

## Exceptionally strong half-year of net inflows

18th October 2022

Even in more 'normal' economic times, Tatton's net inflows over H1-23 (to 30 Sep 22) would have been impressive. But given the weak economic and market environments, it is an exceptional performance. Net inflows totalled £907m (annualised rate of 16% of opening AUM), averaging £150m per month. This is a sharp increase (+39%) over H1-22 which saw £652m of net inflows (annualised rate of 14.5% of opening AUM), averaging £100m per month.

Falls in financial markets, however, offset most of these AUM gains. The MSCI PIMFA Private Investor Balanced Index fell 9.6% over the period with market movements and investment performance being responsible for a £905m reduction in Tatton's AUM (-8.0% of opening AUM). AUM closed the half-year marginally up at £11.343bn (31 Mar 22: £11.341bn).

The recently concluded acquisition of 50% of 8AM Global Limited adds another c. £1.0bn to 'assets under influence' (AUI), higher than the original estimate of £0.8bn. Total AUM/AUI is now £12.5bn.

Paradigm, the group's IFA support services business, continued to progress steadily. Mortgage client firms increased from 1,674 to 1,706 during H1 (+2%) with completions up 9% y-o-y from £6.6bn in H1-22 to £7.2bn in H1-23. Consulting member firms increased c1.5% from 418 to 424.

### Fundamental value 30% above current share price

While net inflows are ahead of our forecasts by some margin (previous estimate £1.3bn for the full FY23), market falls lead us to reduce our end-FY23 AUM forecast from £13.0bn to £12.2bn (Tatton has also flagged that H1 inflows were boosted by several 'wins' with H2 net inflows likely to be lower than H1). This, coupled with the jump in UK Gilt yields (the risk-free rate in our DCF valuation), reduces our fundamental value from 540p to 460p, still 30% above the current share price.

We also highlight that while only a limited data set is available, it seems that Tatton's H1 performance of net inflows exceeding negative investment performance (i.e., a net increase in AUM) appears to be a standout performance among London-listed asset and wealth management peers (see page 2). We will revisit this comparison when interim results are released in November.

| Company Data          |           |
|-----------------------|-----------|
| EPIC                  | TAM       |
| Price (last close)    | 352.5p    |
| 52 weeks Hi/Lo        | 620p/330p |
| Market cap            | £212m     |
| ED Fair Value / share | 460p      |
| Proforma net cash     | £22m      |
| Avg. daily volume     | 56k       |

### Share Price, p



Source: ADVFN

**AUM/AUI on 30 Sep 22: £12.5bn**

### 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).

Next event: Interim results 22 Nov 22

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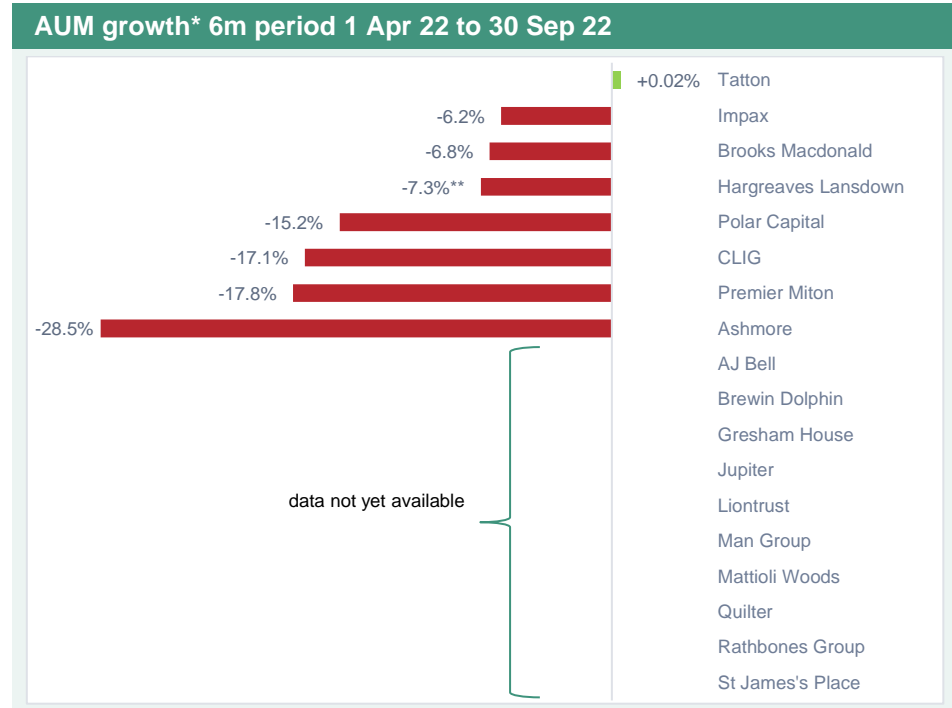
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| Key Financials             |        |        |        |        |        |        |
|----------------------------|--------|--------|--------|--------|--------|--------|
| Year-end 31 Mar            | FY 19A | FY 20A | FY 21A | FY 22A | FY 23E | FY 24E |
| AUM end-of-period*, £bn    | 6.1    | 6.7    | 9.0    | 11.3   | 12.2   | 14.3   |
| Revenue, £m                | 17.5   | 21.4   | 23.4   | 29.4   | 30.6   | 34.0   |
| Operating profit (adj), £m | 7.3    | 9.1    | 11.4   | 14.5   | 15.2   | 17.9   |
| Operating margin (adj), %  | 41.7%  | 42.5%  | 48.8%  | 49.5%  | 49.9%  | 52.5%  |
| PBT, £m                    | 6.1    | 10.3   | 7.3    | 11.3   | 12.1   | 14.6   |
| PAT, £m                    | 4.9    | 8.4    | 6.1    | 9.2    | 9.8    | 11.1   |
| EPS basic (adj), p         | 11.0   | 13.1   | 16.1   | 19.9   | 20.7   | 22.4   |
| EPS diluted (adj), p       | 10.0   | 12.0   | 14.7   | 18.6   | 19.0   | 20.5   |
| Div, p                     | 8.4    | 9.6    | 11.0   | 12.5   | 14.2   | 15.2   |
| Yield                      | 2.4%   | 2.7%   | 3.1%   | 3.6%   | 4.0%   | 4.3%   |
| PER**                      | 32.1   | 26.9   | 21.8   | 17.7   | 17.0   | 15.8   |
| Net assets, £m             | 15.3   | 17.8   | 24.4   | 31.0   | 39.0   | 43.9   |
| Net cash, £m               | 12.2   | 12.8   | 16.9   | 21.7   | 26.3   | 28.6   |

Source: Company Historic Data, ED estimates. PER and Yield based on share price of: **352.5**

\*Excludes c£1.0bn 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)



Source: Company reports, ED analysis  
 \*excluding acquisitions  
 \*\*5-month period 1 Jun 22 to 30 Sep 22



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