

Pacific Current Group Ltd

Revenues stable despite volatile equity markets

Pacific Current Group (ASX:PAC) is a multi-boutique asset management firm with funds under management of A\$169.3b. PAC has sixteen boutique asset managers ranging from start-ups to mature businesses, with investment focus including private equity in real assets, private real estate, international and global equities, private and listed infrastructure, renewable energy, private credit, hedge fund seeding and emerging market equity. The boutique firms operate in the US, Europe, Asia and Australia. PAC continues to grow and renew the portfolio of boutique managers with internal growth in the group, IPO and sell down and additional investments. Management assert that deal flow has not been affected by the difficult macroeconomic environment and resulting volatile securities markets. In FY23 PAC expects to make new investments in earlier-stage asset managers as well as larger, higher-yielding investments.

Business model

PAC revenues are related to funds under management. Pacific Current Group receives a share of profits or revenues earned by the boutique managers which are generally a proportion of individual FUM. PAC may have an equity interest in the boutique and receive a dividend and may receive fees for distribution and other corporate services. Currently, the group has equity shares in 12 associated managers of between 16.5% and 50% and reported an equity accounted share of boutique profits of \$8.1m in FY22. Total contributions from boutiques rose from \$44.2m to \$45.8m including management fees, performance fees and unrealised mark-to-market losses.

Stable revenues despite equity markets

FY22 underlying revenues rose 7% to \$49.8m with underlying NPAT up 3% to \$27.1m. Reported financials are distorted by the IPO of GQG Partners during the year and a mark-to-market loss at year-end relative to the IPO price. PAC also made a US\$35m investment in Banner Oak Capital Partners during the year. Dividends of 38cps for FY22 were up from 36cps in FY21.

Positive outlook

Pacific Current Group expects double-digit growth in FY23 biased to the second half. New fund commitments of between \$3b-\$5b are projected with Victory Park Capital Advisers expected to become the largest contributor by FY24 due to higher management and performance fees. Compared to the peers noted PAC is reasonably valued with Pinnacle highly rated.

Historical earnings and ratios (in A\$m unless otherwise stated)

| Year end | Revenue | EBITDA adj.* | NPAT adj.* | NPAT rep. | EPS adj.* (c) | EV/Sales (x) | EV/EBITDA (x) | PER (x) |
|----------|---------|--------------|------------|-----------|---------------|--------------|---------------|---------|
| 06/19a | 47.2 | 27.4 | 20.8 | 37.6 | 0.44 | 6.1 | 10.5 | 10.3 |
| 06/20a | 48.7 | 32.1 | 25.0 | (17.5) | 0.510 | 6.0 | 9.0 | 10.7 |
| 06/21a | 46.8 | 32.6 | 26.3 | 17.4 | 0.520 | 6.9 | 9.9 | 11.2 |
| 06/22a | 49.8 | 35.4 | 27.1 | (35.3) | 0.530 | 8.9 | 12.6 | 15.2 |

Source: Company data; *EBITDA, NPAT and EPS adjusted for one-time, non-cash items Table presented consistent with management's underlying earnings basis. Revenue includes share of boutique earnings.

Wealth Management

9th September 2022

Share Details

| | |
|-------------------------|-----------|
| ASX code | PAC |
| Share price (8-Sept) | A\$8.05 |
| Market capitalisation | A\$443.6M |
| Shares on issue | 55.1M |
| Net cash at 30-Jun-2022 | \$1.9M |
| Free float | ~78% |

Share Performance (12 months)



Upside Case

- Growth in new FUM
- Boutiques maturing with good investment performance
- Additional investments in new boutiques

Downside Case

- Weak securities markets impact FUM
- Lower performance fees
- Mark-to-market equity losses

Catalysts

- Boutique investment announcements
- Stronger markets and deal flow

Comparable Companies (Aust/NZ)

Pinnacle Investment Management (ASX:PNI),
Pengana Capital Group (ASX:PCG), Regal Partners (ASX: RPL)

Board and Management

| | |
|------------------|---------------------|
| Antony Robinson | Non-Exec. Chair |
| Paul Greenwood | Exec. Managing Dir. |
| Jeremiah Chafkin | Non-Exec. Director |
| Melda Donnelly | Non-Exec. Director |
| Gilles Guerin | Non-Exec. Director |
| Peter Kennedy | Non-Exec. Director |

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FINANCIAL SERVICES GUIDE

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AFSL 456663

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- our services
- how we transact with you
- how we are paid, and
- complaint processes

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In writing to: Australian Financial Complaints Authority, GPO Box 3, Melbourne, VIC, 3001.

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