Foresight Group Holdings Ltd Full Year 2025 Analyst Presentation

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Presentation

Bernard Fairman: Good morning. I'm Bernard Fairman, Co-Founder and Executive Chairman of Foresight Group. I'm delighted to welcome you to Foresight's full-year results for the period ended March 2025 which I'm presenting alongside Gary Fraser today.

Before addressing the group's performance over the last 12 months, I'd like to provide you with a reminder of our strengths. Foresight offers institutional and retail investors a diverse range of private and listed investment solutions in real assets located in the UK, Europe, and Australia; and growth capital for SME businesses across both the UK and Ireland.

The Group delivers high-quality earnings with 85% to 90% recurring revenue and over

90% of long duration capital within our LP and evergreen vehicles. This provides considerable revenue visibility each year and underwrites the Group's performance.

Our boots-on-the-ground approach, with 12 offices in the UK and a further 7 internationally, enables us to build deep local relationships that support a strong pipeline across all of our strategies. These strategies seek to address the significant investment opportunities within rapidly growing markets, driven by global decarbonisation; increasing electricity consumption; national initiatives to increase energy security; and also, by the SME funding gap in the UK and Ireland.

Finally, our diverse range of strategies and sources of institutional and retail capital across our three divisions of Infrastructure, Private Equity, and Foresight Capital Management provides the Group with resilience under all conditions.

During FY25, we delivered a strong performance across our entire business. Our regional private equity business launched two new funds, raising over GBP100 million and further consolidating the Group's coverage of and leadership in the UK and Irish regional SME markets.

Our UK tax efficient products achieved another year of record fundraising that was underpinned by the performance of our funds and delivered by our 50-person distribution team.

FEIP II made good progress with EUR485 million commitments approved. A strong investment and investor pipeline provides us with confidence in achieving at least the EUR1.25 billion final target.

Finally, within our Public Markets division, we added product diversity, scale, and expertise through the successful acquisition of the trade and assets of WHEB Asset Management as we aim to return this division to growth.

This strong performance and strategic progress has enabled the Group to extend its track record of profitable growth. We remain on track to deliver on our medium-term guidance to double profits in the five years to FY29.

Our AUM has increased from GBP4.5 billion in 2020 to GBP13.2 billion, a compound annual growth rate of 24%. Core profitability has increased at a faster rate of 38% as the business has benefited from margin expansion through an improved average revenue margin and careful cost management.

After Gary has taken you through the financials and our drivers for growth, I'll talk more about our market opportunities and business outlook.

Gary Fraser: Thanks, Bernard.

In FY25, we delivered a strong financial performance with growth across all of our key financial metrics. AUM was up 9%, with FUM delivering a similarly attractive increase up 14% to GBP9.6 billion.

Revenue was also ahead by 9% at GBP154 million, with 87% of this driven by recurring fees, the same percentage as last year, and within our 85% to 90% target range.

Core EBITDA pre-SBP increased by 5% to GBP62.2 million, supporting the growth in total dividend of 9% to 24.2% per share.

Turning, firstly, to the key movements in AUM, which increased by 9% from GBP12.1 billion to GBP13.2 billion, this growth resulted from two main drivers. The first was successful organic fundraising, which included record inflows across our UK tax efficient products, good progress towards the EUR1.25 billion target for the second vintage of our European-focused FEIP strategy, and the continued growth of our regional private equity strategy through the launch of two new funds covering the Southwest and South Yorkshire. Gross fundraising across these long duration vehicles totaled GBP1.1 billion.

The second was the acquisition of the trade and assets of WHEB Asset Management and the appointment as sub-investment manager and sub-distributor for the Liontrust Diversified Real Assets Fund, in combination, adding over GBP700 million to our division's AUM.

Moving on to the group's profitability, we have delivered a 9% increase to revenue resulting from our fundraising achievements referenced on the prior slide, with the success of our UK tax efficient products in particular, leading to a higher average management fee rate whilst delivering investment into UK SMEs.

Our revenues also remained of a high quality, with 87% of total revenues recurring annually, which is in the middle of our target range.

The key component of core administrative expenses continued to be staff costs. While this factored into short-term margin compression, core EBITDA pre-SBP still grew by a healthy 5%.

Our adjusted EPS figure, which strips out one-off adjustments, including acquisition-related impairments previously announced, also grew by 6%.

Strong demand for our specialised products has ensured resilient management fee rates over recent years. The average Group management fee rate has benefited from successful fundraising across our highly profitable UK tax efficient and regional private equity products, noting that our real asset strategies will provide scale and core EBITDA margin expansion as we establish multi-vintages.

Core staff costs increased by 14% over the period, with approximately half of this increase directed towards recognising and incentivising our existing team, whose performance underpins our continued growth.

The remainder: related to strategic recruitment to support deployment and institutional fundraising activity, as well as technology and data. This recruitment will provide future value and ensure that the organisation is equipped to meet its expanding operational demands.

Going forward, we expect the rate of cost growth to continue to reflect the business requirements to achieve our guidance.

Looking ahead, we expect continued fundraising across the Group's diversified channels to underpin delivery against our growth ambitions over the next four years. This strong and broad-based pipeline positions as well to drive further progress.

In the latter years of the guidance period, we also anticipate further core EBITDA pre-SBP margin expansion, supported by the scaling of institutional fundraising and the deployment of that capital, which then qualifies for higher fee rates.

As referenced on slide 12, we have added to our team to support this next phase of growth. And as incremental capital is raised, we expect operational leverage to come through.

In addition, the potential for material performance fees will result from increasing number of funds reaching the realisation phase, rising from two today to over ten by FY29. This will further support margin progression, noting that recurring revenue is expected to remain within our guided range over that period.

I'll now cover each of our key fundraising drivers for growth in more detail.

Starting with our real asset strategies are 185-plus professionals, leveraged product development, investment origination and execution, and asset management capabilities to offer end-to-end investment solutions for retail and institutional investors. We take a multi-vintage approach to institutional fundraising and currently have two second vintages in Foresight Energy Infrastructure Partners II (FEIP II) and Foresight Natural Capital II (FNC II). They are both aiming to build on their first vintages and are underpinned by the opportunities provided by global decarbonisation.

Firstly, our Flagship nergy ransition strategyhas a diversified and differentiated strategy focusing on portfolio construction, value generation, and sustainability impact to deliver long-term returns for its investors. The first vintage successfully closed 70% higher than its target at EUR851 million and was fully deployed within its investment period by January 2024. Our second vintage was then opened within five months of that date and our international LP relationships and strong investment pipeline has underpinned good progress towards a targeted EUR1.25 billion fund size.

Our Australian Renewables Income Fund, ARIF, is also expected to benefit from Australia's push towards decarbonisation. Currently, around 40% of the country's electricity comes from renewable energy sources, who with a national target of 82% by 2030, achieving this ambition will require over AUD300 billion in additional investment to meet net zero goals and build a cleaner, more resilient energy future.

Achieving Australia's energy transition goals will require significant institutional investment, presenting substantial opportunities for ARIF. The evergreen fund remains open to capital commitments and the Australian team have commenced a fresh fundraising campaign in recent months, meeting with a number of local asset consultants and institutional investors across the superannuation, insurance, and wealth sectors.

Finally, Foresight Natural Capital II is a UK and European strategy due to begin marketing this year, with a target fundraising size of EUR500 million, leveraging the success of our UK-focused natural capital strategy that has grown to circa GBP250 million.

Our real asset value proposition and competitive advantage provide confidence in being able to successfully launch multi-vintages of these strategies in order to drive scale over the remainder of our guidance period and beyond.

This year, we became the number 1 investment manager in annual fundraising for unquoted business relief products, significantly growing market share within a growing market. Our flagship VCTs, Foresight VCT and Foresight Enterprise VCT, also experienced accelerated closes when compared with prior years, evidencing the demand for high-performing products.

The strength of our fundraising is driven by both excellent investment performance and the quality of our distribution capabilities. Our distribution team is well-established across the UK, with a deep network of over 6,000 Independent Financial Advisors. Together, this provides us with confidence to raise at least GBP600 million gross per annum across our long-duration UK tax efficient products over the remainder of our guidance period.

In regional private equity, our deep regional network built across over 55 investment professionals and 15 active funds makes our offering very hard to replicate and creates a competitive advantage in this market. Supported by a very significant number of advisory relationships, we're able to source a high volume of investments at attractive entry multiples within our 500,000- to 10 million-target market. These capabilities combined to deliver a strong investment track record, which, in turn, delivers enhanced returns to investors and enables us to raise more capital.

In the last four years, we have launched nine new funds, enabling us to nearly triple our AUM from GBP266 million in FY21 to GBP720 million at the end of FY25, a compound annual growth rate of 28%.

As we launch follow-on vintages of these regional funds, we expect this fundraising cadence to continue in the coming years. Following the steady progress made during FY25, I am pleased to confirm that we remain on track to achieve our medium-term growth guidance.

I will now pass you back to Bernard.

Bernard Fairman: Thanks, Gary.

The growth levers that Gary just talked about are targeting expanding markets, taking the energy transition and natural capital real assets market first.

Over the last two decades, Foresight has built a meaningful presence across the UK, Europe, and Australia, seeking to capitalise on the long-term structural and regulatory tailwinds arising from a number of drivers, including global decarbonisation, energy security concerns, and increasing electricity consumption requirements, particularly from the use of AI and data centers. These drivers remain at least as strong today as at any time in our history.

Growth in the market and in our share of it are opportunities for the group. We have a 6% share of our current addressable market in the UK, 5% in Australia, and only 1% of the much larger EU market, where our competitive advantages are equally relevant. The multi-vintages of our energy transition and natural capital-focused strategies provide investors with end-to-end investment solutions that capitalise on these opportunities.

Looking ahead, these opportunities are expected to increase further as countries seek to meet their energy transition targets, with the annual investments in each of these markets expected to increase by roughly two-thirds by 2030.

Our UK tax efficient products aim to provide individuals with the opportunity to invest in SME investments in the UK and Ireland.

Our track record of consistent returns alongside strong distribution capabilities has meant that, for the first time, we became the market leader in annual fundraising for unquoted business relief products last year. This is a market that has seen strong tailwinds in recent months, with increased demand being driven by regulatory changes that have impacted AIM business relief portfolios since April 2025 and will impact the inheritance tax treatment of pensions from April 2027. As a result, fundraising within the unquoted business relief market is expected to grow to GBP2.9 billion per annum by 2030, with VCT market fundraising increasing to GBP1.2 billion per annum at the same date.

Our experience of creating innovative, new products that outcompete our peers in this sector, alongside great performance and continued investment in our dedicated distribution team, positions the group to be at the forefront of this growth.

Finally, across the UK and Ireland, a total of over GBP2.5 billion was invested across growth, buy-out, and venture transactions of between GBP0.5 million to GBP10 million in size.

In what is a fragmented market, we've remained one of the most active SME investors, representing a 6% share of each of these markets currently.

A combination of sustained government support for regional investment, easing inflation and interest rates; and increased pension fund allocations is creating favorable tailwinds for the market. Against this backdrop, historic compound average growth rates in annual investment of 5% to 6% are expected to be maintained. This positions our regional private equity Strategy well to continue its consistent track record of raising and deploying capital, having more than doubled FUM in the last four years.

By capitalising on the opportunities in our key markets, we, once again, delivered a high level of cash generation in FY25 that enabled us to increase our total dividend distribution, something we have done every year since listing. We've also completed a first share buyback program of GBP16 million. In combination, these actions returned over 70% of FY25 operating cash to shareholders.

Looking ahead, our 60% dividend pay-out ratio remains compelling. Alongside the GBP50 million share buyback program that we announced in April, we intend to continue to return substantially all free cash flows to shareholders.

In addition, we will continue to assess EPS-accretive acquisition opportunities as they arise. These include opportunities that could deliver strategic benefits to our existing offering or provide an expansion opportunity into adjacencies, as well as opportunistic M&A.

In terms of current trading, AUM and FUM both increased to GBP13.4 billion and GBP9.7 billion, respectively, as we achieved a strong quarter for retail fundraising that more than offset listed market net outflows.

The group also launched a new business relief product that facilitates access to private credit for UK SMEs and utilises the Group's track record with over GBP300 million of private credit assets under management today.

In addition, FEIP II and our business relief retail products completed the joint GBP210 million acquisition of Harmony Energy Income Trust, with Harmony's battery energy storage systems portfolio highly complementary with both funds' strategic mandates. This acquisition represents a significant milestone for FEIP II as the fund's first investment, following successful FY25 fundraising; and provides a platform for FEIP II to deliver further fundraising and deployment in FY26.

Finally, our Australian business recently agreed the sale of one of its major investments in leading independent power producer Zenith Energy. Under Foresight's ownership, Zenith has experienced significant growth from approximately 252 megawatts of contracted capacity at the time of acquisition to more than 710 megawatts capacity across 15 sites today.

The sale, at a valuation materially above the fund's prior holding value for the asset, adds to the strong investment track record of our Australian team.

In conclusion, our growth strategies continued to target the significant investment opportunities presented within our key markets. Our strong investment pipeline, coupled with a diversified range of products, provides us with a platform to double our profitability over the five years to FY29, with good progress towards this goal having been delivered in FY25.

This growth, a high level of cash generation, and a proactive approach to capital allocation ensures that we are able to return material free cash flow to shareholders through dividends and the share buyback program.

Our company is built on robust foundations, developed over many years. We've created a diversified and resilient business model that can deliver growth through the economic cycle by investing in the energy transition, building scalable infrastructure, and by backing growth companies.

Thank you. I will now take your questions.

Q&A

Tom Mills. Jefferies: Hi. Sorry. Thanks. Thanks for the presentation, guys. Two questions please.

Firstly, on ARIF, I think Bernard alluded to it at the end there but could you talk about the potential for writebacks that you see there, after the write-down that was taken last year? I think you'd seen some good potential to see those come through.

Secondly, on FEIP II -- good to see that you've closed the first deal -- could you perhaps also give us a sense -- does that indicate we should be getting the first close quite soon? How confident are you feeling around that and subsequent fundraisings and closes, thereafter?

Thanks very much.

Bernard Fairman Gary, would you care to take the first point and I'll do the second?

Gary Fraser: Sure. In terms of ARIF, the original impairments were against the two other funds, DIT and EIT, and not ARIF. ARIF is unimpaired.

With respect to the impairments against those funds, there's a definite likelihood that over the next two years, we'll see some of those impairments being reversed as we start to see a combination of higher fees coming through, whether that's performance fees or management fees, across the Australian business.

So there's definitely a likelihood that we'll see some of the earlier impairments being reversed.

Bernard Fairman: I think off the back of recent events, the Australian acquisition is beginning to prove itself, which I am very pleased about. I always had a lot of confidence in it and this will be demonstrated in the coming weeks.

On the question of FEIP II closing, raising money and how it is going? The answer to that is, in the next few weeks, we'll see a formal end to the first close. Remember, we had a close, last year. There'll be a second part of the first close announced very shortly.

We're working quite hard on a second close, which we hope to happens later this year. We remain confident. Second closes and subsequent closes are always much easier than first closes.

That's where the hard work gets done because lots of people want to see you having done deals. That's where the Harmony deal is really important because there are many investors who, quite rightly, would not invest until they've seen a deal done.

I reiterate that we'll raise at least the EUR1.25 billion that we have released to the market. I hope to exceed that. We're raising money faster than the average. It takes, on average, 35 months for an LP currently to raise from start to finish, we'll improve on that. And I remain confident.

Alexander Bowers. Berenberg: Morning, everyone. Just two questions for me, if I may.

Firstly, on the retail tax efficient products. You saw good gross inflows this year. I think an uptick from last year. I think you mentioned in the presentation pack just targeting GBP600 million gross inflows going forwards.

Can you just talk a bit about the potential tailwind from pensions losing inheritance tax protection going forwards and whether we should expect that GBP600 million to tick up further as that comes into full effect?

And then, the second area I wanted to ask about was the natural capital strategy. I think you've mentioned you were targeting GBP0.5 billion in that space and you're starting marketing this year.

Can you give us any early signs in terms of what fundraising looks like there; and longer term, how big is the strategy? Thanks

Bernard Fairman: Dealing with the retail point first and then, I'll pass to Gary on natural capital. Part of our success in retail fundraising which shouldn't be overlooked is performance. The inheritance tax funds, where we're now the market leader, continue to perform well, which is encouraging flows into that strategy.

I think as other areas for shielding monies get closed down and as the changes to pensions come in, I can only see this product becoming even more appealing. And the fact that we're now number-one in the market, also, I think does have an impact in terms of our ability to be on panels and to raise money at an ever faster rate. So I am very positive, going forward.

Gary Fraser: In terms of the second question around natural capital, we've had a strategy through our business relief fund over the last few years and that's already scaled to GBP250 million.

So I think the EUR500 million target - taking into account that that will be broadening the existing strategy into Ireland and continental Europe - I think EUR500 million final close is eminently achievable for a first fund. Beyond that, I think we can certainly look at scaling that up over the subsequent vintages. So I do think there's sufficient demand there.

Europe already has a lot of forestation. Forestation in the UK is one of the least covered countries. So I think the product is there, the demand is there. We're just matching the two up, giving us the confidence. We're already starting to look at pre-marketing and are having very early discussions with some potential investors, which are going well.

Closing remarks

Bernard Fairman: Thank you very much for attending, everybody. We appreciate the questions that we've received.

I hope that we've laid out quite clearly that our business is somewhat different from most. We're in the middle of a number of significant tailwinds, in terms of both private assets, the energy transition; and also, not to be overlooked, private equity at the regional level - all of which are receiving certainly verbal support from governments across Europe.

Therefore, we think that we are in a position to grow to meet our targets and continue to return cash to shareholders.

Thank you very much, everybody, for joining. We appreciate your time. We'll perhaps see you on the next call.