

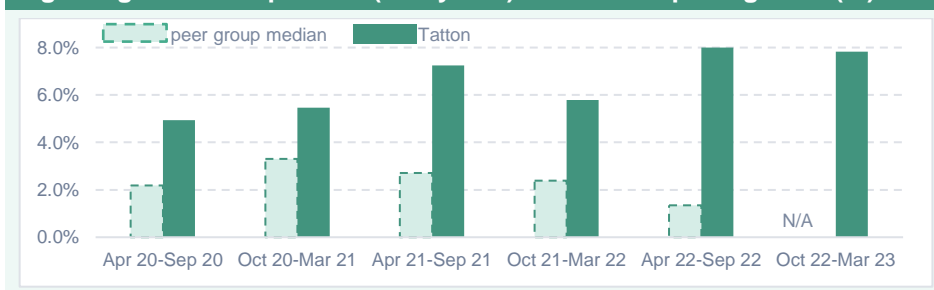
Organic growth train rumbles on with inflows +40%

18th April 2023

FY23 AUM closed on £12.7bn (on 31 Mar 23), +12% y-o-y on a like-for-like basis (31 Mar 22: £11.3bn), and well ahead of our previous forecast of £12.2bn. Adding 8AM Global's assets brings Assets Under Influence up to £13.8bn (Tatton acquired 50% of 8AM in Aug 22).

But most impressively, the bulk of growth came from exceptionally strong net flows of +£1.8bn (16% of opening AUM and +40% y-o-y), with momentum through the year (H1: +£907m; H2: +£887m). Tatton's ability to attract and retain assets has been far above peers in recent years (see below & page 2). It clearly has a strong strategic positioning and is gaining market share.

Organic growth comparison (half-years): net flows/opening AUM (%)



Source: Company reports, ED analysis. Peer group: Quilter, St James's Place, Hargreaves Lansdown, AJ Bell, Rathbones, Brooks Macdonald, Brewin Dolphin (up to Q2 22). Peer group data not yet available for Oct 22- Mar 23.

Investment performance was a year of two halves: H1 -£905m; H2 +£505m; FY23 -£400m. This was -3.5% of opening AUM for the full year, in line with the MSCI PIMFA Private Investor Balanced Index.

Paradigm, Tatton's IFA support services business, continued its steady growth trajectory. Mortgage completions grew 10% to £14.5bn (FY22: 13.2bn), with completions holding up well in H2 (£7.2bn), despite housing market headwinds. Consulting member firms increased from 421 to 431.

Cash on balance sheet totalled £26.5m on 31 Mar 23 (21 Mar 22: £21.7m). Tatton has no debt.

Ahead of forecasts and strategic plan, core value / share rises to 560p

Our FY23 rev. forecast rises to £31.1m from £30.6m (FY24: £35.0m from £34.0m) and our FY23 adj. operating profit to £15.8m from £15.1m (FY24: £17.9m from £17.8m). We also highlight that Tatton is ahead of its medium-term growth plan (page 2). **Our core value rises from 500p to 560p per share.**

Key Financials

Year-end 31 Mar	FY 20A	FY 21A	FY 22A	FY 23E	FY 24E
AUM end-of-period*, £bn	6.7	9.0	11.3	12.7	14.8
Revenue, £m	21.4	23.4	29.4	31.1	35.0
Operating profit (adj), £m	9.1	11.4	14.5	15.8	17.9
Operating margin (adj), %	42.5%	48.8%	49.5%	50.8%	51.1%
PBT, £m	10.3	7.3	11.3	12.9	14.1
PAT, £m	8.4	6.1	9.2	10.5	10.7
EPS basic (adj), p	13.1	16.1	19.9	21.1	22.0
EPS diluted (adj), p	12.0	14.7	18.6	19.4	20.1
Div, p	9.6	11.0	12.5	14.5	14.9
Yield, %	2.1%	2.4%	2.8%	3.2%	3.3%
PER**	34.3	27.9	22.6	21.4	20.5
Net assets, £m	17.8	24.4	31.0	38.8	43.2
Net cash, £m	12.8	16.9	21.7	26.5	28.6

Source: Company Historic Data, ED estimates. PER and Yield based on share price of: 450

*Excludes £1.1bn 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 pmr charge)

Company Data

EPIC	TAM
Price (last close)	450p
52 weeks Hi/Lo	489p/320p
Market cap	£269m
ED Fair Value / share	560p
Proforma net cash	£27m
Avg. daily volume	51k

Share Price, p



Source: ADVFN

AUM/AUI 31 Mar 23: £13.8bn

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: FY23 results: Jun 23

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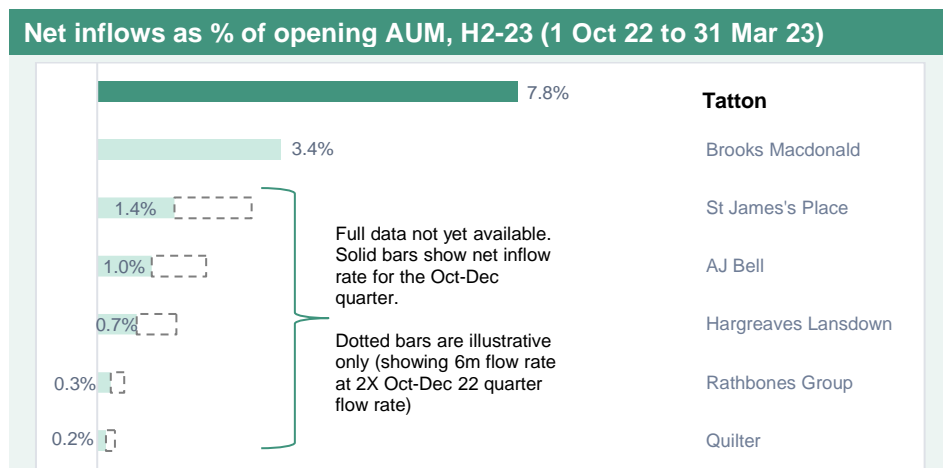
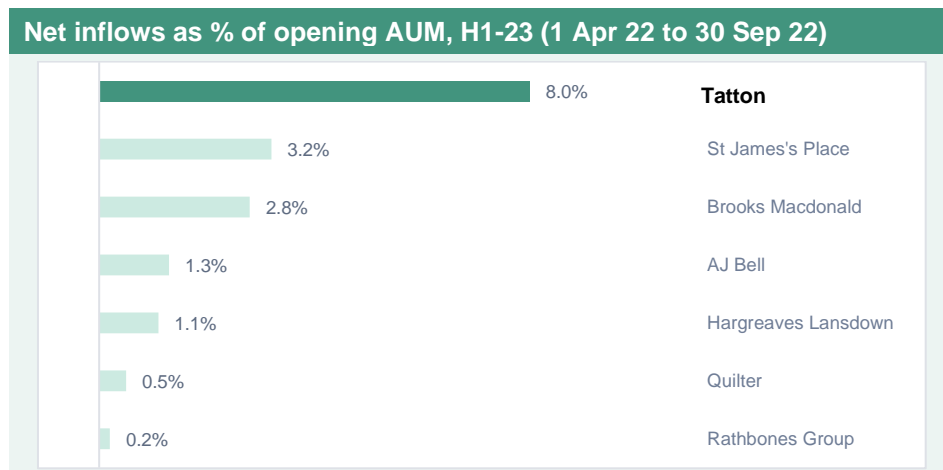
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Asset management: best-in-class net inflows

In H1-23, Tatton recorded the highest organic net inflow rate compared to peers, by some margin. Impressively, it maintained this momentum in H2. While most peer data is not yet available for H2, it will surprise us if any peers below record a net inflow rate anywhere near Tatton's, given their H1 rates.



Source: Company reports and updates, ED analysis
 Data excludes AUM from acquisitions, Hargreaves Lansdown figures in H1 are for 5m period 1 Jun 22 to 30 Sep 22

Ahead of medium-term strategic growth goals

We remind readers that, in Mar 21 when AUM was £9.0bn, Tatton outlined a plan to achieve £15bn of AUM/AUI in three years (including growth from acquisitions). It was targeting £1bn of net inflows per year and had a healthy M&A pipeline.

As of 31 Mar 23, two years into its three-year plan, Tatton has achieved 80% of its growth target (adding £4.8bn of AUM/AUI out of a targeted £6bn). Notably, it has exceeded its net inflow targets, achieving £1.3bn in FY22 and £1.8bn in FY23. Considering the market falls of FY23, the trajectory achieved is even more impressive. We think Tatton stands a good chance of achieving the £15bn goal by March 24 even without further acquisitions, providing there is no significant negative impact from market movements.

We also again highlight the main growth drivers of the business: it is in a growing market with significant tailwinds; it has a market-leading proposition and is gaining market share (indeed, **during FY23, Tatton Investment Management increased the number of active client firms by 15% from 746 to 869**); it has a huge opportunity to grow AUM even without winning new clients (by increasing average AUM per client); and it can accelerate growth through strategic partnerships and acquisitions.



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