<u>Foresight Group | LSEG | July 4, 2023</u>

Bernard Fairman (Executive Chairman & Co-Founder):
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 year ended March 31, 2023.

Gary Fraser (Chief Financial Officer):
And I'm Gary Fraser, Chief Financial Officer of Foresight. Today, we will update you on our exceptional performance and impressive financial results for the year as well as the first quarter trading in FY24 and the outlook for the rest of the year.

Bernard Fairman (Executive Chairman & Co-Founder):
I'm pleased to report that it's been another year of highly profitable growth for Foresight. We delivered an excellent performance ahead of both our own and market expectations, extending our track record of delivering against our ambitious growth targets and enabling us to materially increase our shareholder returns with a very significant increase to the dividend.

I'd like to start with a reminder of our excellent track record of profitable growth over the last five years, AUM has grown annually by 37% compound. And over the last three years, core EBITDA of pre share-based payments, our core profitability metrics has grown annually by 28% compound. This has accelerated over the last year.

During that time, we've delivered AUM growth of 38% and core EBITDA pre-SBP growth of 58%, leading to a record level of profitability for the Group. As you can see from the charts, our track record of profitable growth is both consistent and impressive.

Turning now to slide 5, looking here at the acceleration in growth we've achieved in FY23 and tying that back to delivery against our four strategic growth targets. Firstly, growth, we grew AUM by 38% in the year to £12.2 billion, well ahead of our 20% - 25% target.

And FUM, which represents our fee earning assets under management increased by 35% to £9.0 billion. The notable increase in annual growth can be primarily attributed to the successful execution of our acquisition strategy with infrastructure capital and the technology ventures division of Downing, both being financially and strategically accretive to the Group.

And as you may recall, we made a commitment that all acquisitions we make will be earnings accretive and we're not interested in anything that isn't. Additionally, our franchise benefited from organic growth within our higher margin strategies. Our retail fundraising team was successful in creating strong demand for our tax efficient products and we launched four new regional private equity funds, materially expanding our footprint in this market.

Secondly, high-quality earnings. A highly predictable revenue model provides us with excellent visibility on earnings and at 87% is comfortably within our target 85% to 90% range. This visibility allows us to match our cost base to revenues and ensure that we continue to grow profitably. As we enter FY24, our revenue will benefit from a full year of fees from the significant growth in AUM delivered in FY23, which Gary will outline later.

Thirdly, operating leverage. Our core profit margin increased by 5.1% to 42.1% as we grew revenue significantly faster than costs. This positions us well to meet our 43% medium-term target. Our continued progression in this area provides evidence of our scalable platform, facilitates the margin expansion, whilst allowing investment for future growth.

And finally, to shareholder alignment. In line with our dividend policy to pay a total dividend of 60% of profit after tax, we're announcing a final dividend of 15.5p per share, an increase of 46% on a full year's basis. This reflects both our successful performance in the period and the confidence of the Board in the positive outlook for the Group.

Moving on to slide 6, this outstanding performance in the year once again reflects the strength of our diversified and resilient business model. To recap, our AUM is well spread across both retail and institutional investors, providing us with a consistent stream of gross retail inflows from around 40,000 retail investors driven by our in-house sales team. And this complements the more sizable long-term institutional fund raises.

Our business model, consisting of infrastructure, private equity, and Foresight Capital Management provides resilience against prevailing macro conditions as well as providing synergies by leveraging complementary skill sets.

We're well diversified by fund side with over 60% of our funds in evergreen or listed vehicles, giving us long duration capital and a further 25% in LP structures with an average remaining life of 12 years. This provides us with a very high degree of certainty on future base revenues and allows us to plan accordingly.

And we're also well diversified by geography, expanding our geographic footprint across Europe and Australia demonstrated through our acquisition of infrastructure capital. The US also remains a core target market for us. We've already made inroads there through our partnership with Cromwell within the sub-advisory market for our OEICs. At the end of the financial year, 43% of our AUM was outside the UK compared with 23% at IPO. This is a directional of travel that we expect to continue and intensify over time.

So, we have diversification through our investor base, our investment divisions by vehicle type and by geography. And this allows us to respond to opportunities as they are identified, leveraging our broad skill set to deliver consistent and profitable growth. I'll now pass you over to Gary, to take you through the financials.

Gary Fraser (Chief Financial Officer):
Thanks Bernard. So turning to slide 8, and you can immediately see that these metrics reinforce the message that you've already heard from Bernard and that is that it has been an outstanding year for the Group. AUM and fee earning assets under management were up 38% and 35% respectively, driving a 38% increase in revenue to £119 million. This is a significant milestone for the Group being the first year that we've generated over 100 million of revenue, demonstrating that our business is growing and fast.

It is also worth making the point that this growth does not come at the cost of profitability with core EBITDA pre-SBP up 58% at over £50 million, demonstrating the significant operating leverage in the business.

Additionally, we improved our core EBITDA margin by 5.1 percentage points in this year to 42.1%, putting us right on track to deliver our medium term target of 43% in FY24. This target is not a ceiling. We believe that we can continue to grow profitability, adding further operating leverage as our strategies add scale over the longer term.

This outstanding performance has enabled us to materially increase our shareholder returns. And therefore, by maintaining our dividend payout ratio at 60%, we have significantly increased the total dividend in the year to 20.1p, an increase of 46%.

So turning to Slide 9 and looking at these key financial metrics in more detail, we'll start with AUM. This slide focuses on the significant progression of our AUM growth since FY18. As you can clearly see from the chart, we have consistently added to the Group's AUM year-after-year with each of our three business divisions contributing to deliver an impressive overall increase in AUM of 4.7 times, taking AUM from £2.6 billion to £12.2 billion over five years.

Drilling down into the divisional contribution, infrastructure remains the largest division by AUM and increased by 4.4 times over the last five years. Growth delivered through organic and inorganic sources, e.g., acquisitions of Infrastructure Capital Group in 2023 and the investment mandates of JLEN and PiP in prior years, the successful launches of our FEIP strategy, the IPO of Foresight Forestry and tap issuances from our other listed funds such as FSFL and JLEN.

PE division has doubled AUM since IPO and delivered an increase of 3.4 times over five years of exceptional growth in FY23. Some highlights from FY23 includes a significant expansion of regional growth strategy with three new funds in the UK and a first fund in Ireland. Our acquisition of Downing ventures complements the existing venture offering accelerating growth and presence in this area.

Foresight Capital Management or FCM has grown by 10.6 times despite net outflows in the current year. Our in-house sales team are still seeing strong demand for these sustainable strategies across the UK IFA wealth manager networks and gross inflows remain robust. This division still has high growth potential, benefiting from scalable operations, and we are actively pursuing further distribution strategies following our recent expansion into the US, our US sub-advisory mandate with Cromwell.

Turning now to Slide 10. Post-IPO, AUM has grown by 69%, being a mix of both organic growth of 31% and strategic acquisitions of 69%. We can expect further organic inflows via institutional fundraising to drive growth over the coming year.

Drilling down further into our exceptional growth in FY23, acquisition activity drove a step change in AUM to £12.2 billion, an increase of 38% in the year. On the retail fundraising side, net outflows in the lower margin OEIC products were driven by challenging market conditions as markets experienced a reset in valuations against the backdrop of persistent inflation and central banks increasing the pace of interest rate rises. However, this was largely offset by continued strong growth flows into high-margin retail products driven by our in-house sales team and also our institutional regional private equity vehicles.

Additionally, we saw a negative £0.2 billion movement in the year, primarily due to a strengthening of sterling against the Australian dollar in H2 post the acquisition of

Infrastructure Capital Group.

Now onto slide 11. Moving on to revenue, 87% was driven by high quality recurring annual revenues, right in the middle of our target range of 85% to 90%, whilst at the same time, continuing to deliver strong growth, up 38% year on year to £119.2 million. £20 million of the £33.1 million increase was organic showing the impact of growth in AUM in FY22 flowing through to the FY23 P&L.

And looking ahead to FY24, we have a very high level of confidence that we're going to materially grow revenues year on year. By simply annualising the recurring revenues we generated in H2 to allow for the acquisitions, and rolling forward all other revenues at the same level as FY23, our revenue in FY24 would already be 11% higher than FY23.

This provides us with a strong base level of growth before delivering on any of our incremental fundraising plans for FY24. That certainty of revenue generation facilities business decision making and is a core strength of our recurring revenue model. It is also worth noting that we added diversification to our revenue stream in the year through geographic expansion, more than doubling our non-sterling denominated revenue contribution from £7.5 million in the prior year to £19 million or 16% of total revenue.

Moving on to slide 12 and costs. Cost grew marginally ahead of guidance at 12.9%, excluding acquisitions, significantly lower than the revenue increase I've just taken you through. And we expect FY24 costs to grow at a similar rate. We were able to largely deliver on our cost guidance due to continued strong cost discipline and steady investment.

Clearly, Foresight benefits from recurring and predictable revenue streams, allowing us to plan ahead for multiple years. We are now estimating an effective tax rate of 20%, reflecting higher UK corporation tax rates and an increased presence in Australia.

Moving on to slide 13. We will continue to invest in our most important asset, our people, to deliver enhanced returns for investors. At the year end, our FTE had increased to 361 from 261 in the prior year. This growth was largely driven by the 56 people acquired through acquisitions, including around 25 additional asset management employees in the ICG business.

Outside of the acquisitions, we invested in a number of key areas, including but not limited to new regional teams to support PE fund expansion and increasing our ratio of investment professionals to 48% from 44% previously.

At Foresight we believe that continued investment in our wider workforce creates a differentiated capability that sets us apart from our peers and enables us to deliver enhanced returns to investors. For example, through high-quality, in-house asset and portfolio management, we are able to extend asset lives, negotiate strong performance guarantees, source and evaluate high-quality deals in even the toughest markets, leverage expertise across the portfolio, create innovative and motivational deal structures and refinancing packages and differentiate our offer to LPs and build market-leading management teams.

These capabilities were integral to the Group's outstanding increase in profitability in FY23 with, for example, £3.6 million generated in performance fees from the sale of two solar asset portfolios.

Turning to slide 14, you can see the evidence of how these profitable realisations have combined with wider business performance to deliver a 58% jump in core EBITDA to £50.2 million as revenue growth continues to outpace cost increases with no pressure to fee margins.

As a result, we have also made significant progress towards our medium term target set out at IPO of 43% core EBITDA profit margin in FY24, delivering a 5.1 percentage point increase in margin to 42.1% in the current year.

This outperformance meant that we saw multiple upgrades to analyst consensus over the course of the year, reflecting the generation of performance fees and success in fundraising and acquisitions. We are confident that we will continue to grow our core profitability and profit margin as the business scales and specifically on delivering on our profit expectations for FY24.

Moving on to slide 15. Underlying earnings per share increased during the year to 34.6p in FY23. And this translated into a full year dividend of 20.1p per share for FY23 and an increase of 46% over the 13.8p per share paid in FY22. And on that note, I'll hand you back to Bernard, for an update on current trading and outlook.

Bernard Fairman (Executive Chairman & Co-Founder):
Thank you, Gary. Moving on now to slide 17, significant market opportunities. And I want to remind you of the size of the market opportunity that we benefit from in terms of the energy transition, in particular, before taking you through our broader fundraising plans and an update on our outlook and trading in Q1 FY24.

Foresight is 40 years old next year and one of Europe and Australia's most established real asset investors. We've been investing in the renewable energy transition for over 15 years, and these markets are growing rapidly as the demand for cleaner, greener energy continues to increase, driven by a growing demand for energy transition strategies and a recognition of the importance of energy security.

In 2022, global investments in energy transition technologies reached a record high of USD1.3 trillion, and this level needs to quadruple to remain on the 1.5 degree pathway. This would represent a cumulative investment opportunity of USD44 trillion between now and 2030, of which 80% will need to be in energy transition technologies.

Added to this, a renewed focus on energy security and helpful government policies such as the US's IRA and the scope of the market opportunity where over 50% of our existing AUM is invested, it becomes very, very material.

Our infrastructure investment strategies cover the whole spectrum of renewable energy generation and transition as well as wider economic decarbonization, resulting in us being well positioned to support the broader energy transition for investing capital in the real assets that are driving this change.

And turning now to slide 18, multiple levers to deliver further profitable growth. This gives you an overview of our ambitions in this area. As those of you who follow us are probably aware, our focus for FY24 is organic growth. We have a strong pipeline of fundraising across asset classes scheduled for this year and beyond.

And this includes established strategies such as ARIF and FEIP alongside new opportunities such as core European renewables and our expansion into adjacent asset classes such as hydrogen, which we believe will play an increasingly important role in the transition to a more sustainable and secure energy provision.

We benefit from having multiple levers for growth. And in addition to organic fundraising outlined above, we continue to assess the market for accretive M&A opportunities. We've been pleased with the performance of our FY23 acquisitions to date with ARIF raising AUD129 million since the acquisition. And with a growing track record building on the previous successes with PiP and JLEN, we believe we're an attractive partner and continue to see a good pipeline of acquisition opportunities.

Moving on to slide 19, to review our current trading and outlook. We estimate that our AUM at the end of June was marginally lower at £12.0 billion. We raised new retail money which was offset by the lower margin loss of OEIC money and a negative FX adjustment as the pound strengthened against the Australian dollar. We're pleased to see our diversified approach continuing to deliver resilience in today's market and look forward to the OEICs returning to growth when conditions become more favorable.

As we look ahead to FY24, we can see a high degree of revenue visibility from capital delivering recurring revenues. And this visibility facilitates long-term decision making and effective cost management. We're confident in our ability to continue to deliver on our growth targets and anticipate continued fundraising into high margin retail vehicles with additional institutional fundraising and M&A. Timings are, of course, unpredictable for both.

Finally, to close our presentation today, I want to remind you of who we are. We are a sustainability-led international infrastructure and regional private equity investor. We have a diversified and resilient business model with recurring and predictable long-term revenues, and we remain ideally positioned to capture the long-term structural growth trends in our key markets.

Our model is highly scalable, so we can continue to deliver future growth. We have a demonstrable track record of profitable growth and delivering against our strategic targets. This is underpinned by our strong entrepreneurial culture and the talents of our people, which when combined enables us to consistently deliver profitable growth and shareholder value, as you can see from the statistics on this slide. Thank you all for your time this morning. We'll now take your questions.

Q&A

Tom Mills (Jefferies):
Hey, good morning, guys. I had a couple of questions, please, and thanks for the presentation. I think everyone who knows the alternatives industry knows about the challenges of the denominator effect for LPs, but perhaps taking a longer term view, could you give us an idea of what some of the larger LPs are telling you about their allocation intentions particularly as it relates to renewable infrastructure?

And then secondly, Bernard, I think you gave a recent newspaper interview where you talked about the potential for Foresight to partner with potentially a large balance sheet player to accelerate and scale product rollout, could you maybe expand on that as well, please? Thanks very much.

Gary Fraser (Chief Financial Officer):
Thanks, Tom, it's Gary here. On the first question, I think in terms of institutional LPs, I think our offering is so differentiated from a lot of players out in the marketplace that we're actually gaining a lot of traction in our four key institutional funds that we're out raising at the moment. I think certainly we're not immune to the fact that there's been certainly a drift in some of the institutional fundraising, I think I saw statistics that Q1 to the end of June was down 97%.

But in saying that I'd say we're getting a lot of buy-in and a lot of momentum from our institutional LPs. And so although I think you'll see a number of first closes weighted towards H2, because of the product offering we're differentiated from others. We therefore still have a high degree of confidence in terms of institutional fundraising for the year.

Bernard Fairman (Executive Chairman & Co-Founder):
And Tom, it's Bernard, here. Just to answer your other question, I think we can see our underlying markets expanding in terms of the rates of growth from 20% upwards. I think our natural fundraising rate is such that we need to accelerate our fundraising for us to retain our market share.

So how to resolve that issue, how to materially increase our rate of raising money and the solution we've come up with is to seek a big brother if you will, which is what that article alluded to. It will assist us with distribution and probably cornerstone our new institutional funds as they come out. It's always the most difficult as everybody know to raise the first monies. The last monies are always a lot easier.

So it's the underlying market, the fact that we've got not the slightest intention of losing market share, we want to do the opposite. The underlying market is increasing materially in terms of its size and we want to be able to meet those opportunities.

David McCann (Numis):
Good morning. I just wanted to follow up on Tom's question there, the latter question. So if you see this as a solution that you envisage, does that mean the Group remains listed, or does it become owned? I'm just trying to think how should the market think about the ownership structure of the Group and what that might mean, given what you then discussed about the first question.

And then secondly, just a smaller question, you have in the annual report a reference to an acquisition you've made post period end of a business called Wellspring, could you give us more details of that, please?

Bernard Fairman (Executive Chairman & Co-Founder):
David, yes, thank you very much. I think the answer is if you're us and if you're in one of the fastest growing markets in the world, you've got to be out there talking to counterparties, big and small. And I'm certainly doing that.

What that will result in who knows. I mean, people do deals with other companies all the time and there are different forms. I don't know the answer. I genuinely don't know. But what I do know is we need to combine our entrepreneurial culture and our 40 years next year in the market with a bigger balance sheet in one shape or form in order to grow faster because our market is growing faster. And as I said earlier, I'm not of the slightest intention of losing market share. Gary, over to you for the second one.

Gary Fraser (Chief Financial Officer):
Yes, in terms of the second question, so the acquisition after the year end totalled £4.8 million and is effectively a PFI contracts business, and we're already invested in a number of PFI businesses. And therefore, it seems to sit well within our business currently.

And although it was £4.8 million, it will add about, on an annualised basis, £1.2 million to revenues and £0.9 million to profit. So it was a very low multiple of cost that fits in well with our existing businesses. So we look forward to moving that forward very soon. It obviously completed earlier in June, and we think it will be a very good acquisition for the business.

David McCann (Numis):
Thank you for that. Could you just confirm on that one what quantum of asset under management and what segment of the business that's consistent that's going to sit in?

Bernard Fairman (Executive Chairman & Co-Founder):
That will sit within the infrastructure part of the business where we have an existing PFI team. The assets of the business effectively contracts to manage PFI businesses. But in terms of AUM, it will add about £100 million to AUM.

Bernard Fairman (Executive Chairman & Co-Founder):
Well, thank you very much, everybody for attending. It's been a year of significant growth. I think we're addressing two fast-growing markets in the shape of the world energy market in a situation where we're transitioning from fossil fuels to basically electrification and other forms of new fuels like hydrogen. We're at the forefront of all of that process.

One shouldn't forget the UK-based regional private equity business, which is also growing rapidly and where I think we're fulfilling an important need. Back in the day, I used to work for a company called ICFC, which became 3i that owned that market. And we're now one of the two major players in that market. It's a profitable business, one we don't talk about as much, has improved, but an important part of our overall mix.

And you will have seen that we've expanded that in the last year materially with new offices, including a new one in Dublin. At some point, we'll take that formula and apply it overseas, possibly in Australia where we have existing footprints that we can utilise. So thank you very much for your attention. Thank you very much for your questions. I think we've got an interesting year ahead. Thank you all.