

Foresight Group Half Year Results to 30 September 2025 | 2nd December 2025

Bernard Fairman (Co-founder and Executive Chairman)

Good morning. I'm Bernard Fairman, co-founder and executive chairman of Foresight Group.

I'm delighted to welcome you to Foresight's half-year results for the period ending September 2025, which I'm presenting today with our CEO, Gary Fraser.

We offer institutional and retail investors a diverse range of private and listed investment solutions in real assets located in the UK, Europe, and Australia, and growth capital for SME businesses across the UK and Ireland.

Before addressing the group's performance over the last six months, I want to provide you with a reminder of our core strengths. The group delivers high quality earnings with 85 to 90% of recurring revenue and over 90% of long duration capital within our LP and evergreen vehicles. This provides considerable revenue visibility each year and results in compounding growth that underwrites the group's performance.

We take a boots-on-the-ground approach in the UK and internationally, enabling us to build deep local relationships that support a strong investment and investor pipeline across all of our strategies. These seek to address the significant investment opportunities within rapidly growing markets, driven by structural shifts in the global energy mix, increasing electricity consumption, national initiatives to increase energy security, and also by the SME funding gap in the UK and Ireland.

Reinforced by our leadership in tax efficient investing, this diversified investment platform of strategies and funds across three business divisions of real assets, private equity, and Foresight capital management provides us with resilience through economic cycles and positions us uniquely within the sector.

It is these key strengths of the group that are combined to build our significant track record of profitable growth, nearly tripling our profits since IPO in 2021. Performance has been driven by both organic and inorganic growth and the average management fee rates are benefiting from a mix shift following successful fundraising across our highly profitable UK, tax-efficient and regional private equity products. This shift bucks the trend of reducing fee margins across the broader asset management industry, and is a key benefit of our specialized skillset.

I now pass to Gary to take you through the financials and our operational updates.

Gary Fraser (CEO)

Thanks, Bernard. In H1, our key financial metrics were in line with expectations. AUM over the last six months was up 4% with retail and institutional fundraising alongside strategic activity over the last 12 months, delivering an 11% H1 on H1 revenue increase to £81.5 million.

Recurring revenue remained within our 85% to 90% target range, and the core EBITDA pre-SBP growth of 6% has supported a 9% increase in our interim dividend to 8.1 pence per share.

Firstly, turning to the key movements in AUM during the period, which increased by 4% from 13.2 billion to 13.7 billion.

Demand for our higher margin retail product remained strong with our retail sales team successfully raising £223 million via a wide range of IFA relationships, whilst the second vintage of Foresight's flagship energy transition strategy, FEIP II, also concluded its first phase of fundraising with €505 million euros of commitments secured to date.

These retail and institutional inflows were partially offset by net outflows within our public markets division, despite recording positive performance of £56 million.

Moving on to the Group's profitability, we have delivered an 11% increase in revenue driven by our fundraising achievements over the last 12 months, with a continued success of our UK tax-efficient products, also leading to a higher average management fee rate.

Cost of sales increased due to the inclusion of £900,000 of DIT-related performance fees payable to the investment team, following strong exits with a balance of this increase due to additional fund costs principally from AUM acquired through the WHEB acquisition.

Whilst Core EBITDA pre-SBP grew by a healthy 6%, margin compression to 38% was driven by the negative contribution of our foresight capital management division. We expect to remain stable at this level for the remainder of the year with institutional real asset fundraising being the key catalyst to future margin expansion.

Turning now to slide nine, our consistent performance is driven by a high quality revenue model. We remain focused on generating high quality earnings with the recurring revenue staying within our guided 85% to 90% range and long duration capital within closed-ended vehicles representing over 90% of AUM, providing us with excellent awareness of future revenues.

In the full four years post-IPO, the compounding effect of this focus on locked-in revenue has resulted in an additional 50 million of recurring annual management fees from funds raised, providing a strong base upon which to deliver further growth.

Turning now to costs, core staff costs increased by 10% compared to the prior period. 4% of this increase related to the FY25 acquisition of the trading assets of WHEB asset management and the LionTrust diversified real assets fund, a 3% increase related to wage inflation that included UK employer NI requirements, and the remaining 3% primarily related to the retail sales and IR headcount growth to support our strong recent and future retail fundraising achievements, as well as continued investment in our tech capabilities.

And turning to slide 11, the resulting core EBITDA pre-SBP of £30.6 million is in line with expectations and builds upon the strong growth track record delivered post-IPO with profitability typically H2 weighted when we usually see increased fundraising before the UK tax year end.

Continuing profitable growth enables strong and growing dividends to be delivered in line with the group's policy, which targets a dividend pay ratio of 60% of adjusted profit. Post IPO, the growth in total dividends has delivered a 21% three-year CAGR and a returned a total of over £90 million to shareholders.

Given our performance in the period, the board is pleased to declare an increased interim dividend of 8.1 pence per share, which is calculated as 33% of the prior year total dividend.

Alongside our 60% dividend payout ratio, we seek to be efficient stewards of capital. Free cashflow not utilized for earnings accretive M&A will be substantially returned to shareholders. During the half, we bought back £8.2 million of our shares as we commenced an up to £50 million share buyback program to be carried out over the three years to FY28.

The shares purchased by the program and subsequently held in treasury have been utilized to satisfy demand for the company's shares from both institutional investors and our performance share plan awards. Shares sold from treasury returned £9.1 million of cash in the period.

Now moving on to key operational updates from across the business in the half. Within institutional real assets, it is our specialist investment origination combined with our asset management capabilities that provide us with confidence in our ability to successfully launch multi-vintages of our FEIP, natural capital, and RF strategies. This multi-vintage approach should drive scale for the group over time.

It's been a good half for the FEIP strategy, completing the first phase of fundraising for its second vintage with a total of €505 million secured to date. We remain confident this second vintage will achieve its target fund size of €1.25 billion by mid-2027. The extended fundraising period should have little P&L impact over the fund's life as a result of equalization fees payable for later entry into the fund.

FEIP II also made its first investment through the £210 million acquisition of Harmony Energy Income Trust PLC alongside one of four such retail funds. This provides a platform to deliver future fundraising and deployment in the coming years.

In Australia, we expect our growth prospects to benefit from the strong track record of our investment team, which was further enhanced by the exit of leading independent power producer, Zenith Energy, and a valuation materially above the fund's prior holding value, which generated performance fees for the group.

Now, taking a closer look at a key deployment example from the half, namely FEIP II's acquisition of HEIT. This was the fund's first step in developing a pan-European battery storage platform by investing in one of the most mature storage markets with a high quality portfolio. The eight battery storage assets across both England and Scotland are fully operational and grid connected and represent 30% UK operational to our battery energy storage system capacity.

This portfolio has performed strongly since acquisition generating stable inflation-linked revenues and the team are actively exploring further optimization opportunities.

Following the acquisition of HEIT, the FEIP II team are also pursuing additional deployment opportunities across energy generation, storage, and grid flexibility.

Turning now to slide 17, we continue to offer a number of retail products that preserve wealth and drive investment into UK SMEs across infrastructure, such as student housing, fiber broadband and natural capital, as well as private credit.

Demand for these products has continued to increase after we became the number one investment manager in annual fundraising for the unquoted business relief product in 2025. This followed the certainty provided at the 2024 UK budget with regards to business relief rules and allowances, with the unquoted markets retaining full 100% relief. With no material changes announced at the 2025 UK autumn budget last week, pensions are also due to fall into chargeable estates from April 2027 with fiscal drag continuing. As a result, we expect the business relief fundraising market to remain buoyant.

We are confident in being able to remain number one in annual fundraising due to the strength of our excellent investment performance and the quality of our distribution capabilities, expecting to raise over £600 million gross per annum over the remainder of our guidance period to FY29.

Finally, turning to private equity, we continue to expand our regional strategy with the launch of a third vintage focused on the Northwest. This fund delivered a first close of £90 million, a 35% increase on the second vintage, and clearly evidencing investor confidence in the strategy.

Whilst we already have a significant presence in the Northwest, we were particularly delighted to open two offices in the Southwest, being Bristol and Exeter, which has long been a target for the private equity team.

We anticipate launching further follow-on vintages of our regional funds in the coming years, underpinned by our performance track record and strong regional LP relationships.

I will now pass you back to Bernard to take you through the current trading and outlook. Bernard.

Bernard Fairman

Thanks, Gary. Post-period end, we have achieved further exit success within our real assets division. Our diversified infrastructure trust agreed the sale of Kinetic at a premium to holding value, further building on the track record of our Australia team. As part of the transaction, Foresight will retain a 30% stake through an SMA or continuation fund structure, continuing our support for Kinetic's long-term growth.

Foresight Natural Capital also successfully made its first afforestation exit Banc Woodland at a 1.8 multiple on invested capital. This validates our natural capital development model, demonstrating strong returns, even in a high interest rate environment.

Turning to the outlook, the recent UK budget reinforces the strong tailwinds supporting our business relief products as we continue to lead the market in fundraising, channeling further investments into UK SMEs.

Against the backdrop of rising personal tax burdens in the UK, demand for tax-efficient products is significant. As one of the key strategies within our diversified business model, this increasing demand alongside the expansion of our multi-vintage institutional products keeps us on track to deliver on our target to double core EBITDA pre-SBP in the five years to FY29.

Thank you for listening and we'll now take your questions.

Q&A

Jonas Dolan

Jonas Dolan from Deutsche Bank here. Two questions from me, please. First of all, FCM came in with higher cost and a negative EBITDA contribution, which seems to have been driven by the WHEB acquisition. At what point should we expect this to get back to positive? And could you provide any more color around this?

And then on current trading, if you could provide any color on the recent VCT change, how you expect that to impact your fundraising dynamic, and similar in your unquoted business relief products.

I saw several articles on VCT demand spiking after the budget, so just wondering if this is something you've seen as well. Thank you.

Gary Fraser

I'll take the first question and pass over to Bernard for the second question. In terms of the FCM division, we've already made a number of cost savings since the end of the first half. We'd expect those to flow through during the second half of the year. Therefore on a run-rate basis, we'd be breakeven in H2 FY26 and EBITDA-positive for FY27. So that's where we are with FCM.

We've made some positive strides in terms of the cost-cutting in the business. Clearly, I can't predict where we'll be in terms of redemptions during the second half. Albeit, I think the WHEB side of the business has started to see positive performance that's offsetting to a certain extent some of the outflows that we've seen, but certainly EBITDA positive towards H2 FY26 and for the entirety of FY27.

Bernard, passing over to you.

Bernard Fairman

So looking at VCTs and also our IHT product, the key point about the changes to VCTs in the budget was the doubling in the sizes of the business that you could invest in and the changes that have been lobbied for by the VCT Industry Association, which has opened up a much bigger market than was currently available.

Now you'll have seen in the past that we've raised £25-£30 million for each of our two main VCTs. That's not because we could only raise this amount, we think we could raise two to three times as much, as evidenced by the fact they both closed within 10 days, but we didn't raise so much because we couldn't invest it during a sensible period. It's a lot less restrictive now, so I think you'll see us raising more money, probably £40 to £50 million per VCT, but we'll have to see what the Boards say.

We'll raise more money. We'll be able to invest it because the rules are easier. There'll be a flood of applicants this year because of the reduction in tax relief, but I suspect that next year it'll make very little difference to us for two reasons.

Firstly, we're the market leader, we're the best performing VCTs in the market, and the market leader always fills up quite quickly.

But secondly, the number of areas where you can get tax relief has become smaller, therefore zero tax relief or 20% tax relief will be the calculation people will make.

On IHT, this is a much bigger market for us and we're a market leader. This gets us into virtually all opportunities where estates are looking to place large sums of money.

After the last budget, rules were made more restrictive and I expected the market to shrink. In fact, our market went up by about 30%.

There have effectively been no changes in the budget this time and I expect there to be a significant increase in the amount of money we take. So I would be surprised if we didn't blow away all our expectations on IHT fundraising. Being market leader with superb performance is very helpful in that respect.

Jens Ehrenberg

Looking at the operating margin overall, can you give us a bit more color as to how we should think about this going into the second half at a group level? I appreciate we tend to have a more second half weighting with you guys, but how should we think about that in context of where consensus is at the moment?

Secondly, it's great to see the continuously strong demand for the VCTs and IHT products. If we put that into context with still a relatively challenging backdrop for FCM, how should we think about the medium term targets? We appreciate you still seem very much on track, but if we assume there's better demand for your higher margin product, are you sort of tracking a little bit ahead of where you would expect to be? Thank you.

Gary Fraser

In terms of the margin, for H1 we were at 37.6%. We will see the margin increase in the second half, but it will still be below 40% for the full year. So we will see margin improvement, but maybe not up to 40% in the second half.

We will see an improvement in terms of revenues generated and overall profitability in the second half. My confidence levels are high on achieving somewhere within the consensus range, likely at the lower end.

So if I look at consensus, that's where I would see us land based on the margin improvement in the second half.

Bernard Fairman

Sorry, I just wanted to throw something in here. The one message that I think everybody should take away is the fact that this is a very broad diversified business. It's rare that all of the parts of the business are firing together.

We have multiple parts of the business, as one grows at a slower rate, others can perform much better than we expected.

For example, the Australian business generated a large performance fee, which we weren't necessarily expecting because you can't dictate when big deals get done.

Furthermore, the fact the retail business is performing better than it ever has in the history of the business, is indicative of the fact that when one part is not going so well (which is FCM), another is going better than we thought.

We've got so many different parts of the business that we have a great opportunity to make up shortfalls and to continue with our growth, and you've seen that in these results.

Gary Fraser

In terms of the medium-term targets and how should we think about that? Margin by the end of the outturn period to FY29, we're still targeting mid-40%. It's not necessarily going to be linear from where we are now, but from FY27 onwards, I see us pushing back into the 40% levels and beyond as we start to see not only increases in retail fundraising that Bernard's alluded to coming through, but also as we start to see higher amounts coming through in our institutional real asset strategy as well. That's where I'd like to see us and believe we will be in terms of medium-term targets.

Bernard Fairman

Finally on FCM, it's a matter of scale. As you all know, there have been continuous outflows from the UK market generally.

This kind of product is very interest rate sensitive, it'll be reasonable to expect as interest rates come down, the sector will improve – it is deeply out of fashion at the minute and it's a scale business.

So what are we going to do about that? Well, obviously we're trying to increase our inflows. We're also looking quite closely at costs and we'll likely take some costs out over the next period.

Jens Ehrenberg

Super. Thank you. That makes a lot of sense. Can I just have one brief follow-up and appreciate you might not be able to give too much, I'm just curious on coming back to the retail product.

Just in terms of in the run-up to the budget and the couple of days we've had since, have you seen any change in dynamic? Just because perhaps there's a bit of the uncertainty that has gone now. I appreciate it was probably reasonably strong going into the budget as well, but just curious if you've seen anything and appreciate this is very, very early thoughts.

Bernard Fairman

Good point. After the budget happens, the advisors go and see their clients and there's usually a delay of about two to three weeks before you see the main impact. A straw in the wind - yesterday inflows were £5 million on the day. We should be in a better position to know in a couple of weeks. So, watch this space.

Moderator

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

Bernard Fairman

Thank you very much everybody for participating and for listening. The point I'd like to leave you with is the point I just made. This is a diversified business with profit centers that we've developed over many years, new products coming down the road for the next year or so.

But in the meanwhile, the retail business is doing exceptionally well and likely to continue to perform better.

In the next few weeks, I expect a significant upturn in flows. And I just told you what yesterday's retail flow were, which is fairly typical of the last few weeks.

So thank you very much everybody for attending and for listening. Thank you very much.