

Bumper H1-25, AUM up 14% driven by inflows

15th October 2024

Tatton has recorded an exceptionally strong start to the next leg of its growth journey: in June '24 it set a target of reaching £30bn of Assets-Under-Management or Influence (AUI) by end-FY29, an 11% CAGR. But H1-25 (to 30 Sep 24) saw AUM jump 14% in just six months from £16.6bn to £18.9bn. Net inflows contributed £1,832m (22% p.a. inflow rate), and investment returns £534m (3.2% over 6m), in line with the *MSCI PIMFA Private Investors Balanced Index*. Including the AUM of 50%-owned 8AM Global, AUI totalled £19.9bn on 30 Sep 24.

Asset management a standout growth leader with huge potential

We had forecast some deceleration in net inflows from the record of >£300m per month in Q1. But that didn't happen. Monthly net flows averaged £305m over the half-year, far higher than £192m in FY24 and £150m in FY23. Also, our comparative analysis shows that **Tatton has been attracting and retaining assets at a rate far higher than peers for some time now** (see page 2).

We remind readers that Tatton can grow by adding new IFA clients (which it is: net increase of 63 firms in H1 from 975 to 1,038, from a target market of c. 5,500 firms) and by increasing average-AUM-per-existing-client-firm (share of wallet), which in itself is a £22bn opportunity (see page 3).

Solid half-year for Paradigm

H1-25 for Paradigm, the group's IFA support services business (16% of group revenue in FY24), saw mortgage member firms increase to 1,930 from 1,916, with mortgage completions totalling £6.6bn. This was up on the £6.2bn of H2-24, but the market remained subdued in this high-interest rate environment. Pleasingly, Paradigm saw a return to growth in the number of consulting member firms from 424 to 437, following a slight decline over FY24 from 431 to 424.

Forecasts and valuation of to be revisited in Nov, post-budget

With so much uncertainty around the UK budget (due 30 Oct 24), which could have implications for investors' capital allocations and financial markets, we feel it prudent to wait a few weeks before updating forecasts, until Tatton's interim results on 13 Nov. But **we certainly see potential for a substantial upgrade if growth continues anywhere close to the current rate**. Our [June 24 note](#) details our current valuation of 640p per share & Tatton's growth opportunities in more detail.

Company Data

EPIC	AIM: TAM
Price (14 Oct close)	664p
52 weeks Hi/Lo	722p/448p
Market cap	£402m
ED Fair Value/share	640p
Proforma net cash	£25m
Avg. daily volume	85k

Erratum

In the original Tatton Asset Management note there was a minor miscalculation of the PBT number, now corrected in this version which we are republishing. The forecasts, narrative and fundamental value all remain unchanged.

Share Price, p



Source: ADVFN

Description

Tatton Asset Management was founded in 2007 and serves smaller, UK-based Independent Financial Advisers via two business units:

- *Tatton Investment Management*
- *Paradigm* (adviser support services)

AUM/AUI 30 Sept 24: £19.9bn

Next event: H1 results, 13 Nov 24

Paul Bryant (Analyst)

0207 065 2690
paul.bryant@equitydevelopment.co.uk

Hannah Crowe

0207 065 2692
hannah@equitydevelopment.co.uk

Key Financials

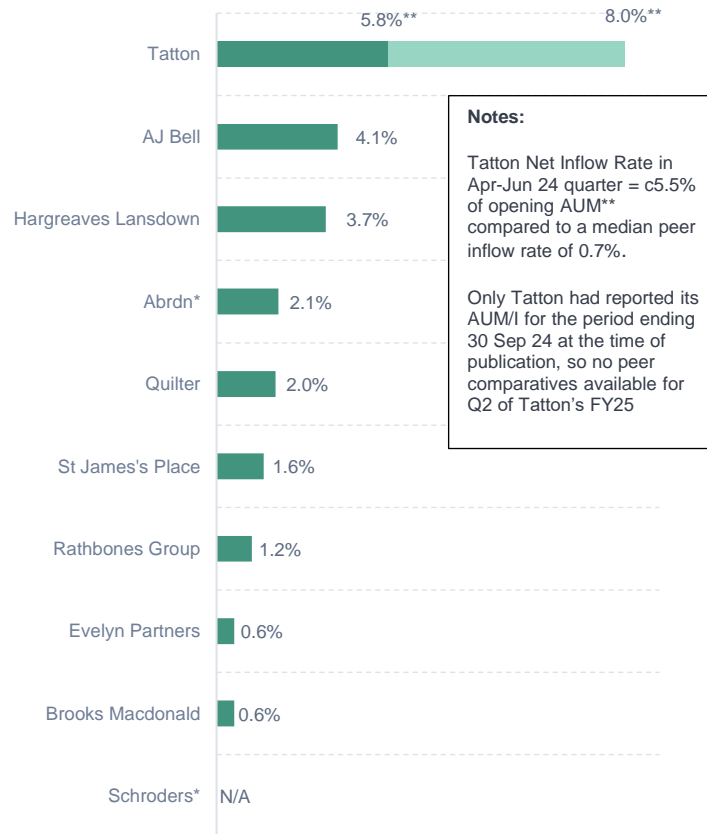
Year-end 31 Mar	FY 22A	FY 23A	FY 24A	FY 25E	FY 26E
AUM end-of-period*, £bn	11.3	12.7	16.6	19.5	22.1
Revenue, £m	29.4	32.3	36.8	42.7	48.2
Operating profit (adj.), £m	14.5	16.4	18.5	21.6	25.0
Operating margin (adj.), %	49.5%	50.7%	50.3%	50.6%	51.9%
PBT, £m	11.3	16.0	16.8	21.0	23.9
PAT, £m	9.2	13.4	12.9	15.9	18.0
EPS basic (adj.), p	19.9	21.7	23.7	26.9	30.7
EPS diluted (adj.), p	18.6	20.6	22.9	26.0	29.6
Div, p	12.5	14.5	16.0	18.8	21.4
Yield, %	1.9%	2.2%	2.4%	2.8%	3.2%
PER	41.7	29.6	29.6	25.9	23.2
Net cash, £m	21.7	26.5	24.8	31.6	39.1

Source: Company Historic Data, ED estimates. PER and Yield based on share price of: **664p**

*Excludes c£1.0bn of 'Assets under Influence' (AUI) from 8AM Global (50% owned).

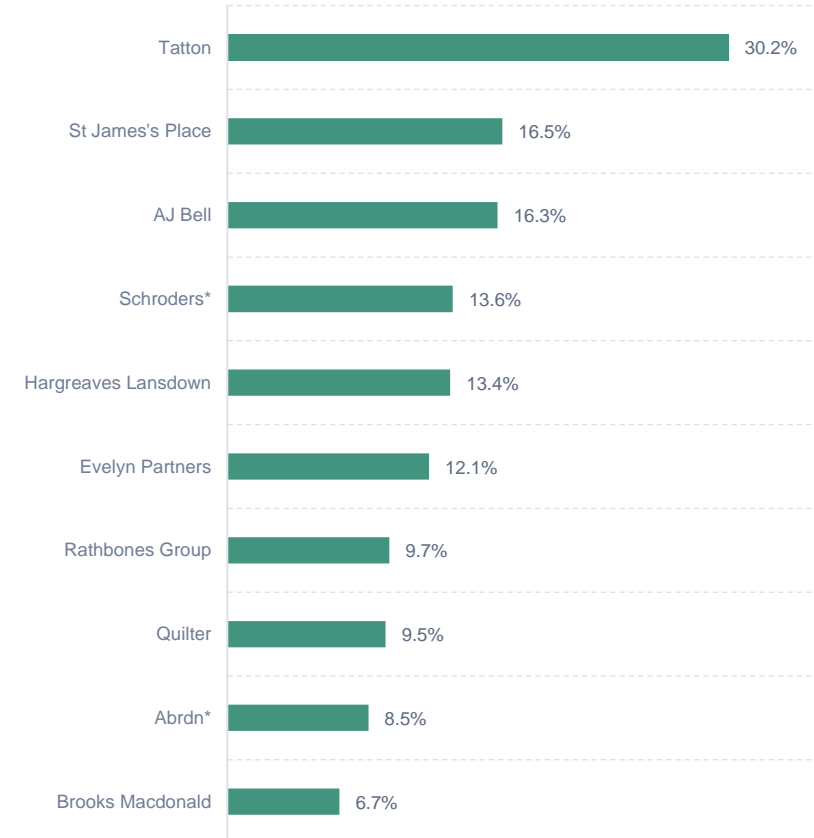
Tatton's Q1-25 growth was far higher than most peers...

Quarterly AUA/AUM/AUI growth rate excl. acquisitions ■ Apr - Jun 24 ■ Jul - Sep 24



...following on from it being a runaway growth leader in FY24

Annual AUA/AUM/AUI growth rate excluding acquisitions (1 Apr 23 - 31 Mar 24)



Source: Company reports, ED analysis.

Peer group includes companies which typically house portfolios for individual investors. It does not include 'pure play' asset managers which typically run individual funds making up only a part of an investor's portfolio – these have different net flow and investment characteristics. Evelyn Partners is not publicly listed but is a large player and publishes this data, therefore included as a useful peer comparator.

*Wealth management business units only (Schroders: 'wealth management', Abrdn: 'adviser + interactive investor').

**Quarterly split is approximate. Tatton does not report quarterly but it reported AUM of £17.516bn as at 14 Jun 24 with c£900m of net flows between 1 Apr 24 and 14 Jun 24.

TIML* can grow by adding new IFA clients...

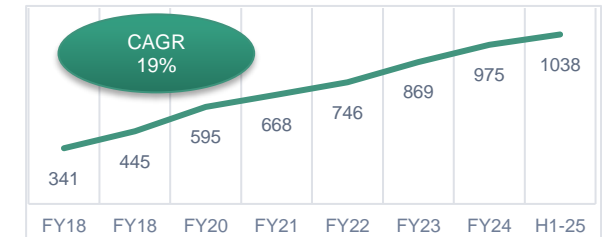
- TIML continues to increase the number of IFA clients that contract with it to manage their clients' investments.
- And there is still ample room to grow this further as the UK has over 5,500 directly authorised IFA firms.**

**Tatton Investment Management Limited (The group's asset management business, c84% of revenue)*

...with a huge opportunity to add AUM from existing clients

- This opportunity is to increase average-AUM-per-client-firm. [An IFA will typically not move all their AUM to a new investment manager at once but increase it over time as the relationship builds].
- 'Paradigm firms'** (clients of both Paradigm and TIML) offer a benchmark of average-AUM-per-firm potential. These firms tend to have been Tatton clients for a longer time than Direct firms and have built up their AUM placed with TIML over time to a current average of £40m per firm.
- 'Direct firms'** (clients of TIML but not of Paradigm) have a lower average AUM per firm of £13m. While this cohort has been growing rapidly over the last few years, they tend to be 'younger' relationships and have not had the same period as Paradigm firms to build up their AUM with TIML.
- But, given time, there is no reason for ave-AUM-per-Direct firm to not get closer to or match that of Paradigm firms, i.e. there is £27m of AUM-per-firm growth 'headroom'. (Indeed, Tatton has already managed to increase the average AUM for direct firms from £6m in Mar 19 to £13m in Mar 24).
- And because there are so many Direct firms (821 in Mar 24), with so much average-AUM headroom, **this opportunity is huge i.e. if Tatton succeeds in growing its average-AUM-per-Direct-firm from £13m to £40m, it can add £22bn of AUM without winning new clients** (821 firms x £27m, the difference between current average AUM per firm for direct firms and Paradigm firms).

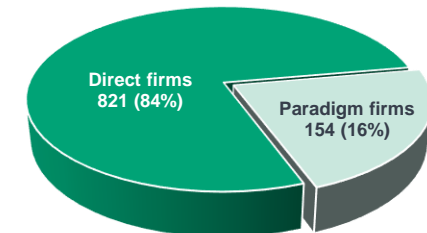
Number of TIML IFA client firms



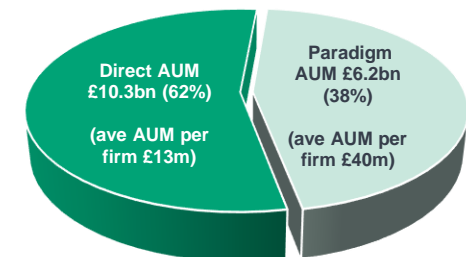
Source: Company

Paradigm firms v Direct firms (31 Mar 24)

Total number of firms 975



Total AUM (excl. 8AM) £16.6bn



Source: Company



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

Equity Development Limited is regulated by the Financial Conduct Authority

Disclaimer

Equity Development Limited ('ED') is retained to act as financial adviser for its corporate clients, some or all of whom may now or in the future have an interest in the contents of this document. ED produces and distributes research for these corporate clients to persons who are not clients of ED. In the preparation of this report ED has taken professional efforts to ensure that the facts stated herein are clear, fair and not misleading, but makes no guarantee as to the accuracy or completeness of the information or opinions contained herein.

This document has not been approved for the purposes of Section 21(2) of the Financial Services & Markets Act 2000 of the United Kingdom ('FSMA'). Any reader of this research should not act or rely on this document or any of its contents. This report is being provided by ED to provide background information about the subject of the research to relevant persons, as defined by the Financial Services and Markets Act 2000 (Financial Promotions) Order 2005. This document does not constitute, nor form part of, and should not be construed as, any offer for sale or purchase of (or solicitation of, or invitation to make any offer to buy or sell) any Securities (which may rise and fall in value). Nor shall it, or any part of it, form the basis of, or be relied on in connection with, any contract or commitment whatsoever.

Research produced and distributed by ED on its client companies is normally commissioned and paid for by those companies themselves ('issuer financed research') and as such is not deemed to be independent as defined by the FCA but is 'objective' in that the authors are stating their own opinions. This document is prepared for clients under UK law. In the UK, companies quoted on AIM are subject to lighter due diligence than shares quoted on the main market and are therefore more likely to carry a higher degree of risk than main market companies.

ED may in the future provide, or may have in the past provided, investment banking services to the subject of this report. ED, its directors or persons connected may at some time in the future have, or have had in the past, a material investment in the Company. ED, its affiliates, officers, directors and employees, will not be liable for any loss or damage arising from any use of this document to the maximum extent that the law permits.

More information is available on our website www.equitydevelopment.co.uk

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

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