



**Gresham House**  
*Specialist asset management*

# Specialists in sustainable alternatives

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**Gresham House plc**  
Shareholder webinar

15 March 2022



Capturing  
the **growth**  
opportunity

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# Presentation team



## **Tony Dalwood**

Chief Executive

- Leads the Group and is Chairman of the Investment Committee, overseeing balance sheet capital allocation
- Background in fund management (public and private equity) and building asset management businesses
- Previously CEO at SVG Advisers (formerly Schroder Ventures (London) Limited) and Director of PDFM (UBS Global Asset Management)



## **Kevin Acton**

Chief Financial Officer

- Oversees the Group finance function for Gresham House plc, including divisional entities
- Chartered Accountant with background in finance and operations within private equity and debt opportunity funds
- Formerly at Oaktree Capital, 3i Group, Deloitte

A butterfly with black, yellow, and blue markings is perched on a red flower. The background is a soft-focus landscape with green leaves and a blue sky with light clouds. The text is overlaid on the left side of the image.

**2021 results**

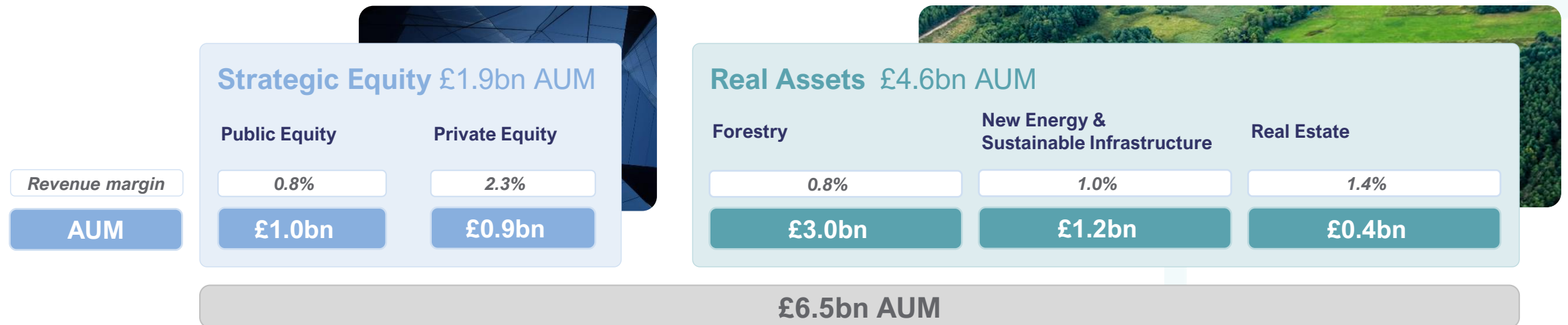
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and 2022 priorities

# Specialists in alternatives

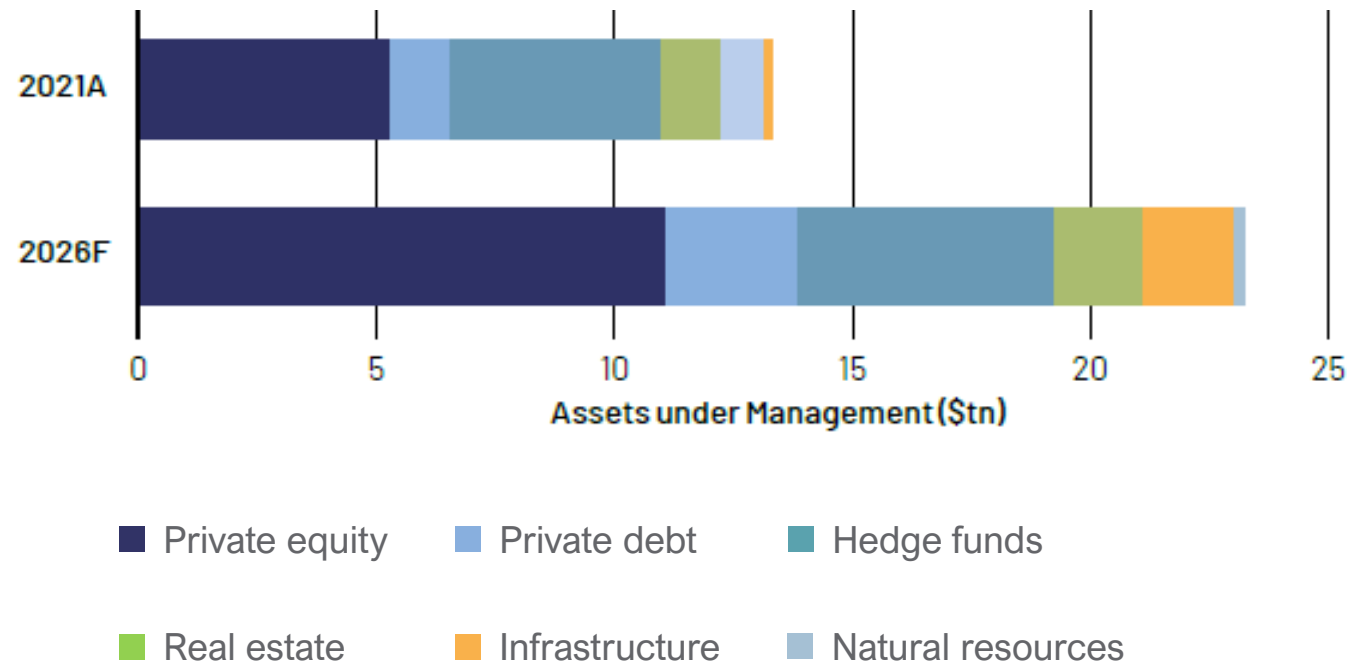
Gresham House is a specialist alternative asset management group, quoted on the London Stock Exchange (GHE.LN), providing funds, direct investments and tailored investment solutions, including co-investment.

- Specialists in five areas of alternative investment
- Growing organically and through acquisition, developing our investment pipeline
- Committed to operating responsibly and sustainably, building long-term value across our portfolio



# Supported by strong market trends

## Alternative assets under management and Forecast 2010-2026<sup>1</sup>



- Alternative assets under management set to continue to grow strongly from **\$13.32tn globally** at the end of 2021 to **\$23.21tn** by 2026<sup>1</sup>
- Global sustainable fund assets doubled in just a six-month period to reach **\$3.9tn** in September 2021<sup>2</sup>
- ESG funds have shown resilience in the face of global crises
- Gresham House well positioned at both product and group levels

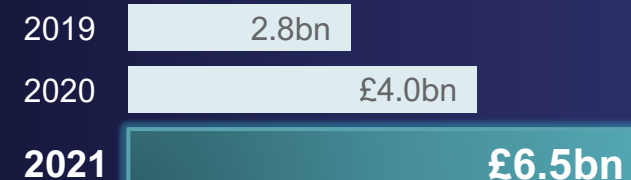
1. Preqin Forecasts, January 2022

2. Morningstar, November 2021

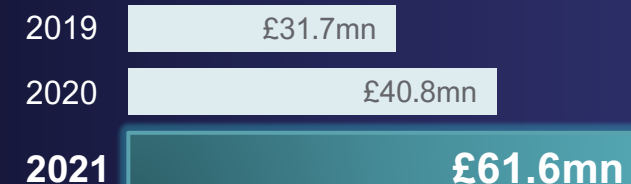
# 2021 Annual Results

- AUM up **65%** in FY21 to £6.5bn
- Organic AUM growth of £1.9bn, an increase of **c.50%**
- Net core income increased by **51%** to £61.6mn<sup>3</sup>
- Adjusted operating profit<sup>1</sup> of £20.2mn up **67%** on FY20
- Adjusted operating margin improved to **32.7%** (FY20 29.6%)
- ROCE<sup>3</sup> of **34.1%** (FY20 16.0%)
- Strong cash generation and balance sheet to capture growth opportunities in 2022

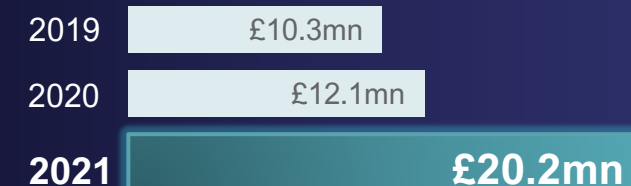
## Assets under management<sup>2</sup>



## Net core income



## Adjusted operating profit<sup>1</sup>



1. The net trading profit of the Group after charging interest, before depreciation, amortisation, share-based payments relating to acquisitions, profits and losses on disposal of tangible fixed assets, net performance fees, net development gains and exceptional items

2. As at 31 December 2021

3. For the 12 month period to 31 December 2021



# 2021 Annual Results

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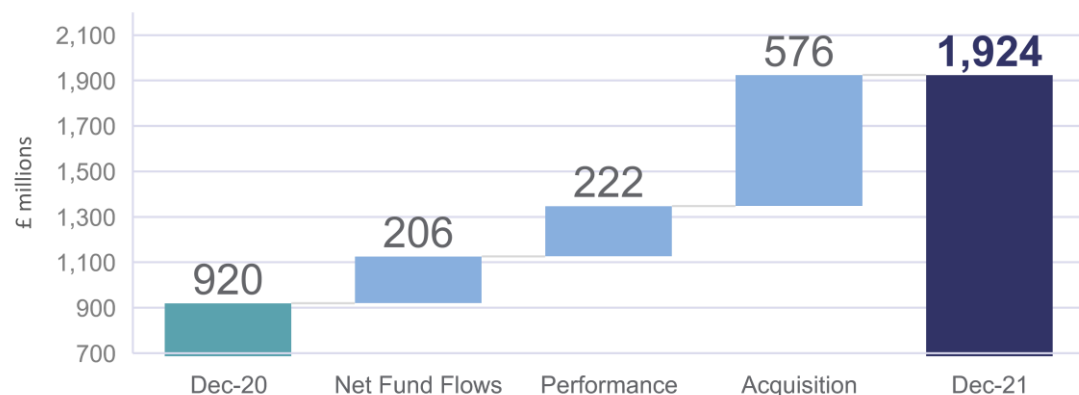
Financials



# 2021 AUM progression update +£2.5bn

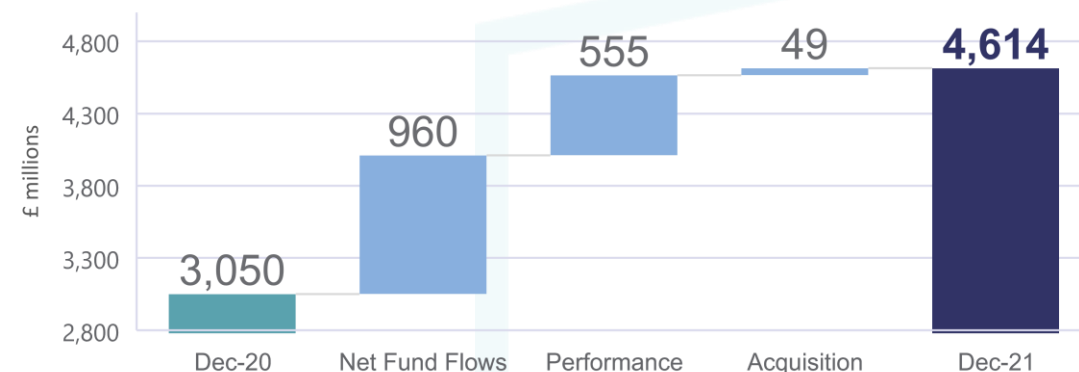
## Strategic Equity

- AUM growth of **£1.0bn (+109%)**
- Robust **net fund inflows of £206mn** from open-ended funds and Baronsmead VCTs
- Portfolio value increased by £222mn as market recovers
- Appian and Mobeus VCTs **acquisitions added £576mn** to AUM



## Real Assets

- AUM growth of **£1.5bn (+51%)**
- **Fundraising of £960mn**, including c.£430mn in Australia
- Performance added a further £555mn
- Acquisition of Appian added £49mn to Housing funds



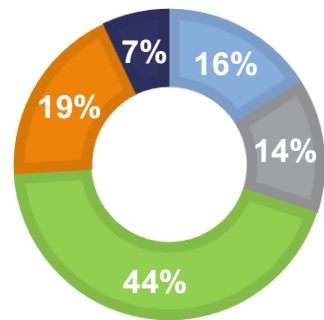
Figures from 31 December 2020 to 31 December 2021

Past performance is not necessarily a guide to future performance. Capital at risk.



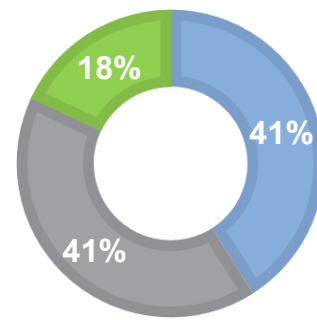
# Quality and diversification of AUM

## AUM by strategy



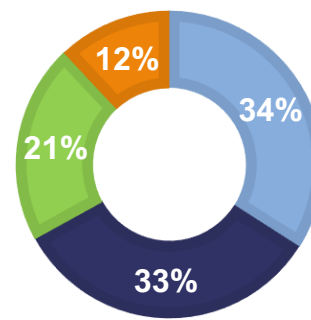
- Public Equity
- Private Equity
- Forestry
- New Energy & Sustainable Infrastructure
- Real Estate / UK Housing

## AUM by client



- Wholesale/retail
- Institutional/LGPS/Charity
- HNW/Family Office

## AUM by fund



- Listed
- Limited Partnership
- Segregated mandate
- Open-ended

- Operate in specialist markets with average **gross revenue margin of c.1%**
- Asset classes **less correlated** to equity market movements
- Long-term lock up** funds
- 14-year weighted average LP fund life
- c.90% AUM in closed-ended/listed vehicles**

# Income statement

## Exceptional growth in a challenging environment

- Net core income **+51% to £61.6mn** (FY20: £40.8mn)
- **Long-term revenue streams** - weighted average length of management contract of 14 years on £2.0bn of AUM
- Adjusted operating profit up **67% to £20.2mn**
- Adjusted operating margin improved to **33%** (FY20 30%)
- Portfolio performance driving net performance fees of £1.7mn (FY20: nil)
- Net development gains of £1.8mn (FY20: £1.0mn)

### Income Statement

for the 12 months to 31 December

	2021 £mn	2020 £mn
Net core income	61.6	40.8
Administrative overheads (excl. Amortisation, Depreciation and Exceptional items)	(41.1)	(28.7)
Finance costs	(0.3)	-
<b>Adjusted operating profit</b>	<b>20.2</b>	12.1
Performance fees net of costs	1.7	-
Realised gains of development projects net of costs	1.8	1.0
<b>Adjusted operating profit, performance fees and realised gains net of costs</b>	<b>23.7</b>	13.1
Amortisation, depreciation and profit on disposal of fixed assets	(9.5)	(8.9)
Exceptional items	(3.2)	(1.8)
Share based payments and remuneration related to acquisitions	(1.1)	(0.6)
Gains/(losses) on investments (incl. associates and other fair value movements)	6.2	0.1
Tax	(4.1)	(1.1)
<b>Net operating profit/ (loss) after tax</b>	<b>12.1</b>	0.8
Adjusted operating margin	<b>33%</b>	30%

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# Balance sheet

## A strong balance sheet: well positioned for growth

- Tangible / realisable assets comprise cash and investments totalling £78.3mn (2020: £45.1mn)
- **Cash of £40.3mn** (2020: £21.9mn)
- Undrawn RCF of £20.0mn
- Opportunities for balance sheet use in the next 12-24 months
  - Product development - renewables and battery storage projects
  - Cornerstone new fund products

Balance Sheet as at	Dec 2021 £mn	Dec 2020 £mn
<b>Assets</b>		
Investments <sup>1</sup>	38.0	23.2
Cash	40.3	21.9
<b>Tangible / realisable assets</b>	<b>78.3</b>	45.1
Intangible assets	95.0	60.0
Other assets	36.2	18.1
<b>Total assets</b>	<b>209.5</b>	123.2
<b>Liabilities</b>		
Borrowing	-	-
Contingent consideration	22.7	6.9
Other creditors	40.4	19.8
<b>Total liabilities</b>	<b>63.1</b>	26.7
<b>Net assets</b>	<b>146.4</b>	96.5

The above presentation of the Group's balance sheet highlights the Group's direct exposure to those vehicles and entities that it has invested in. We have therefore adjusted the IFRS statement of financial position for the following items which are required to be consolidated under IFRS 10 to present the Group on an investment basis: DevCo Projects - included the "Assets of a disposal group held for sale" (£15.7m) and "Liabilities of a disposal group classified as held for sale" (£6.4m); included "investment in associates" (£11.0mn); included "investments in development projects (£2.0m); Gresham House Forestry Friends and Family Fund LP - reduced the value by the non-controlling interest amount (£0.8mn) to show the Group's underlying exposure to this fund. **Past performance is not necessarily an indicator of future performance. Capital at risk.**

# Cash flow

## Investing to grow the business

- Cash at 31 December 2021 of £40.3mn
- Raised net £40.5mn in September 2021 for acquisition of Mobeus VCTs and growth opportunities
- Deployed £9.6mn in growth areas of:
  - Battery storage and renewables: £12.3mn investment and £4.2mn sale of existing projects
  - Warehousing assets to aide new fund launches: £1.1mn
  - GP investment in new fund launches - £1.0mn ReSI LP

<b>Cash flow</b> <i>for the 12 months to 31 December</i>	<b>2021</b> <b>£mn</b>	<b>2020</b> <b>£mn</b>
Net cash generated from operations	<b>21.1</b>	17.6
Corporation Tax & Interest paid	<b>(1.1)</b>	(1.9)
<b>Net cash flow from operating activities</b>	<b>20.0</b>	15.7
Devco investments & sales	<b>(8.1)</b>	4.4
Investments and Associates	<b>1.4</b>	2.2
Deferred consideration paid	<b>(1.4)</b>	(9.8)
Acquisitions	<b>(0.3)</b>	(8.0)
Purchase/ sale of fixed assets	<b>(1.2)</b>	(0.8)
<b>Net cash flow from investing activities</b>	<b>(9.6)</b>	(12.0)
Net shares issuance proceeds	<b>20.5</b>	7.9
Share based payments settled in cash	<b>(9.7)</b>	(7.1)
Dividends, lease and other	<b>(2.8)</b>	(2.0)
<b>Net cash flow from financing activities</b>	<b>8.0</b>	1.2
<b>Increase in cash and cash equivalents</b>	<b>18.4</b>	2.5
<b>Opening cash</b>	<b>21.9</b>	19.4
<b>Closing cash</b>	<b>40.3</b>	21.9

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# Balance sheet - potential uses of capital

## Forestry



- £5-7mn - warehouse assets and GP commitments

## New Energy & Sustainable Infrastructure



- New Energy: £8-15mn - Battery storage projects
- New Energy: £10mn - Renewables
- Climate Transition: £5mn - Seeding potential product

## Housing



- Up to £2mn - GP commitments

## Public Equity



- £5mn - alignment through investment in SEC plc

## Private Equity



- Up to £5mn - alignment through potential new mandate

- Target 20% ROCE in medium term
- £40mn cash and £20mn RCF
- Opportunities to invest up to £40mn via disciplined IC process
- Well positioned to use capital to target key growth business areas
  - Warehousing pipeline prior to launching new funds
  - Investing in pipeline to support growth of existing funds
  - Investing alongside clients to enhance alignment

Potential uses of capital includes opportunities for the Group to invest in a number of projects or funds. This investment is not guaranteed and is subject to IC and in some instances Board approval. Targets only and not guaranteed.



# Strategic priorities

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Including an update on GH25

# Gresham House five-year plan - GH25

## Financial targets

- Double shareholder value
- AUM **£8bn+**
- EBITDA margins 40%+
- ROCE 15%+ **increased to +20%<sup>1</sup>**
- **Dividend policy of 3x cover<sup>2</sup>**

## Strategic targets

- Leaders in ESG and sustainable investing
- Majority investment products outperforming
- Significant market share in specialist products
- International presence established
- Client diversification and depth
- Gresham House brand and goodwill recognition

1. Return on Capital Employed (ROCE) defined as (adjusted operating profit + net performance fees + net Development Gains) / opening Net Assets. Target is over the medium term by the end of GH25

2. Target adjusted operating profit cover by the end of GH25

**Targets only and not guaranteed.**



# Strategic highlights

- International expansion
  - Ireland: Appian acquisition
  - Australia: further forestry mandate
- Recognised for leadership in sustainable investment through fund performance and award wins
- Increased client diversification
- Mobeus VCTs acquisition
- New Audit Committee Chair Designate appointed - Sarah Ing



Gresham House  
Specialist asset management



# Sustainable investment highlights

- Listed as a signatory to 2020 UK Stewardship Code
- Board-level Sustainability Committee established
- Corporate Sustainability Strategy launched
- Initial TCFD reporting roadmap to setting net zero targets and Group climate impact scenario modelling



An aerial photograph of a vast solar farm during sunset. The rows of solar panels stretch across a green landscape towards a horizon where the sun is setting, casting a warm, golden glow. The sky is filled with soft, wispy clouds. The text 'Capturing the growth opportunity' is overlaid on the left side of the image in a teal color, with a horizontal line underneath the word 'opportunity'.

# Capturing the growth opportunity

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# Creating shareholder value

Continuing to develop through acquisition and organic growth

Successful delivery of our business model creates long-term sustainable management fees and carried interest, creating value for clients and shareholders.

 **Partnership with clients**

 **Long-term alignment**

 **Sustainable investment outperformance**

 **Attracting and retaining top talent**

## Remaining focused on

- ☒ Profit growth
- ☒ Multiple expansion
- ☒ Cash generation and balance sheet



# Why invest?

**Quality of earnings  
and long-term  
revenue visibility**



LP funds average  
contract life:  
14 years

90% of AUM in  
closed-ended / listed  
vehicles

High gross revenue  
margins: 1%

**Delivering  
strategic goals**



Organic growth  
**50% in 2021**

Sustainability  
**leadership  
in ESG**

**International  
expansion**  
Ireland, Australia

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# Why invest?

**Proven acquisition and investment track record**



Acquisition performance typically **20%+ ROCE**

**Balance sheet capital** accelerates AUM growth

**Long-term alignment**



**Senior management and employees** own c.10%

**LTIP aligned with GH25 delivery** and shareholder value creation

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# 2022 growth priorities

## Forestry



- Fundraising for forestry 'Growth and sustainability' fund
- International Forestry Fund - use of balance sheet for warehousing

## New Energy & Sustainable Infrastructure



- Continue to grow GRID and develop international battery energy storage platform opportunity
- Develop utility-scale battery energy storage projects as part of the exclusive pipeline with GRID to enable continued growth and recognition of development gains by the Group
- Further closes of BSIF II and Climate Transition opportunities

## Housing



- Further closes of Gresham House ReSI LP fund, the shared ownership housing fund
- Residential Secure Income plc capital raise opportunities
- Build to Rent and PRS platform scaling

## Public Equity



- Expand fundraising for LF Gresham House UK Multi Cap Income Fund, alongside growing LF Gresham House UK Smaller Companies Fund. Both have strong investment performance

## Private Equity



- Fundraising for Baronsmead and Mobeus VCTs, alongside successful deployment of capital

# The growth opportunity

Gresham House's asset classes demonstrate considerable potential for market growth.

	Current position	Pipeline	Market opportunity
<b>New Energy</b> Battery energy storage	0.4GW capacity	1.1GW pipeline in GRID	15GW by 2025 <sup>1</sup>
<b>Sustainable Infrastructure</b>	£0.2bn capital committed	£1.6bn pipeline	£1trn across six subsectors <sup>2</sup>
<b>Real Estate</b> Housing	£0.3bn committed 1,499 homes	£1.4bn pipeline 13,000 homes	£10bn per annum UK market <sup>3</sup>
<b>Forestry</b>	£0.6bn acquired in 2021	£0.5bn pipeline	£10bn international acquisition market <sup>4</sup>
<b>Strategic Equity</b>	£1.0bn AUM Public £0.9bn AUM Private (VCT)	<input type="checkbox"/> Maintain top performance <input type="checkbox"/> Investment in distribution <input type="checkbox"/> Continued demand for VCTs	£2.5bn Public Equity strategy UK capacity  £1.5bn VCT capacity <sup>5</sup>

1. National Grid Future Energy Scenarios paper

2. Estimated investible universe across the six target subsectors of Resource Efficiency, Digital inclusion, Regeneration, Waste Solutions, Decarbonisation and Health & Education

3. £5bn of shared ownership housing per [UK House Price Index for October 2021 \(gov.uk\)](https://www.gov.uk/government/statistics/uk-house-price-index-for-october-2021) Shared ownership (England): the fourth tenure? - House of Commons Library ([parliament.uk](https://www.parliament.uk)). £5bn of build to rent properties per Savills [Build to Rent paper](https://www.savills.com/build-to-rent) Prepared for the British Property Federation ([bpf.org.uk](https://www.bpf.org.uk)), Q1 2021

4. Gresham House estimated international forestry acquisition market

5. Gresham House estimated market capacity for small cap funds in the UK of £2.5bn and the UK VCT market capacity of £1.5bn



# Conclusion

- ❑ Strong period of AUM growth in 2021 - AUM increased by 65% to £6.5bn
- ❑ Strong adjusted operating profit growth of 67% to £20.2mn (2020: £12.1mn)
- ❑ Completed acquisition of Mobeus VCTs, enhancing our specialist VCT business
- ❑ International expansion delivered through completion of Appian Asset Management acquisition and Australian forestry mandate
- ❑ Sustainable investment solutions continue to make a positive social impact
- ❑ Cash of £40.3mn and RCF of £20.0mn leaves the Group well positioned for opportunities in 2022
- ❑ Identified platforms to scale in 2022 and upgraded GH25 targets

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# Q&A

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# Get in touch

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