Gresham House

Initiation of coverage

ESG specialist manager delivering its strategy

Financial services

Gresham House has a strong position in alternative asset management with a sustainability focus, areas that are expected to experience continued strong growth. Many of the real assets managed are deemed to offer a measure of inflation protection. Most assets managed are in long-term structures generating an average gross revenue margin of 1%. The group is ahead of schedule in delivering its five-year plan and has established a successful track record for acquisitions. Employees are aligned with shareholders, holding c 10% of the shares.

Year end	Revenue (£m)	PBT* (£m)	EPS* (p)	DPS (p)	P/E (x)	Yield (%)
12/21	70.4	20.2	49.3	10.0	18.8	1.1
12/22e	74.2	25.9	52.1	13.5	17.7	1.5
12/23e	84.4	30.8	58.6	17.0	15.8	1.8
12/24e	95.3	36.8	67.1	24.0	13.8	2.6

Note: *PBT and EPS (diluted) are adjusted, excluding performance fees, realised gains, amortisation and depreciation, exceptional items and share-based payments related to acquisitions.

Strategy for growth

Gresham House has recorded strong growth since the management buy-in led by CEO Tony Dalwood in 2014, with compound annual AUM growth of 42% since 2018. It is established as a specialist manager of relatively differentiated assets and it is now clearly focused on sustainable investing. The majority of its benchmarked investment products have outperformed over longer periods and maintaining this is naturally a priority within the five-year strategic plan, GH25, initiated in 2020. Other goals include being a leader in sustainable/ESG investing, to have a significant market share in specialist products (already true for forestry, battery storage and VCTs), to extend its international presence, to enhance the brand and to increase client diversification. Financial targets include reaching AUM of £8bn or more, EBITDA margins of 40% plus and an average ROCE of 20% over the medium term.

Outlook

It is too soon to gauge how the uncertainty created by the war in Ukraine may affect Gresham House's fund-raising plans this year, but the resilience of the equity market so far provides some comfort. Also, the long-term growth in and appetite for sustainable investment assets is likely to remain as a tailwind for the company with any near-term dip likely to be offset subsequently. Gresham House identifies substantial opportunities for growth across the five strategies under which it already manages funds and mandates. Acquisitions could add further capabilities and scale but would only be considered where fit and financial criteria align. Management's record on M&A to date provides confidence.

Valuation

We have compared Gresham House value measures with selected peers and it trades between European and North American average P/Es and noticeably below EV/EBITDA multiples for both (see page 14). A DCF model suggests the current share price implies a discount rate of over 17%, which appears distinctly cautious on the assumption that the group meets our estimates.

4 May 2022

Price	**925p**
Market cap	**£350m**

Net cash (£m) at end December 2021	40.3
Shares in issue	38.0m
Free float	90%
Code	GHE
Primary exchange	AIM
Secondary exchange	N/A

Share price performance

%	1m	3m	12m
Abs	0.5	2.8	10.7
Rel (local)	0.9	3.7	5.4
52-week high/low		1005p	765p

Business description

Gresham House is a specialist alternative asset manager focused on sustainable investments with strategies in public and private equity and real assets including forestry, renewable energy, battery storage, housing and sustainable infrastructure. At end 2021 AUM stood at £6.5bn.

Next events

AGM	12 May 2022

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Edison profile page

Gresham House is a research client of Edison Investment Research Limited

Investment summary

Company description: Fast-growing specialist asset manager

Gresham House is a specialist asset manager with an emphasis on private assets and sustainability. Its five investment strategies are split between Strategic Equity (public and private equity) and Real Assets (forestry, new energy and sustainable infrastructure, and real estate). The group is the UK's largest commercial forestry asset manager, manages Europe's largest battery storage investment company and is the second largest venture capital trust (VCT) manager in the UK. With expertise across these mainly specialist areas, it can claim to be differentiated from many asset managers. The structural shift towards sustainable investing creates a favourable market background that should persist through fluctuations in market sentiment supplementing the company's own initiatives to continue the strong growth it has already recorded. Gresham House indicates that its shares may qualify for Business Relief for Inheritance Tax.

Financials: Strong results reported and resources to grow

The 2021 results, reported in March, showed assets under management (AUM) up 65%, net core income 51% ahead and adjusted operating profit and the dividend both increased by 67%. The end-2021 balance sheet was strong with no debt, cash and realisable assets of over £78m and a revolving credit facility of £20m, leaving it well placed to pursue its near-term plans to invest to support AUM growth and to meet deferred acquisition payments.

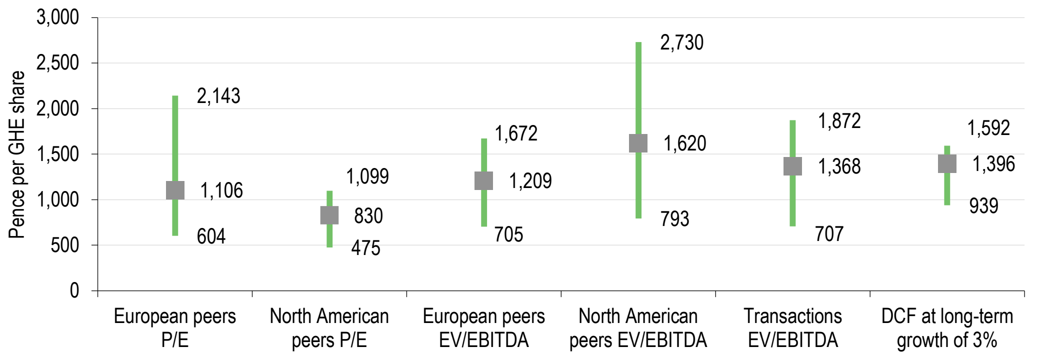
Sensitivities

As for other asset managers, there will be some sensitivity to equity market movements, but this is significantly modified by the group's exposure to real assets and private equity where valuations are either uncorrelated with equity markets or much less volatile because of the lags inherent in private market valuations. The length of management contracts reduces exposure to volatility in flows. Other potential areas of sensitivity include key person, acquisition execution, changes in regulation, changes in rules relating to VCTs and maintenance of in house and investment process sustainability standards.

Valuation

The chart below shows the range of values implied when we put Gresham House shares on peer group multiples for 2022e, those implied by transactions involving comparator companies and finally the range indicated by our discounted cash flow (DCF) model, assuming a 3% long-term growth rate and discount rates between 8% and 17%.

Exhibit 1: Valuation ranges based on peers, transactions and DCF



Source: Edison Investment Research, Refinitiv. Note: Peer multiples for 2022e. The markers show average values and, for the DCF valuation, the value at a discount rate of 10%.

From investment company to specialist asset manager

A fresh start and strong growth

Gresham House has a long history dating back to its incorporation in 1857 and was on the Official List from 1950 to 2014, operating as an investment trust from 1966. A management buy-in team led by Tony Dalwood initiated a new direction for the company in December 2014, aiming to develop the company organically and through acquisition as an asset management business managing and investing in relatively differentiated, specialist or illiquid assets. In conjunction with the change in direction the company transferred to AIM.

As a starting point the company established a strategic equity investment team to manage funds using an approach Tony Dalwood had employed previously, including during his period managing Strategic Equity Capital from its launch in 2005. This involved applying private equity techniques in managing public equity investments and Gresham House won its first mandate in July 2015 for Spark Ventures (which became Gresham House Strategic).

In 2015 Gresham House also acquired Aitchesse, giving it an entry into real assets and forestry asset management. By the end of 2021 forestry was to account for 45% of group AUM at nearly £3bn.

Growth from 2015 proceeded through a combination of organic development and acquisitions. The acquisition history is set out below, with the purchases adding capabilities and geographical reach, providing the basis for further organic growth. The weighted average EBITDA/profit multiple for the acquisitions was 6.0x and the percentage of AUM 3.5%.

Exhibit 2: Acquisition history (£m unless shown)

Company	Date	Activity	AUM	Consideration		EBITDA/ PBT multiple	EV/AUM %
				Initial	Total		
Aitchesse	Nov-15	Forestry asset management	193	4.3	7.6	4.4	2.2
Hazel Capital	Oct-17	Manager of new energy infrastructure	86	0.6	13.6	1.6	0.7
FIM	May-18	Forestry and new energy management	893	21.8	26.6	6.5	2.4
Livingbridge	Nov-18	Venture capital management including Baronsmead VCTs plus micro-cap and multi-cap income funds	476	30.0	37.5	6.0	6.3
TradeRisks	Mar-20	Fund management and debt advisory in the housing and social infrastructure sectors	184	13.2	16.2	6.2	7.2
Appian Asset Management (Ireland)	Jun-21	Management of a range of traditional and alternative asset classes	306	3.3	6.2	11.6	1.1
Mobeus	Oct-21	Venture capital management including four VCTs	369	23.4	31.1	5.2	6.3
Burlington Real Estate (Ireland)	Mar-22	Property asset management and development in Ireland	286	1.5	2.3	3.9	0.5

Source: Gresham House, Edison Investment Research. Notes: EBITDA and PBT multiples and percentage of AUM are based on initial consideration. The Appian acquisition included €0.95m cash and adjustment has been made for this.

Looking at how the acquisitions contributed to the development of Gresham House, we would add the following points. The Hazel Capital acquisition introduced expertise in new energy, including battery storage, which enabled the subsequent launch and initial public offering (IPO) of the Gresham House Energy Storage Fund (GRID: follow link to Edison research). FIM added substantially to the forestry management business and Livingbridge gave access to the VCT market under the Baronsmead brand, which also includes micro-cap and multi-cap income funds. TradeRisks brought management of affordable housing (within the real estate segment of real assets) to the product list including management of Residential Secure Income (ReSI REIT). This activity has recently extended to Ireland through the Burlington acquisition. Appian was another acquisition in Ireland adding to the list of public equity funds within Strategic Equity and giving the group an EU-based alternative investment fund manager (AIFM). Also in 2021, the private equity capability was strengthened through the purchase of Mobeus, which added four VCTs taking the total AUM in this area to nearly £0.9m.

In the period since 2015 the group pursued an organic growth strategy involving marketing, additional fund-raising and new fund launches to build on the growing capabilities and capacity of the asset management team. Exhibit 3 shows some highlights in this process.

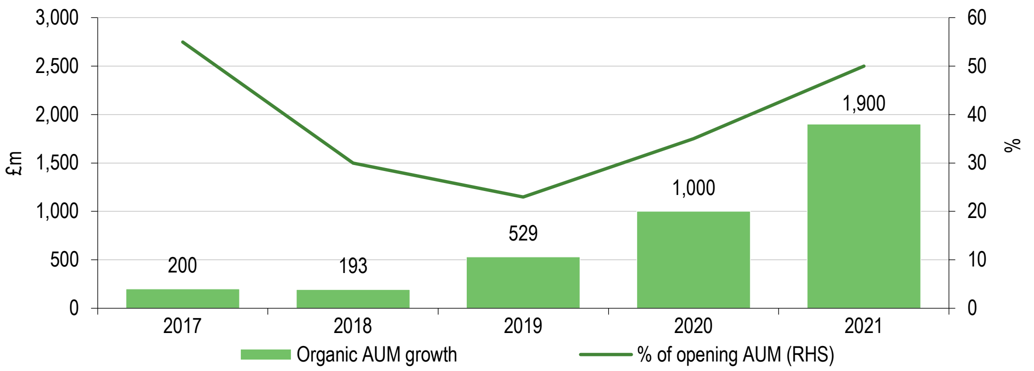
Exhibit 3: Organic growth highlights

Date	Event
2015	Appointed investment manager of Spark Ventures (renamed Gresham House Strategic) c £40m AUM
2016	Gresham House Strategic Public Equity LP first close c £24m AUM including co-investment
2017	Gresham House British Strategic Investment Fund LP (BSIF) first close £150m AUM
2018	Launch and IPO (£100m) of Gresham House Energy Storage Fund (GRID)
2019	Baronsmead VCTs raised £44m
	Appointment by AXA IM Real Assets to manage Irish forestry portfolio
	Placement of new equity in GRID raising £100m (enabling a £200m increase in AUM)
2020	Won investment management contract for Strategic Equity Capital (£150m)
	Gresham House British Strategic Investment Fund LP close (£300m AUM)
	Gresham House Forest Fund I LP close (£108m)
2021	Inflows into Strategic Equity open-ended and VCT funds £206m
	New equity raised for GRID (£100m)
	New forestry fund, Gresham House Forest Growth and Sustainability LP (£202m raised)
	Second sustainable infrastructure fund BSIF II LP raised £150m
	Launch of Gresham House Residential Secure Income LP (ReSI LP) with commitments of £120m at end 2021
	Won Australian forestry mandate from Axa IM Alts (£430m)

Source: Gresham House, Edison Investment Research

In the last five years organic AUM growth (net fund flows, fund launches and performance) has ranged between 55% and 23%, with 2021 seeing a 50% increase (see chart below).

Exhibit 4: Organic AUM growth



Source: Gresham House

The next table gives a view of the substantial growth in the business resulting from the organic and M&A steps highlighted above. Accompanying the growth in AUM, staff numbers have risen to an average of 173 in 2021 with the implied management fee rate and fee income per person broadly stable since 2018. Following the initial build up phase following the management buy-in, the business moved into adjusted operating profit in 2018 and reported operating profit in 2020. The adjusted operating profit margin has been close to or above 30% since 2018.

Exhibit 5: Selected indicators for Gresham House since 2015 (£m unless stated)

	Year-end AUM	Fee income	Implied fee rate (bp)	Average number of staff	AUM per person	Fee income per person (£)	Adjusted operating profit margin (%)	Adjusted operating profit	GAAP operating profit
2015	242	0.3	N/A	12	20	27,750	(134.4)	(1.8)	(3.8)
2016	363	3.2	106	26	14	123,154	(68.8)	(2.4)	(3.4)
2017	649	5.7	113	32	20	181,406	(11.0)	(0.7)	(2.4)
2018	2,268	13.7	94	55	41	249,400	20.1	3.0	(0.9)
2019	2,797	31.4	124	87	32	361,230	32.4	10.3	(0.8)
2020	3,970	40.3	121	113	35	356,673	29.6	12.1	1.9
2021	6,538	62.2	125	173	38	359,318	32.7	20.2	16.3

Source: Gresham House, Edison Investment Research. Note: Fee income excludes performance fees, dividend and interest income and other income. Adjusted operating profit is before performance fees, realised gains, exceptional items, depreciation and amortisation, acquisition-related share-based payments, net gains/losses on investments and other fair value movements. The implied fee rate is based on average reported period-end AUM levels so does not capture the timing of intra-period flows/additions.

Current AUM mix and investment strategies

Exhibit 6 gives an overview of the make-up of Gresham House's AUM at end 2021, with an analysis of management fee and operating profit contributions together with fee rates. Below this is the split of client and fund types. Real assets account for over 70% of AUM but a lower proportion of management fees and adjusted operating profit, reflecting the lower average fee rate that applies in this segment and relatively higher costs in managing these assets. The higher average fee rate for Strategic Equity is driven by the private equity/VCT component. The result is that this segment contributed 42% of profit compared with 29% of AUM.

Wholesale/retail and institutional clients each account for 41% of AUM while the fund type analysis underlines the long-term nature of the mandates held by Gresham House. Open-ended funds only account for 12% of AUM with the remainder closed-ended or listed. The average contract life of limited partnership funds was 14 years. There is therefore a good level of revenue visibility.

Exhibit 6: Gresham House in numbers

Analysis by strategy

Category	AUM (%)	Management fees* (%)	Adj. operating profit** (%)	Fee rate*** (bp)
Public equity	16			80
Private equity	14			230
Strategic Equity total	**29**	**37**	**42**	**162**
Forestry	45			80
New energy and sustainable infrastructure	19			100
Real estate	7			140
Real Assets total	**71**	**63**	**58**	**110**
Total	**100**	**100**	**100**	**125**
Value	£6,538m	£62.2m	£38.4m***	

Client and fund type

Client type	% of AUM	Fund type	% of AUM
Wholesale/retail	41	Listed	34
Institutional/local govt pension schemes/charity	41	Limited partnership	33
High net worth/family office	18	Segregated mandate	21
		Open-ended	12
	100		**100**

Source: Gresham House, Edison Investment Research. Notes: All figures for FY21. *Management fee excluding performance fees. **Operating profit before £18.2m central cost. ***Fee rates for Strategic Equity, Real Assets and group totals are our own calculations based on reported revenue and the average of period-end AUM levels. Other figures are gross revenue margins indicated by company.

Next we give a brief outline of the investment approaches taken in Gresham House's funds, which are divided into two divisions and five strategies.

Strategic Equity

- **Public Equity (£1,037m AUM):** the approach here mimics that taken in private equity with a hands-on approach to all stakeholders in investee companies to identify value creation and recovery opportunities. There is a focus on the quality of management teams and attractive business fundamentals.

- **Private Equity (£887m AUM):** the strategy is focused on areas of structural growth and where the team has experience including scaling up software and healthcare, consumer and services businesses that are digitally driven. Specialised in-house talent and technology teams are differentiators, which help attract investee companies and add value to them subsequently.

Real Assets

- **Forestry (£2,953m AUM)** is a real asset class that can be used to diversify portfolios and is deemed to provide a measure of protection against inflation. Investment in forestry gives exposure to both timber and the underlying land value. Returns depend on timber prices and biological growth. Timber prices can show volatility and have risen substantially in recent years but in less favourable circumstances the forest owner has the flexibility to postpone harvesting. The Gresham House Forestry team has experience in the UK, Ireland, the Baltics and New Zealand, and has recently added a mandate in Australia. Gresham House is now the sixth largest timber investment management organisation globally. Gresham House aims to carry out planting in a way that is more sustainable and creates greater biodiversity, backing this and other sustainability ambitions up by setting out commitments in a Forestry Charter against which it will measure its performance. A new global fund to be launched this year will focus on sustainable forest assets in established softwood growing areas and will make a significant allocation to forest assets generating carbon credits, a source of further diversification.
- **New Energy and Sustainable Infrastructure (£1213m AUM):** this strategy is focused on transformative technologies and industries that Gresham House believes will deliver strong financial, social and environmental returns while supporting a transition to a more sustainable world. The team has identified six target sub-sectors where real asset-based solutions have the potential to create the biggest impact and financial reward: decarbonisation, digital inclusion, health and education, regeneration, resource efficiency and waste solutions. As an example, the team has been investing in new energy (including onshore wind and solar power generation together with battery energy storage systems) for over a decade, navigating the complexities of changing markets and regulation. As noted earlier, the group manages GRID, the largest battery storage investment trust in the UK.
- **Real estate (£448m AUM)** invests in UK housing to address different areas of the shortfall in affordable housing. The goal is to generate stable and secure inflation-linked returns while providing social and environmental benefits to residents and the wider community. Investments include shared ownership, affordable private rented, retirement and temporary accommodation and social housing. All investments are predicated on providing high-quality, fairly priced homes that are affordable to most of the UK population. The team has extensive industry experience and a wide network of contacts and advisors that facilitates delivery of value over the long term.

Group strategy: GH25 and beyond

In March 2020 Gresham House set out its five-year strategy, GH25, which includes strategic goals and specific financial targets. The six strategic goals are as follows:

1. **To be a leader in sustainable investment and governance.** The group established a Sustainability Committee and a corporate sustainability strategy during 2021. A first Sustainable Investment Report was published and the Stewardship Report was approved by the Financial Reporting Council. A Diversity, Equality and Inclusion committee has also been formed and actions taken to improve diversity.
2. **That the majority of benchmarked investment products are outperforming.** Many products have strong long-term performance with 2021 year-end data showing that mature retail forestry funds reported an average return of over 13.6% since inception; GRID has achieved a total return of 14.2% since IPO; BSIF Infrastructure recorded an internal rate of return of 16.2%; and

the UK Multi Cap Income fund ranked second in the UK Equity Income sector over three years and first since launch (June 2017).

3. **Have a significant market share in specialist products.** GRID is the largest battery storage investment trust in the UK; Gresham House is the largest commercial forestry manager in the UK and, as mentioned, the sixth largest timber investment management organisation; and the group is the second largest VCT manager in the UK.
4. **Develop the business internationally.** Following the acquisition of Appian in 2021 the group has an EU-regulated asset manager and with this year's purchase of Burlington is in a position to develop its real estate management activities in Ireland, where it is also undertaking forestry investment. Other international forestry management mandates are in New Zealand and Australia.
5. **Enhance the Gresham House brand.** As the business has grown and increased its marketing work accordingly it has developed a higher profile and seen its funds recognised in a number of awards.
6. **Increase client diversification and depth.** The client list has expanded with the development of the business: there are 13 UK local government pension schemes as investors, corporate pension fund investors were added through ReSI LP, new institutional investors for forestry funds and an increasing number of wholesale clients have been acquired, with an example being the inclusion on the St. James's Place panel for a number of funds.

The group set four financial targets aiming to double shareholder value over five years. The targets do not assume further acquisitions. Our estimates suggest the group is on track to reach some of these targets ahead of schedule:

1. **AUM** to reach £8bn plus (this was increased from £6bn in November 2021 and the group reached £6.5bn at end 2021).
2. **EBITDA margin** of 40% plus (32.7% reported for 2021).
3. **Return on capital employed** of 20% plus over the medium term (originally set at 15% plus by the end of the five-year period). We estimate nearly 20% for 2023.
4. Pay a **dividend** that is 3x covered by adjusted operating profit. Our estimate for 2024 is a 3x covered dividend of 24p.

Management sees the potential for further significant growth beyond the end of GH25 given investor appetite for sustainable funds and capacity for investment within the existing strategies (this is outlined in the Background and Outlook section). Therefore, our expectations for 2024 are set on the assumption that Gresham House will still be bearing the costs of continuing investment in people and systems to support further growth but will have seen the benefits of operating leverage, allowing it to reach the 40% target operating margin.

Management

Members of the management and investment committees (see Exhibit 7) bring together substantial collective experience of financial markets and management. Tony Dalwood highlights the benefits that this experience continues to bring, particularly given the relatively recent relaunch of the business following the management buy-in and the role that acquisitions have played since then. In the case of Rupert Robinson and Samee Khan, Tony Dalwood worked with them in previous roles, while other members of the team have now worked together for a number of years, strengthening communication and coordination. On the investment committee, the input from independent voices (Bruce-Carnegie Brown and Simon Stilwell, who is also on the group board as a non-executive director) is valued highly. In addition the group board includes other non-executive directors with significant City, financial and business experience: Anthony Townsend (chairman), Rachel Beagles, Sarah Ing (to be appointed following the 2022 AGM), Richard Chadwick (to retire following the AGM) and Gareth Davis.

Exhibit 7: Gresham House management and investment committees

	Role	Experience
Management committee		
Tony Dalwood	Chief executive officer	CEO since 2014 having previously established SVG Investment Managers and then led SVG Advisors (formerly Schroder Ventures (London) Limited) as CEO. He was an adviser to Lloyds Development Capital (LDC) and began his career at Phillips & Drew Fund Management.
Rupert Robinson	Managing director, Gresham House Asset Management	Has held this role since 2015 and previously was CEO and CIO of Schroders Private bank (UK) for 11 years and prior to that spent 17 years at Rothschild Asset Management, latterly as head of private clients.
Kevin Acton	Group CFO	Over 20 years of financial and operational experience in private equity including roles at Oaktree Capital Management and 3i.
Andy Hampshire	Chief operating officer and chief technology officer	Technology, operations and business experience gained in prior roles at LDC and within Lloyds Bank. Andy joined the group in 2017 as CTO.
Samee Khan	Chief legal officer and company secretary	Over 22 years' legal, commercial and financial experience in both public and private equity. Appointed April 2019. Previously had roles at Abu Dhabi Investment Authority and at SVG (alongside Tony Dalwood).
Investment committee		
Tony Dalwood	as above	
Kevin Acton	as above	
Bruce-Carnegie Brown	Chairman of Lloyds of London	Chairman of Lloyds of London since 2017, also vice-chairman at Banco Santander, and chairman of Cuvva, an app-based motor insurance provider. Held previous executive roles at Marsh UK & Europe, JP Morgan and 3i.
Rupert Robinson	as above	
Simon Stilwell	Non-executive director, Gresham House board	20 years' experience in the City. Was CEO at Liberum until 2015, having been a co-founder in 2007. Previous positions at Collins Stewart and Beeson Gregory and he was CEO at Bonhill group, a digital media and events business.

Source: Gresham House

2021 results: AUM up 65%, operating profit up 67%

During 2021 AUM increased by 65% to £6.5bn with growth including strong net inflows of nearly £1.2bn (29% of opening AUM) across its strategies, while performance added approaching £0.8bn (+20% overall, including 29% in forestry) and acquisitions £0.6bn (Appian in Strategic Equity and Real Estate and the Mobeus VCT business). Within the total increase in AUM of £2.6bn, organic growth was £1.9bn (c 50%).

Exhibit 8 gives an analysis of the 2021 P&L compared with the prior two years. Gross core income increased by just over 50% in line with the increase in average AUM. Administrative overheads rose by 43% including a 49% increase in staff costs. The year-end full time equivalent headcount stood at 185 compared with 122 in 2020. The increase in costs was partly due to the acquisitions of Appian and Mobeus and higher office costs. This left adjusted operating profit at £20.2m (up 67%) and the adjusted operating margin increased from 29.6% to 32.7%. Net performance fees of £1.7m and £1.8m of net realised gains resulted in an 81% increase in adjusted operating profits including these items.

After amortisation and depreciation, acquisition related share-based payments, exceptional items, net gains on investments and other items (a total net deduction of £7.3m), reported operating profit before tax was £16.3m compared with £1.9m. Reported diluted EPS increased from 1.8p to 32.6p while the adjusted diluted EPS was up 50% at 49.3p.

Reflecting the strong results and a confident outlook, the group announced a 67% increase in the dividend to 10p.

Exhibit 8: 2021 P&L comparison

£'000s unless indicated	2019	2020	2021	% change
Gross core income	33,107	42,138	63,345	50.3
Rebates, distribution and fundraising costs	(1,383)	(1,364)	(1,736)	27.3
Net core income	**31,724**	**40,774**	**61,609**	**51.1**
Administration overheads (ex depcn, amort, excpnls & acqn-related SBP)	(21,047)	(28,690)	(41,128)	43.4
Finance costs	(390)	(25)	(311)	
Adjusted operating profit/(loss)	**10,287**	**12,059**	**20,170**	**67.3**
Performance fees net of costs	200	0	1,714	
Realised gains net of costs	1,332	1,008	1,773	75.9
Adjusted operating profit including performance fees and realised gains	**11,819**	**13,067**	**23,657**	**81.0**
Reconciliation to reported pre-tax operating profit				
Amortisation and depreciation	(8,527)	(8,931)	(9,475)	6.1
Acquisition-related share-based payments	(593)	(593)	(1,067)	79.9
Exceptional items	(1,063)	(1,775)	(3,215)	81.1
Net gains/(losses) on investments and other fair value movements	(2,463)	134	6,224	
Other	0	0	196	
Reported operating profit/(loss) before tax	**(827)**	**1,902**	**16,320**	
Profit/(loss) from discontinued operations	55	(12)	(14)	16.7
Foreign exchange movement on translation of foreign subsidiary	0	0	(158)	
Non-controlling interest	(55)	(229)	(264)	15.3
Net income attributable to equity holders	**(850)**	**577**	**11,777**	
Basic EPS (p)	(3.2)	1.9	34.8	
EPS - diluted (p)	(3.2)	1.8	32.6	
Adjusted, diluted EPS (p)	31.2	32.9	49.3	49.8
Dividend per share (p)	4.5	6.0	10.0	66.7

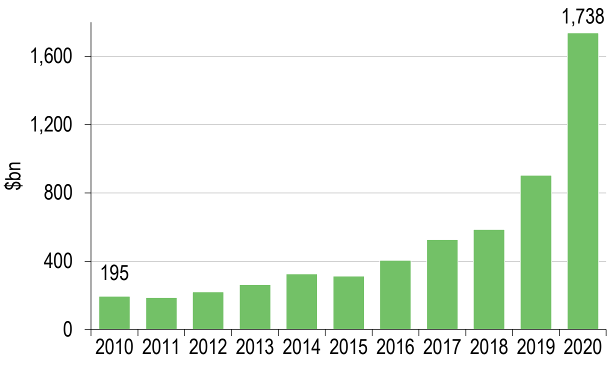
Source: Gresham House, Edison Investment Research

Background and outlook

In the right place: growth in sustainable investment

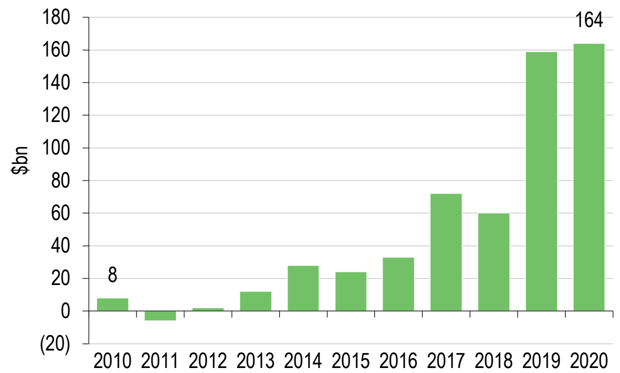
The growing trend towards allocation to alternative investments and sustainable funds is well established, reflecting a combination of many factors. These include regulation, greater ESG disclosure, increasing concern over climate change, a realisation that there may be no performance penalty in pursuing a sustainable investment strategy (rather the reverse) together with a desire to have a positive impact for the greater good. This has driven a rapidly accelerating appetite from both retail/wholesale and institutional investors and is illustrated by the trends in AUM and flows into global sustainable funds.

Exhibit 9: AUM of sustainable funds globally



Source: United Nations: The rise of the sustainable fund market

Exhibit 10: Investment flows into sustainable funds



Source: United Nations: The rise of the sustainable fund market

Forecasts from a range of data providers and consultancies point to further significant growth over the medium to longer term. In one example, a Bloomberg report suggested that global ESG assets could rise from $37.8tn in the current year to $53tn by 2025 based on a growth rate of 15%, half the rate of the prior five years. PwC Luxembourg has been reported as looking for European ESG assets to account for between 41% and 57% of total mutual fund assets, up from 15% in 2019. In a press release on its 2022 global alternatives report, Preqin indicated that it expects alternative managers' AUM will rise from $13tn to $23.2tn by the end of 2026, noting that ESG factors have become increasingly important among alternative assets.

While these data points may not read across directly to the product set that Gresham House offers, they do indicate the broad growth in alternative and sustainable investment and tend to confirm that it is operating in a segment of the market that is seeing strong growth. As noted earlier, the group has strong positions in areas such as forestry, battery storage and, within private equity, VCTs.

The next question to ask is whether there is scope to increase scale in the areas these strategies address. Gresham House has set out the size of some of the opportunities within the existing strategies (see table below), which indicate substantial room to increase overall AUM.

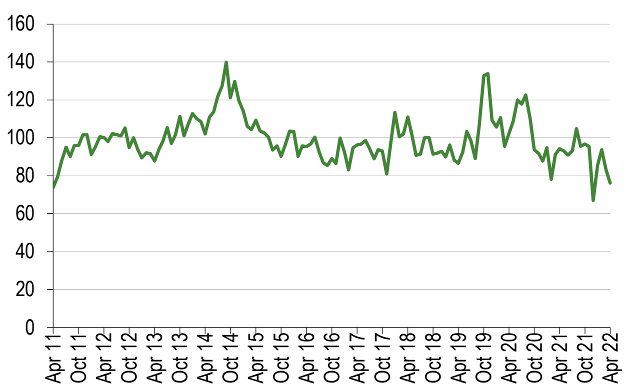
Exhibit 11: Scope for growth in existing strategies

Strategy	Existing capacity/level	Current pipeline	Market opportunity/capacity
New Energy battery storage	GRID current capacity 0.4GW	1.1GW	15 GW needed by National Grid by 2025
Sustainable infrastructure	Current committed capital £0.2bn	£1.6bn	Opportunity across six subsectors over £1tn
Real Estate - UK Housing	Current committed capital £0.3bn (1,499 homes)	£1.4bn (13,000 homes)	£10bn per annum (half shared ownership and half build to rent)
Forestry	£0.6bn acquired 2021	£0.5bn	Over £10bn pa forestry acquisition market
Strategic Equity - Public	£1.0bn		Capacity in existing products £2.5bn
Strategic Equity - Private	£0.9bn		Capacity in VCTs £1.5bn

Source: Gresham House

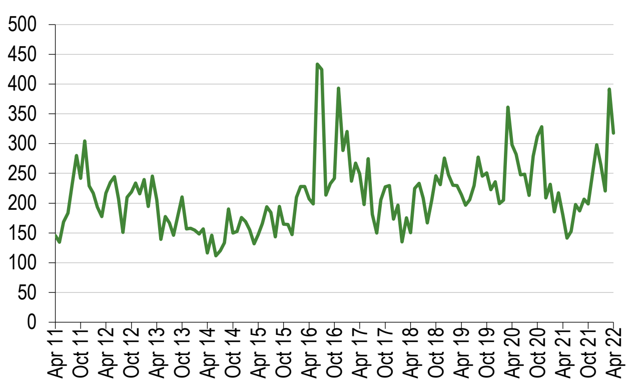
The group acknowledges that the war in Ukraine[1] will cause risk premia to rise, which will affect valuations, but notes that (outside public equity) its asset classes have long-term time frames and that the growing demand for its products should be sustained. The board therefore expresses confidence in delivering further growth in the current year and beyond.

Exhibit 12: State Street Investor Confidence Index*



Source: Refinitiv, State Street. Note: *Index is for Europe.

Exhibit 13: Economic Policy Uncertainty Index, Europe



Source: 'Measuring Economic Policy Uncertainty' by Scott Baker, Nicholas Bloom and Steven J. Davis. www.PolicyUncertainty.com.

We do see some risk to nearer-term fund-raising as investors deal with heightened uncertainty surrounding the Ukraine war, sharply rising inflation and rising policy rates (see charts above showing relatively modest recent weakness in the European State Street Investor Confidence Index and, unsurprisingly, a sharp spike in the Economic Policy Uncertainty Index Europe). However, on a medium-term view the positive trend in sustainable investing highlighted above and the specific alternative asset management capabilities that Gresham House has brought together do seem to support the group's positive stance. As we set out in the next section, we have assumed in our estimates that the group does continue to generate good AUM growth.

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[1] Gresham House has reported that funds managed by the group do not own any Russian assets and have minimal exposure to assets that are subject to sanctions. Nor does the group have any Russian domiciled shareholders on its share register and it is not aware of any Russian investment in the funds it manages.

Financials

We set out our key estimate assumptions in Exhibit 14. Starting with AUM, our estimates are for total growth of between 14% and 15% for 2022–24. This is equivalent to an average increase of just below £1bn per annum, excluding this year's acquisition of Burlington, which compares with average organic growth of £1.4bn for 2020–21. Within this we assume that net flows account for 10–11% per annum and performance 4%.

In terms of mix we have assumed faster growth for Real Assets than Strategic Equity at 16% compound annual growth versus 11% reflecting the respective growth opportunities in each area. This explains a reduction in the average asset management fee rate from 125bps (2021) to 102bps (2024e). This flows through to 15% compound annual growth in net core income and 21% for adjusted operating profit. Adjusted operating profit margin increases from the 33% recorded in FY21 to 40% in FY24, meeting the GH25 target.

We have not assumed any performance fees or realised gains in our estimates and these could create added value over the long-term. Likewise, in estimating reported profit (see the lower section of table) we do not include any exceptional items or net gains or losses on investments.

Further details of our estimates are shown in the financial summary (Exhibit 22) including our assumed dividend payments for the next three years, with cover in 2024 matching the group's 3x objective (using adjusted earnings).

Exhibit 14: Key P&L assumptions and reconciling adjusted to reported profit

£'000s unless indicated	FY21	FY22e	FY23e	FY24e
Performance (£m)	777	254	290	331
Net flow (£m)	1,166	715	750	890
Total AUM change (£m)	2,568	969	1,040	1,221
End year AUM (£m)	**6,538**	**7,507**	**8,546**	**9,767**
Asset management fee rate (bps)	125	117	118	102
Asset management income	62,162	72,669	82,880	93,769
Other income	1,183	1,540	1,540	1,540
Gross core income	**63,345**	**74,209**	**84,420**	**95,309**
Rebates, distribution and fundraising costs	(1,736)	(2,085)	(2,378)	(2,691)
Net core income	**61,609**	**72,124**	**82,041**	**92,618**
Administration overheads (ex depcn, amort, excpnls & acqn-related SBP)	(41,128)	(45,984)	(51,078)	(55,571)
Finance costs	(311)	(200)	(200)	(200)
Adjusted operating profit	**20,170**	**25,940**	**30,763**	**36,847**
Adjusted operating profit margin (%)	**33**	**36**	**37**	**40**
Performance fees net of costs	1,714	0	0	0
Realised gains net of costs	1,773	0	0	0
Adjusted operating profit including performance fees and realised gains	**23,657**	**25,940**	**30,763**	**36,847**
Reconciliation to reported pre-tax profit:				
Net non-core activity	38	0	0	0
Amortisation and depreciation	(9,475)	(15,413)	(14,408)	(14,029)
Acquisition-related share-based payments	(1,067)	(1,000)	(1,000)	(1,000)
Exceptional items	(3,215)	0	0	0
Net gains/(losses) on investments and other items	6,224	160	160	160
Add back FX movement on translation of foreign subsidiary	158	0	0	0
Reported pre-tax profit	**16,320**	**9,687**	**15,516**	**21,978**

Source: Gresham House, Edison Investment Research

The next table gives a summary of cash flows over the last five years, which provides a useful overview of how the group's growth has been financed over this period. Our comments here relate to the five-year total figures unless stated. Operating cash flow moved from an outflow in 2017 to significant inflows in 2020–21 as the group expanded and benefited from operational leverage. Over the period shown the net operating cash inflow was nearly £44m.

Cash elements of initial and deferred acquisition payments and a management contract purchase totalled £54.5m. The net £5.4m investment in DevCo projects reflects investment in battery storage projects, which form part of the investment pipeline of GRID. The sale of these projects generated investment gains for the group. The sale of investment properties (raising £12.9m) represented the final unwinding of the legacy assets from Gresham House's days as an investment trust. The overall net outflow from investing activities was £53m.

Equity and warrant issuance is the main item within financing cash flows at nearly £77m, partly offset by share-based payment settlements of £17.7m and dividend and other payments of £6.3m. This left cash flow from financing at £53m and a net cash inflow over the period of £43m.

Exhibit 15: Summarised historical cash flow

£'000s	2017	2018	2019	2020	2021	Five-year total
Net operating cash flow	**(1,818)**	**905**	**9,203**	**15,711**	**19,975**	**43,976**
Acquisitions and deferred consideration	0	(11,855)	0	(17,887)	(1,736)	(31,478)
Purchase of management contracts	0	(23,000)	0	0	0	(23,000)
Net sale/(purchase) of investments	(231)	(3,906)	(797)	2,025	(1,122)	(4,031)
Net proceeds of sale of investment properties	8,178	4,685	0	0	0	12,863
Net investment in DevCo projects	0	0	(1,510)	4,406	(8,247)	(5,351)
Net purchase of fixed and intangible assets	(876)	(242)	(531)	(736)	(1,045)	(3,430)
Other	0	(1,768)	53	186	2,514	985
Cash flow from investing activities	**7,071**	**(36,086)**	**(2,785)**	**(12,006)**	**(9,636)**	**(53,442)**
Dividends	0	0	(795)	(1,351)	(1,881)	(4,027)
Net share issuance, including warrants	7,626	29,520	11,346	7,845	20,487	76,824
Share-based payments settled	0	0	(833)	(7,125)	(9,734)	(17,692)
Other financing activities	0	1,994	(8,795)	(396)	4,904	(2,293)
Cash flow from financing activities	**7,626**	**31,514**	**923**	**(1,027)**	**13,776**	**52,812**
Increase/(decrease) in net cash	**12,879**	**(3,667)**	**7,341**	**2,678**	**24,115**	**43,346**
Opening net (debt)/cash	(3,094)	9,785	6,118	13,459	16,137	(3,094)
Closing net cash/(debt)	**9,785**	**6,118**	**13,459**	**16,137**	**40,252**	**40,252**

Source: Gresham House, Edison Investment Research

Turning next to the balance sheet: at the end of 2021 the group had cash of just over £40m, no debt and investments of £38m. The investments figure includes net investment in battery projects and investments in securities and is adjusted to show the group's investment exposure rather than the consolidated IFRS 10 basis reported on the balance sheet. On the adjusted basis the group had net realisable cash and investments of £78.3m, compared with £45.1m in 2020. Subsequently it has sold its stake in Rockwood (formerly Gresham House Strategic) generating a substantial total return with a circa 2x money multiple and an IRR well above its 15% target. The sale released £7.6m in cash net of the purchase of a co-investment from Rockwood. The group also has a rolling credit facility of £20m and therefore has headroom to support further AUM growth.

On this point the group has identified the potential to make balance-sheet investments of up to £40m, including: £23–28m in battery and other renewable projects and a climate transition product; £5–7m to warehouse forestry assets; £2m in general partner commitments for new housing investments; £5m as part of its commitment to Strategic Equity Capital; and £5m to demonstrate alignment in a potential private equity mandate. All these investments have been or will be subject to review and challenge by the investment committee with a requirement that they should be compatible with the group's medium-term 20% return on capital target. Note that we have not included these potential investments or returns from them in our profit and loss and cash flow estimates. We have estimated cash outflows of c £16m for deferred consideration over the 2022–24 period.

Sensitivities

- **Geopolitical and macroeconomic** uncertainties are salient currently and there could be positive or negative surprises in terms of fund flows/launches and valuation/performance. The diversification provided by many of the assets managed by Gresham House should lessen the impact of negative developments and, subject to the need for funds to maintain a marketable performance, would be expected to underpin longer-term growth.

- There is key **personnel risk** in a business such as Gresham House where there could be a material negative effect if key members of the management or asset management team were to leave. In addition to staff remuneration and stock ownership, the company seeks to address this by empowering individuals and encouraging entrepreneurial thinking. Feedback from employee surveys is used to help foster the desired culture and support staff retention.
- The group faces the normal risks associated with price and integration when it undertakes **acquisitions**. These are mitigated by the experience of the management team and a structured approach from due diligence to detailed implementation programmes, which have been successfully executed in the past.
- Given its position as a specialist manager of sustainable assets, failure to deliver on its own **sustainability objectives** in its products and internally would be reputationally damaging. The group has a Sustainable Executive Committee to oversee this and has in place a Sustainable Investment Framework setting out how ESG considerations are integrated into the investment process.
- As a **regulated firm** the group must ensure that it meets its obligations in both the UK and Ireland. Failure to do so would risk reputational damage and is countered by staff training and an independent compliance department.
- Products such as VCTs enjoy **tax advantages**, which might be subject to legislative change. Any change would be unlikely to apply retrospectively and governments will probably want to continue to support early-stage companies, potentially limiting the risk of full removal of these tax breaks.

Valuation

In this section we consider the valuation of Gresham House shares with reference to a peer group comparison, selected transaction metrics and the outputs from our DCF model.

Starting with our peer group comparison, this includes a selection of specialist and alternative fund managers with different profiles and market capitalisations ranging from sub-£0.5m (Gresham House and Foresight) to over £22bn (Partners). For Gresham House we have used our estimated adjusted EPS and EBITDA numbers[2] as the basis for multiples, while the comparator multiples are derived from consensus estimates. Gresham House P/E multiples are below the European peer average and above the North American average. The EV/EBITDA multiple for 2022 is noticeably below both peer groups. The rating on both measures is noticeably above the more conventional/larger UK peers, a differential that can be attributed to expected growth rates.

[2] Recall that these exclude any potential performance fees, gains or losses on investments, movement in the fair value of contingent consideration, share-based payments related to acquisitions, exceptional items and, in the case of EPS, depreciation and amortisation.

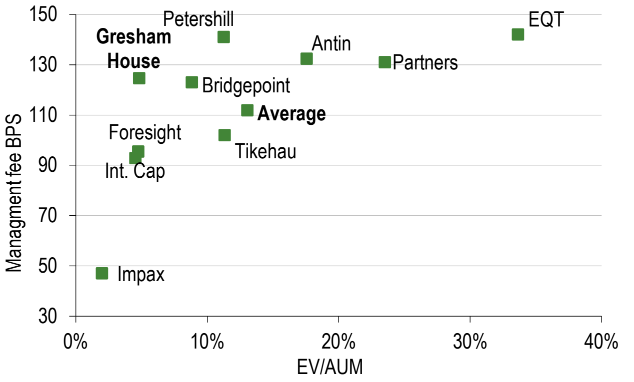
Exhibit 16: Asset management comparators

	Price (p)	Market cap (£m)	P/E 2022e (x)	P/E 2023e (x)	Dividend yield (%)	EV/EBITDA 2022e (x)
Gresham House	925	350	17.7	15.8	1.1	12.1
Antin Infrastructure Partners	24	3,555	41.1	23.3	0.5	25.6
Bridgepoint	294	2,439	22.6	16.6	N/A	18.5
EQT	26	21,929	29.1	20.0	1.0	25.3
Foresight	387	422	15.6	13.3	N/A	10.8
Impax Asset Management	812	1,083	18.5	16.4	2.5	14.8
Intermediate Capital	1,514	4,427	11.6	11.4	3.7	20.9
Partners	83,135	22,339	23.7	20.8	3.2	20.0
Petershill Partners	248	2,886	11.9	9.8	N/A	N/A
Tikehau Capital	1,822	3,221	16.8	12.4	2.8	12.2
Average			**21.2**	**16.0**	**2.3**	**18.5**
North American peer average*			**15.9**	**13.7**	**1.6**	**24.8**
UK asset managers average **			**10.5**	**10.0**	**6.1**	**6.1**

Source: Refinitiv, Edison Investment Research. Note: Priced at 3/5/22. *Ares, Brookfield, Carlyle, Hamilton Lane, KKR, StepStone. **Ashmore, City of London, Jupiter, Liontrust, Man Group, Polar Capital, Schroders.

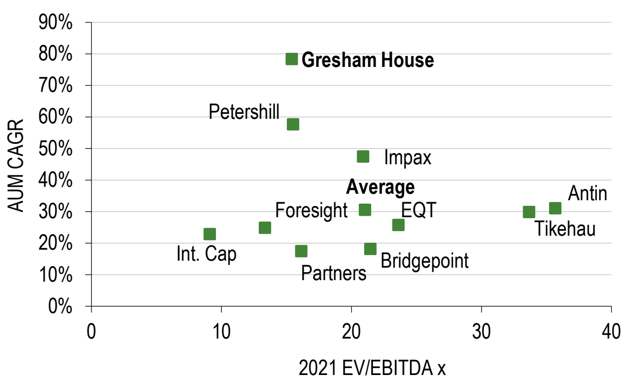
Our next two charts look more closely at two enterprise value (EV)-based valuation measures. Exhibit 17 charts EV/AUM against the management fee margins. Apart from Impax, all the peers have a management fee close to or above 100 basis points, reflecting their provision of private equity and/or real asset management services. Impax is an established specialist but its weighted average fee margin of 47 basis points reflects its exposure to listed company investment and to third-party mandates. Gresham House features a significantly below-average EV/AUM valuation and an above-average management fee margin.

Exhibit 17: EV/AUM and management fee rates



Source: Edison Investment Research, Refinitiv, company data

Exhibit 18: EV/EBITDA and AUM growth since 2016



Source: Edison Investment Research, Refinitiv, company data

Exhibit 18 compares EV/EBITDA multiples (these are based on last reported figures) with compound annual growth in AUM since 2016. The first point to make here is that all the companies have recorded very strong growth in this period, with an average value of c 30% per annum. Acquisitions and performance have contributed to this to varying degrees, but this level of growth also tends to support the argument that the specialist/alternative areas are attracting relatively strong allocations. Gresham House stands out even more clearly in this chart, trading on a below-average multiple while achieving very strong growth. The starting point for the comparison is at a relatively early stage in Gresham House's development, but the compound annual growth in AUM since 2018 is a still-strong 42% compared with the average for these companies over the same period of 27%.

Our transaction table below shows valuation measures for a selection of transactions in the alternative asset management sector since late 2019. The rationale for the acquisitions follows the broad theme that the buyers were looking to enhance their capabilities in specialist areas and in some cases to extend their geographical reach. There is quite a wide range of valuations, but on average there is a similarity between the transaction averages and the average for the European peer group shown above.

Exhibit 19: Selected alternative asset management transaction metrics

Date	Buyer	Target	Currency	AUM (bn)	EV/EBITDA (x)	EV/revenue (x)	EV/AUM (%)	Revenue/AUM
Mar-22	EQT	Barings Private Equity Asia	€	17.7	33.0	22.0	38.4	1.7%
Dec-21	Schroders	Greencoat Capital	£	6.7	31.8	16.7	9.5	0.6%
Oct-21	T Rowe Price	Oak Hill Advisors	US$	44.0	15.6	8.9	8.9	1.0%
Jul-21	StepStone	Greenspring	US$	9.0	28.5	11.4	8.9	0.8%
Jan-21	EQT	Exeter Property	US$	10.2	23.4	13.9	18.3	1.6%
Dec-19	Sun Life	InfraRed	US$	12.0	12.5*	4.7	4.1	1.2%
Average					**24.1**	**12.9**	**14.7**	**1.1%**
Minimum					12.5	4.7	4.1	0.6%
Maximum					33.0	22.0	38.4	1.7%
European peer average					**24.3**	**13.2**	**16.4**	**1.1%**

Source: Edison Investment Research, company data, Refinitiv. Note: *Based on Companies House filing showing the reported 2019 P&L; a contemporary press report pointed to a higher, 17.4x EV/EBITDA multiple for InfraRed, based on a 2018 figure.

We have prepared a DCF model and a range of outputs are shown below. The model includes our explicit forecasts to 2024 and then allows for an intermediate period of three years in which operating cash flow grows at a rate of 8%. The central assumptions in the table for discount rate and long-term growth are 10% and 3% respectively. Given the other assumptions, the table shows that, on our estimates, you would have to assume a discount rate of over 17% and long-term growth of 2–3% to match the current share price.

Exhibit 20: Discounted cash flow valuation sensitivity (pence per share)

Discount rate (right) Long-term growth	8%	9%	10%	13%	17%
1.0%	1,510	1,415	1,328	1,113	903
2.0%	1,550	1,451	1,362	1,138	921
3.0%	1,592	1,489	1,396	1,164	939
4.0%	1,635	1,529	1,432	1,191	958
5.0%	1,680	1,569	1,469	1,219	977

Source: Edison Investment Research

In our final valuation table we have collated the values that are given if we apply the range of earnings and EBITDA multiples for the North American and European peer groups and transactions to Gresham House. For convenience we have also shown the DCF value range using the 3% long-term growth assumption. We have not included the UK asset manager multiples which we included the average in Exhibit 16 given their different profile; using their multiples would produce figures at or below the low end of the range shown in the table below. Within the figures included in the table there is a large range, reflecting the variation in the circumstances of the peers. Taking the average values does narrow the range somewhat to 830p to 1,620p, giving a framework for considering the current valuation in conjunction with the DCF sensitivity table above.

Exhibit 21: Applying peer multiples to Gresham House earnings and EBITDA

Value per share (p)	European peers	North American peers	European peers	North American peers	Transactions	DCF
	P/E 2022e	P/E 2022e	EV/EBITDA 2022e	EV/EBITDA 2022e	EV/EBITDA 2021	3% long-term growth
High	2,143	1,099	1,672	2,730	1,872	1,592
Low	604	475	705	793	707	939
Average/central	**1,106**	**830**	**1,209**	**1,620**	**1,368**	**1,396**

Source: Edison Investment Research, Refinitiv

Exhibit 22: Financial summary

December (£'000s unless indicated)	2018	2019	2020	2021	2022e	2023e	2024e
PROFIT & LOSS							
Asset management income	13,717	31,427	40,304	62,162	72,669	82,880	93,769
Dividend, interest and other income	781	357	1,632	2,038	1,500	1,500	1,500
Performance fees	0	1,944	0	6,163	0	0	0
Total income	**14,498**	**33,728**	**41,936**	**70,363**	**74,169**	**84,380**	**95,269**
Administrative overheads	(14,608)	(34,331)	(42,052)	(60,116)	(64,482)	(68,864)	(73,291)
Net operating profit/(loss) before exceptional items	**(110)**	**(603)**	**(116)**	**10,247**	**9,687**	**15,516**	**21,978**
Finance costs	(42)	(390)	(25)	(311)	(200)	(200)	(200)
Exceptional items	(2,001)	(1,063)	(1,775)	(3,215)	0	0	0
Share of associates' profits/(losses)	1,718	246	158	4,955	200	200	200
Gains and losses on investments held at fair value	(271)	3,048	4,599	5,842	0	0	0
Movement in fair value of contingent consideration	(209)	(2,065)	(1,163)	(1,659)	0	0	0
Other	40	0	224	461	0	0	0
Operating profit/(loss) before taxation	**(875)**	**(827)**	**1,902**	**16,320**	**9,687**	**15,516**	**21,978**
Taxation	218	(23)	(1,084)	(4,107)	(1,937)	(3,662)	(5,495)
Discontinued operations and FX movements	11	55	(12)	(172)	0	0	0
Total comprehensive income	**(646)**	**(795)**	**806**	**12,041**	**7,749**	**11,853**	**16,484**
Non-controlling interest	(53)	(55)	(229)	(264)	(250)	(250)	(250)
Net income attributable to equity holders	**(699)**	**(850)**	**577**	**11,777**	**7,499**	**11,603**	**16,234**
Adjusted core operating profit							
Net core income	**14,709**	**31,724**	**40,774**	**61,609**	**72,124**	**82,041**	**92,618**
Operating expenses (excl. dep'n and amortisation)	(11,705)	(21,047)	(28,690)	(41,128)	(45,984)	(51,078)	(55,571)
EBITDA (adjusted)	**3,004**	**10,677**	**12,084**	**20,481**	**26,140**	**30,963**	**37,047**
Finance costs	(42)	(390)	(25)	(311)	(200)	(200)	(200)
Adjusted pre-tax profit/(loss)	**2,962**	**10,287**	**12,059**	**20,170**	**25,940**	**30,763**	**36,847**
EPS - diluted (p)	(3.9)	(3.2)	1.8	32.6	18.7	28.9	39.4
Adjusted, diluted EPS	14.7	31.2	32.9	49.3	52.1	58.6	67.1
Dividend per share (p)	3.0	4.5	6.0	10.0	13.5	17.0	24.0
BALANCE SHEET							
Non-current assets	**83,353**	**78,165**	**80,339**	**126,143**	**101,753**	**88,381**	**75,400**
Intangible assets	65,911	58,545	59,970	95,012	83,099	70,186	57,273
Tangible fixed assets	332	813	1,090	2,927	1,290	671	444
Investments	17,032	18,807	18,228	25,515	14,675	14,835	14,995
Other	78	0	1,051	2,689	2,689	2,689	2,689
Current Assets	**21,703**	**46,187**	**46,767**	**94,174**	**120,234**	**138,847**	**160,773**
Trade receivables	2,628	5,334	3,184	11,135	11,135	11,135	11,135
Cash and cash equivalents	13,958	19,432	21,886	40,252	66,312	84,925	106,851
Assets held for sale (property & battery storage projects)	0	12,188	7,363	17,545	17,545	17,545	17,545
Other	5,117	9,233	14,334	25,242	25,242	25,242	25,242
Current liabilities	**6,085**	**24,928**	**20,852**	**50,220**	**44,120**	**44,120**	**44,120**
Trade and other payables	4,085	15,210	18,780	42,721	36,621	36,621	36,621
Liabilities of disposal group held for sale	2,000	9,718	2,072	7,499	7,499	7,499	7,499
Non-current liabilities	**19,231**	**8,605**	**8,976**	**22,560**	**22,560**	**17,260**	**12,360**
Long-term borrowings	7,840	5,973	5,749	0	0	0	0
Other creditors	11,391	2,632	3,227	22,560	22,560	17,260	12,360
Net Assets	**79,740**	**90,819**	**97,278**	**147,537**	**155,307**	**165,848**	**179,693**
Minority interests	527	582	811	1,075	1,325	1,575	1,825
Net assets attributable to ordinary shareholders	**79,213**	**90,237**	**96,467**	**146,462**	**153,982**	**164,273**	**177,868**
Diluted NAV per share (p)	289.3	288.2	287.4	366.6	385.5	411.2	445.3
ROCE (%)*	**20.6**	**14.6**	**16.0**	**34.1**	**17.7**	**19.9**	**22.3**
CASH FLOW							
Net operating cash flow	**905**	**9,203**	**15,711**	**19,975**	**26,762**	**29,861**	**34,113**
Acquisitions and deferred consideration	(11,855)	0	(17,887)	(1,736)	(7,100)	(5,300)	(4,900)
Purchase of management contracts	(23,000)	0	0	0	0	0	0
Net sale/(purchase) of investments	(3,906)	(797)	2,025	(1,122)	(800)	0	0
Net proceeds of sale of investment properties	4,685	0	0	0	0	0	0
Net investment in DevCo projects	0	(1,510)	4,406	(8,247)	0	0	0
Net purchase of fixed and intangible assets	(242)	(531)	(736)	(1,045)	(863)	(875)	(888)
Other	(1,768)	53	186	2,514	11,840	40	40
Cash flow from investing activities	**(36,086)**	**(2,785)**	**(12,006)**	**(9,636)**	**3,077**	**(6,135)**	**(5,748)**
Dividends	0	(795)	(1,351)	(1,881)	(3,780)	(5,112)	(6,438)
Share issuance (net)	25,679	6,487	7,663	20,487	0	0	0
Share warrants issued/exercised	3,841	4,859	182	0	0	0	0
Share-based payments settled	0	(833)	(7,125)	(9,734)	0	0	0
Other financing activities	1,994	(8,795)	(396)	4,904	0	0	0
Cash flow from financing activities	**31,514**	**923**	**(1,027)**	**13,776**	**(3,780)**	**(5,112)**	**(6,438)**
Increase/(decrease) in net cash	**(3,667)**	**7,341**	**2,678**	**24,115**	**26,060**	**18,613**	**21,926**
Closing net cash/(debt)	**6,118**	**13,459**	**16,137**	**40,252**	**66,312**	**84,925**	**106,851**

Source: Company reports, Edison Investment Research. Note: *Return on capital employed (ROCE) = adjusted operating profit + net performance fees + net development gains divided by opening net assets adjusted for share issuance during the year.

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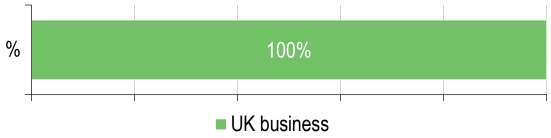
Revenue by geography



Management team

Non-executive chairman: Anthony Townsend

Appointed director and chairman in December 2014, Anthony has spent over 50 years working in the City of London. His previous roles included: chairman of the Association of Investment Companies (2001–03), a director of Brit Insurance (1999–2008), managing director of Finsbury Asset Management (1988–1998), and chairman of BMO Smaller Companies and Finsbury Growth & Income Trust. He is a director of Hansa Capital Partners.

Chief executive officer: Anthony Dalwood

Tony led the management buy-in for Gresham House in 2014 and was appointed as CEO in December 2014. He is an experienced investor and adviser to public and private equity businesses. Tony established SVG Investment Managers (a subsidiary of SVG Capital), previously acting as CEO and chairman, and launched Strategic Equity Capital. Previous appointments include CEO of SVG Advisers (formerly Schroder Ventures (London) Limited), a member of the UK Investment Committee of UBS Phillips & Drew Fund Management, a director of Schroders Private Equity Funds and chairman of the Investment Panel and board member of the London Pension Fund Authority. He is also a director of JPEL and Branton Capital, a member of the CFA (UK) and an adviser to St. Edmunds College, Cambridge Endowment Fund.

Chief financial officer: Kevin Acton

Kevin was appointed as finance director in June 2016 and has over 20 years of finance and operational experience in private equity and asset management. Kevin joined the Gresham House from Oaktree Capital Management where he was a senior vice president responsible for finance and operations in the European principal team, covering private equity and debt opportunity funds. Prior to joining Oaktree, Kevin was director, group reporting and valuations for 3i. Kevin qualified as a chartered accountant with Deloitte and is a fellow of the Institute of Chartered Accountants of England and Wales.

Principal shareholders (as at 31 March 2022)	(%)
Windsor & Maidenhead BC	12.2
Liontrust Asset Management	9.6
Franklin Templeton Fund Management	4.6
Fidelity International	4.3
Aviva Investors	4.1
Amati Global Investors	4.1
Canaccord Genuity Wealth Management	3.7
Hargreaves Lansdown, stockbrokers	3.6
abrdn	3.4
Mr Richard C Dawson	3.4
Board/management/employees	c 10.0

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