

## Flywheel spinning smoothly

15 June 2021

**Tatton's FY21 results highlight strong momentum in the business. Current AUM inflows have returned to pre-Covid levels and now average £100m per month, with the £9.0bn AUM milestone reached on 31 Mar (subsequently surpassed, reaching £9.5bn on 15 June). That translated to 35% AUM growth for FY21 (AUM 31 Mar 20: 6.7bn)**

While Tatton (investment management) rightly attracts most of investors' attention, the solid performance of Paradigm (IFA support services) shouldn't be ignored. Mortgages bounced back in H2 from the pandemic slowdown with gross lending of £6.3bn in H2 and £11.3bn for the year (FY20: £9.9bn). Mortgage firms increased from 1,544 to 1,612 and consulting member firms from 394 to 407.

These combined efforts have translated to group revenue increasing 9.3% from £21.4m in FY20 to £23.4m, with tight cost controls and lockdown cost savings of £0.6m contributing to a **25.6% jump in adjusted operating profit from £9.1m to £11.4m** (this excludes exceptional items, share-based payment charges and amortisation of acquired intangibles). Adjusted operating margin increased from 42.5% to 48.8%. **Net cash increased 32% from £12.8m to £16.9m**, and Tatton has declared a final dividend of 7.5p, bringing the full-year dividend to 11.0p, up 15% from 9.6p in FY20 (yield 2.6%).

**Our outlook for Tatton remains bullish.** There are market tailwinds as IFAs continue to move assets onto DFM platforms to avoid the regulatory and risk burden of selecting investments and to focus more on financial planning and advice; Tatton continues to increase the number of IFA firms placing business with it (up 12.3% during FY21 from 595 to 668); and the opportunity to increase average AUM per IFA is huge (they do not move all of their business at once but increase it over time – this is estimated to be an £10-11bn AUM opportunity for Tatton *without* winning new clients). **The Tatton flywheel is spinning smoothly, and we see no reason why it can't continue to do so.**

**Tatton hasn't gone unnoticed by investors. Its market cap has now surpassed £1/4bn, up around 70% y-o-y. However, its valuation compared to peers is still not demanding.**

While it is a top-quartile performer when it comes to AUM inflows (as a % of opening AUM), its price-earnings ratio of 27\* is below the peer median of 32, and far below its highest rated peers which have PE ratios well north of 40. If it continues to deliver, Tatton will surely appear on more and more investors' radar screens going forward.

### Company Data

EPIC	TAM
Price (last close)	435p
52 weeks Hi/Lo	435p/248p
Market cap	£252m
ED Fair Value / share	410p
Proforma net cash	£16.9m
Avg. daily volume	55k

### Share Price, p



Source: ADVFN

**AUM on 15 June 21: £9.5bn**

### Description

Tatton Asset Management was founded in 2007 and serves smaller, UK-based Independent Financial Advisers via two distinct business units: *investment management* (discretionary fund management or DFM) delivered via WRAP platforms (just under 80% of group revenue), and *adviser support services* - regulatory and compliance consulting and outsourcing, plus mortgage and protection insurance aggregation (just over 20% of group revenue).

Aggregate AUM at end Mar 2021 was £9.0bn.

### Paul Bryant (Analyst)

0207 065 2690  
[paul.bryant@equitydevelopment.co.uk](mailto:paul.bryant@equitydevelopment.co.uk)

### Hannah Crowe

0207 065 2692  
[hannah@equitydevelopment.co.uk](mailto:hannah@equitydevelopment.co.uk)

### Key Financials

ye end March 31	FY 19A	FY 20A	FY 21A	FY 22E	FY 23E
AUM end-of-period, £bn	6.1	6.7	9.0	10.1	11.5
Revenue, £m	17.5	21.4	23.4	26.3	28.6
Operating profit (adj), £m	7.3	9.1	11.4	12.8	14.4
Operating margin (adj)	41.7%	42.5%	48.8%	48.8%	50.5%
EPS basic (adj), p	11.0	13.1	16.1	18.1	20.4
Div, p	8.4	9.6	11.0	12.5	14.1
Yield	1.9%	2.2%	2.5%	2.9%	3.2%
PER*	39.6	33.2	27.0	24.1	21.4
Net assets, £m	15.3	17.8	24.4	28.2	32.5
Net cash, £m	12.2	12.8	16.9	21.1	25.6

Source: Company Historic Data, ED estimates

PER and Yield based on share price of 435p

\*PER based on adj basic earnings (particularly relevant in FY21 due to extraordinary share-based pmt charge)

## Group-level profit and cash jump, dividend up

**Group revenue increased 9.3% from £21.4m in FY20 to £23.4m in FY21**, with Tatton (investment management) growing revenue by 13.6% to £18.1m over FY20 (£15.9m) and making up 77% of group revenue. Paradigm (IFA support services) revenue declined by 3.4% to £5.2m from £5.4m in FY20, with valuation income from mortgage business in particular being heavily affected by lockdown in H1. Paradigm made up 23% of group revenue.

Tatton's key profitability metric is adjusted operating profit which excludes exceptional items, share-based payment charges and amortisation of acquired intangibles and is probably the best indicator to compare profitability between financial years.

**Adjusted operating profit jumped 25.6% to £11.4m from £9.1m in FY20 with adjusted operating margin increasing to 48.8% from 42.5% in FY20. Evidence of operational gearing is reflected in these numbers, as well as tight cost control.** However, FY21 adjusted profits did benefit from pandemic-related cost cuts too – Tatton reports that around £0.6m (roughly 2.5% of the adjusted operating margin) of travel and marketing costs would ordinarily have been incurred save for the pandemic and lockdown.

Adjusted earnings per share (basic) increased 23% from 13.13p to 16.14p with the same 23% increase for diluted EPS which rose from 12.00p to 14.74p.

Statutory profits bring back exceptional items, share-based payment charges and amortisation of acquired intangibles with operating profit of £7.5m reported for FY21, down from £10.3m in FY20. This reduction is largely due to the cost of separately disclosed items of £3.9m (primarily a £3.7m share-based payment charge, FY20: 0.1m). The share-based payment charge is particularly high for FY21 (and low for FY20) because Tatton released the provision for this charge in FY20 due to the prevailing uncertainty of the impact of the pandemic at the end of FY20. The majority of the FY20 provision was subsequently incurred in FY21 because of the group's strong performance and growth.

The drop in non-adjusted operating profit between FY20 and FY21 is also exaggerated by FY20 benefitting from a one-off VAT refund of £1.6m.

For the same reasons described above, statutory profit after tax attributable to shareholders fell from £8.4m to £6.1m, with basic EPS reducing from 14.98p to 10.86p and diluted EPS reducing from 14.54p to 10.31p.

**Net assets increased 38% from £17.8m in FY20 to £24.4m in FY21, and net cash increased 32% from £12.8m to £16.9m. Tatton has no debt.** Net cash generated from operating activities before exceptional items was £10.9m (FY20: £9.8m), 96% of adjusted operating profit.

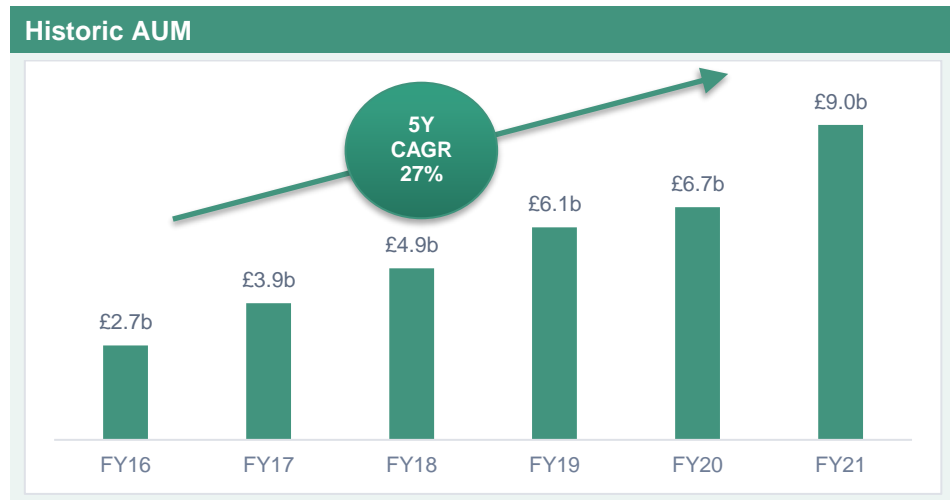
The Group also received £3.2m on the issue of new shares following the exercise of employee share options and the exercise of the warrant held by Zeus which has been in place since the IPO in July 2017.

**Tatton has declared a final dividend of 7.5p, bringing the full-year dividend to 11.0p, up 15% from 9.6p in FY20, a dividend yield of 2.6%.** Since its IPO in 2017, Tatton has now paid £20m in dividends.

## Tatton Investment Management

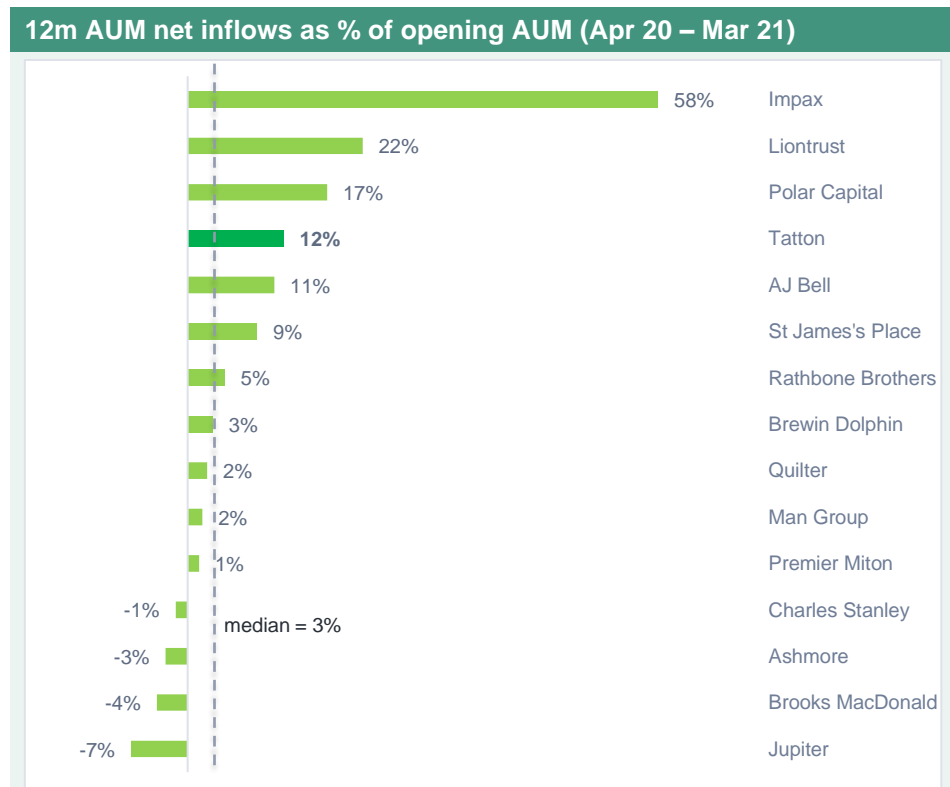
AUM closed FY21 on £9.0bn (+35% y-o-y from £6.7bn) with Tatton reporting a further increase to £9.5bn by 15 June. A strong investment performance was the largest contributor to FY21 AUM growth (+£1.58bn), but the inflow of new client money was also strong (+£0.76bn) and accelerating, with average monthly inflows in H2 of £71m compared to £55m in H1. Tatton reports that monthly flows continue to grow and have returned to pre-Covid levels of £100m per month.

The group's longer term AUM growth trajectory is firmly in place:



Source: Company reports and trading updates

While impressive on an absolute basis, Tatton's growth is also impressive relative to peers, and it continues to **attract AUM at a faster rate than most** asset managers and platforms:



Source: Company reports and trading updates, ED analysis  
 Net inflows exclude AUMs added through acquisitions.

**This strong AUM performance has translated to impressive business unit financial performance. Tatton revenue increased 13.6% to £18.1m (FY20: £15.9m). Administrative expenses declined from £7.5m to £7.1m (although some of this was related to a forced reduction in travel and marketing activity due to the pandemic) and adjusted operating profit increased 26% from £8.6m to £10.9m.**

The number of investment management IFA clients continued to grow, increasing by 12.3% to 668 (31 Mar 2020: 595) and the number of client accounts increasing 9.6% to 72,450 (31 Mar 2020: 66,100). Room for growth remains as the UK has over 5,500 directly authorised IFA firms.

In addition to growing IFA client numbers 'one-by-one', Tatton tries to form strategic partnerships to fast track IFA client acquisition. In this vein, in June 2019 it won a mandate to provide a Managed Portfolio Service through Tenet, one of the UK's largest adviser support groups, giving Tatton access to 474 IFA firms. To date, Tatton has won 104 new client firms from this relationship. It has identified several other partnership opportunities which would have similar strategic potential if captured.

One of the largest opportunities for Tatton though is to grow its AUM per existing client IFA. IFAs typically start their relationship with Tatton by placing a relatively small portion of their client investments and build this up over time as their relationship with Tatton deepens. For example, Paradigm (consulting) clients (who are typically longer standing clients with well-established group relationships) each place ~£29.5m AUM with Tatton on average (as at Mar 21), but non-Paradigm clients (typically newer clients) place on average ~£8m (which typically increases over time). This is an £10-11bn AUM opportunity without winning new clients if average non-Paradigm AUM reaches Paradigm levels.

Underpinning both of the above growth drivers (new IFA clients and AUM per IFA) is the shift towards IFAs outsourcing more and more of their investment management to DFM providers (such as Tatton) through the platforms they utilise, and obviously Tatton's competitive performance in this space. The primary driver of the move to DFM providers is IFAs avoiding the regulatory and risk burden of selecting investments and focussing more on financial planning and advice.

**Indeed, the on-platform DFM market totalled around £25bn in 2017 (about 5% of the overall adviser platform market), growing to £55bn in 2020 (10%)<sup>1</sup>. And demand for this service is increasing. According to August 2020 research by CoreData, 18% of advisers said DFMs were the service they wanted most on platforms, up from 11% in the prior year.** <sup>1</sup> *Tatton Analysts Presentation, June 2021 & Platform*

On the competitive front, obviously price and service levels are key for Tatton (and it is one of the lowest priced DFM providers), but its investment track record and performance is probably the most important longer term competitive advantage. In this regard, Tatton's record is impressive when measured on both 5-year and 1-year time horizons as shown in the chart overleaf: (green shading depicts outperformance versus benchmark, red underperformance).

#### 5-year annualised portfolio performance (%), core MPS product set after DFM charge and fund costs: 1 Apr 16 – 31 Mar 21

	Tatton Managed	Tatton Tracker	Tatton Blended	Tatton Ethical	ARC PCI <sup>1</sup>
Defensive	4.6	4.5	4.5	–	3.6
Cautious	6.3	6.2	6.3	–	5.3
Balanced	7.3	7.5	7.4	9.1	5.3/7.22
Active	8.7	8.9	8.8	–	7.2
Aggressive	10.1	10.2	10.1	–	8.9
Global Equity	13.5	13.2	13.4	–	8.9

<sup>1</sup> ARC PCI – Asset Risk Consultants Private Client Indices ("PCI").

<sup>2</sup> Balanced Portfolios are measured against both ARC Balanced Asset PCI and ARC Steady Growth PCI as in risk terms the Balanced Portfolios lie in the middle of these Indices

Source: Tatton Audited Final Results, 15 June 21

**1-year portfolio performance (%), core MPS product set after DFM charge and fund costs: 1 Apr 20 – 31 Mar 21**

	Tatton Managed	Tatton Tracker	Tatton Blended	Tatton Ethical	ARC PCI <sup>1</sup>
Defensive	13.2	10.6	11.9	16.2	11.5
Cautious	20.9	17.4	19.1	22.2	18.5
Balanced	26.2	22.5	24.3	25.9	18.5/24.8 <sup>2</sup>
Active	32.7	28.1	30.4	30.2	24.8
Aggressive	39.0	33.7	36.3	35.0	31.7
Global Equity	41.1	37.9	39.5	39.4	31.7

<sup>1</sup> ARC PCI – Asset Risk Consultants Private Client Indices ("PCI").

<sup>2</sup> Balanced Portfolios are measured against both ARC Balanced Asset PCI and ARC Steady Growth PCI as in risk terms the Balanced Portfolios lie in the middle of these Indices

Source: *Tatton Audited Final Results, 15 June 21*

Tatton continues to adapt its product set to market demands as illustrated by the introduction and growth of its ethical portfolios. Five years ago, it only had the 'balanced' ethical portfolio but now has a full suite of ethical products. In FY21, ethical portfolio AUM increased 141% to £441m (2020: £121m).

Competition is certainly heating up. For example, in April 21 Schroders launched a discount portfolio model and multi-asset fund range with an annual management fee of 15bps (the same price as Tatton which is a cost-leader). And Legal & General Investment Management (LGIM) launched a range of 25 model portfolios although priced significantly higher than Tatton at 25bps for passive-focused portfolios and 32bps for funds that include an active element.

**However, Tatton appears to be holding its own against competitors that do not appear to be having an effect on Tatton's growth momentum.**

## Paradigm: IFA Support Services

Paradigm revenue fell 3.4% from £5.4m in FY20 to £5.2m in FY21. Administrative expenses declined from £3.5m to £3.2m (again some of this reduction is due to pandemic-related activity reduction), and adjusted operating profit increased 7% from £1.9m to £2.0m.

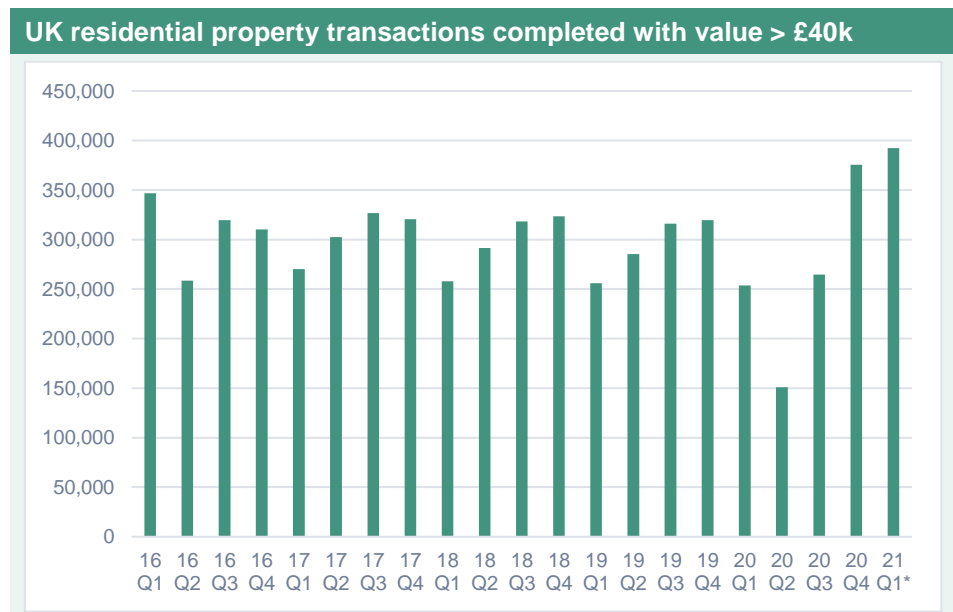
**Pleasingly, both operating units within Paradigm grew client numbers during the year. Mortgage firms increased from 1,544 to 1,612 and consulting member firms from 394 to 407.**

Valuation income from mortgage business was heavily affected by pandemic lockdowns during H1 (housing transactions are heavily dependent on in-situ activity – viewings, inspections, surveys etc) but it bounced back in H2 as housing market activity picked up. Gross lending was £5.0bn in H1, £6.3bn in H2 and £11.3bn for the year (FY20: £9.9bn).

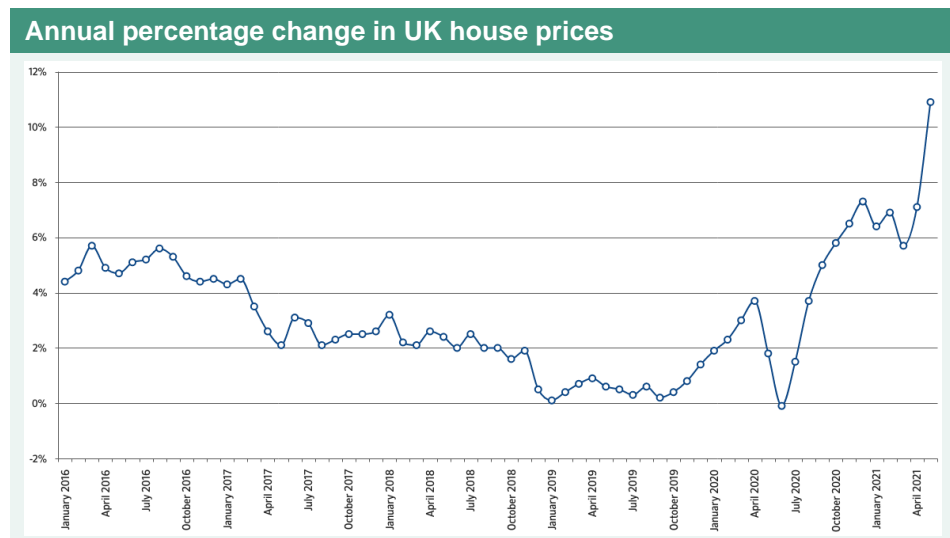
The return to growth in mortgages was boosted by various government economic stimulus packages, payment holidays, effective prohibitions on some forms of enforcement action, the extension of the reduction in stamp duty to the end of June 2021, and changes in the type of accommodation people want to live in (for example working from home and moving to less densely populated areas).

We certainly see Paradigm mortgages as a growth business. The number of client firms is significantly higher than two years ago (1,392 in Mar 19 compared to 1,612 in Mar 21), the UK residential housing market has solid longer-term prospects and the overall market recovery from the pandemic looks strong.

The volume of housing transactions is currently at levels not seen since before the Brexit referendum and house prices are buoyant. Having said that, the housing market can be volatile so we would not expect the growth prospects of Paradigm mortgages to follow a smooth trajectory.



Source: HM Land Registry  
 \*provisional



Source: Nationwide House Price Index

Paradigm Consulting is a more mature business, and we expect to see only modest growth from this business unit. However, Tatton is well positioned in this market, and we see no let-up in demand for regulatory and compliance services. This business unit remains strategically important to the Group, as it enhances IFA relationships and provides deep insights into current IFA needs and trends, which in turn helps with new service and product design across the group.

## Prospects, fundamental and relative valuation

We think Tatton is well positioned to maintain, if not accelerate its growth trajectory, for the following reasons:

- **Market tailwinds:** IFAs continue to move assets onto DFM platforms to avoid the regulatory and risk burden of selecting investments and to focus more on financial planning and advice;
- **Opportunity to add AUM per (existing client) IFA:** Paradigm clients each place ~£29.5m AUM with Tatton on average, non-Paradigm clients ~£8m (typically increasing over time): this is an £10-£11bn AUM opportunity without winning new clients if average non-Paradigm AUM reaches Paradigm levels;
- **Established sales process continues to attract new IFA clients:** 445 IFA asset management clients in Mar 19, 595 in Mar 20, and 668 in Mar 21 shows a good growth trajectory and a total market of 5,500 directly authorised UK adviser firms means there is significant scope for further growth;
- **Strategic partnerships:** deals such as that with Tenet Group (adviser support business) can fast-track new client acquisition;
- **Strategic acquisitions:** Tatton has £16.9m of net cash and a £30m credit facility available for strategic acquisitions – a strategy it is actively pursuing.

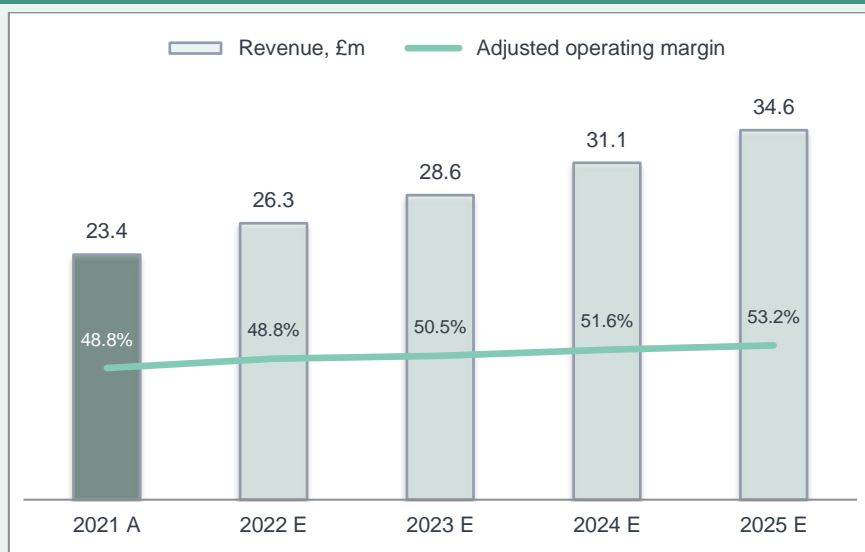
**We therefore think that Tatton should be able to attract at least £1bn of new inflows per year. If we then assume market movements add a further 4% per year to AUM, Tatton can reach around £15bn in AUM by 2025.**

In addition, operational leverage should see margins improve further as the business scales.

**On this basis, we currently value Tatton at 410p per share, with additional potential upside if Tatton exceeds these growth forecasts.**

The financial projections for our modelled growth scenario are summarised next:

### Summary growth projections



Source: Company Historic Data, ED estimates

### Summary growth projections

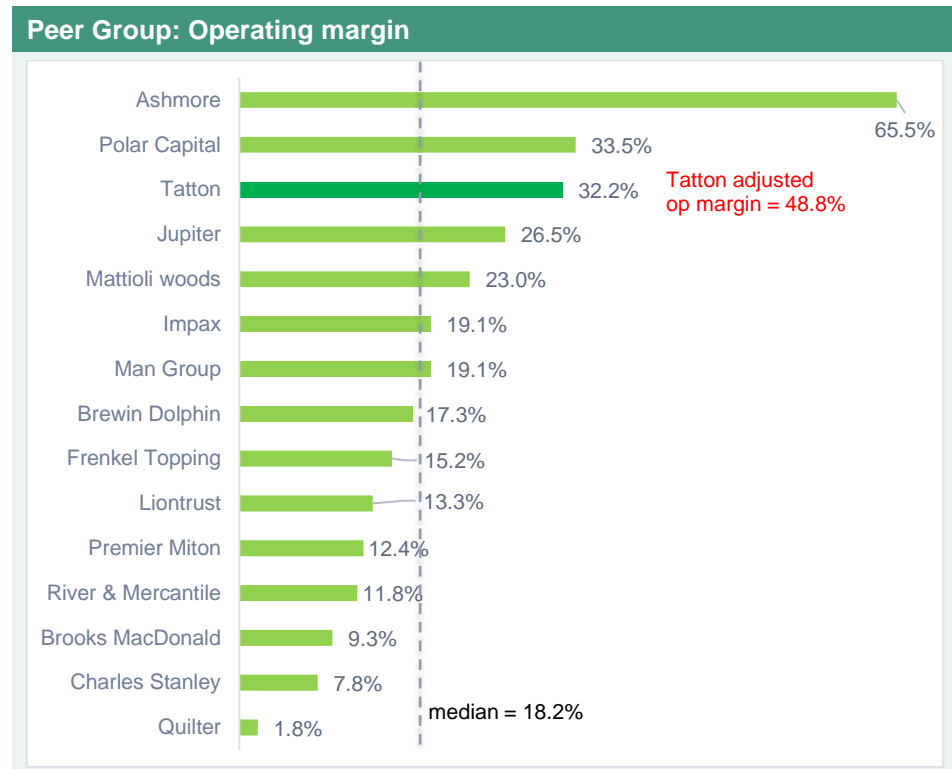
Year-end 31 March	2021 A	2022 E	2023 E	2024 E	2025 E
<b>AUM, £bn</b>	<b>9.0</b>	<b>10.1</b>	<b>11.5</b>	<b>13.0</b>	<b>14.6</b>
growth	35.2%	12.1%	13.9%	13.1%	12.5%
<b>Revenue (£m)</b>	<b>23.4</b>	<b>26.3</b>	<b>28.6</b>	<b>31.1</b>	<b>34.6</b>
growth	9.3%	12.8%	8.6%	8.8%	11.2%
<b>Admin expenses (£m)</b>	<b>12.0</b>	<b>13.5</b>	<b>14.2</b>	<b>15.1</b>	<b>16.2</b>
growth	-2.8%	12.9%	5.0%	6.4%	7.3%
<b>Op profit, adj (£m)</b>	<b>11.4</b>	<b>12.8</b>	<b>14.4</b>	<b>16.1</b>	<b>18.4</b>
growth	25.6%	12.7%	12.4%	11.1%	14.7%
Op margin, adj	48.8%	48.8%	50.5%	51.6%	53.2%
<b>Profit after tax (£m)</b>	<b>6.1</b>	<b>8.4</b>	<b>9.7</b>	<b>10.2</b>	<b>12.0</b>
growth	-26.9%	38.2%	15.3%	5.0%	17.3%
<b>EPS basic adj (p)</b>	<b>16.1</b>	<b>18.1</b>	<b>20.4</b>	<b>21.0</b>	<b>24.1</b>
growth	23.1%	11.9%	12.7%	3.1%	15.0%
<b>Dividend (p)</b>	<b>11.0</b>	<b>12.5</b>	<b>14.1</b>	<b>14.6</b>	<b>16.7</b>
yield	2.5%	2.9%	3.2%	3.3%	3.8%
<b>Net assets (£m)</b>	<b>24.4</b>	<b>28.2</b>	<b>32.5</b>	<b>36.6</b>	<b>42.0</b>
growth	37.5%	15.3%	15.3%	12.7%	14.5%
<b>Net cash (£m)</b>	<b>16.9</b>	<b>21.1</b>	<b>25.6</b>	<b>30.1</b>	<b>35.8</b>
growth	32.7%	24.5%	21.4%	17.6%	18.7%

Source: Company Historic Data, ED estimates

We have also looked at Tatton's valuation on a peer-comparison basis and conclude that it is probably undervalued in relation to peers.



It is a top quartile performer when it comes to AUM inflows (see page 3), and it commands industry-leading operating margins (see below).

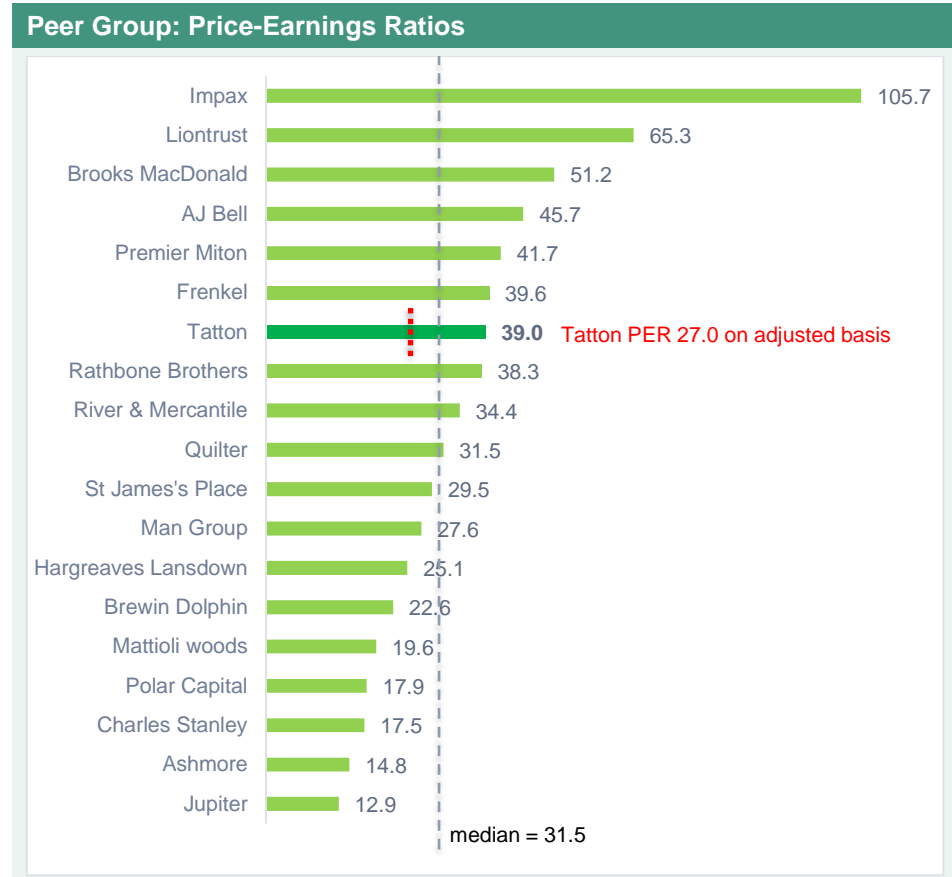


Source: ADVFN (as at 11 June 2021 – calculated on latest full financial year), ED analysis (for Tatton)

But its current PER is below the top quartile of peers, and that is when PERs are calculated using basic (non-adjusted) earnings. We remind readers of Tatton's extraordinary share-based payment charge in FY21 (because it did not release this charge in FY20 due to the prevailing uncertainty of the impact of the pandemic at the end of FY20 - subsequently incurred in FY21) which results in depressed basic earnings and an inflated PER.

## Rating

We consider the PER comparison to peers more appropriate if Tatton's adjusted earnings are used. On this basis, its PER is 27.0, well below the peer group median. This seems out of line, and we again conclude that there is scope for further rerating on Tatton's continued delivery.



Source: ADVFN (as at 11 June 2021), ED analysis

## Financials

Consolidated Income Statement – Historical & Forecasts					
12 months to end Mar, £'000s	2019A	2020A	2021E	2022E	2023E
<b>Revenue</b>	<b>17,518</b>	<b>21,369</b>	<b>23,353</b>	<b>26,347</b>	<b>28,621</b>
Other exceptional revenue		1,588			
Administrative expenses (before separately disclosed items) <sup>1</sup>	(10,210)	(12,293)	(11,951)	(13,498)	(14,174)
<b>Adjusted operating profit (before separately disclosed items)<sup>1</sup></b>	<b>7,308</b>	<b>9,076</b>	<b>11,402</b>	<b>12,849</b>	<b>14,448</b>
Share based payment costs	(874)	(108)	(3,740)	(2,000)	(2,000)
Amortisation of intangibles - customer relationships		(60)	(120)	(120)	(120)
Exceptional items	(509)	1,394	(34)	-	-
Total administrative expenses	(11,593)	(12,655)	(15,845)	(15,618)	(16,294)
<b>Operating profit</b>	<b>5,925</b>	<b>10,302</b>	<b>7,508</b>	<b>10,729</b>	<b>12,328</b>
Finance income/(costs)	187	(6)	(205)	(300)	(300)
<b>Profit before tax</b>	<b>6,112</b>	<b>10,296</b>	<b>7,303</b>	<b>10,429</b>	<b>12,028</b>
Tax	(1,255)	(1,933)	(1,192)	(1,982)	(2,285)
Profit for the year on continuing operations	4,857	8,363	6,111	8,448	9,742
Loss related to disposal of discontinued operations	-	-	-	-	-
<b>Profit for the year attributable to shareholders</b>	<b>4,857</b>	<b>8,363</b>	<b>6,111</b>	<b>8,448</b>	<b>9,742</b>
Basic EPS, p	8.7	15.0	10.9	15.0	17.3
Diluted EPS, p	7.9	14.5	10.3	14.2	16.2
Basic adjusted EPS <sup>2</sup> , p	11.0	13.1	16.1	18.1	20.4
Diluted adjusted EPS <sup>2</sup> , p	10.0	12.0	14.7	16.3	18.1

<sup>1</sup> Adjusted for exceptional items and share-based payments

<sup>2</sup> Adjusted for exceptional items and share-based payments and the tax thereon

Source: Company Historic Data, ED estimates

<b>Consolidated Balance Sheet – Historical &amp; Forecasts</b>					
As at end Mar, £'000s	2019A	2020A	2021E	2022E	2023E
<b>Non-current assets</b>					
Goodwill	4,917	6,254	6,254	6,254	6,254
Intangible assets	223	1,495	1,436	1,405	1,405
Property, plant and equipment	349	1,034	992	1,102	1,206
Deferred income tax assets	104	-	1,420	1,420	1,420
<b>Total non-current assets</b>	<b>5,593</b>	<b>8,783</b>	<b>10,102</b>	<b>10,181</b>	<b>10,285</b>
<b>Current assets</b>					
Trade and other receivables	2,508	3,431	4,302	4,854	5,272
Cash and cash equivalents	12,192	12,757	16,934	21,089	25,608
Fin assets at fair value through P&L			163	163	163
Corporation tax asset			48	48	48
<b>Total current assets</b>	<b>14,700</b>	<b>16,188</b>	<b>21,447</b>	<b>26,154</b>	<b>31,092</b>
<b>TOTAL ASSETS</b>	<b>20,293</b>	<b>24,971</b>	<b>31,549</b>	<b>36,335</b>	<b>41,377</b>
<b>Current liabilities</b>					
Trade and other payables	(4,521)	(6,186)	(6,587)	(7,431)	(8,073)
Corporation tax	(484)	(199)	-	(197)	(273)
<b>Total current liabilities</b>	<b>(5,005)</b>	<b>(6,385)</b>	<b>(6,587)</b>	<b>(7,629)</b>	<b>(8,346)</b>
<b>Non-current liabilities</b>					
Other payables	-	(702)	(516)	(516)	(516)
Deferred tax liabilities	-	(106)	-	-	-
<b>Total non-current liabilities</b>	<b>-</b>	<b>(808)</b>	<b>(516)</b>	<b>(516)</b>	<b>(516)</b>
<b>TOTAL LIABILITIES</b>	<b>(5,005)</b>	<b>(7,193)</b>	<b>(7,103)</b>	<b>(8,145)</b>	<b>(8,862)</b>
<b>NET ASSETS</b>	<b>15,288</b>	<b>17,778</b>	<b>24,446</b>	<b>28,190</b>	<b>32,515</b>
<b>Equity attributable to equity holders of the Company</b>					
Share capital	11,182	11,182	11,578	11,578	11,578
Share premium account	8,718	8,718	11,534	11,534	11,534
Other reserve	2,041	2,041	2,041	2,041	2,041
Merger reserve	(28,968)	(28,968)	(28,968)	(28,968)	(28,968)
Retained Earnings	22,315	25,801	30,230	33,974	38,299
Acquisition of own shares	-	(996)	(1,969)	(1,969)	(1,969)
<b>TOTAL EQUITY</b>	<b>15,288</b>	<b>17,778</b>	<b>24,446</b>	<b>28,190</b>	<b>32,515</b>

Source: Company Historic Data, ED estimates

<b>Consolidated Statement of Cash Flows – Historical &amp; Forecasts</b>					
12 months to end Mar, £'000s	2019A	2020A	2021A	2022E	2023E
<b>Operating activities</b>					
<b>Profit for the year</b>	<b>4,857</b>	<b>8,363</b>	<b>6,111</b>	<b>8,448</b>	<b>9,742</b>
Adjustments:					
Income tax expense	1,255	1,933	1,192	1,982	2,285
Finance (income)/costs	(187)	6	205	300	300
Depreciation of property, plant and equipment	91	298	351	396	430
Amortisation of intangible assets	43	195	341	341	341
Share-based payment expense	874	108	3,740	2,000	2,000
Share of profit from joint venture	-	-	-	-	-
Changes In:					
Trade and other receivables	78	(1,016)	(537)	(552)	(419)
Trade and other payables	491	1,338	(531)	844	641
Exceptional costs	509	(1,394)	34	-	-
<b>Cash generated from operations before exceptional costs</b>	<b>8,011</b>	<b>9,831</b>	<b>10,906</b>	<b>13,759</b>	<b>15,321</b>
<b>Cash generated from operations</b>	<b>7,502</b>	<b>11,225</b>	<b>10,872</b>	<b>13,759</b>	<b>15,321</b>
Income tax paid	(1,366)	(2,278)	(2,051)	(1,784)	(2,209)
<b>Net cash from operating activities</b>	<b>6,136</b>	<b>8,947</b>	<b>8,821</b>	<b>11,975</b>	<b>13,112</b>
<b>Investing activities</b>					
Acquisition payment, net of cash acquired	-	(2,002)	(160)	-	-
Purchase of intangible assets	(266)	(271)	(282)	(310)	(341)
Purchase of property, plant and equipment	(336)	(294)	(67)	(332)	(360)
<b>Net cash used in investing activities</b>	<b>(602)</b>	<b>(2,567)</b>	<b>(509)</b>	<b>(642)</b>	<b>(702)</b>
<b>Financing activities</b>					
Proceeds from the issue of shares	-	-	3,212	-	-
Stamp duty paid on share transfer	-	-	-	-	-
Interest received/(paid)	53	162	(36)	(300)	(300)
Payment of lease liabilities	-	(61)	(174)	(174)	(174)
Acquisition of own shares	-	(996)	(973)	-	-
Dividends paid	(4,025)	(4,920)	(5,551)	(6,704)	(7,418)
<b>Net cash used in financing activities</b>	<b>(3,972)</b>	<b>(5,815)</b>	<b>(4,135)</b>	<b>(7,178)</b>	<b>(7,892)</b>
<b>Net increase in cash and cash equivalents</b>	<b>1,562</b>	<b>565</b>	<b>4,177</b>	<b>4,155</b>	<b>4,519</b>
Cash and cash equivalents at the beginning of the period	10,630	12,192	12,757	16,934	21,089
<b>Net cash and cash equivalents at the end of the period</b>	<b>12,192</b>	<b>12,757</b>	<b>16,934</b>	<b>21,089</b>	<b>25,608</b>

Source: Company Historic Data, ED estimates



## Contacts

### Andy Edmond

Direct: 020 7065 2691

Tel: 020 7065 2690

[andy@equitydevelopment.co.uk](mailto:andy@equitydevelopment.co.uk)

### Hannah Crowe

Direct: 0207 065 2692

Tel: 0207 065 2690

[hannah@equitydevelopment.co.uk](mailto:hannah@equitydevelopment.co.uk)

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Equity Development, 15 Eldon Street, London, EC2M 7LD

Contact: [info@equitydevelopment.co.uk](mailto:info@equitydevelopment.co.uk) | 020 7065 2690