Tatton Asset Management

Strong growth drives profit +24%, dividend +19%

10 June 2025

FY25 (to 31 Mar 25) was an exceptionally strong year which exceeded our previous forecasts. Revenue grew 23% to £45.3m (previous forecast £44.3m), adjusted operating profit 24% to £22.9m (£22.1m) and PBT 29% to £21.6m (£21.3m). Net cash was £32.1m at year-end with no debt. A final dividend of 9.5p is proposed. Full year dividend is 19.0p (yield 3.2%), +19% y-o-y.

Underpinning performance was sector-leading AUM growth (page 3), up 26% to £20.9bn (FY24: £16.6bn). This was in turn mostly a result of record organic net flows of £3.7bn (FY24: £2.3bn). Tatton's net flow rate has been far higher than peers for some years now (page 4). With a strong outlook, we adjust our FY26 forecasts upwards (page 17), along with our valuation which ticks up from 715p per share to 735p (page 18), 23% above the current share price.

Our upgrade is also despite volatile and uncertain markets and the loss of c. £2.9bn of AUM from *Perspective Financial Group* from Jan 26 (previously flagged at the time of interim results – see page 17). This is a low margin account making up 14% of AUM, but only 2.4% of group revenue.

Good prospects for continued growth

There are multiple market and Tatton-specific drivers which underpin prospects: savers and investors keep contributing to their investment and retirement pots; an ageing UK population demands more financial advice with more 'adviser-led' investments (Tatton's channel); and **advisers continue to outsource investment management** to focus on financial planning and advice. Indeed, on-platform discretionary fund management FUM increased 40% last year (longer term CAGR: 28%, page 14).

Tatton leads this market (12% share), focusing on consistent investment performance (built over 12 years), exceptional service, and low fees. Advisers' confidence is well justified. **In its core MPS suite, every strategy outperformed or matched peers over 3, 5, and 10 years** (page 5). Tatton has built this low-fee model while maintaining the highest operating margin in the sector at 50.6% (page 10).

Ahead of target trajectory

Just over a year ago, Tatton set a new medium-term (5-year) growth target of reaching £30bn AUM/I by March '29. That meant adding c. £2.5bn per year on average. One-year in, it has added £4.2bn, well **ahead of the trajectory needed to reach this target**. It has also had **a strong start to FY26**, with AUM/I rising a further 5% to £22.9bn in the 10 weeks to early-June (page 6).

Key financials & valuation metrics

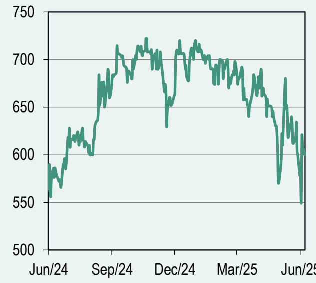
Year to 31 Mar (£m)	FY23A	FY24A	FY25A	FY26E	FY27E
AUM end-period* (£bn)	12.7	16.6	20.9	21.1	24.7
Revenue	32.3	36.8	45.3	50.6	55.2
Adjusted operating profit	16.4	18.5	22.9	25.6	27.7
PBT	16.0	16.8	21.6	24.3	26.5
EPS basic (p)	22.4	21.4	26.4	29.4	31.5
EPS adjusted & diluted (p)	20.6	22.9	28.7	31.2	33.2
Net cash**	26.5	24.8	32.1	39.7	48.2
P/E	26.7	28.0	22.7	20.4	19.0
DPS (p)	14.5	16.0	19.0	20.7	22.0
Dividend yield	2.4%	2.7%	3.2%	3.4%	3.7%

*Source: Company data, Equity Development, priced at 09/06/25 *Excludes c. £1bn of 'Assets under Influence' (AUI) from 8AM Global acquisition in Aug 22 (i.e. in FY23). **ex leases.*

Company data

EPIC	TAM.L
Price (last close)	600p
52 weeks Hi/Lo	722p/550p
Market cap	£363m
ED Fair Value / share	735p
Net cash** 2025A	£32m
Avg. daily volume (3m)	62k

Share price, p



Source: Investing.com

Description

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

Tatton Investment Management: discretionary fund management delivered via WRAP (investment) platforms (c. 86% of group revenue).

Paradigm: regulatory & compliance consulting & outsourcing, mortgage & protection insurance aggregation (c. 14% of group revenue).

AUI early-June 25: £22.9bn

Next event

Trading update October 2025

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Tatton at a glance

Tatton Asset Management plc

- Tatton was founded in 2007, listed on AIM in 2017, and employs 113 people (+9 over FY25).
- It serves smaller, UK Independent Financial Advisers via two business units: *Tatton Investment Management (TIML) & Paradigm* (see right & below).
- It is still founder-led by CEO Paul Hogarth, who owns c. 15% of the business.
- Other executive directors are CFO Paul Edwards, who has extensive quoted-company CFO experience, and group Chief Investment Officer Lothar Mentel, who is also CEO and co-founder of Tatton Investment Management Ltd.

Source: Company

Tatton Investment Management Limited (TIML)

- TIML's core offering is on-platform, discretionary fund management (DFM). Financial advisers, via one of c. 20 adviser investment platforms, select one of 45 risk-rated model portfolios for clients, and outsource the investment management to TIML. These advisers avoid the regulatory and risk burden of selecting investments to focus more on financial planning and advice
- Outsourcing of investment management is increasing. Growth of the UK on-platform DFM market was 40% last year*. TIML + 8AM Global have c12% market share, with £22.9bn of AUM/I (Jun 25), serving 1,110 member firms.
- TIML makes up c. 86% of group revenue

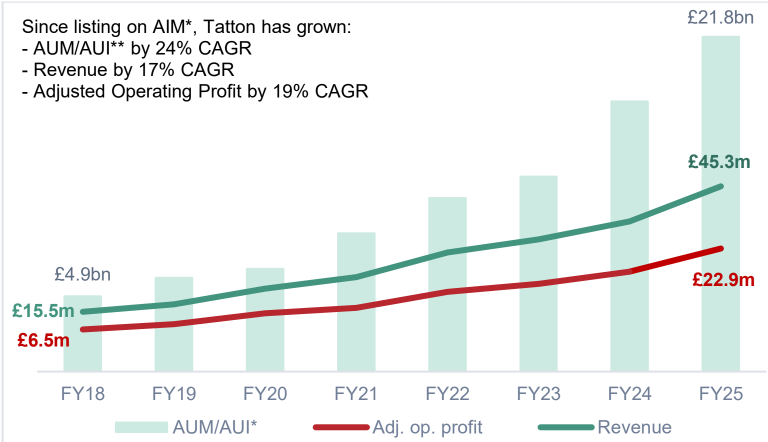
**Source Company (original source Platforum), market size '23: £103bn, '24: £131bn, '25: £183bn.*

Paradigm Mortgage Services and Paradigm Consulting

- *Paradigm Mortgage Services* is a broker providing 1,915 directly authorised client firms access to a whole-of-market lending panel, as well as providing them with related support services, such as specialist lending distributors, conveyancing partners, and life and general insurance via Paradigm Protect. It wrote £14.2bn of new business lending in the year to 31 Mar 25.
- *Paradigm Consulting* provides business, regulatory, compliance, pension, tax and trust consultancy services, as well as FCA application support to 425 Independent Financial Advisers.
- Paradigm (mortgages and consulting) makes up c. 14% of group revenue

Source: Company

A highly successful combination



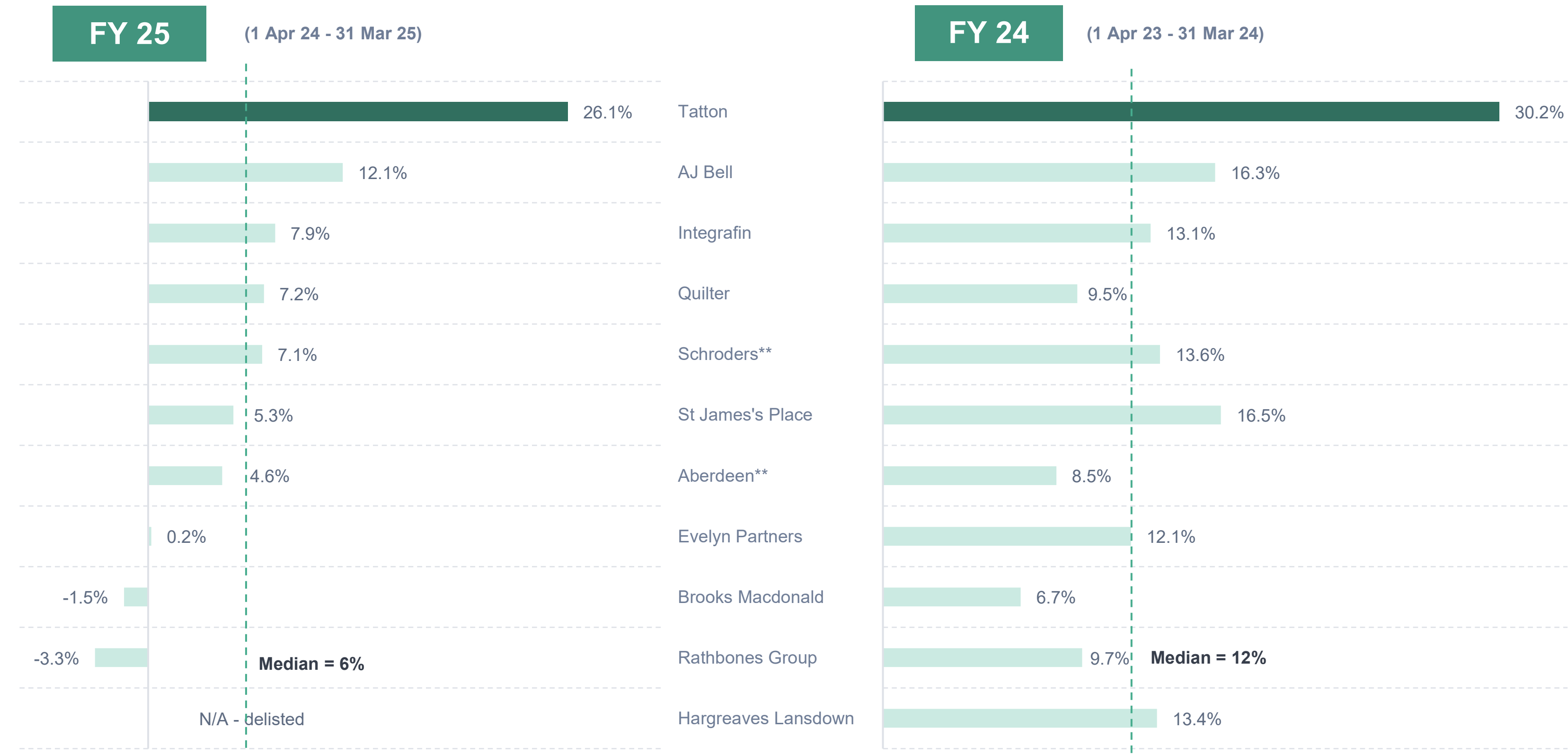
*Source: Company reports. *FY18 is the first full FY post AIM-listing.*
***AUI = Assets under Influence including AUM of 50% owned 8AM Global*

AUM +26% despite weaker markets and nervous investors

Tatton remains the standout leader in the UK wealth management space when it comes to attracting and retaining assets. In FY24 AUM grew 30% (with strong flows and strong markets), almost double the growth rate of the next fastest-growing peer. **In FY25 AUM still grew 26% (up by £3.7bn) from £16.6bn to £20.9bn despite much weaker markets and elevated investor nervousness, taking Tatton's growth rate even further above that of peers** (peer median growth rate fell from 12% to 6%).

Net flows were the main growth driver: £3.7bn (another record year), up from £2.3bn in FY24. Market and investment performance added £0.6bn to AUM (FY24: +£1.5bn). **Since FY25 year-end on 31 Mar 25, AUM/I has risen a further 5% to £22.9bn in early-June.**

AUM growth excluding acquisitions & disposals, UK-listed wealth managers/investment managers/platforms*



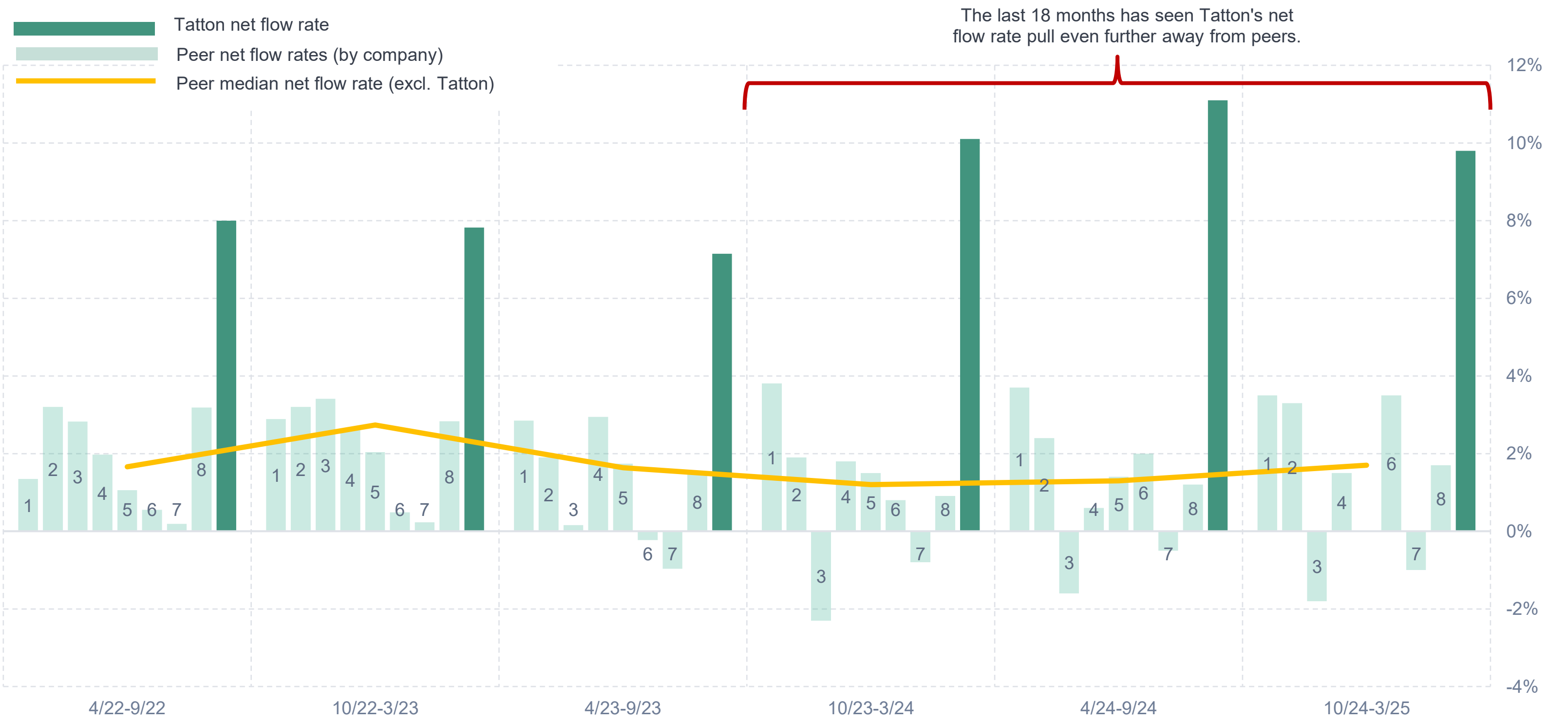
*Source: company reports, ED analysis. *Peer group includes companies which typically house portfolios for individual investors. It does not include 'pure play' asset managers which typically run individual funds making up only a part of an investor's portfolio – these have different net flow and investment 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', Aberdeen: 'adviser + interactive investor').*

Net flows continue to be consistently far stronger than peers

Most impressively, though, is the consistency of net flows. These averaged £305m/month in H125 and £309m in H2 (£152m/month in H124; £232m in H2). Tatton's net flow rate has far exceeded that of peers for some time, and especially so over the last 18 months. We can only repeat what we said last year: ***"our key takeaway from Tatton's hugely impressive last few years, is that it has designed and implemented a superior offering in platform-MPS with net flows consistently far higher than peers."*** Its superior market positioning is also reinforced by the continuing strong growth in the number of TIML IFA firms (up 14% to 1,110).

The ten weeks since end-FY25 has continued to see strong flows: £611m in total, equivalent to £265 per month.

Net flow rate versus peers by half year (last 3 years): net flows / opening AUA/AUM



Source: company reports, ED analysis.
Peer group bars (from L to R in each HY): 1) AJ Bell, 2) Integrafin, 3) Brooks Macdonald, 4) Evelyn Partners, 5) Hargreaves Lansdown, 6) Quilter, 7) Rathbones, 8) St James's Place.

Appropriate investment products and consistent returns key to generating flows

Tatton's track record of investment returns is highly impressive, with advisers' confidence in it clearly well justified. **In its core MPS suite, every single strategy has outperformed or matched peers over three, five and ten years, with 17 out of 20 strategies outperforming peers over one year.** (Dark green shading below depicts outperformance versus peers, red shading depicts underperformance).

This performance is well recognised. In Defaqto's top ten most recommended platform-based MPS solutions according to value for Q1 2025, three of Tatton's portfolios ranked within the top four nationally, taking both first and second place, with the Core Aggressive portfolio climbing to fourth place. This was a comparison to whole of market data, including over 18,000 funds and 2,900 DFM MPS portfolios.

10-year core MPS suite portfolio returns, % (annualised)*

	Active	Tracker	Hybrid	ARC Peers**
Defensive	2.6	2.8	2.8	2.1
Cautious	4.3	4.3	4.4	3.2
Balanced	5.3	5.4	5.4	4.3
Active	6.5	6.6	6.6	4.3
Aggressive	7.3	7.5	7.5	5.1
Global Equity	9.1	9.1	9.1	5.1

**10 years to 31 Mar 25*

5-year core MPS suite portfolio returns, % (annualised)*

	Active	Tracker	Hybrid	Ethical	ARC Peers**
Defensive	3.1	3.3	3.2	4.2	3.1
Cautious	6.1	6.1	6.1	6.1	5.1
Balanced	8.2	8.1	8.2	7.4	6.6
Active	10.5	10.1	10.3	8.9	6.6
Aggressive	12.4	12.0	12.2	10.3	7.9
Global Equity	13.3	13.2	13.3	10.8	7.9

**5 years to 31 Mar 25*

3-year core MPS suite portfolio returns, % (annualised)*

	Active	Tracker	Hybrid	Ethical	ARC Peers**
Defensive	1.0	2.0	1.5	1.9	1.0
Cautious	2.5	3.5	3.0	2.6	1.7
Balanced	3.6	4.6	4.1	3.1	2.1
Active	4.7	5.6	5.1	3.6	2.1
Aggressive	5.3	6.2	5.7	3.9	2.3
Global Equity	6.2	6.9	6.6	4.2	2.3

**3 years to 31 Mar 25*

1-year core MPS suite portfolio returns, % (annualised)*

	Active	Tracker	Hybrid	Ethical	ARC Peers**
Defensive	3.0	3.9	3.5	3.4	3.2
Cautious	3.7	4.7	4.2	2.8	2.7
Balanced	3.8	5.0	4.4	2.2	2.1
Active	4.1	5.4	4.7	1.6	2.1
Aggressive	4.1	5.5	4.8	1.2	1.3
Global Equity	2.1	4.3	3.2	0.5	1.3

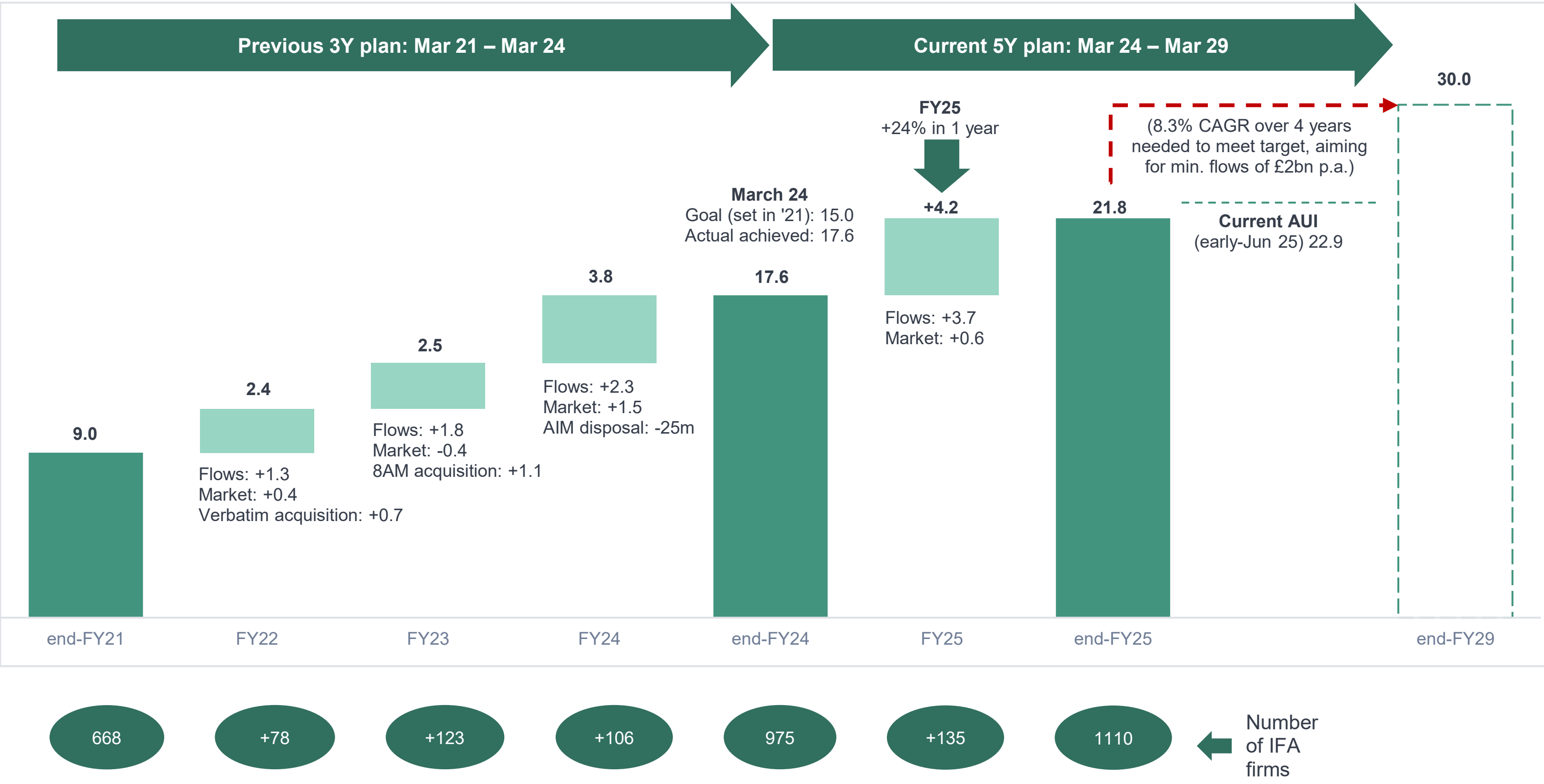
**1 year to 31 Mar 25*

*Source: Tatton Analysts Presentation 10 June 2025. ** ARC PCI –UK wealth management portfolio peer group with historically comparable asset allocation characteristics*

Ahead of trajectory on medium-term growth target

After meeting its previous three-year growth target early, in Jun 24 Tatton set a new medium-term (five year) target of reaching £30bn AUM/AUI by end-FY29 (31 Mar 29). That meant adding c. £2.5bn per year on average, an 11% CAGR. One-year in, it has added £4.2bn, taking AUM/AUI to £21.8bn, well ahead of the trajectory needed to reach its target, even with the upcoming loss of the Perspective account (page 17). This is undoubtedly **a hugely impressive achievement given market weakness and investor nervousness, especially in calendar-2025** (although it is important to highlight that AUM/AUI can fall with markets).

AUM/AUI development over previous and current medium-term growth plans, £bn



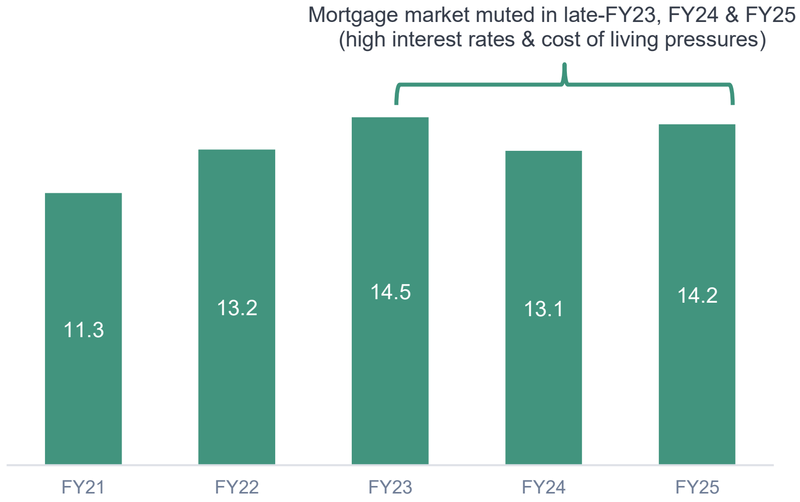
Source: Company reports, ED analysis.

Paradigm returns to growth with outlook brightening

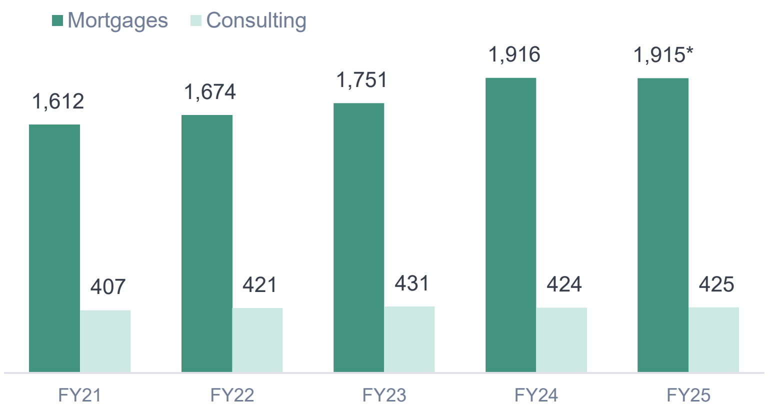
Signs of pick-up in activity in housing market and Paradigm

- The group's IFA support services business (mortgages & consulting, c. 14% of group revenue) had a solid year in a still-muted housing market. Following strong growth up until FY23, the interest rate hiking cycle and cost of living pressures over late-FY23, FY24 and FY25 (especially H1-25) slowed the UK mortgages market, and Paradigm's mortgage completions.
- **But FY25 still saw Paradigm's mortgage completions up 8.1% to £14.1bn** (after contracting in FY24) with the number of mortgage firms level y-o-y at 1,915 (but down from the 1,930 in Sep 24 following a rationalisation of dormant firms).
- Consulting member firms were roughly level at 425 (end-FY24: 424).
- While there are still headwinds in the mortgages market, there are certainly signs of a pick-up in activity (see outlook on page 16). In particular, we would highlight that **mortgages which formed part of the spike in post-2020-lockdown completions (i.e. taken out in calendar Q1-Q3 2021 – see bottom left chart on page 16) will be reaching their 5-year term periods in calendar Q1-Q3 of 2026 (late FY26 and early-FY27 of Tatton's financial year), so a pick-up in mortgage re-financings would be expected during that period.**

Paradigm mortgage completions, £bn



Paradigm member firms



*Source: Company. *1,930 in Sep 24 but then reduced following a rationalisation of dormant firms*

Analysis of FY25 financials

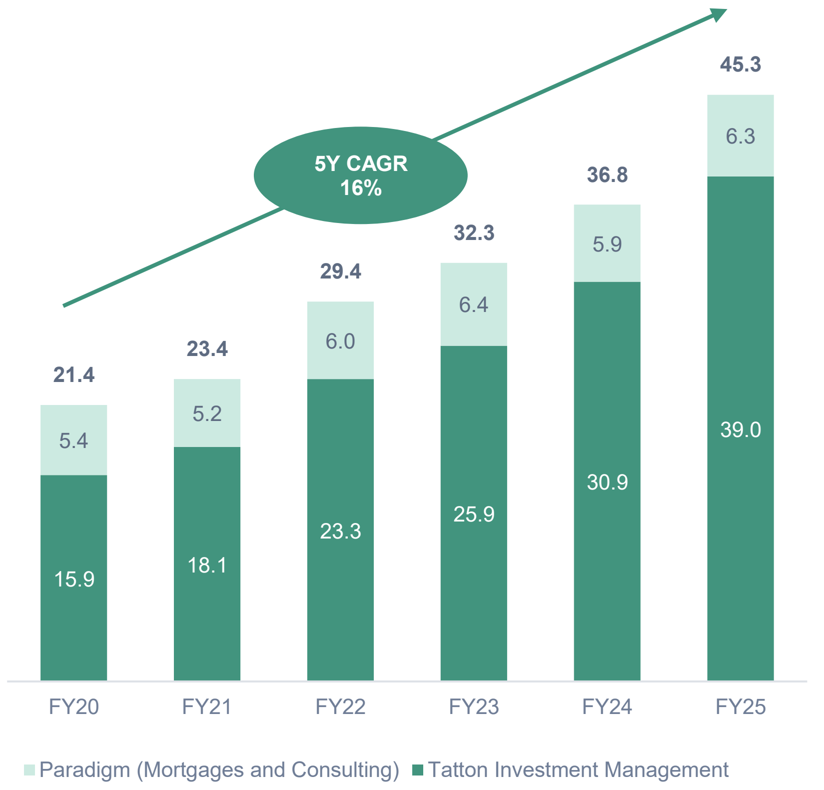
Income statement

Revenue

Strong revenue growth continues

- **Group revenue was up 23%** from £36.8m in FY24 to £45.3m in FY25.
- **TIML continued its exceptionally strong growth trend with revenue up 26%** to £39.0m (FY24: £30.9m), making up 86% of group revenue.
- It is worth highlighting the changing revenue mix of the group in favour of **higher-margin investment management**. Five years ago, in FY20, TIML made up 75% of group revenue. The trend towards TIML making up a larger proportion of group revenue is expected to continue.
- TIML average revenue margin declined slightly as expected from 21.9bps in FY24 to 20.6bps. This was driven not by price reductions but by product mix factors i.e. lower-yielding MPS making up a larger proportion of AUM.
- **Paradigm returned to growth after a difficult period in the mortgages market, with revenue up 6% y-o-y** to £6.3m from £5.9m.
- While ongoing headwinds (interest rate and cost-of-living pressures) in the mortgage market continued to depress growth in H1, the situation improved in H2 with £7.1bn of mortgage completions versus £6.6 in H1.

Group revenue, £m



Source: Company reports

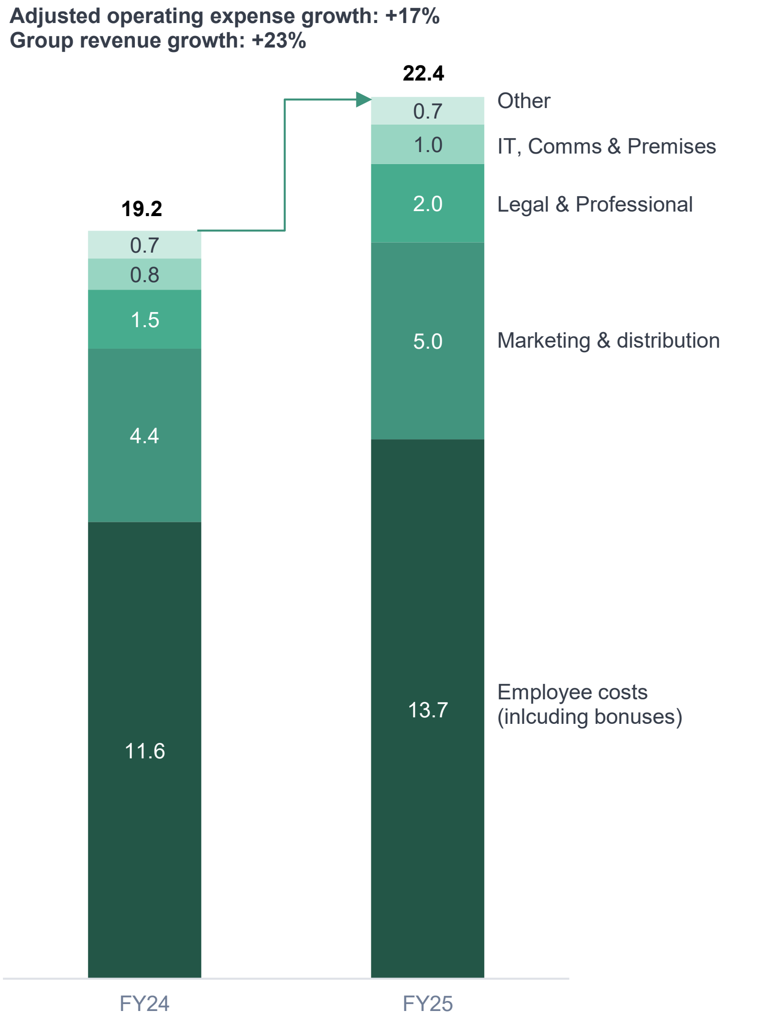
Adjusted operating expenses

Expenses growth less than revenue growth

- Adjusted operating expenses is probably the best metric of comparing underlying like-for-like costs. It excludes volatile, non-recurring, and non-cash items: exceptional items, share-based payment charges, changes in the fair value of contingent consideration, and amortisation of acquisition-related intangibles.
- At a group level, these increased 17% from £19.2m to £22.4m (revenue growth 23%). Tatton has said it expects cost growth to be around 12% in FY26 and c. 10% per annum over the medium term.
- The largest component of adjusted operating expenses were staff costs (60%) which increased by 15% to c. £13.7m (including bonuses). Note that variable pay totalled c. £3.5m or 25% of total employee costs and is payable against performance.
- Marketing and distribution costs were the next largest component of costs (22%), which increased by 12% to c. £5.0m.
- Tatton has also flagged that:
  - c. £1.1m of operating costs (employees, marketing & distribution) were 'investments in growth', not day-to-day operating costs;
  - c. £0.9m of costs were due to inflation; and
  - c. £1.2m of costs were 'stepped costs'.

  Reductions in these cost items is expected to drive the overall reduction in cost growth to the guided c. 10-12%.

y-o-y adjusted operating expenses & breakdown



Source: Company. Totals may not add due to rounding

Adjusted operating profit and margin

Revenue growth and cost control maintains sector-leading margin

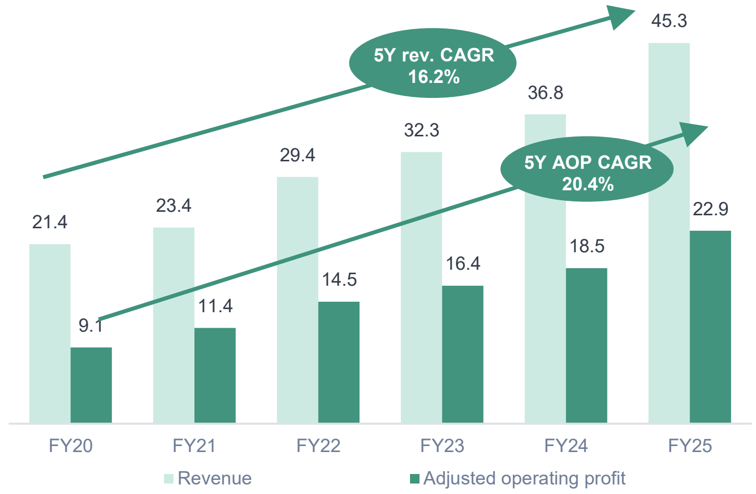
- Revenue less adjusted operating expenses provides the alternative performance measure of *adjusted operating profit (AOP)*, which is useful for comparing underlying profitability between periods where statutory profits can be distorted by exceptional, volatile and non-cash expenses.

- In FY25, **AOP increased 24% y-o-y to £22.9m (FY24: £18.5m),** continuing an impressive period of revenue and profit growth, and of capturing operating leverage as the business has scaled (top chart on right).
  - TIML adj. op. profit increased 28% to £24.9m (FY24: £19.4m)
  - Paradigm adj. op. profit increased 3% to £1.84m (FY24: £1.78m)

  Note that £3.8m of adjusted operating expenses (FY24: £2.7) were not allocated to business segments, hence the sum of TIML + Paradigm adj. op profits are larger than that of the group (unallocated expenses include general corporate expenses, head office salaries, and other administrative costs that are not directly attributable to the operating segments).

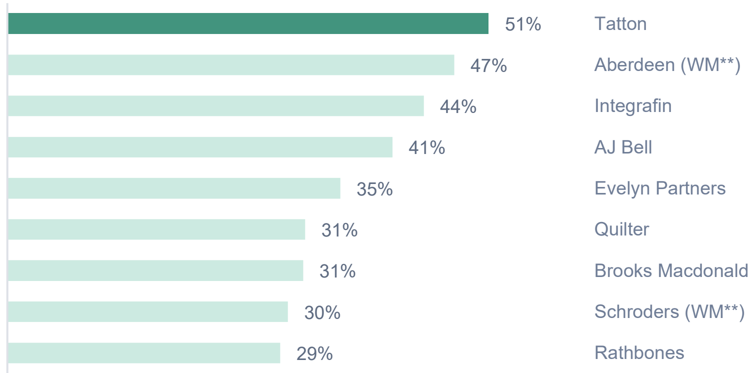
- The associated ***adjusted operating margin* of the group was maintained at an impressive over-50% level of 50.6% (FY24: 50.3%). This margin is higher than all other peer-group companies** operating in the UK wealth management space, even those of substantially larger scale and 'platform' companies which enjoy substantial economies of scale.
  - TIML adj. op. margin increased to 63.8% (FY24: 63.0%)
  - Paradigm adj. op. margin decreased to 29.0% (FY24: 29.9%).

Profit growth exceeds revenue growth as Tatton scales, £m



Source: Company, ED analysis

Sector-leading operating margins*



*Source: Company reports, ED analysis. *Margins adjusted to be closest like-for-like comparison to Tatton's 'adjusted operating margin' (i.e. excl. amortisation of acquired intangibles, share-based payments, fin. income/expense etc). Evelyn Partners metric used = adj. EBITDA. Margins calculated on last-12-months basis. Peers typically house portfolios for individual investors, excludes asset managers which mostly run funds making up only part of an investor's portfolio. ** Aberdeen: 'adviser + interactive investor' only, Schroders: 'wealth management' unit only.*

Statutory profits

Statutory profits up mid-to-high twenty percent range

- To get to statutory operating profit from adjusted operating profit, the following items are deducted:
    - share-based payment charges of £1.50m (FY24: £1.46m)
    - amortisation of acquired intangibles of £0.66m (FY24: £0.63m), being the amortisation of capitalised client relationships and brands related to acquisitions
    - a small operating loss from the non-controlling interest in Fintegrate Financial Solutions Limited.
- In turn, statutory operating profit increased 26% to £20.69m (FY24: £16.46m).
- Statutory PBT after the impact of net finance income (FY25: +£910k; FY24: £287k) was up 29% to £21.60m (FY24: £16.75m), with PAT increasing 24% to £16.14m (FY24: £12.99m).
- At a per share level, basic earnings per share increased 23% from 21.4p in FY24 to 26.4p in FY25, and fully **diluted** adjusted EPS 25% from 22.9p to 28.7p.

Adjusted profit to statutory profit bridge, £m

	FY24	FY25
Adjusted operating profit	**18.51**	**22.95**
SB payment charges	(1.46)	(1.50)
Amortisation of acquisition-related intangibles	(0.63)	(0.66)
Operating loss relating to non-controlling interest in Fintegrate	(0.06)	(0.10)
Exceptional items	(1.25)	-
Changes to FV of contingent consideration	1.35	-
Operating profit	**16.46**	**20.69**
Net finance income/(cost)	0.29	0.91
PBT	**16.75**	**21.60**
Tax	(3.83)	(5.59)
PAT	**12.99**	**16.14**
EPS basic	21.4p	26.4p
EPS diluted	21.0p	26.2p
Adjusted EPS basic	23.7p	29.4p
Adjusted EPS diluted	22.9p	28.7p

Source: Company

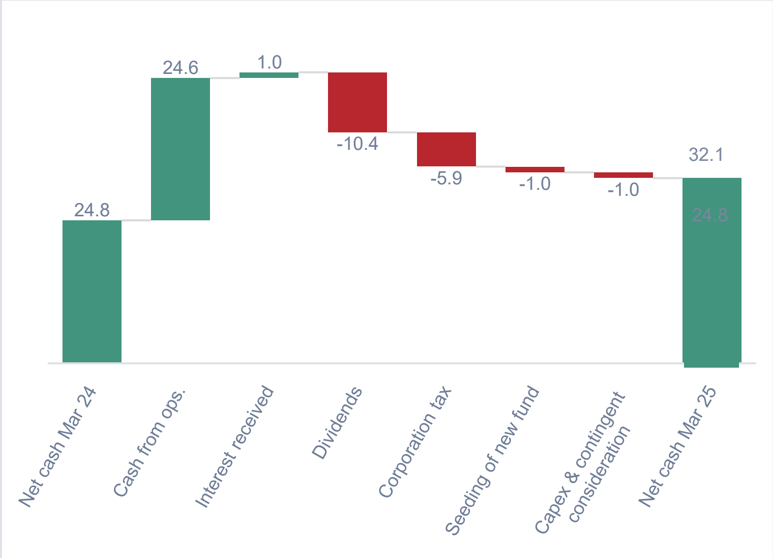
Balance Sheet and Cash Flow

Balance sheet robust, £32m of net cash, no debt

- The balance sheet of the group remained robust with net assets increasing 17% from £43.3m at the end of FY24 to £50.6m.
- Net cash generated from operating activities (before tax) was £24.6m (FY24: £16m), 94% of adjusted operating profit (FY24: 91%).
- **Net cash increased 29% over FY25, reaching a robust level of £32.1m (end-FY24: £24.8m). Note that this increase was after the Group paid out £10.4m in dividends during the period.**
- Tatton has no debt.

Source: Company

High cash level increases further, £m



Source: Company

414% headroom (£18.9m) over regulatory capital requirement

- 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 an analysis, which shows £23.4m of capital resources held with up to £18.9m (£23.4m less regulatory capital requirement of £4.6m) being available to pursue growth opportunities.

Source: Company

Summary capital adequacy calculation, £m (Mar 24)

Regulatory capital requirement	**£4.6m**
Total Shareholder funds	£50.6m
Less: Foreseeable dividend	(£5.7m)
Less: Non-qualifying assets	(£21.4m)
Total qualifying capital resources	**£23.4m**
% Capital resource requirement held	265%

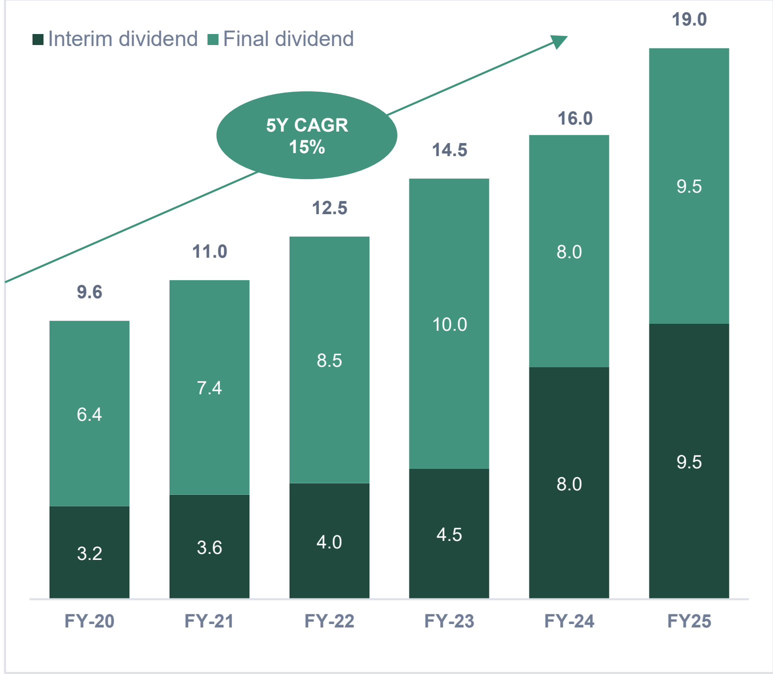
Source: Company

Dividends

Dividend up 19% on strong results and cash position

- Tatton's dividend policy is to pay a dividend of approximately 70% of adjusted earnings, with a 50/50 split between interim and final dividend (changed from 1/3 interim, 2/3 final in FY24).
- The board has recommended a final dividend of 9.5p, resulting in a **full-year dividend of 19.0p per share, up 19% on the 16.0p FY24 dividend.**

Historic and proposed dividends, pence per share



Source: Company historic data

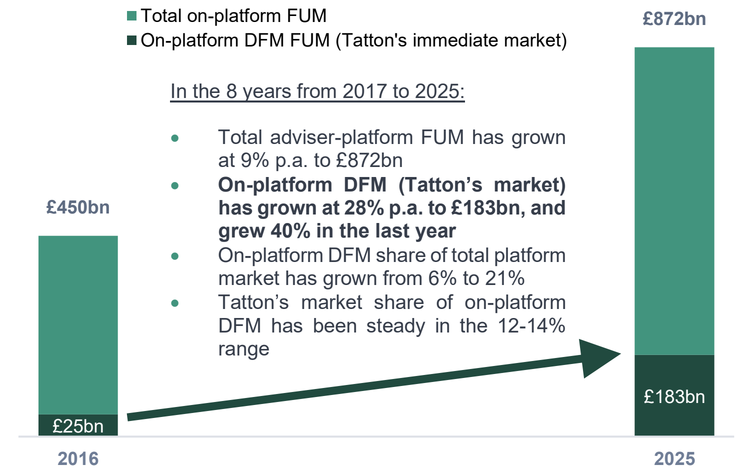
Growth Outlook - Tatton Investment Management

Tatton is in a large and growing market…

- Tatton's core offering is on-platform, discretionary fund management (DFM). This means financial advisers, via a technology platform (Nucleus, Transact, etc), select a portfolio for their client, and outsource the investment management to a company such as Tatton i.e., giving them 'discretion'.
- **On-platform DFM is a rapidly growing market, reaching £183bn in December 2024 (+40% over the last year), with potential to expand further, as it still only makes up 21% of the overall platform market (which is itself growing quickly: +21% over the last year).**

Source: Tatton analyst presentation Mar 25, original source Platform

Platform and Platform-DFM Funds Under Management



Source: Tatton analyst presentation Sep 24, original source Platform

…with substantial longer-term tailwinds

- Inflows continue from savers and investors who keep contributing to and topping up their investment and retirement pots.
- Financial assets mostly appreciate over the longer term (although valuation pullbacks are inevitable from time to time).
- An ageing UK population and the demand for financial advice ratcheting up as people age results in more 'adviser-led' investments (Tatton's distribution channel).
- Regulatory shifts have provided more freedom to access pensions and increased the responsibility on individuals to manage their own assets, also leading to increased demand for advice and 'adviser-led' investments.

Source: ED commentary

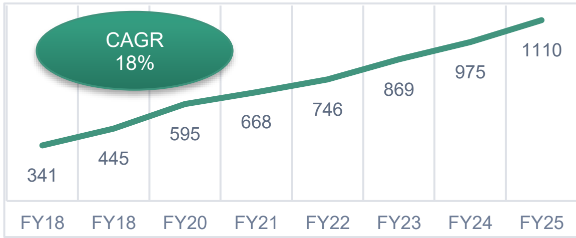
- IFAs continue to move assets onto DFM platforms and to MPS providers (such as Tatton) so that **these advisers avoid the regulatory and risk burden of selecting investments and focus more on financial planning and advice** (a trend which is likely to accelerate with newer regulatory reforms such as *consumer duty* because of the availability of low cost and competitive investment solutions for clients).
- An additional point related to the above is that a material portion of Tatton's flows are funds already invested on platforms, with Tatton taking over the investment management from IFA's which previously managed client funds i.e., Tatton's growth is not solely dependent on 'new' platform AUM.

Source: ED commentary

It 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 around 5,000 directly authorised IFA firms.

Number of TIML IFA client firms



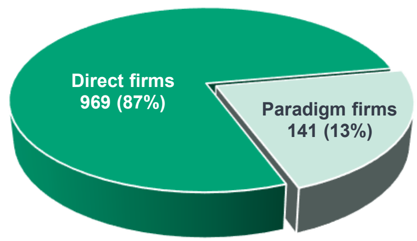
Source: Company

…with a huge opportunity to add AUM from existing clients

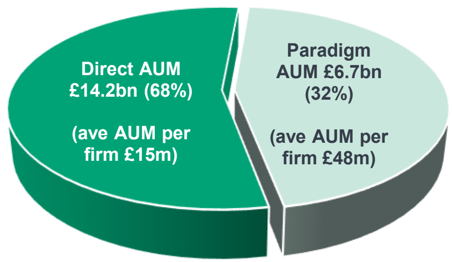
- This opportunity is to increase average-AUM-per-client-firm. [An IFA will typically not move all their AUM to a new investment manager at once but increase it over time as the relationship builds].
- 'Paradigm firms' (clients of both Paradigm and TIML) offer a benchmark of average-AUM-per-firm potential. 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 £48m per firm. Tatton believes £40m per firm is a realistic target.
- 'Direct firms' (clients of TIML but not of Paradigm) have a lower average AUM per firm of £15m. 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 that average-AUM-per-Direct firm cannot get closer to or match that of Paradigm firms, i.e. there is c. £25m 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 £15m today).
- And because there are so many Direct firms (969), with so much average-AUM headroom, this opportunity is huge i.e. if Tatton succeeds in growing its average-AUM-per-Direct-firm from £15m to £40m, it can add c. £24bn of AUM without winning new clients (969 firms x £25m, the difference between current average AUM per firm for direct firms and Paradigm firms).

Paradigm firms v Direct firms

Total number of firms 1110



Total AUM (excl. 8AM) £20.9bn



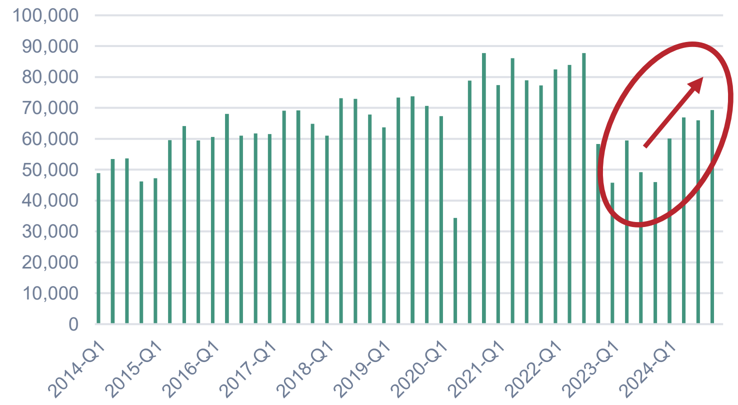
Source: Company

Growth Outlook – Paradigm

Muted market but fundamental growth opportunity

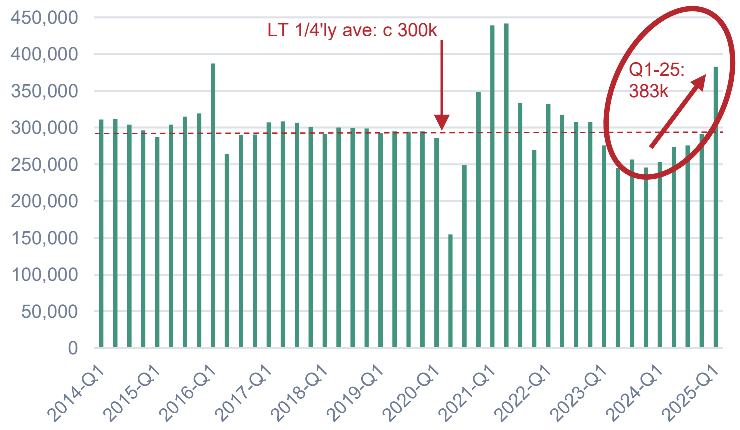
- Paradigm, (c. 14% of revenue) comprises *Paradigm mortgage services,* and *Paradigm consulting*.
- Longer-term, mortgages are a growth business, underpinned by the supply-demand imbalance of the UK residential housing market. Recent growth has been muted due to economic conditions, but there are now **signs of recovery**: **new mortgage commitments are on the rise** (top right chart), **housing transactions are rising** (bottom left – although Q1-25 was abnormally high due to the pre-budget 'rush' to avoid tax hikes), and **house prices remain strong, up 6.4% y-o-y to Mar 25** (bottom right).
- Consulting has potential to grow steadily, it is strategically important, enabling close relationships with IFAs and provides valuable market insights.

UK new mortgage commitments* (£m)



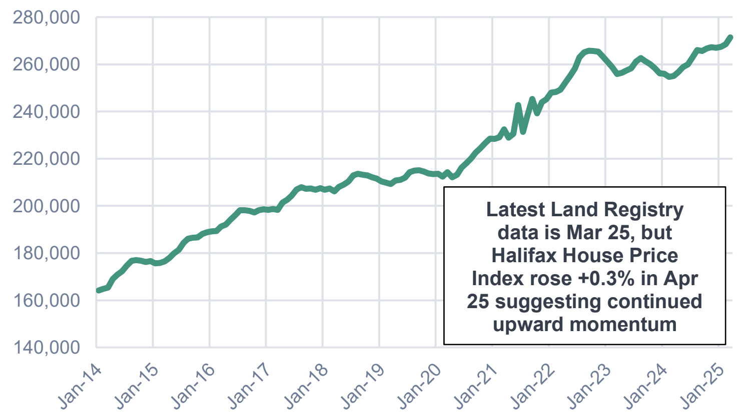
Source: Bank of England, Mortgage Lenders and Administrators Statistics - 2024 Q4
**lending agreed to be advanced in the coming months*

UK residential property transactions (seasonally adjusted)



Source: HM Land Registry. Transactions >£40k. Data for Q1-25 provisional.

UK average residential property price



Source: HM Land Registry (latest data Mar 25)

Updated forecasts

- Our end-FY26 AUM forecast falls but there is an anomaly in this number. Tatton has flagged that it has been given notice from *Perspective Financial Group* (previously disclosed in its H1-25 results), which places around £2.9bn of AUM with Tatton, with the loss of this business due to take effect in January 2026 (i.e. in Q4 of Tatton's FY26).
- But because Tatton has had a strong start to FY26 with solid net inflows continuing, and the loss of Perspective AUM only occurs in late-FY26, average AUM (the primary driver of revenue) for most of FY26 is forecast to be higher than that of FY25. Hence, we are still forecasting a solid increase in revenue for FY26.
- Additionally, Perspective is a relatively low-fee-margin account, currently making up around 14% of TIML AUM, but only 2.8% of TIML revenue (2.4% of group revenue), therefore the financial impact of this loss thereafter is far more muted than the AUM loss would initially suggest.
- Costs and profits have been slightly updated in line with Tatton's updated guidance, resulting in a 3% increase to our FY26 adjusted operating profit forecasts and a 2% increase to our PBT forecasts.
- Our dividend forecast change is simply due to us updating the payout ratio to match that of FY25 (65% of adjusted earnings – we had previously assumed 70% of adjusted earnings), but we are still forecasting a 9% dividend increase over FY25.

Performance vs. forecast and Forecast changes

Year to 31 Mar (£m)	FY25 Actual	FY25E Old	above/below forecast	FY26E Revised	FY26E Old	Change
AUM end-period (£bn)	20.9	20.9	0%	21.1	23.2	-9%
Revenue	45.3	44.3	2%	50.6	49.2	3%
Adjusted operating profit	22.9	22.1	4%	25.6	24.8	3%
Adjusted operating profit margin	50.6%	50.0%	1%	50.5%	50.4%	0%
PBT	21.6	21.3	1%	24.3	23.9	2%
EPS basic (p)	26.4	26.1	1%	29.4	28.6	3%
EPS adjusted & diluted (p)	28.7	27.5	4%	31.2	29.9	4%
Net cash	32.1	32.4	-1%	39.7	39.0	2%
P/E	22.7	23.0		20.4	21.0	
DPS (p)	19.0	19.8	-4%	20.7	21.5	-4%
Dividend yield	3.2%	3.3%		3.4%	3.6%	

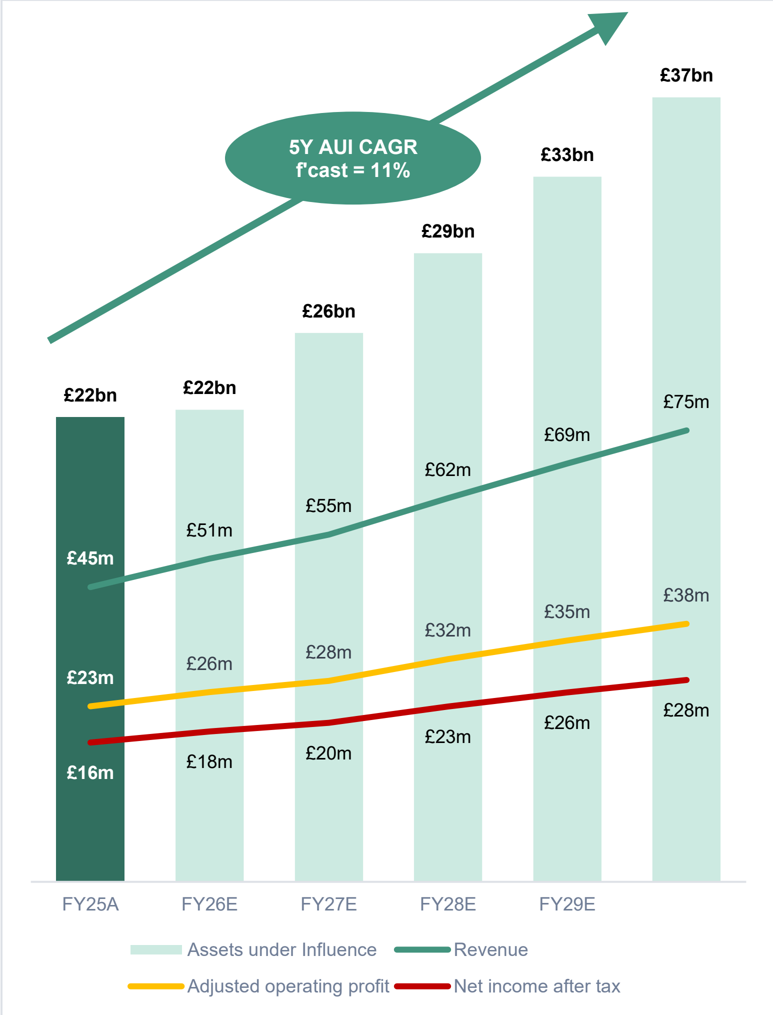
Source: Equity Development, Priced at 09/06/2025

Fundamental Valuation increases to 735p/share on results better than forecast

Underlying assumptions of fundamental valuation

- Our fundamental valuation uses a discounted cash flow methodology which is underpinned by a 5-year explicit growth forecast. This assumes:
  - Tatton slightly exceeds its new growth target of £30bn by FY29 – we are modelling it growing to over c. £33bn by that time, noting that it is currently well ahead of its target growth trajectory (see page 6).
  - AUI grows at c11% CAGR, driven by:
    - Annual net flows of £2bn+ p.a. as guided (£3.7bn achieved in FY25, £2.3bn in FY24);
    - Investment returns of 4% p.a. (noting that Tatton typically manages investment portfolios for end-clients which will include a mix of asset classes, hence the investment return assumption we use is slightly less than we would use for pure equities).
  - Revenue grows at a CAGR of 10.5%, lower than AUI growth because we assume some price erosion over time due to competitive pressures.
  - Adjusted margin increases gradually from the current 50.6% to 51.5%-52.0% over 5 years as further operational leverage is captured.
  - We do not include any impact from acquisitions in our forecast.
- For the terminal value of our DCF we assume that Tatton is acquired at the end of the 5-year explicit forecast period at a PER of 20.
- **This results in a DCF valuation per share of 735p, up from our previous valuation of 715p.**

Summary 5Y growth forecast



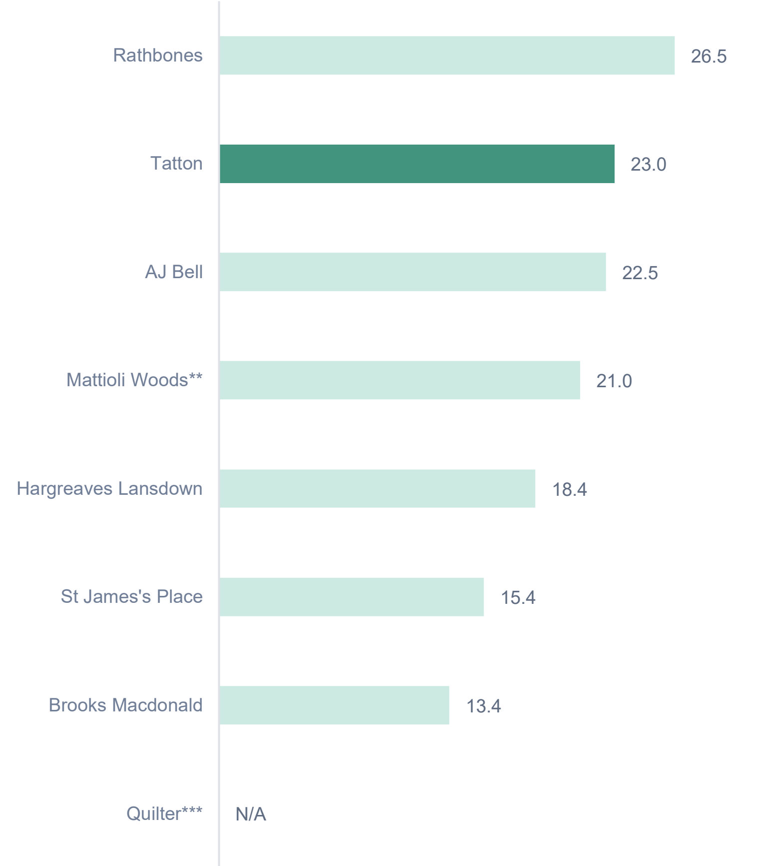
Source: Company historic data, ED forecasts and analysis

Peer comparator valuations

Valuation premium looks small given superior growth

- Given its far superior growth rate compared to peers (page 3), sector-leading margins (page 10), exceptionally strong balance sheet (£32m net cash, £19m of surplus capital and no debt), it is wholly unsurprising that Tatton commands a premium PER rating compared to most peers.
- However, that premium is hardly excessive, and in our view fully justified, as evidenced by our DCF valuation of 735p.

PER (TTM)* peer group comparison



Source: London Stock Exchange, Company historic data, ED analysis.
** Based on share prices as at close on 09 Jun 25 except Mattioli Woods which de-listed on 4 Sep 24 and Hargreaves Lansdown which de-listed on 25 Mar 25. Share price divided by latest available basic EPS on Trailing Twelve Months basis.*
***Adjusted basic EPS used for PER calculation due to statutory earnings being distorted by acquisition accounting.*
****Made a statutory loss in the 12m to 31 Dec 24.*

Summary financials

Income statement

Year to 31 Mar (£m)	FY23A	FY24A	FY25A	FY26E	FY27E
Revenue	32.3	36.8	45.3	50.6	55.2
Share of profit from joint venture	0.2	(1.2)	(0.1)	-	-
Admin exp (before separately disclosed items)[1]	(15.9)	(18.3)	(22.2)	(25.0)	(27.5)
Adj. op profit (before separately disclosed items)[1]	**16.4**	**18.5**	**22.9**	**25.6**	**27.7**
Share based payment costs	(1.5)	(1.5)	(1.5)	(1.5)	(1.5)
Amortisation of acquisition-related intangibles	(0.5)	(0.6)	(0.7)	(0.7)	(0.7)
Operating loss relating to non-controlling interest	-	(0.1)	(0.1)	-	-
Exceptional items	(0.4)	(1.3)	-	-	-
Gains: changes in FV of contingent consideration	2.7	1.4	-	-	-
Total admin expenses	(15.7)	(19.2)	(24.3)	(27.2)	(29.6)
Statutory Operating profit	**16.6**	16.5	20.7	23.4	25.6
Net finance income/(costs)	(0.4)	0.3	0.9	0.9	0.9
Unwinding of discount rate on deferred compensation	(0.2)	-	-	-	-
Profit before tax	**16.0**	**16.8**	**21.6**	**24.3**	**26.5**
Tax	(2.6)	(3.8)	(5.6)	(6.1)	(6.6)
Profit attributable to shareholders	**13.4**	**13.0**	**16.1**	**18.3**	**19.8**
Basic EPS, p	22.4	21.4	26.4	29.4	31.5
Diluted EPS, p	21.7	21.0	26.2	28.9	31.0
Basic adjusted EPS[2], p	21.7	23.7	29.4	32.1	34.1
Diluted adjusted EPS[2], p	20.6	22.9	28.7	31.2	33.2

Source: Company data, Equity Development.

[1] Adjusted for exceptional items and share-based payments. [2]. Adjusted for exceptional items and share-based payments and the tax thereon

Balance sheet

Year to 31 Mar (£m)	FY23A	FY24A	FY25A	FY26E	FY27E
Non-current assets					
Investments in Joint Ventures	6.8	5.4	5.3	5.3	5.3
Intangible assets including goodwill	13.0	13.5	13.3	13.5	13.4
Property, plant and equipment	0.5	0.8	0.9	0.9	0.9
Deferred income tax assets	1.3	2.6	2.9	2.9	2.9
Other receivables	-	0.2	-	-	-
Sub-total NCAs	21.4	22.4	22.4	22.6	22.5
Current assets					
Trade and other receivables	3.8	5.1	6.5	7.3	8.0
Cash and cash equivalents	26.5	24.8	32.1	39.7	48.2
Financial assets at fair value through P&L	0.1	0.1	1.1	1.1	1.1
Corporation tax asset	0.1	-	0.3	0.3	0.3
Sub-total CAs	30.5	30.1	40.1	48.4	57.6
TOTAL ASSETS	**51.9**	**52.5**	**62.4**	**71.1**	**80.1**
Current Liabilities					
Trade and other payables	(7.9)	(8.1)	(11.2)	(12.6)	(13.7)
Corporation tax	-	(0.0)	-	-	-
Sub-total CLs	(7.9)	(8.1)	(11.2)	(12.6)	(13.7)
Non-current Liabilities					
Other payables	(2.3)	(1.0)	(0.7)	(0.7)	(0.7)
Sub-total NCLs	(2.3)	(1.0)	(0.7)	(0.7)	(0.7)
TOTAL LIABILITIES	**(10.2)**	**(9.1)**	**(11.9)**	**(13.2)**	**(14.3)**
NET ASSETS	**41.8**	**43.3**	**50.6**	**57.8**	**65.8**
Equity					
Share capital	12.0	12.1	12.1	12.1	12.1
Share premium account	15.3	15.5	15.6	15.6	15.6
Other reserve	2.0	2.0	2.0	2.0	2.0
Merger reserve	(29.0)	(29.0)	(29.0)	(29.0)	(29.0)
Joint Venture reserve	(0.0)	-	-	-	-
Retained Earnings	41.5	45.9	52.2	59.4	67.4
Own shares	-	(3.3)	(2.4)	(2.4)	(2.4)
Non-controlling interest	-	0.1	(0.0)	(0.0)	(0.0)
TOTAL EQUITY	**41.8**	**43.3**	**50.6**	**57.8**	**65.8**

Source: Company data, Equity Development

Cash flow statement

Year to 31 Mar (£m)	FY24A	FY24A	FY25A	FY26E	FY27E
Operating activities					
Profit before taxation	**13.4**	**12.9**	**16.0**	**18.3**	**19.8**
Adjustment for:					
Income tax expense	2.6	3.8	5.6	6.1	6.6
Finance (income)/costs	0.6	(0.3)	(0.9)	(1.0)	(1.0)
Depreciation of property, plant and equipment	0.4	0.4	0.3	0.3	0.3
Amortisation of intangible assets	0.7	0.5	0.6	0.6	0.6
Share-based payment expense	1.4	1.2	1.4	1.5	1.5
Post-tax share of JV loss/(profit) less related amortisation	(0.0)	1.2	0.1	-	-
Changes in FV of contingent consideration	(2.7)	(1.4)	-	-	-
Changes in trade and other receivables	(0.1)	(1.6)	(1.2)	(0.8)	(0.7)
Changes in trade and other payables	(0.4)	0.1	2.7	1.3	1.1
Exceptional costs	0.4	1.3	-	-	-
Cash generated from operations	15.8	16.9	24.6	26.3	28.4
Income tax paid	(2.6)	(3.7)	(5.9)	(6.1)	(6.6)
Net cash from operating activities	**13.2**	**13.2**	**18.8**	**20.2**	**21.7**
Investing activities					
Acquisition & JV payments, net of cash acquired	(0.2)	(1.2)	(0.5)	(0.4)	-
Dividends received from Joint Venture	-	0.3	-	-	-
Purchase of intangible assets	(0.2)	(0.2)	(0.4)	(0.5)	(0.5)
Purchase of property, plant and equipment	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)
Payments for financial assets at FV through P&L	-	-	(1.0)	-	-
Interest received	-	0.6	1.0	1.0	1.0
Net cash used in investing activities	**(0.5)**	**(0.7)**	**(1.0)**	**0.0**	**0.4**
Financing activities					
Proceeds from the issue of shares	0.1	0.2	0.1	-	-
Purchase of own shares	-	(3.3)	(0.1)	-	-
Proceeds from the exercise of options	-	-	0.1	-	-
Interest received/(paid)	(0.2)	(0.1)	-	-	-
Payment of lease liabilities	(0.3)	(0.2)	(0.2)	(0.2)	(0.2)
Repayment of loan liabilities	-	(0.0)	(0.0)	-	-
Dividends paid	(7.7)	(10.8)	(10.4)	(12.5)	(13.4)
Net cash used in financing activities	**(8.0)**	**(14.2)**	**(10.5)**	**(12.7)**	**(13.7)**
Net increase in cash and cash equivalents	**4.8**	**(1.7)**	7.3	7.6	8.5
Cash and equivalents at beginning of the period	21.7	26.5	24.8	32.1	39.7
Net cash and equivalents at end of the period	**26.5**	**24.8**	**32.1**	**39.7**	**48.2**

Source: Company data, Equity Development

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