

TEAM plc

It's working. 25% revenue beat means AUM on way.

TEAM has released a year-end trading update which shows revenues and AUM/A ahead of our numbers and underlying EBITDA fractionally below. The company states that results are broadly in line with market expectations, however the substantial revenue beat of £2m/ 25% more than the £8m total revenues we had forecast for FY24E can only, in context, mean that the International distribution strategy is working. With full year audited results early next year we believe we are likely to see International AUA growth which surpasses our projections, with those assets soon to be profitably managed by TEAM itself, rather than by third-party fund managers.

The statement contains two further positives and one timing negative. The Group anticipates a Guernsey licence by January, which can only be helpful to the evolution of the business as a whole, while not supplying quite the same quantum of growth as the International distribution strategy. In Jersey, there are said to be advanced discussions to expand the adviser network, which suggests a team move. The disappointment is one of timing, with the Group's UCIT product launch being delayed until January.

The company further comments that in 2025 it will seek new capital "to support the further growth of the business, working capital requirements and deferred consideration". In H1 the company raised £1.3m in new equity and £0.5m from a convertible loan note. This statement is in line with the expectation we expressed at the time of our post-H1 note in late June.

Trading Update

- AUM/A £1.008bn, +21% YoY
- Outlook: "fund flows look set to increase, reflecting a higher number of advisers as well as the acceleration in migration of existing international clients assets into TEAM's MPS portfolios, supported by their consistent outperformance"
- Revenue £10.1m, from £5.3m in 2023.
- EBITDA loss of £1.7m
- Fund performance "remains top-tier"
- Guernsey licence by January
- In advanced discussions to expand adviser network in Jersey
- The company will be seeking new capital in 2025

Analysis

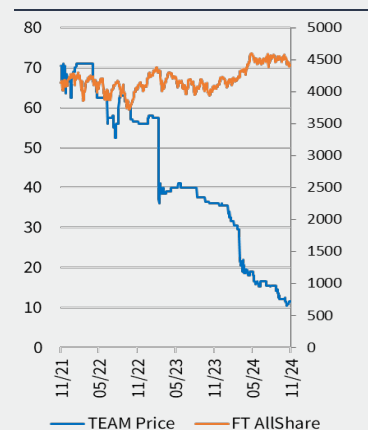
Revenues are ahead of our expectations, with H2 revenues of £6.0m following £4.1m in H1. The difference is most likely to be new revenues from the International business; revenues which are by design only marginally profitable, and which can be thought of as the marketing funnel for the firm's Managed Portfolio Service in Jersey.

At the H1 stage, the company looked forward to the launch of the unitised version of the funds "key to unlocking Team International AuA for conversion into AuM at management fees of 0.5% - 1.5%". This delay will have a short-term impact, while the higher revenues are likely to mean our estimates will in time rise for 2026 and beyond.

GICS Sector	Diversified Financials
Ticker	TEAM
Market cap. (£m)	4.3
Share price (p)	10.8
Target Valuation (p)	70

+648%

Upside from current share price to our fair value



Source: Bloomberg

Ben Williams

Director, Financials Research
T +44-207-907-8583
E bw@hannam.partners

Roger Bell

Managing Director, Research
T +44-207-907-8534
E rb@hannam.partners

H&P Advisory Ltd
7-10 Chandos Street
London W1G 9DQ

The company's strategy is unchanged – using the machine in Jersey to deliver outperformance and diversification for expats in Asia, Africa and the Middle East; clients found where the wealthy are increasingly going, who trust both in Jersey and in a London-listed company. As the client assets flow in, as they have started to do these last six months, even before unitisation of the main investment products, TEAM shareholders should benefit from a cost structure that ensures high operating leverage, and so rising profitability.

We make no changes to estimates at this point, hence our valuation is unchanged. The stock has fallen 29% since our last note ([here](#)), while we believe this update provides evidence that the strategy is working, so should lead to a reduction in the discount at which the stock trades to any sensible assessment of its value.

Expectations

We model a 47% 4-year CAGR in assets managed by the Investment Management division, leading to a 26% revenue CAGR. We have 2.9p EPS in FY '26 and 5.5p in '27.

Valuation

We see TEAM at 3.8x September 2026 earnings and 2.0x 2027. The current share price clearly implies some mix of the company not attracting the assets to make it to profitability, and being diluted along the way. The company has said it will seek to raise additional capital.

Our forecasts drive a fair value of 70p per share, > 6x the current share price, based on a DCF analysis, using a 10% WACC and only 16% medium term growth, while our explicit forecasts have a 26% revenue CAGR 2023-2027E. The drop-through in this industrial model, with client assets flowing to a largely fixed cost investment management machine in Jersey, means that each subsequent year's cashflows is very material to the bottom line.

Where would the company be if it hit its mid-term ambition of £20m of revenues, a 30%+ EBITDA margin, and £4bn of AUA/M? After the 10% corporation tax for regulated financial services in Jersey, a 10-15x forward multiple would mean a £54-76m market capitalisation, or £37-52m discounted back 4 years at 10%. Current market cap. is £5m.

Valuation

	2024E	2025E	2026E	2027E
14x '27	53 p			77 p
10x EPS from £6m EBITDA	75 p			109 p
15x EPS from £6m EBITDA	104 p			153 p
10x PAT from £6m EBITDA	£37m			£54m
15x PAT from £6m EBITDA	£52m			£76m

Source: H&P estimates and analysis

Financial Statements Summary

Y/E Sept	2021	2022	2023	2024E	2025E	2026E	2027E
Investment management AuM	296	232	308	335	520	720	950
Advisory AuA	0	329	367	283	353	393	423
International AuA	0	0	180	326	566	806	1,046
Total AuM/A	296	561	856	943	1,438	1,918	2,418
Investment Management	nd	1.03	0.95	1.32	1.97	3.16	4.43
Advisory	nd	1.09	3.04	2.18	2.92	3.13	3.46
International	nd	0.00	1.33	4.53	5.44	5.62	5.74
Total revenue	1.47	2.12	5.32	8.03	10.32	11.91	13.63
change YoY %	110%	44%	151%	51%	29%	15%	14%
Direct costs	(0.27)	(0.41)	(0.92)	(2.64)	(3.38)	(3.47)	(3.56)
Contribution	1.20	1.71	4.40	5.38	6.94	8.44	10.07
Operating costs	(2.00)	(2.52)	(5.09)	(6.94)	(6.82)	(6.93)	(7.05)
EBITDA, underlying	(0.80)	(0.81)	(0.69)	(1.55)	0.13	1.51	3.02
EBITDA margin, underlying	(54%)	(38%)	(13%)	(19%)	1%	13%	22%
Non-underlying items:							
Depreciation	(0.06)	(0.08)	(0.17)	(0.04)	(0.03)	(0.03)	(0.03)
Amortisation	(0.19)	(0.54)	(1.00)	(1.00)	(1.00)	(0.92)	(0.64)
Interest costs	(0.01)	(0.02)	(0.04)	(0.13)	(0.15)	(0.15)	(0.15)
Acquisition-related expenses	(0.24)	(0.13)	(0.22)	(0.09)	0.00	0.00	0.00
Other items	(0.45)	0.00	0.00	0.00	0.00	0.00	0.00
PBT, underlying	(0.87)	(0.92)	(0.91)	(1.72)	(0.05)	1.33	2.84
Tax, underlying	0.05	0.06	0.01	0.06	(0.01)	(0.06)	(0.12)
Underlying tax rate	5.6%	7.9%	2.0%	4.0%	4.0%	4.0%	4.0%
PAT, underlying	(0.82)	(0.85)	(0.89)	(1.66)	(0.06)	1.27	2.72
PBT, reported	(1.75)	(1.59)	(0.44)	(2.80)	(1.05)	0.42	2.20
Tax, reported	0.05	0.06	(0.00)	0.00	(0.07)	(0.22)	(0.42)
PAT, reported	(1.71)	(1.52)	(0.45)	(2.80)	(1.11)	0.20	1.78
Profitability							
Total revenue/ave client assets (bp)	nd	23.2	75.1	95.9	86.7	71.0	62.9
Contribution margin	82%	80%	83%	67%	67%	71%	74%
RoE adjusted	(18.7%)	(10.6%)	(7.5%)	(10.7%)	(0.4%)	8.5%	17.1%
Cash flow and balance sheet (£m)							
EBITDA, underlying	(0.8)	0.0	(0.7)	(1.6)	0.1	1.5	3.0
Non-underlying cash items	(0.7)	0.0	(0.1)	(0.1)	0.0	0.0	0.0
Change in working capital	0.0	(0.4)	0.1	0.0	0.0	0.0	0.0
Capex	(0.1)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)
Lease liability	(0.1)	(0.1)	(0.2)	(0.1)	(0.1)	(0.1)	(0.1)
Free cash flow	(1.5)	(1.4)	(0.9)	(1.8)	(0.0)	1.3	2.8
Payment of deferred consideration	0.0	(1.5)	(0.0)	0.0	(0.2)	(1.1)	0.0
Acquisitions net of cash acquired	(1.0)	(2.9)	0.9	(0.9)	0.0	0.0	0.0
Share issuance	7.2	2.7	4.5	1.2	0.0	0.0	0.0
Net increase/decrease in cash	4.7	(3.1)	4.8	(0.9)	(0.3)	0.2	1.7
Cash & cash equivalents	4.9	1.7	1.9	5.9	5.6	5.8	7.5
Intangible assets	3.7	9.3	12.4	20.2	19.1	18.0	16.8
Net assets	7.4	8.7	8.2	23.4	23.7	22.8	23.3
Per share data (p)							
YE FD shares in issue (m)	17.3	22.0	22.0	39.6	39.9	44.9	49.9
Av. FD shares in issue (m)	11.2	19.3	22.0	34.3	39.9	44.5	49.5
EPS adjusted, diluted	(7.3)	(4.4)	(4.1)	(4.8)	(0.1)	2.9	5.5
EPS reported, basic	(15.2)	(7.9)	(2.0)	(8.2)	(2.8)	0.4	3.6
DPS	0.0	0.0	0.0	0.0	0.0	0.0	0.0
FCF per share	(13.5)	(7.1)	(4.2)	(5.3)	(0.0)	3.0	5.6
NAV per share	43.0	39.4	68.6	39.9	37.3	33.6	33.8

Source: Company Reports, H&P estimates, unchanged following the FY24 Trading Update

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