Allfunds publishes its preliminary 2022 financial results and announces the closing of the MainStreet majority stake acquisition

London/Madrid/Amsterdam - Allfunds Group plc ("Allfunds") (AMS: ALLFG) one of the world´s leading B2B WealthTech platforms for the fund industry, offering fully integrated solutions for both fund houses and distributors, announces its preliminary financial results for the year ended 31 December 2022. It also announces that the acquisition of a majority stake in MainStreet Capital Partners Limited ('MainStreet'), has closed following completion of customary closing conditions.

Key highlights

Strong financial results in a highly complex market context

- Assets under administration ("AuA") down 13% since 31 December 2021 to €1.3 trillion, vs a 15% decline for the industry(1) in the same period
- Net revenues of €495m, representing a -2.2% decrease year-on-year, despite the turbulent external environment
- 3.4 bps of platform revenue margin, in the mid-range of the guidance provided
- Subscription revenue growth of 97% compared to 2021, representing already 11% of total net revenues, pro forma for MainStreet
- Adjusted EBITDA of €350m, implying an Adjusted EBITDA margin of 71%, in line with the guidance provided
- Adjusted Net income is up 16% vs FY 2021

Strong business momentum

- Our flywheel effect remains strong: 132 new fund houses added to the platform and 71 new distributors onboarded in 2022
- Stable net flows for the year (-0.1% of BoP AuA), outperforming an industry characterizes by outflows
- Continued market share gain to 12.6%(2). Significant runway remaining underpinned by open architecture penetration, outsourcing trend, and potential to win share from competition
- Growing pipeline and accelerating subscription-based revenues thanks to cross-selling initiatives related to the integration of Allfunds Tech Solutions and Allfunds Data Analytics
- New revenue line, up and running since start of 2023: net treasury income to be part of platform revenues, demonstrating ability to diversify revenue streams and adapt to new interest environment

Good progress on the execution of our strategy

- Today, Allfunds also announces that the acquisition of MainStreet has closed following completion of customary closing conditions
- With this third acquisition, we complete a successful year of value-added M&A to evolve our digital ecosystem and positioning Allfunds to capture market share on the back of long-standing relationships with distributors and fund houses
- New target of subscription-based revenues to represent 30% of total net revenues in the mid-term

(1) Refers to Allfunds total AuA over European Industry AuA

(2) Based on Total Net Assets for European market, Net asset figures refer to UCITS and include closed-ended funds at 31 December 2022. Source: Morningstar

- Ongoing investments in long-term growth initiatives, including the development of our new alternatives platform to access private markets, in addition to continued organic investment in subscription revenues, new initiatives, including our ManCo services -through our Management company in Luxembourg, providing cost-effective solutions for certain specialised processes- and our blockchain technology

Juan Alcaraz, Chief Executive Officer and Founder, said:

"*With global markets experiencing extreme turbulence in 2022, Allfunds has shown financial resilience, growth, and momentum. Allfunds' recurring capacity to grow stronger after challenging times is largely driven by our capacity to diversify the business in terms of service offerings, geographic reach, and client types, as well as by our clients who accelerate the outsourcing of wealth distribution services to third parties. For clients, we continue to be a trusted and long-term partner; with market volatility unaffecting the level and quality of the service we provide to them globally. This has allowed us to outperform the industry year after year and 2022 was no different.*

"We are excited about the potential that lies ahead for Allfunds, particularly in the improved digital ecosystem we are building for our clients. The strongest evidence of our sustained commitment to meeting the demands of our clients and providing value to our partners is the continued development of our platform. This is evident from the organic and inorganic investments we made during 2022, and the new target we have established to improve our business mix in the medium-term. We therefore believe Allfunds will continue to be the leading WealthTech in the asset management and fund distribution industry."

Closing of MainStreet

On 17th February 2023, we closed the acquisition of a 65% stake in MainStreet.

Headquartered in London, MainStreet is the trusted ESG partner of top tier financial groups, providing a one-stop shop for their sustainability requirements. Founded in 2008 and employing 36 employees, MainStreet has developed a unique platform delivering proprietary ESG scorings, ESG investment strategies via model portfolios and empowered reporting.

MainStreet reinforces Allfunds' strategy of providing value-added services to its clients, covering an increasing breadth of specialized ESG-related services:

- Reinforces Allfunds Connect with a complete ESG data set for both fund houses and distributors
- Contributes with a recurring revenue model, growing at an average organic rate of >50% since 2019
- Provides further cross-selling opportunities across both our client bases
- Bolsters Allfunds' talent with a specialised team of 36 professionals

The management team of MainStreet, led by Rodolfo Fracassi who will remain as CEO of MainStreet, will keep a 25% shareholding in the company. Banca Generali, a longstanding client of MainStreet and Allfunds, will own a 10% through a strategic partnership, providing a strong and complementary shareholding structure. The transaction, which has been funded through the Allfunds Group revolving credit facility, will be EPS accretive since year 2 and envisages a path to full control by Allfunds in the next 3 to 5 years.

Business Highlights

Allfunds' market position has shown resilience this past year, supported by its innovative approach to client service, and continued investment in proprietary technologies and solutions. The Company continues to deliver strong operational performance in line with the compelling building blocks of growth established at the IPO.

We have experienced strong new business activity and momentum. We tend to experience this flight-to-quality effect in periods of heightened volatility and this time was no exception. The flywheel effect has remained strong in this challenging period, and we continue to diversify our client base by region, by origin and by client type.

- Allfunds onboarded €55bn of flows from new clients (migrations) as well as 71 new distributors, coming from both core markets and new growth markets. The majority of these clients were mid-sized clients and around 34% of these were captured from other platforms or legacy providers.
- We also managed to add 132 new fund houses to the platform, predominantly from Luxembourg and the United Kingdom, as we keep expanding in those markets.

Despite increasing competition, we continue to capture market share in the fund industry thanks to our compelling value proposition.

Our digital ecosystem has evolved rapidly. Subscription-based revenues already represented 11% of total net revenues, pro forma for MainStreet. Our strong M&A activity has been essential in continued digital product enhancements to meet evolving needs of clients and their end customers. Our M&A strategy has proved successful and further opportunities are ahead. As a result, we have disclosed our new target of subscription-based revenues to reach 30% of total net revenues in the mid-term. This underlines the increasing importance of subscription-based business for the future of Allfunds.

We also continue to capitalise on new business initiatives (i.e. new alternatives platform) and invest in organic long-term growth initiatives, including blockchain or our new ManCo services.

- Unique access to private capital markets (alternatives), where Allfunds´ clients will have a one-stop-shop offering for both liquid and illiquid investment solutions;
- Our new ManCo in Luxembourg commenced operations in August and is growing its offering with new business lines. These include fund hosting for Fund Houses, and private labelling mandates;
- Relevant progress with Allfunds Blockchain through strengthening "FAST" in Spain and Italy, the innovative solution to deliver efficiencies in investment fund transfers using Allfunds' unique blockchain technology;
- ESG value-added rating at fund and portfolio level, with SFDR fund categorisation at about 56% of the funds offered.

Financial Highlights

The financial year 2022 was defined by strong client activity translating to further resilience.

Assets under Administration (AuA) were down 13% from €1,494 billion in 2021 to €1,296 billion in 2022. Platform service AuA reported negative market performance of €146bn (14% decline) and €45bn impact on platform service organic flows which were almost entirely compensated by migrations seen during the year.

Net revenues for the period were down -2% to €495m (2021: €506m). These net revenues are comprised of net platform revenues which are recurring fees. representing 92% of total net revenues and of the net subscription and other revenues which accounted for 8% of total net revenues. The net platform revenues are split into commission revenue and transaction revenue. Commission revenue has decreased by -4% due to the reduction in AuA and lower platform margins (largely driven by changes in the asset mix). As a result, net platform revenue margin stood at 3.4 bps, down from 3.6 bps in 2021 but in the mid-range of the guidance provided.

Net subscription revenues increased by 97% to €40m (2021: €20m) thanks to the effort in selling membership fees and add-on services, and the contribution of recently acquired companies. On an organic basis, subscription revenues have increased at a growth rate above 30%, showing the strength of the cross-selling and upselling we have realised with our customer base in the year.

Total Adjusted Expenses increased only by 2% to €146m (2021: €143m), showing our demonstrated financial flexibility. As a result, personnel expenses decreased by 10% to €83m (2021: €93m) including M&A. SG&A costs have experienced an increase to €63m (2021: €50m). Most of this increase is explained by the impact of M&A, with the integration of the new acquisitions. Also worth highlighting the incremental activity, the impact of full period of listed status and the impact of inflation seen in 2022. Total headcount grew from 907 employees as of December 2021 to 1,031 employees as of December 2022.

The company has managed to keep Adjusted EBITDA margin of 71% accordingly with guidance given, amounting to €350m (2021: €369m). Excluding the impact of M&A, Adjusted EBITDA margin would have been at 72%.

Adjusted Profit after tax, including the impact of tax step-up we have in Italy, stood at €225m (2021: €194m), an increase of 16% compared with the prior period.

Underlying capital expenditures increased to €40m in 2022, up from €27m in 2021, reflecting continued investment in the future growth of the company, strengthening its digital proposition and IT requirements.

Outlook

Allfunds is uniquely positioned to support industry's transition in the digital age. Thanks to the acquisitions announced during 2022, Allfunds offers a suite of best-in-class tools to facilitate improved market intelligence, portfolio modelling, ESG advisory and efficiencies embedded in blockchain technology. Allfunds empowers companies to compete in an increasingly complex marketplace and capture growth opportunities in line with new industry standards.

The year ahead represents an inflection year for us. Following a very complicated market environment in 2022, we acknowledge that we will start the year with a lower level of AuA. In addition, we have completed several strategic and focused acquisitions over the past year to further support our growth and technological advancement. 2023 is the year in which we have the full year effect of the acquired companies to contribute to the market decorrelation. Assuming markets remain stable for the remainder of the year, we could expect net revenues growth to be around high-single digit to low-double digit, while adjusted EBITDA margin post-M&A should end up in the mid-sixties.

Our business model is naturally well-positioned to capitalise on a market recovery, and typically demonstrates significant growth outperformance during periods of market turmoil. This applies on the way down and, especially, on the way up. As risk appetite begins to improve, cash savings will be reinvested into investment products.

The Company continues to capitalise on the secular market growth trends from open-architecture penetration and outsourcing penetration, and to deliver strong operational performance aligned with the principles set out at the IPO. In this context, our strategy has always been to remain close to our clients and provide a wide service offering, paired with a revolutionary free pricing model. The company and management team have a long-term vision which will lead to value creation for our stakeholders.

Non-financial highlights

Figures in EUR billion, unless otherwise stated	2022	2H 2022	1H 2022	2021	Change y-o-y (%)
AuA EoP	1,296.0	1,296.0	1,300.9	1,494.5	(13.3)%
Platform service[1]	907.7	907.7	915.2	1,055.1	(14.0)%
Dealing & Execution	388.3	388.3	385.6	439.4	(11.6)%
Platform Service Market performance	(146.1)	(13.6)	(132.4)	77.8	n.m.
Platform Service Net flows	(1.3)	6.1	(7.4)	150.4	n.m.
Flows from existing clients	(44.6)	(20.2)	(24.4)	83.9	n.m.
Flows from new clients (migrations)	43.3	26.3	17.0	66.5	(35.0)%
Net flows as a % of BoP AuA[2]	(0.1)%	0.7%	(0.7)%	20.2%	
Net flows as a % annualised of BoP AuA	n.a.	1.4%	(1.5)%	n.a.	
Dealing and Execution variation[3]	(51.1)	2.7	(54.0)	26.9	
of which D&E migrations	11.7			-	

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

(1) Platform service AuA includes Allfunds standalone, acquisitions of Nordic Fund Market and CS Investlab as well as BNPP Local Paying Agent business
(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. For 2022, beginning of period is considered December 2021 (amounting to €1,055bn) and for 2021, BoP is considered December 2020 (amounting to €746bn)
(3) Variation coming from Dealing and Execution portfolio refers to migrations, market performance and flows from existing clients

Financial highlights

Figures in € million, unless otherwise stated	2022	2H 2022	1H 2022[4]	2021	Change y-o-y	Change H-o-H
Net revenues	**494.7**	235.6	259.0	**505.7**	**(2.2)%**	**(9.0)%**
of which: Net platform revenues	454.5	210.2	244.4	485.4	(6.3)%	(14.0)%
Net platform revenue margin (bps)	*3.4*	*3.2*	*3.5*	*3.6*	*(0.2) bps*	*(0.3) bps*
of which: Net subscription and other revenues	40.1	25.5	14.6	20.3	97.3%	74.2%
Net subscription and other revenues (% of total)	*8.1%*	*10.8%*	*5.6%*	*4.0%*	*4.1 p.p.*	*5.2 p.p.*
Separately disclosed items [5]	82.3	42.2	40.1	115.6	(28.8)%	5.4%
Adjusted EBITDA	**350.4**	162.0	188.4	**369.2**	**(5.1)%**	**(14.0)%**
Adjusted EBITDA margin	70.8%	68.8%	72.7%	73.0%	(3.0)%	(5.5)%
Adjusted profit before tax	305.9	139.1	166.8	330.4	(7.4)%	(16.6)%
Adjusted Cash tax expense [6]	(81.1)	(37.7)	(43.4)	(136.3)	(40.5)%	(13.0)%
Adjusted profit after tax	**224.9**	101.4	123.5	**194.1**	**15.8%**	**(17.9)%**
Illustrative free cash flow [7]	217.8	97.0	120.8	190.7	14.2%	(19.7)%
Underlying capital expenditures	39.6	24.4	15.2	26.6	49.3%	60.5%

(4) Re-stated figures to include provisions as part of Adjusted PBT and excluding Revolving Credit Facility interests
(5) One-off items affecting Adjusted EBITDA include mainly the Transitional Service Agreement costs from recent deal with BNP Paribas, as well as the consultancy costs and M&A related costs
(6) Tax expense in 2021 based on 26.5% cash tax rate over Adjusted PBT (including tax step-up)
(7) Calculated as Adjusted EBITDA excluding underlying capex, recurring net interest income, Adj. cash tax expense (assuming a 26.5% effective cash tax rate as a result of the inclusion of the tax step-up) and excluding also rental expenses (not through P&L)

Contacts

For media enquiries:

Katherine Sloan, Head of Marketing and Communications
+34 91 274 64 00
katherine.sloan@allfunds.com

For analyst/investor enquiries:

Allfunds Group Investor Relations
+34 91 274 64 00
investors@allfunds.com

Conference call and webcast

At 10.30 CET / 9.30 GMT / 4.30 EST, today, February 28, 2023, 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://www.investislive.com/allfunds/63dbbd33aaec340f00608a36/segh

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

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

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

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

www.allfunds.com

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