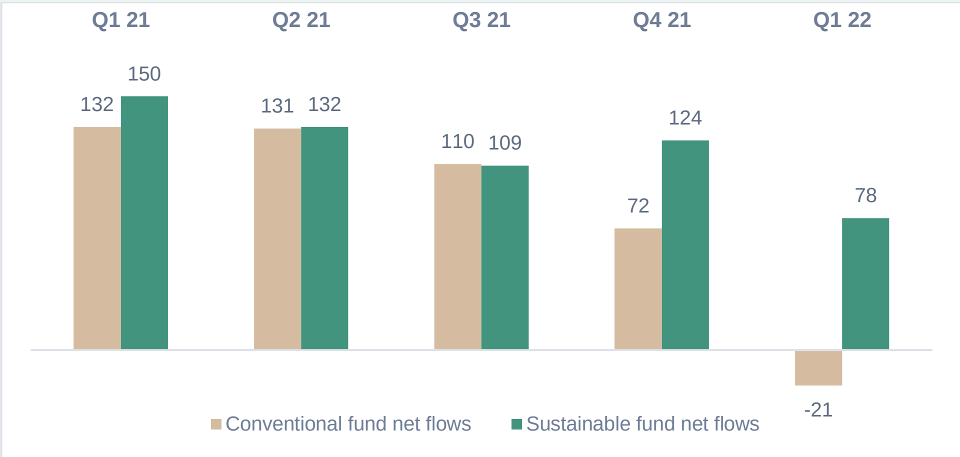
There are also two specific factors we would highlight that work in favour of Polar's longer-term growth prospects.

First, is its strengthening position in the sustainable investing space which should position it well to capitalise on the continuing growth of this market segment.

Polar has well established ESG credentials in its Emerging Market Stars team and has a very credible new team running its recently-launched Smart Energy and Smart Mobility strategies. These Smart strategies are run via 'Article 9' funds which are the highest sustainability categorisation under EU Sustainable Finance Disclosure Regulations. (Article 9 funds have sustainable investment or a reduction in carbon emissions as objectives, and are distinct from 'Aricle 8' funds which are 'general ESG' funds that promote environmental or social characteristics.)

At the same time, at a market level even during the turmoil of (calender) Q1-22, flows into sustainable funds remained positive. According to Morningstar, the European sustainable fund market (81% of global sustainable fund assets) attracted US$78bn of net inflows while conventional funds saw US$21bn of net outflows.

European sustainable* and conventional fund flows, US$bn



Source: Morningstar: Global Sustainable Fund Flows: Q1 2022 in Review (and prior reports)
** Open-end funds & ETFs domiciled in Europe that claim to have a sustainability objective and/or use binding ESG criteria for investment selection. Excludes funds that employ only limited exclusionary screens, such as controversial weapons, tobacco, and thermal coal. Excludes money market funds, feeder funds, and funds of funds.*

We think momentum 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:

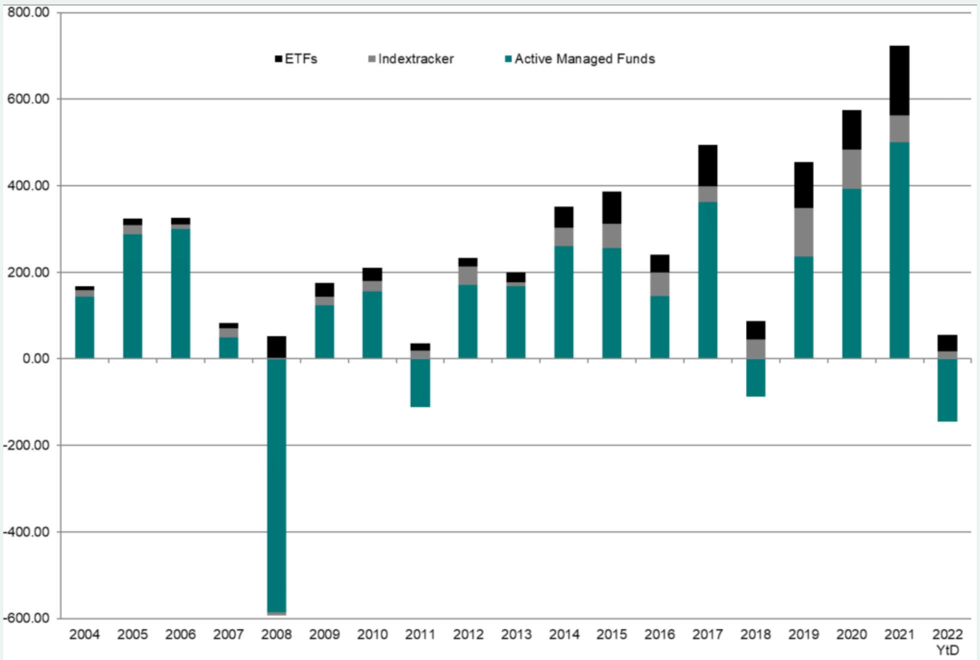
- Asset owners (clients of investment managers such as Polar) are guarding against 'greenwashing' (over-egged or false green credentials) and demanding more sophisticated sustainable investing strategies. Polar's Article 9 funds should be well placed to capitalise.
- Upcoming regulation will probably steer even more investment towards sustainable funds, for example, a MiFID II amendment coming into effect in August 2022 will 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 particulalr 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).

The second factor we would highlight which we think might work in favour of Polar is a recovery of active fund management. While passive strategies have certainly captured many of the headlines in recent years, active management has (perhaps surprisingly) maintained a steady longer-term growth momentum in Europe.

However, active management funds do tend to experience sharper outflows during market falls than passive funds, but then tend to recover and continue on their growth trajectory. This can be seen in the chart below which shows sharp selloffs in 2008 (financial crisis), 2011 (sovereign debt crisis), and 2018 (multiple factors) followed by strong recoveries.

We have no reason to believe the same pattern will not repeat following the active management sell-off in Q1 22.

Estimated European Net Fund Flows, €bn



Source: Refiitiv: European Fund Flow Report: Q1 2022, chart reproduced with permission

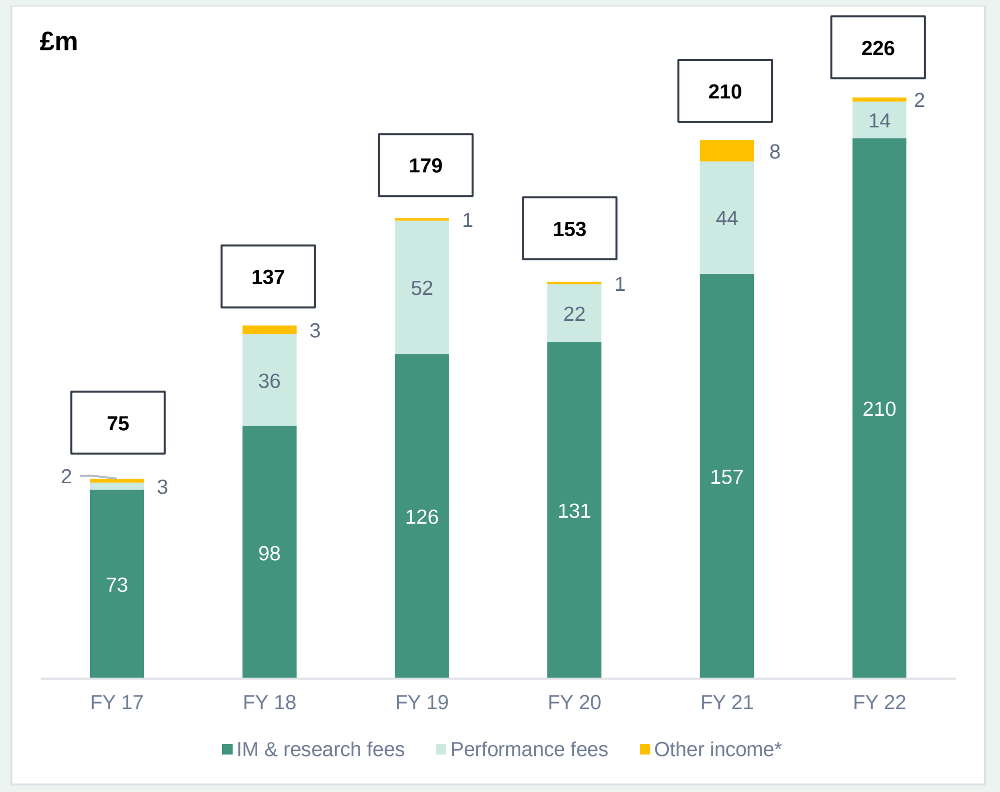
Impressive FY22 financial results

Average AUM boosts revenue, offset by lower performance fees

Polar's largest source of revenue, investment management and research fees (IM fees), grew 33% from £157.3m in FY21 to £209.9m, maintaining a longer term growth trend (see chart below). Performance fees, a far more volatile source of revenue, fell from £43.6m to £14.1m, and 'other income' (also volatile - primarily gains or losses on the fair value of seed investments) fell from £8.3m to £1.6m.

Overall, this translated to a **gross income of £225.7m, up 8% from £209.8m in FY21.** Net income (gross income less commissions and fees payable), grew 4% from £194.4m to £203.0m.

Gross income breakdown over time



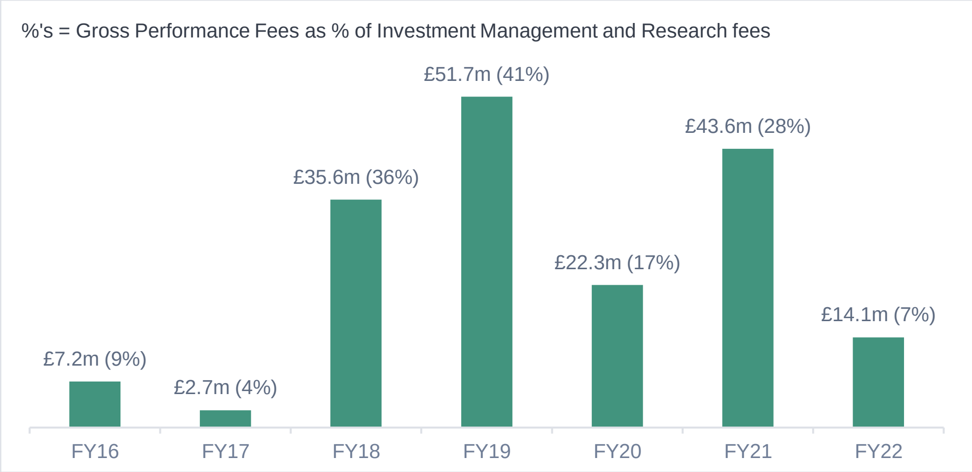
Source: Company reports, ED analysis
**Other income = interest income; gains/losses on seed capital investments, financial assets and liabilities; gains/losses on forward currency contracts; and investment income.*
Note: Difference between sum of three revenue sources shown & gross revenue totals = gains/losses on forward currency contracts (not shown in bar chart).

As IM fees are mostly paid on a monthly-in-arrears basis, calculated by multiplying a management fee rate by the average AUM level of the previous month, the Q4 dip in AUM had a fairly limited impact on these fees in FY22, only impacting fees earned in last quarter of the year (we remind readers that average AUM, which is Polar's primary driver of revenue, increased by 37% from £16.7bn to £22.8bn).

Polar's net management fee yield (investment management fees less rebates and commissions payable as a proportion of average AUM) reduced a little more than expected from 85bps to 82bps as a result of a changing product mix – particularly the reduction in technology strategy AUM (which typically commands a slightly higher yield, and an increase in segregated mandate AUM, which typically have a slightly lower yield but tend to be stickier assets).

While gross performance fees (before deduction of performance fee expenses – primarily fund managers' 'profit share') of £14.1m is significantly less than the £43.6m of FY21, it is important to stress that in historic terms, FY21 performance fees were a very high comparator (see chart below).

Gross performance fees



Source: Company reports, ED analysis

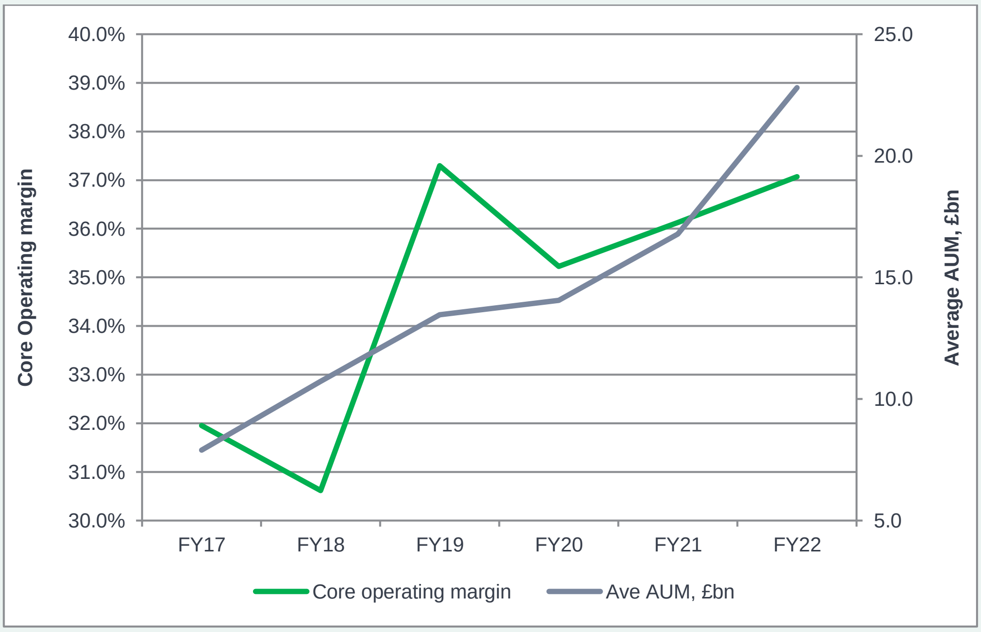
'Other income' (primarily gains on the fair value of seed investments and hedging) reduced from £8.3m to £1.6m, as a result of lower returns on the portfolio of seed investments, net of hedging, held on the Group's balance sheet.

Core profits jump with higher volumes, cost control, & operating leverage

Core operating profit - *profit before performance fee profits, other income, exceptional items and tax* – which presents a measure of the Group's profitability excluding investment-performance-related profits and other components which may be volatile, non-recurring or non-cash in nature (therefore it is mostly a function of growth and operating efficiency) **increased 35% y-o-y from £51.5m to £69.4m,** offering **evidence of cost control and ongoing operational leverage as the business grows**.

Indeed, Polar's core operating margin has increased from around 32% to 37% over the last five years.

Core operating margin versus average AUM



Source: Company reports, ED analysis

IFRS profits fall on lower performance-related profits

Profit before tax reduced from £75.9m to £62.1m and profit after tax in turn reduced from £62.7m to £48.9m.

The main reason for the above reductions was that while IFRS **operating costs increased only 19% to £140.9m (FY21: £118.5m), still far lower than average AUM growth of 37%**, net income (gross income less commissions and fees payable) grew only 4% from £194.4m to £203.0m, with the reduction in net income growth being mostly driven by the reduction in performance-related profts from £19.5m to £4.1m,

IFRS profits were also impacted by £7.6m of net exceptional expenses:

- termination and reorganisation costs related to the Dalton acquisition (-£3.1m) plus additional Dalton deferred consideration costs (-£1.0m) [net effect -£4.1m];
- closure of Phaecian mutual funds resulting in an impairment of intangibles charge (-£6.0m), termination and reorganisation costs (-£0.4m) and a de-recognition of deferred consideration liability (+£4.8m) [net effect -£1.6m]; and
- amortisation of other investment management contracts (-£1.9m).

Basic EPS decreased by 24% to 50.8p (FY21: 67.2p), diluted basic EPS by 24% to 48.7p (FY21: 64.0p), while adjusted diluted core EPS grew 33% y-o-y to 53.8p (FY21: 40.6p).

Strong balance sheet and cash position

Polar maintains its exceptionally strong balance sheet, with net assets of £156.2m (up 3% y-o-y from £151.4m). Cash and equivalents were £121.1m (down 9% y-o-y from £136.7m), reduced primarily as a result of reduced cash generation from lower performance fee profits combined with the timing of the second interim dividend for FY21, which reflected the above-average performance fee profits in FY21. **Polar has no debt.**

On 31 Mar 22 £48.3m of the Group's balance sheet (FY21: £39.1m) was invested into seed fledgling funds.

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 £69.7m** (FY21: £60.4m) above its regulatory capital requirement of £26m (FY21: £25m) and Jul 22 dividend commitment of £31m.

Surplus capital calculation

Regulatory Capital	Year to Mar-22 £m	Year to Mar-21 £m
Shareholder funds	156.2	151.4
Less: deferred tax and capital reserves	-12.4	-11.0
Less: Goodwill and intangible assets	-17.1	-25.0
	126.7	**115.4**
Less: dividend provision	-31.0	-30.0
	95.7	**85.4**
Regulatory capital	-26.0	-25.0
Surplus capital	**69.7**	**60.4**

Source: Company

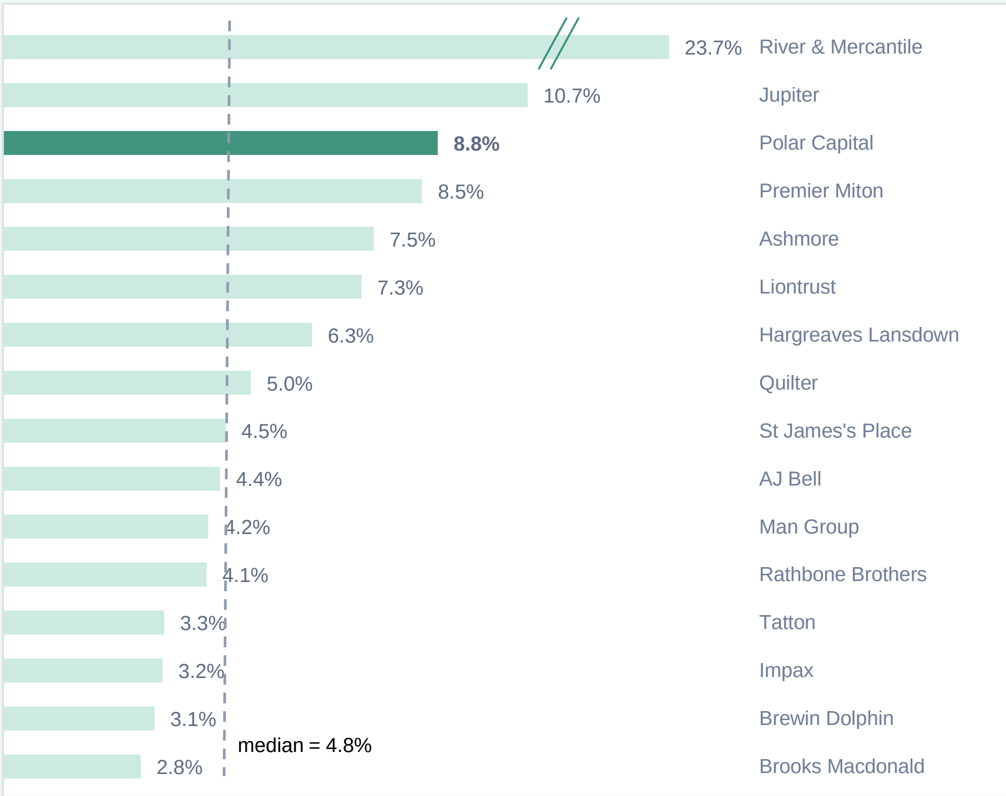
Dividend increase with yield of 8.8%

Total dividends for the year have increased 15% to 46.0p from 40.0p in FY21, a CAGR of 12% over the last three years.

The Group'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. In FY22, the 46.0p dividend equated to an 82% payout ratio.

As at 24 Jun 22, the FY22 dividend translated to a more-than-healthy **dividend yield of 8.8%** (the third highest among a 16-strong London-listed peer group of asset managers, wealth managers, and platforms).

Dividend yield: UK listed asset & wealth managers and platforms



Source: ADVFN, ED analysis. Data as at 24 June 2022

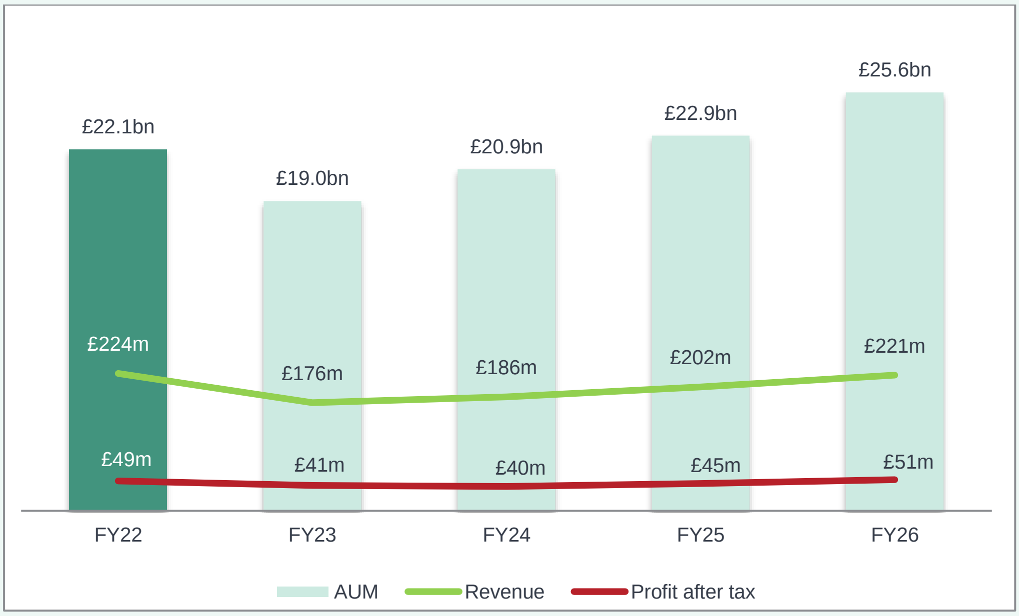
Valuation: fundamental and peer-comparison

For our fundamental valuation, based on the AUM outlook detailed on pages 5-8, and assuming gains from market movements and investment performance average 5% per year, **we believe Polar is well positioned to grow its AUM to around £25-£26bn by FY26 (i.e. over the next four years)**. This is despite us forecasting a drop in AUM for FY22 as a result of continuing market falls in Apr-Jun 22.

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.**

The combined effect of these assumptions result in us estimating Group revenue in FY26 to be around £221m (after falling from £224m in FY22 to £176m in FY23) and profit after tax to be around £51m (after falling from £49m in FY22 to £41m in FY23). These projections are summarised below.

Forecast key metrics



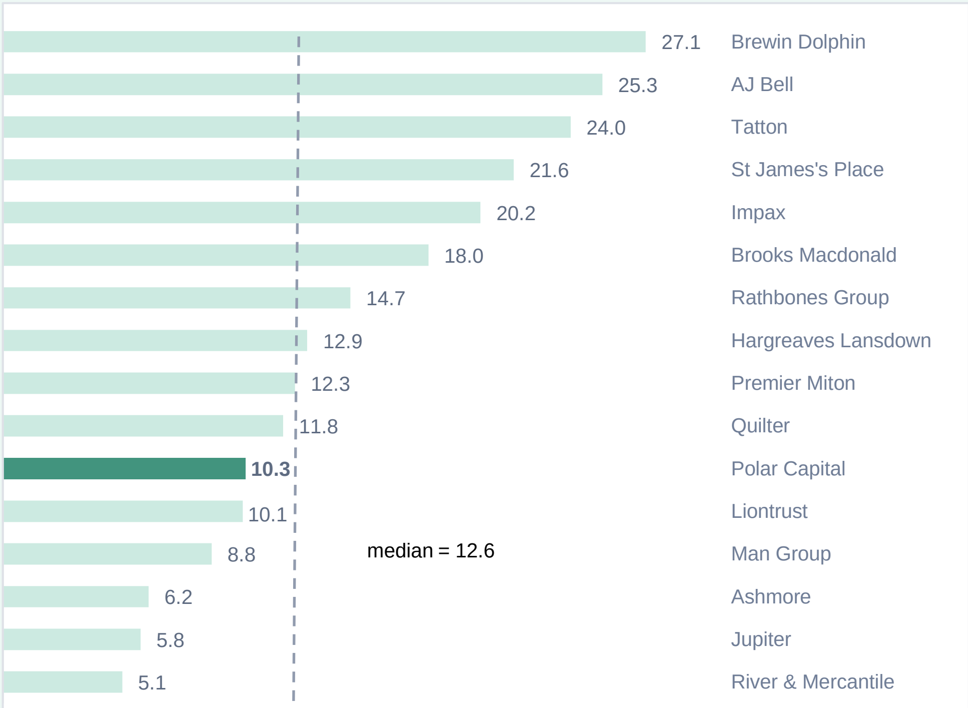
Source: Company Historic Data, ED Estimates
The slight dip in profits between FY23 and FY24 is impacted by the increase in UK corporation tax rate from 19% to 25%.

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 (which we believe is conservative), **we calculate a per share fundamental value of 800p, 54% above the current share price of 521p.**

We have also compared the relative valuation of Polar to other UK-listed asset managers and platforms (see below), and highlight that **Polar's PE ratio is just 10.3, well below the sector median of 12.6.**

We see potential for a significant re-rating.

PE Ratios: UK-listed asset & wealth managers and platforms



Source: ADVFN, as of 24 June 2022

Historical and forecast financials

Consolidated Income Statement + Forecasts					
12 months to end Mar, £'000	**FY20A**	**FY21A**	**FY 22A**	**FY 23E**	**FY 24E**
Revenue	151,714	201,508	224,107	176,451	185,703
Other Income	1,029	8,306	1,561	500	500
Gross Income	**152,743**	**209,814**	**225,668**	**176,951**	**186,203**
Commissions and fees payable	(11,300)	(15,389)	(22,642)	(16,829)	(17,332)
Net Income	141,443	194,425	203,026	160,122	168,871
Operating Costs	(90,563)	(118,510)	(140,936)	(109,065)	(115,850)
Profit for the year before tax	**50,880**	**75,915**	**62,090**	**51,057**	**53,021**
Taxation	(10,695)	(13,197)	(13,166)	(9,701)	(13,255)
Profit attributable to ordinary shareholders	**40,185**	**62,718**	**48,924**	**41,357**	**39,766**
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		1,908	2,896	-	-
Add exceptional items, amortisation of intangible assets		419	1,865	-	-
Add exceptional items, impairment of intangible assets			5,995		
Add back cost of share-based pmts on prefs	89	(333)	1,095	1,095	1,095
Add back exceptional items - FV charge on def cons on acquisition			(3,749)	-	-
Less net amount of deferred staff rem	(682)	(3,728)	(793)	(793)	(793)
Adjusted Profit After Tax	**39,592**	**60,984**	**56,233**	**41,659**	**40,068**
Earnings per share, p					
Basic	43.5	67.2	50.8	42.3	40.1
Diluted	41.3	64.0	48.7	40.5	38.4
Adjusted basic	42.9	65.3	58.4	42.6	40.4
Adjusted diluted	40.7	62.3	56.0	40.8	38.7
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	130.9	157.4	210.0	171.7	176.9
Commissions and fees payable	(11.3)	(15.4)	(22.6)	(16.8)	(17.3)
Net management fees	119.6	142.0	187.3	154.9	159.5
Profit/(loss) on foreign currency contracts	(1.4)	0.6	-	-	-
Core operating costs	(76.6)	(91.1)	(117.9)	(104.8)	(109.2)
Core operating profits (before tax)	**41.6**	**51.5**	**69.4**	**50.1**	**50.3**

Source: Company Historic Data, ED estimates.

Consolidated Balance Sheet + Forecasts

As at end Mar, £'000	FY20A	FY21A	FY 22A	FY 23E	FY 24E
Non-current assets					
Goodwill and intangible assets	-	24,998	17,100	15,236	13,372
Property & equipment	6,271	5,104	4,113	4,620	5,135
Deferred tax assets	2,157	5,783	3,475	3,475	3,475
	8,428	**35,885**	**24,688**	**23,331**	**21,982**
Current assets					
Investment securities	-	-	-	-	-
Assets at fair value through P&L	38,654	57,151	77,783	77,783	77,783
Trade & other receivables	14,815	23,924	25,430	20,022	21,072
Other financial assets	2,322	84	2,695	2,695	2,695
Cash & cash equivalents	107,753	136,718	121,128	119,236	128,397
Current tax assets	1,008	1,966	1,563	1,563	1,563
	164,552	**219,843**	**228,599**	**221,299**	**231,510**
Total assets	**172,980**	**255,728**	**253,287**	**244,631**	**253,492**
Non-current liabilities					
Provisions & other liabilities	5,387	4,123	2,871	2,871	2,871
Liabilities at fair value through P&L	-	4,258	637	637	637
Deferred tax liabilities	512	4,116	3,435	3,435	3,435
	5,899	**12,497**	**6,943**	**6,943**	**6,943**
Current liabilities					
Liabilities at fair value through P&L	3,457	16,124	10,023	10,023	10,023
Trade & other payables	45,102	71,598	80,054	63,031	66,336
Other financial liabilities	2,444	4,069	20	20	20
Current tax liabilities	-	-	-	-	-
	51,003	**91,791**	**90,097**	**73,074**	**76,379**
Total liabilities	**56,902**	**104,288**	**97,040**	**80,017**	**83,322**
NET ASSETS	**116,078**	**151,440**	**156,247**	**164,614**	**170,170**
Capital & Reserves					
Issued share capital	2,417	2,468	2,506	2,506	2,506
Share premium	19,101	19,364	19,364	19,364	19,364
Investment in own shares	(24,139)	(26,579)	(24,915)	(24,915)	(24,915)
Capital & other reserves	8,341	11,030	12,417	12,417	12,417
Retained Earnings	110,358	145,157	146,875	155,242	160,799
TOTAL EQUITY	**116,078**	**151,440**	**156,247**	**164,614**	**170,171**

Source: Company Historic Data, ED estimates.

Consolidated Cash Flow Statement + Forecasts (page 1 of 2)					
12 months to end Mar, £'000	**FY20A**	**FY21A**	**FY 22A**	**FY 23E**	**FY 24E**
OPERATING ACTIVITIES					
Profit before taxation	**50,880**	**75,915**	**62,090**	**51,057**	**53,021**
Interest receivable and similar income	(313)	(53)	(60)	(66)	(73)
Investment income	(279)	(239)	(247)	(500)	(500)
Interest on lease	151	107	95	95	95
Depreciation on property & equipment	1,361	1,399	1,404	1,406	1,460
Revaluation of liability at FVTPL		(443)	-	-	-
Amortisation & impairment of intantible assets		419	7,860	1,864	1,864
Decr/(Incr) in fair value of inv securities	-	-	-	-	-
Decr/(incr) in fair value of assets at FVTPL	581	(14,270)	7,710	-	-
(Decr)/incr in other financial liabilities	(1,940)	5,109	(10,402)	-	-
incr in other financial assets	-	-	-	-	-
Decr/(incr) in receivables	431	(9,109)	(1,506)	5,408	(1,050)
(Decr)/incr in trade and other payables	(2,751)	26,491	8,421	(17,023)	3,305
Decr in provisions and other liabilities	-	-	-	-	-
Share-based payment charges	5,159	5,625	7,351	10,354	10,794
Incr/(decr) in liabilities at FVTPL	404	(6,134)	(3,931)	-	-
Release of fund units deferred rem	4,917	5,633	6,538	-	-
Other non-cash items	-	404	-	-	-
Cash generated from operations	**58,601**	**90,854**	**85,323**	**52,595**	**68,916**
Corporation tax paid	(16,308)	(13,606)	(10,861)	(9,701)	(13,255)
Interest on lease	(151)	(107)	(95)	(95)	(95)
Net cash from operating activities	**42,142**	**77,141**	**74,367**	**42,799**	**55,566**

Source: Company Historic Data, ED estimates.

Consolidated Cash Flow Statement + Forecasts (page 2 of 2)					
12 months to end Mar, £'000	**FY20A**	**FY21A**	**FY 22A**	**FY 23E**	**FY 24E**
INVESTING ACTIVITIES					
Interest received	292	53	307	66	73
Investment income received	192	193	227	500	500
Sale of investment securities	-	-	-	-	-
Purchase of investment securities	-	-	-	-	-
Sale of assets at FV through P&L	18,119	33,292	41,240	-	-
Purchase of assets at FV through P&L	(24,123)	(45,188)	(70,335)	-	-
Purchase of property and equipment	(108)	(156)	(552)	(607)	(668)
Cash introduced via business combination		1,060	-	-	-
Re-measurement of purchase consideration (business acquisiton)			-	-	-
Payments in respect of business combination		(8,472)	(8,120)	-	-
Payments in respect of asset acquisition		(325)	(1,257)	-	-
Cash from disposal of cons seed inv	-	(264)	-	-	-
Net cash used in investing activities	**(5,628)**	**(19,807)**	**(38,490)**	**(41)**	**(95)**
FINANCING ACTIVITIES					
Dividends paid to shareholders	(30,657)	(31,907)	(43,400)	(43,344)	(45,003)
Lease payments	(1,145)	(1,296)	(1,306)	(1,306)	(1,306)
Issue of shares	43	257	1	-	-
Purchase of own shares	(9,707)	(6,118)	(12,383)	-	-
3rd party subs into cons funds	902	12,037	9,857	-	-
3rd party redemptions from cons funds	(63)	(1,289)	(4,552)	-	-
Dividends paid to 3rd party interests	-	-	-	-	-
Net cash from /(used in) financing	**(40,627)**	**(28,316)**	**(51,783)**	**(44,650)**	**(46,309)**
Net (decr)/incr in cash & equivalents	**(4,113)**	**29,018**	**(15,906)**	**(1,892)**	**9,161**
Cash & equivalents beginning of year	111,734	107,753	136,718	121,128	119,236
Effect of forex rate changes	132	(53)	316	-	-
Cash & equivalents at end of year	**107,753**	**136,718**	**121,128**	**119,236**	**128,397**

Source: Company Historic Data, ED estimates.

Contacts

Andy Edmond
Direct: 020 7065 2691
Tel: 020 7065 2690
andy@equitydevelopment.co.uk

Hannah Crowe
Direct: 0207 065 2692
Tel: 0207 065 2690
hannah@equitydevelopment.co.uk

Disclaimer

Equity Development, 2nd Floor, Park House, 16-18 Finsbury Circus, London, EC2M 7EB

Contact: info@equitydevelopment.co.uk | 020 7065 2690