

## CORPORATE PARTICIPANTS

**Bernard Fairman** *Foresight Group Holdings Ltd - Executive Chairman and Co-Founder*

**Gary Fraser** *Foresight Group Holdings Ltd - Chief Financial Officer and Chief Operating Officer*

## PRESENTATION

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### Operator

Good morning, everyone, and thank you for joining us today for Foresight Group's full-year results presentation for the year ended March 31, 2024. If you've joined us via Zoom webinar, please note that this call is being live streamed to webcast for a wider audience and will be recorded. By participating in a Zoom webinar, you are agreeing the recordings made during this event may be shared by Foresight Group.

I would now like to hand over to Bernard Fairman, Executive Chairman and Co-Founder of Foresight Group, to open the presentation. Please go ahead.

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### **Bernard Fairman** *Foresight Group Holdings Ltd - Executive Chairman and Co-Founder*

Good morning. I'm Bernard Fairman, Executive Chairman and Co-Founder of Foresight Group. I'm delighted to welcome you to Foresight's full-year results for the year ended March 31, 2024. Before addressing Foresight Group's performance in the last financial year, a reminder of who we are. This year marks our 40th in business, and whilst we've evolved considerably over that period, our fundamental purpose remains the same today as it was in 1984: to invest, build and grow companies and create value for our investors.

Today, we are an alternative asset manager, operating through the divisions of Infrastructure, Private Equity, and Foresight Capital Management. Our long-duration real asset strategies focus on investment opportunities created by the global energy transition and wider decarbonisation agendas as well as natural capital and broader infrastructure.

I believe that the energy transition is the largest investment opportunity in a generation with global investment levels required to nearly triple to an estimated \$4.8 trillion per year by 2030 to remain on track to achieve global net zero targets.

In addition, we have a successful regional private equity strategy focused on generating excellent returns, investing in small and medium-size enterprises throughout the British Isles. As is the case with many countries, the UK and Ireland SME funding markets are structurally underserved with an estimated equity capital gap of over GBP15 billion in the UK alone.

Finally, our liquid strategy, Foresight Capital Management, leverages our expertise from infrastructure private markets. Together, these divisions bring investors closer to some of the world's most exciting emerging investment opportunities combining to deliver scalable, predictable, and profitable growth.

Looking now to our performance in FY24, a year in which the Group showed strong earnings momentum, whilst demonstrating the multiple drivers of growth we have across our strategies, we've maintained a track record of profitable growth post-IPO. This track record has been driven by long-term structural growth in our key markets of the UK, Australia, and mainland Europe, complemented by our highly scalable platform that can capitalise on these trends.

Our revenues are predictable, and we have good visibility on future earnings, which helps to underpin our growth strategy. And this performance is built on robust foundations. 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 backing growth companies.

Taking profitability first, you can clearly see our track record in the chart on slide 6. We grew core EBITDA pre-SBP by 18% in the year and achieved a 35% compound annual growth rate when looking at the last three years performance. Over that three-year period, 70% of the growth was driven by the success of our organic strategy, which is in line with our expectations of IPO, with a 30% contribution from strategic acquisitions. But we've not just grown profits, we've also scaled the business, growing our margins from 34.6% to 42% over the same three-year period and achieving 43% in the second half of FY24.

Turning now to slide 7. The trajectory of our profitable growth has been underpinned by our growing asset base. AUM closed FY24 at GBP12.1 billion and has since grown to around GBP12.6 billion as a result of institutional and retail fundraising in the first quarter of the new financial year.

In FY24, our asset base demonstrated resilience, reflecting a high proportion of long-duration capital across our private equity and infrastructure divisions. Our more liquid division, Foresight Capital Management, benefits from highly scalable strategies with multiple distribution channels. Although the division saw net outflows in the year, we're confident that we can reverse that trend as interest rates begin to fall.

Post period end, we've seen improving sentiment within institutional infrastructure fund raising, which we expect to continue throughout the year. As an example, the second vintage of our flagship energy transition fund, FEIP II, achieved the first close of EUR300 million earlier in the month.

Moving on to slide 8, which demonstrates the ongoing success of our diversified model. With three core investment divisions, Infrastructure, Private Equity, and FCM, and over 90% of our assets held in evergreen or limited partnership vehicles, we're able to deliver consistently over the long term for our shareholders, with strong distribution capability reaching over 40,000 retail clients and 200 institutional investors to whom we market our products.

Our geographic footprint is also growing with high-quality origination opportunities across the UK, Europe, and Australia, supported by a network of local offices. Together this gives us great confidence that we have a large and diversified business addressing significant and rapidly growing markets.

I'll now hand over to our CFO, Gary Fraser.

**Gary Fraser Foresight Group Holdings Ltd - Chief Financial Officer and Chief Operating Officer**

Thanks, Bernard. Turning first to slide 10, on AUM, which was broadly flat at GBP12.1 billion during the 12 months to 31 March 2024, with growth slowed by the challenges of raising large institutional infrastructure funds in a high interest rate environment. Our resilience was a function of strong gross inflows of GBP436 million into higher margin retail products delivered by our 50 strong in-house sales team alongside continued successful private equity institutional fundraising of GBP134 million.

This included the launch of two new regional funds in Wales and Northern Ireland, representing a further expansion of our local footprint. In combination, these inflows offset GBP446 million of net outflows in lower margin OEIC products within our FCM division. These outflows were principally driven by challenging wider market conditions. The net impact of these movements resulted in an improved AUM and FUM mix when compared with the prior year, as evidenced by the marked increase in profitability during the period.

Moving on to slide 11, in revenue, our improved FUM mix in combination with a full year of revenues from FY23 acquisition activity drove strong growth of GBP22.1 million or 19% year on year to GBP141.3 million in total. Our revenues remained of a high quality with 87% of total revenues recurring annually - which is right in the middle of our guided range. We also continue to diversify our revenues with 21% non-GBP denominated, an increase from 16% in the prior year and a trend that we expect to continue as we increase our international reach.

Turning to costs. During the period, we effectively managed costs in what was a high inflation environment. Above historical average salary increases and a one-off expense in relation to cost saving initiatives drove a year-on-year increase in FY24 costs of 12% when compared with our rebased FY23 costs of GBP76.7 million. This increase excludes a noncash adjustment for an impairment of intangible assets. Looking ahead, we expect cost growth to moderate as inflation eases.

Now profitability, strong 18% year-on-year core EBITDA pre-SBP growth was driven by successful prior year and year-to-date fundraising into higher margin and longer tenure vehicles, the annualisation of FY23 M&A activity, and effective cost management, as mentioned earlier. In terms of margin, we delivered a 42% margin for the year with H2 FY24, achieving a 43% margin, in line with our medium-term target set at IPO.

Finally, FY24 represented another strong year of cash generation. The chart on the left illustrates the close alignment between our key profitability metric, core EBITDA pre-SBP and cash generated from operating activities with the main difference being the timing of cash received in relation to debtors.

The chart on the right illustrates that we continue to remain strong and active stewards of cash that we generate. With excellent visibility over future revenues, we are able to be very efficient in our approach to capital allocation and therefore maximise shareholder value.

For example, the Board is recommending the payment of a 15.5p final dividend matching that paid in the prior year and increasing the total dividend by 10% to 22.2p versus FY23. This reflects a high level of cash generation and core EBITDA pre-SBP in FY24.

Following further cash generation post year end, we are also extending our buyback policy, doubling the amount that we have allocated to this program, which we believe is an optimal use of the Group's cash resources.

So turning to guidance, we have now been listed for three years entering the FTSE 250 last summer. As you can see from the charts on this slide, our performance in that period has been excellent with a strong track record of delivery against the ambitious targets that we set out at IPO. Having achieved significant growth, we feel that now is the right time to evolve our guidance on the future growth of the Group.

Looking at slide 17, we have always focused on delivering profitable growth for our shareholders, but we are now updating our guidance to directly align with this ambition, specifically to double core EBITDA pre-SBP over the next five years. This is our key profitability metric, and as I explained earlier in the presentation, is the best measure that we have for cash generation.

The doubling will be delivered organically, building on the materially larger business foundation that we have today with a five-year horizon, allowing us time to launch multi vintages of a number of our highly scalable infrastructure strategies. In favorable equity markets, accretive M&A will remain a focus, but will be incremental to our guidance and seen as an accelerator of growth.

Alongside delivery of our growth guidance, we will operate the business with good revenue visibility guiding to the existing range of 85% to 90% recurring, an expanding profit margin as the business scales, a dividend payout ratio of 60% of part of a clear approach to capital allocation. And we are confident that our business is excellently positioned to deliver on this guidance being underpinned by multiple drivers of growth, which is a clear benefit of our diversified model.

Turning to look first at our long-established highly profitable foundation strategies. Our regional PE and tax-efficient products benefit from long duration capital inflows into higher revenue margin products. With nearly daily inflows into our tax-efficient products providing consistency, we have a number of market-leading capabilities across these strategies.

For example, in our retail sales team, who provide full UK distribution coverage, ensuring that our products reach the relevant audiences. This team has delivered success consistently with strong results already in the first quarter of FY25, and also in our approach to origination and regional PE, with boots on the ground across the UK and Ireland, sourcing investment opportunities and facilitating attractive entry multiples through a comprehensive network of contacts.

This combined with a robust track record provides strong returns to our investors. To maintain and further enhance our competitive position in these markets, we continue to innovate and have a pipeline of future products ready to address investor demand. These factors combined to give us a high degree of

confidence that these strategies will continue to deliver profitable, consistent growth for our business and provide strong foundations for the Group.

Now turning to slide 19. We have also developed a number of highly scalable strategies within our infrastructure and FCM divisions that are designed to capitalise on rapidly growing markets. Specifically, we invest in opportunities that support the global energy transition and wider decarbonisation agendas through both private and listed strategies.

Drawing on the years of experience in these areas, we offer comprehensive investment solutions that cover every aspect of the investment process. Our broad geographic reach supports our successful track record in fundraising and deployment. An excellent example of our success is FEIP, our flagship energy transition fund, which closed its first vintage in September 2021, 70% above its target raise.

This alongside the pipeline of new products that we've developed, including a hydrogen fund in pre-marketing and FCM's listed equity strategies, as the macro environment becomes more favorable, gives us a platform upon which we can build and creates confidence in our ability to identify, develop, and launch new products that meet investor demand and achieve target returns.

The combination of our highly scalable and highly profitable strategies provides confidence in our ability to deliver our guidance of doubling of core EBITDA pre-SBP in the next five years through organic growth.

I'll now pass you back to Bernard.

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**Bernard Fairman *Foresight Group Holdings Ltd - Executive Chairman and Co-Founder***

Thanks, Gary. Now looking ahead to FY25. We started the year strongly with AUM and FUM both closed in Q1 up around GBP500 million at circa GBP12.6 billion and GBP8.9 billion, respectively. A key driver of this increase was the first close of FEIP II of EUR300 million, which included one sovereign wealth fund as a cornerstone investor.

This first close was achieved less than six months after the investment period closed on FEIP I, having achieved the deployment target by making 15 investments across nine different technologies, including wind, solar, pumped hydro, and international interconnectors. Reaching this milestone underscores the quality and demand for this energy transition product and contributes to our wider Group aim of raising multiple institutional infrastructure funds.

Also, in the period we've invested in the construction, financing, and commissioning of a 267MW solar park in Greece. As part of this investment, we leveraged our expertise to originate and source co-investment and arrange financing for this project, underscoring the growing reputation and comprehensive capabilities of our infrastructure division. This investment also represents an expansion of our geographic footprint with a new local presence being established in Athens.

During the period, we completed four private equity exits with an initial investment of GBP17 million, returning GBP66 million in sales proceeds.

In addition, today, as Gary has already mentioned, we are pleased to announce a doubling of the total allocation of our share buyback program, which the Foresight Group Holdings Board has determined is an optimal use of cash resources.

We're very pleased by our progress in Q1 and remain confident in being able to deliver further profitable growth in FY25 and beyond, with the key near term drivers being the full-year benefit of the recurring revenues provided by FY24 growth, multiple fundraising opportunities across our scalable institutional infrastructure strategies, consistent fundraising of our well-established retail distribution platform, and the continued expansion of our regional private equity strategy.

In summary, we delivered another strong year of profitable growth, extending our very long track record as we continue to capture the opportunities presented by the structural trends in our markets. Our organic strategy has been core to our success, contributing the lion's share of our growth over the last three years.

The first close of FEIP II demonstrates the improving sentiment for institutional fundraising that we're seeing in the market. We carry strong earnings momentum into the current financial year and as we've demonstrated, we have multiple drivers for further growth. We have long established highly profitable strategies, market-leading capabilities across these strategies, and our diversified model is highly scalable. Combined, these trends give us confidence we will create further shareholder value in FY25 and beyond.

Thank you very much for listening. I will now take your questions.

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## QUESTIONS AND ANSWERS

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### **Tom Mills *Jefferies Financial Group Inc.***

Good morning, guys. Thanks for the presentation. I just had a question on the institutional fundraising pipeline. Clearly, you've had a good start to FY25, the first close FEIP II. Just wondering how you see things playing out potentially with scope for a second close, could we maybe see that before the financial year end? And how should we think about the phasing of fund raising for the hydrogen strategy you've got in pre-marketing? Thanks very much.

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### **Bernard Fairman *Foresight Group Holdings Ltd - Executive Chairman and Co-Founder***

Tom, hello there. The answer to your question, I think is I'd be amazed if we don't see at least one more close on FEIP II during this calendar year. And I would expect two more during this financial year.

One thing to say is that the two investors, who came in on the first close, clearly both did a lot of work on our pipeline and further follow-on investments because they needed that to encourage them to come in early. So they have from their point of view satisfied themselves that we've got lots of people who are looking at the fund and working on investing sometime soon.

I think on hydrogen, clearly this is a fairly new market, although hydrogen has been around as a fuel for quite a long time. We've got several big funds doing due diligence now with a view to first close.

As you might recall, the plan is to have a number of flagship funds which raise money sequentially. So this year as it happens, we've got two or three raising money at the same time. That's the plan.

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**James Allen *Liberum Capital Limited***

Hi, morning, Bernard. Morning, Gary. I'm relatively new to the story, so forgive me if some of these questions seem a bit simple. I've got four questions, if I may. They should be quite quick. First one, discount rates have risen across your various funds over the last few years. Could you give us a broad-brush estimate of the impact on NAV and therefore management fees at the Group level, and say a 1% fall in discount rates coming back down the other way as base rates fall.

Secondly, why is a 43% medium term EBITDA margin, the right number?

Thirdly, revenue generation from foreign currencies looks like it's going to continue growing given the Greek solar deal you've announced. How do you plan to manage currency translation risk going forward as that grows?

And then finally, the target to double core EBITDA over the next five years - so broadly going from circa GBP60 million of EBITDA to GBP120 million. Of that GBP60 million increase, what do you expect the contribution to be from the three different businesses? Thanks.

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**Gary Fraser *Foresight Group Holdings Ltd - Chief Financial Officer and Chief Operating Officer***

Okay. So first question was about discount rates and how does that flow through to management fees if there's a 1% fall. I think the reality here is for a lot of the infrastructure funds, the management fees are related to a committed or deployed capital and not necessarily related to the NAV. However, it is true that on the investment trusts, they are related to the NAV, and therefore, of the investment trusts -- the two main investment trusts are probably about GBP1 billion of FUM and a 1% reduction will probably add maybe GBP50 million-plus in terms of NAV, maybe a bit more than that.

So I think it would certainly add between GBP1 million and GBP2 million to revenues and most of that would flow through to the bottom line because clearly these are already well resourced funds. So I think it will have a direct impact, both in terms of top line and bottom line in that regard. We can certainly come back with more detailed numbers in due course. But my estimate would be between GBP1 million and GBP2 million to the bottom line.

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**Operator**

And then the second question was about why 43% core EBITDA margin is the right number?

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**Gary Fraser *Foresight Group Holdings Ltd - Chief Financial Officer and Chief Operating Officer***

Yes. So going back into the annals of time, when we first IPO'd, the target was 40%. But when we listed, we changed from UK GAAP to IFRS. And that meant that the change in the accounting translated 40%

into 43%. So that is why it's such a strange number in terms of 43%. The original target was 40% under UK GAAP. So over the medium term, we expect -- now that we've hit that 43% target, we expect to move that forward.

I think as we really scale the business and take advantage of the various platforms and multiple fund vintages on the institutional side (that Bernard alluded to in the first question), then I'd like to see us moving that up and it's certainly my aspiration that we hit mid-40s over the next few years, and then up over 50% thereafter. So we haven't arrived at our final destination in terms of margin, and it's certainly one that we want to push over 50% in the medium to long term.

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**Operator**

And the third question was around the management of increasing currency translation risk amidst the likes of the Greek investment.

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**Gary Fraser Foresight Group Holdings Ltd - Chief Financial Officer and Chief Operating Officer**

So I assume we're talking about currency risk from a Foresight perspective as opposed to investor perspective, because the investors clearly are happy with Euro risk. A lot of the investors in the funds that will be investing are actually Euro denominated funds and therefore, that's a priority there.

So in terms of Foresight, we obviously have quite a large Euro business. We've got offices in Spain, Italy and Luxembourg. Where we see medium to long term risks, we will hedge that. We tend to hedge capital transactions rather than revenue transactions. We tend to translate the latter as and when they arrive.

So for instance, when we bought the Australian business, we hedged a large part of that over a prolonged period of time. We're benefiting from that now because the rates have since gone up. So it is something we look at. We do hedge things over the longer term, but it tends to be more capital based than revenue based.

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**Operator**

And then the final one was in terms of the doubling of the core EBITDA as the growth target and what is the likely divisional contribution to that doubling?

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**Gary Fraser Foresight Group Holdings Ltd - Chief Financial Officer and Chief Operating Officer**

So in terms of the doubling, I think we're moving forward across all of the divisions over the next five years. The principal increases will be through Infrastructure and FCM because there's real scalability in those parts of the businesses. We might see further increases in Private Equity (already at a high margin), so pushing ahead in terms of FCM and Infrastructure as we start to see a more benign interest rate environment - where hopefully we'll start to see that come through in the August monetary policy decision making.

So in terms of absolute numbers, I would expect Infrastructure to almost double during that period. FCM to more than double during that period. So I think the principle contributors will be Infrastructure and



FCM because those see the real benefit of a more benign interest rate environment. But clearly, Private Equity will also contribute as well.

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**Jens Ehrenberg *Investec plc***

Morning guys. A couple of questions from my side. And just on the doubling of the core EBITDA pre-share-based payments, obviously great to see another ambitious growth target there. I suppose growth is never really linear in these types of businesses. How do you see that progressing over the next five years?

And if I think about your product offering, are you happy with the strategies that you have at the moment and you're just thinking about scaling them out? Or do you expect quite a few new strategies coming into this.

The second part of that question: if I understood correctly, it's a purely organic growth target, what does that mean with regards to M&A? Should we read into this that is slightly low on the priority list now?

And then just final one in case I missed it but any thoughts, news on the distribution partner potential going forward? That's all I got. Thanks.

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**Bernard Fairman *Foresight Group Holdings Ltd - Executive Chairman and Co-Founder***

Let me start off with the middle question. We've been crystal clear to investors that we will not make earnings-dilutive acquisitions. At the minute, if you look at consensus forward forecast on an EBITDA basis, we're sitting in high single figures. If you want to buy something in the private markets, you're looking at 15, 16, 17, 18 times.

And so the opportunity to make significant acquisitions right now doesn't exist because this is reverse arbitrage, if you will. I'm sure in due course that will change. But we are where we are at the minute. There are a couple of small deals that we're currently looking at and may well do. But that's why you'll see that we've talked about growth, purely in terms of organic growth. I mean, many people think organic growth is the best growth, and I think I tend to agree with that. But that's why we've got to that point.

I think in terms of funds and the funds that we offer, the point here is that we've got two tigers by the tail simultaneously. One is the energy transition, where there is not enough money in the world to finance it. In the last year, 2023, the world spent approximately \$1.8 trillion on energy transition investment but the requirement is approximately \$4.8 trillion per annum to meet net zero targets.

So we were spectacularly below where we need to be. And that's true for the UK too, which is why I think that the products that we're offering have got huge scalability. I mean, we clearly know what we're doing - we're producing results, we're making investments, we can scale up significantly in terms of money that we raise because there's no shortage of deals.

I think that's also true in Private Equity. I mean, there's probably a doubling that we can do in our regional private equity strategy from where we are now. And you'll see in the next few weeks, us

opening another couple of offices in the UK as we raise more funds in the UK. But also there's the prospect in due course of transmitting that strategy, if you will, in a continental market where we're already present, probably Italy, but maybe Spain.

So that's the opportunity to increase what we're doing significantly. So I see no shortage of opportunity. You'll see us gradually widening out our strategy, particularly in Infra. Natural capital is an area that people are becoming increasingly interested in. And it's where we've already made a number of investments.

And you'll know, we're buying back and bringing back the private our Forestry business. I see great opportunity to increase that, but also generally to invest more in that space and you'll see a natural capital fund from us in due course. I would think over the next year or so.

With the general move to net zero, and the energy transition opportunities that presents, there's plenty to go on and enormous markets.

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**Gary Fraser Foresight Group Holdings Ltd - Chief Financial Officer and Chief Operating Officer**

In terms of the actual progression that you mentioned at the start, so I think FY25, FY26 year will certainly be within the consensus range. I think in FY27 and beyond, we'll start to see a real step up.

And why do I think that? Well, we're already starting to see the institutional flows coming through. But the reality is that the real benefit from those, although we get an immediate benefit from the committed capital and the fee there, the fees really start to kick in on a much larger scale when you see deployment. And so deployment takes a bit of time to filter through.

And so really once that filters through in FY27 and beyond, then I think we'll see a real jump up. And as we sit here, today, I've got a high degree of confidence in the five-year target. And if anything, I'd like to think that we can overachieve on that.

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**Operator**

Does that answer your question, Jens, or is there more outstanding?

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**Jens Ehrenberg Investec plc**

Now that it's helpful. Thank you very much.

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**Operator**

Wonderful. There are no further questions. I'll now hand back to Bernard Fairman for closing remarks.

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**Bernard Fairman Foresight Group Holdings Ltd - Executive Chairman and Co-Founder**

Well, thank you very much for attending. I hope we've been clear and I hope our video presentation was clear. We genuinely think that the opportunity, if anything, is increasing the scope and scale, and we're gearing up accordingly, and we've got the resources, know-how, and 40 years of experience to build on.

So thank you all very much.

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**Gary Fraser *Foresight Group Holdings Ltd - Chief Financial Officer and Chief Operating Officer***

Thank you.

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**Operator**

Thank you.