

Stake in 8AM acquired, net inflows solid

17 August 2022

Tatton has now concluded the acquisition of 50% of 8AM Global Limited (8AM) for a total consideration of £7.0m (£3.5m payable now, funded through the issue of new shares, plus two performance-linked cash payments after 12m & 24m). Tatton has an option to acquire the remaining 50% of 8AM in due course.

We believe the deal is a solid strategic fit. It adds c. £0.8bn of 'assets under influence', with 8AM running a range of Model Portfolio Services and funds which are complementary to Tatton's and provide existing IFA clients with an extended product range. Tatton also gains the benefit of a broader financial adviser base. The deal is expected to be earnings enhancing from FY23 onwards. 8AM is expected to deliver £0.7m of adjusted operating profit in its first full year.

The first-tranche share-based payment (50% of total consideration) will be made via the issue of 877,737 new ordinary shares. This equates to a dilution of 1.5% for existing Tatton shareholders and looks like a good deal considering that 50% of the expected increase in adjusted operating profits (after one full year) equates to 2.4% of Tatton's FY22 adjusted operating profit (i.e., the deal is expected to add c4.8% to Tatton's FY22 adjusted operating profit after one full year).

Impressively, considering market volatility and general economic uncertainty, **Tatton has also reported strong net inflows over the first four months of FY23** (Apr 22 - Jul 22).

Fundamental value now 29% above current share price

We have updated our forecasts to take the 8AM acquisition into account and now forecast FY23 and FY24 adjusted operating profit to be £16.3m and £19.3m respectively (up from £16.0 and £18.6m); PBT to be £13.1m and £16.0m (up from £12.9m and £15.5m); and adjusted diluted EPS to be 20.4p and 22.1p (up from 20.3p and 20.6p).

Our fundamental value / share ticks up from 530p to 540p, 29% above the current price.

Key Financials						
Year-end 31 Mar	FY 19A	FY 20A	FY 21A	FY 22A	FY 23E	FY 24E
AUM end-of-period*, £bn	6.1	6.7	9.0	11.3	13.0	15.1
Revenue, £m	17.5	21.4	23.4	29.4	32.2	36.0
Operating profit (adj), £m	7.3	9.1	11.4	14.5	16.3	19.3
Operating margin (adj),	41.7%	42.5%	48.8%	49.5%	50.6%	53.6%
PBT, £m	6.1	10.3	7.3	11.3	13.1	16.0
PAT, £m	4.9	8.4	6.1	9.2	10.7	12.2
EPS basic (adj), p	11.0	13.1	16.1	19.9	22.1	24.2
EPS diluted (adj), p	10.0	12.0	14.7	18.6	20.4	22.1
Div, p	8.4	9.6	11.0	12.5	15.2	16.4
Yield	2.0%	2.3%	2.6%	3.0%	3.6%	3.9%
PER**	38.1	31.9	25.9	21.1	18.9	17.3
Net assets, £m	15.3	17.8	24.4	31.0	39.7	45.0
Net cash, £m	12.2	12.8	16.9	21.7	27.2	29.9

Source: Company Historic Data, ED estimates. PER and Yield based on share price of: **419p**
 *Excludes c£0.8bn of 'Assets under Influence' (AUI) from 8AM Global acquisition in Aug 22 (i.e. in FY23).
 **PER based on adj basic earnings (particularly relevant in FY21 due to extraordinary share-based pmt charge)

¹ Calculated using increased number of shares post 8AM Global acquisition

Company Data	
EPIC	TAM
Price	419p
52 weeks Hi/Lo	620p/405p
Market cap	£250m ¹
ED Fair Value / share	540p
Proforma net cash	£21.7m
Avg. daily volume	70k

Share Price, p



Source: ADVFN

Description

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AUM 31 March '22 was £11.3bn

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