

Bernard Fairman:

I'm Bernard Fairman, Founder and Chairman of Foresight Group. And I'm joined today by Gary Fraser, CFO and Partner of Foresight. We also have Rob Guest joining us from Edinburgh later in the presentation to provide some further insights on Foresight Sustainable Forestry. Today, we will take you through our operational highlights, financial results, business review, and an update on our strategy before closing with our current outlook and the opportunity for Q and A. We have achieved strong growth in the period from a diversified investor base, delivering high quality recurring revenue. Our investor base of course includes both institutional and retail clients. We grew AUM to 8.1 billion and FUM to 6.1 billion. New fund launches in the period expanding into adjacent asset classes with an investment into geothermal heat generation in the Netherlands and a successful listing of a dedicated UK forestry fund.

Bernard Fairman:

We're declaring an interim dividend of four pence per share based on our targeted 60% payout ratio, which highlights the competence that we have as a business and a board and a management team in the achievement of our targets for this financial year. The Foresight Capital Management business unit now is reporting separately to reflect the size and growth potential of this business. And to summarize all of the above, we are on track to deliver on our ambitious medium term growth targets. Now, I'll hand over to Gary Fraser to take you through the financials.

Gary Fraser:

Thanks, Bernard. In terms of AUM and FUM, our annual growth has either achieved or exceeded our targets, and growth in the first six months of FY 2022 has exceeded these levels yet further. Total revenue was up 22.5% in the first six months of the year. And recurring annual revenues was within our target range of 85 to 90% at 89.5%. H2 will see some expected one-off costs due to fund launches, as well as some one-off revenues due to arrangement fees and performance fees. But our target for recurring annual revenue remains at 85 to 90%. Core EBITDA pre-share based payments is up by 43.4% year on year and the margin is increased from 32.8% to 38.3%. Pre-share based payments allows us to make comparison with market expectations. The interim dividend of four pence per share is based on a one-third, two-thirds payout ratio.

Gary Fraser:

Although the final dividend will be based on actual full year earnings and a 60% payout ratio. In terms of the AUM bridge for the period, our retail strategy saw a good balance of influence from both tax efficient products and our OEIC strategy. Foresight's diverse product range enabled us to achieve our underlying financial performance and underpins our multi-product strategy going forwards. In terms of the institutional side of the business, Foresight Energy Infrastructure Partners was the largest contributor in the period at 0.4 billion. But importantly, we continue to expand on our regional private equity strategy with a completion or first close of our second Northwest fund at 65 million, which generates particularly attractive margins. In terms of revenues, you can see from the top chart that there's a 22.5% increase in revenues during the period, and recurring annual revenues, as I mentioned a little bit earlier on at 89.5%. Importantly, as we deliver on increasing revenues, it's important to note that we saw very little in the way of margin pressure and don't expect to see any margin pressure going forward for the second half of the year either.

Gary Fraser:

Cost analysis. In terms of the cost analysis, we continued our tight control of costs during the period relative to both revenue and AUM increases. And this can be seen from the 12.1% increase during the period. Additionally, it's perhaps just a straw on the wind, but you can see from the increase in full time equivalent people from 235 to 242 people in the period, just a 3% increase in terms of personnel relative to AUM and FUM increases are between 20 and 25%. So it's a real focus area for Foresight, as you know, in terms of the business going forward. In terms of EBITDA progression, we saw an increase in net margin from 33 to 38%. We also saw an increase in total EBITDA from 10.6 million to 15.2 million, an increase of 43.4%. And we'd expect similar metrics during the second half of the year. In terms of the cash flow summary, a strong operational cash flow support our dividend payout policy of 60%. And we've got robust cash balances within the business to support growth opportunities.

Gary Fraser:

In terms of the actual bridge itself, there's a couple of areas I'd like to focus on. Working capital saw an increase in placement agent fees as a result of the closes of FEIP during the period. And there was also the payment of the annual bonus for FY 2021, as well as fees that are paid in arrears in terms of management fees or funds. In terms of other financing cash flows of 2.1 million, that was principally two key areas, which was the right-of-use assets in terms of leases at 1.7 million, as well as loan repayments to the Pensions Infrastructure Platform of 0.6 million. But all in all, the business is in very robust health in terms of cash flows, and we'd expect those to increase during the second half of the year. Bernard, over to you.

Bernard Fairman:

Thank you, Gary. I'll now take you through a review of the performance of our individual business units. The key message to take from this slide is that we continue to deliver on the strategic goals we set out at the IPO. Our three year AUM compound annual growth is 43.5%, an incredible achievement and something I'm personally very proud of. We are delivering high quality recurring annual revenue between 85 and 90%. And we reached 89.5% in the period. We're on track to deliver margin at the targeted 43% over the medium term. Moving on to infrastructure specifically, we have proven ability to capture opportunities in growing markets. AUM grew 13% to 6 billion in the period across 338 assets and a total of 16 asset classes. We completed 25 transactions with an aggregate value of 254 million in the period. Foresight Energy Infrastructure Partners completed a final close 70% ahead of its original target at 851.4 million euros. And with the equivalent of 1.45% of total UK 2020 energy production across Foresight's UK assets, we're basically equivalent in size to Scottish and Southern as an electricity producer. I've already touched on our investment in geothermal heat production, which is an expansion into a new adjacent asset class and into a new geography. This is evidence of how we can leverage our platform to deliver further growth while contributing to sustainability and sustainable energy production. We have a strongly positive market outlook with development from COP26 and the wider sustainable energy transition, creating positive, very positive tailwinds for the business. And the next slide goes into the transition in some more detail. So here we graphically

Bernard Fairman:

... show the evolution of our infrastructure strategy. We were present at the start of this transition with investment into solo back in 2007-8, as part of phase one.

Bernard Fairman:

Through phases one and two, energy generation has evolved from a monolithic into a distributed model, as further method of generation come online. And in phase two, we progressed to look at energy storage and requirements for energy grid flexibility. Today on the cusp of phase three, we're looking beyond power generation into the production of food, industry and transport, where financing structures will become more complex, and there'll be further opportunities in secondary sectors.

Bernard Fairman:

Like in 2008, Foresight remains at the forefront of this, as we have done through the whole period. And our UK Forestry fund is a clear example. We identified UK Forestry in 2016 as an investment opportunity with significant growth potential. Leveraging Foresight's sustainable infrastructure expertise to develop our natural capital strategy. And we established Foresight's forestry business in 2019, have built a significant portfolio of forestry and our forestation assets. Our dedicated forestry fund IPO, Foresight's sustainable forestry company, uniquely offers institutional retail investors liquid access to UK Forestry and our forestation assets. It is the first listed UK focused forestry investment company. We have an attractive proprietary investment pipeline through 2022 and beyond. It's very much a fund of its time. I'd like now to hand over to Rob Guest to go into more detail.

Rob Guest:

Thanks, Bernard. Hi, everybody. I'm Robert Guest, and I co-lead Foresight's sustainable forestry division. Foresight has a long track record of early identification and swift execution of new ideas. We're constantly asking ourselves, what are the next big themes in sustainability and sustainable investment, looking for global sustainability challenges. So energy and the energy transition, obviously, massive themes already, but sustainable land and sustainable food are two new growing areas that we've been tracking for a number of years. And within land and food, we've been looking for an entry point for Foresight and for our investors into that space, and UK Forestry is that area, that one area, that we think has the right dynamics to get into that new space. So we've been looking at UK Forestry for a number of years, since 2018 we've been very actively looking at that space. And what we've identified during that time timeframe is a number of macroeconomic supply and demand dynamics, we think make it an attractive investment opportunity.

Rob Guest:

So currently, globally, there's about a billion cubic meters per annum of a shortage of supply of timber. And the World Bank are forecasting that by 2050 that supply deficit will increase to 4.5 billion cubic meters per annum, so a material increase in demand and continued tight supply. So that supply demand dynamic is accentuated in the UK. In the UK, we import about 70 to 80% per annum of our timber supply. We're about 13% covered with forests and that's against the European average of forest covering about 45%. So real terms pricing increase in UK timber prices and global timber prices in our house view are something that we will be experiencing over the next number of decades. That's why we've identified this space. The farm will also generate carbon units and the demand for voluntary carbon units is forecasted to increase a hundred fold out to 2050. So this fund will be well positioned to capture that.

Rob Guest:

In terms of what we've been doing, over the last couple of years, we've been heavily investing in the space. We've carried out 36 transactions, buying over 40 afforestation and forestry properties. And that's giving us an excellent seed platform from which to launch a dedicated fund from. So just moving

on to the next slide, the fund Foresight Sustainable Forestry Company PLC is a main market, so LSE main market premium segment fund, and we successfully listed on 24th of November, 2021, raising 130 million pounds sterling. It's the first natural capital focused listed investment trust on the LSE. And it's a pure play, so it gives access to UK Forestry real assets in a pure play, liquid format. The platform is scalable and it opens up UK Forestry to a new universe of investors, mainly retail, multi-asset capital that hasn't been able to historically access this asset class until now.

Rob Guest:

The fund will have 50% allocation to afforestation, which is taking grazing ground and turning that into productive forestry. And also the other half of the fund, that will be investing into yielding forestry, so mature forestry with different harvesting rotations coming through to provide revenues in the early years for the fund. So about half the fund is development, and the other half is yielding mature forestry. The fund will offer exceptional sustainability, biodiversity, and ESG credentials for investors. We'll be monitoring that and delivering positive progress in all of our forests and reporting that back to investors.

Rob Guest:

Target returns, CPI plus 5%, and that's a total return strategy and it's a capital growth strategy. So tight supply and increasing demand of timber driving that capital growth, the development value from the afforestation projects, creation of voluntary carbon units, which is again a high demand, tight supply market. And then we can co-locate, in some instances, renewable energy and ecotourism next to the forestry, which is a nice additional revenue stream.

Rob Guest:

Okay. So just moving on to the final slide for me. Bernard has called this a fund of its time, and that's because it's addressing the key emerging sustainability themes at the moment. Climate change, biodiversity loss, this fund is playing in those areas. At COP26, 100 world leaders promised to end and reverse deforestation by 2030. That was the first pledge that came out of COP26, so this is right at the top of the agenda. In the UK specifically, there's an annual planting target, 30,000 hectares per annum. That's an area the size of Birmingham, every year, out to 2050 going to new forest and woodland creation.

Rob Guest:

There's new changes post Brexit, the basic payment scheme for farming subsidies tapers away. And there's uncertainty from farmers around what they're going to do with their land. This creates opportunity for Foresight and for this fund deal flow, so this planting ground is available at sensible pricing, and we have a really strong, direct origination campaign for bringing deal flow. And so we've got the timing right from that perspective, and the government want new forestry, which we can deliver.

Rob Guest:

Timber products are carbon negative, naturally carbon negative, and they contribute positively to the energy transition through what biomass can do as well. So finally, key driver here is around carbon units. We'll be creating millions of carbon units from this fund. And that will be enough carbon sequestered to offset the carbon footprint the city of Edinburgh for a whole year. So material contribution to climate change and monetizable carbon units. We talked earlier about the demand for units increasing.

Rob Guest:

So, not only can we make massive carbon sequestration impact, we can also monetize these units, and they will have high value in the future. Rishi Sunak has mandated that all large UK corporates will need to report on how they will reach net zero by 2030. So again, just pushing demand for those carbon units that we'll be creating. So the fund's well positioned, it's in the right sector, it's operating in the right themes, and it's positively contributing to these sustainability challenges. We've got a great platform, listed platform to grow from, and we're a first mover offering access to the asset class in a full map that hasn't been done before. So we're just really excited to be able to grow from here, and I'll just hand over to Bernard now to take you through the rest of the investor update. Thank you.

Bernard Fairman:

Thanks Rob, turning now to our private equity business. We delivered 13% AUM growth to 810 million at the end of September and deployed 41 million across 26 transactions. There were a number of successful realizations in the period with health diagnostics company, Mologic, one example, and that delivered a 3.1 times return in three years. Our second North West fund succeeded in raising more than its predecessor with a 66 million pounds fundraise. Whilst Foresight VCT has a subscription offer open of up to 20 million. The outlook's very strong with a high quality pipeline in place, and in our focus area, a regional opportunities in the one to 5 million bracket where Foresight is one of the market leaders. And the opportunity is enormous as UK SMEs need recapitalizing after the COVID outbreak.

Bernard Fairman:

With the shortage of local equity finance and the government backing leveling up agendas across the piece, Foresight's P business is excellently positioned to deliver further strong growth. Moving now on to Foresight Capital Management, and this is the first time we are reporting FCM as a separate business unit which reflects the rates of growth the business has delivered and the size of the opportunity. This slide takes you through the evolution of the business from its first establishment in 2017 through to today with three high performance UK OEICs and the post period end launch of our first European offering.

Bernard Fairman:

Moving on now to the performance in a period, the FCM business has grown 20% in the six months period ending with 1.4 billion assets under management with the three UK OEICs having all significantly outperformed since launch, as you can see from the box on the right. With the GRIF fund, the global infrastructure fund up 47% from June 2019. As I mentioned earlier, we are now expanding to Europe, and I think there's great potential growth in this market. We also hope to expand our offering further with a climate focus fund early in 2022. Moving on to our broader sustainability credentials. Sustainability investment is an absolute underpinning of everything Foresight does, and it's fully integrated into our culture. I won't take you through all the statistics here, but needless to say, this will remain an area of continued focus for the group. We will increase our reporting and transparency in this area with each subsequent set of results. Finally, onto our strategy and outlook. I want to say again that we are on track to deliver on our medium term strategy. In H1, we delivered an annualized AUM growth rate of 25%, a revenue stream with a 89.5% of recurring revenues, within our target range in both cases, and an improved 38% EBITDA margin enabling us to confirm a 4p interim dividend per share. This is all evidence that we are leveraging our platform very significantly, and to the final slide, the year is started positively with a strong fundraising performance. Investor sentiment remains a robust, and we continue to build on the 4.7 billion of net inflows. Following the period end, we have had further progress with the listing of the UK forestry fund as well as investment in geothermal heat generation and retail fundraising expansion into Europe. Our big retail distribution is one of our great strengths. Our pipeline

of investments remain strong, and we'll continue to assess M&A opportunities that leverage our core competencies, and we'll provide further updates on this as appropriate and in due course. We've been an active, very active investor in renewable energy since 2008 with a history of regional job generation and the focus on professionalism of the governance processes across our investment portfolio. This will not change, and ESG will remain a prime focus for the group. The Board's considerable confidence in achieving the group's targets for the full year to 31st of March 2022 is reflected in the agreed dividend payout ratio of 60%. With that I would now like to open the lines to questions.

Operator:

Your first question comes from Tom Mills from Jefferies. Please go ahead, you're live in the call.

Tom Mills:

Hey, good morning guys. Thanks very much for the presentation. I just had a couple of questions around sort of fundraising, really. Firstly, and I appreciate you've only just IPOed the forestry business, so I might be jumping the gun a little bit here, but just to get a longer term idea of your ambitions. Do you think that that strategy can ultimately scale to be one of a similar size to sort of Jaylen and FSFL? That would be the first question. And then secondly, I think you guys have also been doing pretty well on the tax advantage products there, and obviously the few margins that are pretty attractive. Can you just give an idea about how you're seeing the bond transfer for those evolve at the moment as well? That would be great. Thanks very much.

Bernard Fairman:

Thanks, Tom. Yeah. So in terms of our forestry fund, I see no reason at all why we can't scale up to where Jaylen and Foresight solar fund are at the minute and indeed beyond. I mean, that's about 650 million. It's a function of the deal flow, and there's significant deal flow. We've already done, now, it's two deals since the company went public in the last couple of weeks, so we're moving at pace. I mean, we're funding new deals at the rate of 10 to 15 million a month, something like that, and that is likely to increase. And we find ourselves in a situation where there isn't a lot of institutional competition. So yes, I think we can get to those levels and indeed exceed them.

Gary Fraser:

And in terms of the tax efficient products, it's certainly true to say that we're seeing attractive influence from that high margin business. They have done through it the entire year, and certainly our outlook for the remainder of the HY full year 2022, is that we expect to see the same, if not higher influence in the tax efficient products. So absolutely got a high degree of confidence in being able to deliver in terms of our targets for those high monitor products.

Tom Mills:

That's great. Thanks very much, Bernard and Gary. Cheers.

Operator:

Thank you. And next question comes from Andrew Shepherd Barron from Peel Hunt, please go ahead, you're live in the call.

Andrew Shepherd Barron:

Great. Good morning. And yes, thank you very much indeed. A couple of questions from me too. One is on fundraising as well. Which is, could you talk a little bit more about retail distribution? Well, total distribution into Europe. How you are doing it and how quickly you think that can scale? And then a second question from me on M&A. Where do you think is the sort of hottest prospects for you? Is there availability? Are prices crazy? Anything you could add. Thanks.

Gary Fraser:

Yeah. In terms of the European distribution. So at the moment we have one third party distributor that distributes into Europe and the far east. We're also in the process of recruiting specialists with respect to Europe and the distribution of our OIC strategy. And it's likely, certainly in the longer term, medium to longer term, that we'd look to tie up an international bank in terms of further distribution, both in Europe and worldwide. So it's a big focus for us. We've reported on FCM separately this time because we see it as a real strategic leg of the business. And therefore, we're put a lot of effort into distribution strategy going forward so that, if anything, we can enhance [inaudible] influence going forward.

Bernard Fairman:

And on M&A, just to remind everybody that we've got a core and core plus strategy. In other words, we'll be looking to acquire businesses that fit within our existing product offering. And we are, I can't give you any detail for obvious reasons, but we're certainly in discussions with a number of parties.

Andrew Shepherd Barron:

Okay, great. Thank you very much.

Operator:

Thank you. And your next question comes from David McCann for Numis Securities. Please go ahead. You're live in the call.

David McCann:

Yeah. Morning everyone. Just a couple of questions. One, actually a follow one from the last question. I'll start with that one. Yes. Obviously, part of the strategy, you have mentioned the acquisitions remain very much part of the agenda here, but obviously, to date you haven't transacted any since you've been listed. So just really getting a sense of, is that still something that you're looking at the areas of interest? That would be just helpful. I guess that's the first question.

David McCann:

And then secondly, it sounds like you've got absolutely plenty of stuff to do and what your existing you strategies and so forth. And obviously, you are only six or 8 billion depending on how you count the numbers. So the groups do have space to get on with. But I'm also interested, you said in there that you've been identifiers of the next kind of big things, particularly in sustainable. So if we look forward in five years time, what do you think the equivalent of forestry is going to be in three to five years time? What is most exciting at the moment?

Bernard Fairman:

To answer that one first, perhaps, I think the answer's going to be a natural capital fund. And in fact, we're working quite intensively on developing that product idea. When I talk about natural capital, I'm

talking about regenerative farming. I'm talking about afforestation. I'm talking to an extent about things like vertical farming, things like general rejuvenation and creation of sustainability within agriculture, fisheries and the natural environment. I think that's going to be a significant area for us and for others in the period going forward.

Bernard Fairman:

I think, going back to your first question on acquisitions, I am spending a reasonable part of my time focused on that in terms of the offers that we're currently negotiating. Their core and they focus on recurring annual revenues. So I think you'll see the first deal or so that we do will be entirely high quality, recurring annual revenue based, and right within the middle of our core strategy. And that's what we're working on now. That's what we're making offers on now. Clearly we're not in the business of overpaying so the produce will be determined by how the negotiations go. But rest assured, this is not a vague intention. This is something that we're actively engaged on.

Operator:

Okay. Just to remind everyone, if you do wish to ask a question, please key star then one. That's star then one to ask a question. Okay. Ladies and gentlemen, that concludes today's question and answer session. So I will now hand back to Bernard Fairman for his concluding remarks.

Bernard Fairman:

Well, thank you very much for participating and also for those questions. I think we're on a pretty exciting journey here, as has been said. By international standards, we've got long way to go. And we're addressing markets that are growing rapidly, both in terms of our renewable energy markets and regional private equity in the UK. I think you'll see us taking advantage over the next period of time. We will start making acquisitions as we promised, and the group will grow, I hope, and go from strength to strength, fulfilling the promises that we made to the market. I think our job, basically, is to deliver on what we promise. We've now done that several times and we intend to continue doing it. So thank you very much everybody for participating, and we look forward to talking to you again in the future.