



Foresight Group | LSEG | July 12, 2022

Bernard Fairman (Executive Chairman & Co-Founder):

Hello, I'm Bernard Fairman, co-founder and executive chairman of Foresight Group. And I'm delighted to welcome you to Foresight's full year results for the year ended 31st of March 2022. I'm joined today by Gary Fraser, chief financial officer and chief operating officer of Foresight, and Nigel Aitchison, co-head of infrastructure. Today, we will take you through our financial and operational highlights, business review, financial results, and an update on our very significant post year end M&A activity, before closing with current trading and outlook and your questions.

This was Foresight's first full year as a listed company, and I'm pleased to report that it was a highly successful one. We've delivered a financial performance ahead of expectations and made significant progress across our strategic priorities to grow, diversify, and expand the business.

Firstly, to the financial highlights, where we achieved all our strategic growth targets in the year. We delivered strong organic AUM growth of 23%, to 8.8 billion, and grew FUM by 30%, to 6.7 billion, ahead of the underlying markets, well within our target annual AUM growth range of 20 to 25% per annum.

Our high-quality recurring revenue of 87% is comfortably within our target range of 85 to 90, with no underlying fee pressure.

The core EBITDA pre-share based payment margin was 37%, increased from 34.6% the previous year and well on track to meet our target 43% margin over the medium-term.

In line with our policy to pay a total dividend of 60% of profit after tax, we are declaring a final dividend of 9.8p, which results in a total dividend of 13.8p per share for FY22. The interim dividend of 4p was paid in March of this year, and the final dividend of 9.8p will be paid out in the autumn. This dividend payment reflects the confidence of the board in the continued successful performance and very positive outlook for the Group.

Moving on to the operational highlights. We made excellent progress across all business divisions. We further diversified our investor base through significant fundraising, including the November IPO of our dedicated forestry fund and the final close of our Foresight Energy Infrastructure Partners Fund, which reached a total of €851.4 million, 70% ahead of its original target. We also raised £216 million across our regional private equity strategies, which are well aligned with the government's leveling up agenda, and had £455 million of net inflows and performance for Foresight Capital Management.

The substantial new funds we raised during the year reflect Foresight's position as a scale player, in markets where large players are growing and smaller firms are losing ground. We also successfully deployed significant amounts of capital across our three business divisions, expanding into new asset classes such as forestry and geothermal energy. This demonstrates our ability to leverage Foresight's strong platform, to expand and deliver growth while investing responsibly and contributing positively to

the sustainable energy transition. These long-term structural trends within our markets will present opportunities for Foresight for years to come.

As previously disclosed, we were delighted to announce our acquisition of the technology ventures division of Downing LLP post period end. This acquisition will be earnings enhancing, with an anticipated annualised 12 month core EBITDA pre-share based payments of £2.8 million post completion. This acquisition meaningfully expands our retail private equity client offering, which, when combined with Foresight's existing regional footprint and strong retail sales platform, will provide enhanced growth opportunities.

Foresight and its management team have a proven successful track record of acquiring the investment mandates of mature funds and portfolios from third-parties, including the Advent VCT portfolios and more recently the JLEN and PiP funds. But that isn't the only acquisition that we're going to talk about. In addition to our full year results, we've made a second announcement today about a much larger deal, namely the 100% acquisition of Infrastructure Capital Group, an Australian based specialist infrastructure investment manager.

Foresight has been in Australia since 2015, and acquiring Infrastructure Capital, with its significant infrastructure presence and institutional capital base, is highly complimentary to the Group and well aligned with our ambitious strategic plans. It's a financially and strategically accretive acquisition, adding approximately £3 billion of AUM, and is expected to result in significant EPS percentage accretion whilst delivering geographic diversification, enhanced distribution channels for our existing funds, and a strong cultural alignment. Collectively, these acquisitions raise our Group AUM to over £12 billion, a very significant increase and in line with our stated ambition to expand the business through both organic and inorganic growth.

Nigel will take you through the Infrastructure Capital acquisition in more detail shortly, but before that I'll now pass over to Gary to take you through the business review and financial results.

Gary Fraser (Chief Financial Officer & Chief Operating Officer):

Foresight is a leading private equity and infrastructure manager, with a long established focus on ESG and sustainability-led investment strategies. As you're likely aware, we run three core business divisions, namely Infrastructure, which represents 71% of Group AUM and invests in real assets across the renewable energy and energy transition spectrum. Secondly, Private Equity, where we are one of the leading regional investors in the £1 to 5 million bracket in the United Kingdom. And thirdly, Foresight Capital Management, where we apply our private markets investment experience to the listed markets. And utilising this experience, have grown our AUM from zero to £1.6 billion in less than five years since the launch of FIFF, our original UK infrastructure OEIC.

Within infrastructure, we seek to capture sustainable investment opportunities in growing markets, with FUM and revenue seeing a year-on-year increase of 26% and 17% respectively. This was largely achieved through further investment in development platforms, which can involve moderate initial deployments, but provide substantial opportunities for further future deployments.

For example, full year 2022 deployment figures were 41 transactions at a total value of £484 million, coupled with substantial future deployment rights of £427 million, giving a total of £911 million.

Specifically, we continue to invest in core asset classes, including forestry and fiber broadband networks, whilst expanding into adjacent assets such as geothermal energy, pumped hydro, and interconnectors.

In terms of outlook, we believe that the long-term structural trends in the sustainable infrastructure market, specifically the decarbonisation of the energy system, will offer an increasing number of investment opportunities for Foresight over many years.

Our award-winning Private Equity business also delivered growth during FY 2022, with AUM and revenue increasing by 30 and 31% respectively. This was supported by £81 million across 53 transactions, that's over one per week, to support 131 UK SMEs as well as a number of successful realisations.

Our North West fund has produced a cash return of 1.8x total fund cost to its investors from just three realisations, with 14 portfolio companies remaining. Post period end, we continue to successfully realise our assets with, for example, the sale of Codeplay Software completed in June 2022, with a cash-on-cash return of 16x. And TFC was also realised in June, with a cash-on-cash return of 12.6x.

In terms of outlook, we remain well positioned to benefit from the regional growth phase of the next economic cycle and have reached first close on three new funds post period end, one of which being our first outside the UK.

Finally FCM, which provides access to real assets and sustainable investment opportunities in listed markets. Our FCM business continued to perform well during the period, with net inflows and performance of £455 million. Performance since launch, of the three most established funds, remains very strong, with the global and UK infrastructure funds worthy of particular note at +47% and +41% respectively. This success was supported by multiple new fund launches, including the award-winning FP Foresight Sustainable Future Themes Fund in March 2022.

This all combined to drive FY22 AUM, and revenue year-on-year increases in FCM, of 43% and 52% respectively. The growing global demand from retail and institutional investors to access sustainability-oriented investment products that hold listed securities mean that our FCM business is well placed to continue to scale up its investment platform and deliver significant growth for the Group.

Sustainability has always been and remains embedded within our business model, with all three of our business divisions having bespoke sustainability assessment investment criteria in place, which we believe delivers superior returns.

As well as our sustainable investment decision-making, our achievements delivered throughout the year included: becoming a certified carbon neutral company, saving 4.1 million tonnes of CO₂ emissions as a result of the green energy we produce, and the establishment of our recently announced sustainability partnership with the Eden Project.

Our people, unquestionably Foresight's most valuable asset. These achievements across the business would not have been possible without the talented and ambitious people we employ. We have invested in getting our EVP right. Succeed today, shape tomorrow, is our employee mantra and our promise to our people. It's why most people join Foresight. Our four values: sustainable impact, achieve with ambition, relationships with integrity, and collective success, reflect the beliefs and principles that drive Foresight.

Our staff engagement score this year hit our highest ever score of between 80 and 90%. And staff engagement is further demonstrated by the 71% uptake of both our overseas and UK SIP scheme. People are backing themselves en masse to deliver share price growth. We are also pleased to share our I&D commitments set out on the right hand side, illustrating our continued dedication in this area.

Financial results. Key financial metrics. These results demonstrate strong performance across all metrics. The business delivery across our strategic objectives has resulted in a strong financial performance across all of our key metrics over FY 2022. This performance has facilitated the achievement of our four strategic growth targets, as covered by Bernard earlier.

AUM and FUM increased to £8.8 billion and £6.7 billion respectively, achieved through wholly organic growth. Total revenue grew to £86.1 million, with 87% of this being high-quality recurring revenue. Core EBITDA pre-share based payments increased to £31.8 million, with the resulting margin of 37% being an improvement over the prior year's 34.6% as we move on towards our medium-term target of 43%. This culminated in the materially higher 23.2p earnings per share figure when compared with FY 2021. Finally, our total dividend per share of 13.8p also delivered on our target total dividend payout of 60% of profit after tax.

Strong organic growth continued across a broad range of fund strategies. With regards to AUM, strong organic growth of £0.9 billion net inflows across a broad range of fund strategies resulted in annual AUM growth of 23%, to the £8.8 billion, as at 31 March 2022, being in line with our medium-term target growth range of 20 to 25%. This demonstrates a business model resilient to many of the vagaries and volatility of the listed markets.

Accelerating revenue growth with all businesses performing strongly.

Our revenue growth of circa 25%, to £86.1 million, was driven by our increased FUM position of £6.7 billion. Strong revenue growth was seen across all three of our business divisions, with the long-term structural trends in these markets a key factor. Arrangement and performance fees of £6.2 million in FY 2022 are anticipated to grow by about 25% in FY 2023. Our revenue composition also remains of a high quality, with recurring revenue of circa 87% being within our 85 to 90% target range. And we anticipate maintaining recurring revenue within this range in FY 2023.

Cost analysis. Maintained good cost discipline, delivering operational leverage. We also continue to maintain good cost discipline during the period, relative to both revenue and AUM increases, with a cost increase of circa 11%, to £54.4 million. This is fundamental to delivering good operational leverage.

Looking forward, we do anticipate a slightly higher cost increase in FY23, to 12%. This will largely be driven by wage inflation, new hires to support the growth of the business, and an increase in national insurance and pension contributions. The latter is part of an improved employee benefits package.

We continue to forecast margin expansion over the short and medium-term, with any additional investment in growing and developing our talent pool more than offset by revenue growth, as we delivered in FY 2022. Our expected FY 2023 effective tax rate is between 12 and 14%.

This combination of strong revenue growth and cost discipline meant that we grew our EBITDA pre-share based payments and margin to £31.8 million and 37% respectively, with the latter remaining on track to achieve medium-term margin target of 43%.

Finally, our period end cash position of £54.3 million was the result of strong FY 2022 operational cash flows, supporting our dividend payout policy of 60%. Cash is currently around £60 million, following the cash acquisition of Downing at £13.6 million. The cash element of ICG Australia is expected to be paid out of the remaining balance sheet cash and will be in the region of £29.4 million.

Nigel Aitchison (Co-Head of Infrastructure):

Hello, ladies and gentlemen. My name is Nigel Aitchison, and I'm a partner and co-head of the Infrastructure division here at Foresight. I'm delighted to be here today, to present the details of the acquisition of Infrastructure Capital Group in Australia that we are announcing today.

Infrastructure Capital is a well-established and leading infrastructure manager based in Australia, with over \$5 billion of assets under management. The acquisition provides a compelling inorganic growth opportunity for Foresight and the deal rationale aligns itself with Foresight's stated objectives. And in doing so, also drives geographical diversification and provides enhanced distribution capabilities, along with a strong complimentary culture, and delivers financially accretive performance to the Group in terms of assets under management and funds under management, as well as core EBITDA and EBITDA margin.

The transaction reflects a high degree of pricing discipline, with the upfront consideration of \$105 million for 100% of the business reflecting a multiple on the anticipated EBITDA for the year ending September '22 of just under 8x. This upfront consideration will be paid in a blend of cash and Foresight Group shares. We expect completion to be achieved during the next three months, or slightly earlier, subject to the satisfaction of a number of conditions precedent, including approval from the Australian Foreign Investment Review Board.

Infrastructure Capital operates out of two main offices, one in Sydney and the other in Melbourne. It also has a presence in Perth and a number of satellite operations at various locations throughout Australia. It was founded in 2000 by John Clarke and is now currently majority owned by Log Creek, representing Mike Fitzpatrick, who has several decades of experience in the investment management sector in Australia, alongside John and a number of the existing management team. It has a positive brand and strong track record and presence in the Australian infrastructure market, with a high-quality institutional investor base operating through three key funds and a number of co-investment vehicles and separate managed accounts.

Post acquisition, Foresight's AUM will grow by approximately £3 billion, increasing Foresight's current AUM to over £12 billion. Representing an increase in AUM, from the 31st of March 2022, of over 30%. We will be welcoming over 50 full-time employees and will be putting in place suitable management oversight and governance arrangements, but with the intention of not overly constraining the existing management's ability to drive and grow the business.

Infrastructure Capital is also like Foresight, committed to sustainable and responsible investing. Recognising that this has to be achieved within an ever-changing environment. There is no doubt, for instance, that the recent political changes in Australia only enhance Infrastructure Capital's position in this environment, and we will be working with management to maximise these opportunities. It is the case that Infrastructure Capital already has a significant presence in the renewable energy and energy transition market, as well as the sustainable core and core plus infrastructure sectors.

Infrastructure Capital has, and continues to provide investors, with access to a diversified portfolio of assets, not only through a variety of sectors but also through a variety of counterparties and risk profiles. It's three main funds, ARIF, DIT and EIT, represent investments into 21 assets and businesses with interests in solar, wind, and transport and utilities. These funds have continued to perform in line with expectations since inception, and have been seen to be robust throughout the COVID-19 pandemic despite having some exposure to demand-based revenues.

The business benefits from relationships with 30 institutions, and a small but growing number of retail wholesale investors. With a strong capital raising track record and with an increasing appetite for its funds, particularly ARIF, we are confident that the business can deliver growth in FUM going forward.

So why Australia? Well, we are already there. We've had a presence in Australia since 2015, and therefore we know the market, the environment, and the sector dynamics. But also, it is clearly a large and growing market, which is only enhanced by the recent domestic political changes and wider geopolitical events.

And those businesses, such as Infrastructure Capital and Foresight in combination, are well placed to raise and deploy such capital, particularly with Infrastructure Capital's strong track record and presence in the Australian market. There is a growing worldwide demand for sustainable investing, with strong ESG credentials. And this is no more so than in Australia. Whilst the Australian market has been somewhat nascent, it is clear that domestic institutions have signaled their commitment to responsible investing in sustainable infrastructure and renewable generation.

The final point is that it is also not a particularly crowded market, which results in favorable asset pricing, enhanced investor returns, and significant value creation potential. Which is only achievable with local market expertise and knowledge, as well as strong local operating relationships.

I've already mentioned, at the beginning, how the transaction provides a strong alignment to Foresight's objectives and the strong strategic rationale for the acquisition. But I'd like to take just a few minutes to delve into each of these elements a little deeper. Firstly, the step change in geographical diversification. Foresight, for many years, before it listed, was a predominantly UK focused business. But it has now grown strongly in Europe and in the Nordics, particularly over the past five years or so. This has provided both resilience and growth opportunities, as our footprints in these regions grew and our reputation increased. This acquisition will accelerate this significantly, enhancing our presence in Australia and providing further international diversification of both our AUM and revenues.

The enhanced distribution capabilities come from the 30 existing institutional investors with which Infrastructure Capital have established relationships, and from the strong and broadening LP base that Foresight benefits from in Europe, the UK, and the Nordics. It is obvious that a key area of focus for the combined business will be the optimisation of the product blend that we can collectively offer these institutions from existing Foresight and Infrastructure Capital products.

The strong Australian presence offers an opportunity to non-Australian based clients to access the growing Australian market. And the combined business has a greater opportunity to launch scalable and repeatable institutional and retail wholesale funds in Australia. The combination of product development experience from Foresight, coupled with Infrastructure Capital's track record, will also allow the creation of new products that can focus on the increasing and growing momentum within Australia for sustainable investment opportunities.

And lastly, the ability of either entity by itself to enter into the adjacent Asian markets, whether that is through the launch of new funds or further M&A activity, is greatly enhanced in combination rather than as standalone businesses.

So why Foresight? Some might ask: why have Infrastructure Capital picked Foresight to be their partner? Well, the answer is relatively simple, it's about culture and strategic alignment. The benefits to the sellers of becoming ongoing shareholders in a growing platform such as Foresight Group, and enjoying the associated benefits of that growth, was an important factor in the decision. The continued participation of management, the ability to integrate our existing Australian team into theirs, and the back office support provided from an enlarged organisation were also key drivers.

But the cultural fit was also a deciding factor. A like-mindedness approach to doing business has become clearly apparent over the past few months, and this has cemented the foundations for what will be a strong base to grow further into the Australian markets and potentially into geographically adjacent ones over time.

Clients will see an enhanced investment capability with broader investment opportunities through the combined business, broader product and service offerings, but also a continuation of the high standards of services already provided by Infrastructure Capital. From an integration perspective there will be no material changes to management. There will obviously be enhanced international career opportunities for members of staff. And the Infrastructure Capital business will continue to operate as it does today, with appropriate oversight and governance support from Foresight. We expect to retain elements of the brand for the foreseeable future, but the business will be known as Foresight from completion. And we also expect further alignment of Infrastructure Capital's existing approach towards sustainability to that of Foresight's.

So now I will take you through the key terms of the transaction. As previously mentioned, the upfront consideration for 100% of the business is \$105 million, which will be paid 50% in cash and 50% in Foresight Group shares. This equates to an EBITDA multiple of just below 8x, based on anticipated results for the year ending September 2022. The quantity of shares to be issued will represent a pro forma ownership stake for the sellers of circa 7% in Foresight Group. And Mike Fitzpatrick, through Log Creek, will become one of the top 10 shareholders.

Importantly, the transaction delivers double digit EPS accretion post the issuance of these new shares. These shares are subject to lock-up provisions, which sees the shares vest over the next three years. The acquisition is on a debt-free, cash-free basis. So excluding the necessary retained regulatory and working capital, we expect any surplus cash to be distributed prior to completion.

There are two further elements to the transaction, both of which are contingent based on the achievement of performance targets in excess of our base case, the details of which are provided on the slide. If all of these targets are achieved, which I have stated would mean a performance in excess of our base case, then the total consideration, inclusive of management's performance entitlement, would be \$165 million.

Finally, now turning to the significant financial benefits of the transaction. Beyond the already mentioned increase in Foresight's AUM, as at the 31st of March 2022, of over 30%, the transaction is expected to deliver double digit EPS accretion in the first full year, post completion. It will achieve this at an EBITDA margin in line with our stated 43% medium-term target. And with recurring revenues of over 90%, which is in excess of our stated 85 to 90% objective, we believe that we have maintained our focus

on pricing discipline with this transaction, and as such have not included any potential sources of value enhancements into the year one EPS accretion guidance.

The value synergies could potentially arise from the optimisation of products being provided to the combined existing LP base, the strengthening of our FUM growth through this widening LP base, and through the creation and launch of scalable repeatable new funds, alongside the opportunity to enter into adjacent geographical markets. Whether that, as I have said, is through new funds or further M&A activity. We are not, due to Infrastructure Capital's geographical location and autonomous position, anticipating any significant cost synergies.

So in summary, the acquisition we are announcing today of Infrastructure Capital is one which strongly aligns itself to Foresight's stated objectives. It accelerates our growth, both in terms of AUM and core EBITDA, it supports delivery of our medium-term EBITDA margin target, and aligns with our target recurring revenue percentage. It provides significant strategic benefits, diversification and resilience, to an already strong business, as well as multiple upsides for value creation.

We very much look forward to completing the transaction, once the conditions precedent are satisfied. And in doing so, welcoming our new colleagues into the Group and the opportunity to grow the combined business.

I'll now hand you back to Gary to provide an update on our current trading.

Gary Fraser (Chief Financial Officer & Chief Operating Officer):

We delivered a resilient performance in Q1 FY 2023, with AUM growth in line with our full year targets despite challenges in listed market valuations. AUM was up to £9.4 billion, with FUM at £7.2 billion. This continued growth reflects the strength of Foresight's diversified approach, with both real assets and unquoted investments performing strongly.

Foresight's Private Equity team had a strong quarter, with the launch of three new funds and the acquisition of the technology ventures division of Downing, as Bernard took you through earlier in the presentation. And as you will have just heard from Nigel, we exchanged on a very material transaction in infrastructure with the acquisition of Infrastructure Capital today which delivers AUM growth well ahead of our target for the year, with just under nine months to go.

So, a standout period of progress in the delivery of our strategic objectives during the last year and in the first quarter of the current period.

Bernard Fairman (Executive Chairman & Co-Founder):

Thanks, Gary. Finally, I'd like to close with a few words on the outlook for the Group following a highly successful FY22.

Foresight is a key player in Europe, and now Australian sustainable infrastructure and UK regional private equity. And our expertise and track record allow us to access high-quality investment opportunities in these rapidly growing markets across both public and private vehicles. In turn, this facilitates the consistent delivery of our targets, creating value for our diverse international investor base.

Our stated M&A strategy, including the significant recent acquisitions we've made, will also meaningfully contribute to the Group's growth profile and delivery of our targets. In addition, the long-term structural trends in our markets mean that the opportunity for Foresight is only increasing.

Although the decarbonisation of energy generation and the shift to a more sustainable society is accelerating, these changes cannot happen instantly, and they present a multi-year opportunity for us. We're therefore confident that the outlook for the Foresight Group in the coming year and beyond is very positive.

As you would expect, we're also mindful of our own environmental footprint. And having offset our scope 1, 2, and 3 emissions this year, are progressing with our plan to reach net zero by 2050. All of this, of course, is underpinned by the very considerable knowledge, experience, and hard work of our people to whom I would, again, like to extend my sincere thanks.

Thank you all for listening. I'd now like to pass back to the operator to open the lines for questions.

Operator:

Thank you. If you would like to ask a question, please signal by pressing *1 on your telephone keypad. We will pause for a moment to assemble the queue. As a reminder, participants can also submit questions through the webcast page using the Ask A Question button. We'll take our first question from Tom Mills of Jefferies. Please go ahead.

Tom Mills:

Oh, good morning, guys. Thanks for the presentation and congratulations on the results and the deal as well. I just had a couple of questions first on Infrastructure Capital. I just wondered if you could give us any colour on the fund performance track record there and how the AUMs been scaling and perhaps where we should expect organic growth in that business to come from in the shorter term. Is that going to be from scaling the existing three core strategies or rolling out new ones? And then also on Infrastructure Capital, I can see in the year now you've got management fee revenue-based triggers there. I just wondered could you maybe give us some steer as to what your aspirations are that would trigger that higher payout to become eligible. And then, finally, I guess your PE business gets a bit less airtime given the relative scale, but I'd seen some pretty stellar exits that you guys had made there in the last few months in the teens money-multiple range. So, I just wondered if you could maybe give us an update on how that portfolio is performing as well. That would be great. Thanks very much.

Bernard Fairman:

Tom, thanks for those questions. I'll just answer the last one and then I'll pass over to Nigel for the Infrastructure Capital discussion. Private equity's done tremendously well over the last year. We've got £1.2 billion now under management within that team, 40 investors, which makes us quite a significant size. As you'll recall, our strategy was really to replicate the old 3i regional model, or ICFC as some of us remember it and we're now pretty close to having done that. I mean, we've got one or two regional holes. I'm thinking of Bristol as an instance, but we're opening three new offices as we've all seen in Leeds, in Newcastle and also one in Dublin. So, we are pretty much covering the country.

The returns on the Northwest Fund have been tremendous over the last period of time, as Gary said in his presentation. And I think we'll see more of the same from the same investment team. The VTT also is performing very well. The TFC sale that we just heard about came from VCTs. So, we've got a co-equal desire to expand our private equity just as we're expanding infrastructure. It's a very profitable unit. And I think you'll see more action on that front, both organic and inorganic, over the next year. But let me pass over to Nigel for the discussion on Infrastructure Capital.

Nigel Aitchison:

Yeah, thanks, Bernard. In terms of Infrastructure Capital and the questions in terms of growth of AUM over the last years, the business has grown quite significantly over the last few years, particularly with the introduction of ARIF as a new fund for them in recent years, which is now standing at about billion dollars. And very much along those lines, I think, is where we see that growth coming from and maybe answers both of your questions, one in relation to future growth and also in terms of the earnout.

I think we see ARIF particularly as a very positive fund in the Australian market and one which could grow quite significantly further than from where it already is. And I think in doing so then would generate, not entirely by itself, but significant elements of the path towards those earnout numbers that you've highlighted. So, I think there's a connection there in terms of how that works.

In terms of performance, I think was the other question. The businesses, the funds rather, the funds have performed very much in line with expectations since inception ... Sorry. We feel like there is no reason why our view of life should change about those funds. They're performing very well. They've got a good balanced portfolio within them and, as I say, I think we see ARIF as being a real growth opportunity, particularly in the near term. Sorry. I think my microphone was slightly muted there, so hopefully you got most of that.

Tom Mills:

Nigel, thanks very much to both of you and, yeah, I got all of that. Thanks very much indeed.

Operator:

As a reminder, if you would like to ask a question, please signal by pressing *1 on your telephone keypad. We will pause for a moment to assemble the queue. Participants can also submit questions through the webcast page using the Ask a Question button. We'll take our next question from Jens Ehrenberg of Singer Capital. Please go ahead.

Jens Ehrenberg:

Hi, good morning, everyone. Yeah, echoing Tom's words there. Thanks very much for the presentation and well done on the deal. Just a couple of questions from my side, one on the Australian business, if that's all right. Just is there any more colour you could give us on the fee and operating margin profile you see there? I think you've given the core EBITDA contribution, which is helpful, but, yeah, any sort of drivers there that would be helpful.

And then I suppose just on today's results, looking through the slide deck to more there, if I may. Firstly, on slide 16, is there any more colour you could give us around the sort of outflow dynamics in both retail and institutional sort of where that occurred and then the second piece and, granted that's a smaller question, but on slide 18 on the cost analysis where, I think, broadly the guidance you've given makes a lot of sense, given the environment we're in, I just noticed there was a step-up of 3 million in other admin costs. Any more you could give us there, what drives that, that would be much appreciated. Thank you very much.

Bernard Fairman:

Nigel, could you start us off in Australia please, then Gary, please, on slides 16 and 18.

Nigel Aitchison:

Yeah, sure. In terms of core EBITDA, obviously we've put the statement out there in terms of what we expect. I mean, I think the Australian market has a long history of having a focus on fees and therefore it's a very focused market on that area. But having said that, I think with a business-like Infrastructure Capital with its track record and with its product range, it has a huge opportunity to grow further. So, I think in terms of operating margin and organic growth within the organisation itself, I think we're very well placed to drive that and, as I think we've already said, we believe that that operating margin will be very much in line with our medium-term target.

Gary Fraser:

So, Jens, in terms of the two questions, firstly with respect to outflows. So, on the retail side, the principal outflows would be in the open-ended investment companies. So, the OEICs where you would expect there to be redemptions against the wider market backdrop. We're not seeing any particular redemptions in any of the other retail funds. On the institutional side, we lost one non-core separate managed account, which was about 220 million sterling. And that's the principal factor behind the institutional outflows.

In terms of your follow-up question on the increase in admin, that's principally recoverable VAT. So as we grow our OEIC part of the business, our recoverability of VAT reduces on an annual basis. And so the increase you're seeing there is a result of the exceptional growth that we've seen in that business over the last few years. And therefore, that has an impact on the irrecoverability of VAT. And that's the principle increase in the admin increase in expenses.

Jens Ehrenberg:

Now that makes sense. Thank you very much.

Operator:

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

Bernard Fairman:

Well, thank you very much. Thank you for your questions. I hope we gave a fairly thorough and definitive report on progress today. Make no mistake. We intend to continue down this path and, if anything, step up the rates of our growth, because the market is huge and the market's growing rapidly. And I don't just mean the infrastructure market. I'm also talking about the PE market. An obvious place for us to go with PE is continental Europe. And an obvious place for us to go from Australia is into Southeast Asia, where there are great growth opportunities of one sort or the other that we're well able to address.

So, thank you everybody for listening. I hope you are as pleased as I am with what you've heard, but we've got a lot to do. The opportunity is vast. We will pursue it with vigor. Thank you very much.

Operator:

Thank you. That concludes your conference call for today. You may now disconnect. Thank you for joining. Enjoy the rest of your day.