Tatton Asset Management

A sector leader in both growth and profitability

15 June 2022

Despite sharp market falls in Q4 of FY22 (Jan-Mar 22), AUM grew 26% y-o-y to £11.3bn (FY21: £9.0bn), with £1.3bn of net inflows (14.2% of opening AUM compared to a sector median of just 4.3%). Revenue grew 26% from £23.4m in FY21 to £29.4m, adjusted operating profit 27% from £11.4m to £14.5m, and adjusted operating margin increased from 48.8% to 49.5% (compared to a sector median of 32%), providing further evidence of operational gearing.

Net cash increased 28% from £16.9m to £21.7m, even though £6.6m was paid in dividends and £3.0m for the first tranche of the Verbatim funds acquisition. Tatton has declared a full-year dividend of 12.5p, 14% up on the 11p distributed in FY21, giving a yield of 3.0%

Tatton Investment Management was the standout contributor, growing revenue by 29% to £23.3m (FY21: £18.1m). However, Paradigm (IFA support services – mortgage broking and IFA consulting) pleasingly returned to more robust growth following significant pandemic-related disruption to its mortgages business in FY21. Paradigm revenue increased 14.4% to £6.0m from £5.2m.

Ahead of strategic targets

In Mar 21, when AUM was £9.0bn, Tatton outlined a plan to reach £15bn AUM in three years (end of FY24), targeting £1bn of organic growth per year and a total of £3.0bn from acquisitions. **It's ahead of schedule**, with £1.7bn of organic growth achieved in year one, and £1.45bn added via acquisitions (Verbatim funds: £0.65bn; 8AM Global: £0.8bn, still subject to regulatory approval).

Fundamental value 27% above current share price

The outlook for Tatton remains positive. There are market tailwinds as IFAs continue to move assets onto DFM platforms; Tatton continues to win new IFA clients; and the opportunity to increase average AUM per IFA is huge (an estimated £12bn AUM opportunity *without* winning new clients). In addition, strategic partnerships with Tenet and Fintel have the potential to accelerate growth.

Our fundamental value is 530p per share. That is c. 27% above the current share price, but down slightly on our previous value of 560p per share - due mainly to an increased discount rate (which is in turn due to the recent jump in UK 10-year Gilt yields which we have used as our risk-free rate).

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	13.0	15.1
Revenue, £m	17.5	21.4	23.4	29.4	32.2	36.0
Operating profit (adj), £m	7.3	9.1	11.4	14.5	16.0	18.6
Operating margin (adj), %	41.7%	42.5%	48.8%	49.5%	49.7%	51.6%
EPS basic (adj), p	11.0	13.1	16.1	19.9	21.9	23.6
Div, p	8.4	9.6	11.0	12.5	15.2	16.4
Yield, %	2.0%	2.3%	2.6%	3.0%	3.6%	3.9%
PER*	38.0	31.8	25.9	21.0	19.1	17.7
Net assets, £m	15.3	17.8	24.4	31.0	36.0	40.8
Net cash, £m	12.2	12.8	16.9	21.7	27.2	31.8

Source: Company Historic Data, ED estimates. PER and Yield based on share price of: ***418p***
**PER based on adj basic earnings (particularly relevant in FY21 due to extraordinary share-based pmt charge)*
NB: Estimates do not include impact of 8AM acquisition (still subject to regulatory approval)

Company Data

EPIC	TAM
Price (last close)	418p
52 weeks Hi/Lo	620p/405p
Market cap	£246m
ED Fair Value / share	530p
Proforma net cash	£21.7m
Avg. daily volume	61k

Share Price, p

Source: ADVFN

AUM: 31 Mar 22 £11.3bn

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 (c 80% of group revenue), and *adviser support services* - regulatory and compliance consulting and outsourcing, plus mortgage and protection insurance aggregation (c 20% of group revenue).

Paul Bryant (Analyst)
0207 065 2690
paul.bryant@equitydevelopment.co.uk

Hannah Crowe
0207 065 2692
hannah@equitydevelopment.co.uk

Strong FY22 performance across all key metrics

Income statement

Group revenue increased 25.7% from £23.4m in FY21 to £29.4m in FY22, with Tatton (investment management) being the standout contributor, growing revenue by 29.0% to £23.3m (FY21: £18.1m) and making up 80% of group revenue (FY21: 77%; FY20: 75%).

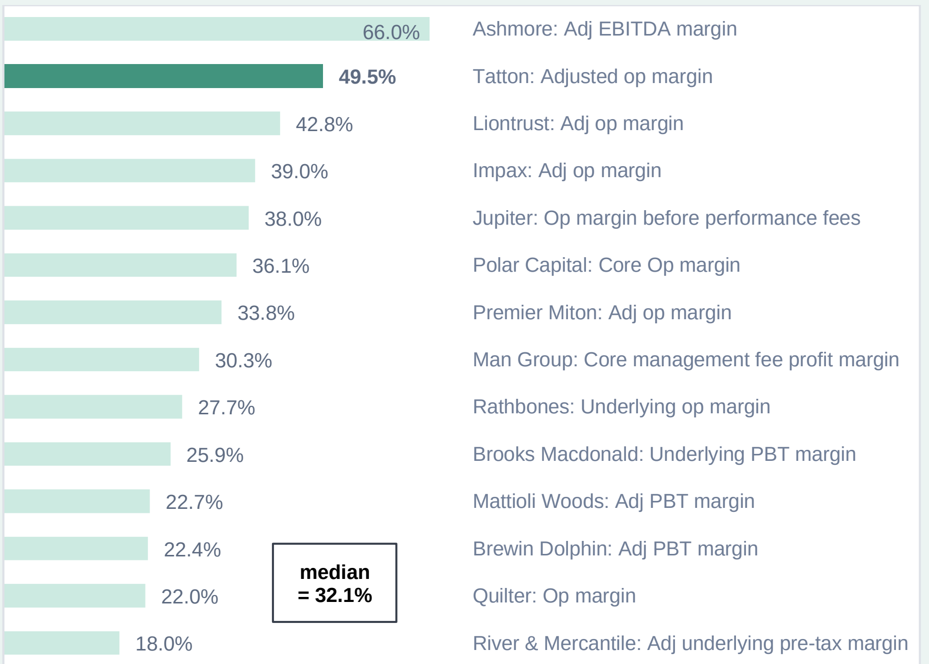
However, Paradigm (IFA support services – mortgage broking and IFA consulting) pleasingly returned to more robust growth in FY22 following significant pandemic-related disruption to its mortgages business in FY21. Paradigm revenue increased 14.4% to £6.0m from £5.2m (3.4% decline in FY21 from £5.4m in FY20). Paradigm made up 20% 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 of the underlying operational performance of the business, and the best year-on-year comparator.

Adjusted operating profit grew 27.4% to £14.5m from £11.4m in FY21 with adjusted operating margin increasing to 49.5% from 48.8% in FY21, providing further evidence of operational gearing. It is also worth stressing that that the improved FY22 margin is even more impressive considering that FY21 adjusted profit benefited from a reduction in expenses such as travel and marketing costs which would ordinarily have been incurred save for the pandemic and lockdowns (approximately £0.6m or 2.5% of margin).

Tatton's adjusted operating margin is also impressive when compared to peers, where it has consistently achieved **one of the highest profit margins in the sector**. While exact comparators of this non-IFRS measure are not available, most asset and wealth managers do produce a similar measure (using different names), essentially measuring pre-tax operating profit excluding the effects of exceptional and volatile items such as acquisitions, performance fees, and seed investments. This comparison is shown below. (Comparing statutory operating margins is a less useful exercise as those figures are regularly skewed by the exceptional and one-off items mentioned above).

Adjusted operating margin (or similar metric) comparison



Source: Company reports, websites, ED analysis
Figures relate to latest available full financial year

Adjusted earnings per share (basic) increased 23% from 16.1p to 19.9p with adjusted diluted EPS increasing 26% from 14.7p to 18.6p.

Statutory profits bring back exceptional items, share-based payment charges and amortisation of acquired intangibles with operating profit jumping 55% to £11.6m in FY22, up from £7.5m in FY21, with the large increase boosted by a lower level of separately disclosed items: £2.9m in FY22 (mostly share-based payments of £2.4m) v £3.9m in FY21 (mostly share-based payments of £3.7m which was abnormally high due to a 'catch-up' from FY20 when a provision for share-based payments was released because of pandemic-related uncertainty).

For the same reasons described above, statutory profit after tax attributable to shareholders also increased at a faster rate than adjusted profits, up 51% from £6.1m to £9.2m, with basic EPS increasing from 10.9p to 15.9p and diluted EPS increasing from 10.3p to 15.2p.

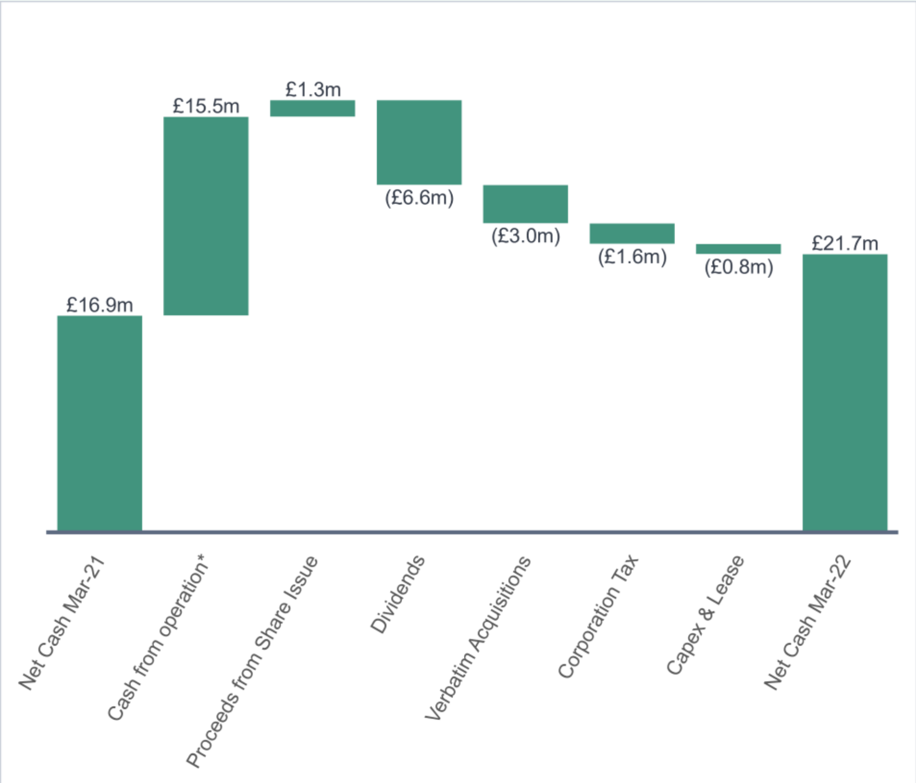
Balance sheet, cash and dividend

The balance sheet of the group remained robust with net assets increasing 27% from £24.4m at the end of FY21 to £31.0m, and net cash increasing 28% from £16.9m to £21.7m. This is particularly pleasing considering that the Group paid out £2.8m in relation to acquisitions plus £6.6m in dividends during the year (and received £1.3m from the issue of new shares following the exercise of employee share options).

Tatton has no debt.

Net cash generated from operating activities before exceptional items was £15.5m (FY21: £10.9m), 107% of adjusted operating profit (FY21: 96%).

Cash flow bridge

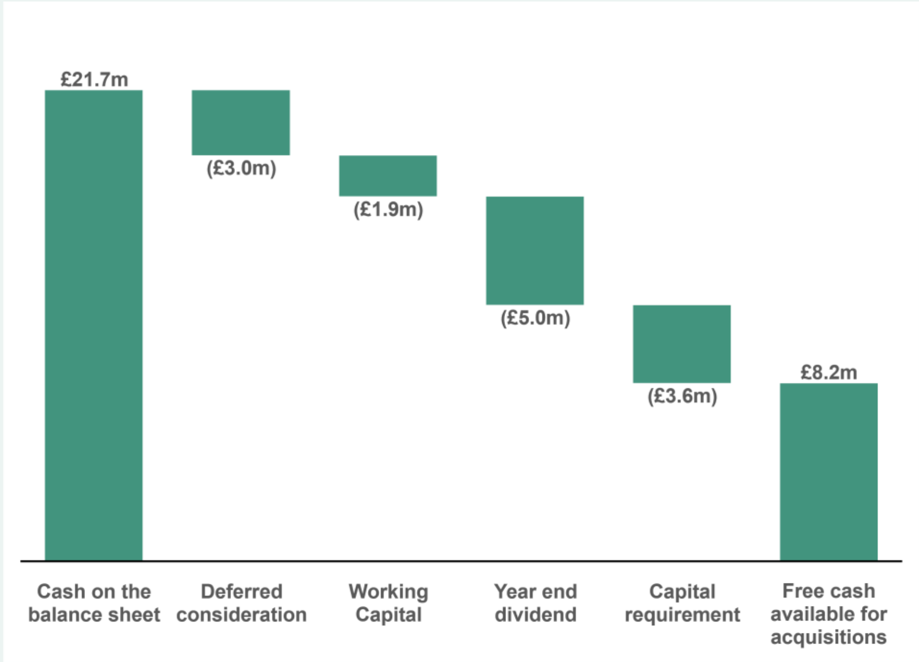


Source: Company
**adjusted for exceptional items*

Tatton (at Group level and subsidiary Tatton Investment Management Limited) is subject to the UK's *Investment Firm Prudential Regime* (IFPR), which demands minimum capital requirements.

To provide additional clarity on its capital and cash resources – particularly the levels of capital available to pursue growth opportunities such as acquisitions – Tatton produces a 'headroom' analysis, which shows **£8.2m of 'surplus' cash being available to pursue growth opportunities**.

Cash 'headroom' analysis at 31/3/22



Source: Company

Tatton has declared a final dividend of 8.5p, bringing the full-year dividend to 12.5p, up 14% from 11.0p in FY20, meaning a dividend yield of 3.0% for its shares.

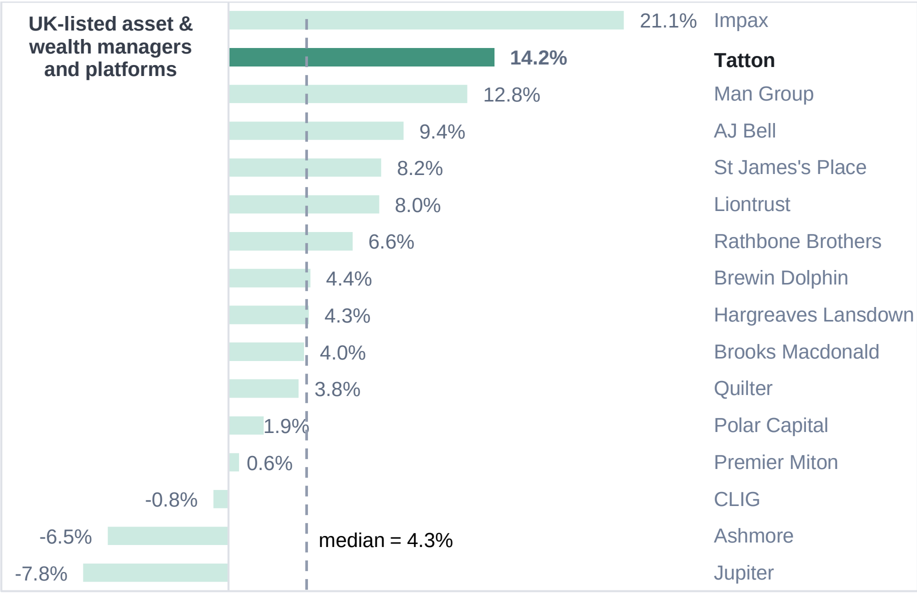
Tatton Investment Management

A market leader in attracting AUM

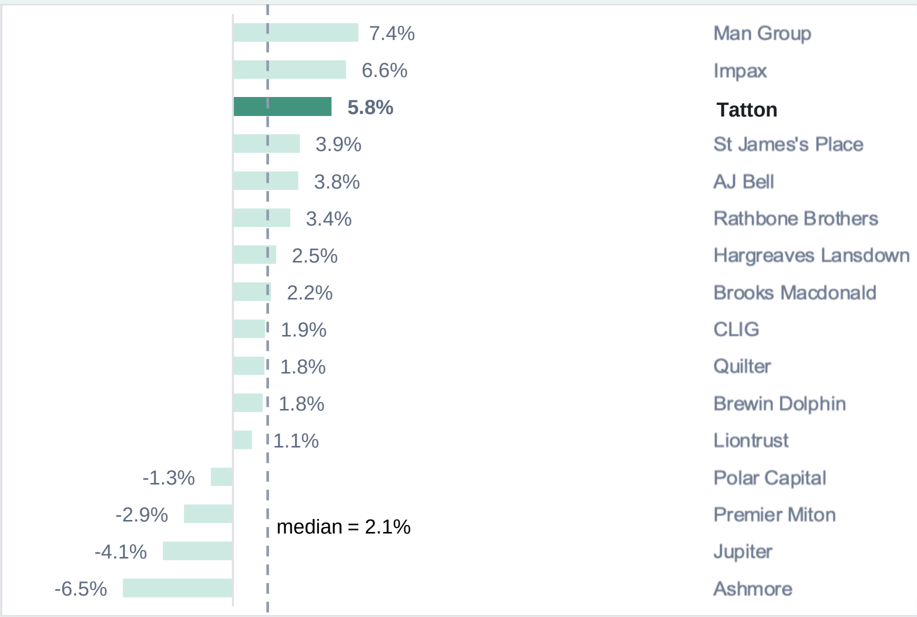
AUM ended FY22 on £11.3bn, up £2.4bn or 26% y-o-y (31 Mar 21: £9.0bn). The FY22 increase was split: +£1.28bn from net inflows; +£0.65bn from the Verbatim funds acquisition (Sep 21); and +£0.42bn from investment performance.

While the market turbulence of Q4 (Jan-Mar 22) made investment performance a year of two halves (H1: +£495m; H2: -£75m), **Tatton demonstrated a remarkable ability to consistently attract AUM through all market conditions (H2 net flows £625m v £652m in H1), and at a far higher rate than most peers**.

12m AUM net inflows as % of opening AUM (Apr 21 – Mar 22)



6m AUM net inflows as % of opening AUM (Oct 21 – Mar 22)



Source: Company reports and trading updates, ED analysis
Net inflows exclude AUMs added through acquisitions.
Hargreaves Lansdown: Top chart = 12m May 21 – Apr 22. Bottom chart = 7m Oct 21 – Apr 22.

Growth in number-of-clients and AUM-per-client, underpin net inflows

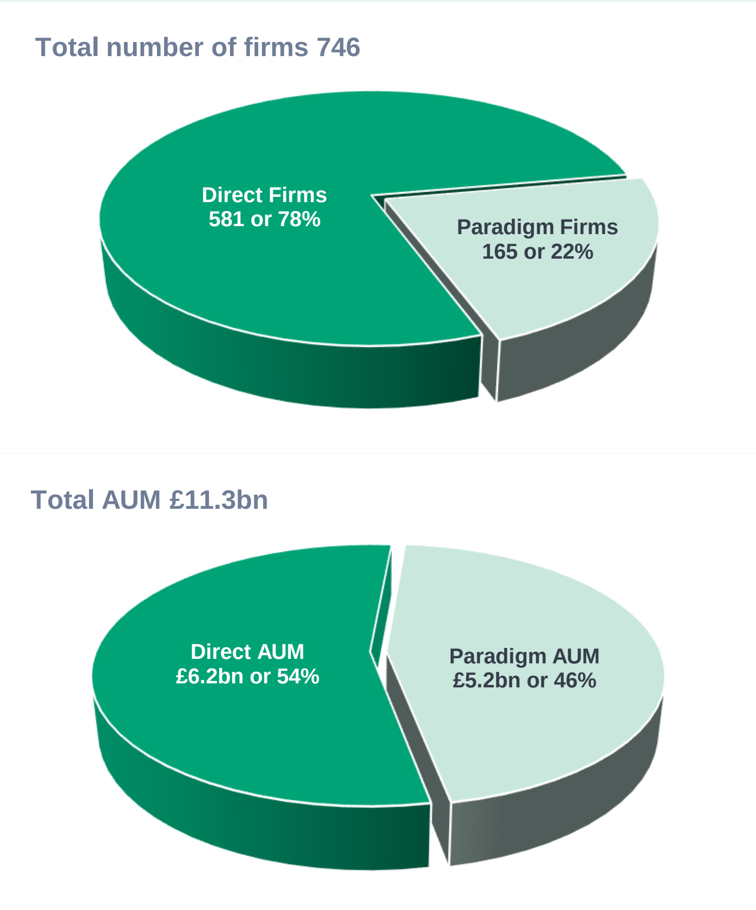
In FY22, Tatton increased its IFA client base by 12% from 668 on 31 Mar 21 to 746 on 31 Mar 22.

While the **average AUM per IFA increased 13% from £13.5m to £15.2m**, it is necessary to split the IFA client base into two segments to understand the underlying dynamics of average AUM growth.

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 31 Mar 22, there were 165 of these clients (22% of Tatton's client base) which were responsible for £5.2bn (46%) of Tatton's AUM (average AUM per firm = £31.3m). The number of these clients was marginally down from the 171 of 31 Mar 21 (Paradigm is a more mature business than Tatton).

In the second segment are **'Direct firms'**, which are clients of Tatton Investment Management but are not clients of Paradigm. As of 31 Mar 22, there were 581 of these clients (78% of Tatton's client base) which were responsible for £6.2bn (54%) of Tatton's AUM (average AUM per firm = £10.6m). The number of these clients is growing rapidly (up 17% from 498 on 31 Mar to 581 on 31 Mar 22).

Paradigm firms v Direct firms



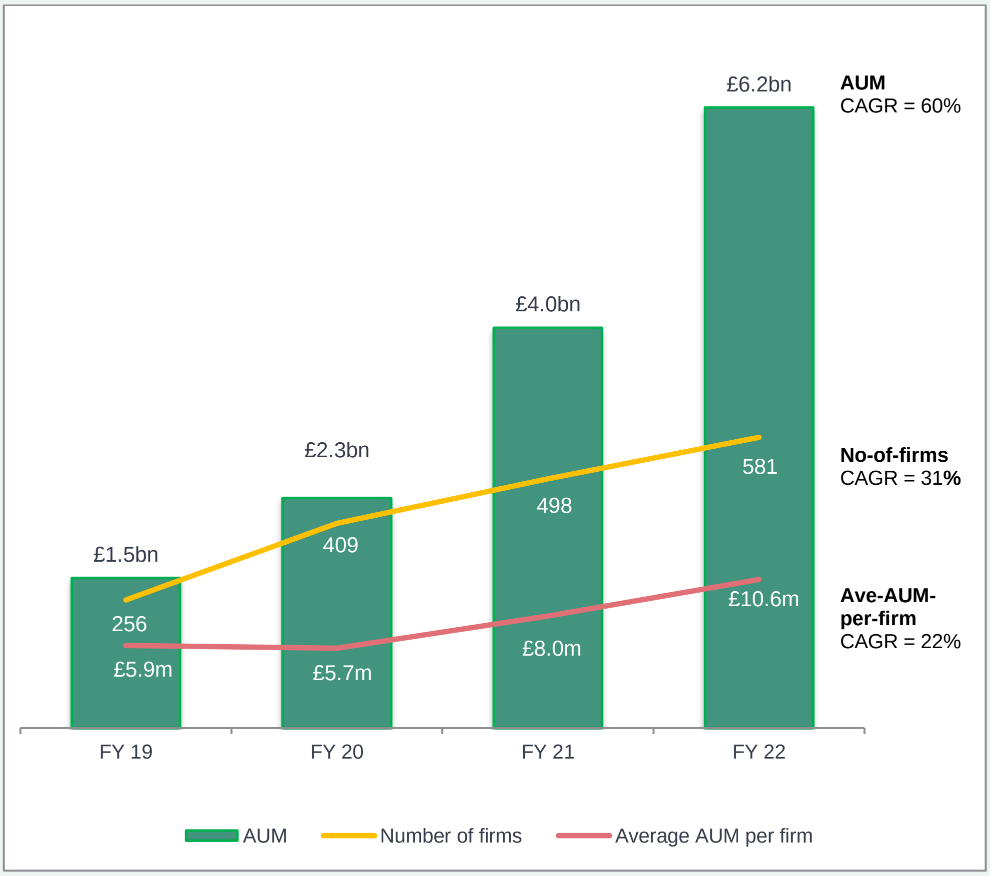
Source: Tatton

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 IFAs tend to build up their AUM placed with investment managers over time (a 'new client' IFA will typically not move all of their business at once but start by placing a small amount of its clients' assets with Tatton and then increase it over time, as the relationship matures and confidence in the investment manager grows).

So, while Paradigm firms will remain a crucially important client segment for Tatton, given the maturity of this segment in terms of client numbers (realistically, Paradigm consulting only has scope to grow its client base fairly slowly) and in terms of average AUM (while its average AUM per firm is £31m, the industry per-firm on-platform average AUM is £40m, often placed on more than one platform), it is clear that the bigger growth opportunity for Tatton lies with Direct, or 'non-Paradigm' firms.

This opportunity is huge. With Direct firms, Tatton has been growing the number-of-firms, and the average-AUM-per-firm at a rapid rate, while the significant consequential growth in AUM benefits from a compounding effect from the above two factors **at a CAGR of 60% over 3 years**, as illustrated below:

Historical growth from Direct firms



Source: Company reports and updates, ED analysis

And the opportunity to maintain a strong trend from direct clients is certainly a real one:

1. There is still ample room to grow the number of firms as the UK has over 5,500 directly authorised IFA firms; and

2. There is also ample opportunity to grow the average AUM per firm, as illustrated by the difference in AUM-per-firm of Paradigm firms (£31.3m) compared to Direct firms (£10.6m but growing as relationships deepen with many of these firms over time).

To illustrate the size of the opportunity from point 2 above alone, if Tatton increases the average AUM-per-firm among Direct firms from £10.6m to £31.3m, this will translate to **a £12bn AUM opportunity** without winning any new clients (581 firms x £20.7m).

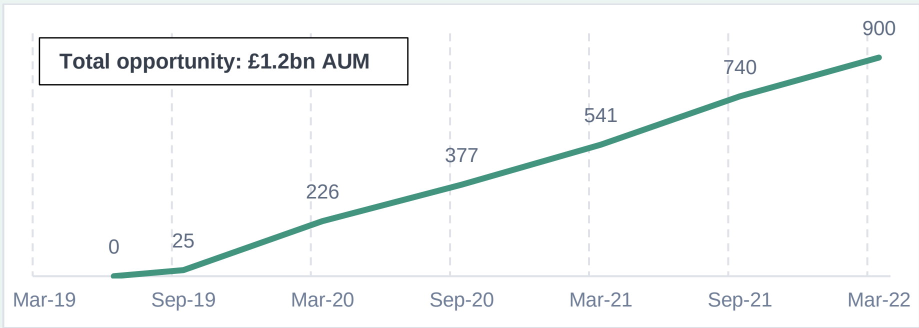
Strategic partnerships accelerate organic growth

Also important to Tatton's growth momentum is the success of its **strategic partnerships** which reduce its dependence on winning new client firms 'one-by-one'. These should accelerate both the number of new clients won as well as the average AUM per client.

Its most mature partnership dates back to 2019, when Tatton won a long-term mandate to provide a managed portfolio service through Tenet Group, one of the UK's largest adviser support groups, giving Tatton strategic access to 474 additional IFA firms, with the corresponding opportunity to rapidly boost AUM (total opportunity estimated at £1.2bn).

Since inception in June 2019, this mandate has resulted in Tatton capturing around £900m of AUM through Tenet, or around 75% of the total estimated opportunity within three years.

Tenet Group strategic partnership growth profile, AUM £m



Source: Company reports and updates, ED analysis

In September 2021 Tatton also announced a new strategic partnership with Fintel plc, a prominent service provider to financial advisers. Tatton signed a five-year strategic distribution agreement which provides access for the distribution of Tatton funds and portfolios to 3,800 Fintel intermediary firms and 6,000 Defaqto users.

This distribution deal looks to have significantly larger potential than the Tenet partnership, and we believe that £1.3bn - £1.5bn would be a conservative AUM estimate over five years.

Tatton has also entered into strategic partnerships with **Threesixty Services** (900+ IFAs, including over 100 discretionary management firms - more than 9,000 individuals) and **Sesame Bankhall Group** (10,000+ Advisers, 800+ directly regulated financial services firms)[1].

Acquisitions provide further boost

Tatton is also pursuing a strategic acquisition strategy, with two acquisitions concluded in recent years (Sinfonia Asset Management and Verbatim Funds), and the terms of a third (8AM Global) have also been agreed (final deal still subject to FCA approval).

We believe all have been concluded at **attractive valuations** and have **relatively low execution and integration risk**. Sinfonia and Verbatim were both closely linked to strategic partnerships (see above) and constituted the acquisition of non-core, 'going concern' funds from sellers whose rationale was well understood by Tatton, with the management of these funds being taken over by Tatton, rather than the acquisition of whole businesses with complexities such as teams and systems which would need to be integrated.

The first of these was executed in 2019, when Tatton acquired **Sinfonia Asset Management** from the Tenet Group which added £135m of AUM and comprised five risk-targeted funds to complement Tatton's

[1] *All numbers taken from Tatton Investor and Analyst presentation, June 21.*

existing fund range. The consideration paid was up to £2.7m (£2.0m upfront with £0.7m becoming payable only on meeting performance criteria). The price-to-AUM valuation ratio of this deal was 1.5% (well below Tatton's current market-cap-to-AUM ratio of around 2.3%).

The second acquisition was concluded in Sep 21 when Tatton acquired the **Verbatim** range of funds with £650m AUM, from Fintel plc. These consist of multi-asset and multi-index funds, which are certainly complementary to Tatton's existing fund range and are products that are popular with its core adviser base.

Tatton will be paying up to £5.8m (£2.8m paid in cash on completion with the balance becoming payable on performance criteria being met). The price for this fund range looks even more attractive at a price-to-AUM valuation ratio of 0.9%.

And the third, **8AM Global, announced in Apr 22**, involves Tatton acquiring 50% of 8AM for c£7.0m (£3.5m payable on completion, funded through the issue of new shares, plus two performance-adjusted payments after 12 & 24m). Tatton will have an option to acquire a further 50% in due course. This appears to be a solid strategic fit. The acquisition will add around £0.8bn of 'assets under influence', with 8AM running a range of Model Portfolio Services and Funds which are complementary to Tatton's, and it also broadens Tatton's financial adviser base.

The deal is expected to be earnings enhancing from FY23 onwards and increase adjusted operating profit by c£0.7m after one year (a PE, based on adjusted operated profit, of 10, and a price-to-AUI valuation ratio of 0.88%). With an equivalent PE of 21 (using FY22 profit), Tatton's issuing of new shares to fund the first tranche payment appears to be an efficient funding mechanism.

Impressive segment economics

All of the above achievements (with the exception of 8AM which does not impact FY22 results) has resulted in impressive economic returns for the Tatton Investment Management division.

Revenue increased 29% from £18.1m in FY21 to £23.3m in FY22, adjusted operating profit 27.5% from £10.9m to £13.9m, while the adjusted operating margin remained constant at 60%

Growth prospects underpinned by attractive market and offering to IFAs

At a market level, Tatton's core offering is the UK on-platform discretionary fund management (DFM) managed portfolio services (MPS) market, where AUM reached £81bn in 2022, up from £25bn in 2017, a **5-year market compounded annual growth rate of 27%**. This segment of the overall adviser-platform market continues to gain market share, reaching 12.0% of the £680bn platform market in 2022, up from 5.6% (of a £450bn market) in 2017[2].

At a Tatton proposition level, it's offering r**emains highly attractive to IFAs**:

- Tatton has a **very focussed offering** and is the largest MPS provider in the UK (with £10.1bn of MPS AUM, compared to its next largest competitor, Brewin Dolphin, with £6.5bn)[3].
- It's MPS offering is **platform-agnostic and widely available on 18 different platforms**, which allows IFA's to independently choose between their platform provider (essentially administrative/back-office services) and their investment manager (other competing investment managers also have their own administrative platforms which can restrict IFA's choice of services because they are 'bundled').
- It's **MPS pricing remains one of the lowest in the market** at 15bps (most other providers are in the 20-30 bps range.

[2] *Tatton Analyst Presentation, June 2022 (Original source: Platforum)*
[3] *As at end-March 2022*

- It has a **tried and tested high quality service and support offering to IFAs**, developed with a deep understanding of IFA needs (which it continues to keep abreast of not only through its investment management business, but also through Paradigm, its IFA consulting and mortgages business).
- It is **continually adding to and expanding the investment offering available to advisers**: non-MPS offerings expanded to £1.2bn AUM by the end of FY22 and included: the multi-asset and multi-index funds from its Verbatim acquisition and a bespoke-portfolio-service (BPS) offering; meanwhile its ethical portfolios continue to be sought after, growing by 84% to £812m AUM (£441m in FY21).
- And possibly most importantly, **Tatton continues to deliver superior investment returns, above benchmarks across all its core product set** over a five-year time horizon (dark green shading below depicts outperformance versus benchmark or performance matching benchmark). Tatton's investment nous is well illustrated by some of its key decisions:
  - *"Our steady rotation from a defensive growth tilt towards increased value and cyclical equity exposure added value over the course of the year, when compared to the ARC DFM peer group.*
  - *In addition, our continued overweight to equity (now neutral), a tactical position in global small caps and strong manager selection ensured our strong relative performance has been maintained through 2021/2022."*

CORE MPS PRODUCT SET: Portfolio Performance (%)
Annualised, after DFM charge and fund costs – 5 years to 31 Mar 21

	Managed	Tracker	Blended	Ethical*	ARC Peers**
Defensive	2.6	2.6	2.6		2.6
Cautious	4.1	4.1	4.1		3.7
Balanced	5.1	5.0	5.1	6.6	5.0
Active	6.4	6.1	6.2		5.0
Aggressive	7.4	7.2	7.3		6.1
Global Equity	10.2	10.0	10.1		6.1

*Within Ethical, only Balanced portfolio has existed for 5 years (see below for Ethical performance over 3 years)
*** ARC PCI –UK wealth management portfolio peer group with historically comparable asset allocation characteristics*
Source: Tatton Analysts Presentation June 2022

ETHICAL PRODUCT SET: Portfolio Performance (%)
Annualised, after DFM charge and fund costs – 3 years to 31 Mar 21

	Ethical	ARC Peers*
Defensive	**4.8**	3.5
Cautious	**7.1**	4.9
Balanced	**8.6**	6.2
Active	**10.2**	6.2
Aggressive	**12.0**	7.6
Global Equity	**12.6**	7.6

** ARC PCI –UK wealth management portfolio peer group with historically comparable asset allocation characteristics*
Source: Tatton Analysts Presentation June 2022

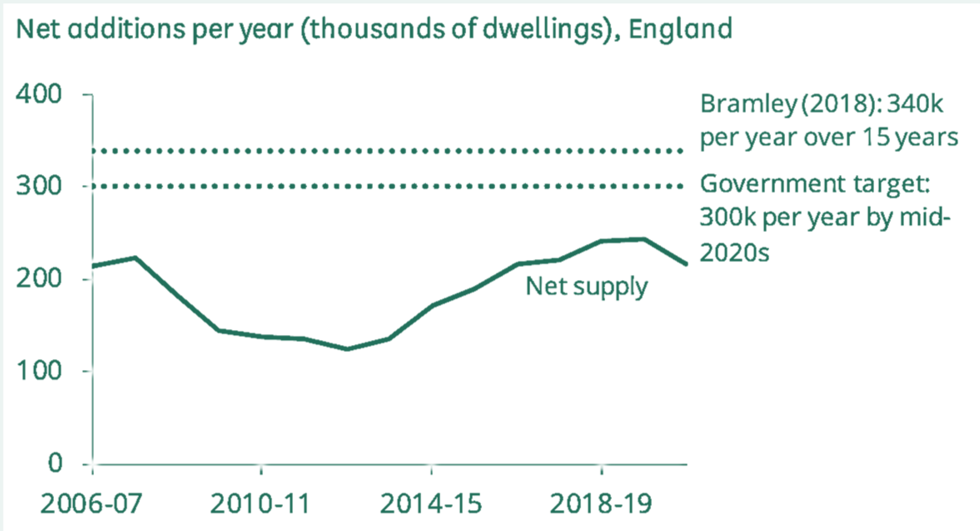
Paradigm: IFA Support Services

Paradigm continued its steady growth trajectory. Mortgage completions grew 16% to £13.2bn (FY21: 11.3bn), with mortgage firms increasing from 1,612 to 1,674. Particularly pleasing was mortgage completions holding up in H2 (£6.6bn v £6.6bn in H1) following the end of the 'stamp duty holiday' in Sep 21. Consulting member firms also increased from 407 to 421.

Paradigm revenue grew 14.4% from £5.2m in FY22 to £6.0m in FY22, adjusted operating profit rose 20% from £2.0m to £2.4m, with the adjusted operating margin increasing from 39% to 41%.

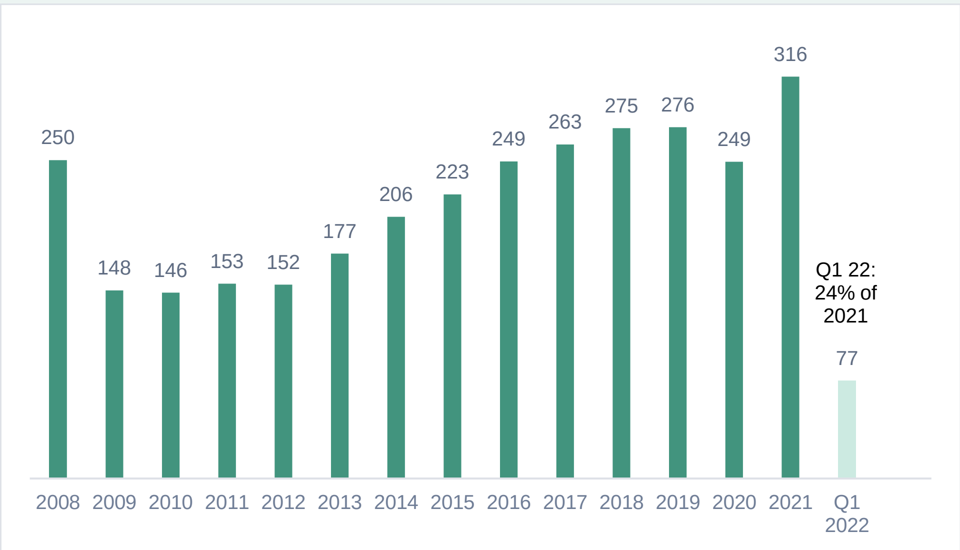
While we have already stated that Paradigm's consulting business is relatively mature, we certainly see Paradigm mortgages as a growth business, underpinned by the solid fundamentals of the UK residential housing market (although some headwinds, such as a cycle of increasing interest rates may provide some headwinds to growth in the near-term).

Fundamental market driver: housing supply must ramp up to meet demand



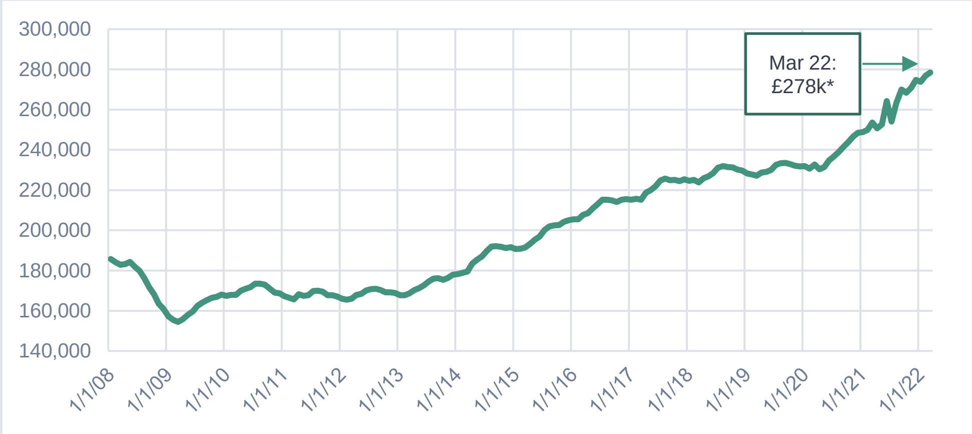
Source: House of Commons Library; Tackling the under-supply of Housing; February 2022; Bramley, Housing supply requirements across Great Britain, November 2018

Gross new residential mortgage lending continues to rise (£bn) …



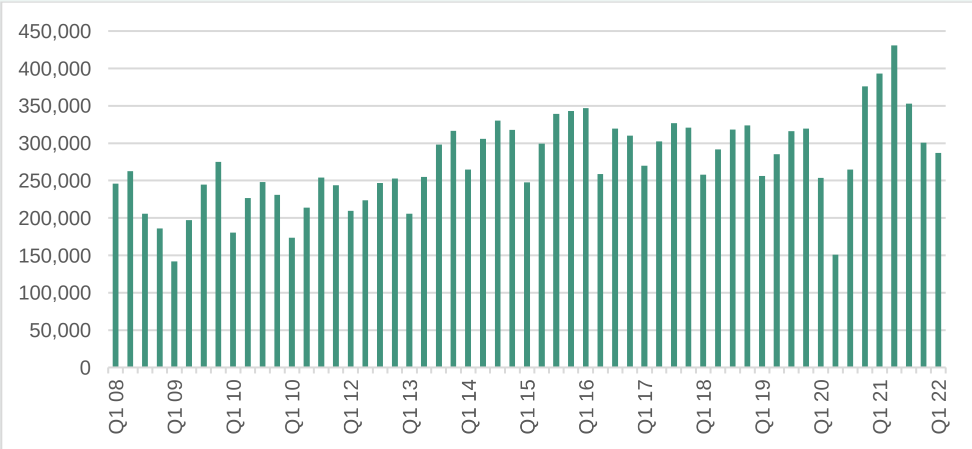
Source: Bank of England.

… driven by the rise in the average residential property price (£) …



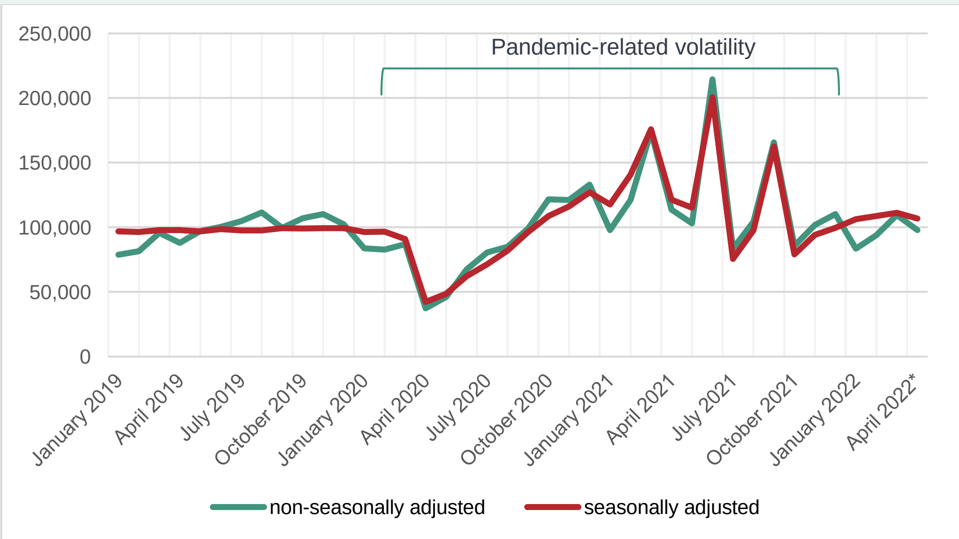
Source: HM Land Registry (latest data Mar 2022)
**HM Land Registry data lags Halifax data, which recorded further increases of 1.1% in Apr 22 and 1.0% in May 22, clearly indicating that the above price trend has continued through to the end of May 22.*

… and robust levels of residential property transactions …



Source: HM Land Registry (latest data 21/01/2022). Transaction statistics are reported based upon when transactions were completed and only include those with a value of above £40,000.

…with transactions returning to pre-pandemic levels in early-2022

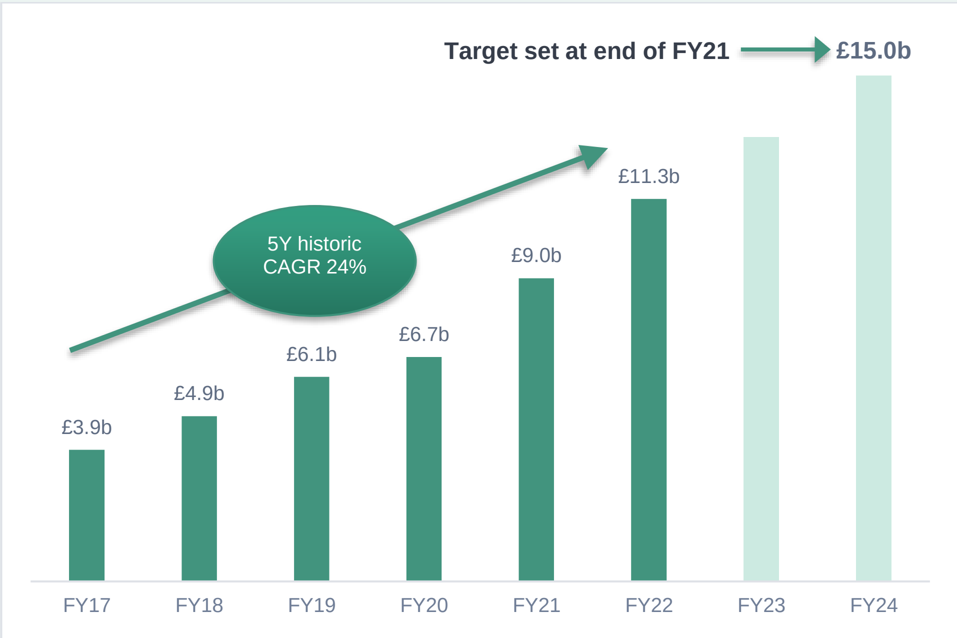


Source: HMRC, March 2022

Prospects, fundamental and relative valuation

At the end of FY21, with AUM at £9.0bn, Tatton outlined a growth goal of achieving £15bn AUM by the end of FY24: by adding £1bn of organic growth per year (£3bn in total) plus adding another £3bn through acquisitions. It's comfortably on track.

Historic and targeted AUM



Source: Company

After the first year of this three-year plan, it has added £1.7bn through organic growth (£1.3bn through net inflows alone, plus £0.4bn through market movements and investment performance). Looking forward, key drivers of further organic growth will be:

- 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;
- Tatton continuing to increase the number of IFA firms placing business with it;
- Tatton increasing average AUM per IFA (a 'new client' IFA will typically not move all of their business at once but increase it over time – this is estimated to be an £12bn AUM opportunity *without* winning new clients);
- Accelerating the above growth through strategic partnerships such as that with Tenet Group and Fintel plc.

Also in year 1, Tatton acquired the Verbatim range of funds, adding £0.65bn AUM.

Now, at the start of year 2 of its growth plan, it has acquired 50% of 8AM, adding around £0.8bn of 'assets under influence'.

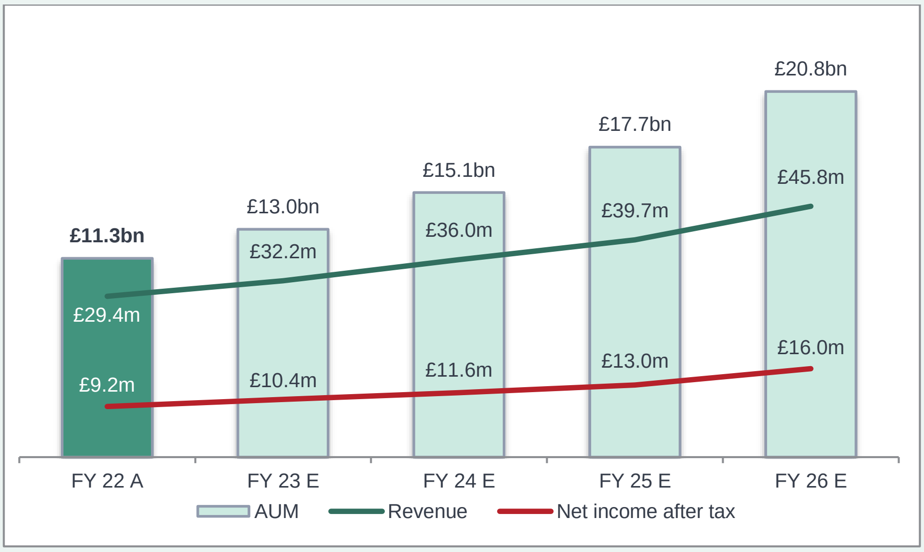
While the current economic uncertainty and market volatility certainly does introduce an additional element of uncertainty into our forecasts, we think that Tatton should be able to attract around £1.2bn of net inflows in FY23 and build on this in following years.

If we then assume market movements add a further 4% per year to AUM, Tatton can reach its goal of £15bn AUM by the end of FY24 without further acquisitions.

.

In addition, operational leverage should see margins continue to improve as the business scales. The resultant financial projections for our modelled growth scenario are summarised below.

Summary growth projections



Source: Company Historic Data, ED estimates

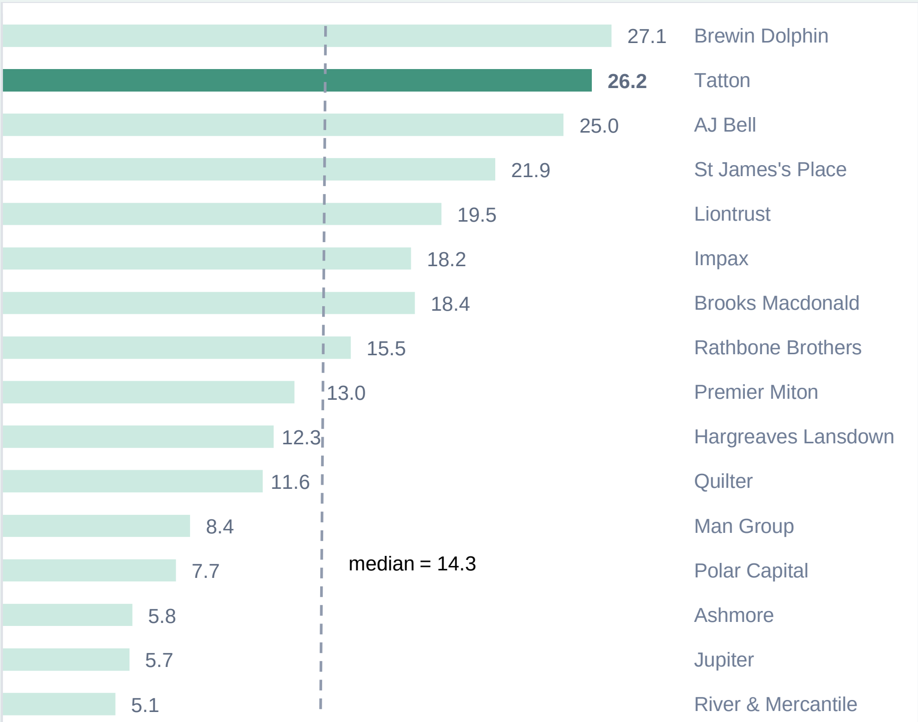
On this basis, we our fundamental value for Tatton is 530p per share.

Quoted comparators

We have also looked at Tatton's valuation on a peer-comparison basis.

While it is a top-rated company in relation to peers, we believe this is fully justified given its superior growth track record (see pages 5-9) and its superior profitability (see page 2).

Peer Group: Price-Earnings Ratios



Source: ADVFN (as at 14 June 2022), ED analysis

Financials

Consolidated Income Statement + Forecasts					
12 months to end Mar, £'000s	**FY 20A**	**FY 21A**	**FY 22A**	**FY 23E**	**FY 24E**
Revenue	**21,369**	**23,353**	**29,356**	**32,188**	**36,041**
Other exceptional revenue	1,588				
Admin exp (before separately disclosed items)1	(12,293)	(11,951)	(14,830)	(16,197)	(17,439)
Adj op profit (before separately disclosed items)1	**9,076**	**11,402**	**14,526**	**15,992**	**18,602**
Share based payment costs	(108)	(3,740)	(2,399)	(2,399)	(2,399)
Amortisation of intangibles - cust relationships	(60)	(120)	(266)	(400)	(400)
Exceptional items	1,394	(34)	(231)	-	-
Total admin expenses	(12,655)	(15,845)	(17,726)	(18,996)	(20,238)
Operating profit	**10,302**	**7,508**	**11,630**	**13,193**	**15,803**
Finance income/(costs)	(6)	(205)	(355)	(300)	(300)
Profit before tax	**10,296**	**7,303**	**11,275**	**12,893**	**15,503**
Tax	(1,933)	(1,192)	(2,033)	(2,450)	(3,876)
Profit attributible to shareholders	**8,363**	**6,111**	**9,242**	**10,443**	**11,627**
Basic EPS, p	15.0	10.9	15.9	18.0	20.0
Diluted EPS, p	14.5	10.3	15.2	17.2	19.1
Basic adjusted EPS2, p	13.1	16.1	19.9	21.9	23.6
Diluted adjusted EPS2, p	12.0	14.7	18.6	20.3	21.6

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, £'000s	**FY 20A**	**FY 21A**	**FY 22A**	**FY 23E**	**FY 24E**
Non-current assets					
Intangible assets incl goodwill	7,749	7,690	13,384	13,216	14,071
Property, plant and equipment	1,034	992	749	726	663
Deferred income tax assets	-	1,420	841	841	841
Total non-current assets	**8,783**	**10,102**	**14,974**	**14,783**	**15,575**
Current assets					
Trade and other receivables	3,431	4,302	3,805	4,172	4,671
Cash and cash equivalents	12,757	16,934	21,710	27,171	31,763
Financial assets at fair value through P&L		163	152	152	152
Corporation tax asset		48	706	706	706
Total current assets	**16,188**	**21,447**	**26,373**	**32,201**	**37,292**
TOTAL ASSETS	**24,971**	**31,549**	**41,347**	**46,984**	**52,868**
Current liabilities					
Trade and other payables	(6,186)	(6,587)	(7,556)	(8,285)	(9,277)
Corporation tax	(199)	-	-	-	-
Total current liabilities	**(6,385)**	**(6,587)**	**(7,556)**	**(8,285)**	**(9,277)**
Non-current liabilities					
Other payables	(702)	(516)	(2,747)	(2,747)	(2,747)
Deferred tax liabilities	(106)	-	-	-	-
Total non-current liabilities	**(808)**	**(516)**	**(2,747)**	**(2,747)**	**(2,747)**
TOTAL LIABILITIES	**(7,193)**	**(7,103)**	**(10,303)**	**(11,032)**	**(12,024)**
NET ASSETS	**17,778**	**24,446**	**31,044**	**35,952**	**40,844**
Equity					
Share capital	11,182	11,578	11,783	11,783	11,783
Share premium account	8,718	11,534	11,632	11,632	11,632
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	25,801	30,230	34,556	39,464	44,356
Acquisiton of own shares	(996)	(1,969)	-	-	-
TOTAL EQUITY	**17,778**	**24,446**	**31,044**	**35,952**	**40,844**

Source: Group report & accounts and ED estimates

Consolidated Statement of Cash Flows + Forecasts					
12 months to end Mar, £'000s	**FY 20A**	**FY 21A**	**FY 22A**	**FY 23E**	**FY 24E**
Operating activities					
Profit for the year	**8,363**	**6,111**	**9,242**	**10,443**	**11,627**
Adjustments:					
Income tax expense	1,933	1,192	2,033	2,450	3,876
Finance (income)/costs	6	205	355	300	300
Depreciation of property, plant and equipment	298	351	377	413	463
Amortisation of intangible assets	195	341	536	400	400
Share-based payment expense	108	3,740	1,492	2,399	2,399
Changes In:					
Trade and other receivables	(1,016)	(537)	309	(367)	(499)
Trade and other payables	1,338	(531)	907	729	992
Exceptional costs	(1,394)	34	231	-	-
Cash from operations before exceptional costs	**9,831**	**10,906**	**15,482**	**16,767**	**19,557**
Cash generated from operations	**11,225**	**10,872**	**15,251**	**16,767**	**19,557**
Income tax paid	(2,278)	(2,051)	(1,612)	(2,450)	(3,876)
Net cash from operating activities	**8,947**	**8,821**	**13,639**	**14,317**	**15,681**
Investing activities					
Acquisition payment, net of cash acquired	(2,002)	(160)	(2,825)	-	(1,000)
Purchase of intangible assets	(271)	(282)	(211)	(232)	(255)
Purchase pf property, plant and equipment	(294)	(67)	(74)	(81)	(91)
Net cash used in investing activities	**(2,567)**	**(509)**	**(3,110)**	**(313)**	**(1,346)**
Financing activities					
Proceeds from the issue of shares	-	3,212	111	-	-
Proceeds from the exercise of options			1,230	-	-
Transaction costs related to borrowings	-	(613)			
Stamp duty paid on share transfer	-	-	-	-	-
Interest received/(paid)	162	(36)	(144)	(300)	(300)
Payment of lease liabilities	(61)	(174)	(309)	(309)	(309)
Acquisition of own shares	(996)	(973)	-	-	-
Dividends paid	(4,920)	(5,551)	(6,641)	(7,934)	(9,134)
Net cash used in financing activities	**(5,815)**	**(4,135)**	**(5,753)**	**(8,543)**	**(9,743)**
Net increase in cash and cash equivalents	**565**	**4,177**	**4,776**	**5,461**	**4,592**
Cash and equivalents at beginning of the period	12,192	12,757	16,934	21,710	27,171
Net cash and equivalents at end of the period	**12,757**	**16,934**	**21,710**	**27,171**	**31,763**

Source: Group report & accounts and ED estimates

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

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

Equity Development, 16-18 Finsbury Circus, London EC2M 7EB

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