Tatton Asset Management

Best-in-class growth in very difficult markets

23 November 2022

In our 18 October note, we stated how impressed we were with Tatton's strong net inflows during H1-23 (to 30 Sep 22), an extremely testing economic period. These totalled +£907m (H1-22: £652m), an annualised rate of 16% of opening AUM, just offsetting a negative investment performance of -£905m (-8.0% of opening AUM compared to the MSCI PIMFA Private Investor Balanced Index fall of -9.6%), leaving AUM at £11.3bn (£12.3 bn including c£1.0bn of 'assets under influence' from the acquisition of 50% of 8AM Global, growing to £12.9bn in the post-results period).

With more peers releasing trading updates since that note, Tatton's performance now looks even more impressive than first thought. It was the ONLY company in our peer group that grew AUM, with all comparable peers recording AUM declines (between 5% and 11%, see page 2).

This, alongside steady progress from Paradigm, the group's IFA support services business, resulted in a solid financial performance. Revenue increased 15% y-o-y from £13.8m in H1-22 to £15.9m in H1-23; adjusted operating profit increased 15% from £6.9m to £8.0m; adjusted operating margin remained static at an impressive 50.1%; and PAT increased 37% from £3.9m to £5.3m. Basic EPS increased 32% to 9.0p while adjusted fully diluted EPS increased 13% to 9.9p.

Net assets increased 29% y-o-y to £35.7m; cash generated from operations was £7.0m (H1-22: £6.8m); and **net cash increased 47% from £14.7m to £21.6m. Tatton has no debt.**

An interim dividend of 4.5p per share has been recommended, +12.5% on FY22 (4.0p).

Strategic journey on track, core value 500p

In Mar 21, when AUM was £9.0bn, Tatton outlined a plan to achieve £15bn of AUM in three years. As at 30 Sep 22, 18 months into this timeline, it has achieved 55% of its growth target, which is all the more impressive considering that market falls have had such a negative influence on AUM in 2022**.**

In addition, we highlight the significant growth potential beyond this three-year plan (see P4): Tatton is in a growing market with significant tailwinds; it has a market-leading proposition and is gaining market share; 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.

Our core value is 500p per share, 14% above the current share price. This increases from 460p on better-than-expected interims and a fall in the 10-year Gilt rate, the risk-free rate in our DCF valuation.

Key Financials

Year-end 31 Mar	FY 20A	FY 21A	H1 22A	FY 22A	H1 23A	FY 23E	FY 24E
AUM end-of-period*, £bn	6.7	9.0	*10.8*	11.3	*11.3*	12.2	14.3
Revenue, £m	21.4	23.4	*13.8*	29.4	*15.9*	30.6	34.0
Operating profit (adj), £m	9.1	11.4	*6.9*	14.5	*8.0*	15.1	17.8
Operating margin (adj), %	42.5%	48.8%	*50.1%*	49.5%	*50.1%*	49.5%	52.3%
PBT, £m	10.3	7.3	*4.8*	11.3	*6.6*	12.3	14.2
PAT, £m	8.4	6.1	*3.9*	9.2	*5.3*	10.0	10.8
EPS basic (adj), p	13.1	16.1	*9.5*	19.9	*10.4*	20.1	21.9
EPS diluted (adj), p	12.0	14.7	*8.8*	18.6	*9.9*	18.5	20.0
Div, p	9.6	11.0	*4.0*	12.5	*4.5*	13.5	14.8
Yield, %	2.2%	2.5%	*0.9%*	2.8%	*1.0%*	3.1%	3.4%
PER**	33.6	27.3	*23.2*	22.1	*21.1*	21.9	20.1
Net assets, £m	17.8	24.4	*27.5*	31.0	*35.7*	38.5	43.4
Net cash, £m	12.8	16.9	*14.7*	21.7	*21.6*	25.9	28.5

Source: Company Historic Data, ED estimates. PER and Yield based on share price of: ***440.0p***
**Excludes c£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 pmt charge)*

Company Data

EPIC	TAM
Price (last close)	440p
52 weeks Hi/Lo	620p/320p
Market cap	£263m
ED Fair Value / share	500p
Proforma net cash	£22m
Avg. daily volume	55k

Share Price, p

Source: ADVFN

AUM/AUI 30 Sep 22: £12.3bn

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: FY trading update Apr 23

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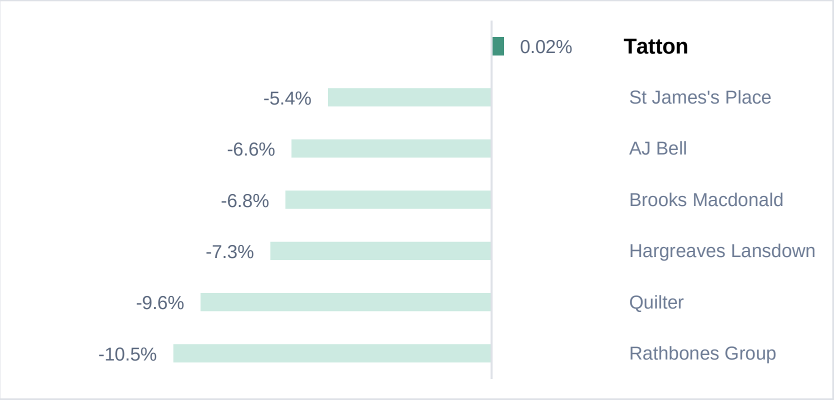
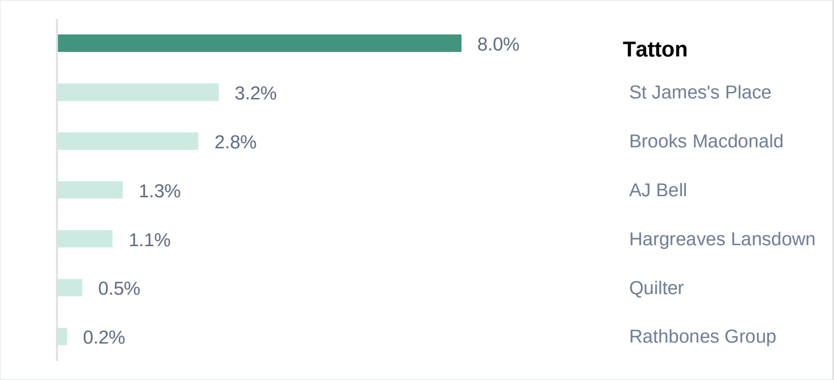
Asset management: best-in class net inflows

Even in more 'normal' economic times, Tatton's net inflows over H1 would have been impressive. Given the weak economic and market environments, it is an exceptional performance. **Tatton stood alone among peers in being able to offset the impact of market falls with net inflows, and grow AUM.**

AUM growth/reduction, 6m period from 1 Apr 22 to 30 Sep 22



Net inflows as % of opening AUM, 6m period from 1 Apr 22 to 30 Sep 22



Investment performance*, 6m period from 1 Apr 22 to 30 Sep 22

Source: Company reports and updates, ED analysis
Data excludes AUM from acquisitions, Hargreaves Lansdown figures are for 5-month period 1 Jun 22 to 30 Sep 22
**Impact of market movements and investment performance as % of opening AUM*

[The charts above show AUM performance for a London-listed peer group of wealth & investment managers and platforms i.e. companies which typically house portfolios for individual investors. It does not include 'pure play' asset managers which typically run individual funds which would make up only a part of an investor's portfolio – these have different net inflow and investment performance characteristics.]

Strategic journey on-track

Looking at Tatton's asset management performance over H1-23 in more detail, 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. Tatton has however flagged that part of the increase is due to a number of significant wins which boosted net flows over the period, and inflows over H2 are not expected to be as high as H1, but in the £100m-£120m per month range.

Widespread market falls resulted in investment performance being responsible for a £905m fall in AUM (-8.0% of opening AUM compared to the MSCI PIMFA Private Investor Balanced Index fall of -9.6%).

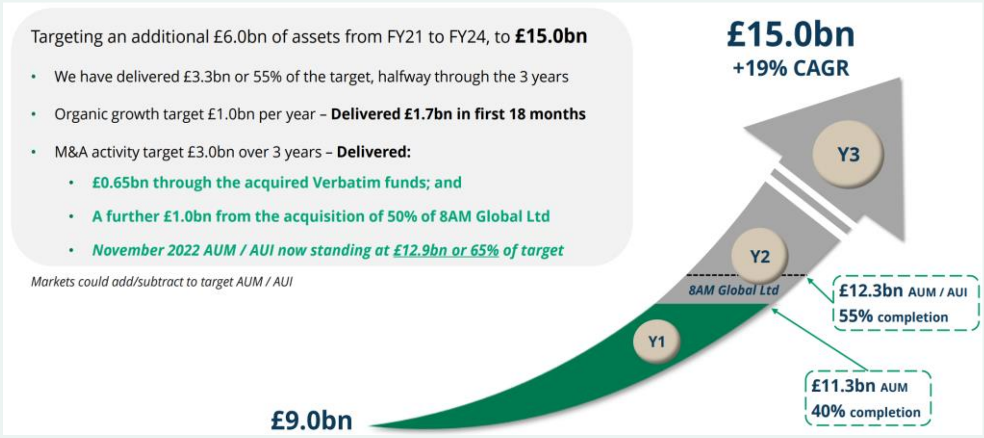
Combined, these movements resulted in AUM closing the period on £11.3bn, unchanged from 31 Mar 22 and 5% up y-o-y (AUM 30 Sep 21: £10.9bn).

IFA client firms continued to increase, by 15% y-o-y to 806 (30 Sep 21: 703) with the number of accounts increasing 21% to 98,650 (30 Sep 21: 81,600), indicative of good progress in winning new IFA clients and of increasing share of assets managed among existing clients (because growth in accounts exceeds growth in new clients).

In addition to the above organic progress, Tatton purchased a 50% stake in 8AM Global, bringing an additional c£1bn of 'assets under influence', with AUM/AUI closing at £12.3bn.

Tatton's strategic journey remains on track. We remind readers that In Mar 21, when AUM was £9.0bn, Tatton outlined a growth plan to achieve £15bn of AUM in three years. It was targeting £1bn of organic growth per year (net inflows) and had a healthy M&A pipeline. **As at 30 Sep 22, 18 months into this timeline, it has achieved 55% of its growth target, which is all the more impressive considering that market falls have had such a negative influence on AUM in 2022**. (This is summarised in more detail in the company slide below).

Roadmap to growth



Source: Company

The achievements in H1-23 have translated to an **impressive business unit financial performance** (numbers below are for Tatton, the asset management business i.e., excluding Paradigm, the IFA support services business). Revenue grew 17% to £12.7m (H1 22: £10.7m) and made up 80% of group revenue.

Adjusted operating profit (excluding exceptional items, share-based payments and amortisation) grew 15% to £7.7m (H1 22: £6.7m), with adjusted operating profit margin reducing slightly to 60.2% (H1 22: 61.3%). This margin reduction was expected as the prior year margin was higher than usual because of the large proportion of remote client contact being undertaken during the Covid-19 pandemic, while more face-to-face contact (and associated costs) returned during this period.

Significant longer-term potential beyond 3-year plan

It is however important to stress that Tatton's growth potential extends well beyond the £15bn targeted by FY24. The key reasons for this are as follows:

First, it competes in a rapidly growing market with significant tailwinds. UK on-platform discretionary fund management (DFM) managed portfolio services (MPS) AUM (Tatton's core offering) reached £81bn in 2022, up from £25bn in 2017, a CAGR of 25%. This market has potential to continue to expand, as it still only makes up 12% of the overall platform market (AUM: £680bn) which is itself growing strongly (overall platform AUM £450bn in 2017 i.e., a 5Y CAGR of 9%)[1].

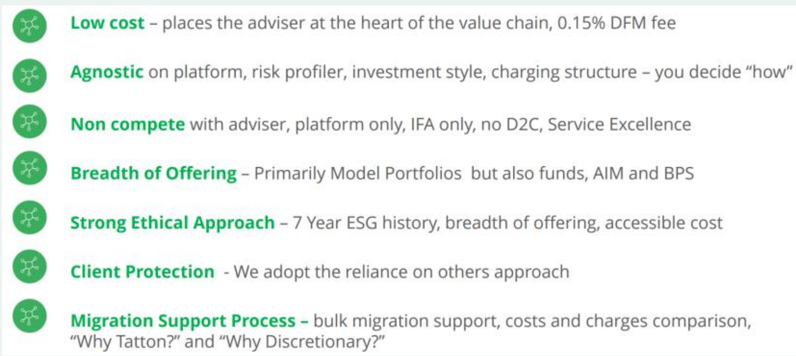
To illustrate the potential of this market, research house Platforum has forecast that the MPS market will grow at a rate of 25% per annum and reach up to £200bn by the end of 2026. If this pans out, and if Tatton maintains its market share of 13.9%, that will take it to an AUM level of close to £28bn.

The fundamental drivers of the above growth in platform AUM generally and DFM AUM specifically include:

- inflows continue from savers and investors who keep contributing to and topping up their investment and retirement pots, with these flows often accelerating as an individual's earnings and wealth increases over time;
- financial assets appreciating over the longer term (although valuation pullbacks are inevitable from time to time);
- an ageing UK population coupled with the fact that the demand for financial advice ratchets up as people approach or enter retirement results in more 'adviser-led' investments;
- regulatory shifts such as pension reforms have given individuals new freedoms to access and manage their pension assets but have also placed increased responsibility on individuals to manage these assets (with less responsibility taken by the state and employers), which again leads to an increased demand for financial advice and 'adviser-led' investments; and
- IFAs continuing 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.

Second, it has a market leading proposition and continues to gain market share within the above growing market. Indeed, Tatton's market share of the on-platform DFM market has increased from 11.8% in 2018 to 13.9% in 2022.

Tatton's proposition to advisers



Source: Company

Third, it has a huge opportunity to grow its AUM over time even without winning new clients.

While Tatton certainly does continue to increase the number of IFA firms placing business with it, an opportunity exists simply by increasing the 'average AUM per IFA' over time. Typically, a 'new client' IFA

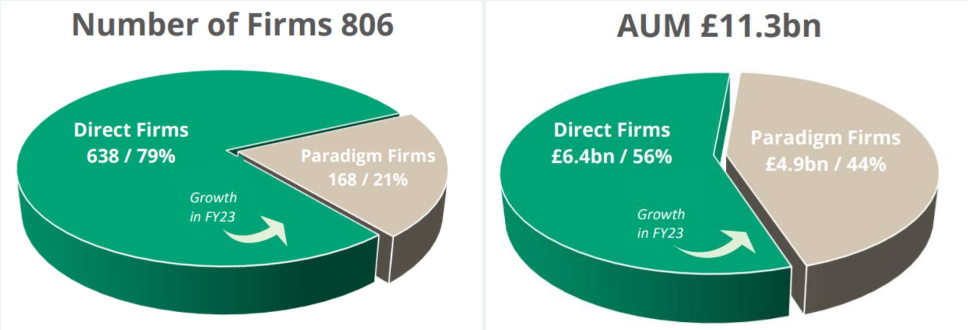
[1] *Tatton analyst presentation Nov 22, original source Platforum*

will not move all of their business at once to a DFM provider such as Tatton but will increase it over time. They will start their relationship with Tatton by moving only a small portion of client assets and increase this as confidence in the new relationship builds – a 'snowball effect'. For Tatton, **this is estimated to be a £12bn AUM opportunity (*without* winning new clients)**, as explained below.

Tatton has two distinct segments of IFA clients. In the first segment are **'Paradigm firms'**, which are IFAs that are clients of both Paradigm (the IFA consulting business) and Tatton Investment Management. As of 30 Sep 22, there were 168 of these clients (21% of Tatton's client base) which were responsible for £4.9bn (44%) of Tatton's AUM (average AUM per firm = £29.4m).

In the second segment are **'Direct firms'**, which are clients of Tatton Investment Management but are not clients of Paradigm. As of 30 Sep 22, there were 638 of these clients (79% of Tatton's client base) which were responsible for £6.4bn (56%) of Tatton's AUM (average AUM per firm = £10.0m).

Two segments of IFAs



Source: Company

The reason Paradigm firms have a higher average AUM than Direct firms is that they tend to have been Tatton clients for a longer time than Direct firms, and as explained above, IFAs tend to build up their AUM placed with investment managers over time. Therefore, if the current base of Direct firms (generally a younger cohort) increases their average AUM from £10.0m to £29.4m over time, Tatton's AUM would increase by £12.4bn (£19.4m x 638).

Fourth, it has an opportunity to accelerate new client growth via strategic partnerships such as those already secured with Tenet Group (474 IFAs) and Fintel plc (3,800 intermediary firms). Indeed, the Fintel relationship has brought in £298m of AUM to date, higher than our original forecast of around £250m by March 2023.

Fifth, it is pursuing strategic acquisitions and has built a record of success in this regard.

Investment offering underpins success

The above organic and acquisitive growth opportunities are of course underpinned by Tatton continuing to offer clients a suitable range of investment products and delivering on its investment performance goals. To this end**, it maintains an impressive investment performance record, with advisers' confidence in Tatton being well justified**.

The investment performance of its core suite of model portfolios has comfortably outperformed industry peers with **all core strategies producing higher returns against the relevant benchmarks over five years**.

Over three years, all core strategies, with the exception of its defensive and cautious portfolios have outperformed peers.

[Dark green shading below depicts outperformance versus peers, red shading underperformance].

CORE PRODUCT SET: Portfolio Performance (%)
Annualised, after DFM charge and fund costs – 5 years to 30 Sep 22

	Active	Tracker	Hybrid	Income	Ethical	ARC Peers*
Defensive	0.8	0.7	0.8	0.4		0.3
Cautious	2.3	2.1	2.2	1.6		1.1
Balanced	3.3	3.0	3.1	2.2	3.7	1.1/2.0**
Active	4.4	3.9	4.2	2.9		2.0
Aggressive	5.1	4.9	5.0	3.3		2.7
Global Equity	7.6	7.5	7.6			2.7

** ARC PCI –UK wealth management portfolio peer group with historically comparable asset allocation characteristics*
***Where Tatton's allocations sit in between comparable portfolios, the adjacent bands are shown*
Source: Tatton Analysts Presentation November 2022

CORE PRODUCT SET: Portfolio Performance (%)
Annualised, after DFM charge and fund costs – 3 years to 30 Sep 22

	Active	Tracker	Hybrid	Income	Ethical	ARC Peers*
Defensive	(0.1)	(1.5)	(1.3)	(1.6)	(1.6)	0.3
Cautious	1.1	0.4	0.7	0.3	0.6	1.1
Balanced	2.6	1.7	2.1	1.5	2.1	(0.3)/(0.4)**
Active	4.4	3.1	3.7	2.6	3.8	0.4
Aggressive	5.4	4.4	4.9	3.3	5.6	1.0
Global Equity	7.7	6.8	7.3		6.0	1.0

** ARC PCI –UK wealth management portfolio peer group with historically comparable asset allocation characteristics*
***Where Tatton's allocations sit in between comparable portfolios, the adjacent bands are shown*
Source: Tatton Analysts Presentation November 2022

While Tatton's core offering is its managed portfolio service (MPS), which made up 10.2bn out of £11.3bn AUM on 30 Sep 22, it also has a bespoke portfolio service (BPS) and a range of investment funds which make up £1.1bn of AUM.

Paradigm: solid H1 for mortgages and consulting

The Paradigm business unit (around 20% of group revenue), which provides IFA support services – mortgage broking and protection insurance services; and regulatory and compliance consulting and outsourcing services (consulting) continued to progress steadily.

Mortgage client firms increased from 1,674 to 1,706 (+2%) with completions up 10% y-o-y from £6.6bn in H1-22 to £7.3bn in H1-23. Consulting member firms increased c1.5% from 418 to 424.

This translated to a solid financial performance with revenue growing 8% y-o-y to £3.2m (H1 22: £3.0m) and adjusted operating profit also growing 8% to £1.4m (H1 22: £1.3m).

While rising interest rates, and weak economic conditions more generally, will no doubt dampen the mortgage market in the short term, the longer-term outlook for Tatton's mortgage business is good, driven fundamentally by a chronic housing shortage in the UK.

Tatton's consulting business remains of strategic importance, providing the group with very strong IFA relationships which often results in new asset management business in addition to consulting revenue, and being so close to the day to day running of IFA clients provides the group with strategic insights so that products and services can be made more relevant and valuable to IFAs.

Impressive H1 group financials despite dire markets

Income statement

At a group level, **revenue increased 15% y-o-y from £13.85m to £15.93m. Adjusted operating profit also increased 15% from £6.93m to £7.98m, while adjusted operating margin remained unchanged at an impressive 50.1%.**

Pre-tax profit after the impact of exceptional items (£0.35m related to the 8AM Global transaction), amortisation of customer relationship intangibles, finance costs and share-based payment charges increased 38% y-o-y from £4.79m to £6.62m, while profit after tax increased 37% from £3.90m to £5.33m.

At a per share level, basic earnings per share increased 32% from 6.82p to 9.01p, while adjusted fully diluted EPS increased 13% from 8.76p to 9.89p. This includes the impact of potentially dilutive shares. Earnings growth at a per share level was also impacted by the new shares issues to fund the first tranche of the 8AM deal payment.

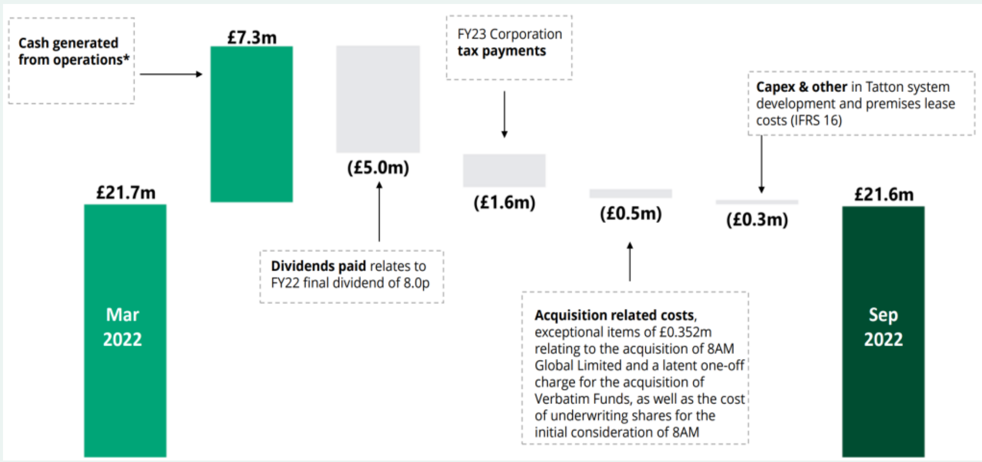
Balance sheet and cash resources

The balance sheet of the group continued to strengthen with net assets increasing 29% from £27.55m on 30 Sep 21 to £35.67m.

The group balance sheet now includes an 'investment in joint ventures' line, to the value of £7.00m, relating to the 8AM deal.

Cash generated from operations was £6.98m (£7.34m before exceptional items compared to £7.00m in H1 22). **Net cash increased 47% y-o-y from £14.57m to £21.62m and remained roughly level over the half-year period** (see chart below). **Tatton remains debt free.**

H1-23 cash flow bridge



Source: Company
**Cash from operations adjusted for exceptional items*

The group also produces a capital adequacy report which shows surplus capital, after all deductions and regulatory buffers, of £2.7m (see overleaf).

Capital adequacy

Capital / Net Assets	**£35.7m**
Less Goodwill	(£9.3m)
Less Intangibles	(£3.9m)
Less Acquisitions	(£7.0m)
Less Deferred tax	(£0.8m)
Less Current Year Profits	(£5.3m)
Less Interim Dividend	(£2.7m)
Attributable Capital	£6.7m
Capital Requirement	(£4.0m)
Capital Adequacy Headroom	**£2.7m**

Source: Company

Dividends

Tatton's Board has recommended an interim dividend of 4.5p per share (around £2.7m), an increase of 12.5% on the prior period interim dividend (4.0p). This is consistent with the firm's policy of paying a total annual dividend of approximately 70% of adjusted earnings after tax, with one third of this being paid as an interim dividend.

Our forecast dividend for the full financial year is 13.5p per share (FY22: 12.5p), which, if accurate, would result in a yield of 3.1% on the last closing share price.

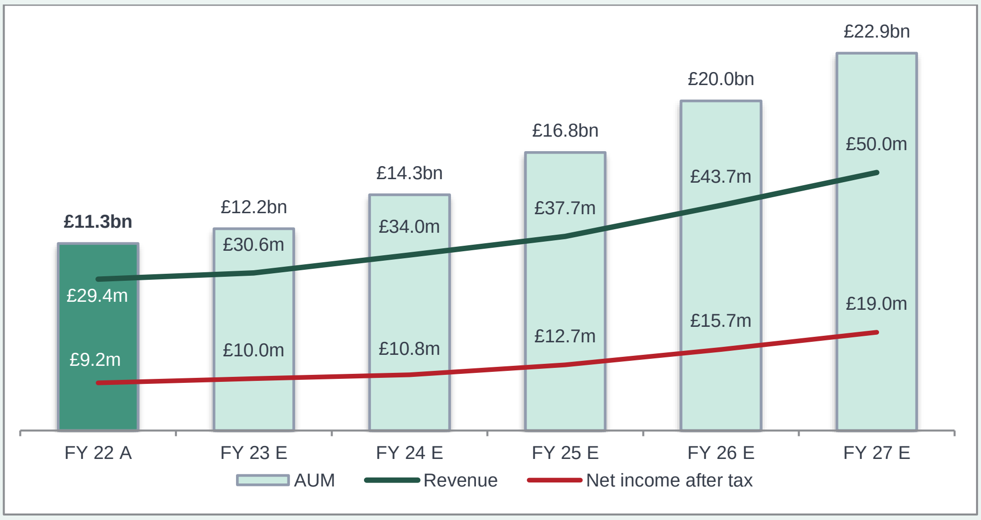
Growth assumptions and core value

In the assumptions behind our core valuation, we have assumed that Tatton reaches £22-£23bn of AUM in five-years' time i.e., by FY27.

This assumes an annual investment performance contribution of 4%, and total inflows growing from £1.5bn per annum in FY23 to £2.5-£3.0bn in FY27 (noting that current run-rate net inflows are £1.8bn per annum).

We have also allowed for some price erosion due to competition in our modelling but as scale benefits kick in, we expect adjusted operating margins to increase slightly as well. These assumptions result in the five-year forecasts illustrated below.

Summary growth projections

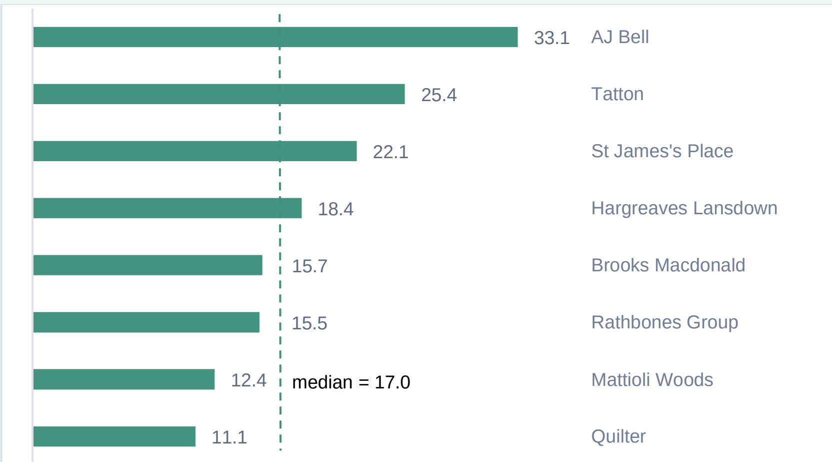


Source: Company Historic Data, ED estimates
Note: FY 24 (31 Mar 24) net income growth impacted by increase in UK corporation tax rate from 19% to 25%

If we also assume that Tatton is acquired at the end of our forecast period at a PE multiple of 20 (noting that a much larger, slower growing business in this sector, Brewin Dolphin, was recently acquired at a multiple of 27), **we find Tatton's core value to be 500p per share, 14% above the current share price.**

We also note that given its relative outperformance compared to peers, its PER of 25 is not demanding.

PE Ratios: UK-listed investment/wealth managers and platforms



Source: ADVFN, as of 21 Nov 22, ED analysis.
** Mattioli Woods PER calculated using 'adjusted PAT' which eliminates some of the distortions in earnings created by the statutory accounting treatment of recent large acquisitions. All other PERs calculated using statutory EPS.*

Historical and forecast financials

Consolidated Income Statement + Forecasts							
12 months to end Mar, £'m	FY 20A	FY 21A	*H1 22A*	FY 22A	*H1 22A*	FY 23E	FY 24E
Revenue	**21.4**	**23.4**	***13.8***	**29.4**	***15.9***	**30.6**	**34.0**
Other exceptional revenue	1.6		*-*				
Admin exp (before separately disclosed items)1	(12.3)	(12.0)	*(6.9)*	(14.8)	*(8.0)*	(15.7)	(16.8)
Share of associate co profit - 8AM Global - post-tax	-	-	*-*	-	*-*	0.2	0.5
Adj op profit (before separately disclosed items)1	**9.1**	**11.4**	***6.9***	**14.5**	***8.0***	**15.1**	**17.8**
Adj op margin	42.5%	48.8%	*50.1%*	49.5%	*50.1%*	49.5%	52.3%
Separately disclosed items							
Share based payment costs	(0.1)	(3.7)	*(1.7)*	(2.4)	*(0.5)*	(1.3)	(2.4)
Amortisation of intangibles - cust relationships	(0.1)	(0.1)	*(0.1)*	(0.3)	*(0.2)*	(0.6)	(0.6)
Exceptional items	1.4	(0.0)	*(0.2)*	(0.2)	*(0.4)*	(0.4)	-
Total admin expenses	(12.7)	(15.8)	*(8.9)*	(17.7)	*(9.0)*	(17.9)	(19.8)
Statutory Operating profit (excl associate profit)	**10.3**	**7.5**	***5.0***	**11.6**	***6.9***	**12.6**	**14.3**
Finance income/(costs)	(0.0)	(0.2)	*(0.2)*	(0.4)	*(0.3)*	(0.6)	(0.6)
Share of associate co profit - 8AM Global - post-tax					*-*	0.2	0.5
Profit before tax	**10.3**	**7.3**	***4.8***	**11.3**	***6.6***	**12.3**	**14.2**
Tax	(1.9)	(1.2)	*(0.9)*	(2.0)	*(1.3)*	(2.3)	(3.4)
Profit attributible to shareholders	**8.4**	**6.1**	***3.9***	**9.2**	***5.3***	**10.0**	**10.8**
Basic EPS, p	15.0	10.9	*6.8*	15.9	*9.0*	17.1	18.3
Diluted EPS, p	14.5	10.3	*6.4*	15.2	*8.7*	16.3	17.4
Basic adjusted EPS2, p	13.1	16.1	*9.5*	19.9	10.4	20.1	21.9
Diluted adjusted EPS2, p	12.0	14.7	*8.8*	18.6	9.9	18.5	20.0

Source: Group report & accounts and ED estimates
1 Adjusted for exceptional items and share-based payments
2 Adjusted for exceptional items and share-based payments and the tax thereon

Consolidated Balance Sheet + Forecasts							
As at 31 Mar, £'m	**FY 20A**	**FY 21A**	***H1 22A***	**FY 22A**	***H1 23A***	**FY 23E**	**FY 24E**
Non-current assets							
Investments in Joint Ventures	-	-	*-*	-	7.0	7.2	7.8
Intangible assets incl goodwill	7.7	7.7	*13.4*	13.4	13.2	13.0	13.7
Property, plant and equipment	1.0	1.0	*0.9*	0.7	0.6	0.7	0.6
Deferred income tax assets	-	1.4	*1.4*	0.8	0.8	0.8	0.8
Total non-current assets	**8.8**	**10.1**	***15.7***	**15.0**	**21.6**	**21.8**	**22.9**
Current assets							
Trade and other receivables	3.4	4.3	*8.6*	3.8	3.9	4.0	4.4
Cash and cash equivalents	12.8	16.9	*14.7*	21.7	21.6	25.9	28.5
Financial assets at fair value through P&L		0.2	*0.2*	0.2	0.1	0.2	0.2
Corporation tax asset		0.0	*2.0*	0.7	0.9	0.7	0.7
Total current assets	**16.2**	**21.4**	***25.5***	**26.4**	**26.6**	**30.7**	**33.8**
TOTAL ASSETS	**25.0**	**31.5**	***41.3***	**41.3**	**48.2**	**52.5**	**56.7**
Current liabilities							
Trade and other payables	(6.2)	(6.6)	*(10.3)*	(7.6)	(6.6)	(7.9)	(8.8)
Corporation tax	(0.2)	-	*-*	-	-	-	-
Total current liabilities	**(6.4)**	**(6.6)**	***(10.3)***	**(7.6)**	**(6.6)**	**(7.9)**	**(8.8)**
Non-current liabilities							
Other payables	(0.7)	(0.5)	*(3.4)*	(2.7)	(5.9)	(6.2)	(4.5)
Deferred tax liabilities	(0.1)	-	*-*	-	-	-	-
Total non-current liabilities	**(0.8)**	**(0.5)**	***(3.4)***	**(2.7)**	**(5.9)**	**(6.2)**	**(4.5)**
TOTAL LIABILITIES	**(7.2)**	**(7.1)**	***(13.7)***	**(10.3)**	**(12.5)**	**(14.0)**	**(13.2)**
NET ASSETS	**17.8**	**24.4**	***27.5***	**31.0**	**35.7**	**38.5**	**43.4**
Equity							
Share capital	11.2	11.6	*11.8*	11.8	12.0	12.0	12.0
Share premium account	8.7	11.5	*11.6*	11.6	15.2	15.2	15.2
Other reserve	2.0	2.0	*2.0*	2.0	2.0	2.0	2.0
Merger reserve	(29.0)	(29.0)	*(29.0)*	(29.0)	(29.0)	(29.0)	(29.0)
Retained Earnings	25.8	30.2	*33.2*	34.6	35.4	38.2	43.1
Acquisiton of own shares	(1.0)	(2.0)	*(2.2)*	-	-	-	-
TOTAL EQUITY	**17.8**	**24.4**	***27.5***	**31.0**	**35.7**	**38.5**	**43.4**

Source: Group report & accounts and ED estimates

Consolidated Statement of Cash Flows + Forecasts							
12 months to end Mar, £'m	**FY 20A**	**FY 21A**	***H1 22A***	**FY 22A**	***H1 23A***	**FY 23E**	**FY 24E**
Operating activities							
Profit for the year	**8.4**	**6.1**	***3.9***	**9.2**	***5.3***	**10.0**	**10.8**
Adjustments:							
Income tax expense	1.9	1.2	*0.9*	2.0	*1.3*	2.3	3.4
Finance (income)/costs	0.0	0.2	*0.2*	0.4	*0.3*	0.6	0.6
Depreciation of property, plant and equipment	0.3	0.4	*0.2*	0.4	*0.2*	0.4	0.4
Amortisation of intangible assets	0.2	0.3	*0.2*	0.5	*0.3*	0.6	0.6
Share-based payment expense	0.1	3.7	*1.7*	1.5	*0.5*	1.3	2.4
Distributions received from Joint Ventures	-	-	*-*	-	*(0.0)*	(0.2)	(0.5)
Changes In:							
Trade and other receivables	(1.0)	(0.5)	*(3.1)*	0.3	*(0.2)*	(0.2)	(0.5)
Trade and other payables	1.3	(0.5)	*2.9*	0.9	*(0.8)*	0.3	0.9
Exceptional costs	(1.4)	0.0	*0.2*	0.2	*0.4*	0.4	-
Cash from operations before exceptional costs	**9.8**	**10.9**	***7.0***	**15.5**	***7.3***	**15.4**	**18.2**
Cash generated from operations	**11.2**	**10.9**	***6.8***	**15.3**	***7.0***	**15.1**	**18.2**
Income tax paid	(2.3)	(2.1)	*(1.6)*	(1.6)	*(1.6)*	(2.3)	(3.4)
Net cash from operating activities	**8.9**	**8.8**	***5.2***	**13.6**	***5.4***	**12.8**	**14.7**
Investing activities							
Acquisition payment, 8AM Global	-	-	*-*	-	*-*	-	(1.7)
Acquisition payment, net of cash acquired	(2.0)	(0.2)	*-*	(2.8)	*-*	-	(1.0)
Purchase of intangible assets	(0.3)	(0.3)	*(3.0)*	(0.2)	*(0.1)*	(0.2)	(0.3)
Purchase pf property, plant and equipment	(0.3)	(0.1)	*(0.0)*	(0.1)	*(0.0)*	(0.1)	(0.1)
Cost of underwriting shares	-	-	*-*	-	*(0.2)*	-	-
Net cash used in investing activities	**(2.6)**	**(0.5)**	***(3.0)***	**(3.1)**	***(0.3)***	**(0.3)**	**(3.0)**
Financing activities							
Proceeds from the issue of shares	-	3.2	*0.1*	0.1	*0.1*	0.2	-
Proceeds from the exercise of options				1.2	*-*	0.0	-
Transaction costs related to borrowings	-	(0.6)					
Stamp duty paid on share transfer	-	-	*-*	-	*-*	-	-
Interest received/(paid)	0.2	(0.0)	*(0.0)*	(0.1)	*(0.1)*	(0.6)	(0.6)
Payment of lease liabilities	(0.1)	(0.2)	*(0.2)*	(0.3)	*(0.1)*	(0.3)	(0.3)
Acquisition of own shares	(1.0)	(1.0)	*-*	-	*-*	-	-
Dividends paid	(4.9)	(5.6)	*(4.3)*	(6.6)	*(5.0)*	(7.7)	(8.2)
Net cash used in financing activities	**(5.8)**	**(4.1)**	***(4.4)***	**(5.8)**	***(5.2)***	**(8.3)**	**(9.1)**
Net increase in cash and cash equivalents	**0.6**	**4.2**	***(2.2)***	**4.8**	***(0.1)***	**4.2**	**2.6**
Cash and equivalents at beginning of the period	12.2	12.8	*16.9*	16.9	*21.7*	21.7	25.9
Net cash and equivalents at end of the period	**12.8**	**16.9**	***14.7***	**21.7**	***21.6***	**25.9**	**28.5**

Source: Group report & accounts and ED estimates

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