

Allfunds publishes its 1H 2022 financial results and announces the acquisition of a majority stake in MainStreet Partners

London/Madrid/Amsterdam - Allfunds Group plc (“Allfunds”) (AMS: ALLFG) one of the leading B2B WealthTech platforms for the fund industry, offering fully integrated solutions for both fund houses and distributors, today releases interim results for the six-month period ended 30 June 2022 and announces it has entered into an agreement to acquire a majority stake in the share capital of MainStreet Partners Limited (‘MainStreet Partners’), a unique platform that offers a full suite of ESG products including ESG Investment Portfolios and Scoring&Reporting.

Key highlights

Solid financial results despite significant market volatility

- Net revenues of €259m, representing a 5% increase year-on-year:
 - Platform revenue margin at 3.5bps, at the high end of our FY2022 guidance
 - Subscription revenues increased by 58% to €14.6m
- Adjusted EBITDA of €188m, a 4% increase year-on-year and implying an Adjusted EBITDA margin of 73%
- Assets under administration (“AuA”) were down (3.5)% year-on-year, from €1,348 billion to €1,301 billion. This compares to a (7.4)% decline for the industry⁽¹⁾ in the same period
 - Platform service negative market performance of €132.4 billion or (12.5)% since December 2021⁽²⁾
 - Platform service net organic flows of €(7.4) billion or (0.7)% since December 2021⁽²⁾ (-1.4% annualised) compensated by new client migrations
- Allfunds’ business model has proven resilient in periods of heightened volatility:
 - Our AuA growth continues to outperform markets and the fund industry, as a result of diversification (regional, asset classes, distributors) and secular growth levers (e.g., outsourcing, open architecture wealth management, share gains from other platforms/legacy infrastructure, and demographic wealth / savings growth)
 - We benefit from long-standing, deeply embedded client relationships resulting in very high retention rates (99.9% and 98.0% for distributors and fund houses, respectively, in 1H 2022)

Strong business activity and momentum

- Our flywheel effect remains strong: 74 new fund houses and 34 new distributors onboarded in 1H 2022
- Continued market share gain to 13%⁽³⁾. Significant runway remaining underpinned by open architecture penetration, outsourcing trend, and potential to win share from other / legacy infrastructure providers
- Growing pipeline: high confidence in migrations of >€40bn for 2H 2022, and accelerating subscription-based revenues thanks to cross-selling initiatives related to completed M&A

⁽¹⁾ Based on Total Net Assets for European market, Net asset figures refer to UCITS and include closed-ended funds at June 2022. Source: Morningstar.

⁽²⁾ Calculated as the sum of flows from existing clients and from new clients over Allfunds Platform service AuA only as of beginning of period amounting to €1,055bn as of 31 December 2021

⁽³⁾ Refers to Allfunds total AuA over European Industry AuA. Based on Total Net Assets for European market, Net asset figures refer to UCITS and include closed-ended funds at 30 June 2021. Source: Morningstar

- Our business and revenue model is well-positioned to capitalise on a market recovery: historically observed strongly positive net flows when markets recover and risk sentiment normalizes

Good progress on strategic initiatives

- Our digital ecosystem is evolving fast, thanks to the integration of recent acquisitions, with subscription-based revenues representing already 6% of total net revenues (c. 10% pro forma for completed M&A), growing 58% year-on-year
- Digital services is a large and growing market benefiting from secular tailwinds, and Allfunds is well-positioned to capture market share on the back of long-standing relationships with distributors and fund houses
- Ongoing investments in long-term growth initiatives such as blockchain and private capital markets

Juan Alcaraz, Chief Executive Officer and Founder, said:

“The first half of 2022 has demonstrated Allfunds’ resilience to market volatility. Despite negative market performance driven by the global economic impact of the ongoing war in Ukraine and rising inflation, we have delivered growth in net revenues and continued to gain market share compared to 1H 2021.

Our outlook for FY2022, assuming flat market performance for the remainder of the year, is for low-single digit growth in net revenues. Once markets recover, we anticipate strong net flows to accelerate AuA growth.

I remain excited about the exceptional opportunities for Allfunds ahead, especially in the enhanced digital ecosystem we are creating for our customers. Our strategic focus remains entirely aligned with our client needs and with adding value to our partners; the best proof is the continued enhancement of our platform, witnessed by the organic or inorganic investments as we have done in the first six months of 2022.”

Acquisition of a majority stake in MainStreet Partners

Headquartered in London, MainStreet Partners is the trusted ESG partner of top tier financial groups, providing a one stop shop for their sustainability requirements. Founded in 2008, MainStreet Partners has developed a unique platform delivering proprietary ESG scorings, ESG investment strategies via model portfolios and empowered reporting.

MainStreet Partners’ solutions strongly align with Allfunds’ strategy of providing value-added services to its clients, covering an increasing gap of specialized ESG-related services:

- For distributors: providing a comprehensive set of ESG tools to help them build an ESG-focused offering, properly assess the ESG profile of funds and portfolios, and report extra-financial results in a transparent and user-friendly manner;
- For fund houses: helping them to analyse the alignment of their funds to the relevant ESG regulations, assess the sustainability profile of the holdings and produce advanced impact reporting.

These unique, industry leading, proprietary solutions will complement Allfunds’ own. Allfunds will reinforce its existing offering and strong product suite with the increased capabilities and cross selling opportunities that MainStreet Partners provides. This falls in line with the company’s commitment to continuously invest and develop Allfunds’ digital ecosystem for fund houses and distributors and keep building the most robust set of solutions available for the entire fund industry.

The transaction, which is subject to customary closing conditions, including regulatory approvals, is expected to close in the coming months. Further terms of the transaction were not disclosed.

Non-financial highlights

<i>Figures in EUR bn, unless otherwise stated</i>	1H 2022	2Q 2022	1Q 2022	1H 2021	Change y-o-y (%)
AuA EoP	1,300.9	1,300.9	1,404.8	1,348.4	(3.5)%
Platform service ⁽¹⁾	915.2	915.2	996.6	949.9	(3.6)%
Dealing & Execution ⁽²⁾	385.6	385.6	408.2	398.5	(3.2)%
Platform Service Market performance	(132.4)	(76.3)	(56.1)	49.3	n.m.
Platform Service Net flows	(7.4)	(5.0)	(2.4)	85.5	n.m.
Flows from existing clients	(24.4)	(11.6)	(12.8)	51.3	n.m.
Flows from new clients (migrations)	17.0	6.6	10.4	34.2	(50.3)%
Net flows as a % of BoP AuA ⁽³⁾	(0.7)%	(0.5)%	(0.2)%	11.5%	
Net flows as a % annualised of BoP AuA	(1.4)%	(1.9)%	(0.9)%	22.9%	
Dealing and Execution variation⁽⁴⁾	(53.8)	(22.7)	(31.1)		

Note: AuA refer to Assets under administration at End of Period ("EoP") 30 of June or 31 of March

- (1) Platform service AuA includes Allfunds standalone, acquisitions of Nordic Fund Market and CS Investlab as well as BNPP Local Paying Agent business
- (2) Only AuA for which we provide Dealing & Execution services
- (3) Calculated as the sum of flows from existing clients and from new clients over Allfunds Platform service AuA only as of beginning of period. For 2022, beginning of period is considered December 2021 (amounting to €1,055bn) and for 2021, BoP is considered December 2020 (amounting to €746bn)
- (4) Variation coming from Dealing and Execution portfolio refer to both market performance and flows from existing clients

Financial highlights

<i>Figures in € million, unless otherwise stated</i>	Six months ended 30 June 2022 Unaudited	Six months ended 30 June 2021 Unaudited	Change y-o-y (%)
Net revenues	259.0	247.2	5%
Net platform revenues	244.4	238.0	3%
Net platform revenue (% of total)	94.4%	96.3%	
Net platform revenue margin (bps)	3.5	3.8	
Net subscription revenues	14.6	9.2	58%
Net subscription revenue (% of total)	5.6%	3.7%	
Adjusted EBITDA	188.4	181.1	4%
Adjusted EBITDA margin	72.7%	73.3%	
Adjusted Profit before tax	166.8	161.3	
Adjusted Profit after tax ⁽⁵⁾	123.5	94.4	31%
Normalised free cash flow	120.8	95.7	
Capital expenditure	15.2	10.4	
Separately disclosed items	40.1	77.0	

- (5) 1H 2021 Restated compared to the figures presented in the Interim Report 1H2021. See reconciliation tables in following pages for further information

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	30 Jun 22 EUR ('000s)	30 Jun 21 EUR ('000s)
	Unaudited	Unaudited
Fee, commission and service revenue	1,401,105	1,238,773
Fee, commission and service expense	(1,142,089)	(991,536)
Net Revenue (*)	259,016	247,237
Employee compensation and benefits	(48,790)	(56,992)
Other expenses	(62,225)	(87,933)
Other operating income	330	1,804
Amortisation and depreciation relating to other intangible assets and property, plant and equipment	(13,814)	(10,893)
Amortisation of intangible assets acquired as a result of business combinations	(68,941)	(69,291)
Profit before net interest expense, impairment loss and tax expense	65,576	23,932
Interest income	2,125	1,406
Interest expense	(7,283)	(5,820)
Net interest expense	(5,158)	(4,414)
Impairment losses	(2,589)	(4,520)
Gain or loss on disposal of non-financial asset	-	(675)
Profit before tax	57,829	14,323
Tax credit/(expense)	(19,721)	57,239
Profit after tax	38,108	71,562
Basic and diluted earnings per share (EUR)	0.0605	0.1137

Items that may be reclassified subsequently to profit or loss

Other comprehensive income/(loss) for the period	11,060	(62)
Total comprehensive income for the period	49,168	71,500

(*) Net revenue is comprised of fee, commission and service revenue recognised under IFRS 15 less fee, commission, and service expense. Net revenue is a gross profit measure. The Company labels this gross profit subtotal as Net revenue because the Directors believe it reflects the integral interrelationship between revenue generated and the expenses concurrently incurred, whilst also being comparable to measures used by peers

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	30 Jun 22 EUR ('000s)	31 Dec 21 EUR ('000s)
Assets		
Non-current assets	Unaudited	Audited
Goodwill	1,155,992	1,008,159
Intangible assets	1,151,843	1,194,977
Property, plant, and equipment	29,170	28,046
Financial assets held at amortised cost	672	957
Deferred tax assets	119,258	125,416
Total non-current assets	2,456,935	2,357,555
Current assets		
Financial assets at fair value through profit or loss	1,954	1,041
Financial assets held at amortised cost	306,815	245,250
Contract assets	677,944	713,562
Tax assets	12,551	23,228
Other assets	9,910	12,784
Cash and cash equivalents	1,879,579	2,192,630
Total current assets	2,888,753	3,188,495
Total Assets	5,345,688	5,546,050
Equity and Liabilities		
Non-current liabilities		
Deferred tax liabilities	209,638	223,219
Non-current lease liabilities	13,801	12,728
Provisions	1,755	1,890
Total non-current liabilities	225,194	237,837
Current liabilities		
Financial liabilities at fair value through profit or loss	2,800	396
Financial liabilities held at amortised cost	2,119,788	2,257,390
Contract liabilities	572,958	601,710
Current lease liabilities	6,632	7,116
Tax liabilities	27,189	52,104
Other liabilities	45,318	65,162
Total current liabilities	2,774,685	2,983,878
Total liabilities	2,999,879	3,221,715
Equity		
Share capital	1,574	1,574
Share premium	2,060,156	2,060,156
Retained earnings	258,524	248,110
Other reserves	25,555	14,495
Total equity	2,345,809	2,324,335
Total equity and liabilities	5,345,688	5,546,050

Reconciliations from IFRS to non-IFRS measures

Figures in € thousand, unless otherwise stated

	Six months ended 30 June 2022 Unaudited	Six months ended 30 June 2021 Unaudited (*)
Profit for the period after tax	38,108	71,562
<i>Separately disclosed items⁽¹⁾</i>		
TSAs and Restructuring Costs	23,115	29,643
Consultancy costs, legal fees and M&A/IPO costs	9,310	34,530
Other non-recurring items	3,654	12,833
Employee share scheme	3,980	-
Subtotal	40,059	77,006
Gain or loss of non-financial asset	-	675
Amortisation of intangible assets acquired as a result of business combinations	68,941	69,291
Tax Expense	19,721	(57,239)
Adjusted Profit before tax	166,829	161,295
Interest Income	(2,125)	(1,406)
Interest Expense	7,283	5,820
Adjusted Net Interest expense	5,158	4,414
Impairment losses	2,589	4,520
Amortisation and depreciation relating to other intangible assets and property, plant and equipment	13,814	10,893
Adjusted EBITDA	188,390	181,122
Capital expenditure	(15,222)	(10,384)
Rental Expenses	(3,863)	(3,668)
Adjusted Net Interest expense	(5,158)	(4,414)
Adjusted Cash Tax Expense	(43,345)	(66,923)
Normalised free cash flow	120,802	95,733

(*) 1H 2021 has been restated to reflect the inclusion of recurring provisions linked to the business as well as interest expense. In addition, adjusted cash tax expense has been restated to consider the corresponding portion on the period of the 41.4% cash tax expense paid in full in 2021, as a result of the tax step-up payments (€66.9m vs €49.1m in the interim report of 1H 2021)

(1) Separately disclosed items of €40.059m refer to the following adjustments: Employee compensation and benefits of €6.287m, other expenses of €32.798m, net interest expense of €1m and other operating net expense of €973m.

<i>Figures in € thousand, unless otherwise stated</i>	Six months ended 30 June 2022 Unaudited	Six months ended 30 June 2021 Unaudited
Employee Compensation and benefits	(48,790)	(56,992)
<i>Separately disclosed items</i>		
M&A Consultancy Costs	-	-
Other non-recurring items	6,287	12,558
Adjusted Employee compensation and benefits	(42,503)	(44,434)
<i>Figures in € thousand, unless otherwise stated</i>	Six months ended 30 June 2022 Unaudited	Six months ended 30 June 2021 Unaudited
Other Expenses	(62,140)	(87,933)
<i>Separately disclosed items</i>		
TSAs and Restructuring Costs	23,115	29,643
Consultancy costs, legal fees and M&A/IPO costs	9,310	34,334
Other non-recurring items	373	346
Adjusted Other Expenses	(29,342)	(23,610)
<i>Figures in € thousand, unless otherwise stated</i>	Six months ended 30 June 2022 Unaudited	Six months ended 30 June 2021 Unaudited
Profit before tax	57,829	14,323
<i>Separately disclosed items</i>		
TSAs and Restructuring Costs	23,115	29,643
Consultancy costs, legal fees and M&A/IPO costs	9,310	34,530
Other non-recurring items	3,654	12,833
Employee share scheme	3,980	-
Total Separately disclosed items	40,059	77,006
Gain or loss of non-financial asset	-	675
Amortisation of intangible assets acquired as a result of business combinations	68,941	69,291
Adjusted Cash tax expense	(43,345)	(66,923)
Adjusted Profit after tax (1)	123,484	94,372
(€) Adjusted Earnings per share	0.196	0.150

(1) 1H 2021 has been restated to reflect the inclusion of recurring provisions linked to the business as well as interest expense. In addition, adjusted cash tax expense has been restated to consider the corresponding portion on the period of the 41.4% cash tax expense paid in full in 2021, as a result of the tax step-up payments (€66.9m vs €49.1m in the interim report of 1H 2021)

Figures in € thousand, unless otherwise stated

	Six months ended 30 June 2022 Unaudited	Six months ended 30 June 2021 Unaudited (*)
Tax credit/(expense)	(19,721)	57,239
Step up - tax payment	(7,519)	48,663
Non-cash tax deferred adjustments at Italian local level	7,228	(148,455)
Non-cash tax deferred adjustments (Allfunds Bank Group)	(95)	989
Non-cash tax deferred adjustments (Allfunds Group Plc)	(13,017)	(13,017)
Interim Financial Statements vs. cash tax expense	(1,051)	(390)
Adjustments re. Separately Disclosed items	(9,170)	(11,952)
Adjusted cash tax expense	(43,345)	(66,923)
Adjusted cash tax rate	(26) %	(41) %

(*) 1H 2021 has been restated to reflect the inclusion of recurring provisions linked to the business as well as interest expense. In addition, adjusted cash tax expense has been restated to consider the corresponding portion on the period of the 41.4% cash tax expense paid in full in 2021, as a result of the tax step-up payments (€66.9m vs €49.1m in the interim report of 1H 2021)

Contacts

Allfunds Group Plc

For media enquiries:

Katherine Sloan, Head of Marketing and Communications
+34 691 369 407
katherine.sloan@allfunds.com

For analyst/investor enquiries:

Silvia Rios, Head of Investor Relations
+34 91 274 64 00
silvia.rios@allfunds.com

Conference call and webcast

At 9.00 CET / 8.00 GMT / 3.00 EST, today, July 29, 2022, Juan Alcaraz, CEO, and Alvaro Perera, CFO, will host a live webcast to present the results and offer an update on the business outlook. The webcast can be accessed through the following link:

<https://streamstudio.world-television.com/CCUIV3/frameset.aspx?ticket=1362-2522-33320&target=en-default-&status=preview&browser=ns-0-1-0-0-0&stream=html5-video-1000>

Slides accompanying the analyst presentation will be available in the link provided and at www.investors.allfunds.com, as well as the webcast recording.

Important Legal Information

This press release may contain inside information within the meaning of Article 7(1) of Regulation (EU) 596/2014 (Market Abuse Regulation).

For the purposes of this disclaimer, Allfunds Group plc and its consolidated subsidiaries are referred to as “Allfunds”.

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Unless otherwise stated, all figures refer to the six months ended 30 June 2022 (“1H 2022”). Comparative figures are for the six months ended 30 June 2021 (“1H 2021”) and as at 31 December 2021. Certain figures contained in this document, including financial information, have been subject to rounding adjustments. Accordingly, in certain instances the sum of the numbers in a column or a row in tables contained in this document may not conform exactly to the total figure given for that column or row.

The information and opinions contained in this document are provided as at its date and are subject to verification, correction, completion and change without notice. No obligation is undertaken to provide access to any additional information that may arise in connection with it.

This document may contain non-IFRS alternative performance measures. Allfunds considers these non-IFRS measures to be useful metrics for our management and investors to compare operating performance between accounting periods, but they should be considered supplemental information to, and are not meant to substitute, IFRS measures. For further details on non-IFRS measures, including its definition or a reconciliation with IFRS measures, please see the 1H2022 Interim Condensed Consolidated Financial Statements of Allfunds available on the corporate website (www.allfunds.com).



Allfunds Group plc
2 Fitzroy Place, 8 Mortimer Street,
London W1T 3JJ, United Kingdom

www.allfunds.com

Registration number 10647359