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Duke Capital

Financials

29 June 2026

Proven income track record with equity upside

Duke Capital's FY26 results showed continued execution against its three core pillars: preserving capital, covering a recurring dividend and generating upside from exits. Recurring cash revenue, total cash revenue and free cash flow grew, on continued capital deployment and tight cost control, with the 2.8p dividend being held for a fourth consecutive year. A diversified portfolio of c 78 underlying operating companies across 14 capital partners proved resilient to a tougher macroeconomic backdrop. We see Duke as primarily an income story, with a fully covered yield of c 10.4% carrying embedded equity-like upside the share price does not fully reflect.

Annuity-like cash generation

Recurring cash revenue rose 5% to £27.1m on continued deployment across the hybrid credit book, while total cash revenue grew 7% to £28.6m, helped by the final deferred consideration on the Fabrikat exit. Higher revenue and disciplined costs (cash operating expenses increased just 4% to £4.4m) lifted free cash flow 13% to £14.2m, covering the maintained dividend and extending a 36-quarter distribution record. The 12% fixed-rate, senior secured 'corporate mortgage' delivers contractual monthly cash, inflation-linked via variable preference shares, lending the income an annuity-like quality. With cash operating costs held at c 11% of recurring revenue, we believe the cash flows underpinning the dividend appear sustainable.

Balance sheet and the path to scale

The £100m Fairfax facility is fully drawn against £8.3m of cash and matures in January 2028, providing committed, long-dated funding ahead of any refinancing. A third-party capital process is underway towards a balance-sheet-light model but management concedes that current private-credit weakness (concentrated in US retail vehicles with redemption features and heavy technology/SaaS lending) will likely stretch timelines. Duke stands apart: permanent listed capital offers secondary-market liquidity rather than redemptions, and its aversion to technological obsolescence keeps it clear of such loans. Beyond reported credit fair value sits the real optionality with £14m of equity stakes and more than £40m of exit premiums.

Valuation: High yield at a discount to NAV

At c 27p the shares trade on a high single-digit P/E on adjusted earnings and offer a fully covered c 10.4% yield against NAV per share of 34.8p, a discount that has accompanied a multi-year drift in the price. The rating already discounts the cautious outlook and the refinancing overhang. Two portfolio holdings are already in sale processes; realising these would crystallise the upside, closing the valuation gap.

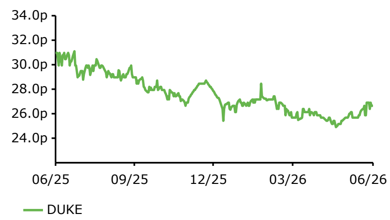
Consensus estimates

Year end	Revenue (£m)	EBITDA (£m)	PBT (£m)	EPS (p)	P/E (x)	EV/EBITDA (x)
3/25	26.6	22.9	13.5	3.00	9.0	1.9
3/26	28.6	24.0	13.5	2.90	9.3	1.8
3/27e	28.4	24.0	15.1	2.90	9.3	1.8
3/28e	28.4	24.1	-	2.80	9.6	1.8

Source: LSEG Data & Analytics. Note: EPS is adjusted EPS.

Price	**27.00p**
Market cap	**£135m**

Share price performance



Share details

Code	DUKE
Listing	AIM
Shares in issue	509.8m
Net debt as at 31 March 2026	£90.9m

Business description

Duke Capital is a leading provider of hybrid capital solutions for SME business owners in the UK, Europe and North America, combining the best features of both equity and debt.

Bull points

- Fully covered c 10.4% yield on an unbroken 36-quarter distribution record.
- Diversified, obsolescence-screened book; permanent listed capital avoids the redemption risk pressuring private-credit peers.
- Upside from credit fair value: £14m of equity stakes and £40m+ of contractual exit premiums.

Bear points

- £100m Fairfax facility fully drawn, with refinancing due at January 2028 maturity.
- Third-party capital ambitions delayed by private-credit weakness, leaving timing uncertain.
- No investment exits in FY26; the equity and premium upside is unrealised and exit-timing dependent.

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