



FY2020 Financial Results Presentation

September 2020

AIM: DUKE



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Cash
distributions from
royalty partners

+91%

2020: £10.2m
2019: £5.4m

Net cash inflow
from operating
activities

+65%

2020: £6.8m
2019: £4.1m

Dividend
per share

+5%

2019: 2.80p

Additional equity
raised in
October 2019

£17.5m

Revolving credit
facility increased, on
improved terms

£30m

Further capital
deployed into existing
royalty partners resulting
in a more balanced portfolio

£20.4m

Duke, the first mover in UK and European owner-managed royalty financing, provides capital with no re-financing risk for private companies

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Royalty Partners

22%

IRR of Recent Royalty Partner
Exit

**High operational
leverage**

Additional deployments
continue to reduce
operational leverage

~ £100 million

deployed capital

~£20 million

Deployed capital in FY2020

~50%

institutional shareholders

~£78 million

raised in equity since March
2017

Diversified royalty
portfolio and cashflows

Long term growth
potential from portfolio
returns

+7%

annualised dividend yield¹

£6 million

paid in dividends during
FY2020

¹ Duke share price as of 15 September 2020

Revenue

- Q1 FY21 cash revenue still totalled over £2.0 million, less than 30% down from Q4FY20
- Q2 FY21 cash revenue increasing to £2.4 million

Operating costs

- Operating cash costs reduced by ~18% from FY2020

Royalty Partners

- Long term approach taken. Where necessary, entered into forbearance agreements structured to 30 September 2020 – cash distributions accrued, capitalised or equitised

Liquidity

- Prudent approach to conserving cash in the short term with payment of a scrip dividend for Q1 and Q2 FY21
- Cash building during this period

Internal

- Business continuity plan enacted prior to lockdown, kept all employees safe
- Enacted a cost reduction plan, no furlough or cuts to staff headcount

Opportunity

- Significant opportunity due to the pandemic
- SMEs looking for long-term capital partners that enable them to keep control of their business

Cashflow Highlights	FY2020 £000	FY2019 £000
Royalty and loan interest	10,245	5,354
Operating expenses	(2,811)	(1,392)
Other cash (expenses) / receipts	(78)	148
Tax paid	(573)	-
Net cash inflow from operating activities	6,783	4,110
Interest costs	(1,425)	(172)
Free cash flow	5,358	3,930
Other Highlights		
Operating cashflow per share	3.17p	2.52p
Net royalty and loans advanced	20,412	28,714
Net proceeds from share issue	16,406	41,612
Cash and cash equivalents	4,481	5,894
Dividends paid	6,013	4,023

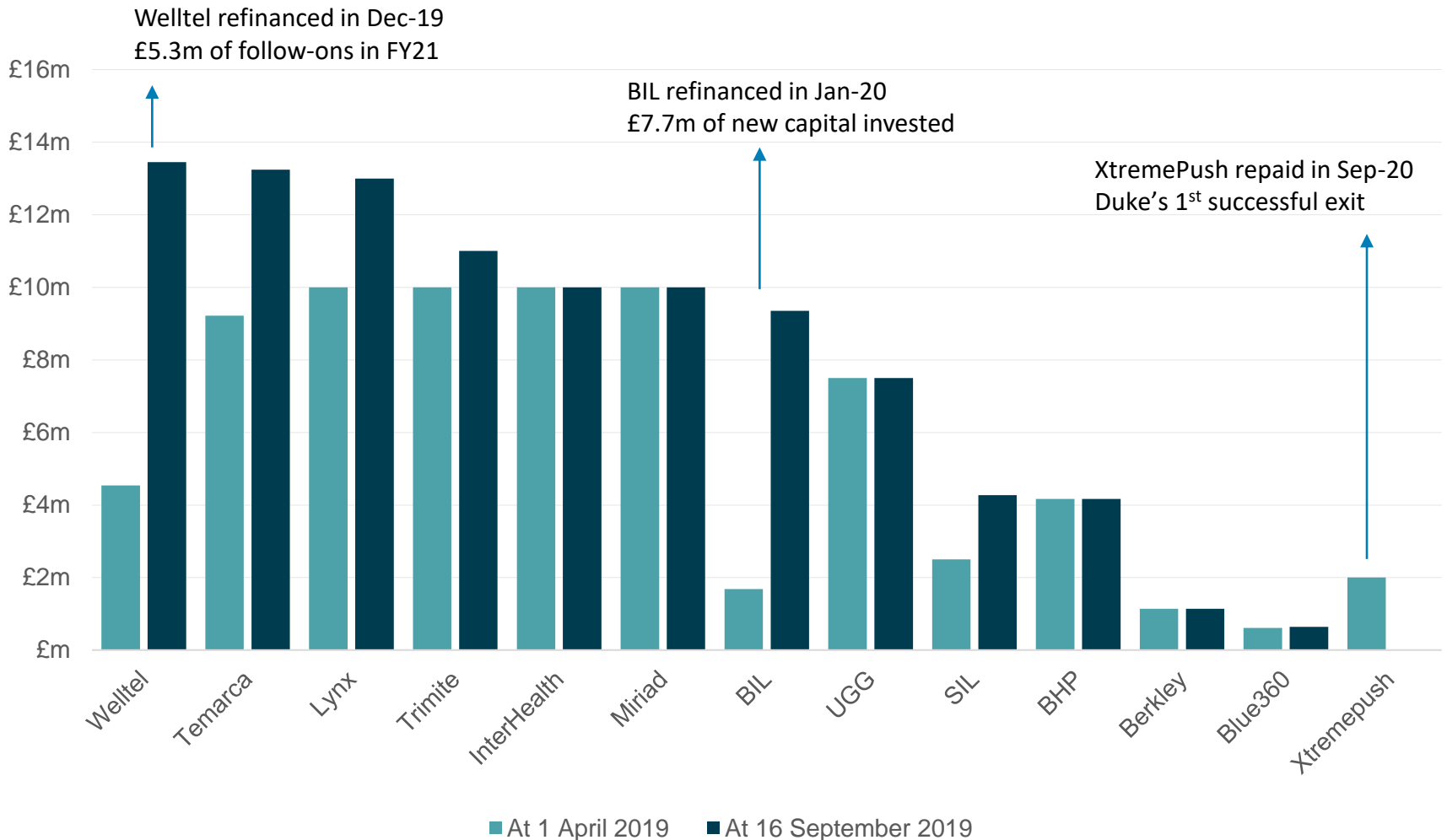
- Net cash inflow from operating activities increased to £6.8m, increase of 65% on FY19
- Operating cashflow per share 3.17p per share, up from 2.52p per share in FY19
- A further £20.4m of investment deployments
- High operational leverage due to stable fixed cost base
- Cash on balance sheet of £4.5m
- Over £6m of dividends paid out

- Royalty and loan interest of £10.2m v £5.3m in FY19, up 91%
- Non-cash write-downs of £15.6m across investment portfolio due to Covid-19
- Adjusted earnings of £5.2m (FY19: 2.9m) and 2.44p per share (FY19: 1.83p per share)
- Total operating expenses 31% of royalty and loan interest (34% in FY19), highlighting operating leverage
- Total loss for year £8.9m

Income Statement Highlights	FY2020 £000	FY2019 £000
Royalty and loan interest	10,212	5,352
Fair value movements and impairments	(12,641)	490
Loan impairments	(2,947)	-
Other income	336	256
Transaction costs	(543)	(1,940)
Operating expenses	(3,189)	(1,846)
Operating (loss) / profit	(8,772)	2,312
Finance costs	(1,607)	(396)
(Loss) / profit before tax	(10,379)	1,916
Taxation expense	1,481	(119)
Total comprehensive (loss) / income	(8,898)	1,797
Total adjustments	14,114	1,195
Adjusted earnings	5,216	2,992

Total invested at 1 Apr 2019 - £74m

Total invested at 16 Sept 2020 - £98m



Duke has proven experience investing across range of sectors, geographies and transaction types

June 2017

Telecoms

Fair value¹: £13,210,000

Acquisition Capital & Debt Refinancing

October 2017

Business Services

Fair value: £11,593,000

Acquisition Capital

April 2017

Temarca B.V.

Leisure

Fair value: £10,360,000

Growth Capital & Debt Refinancing

August 2018

Healthcare

Fair value: £9,425,000

Growth Capital

February 2019

Leisure

Fair value: £9,001,000

MBI

March 2018

Industrials

Fair value: £8,985,000

Shareholder Buyout

September 2018

Business Services

Fair value: £8,501,000

MBO / MBI

April 2018

Industrials

Fair value: £6,403,000

Acquisition Capital & Debt Refinancing

August 2018

Business Services

Fair value: £4,873,000

MBO

June 2018

Media

Fair value: £4,108,000

Growth Capital

June 2017

Business Services

Fair value: £1,1230,000

MBO / MBI

EXIT

IRR: 22%

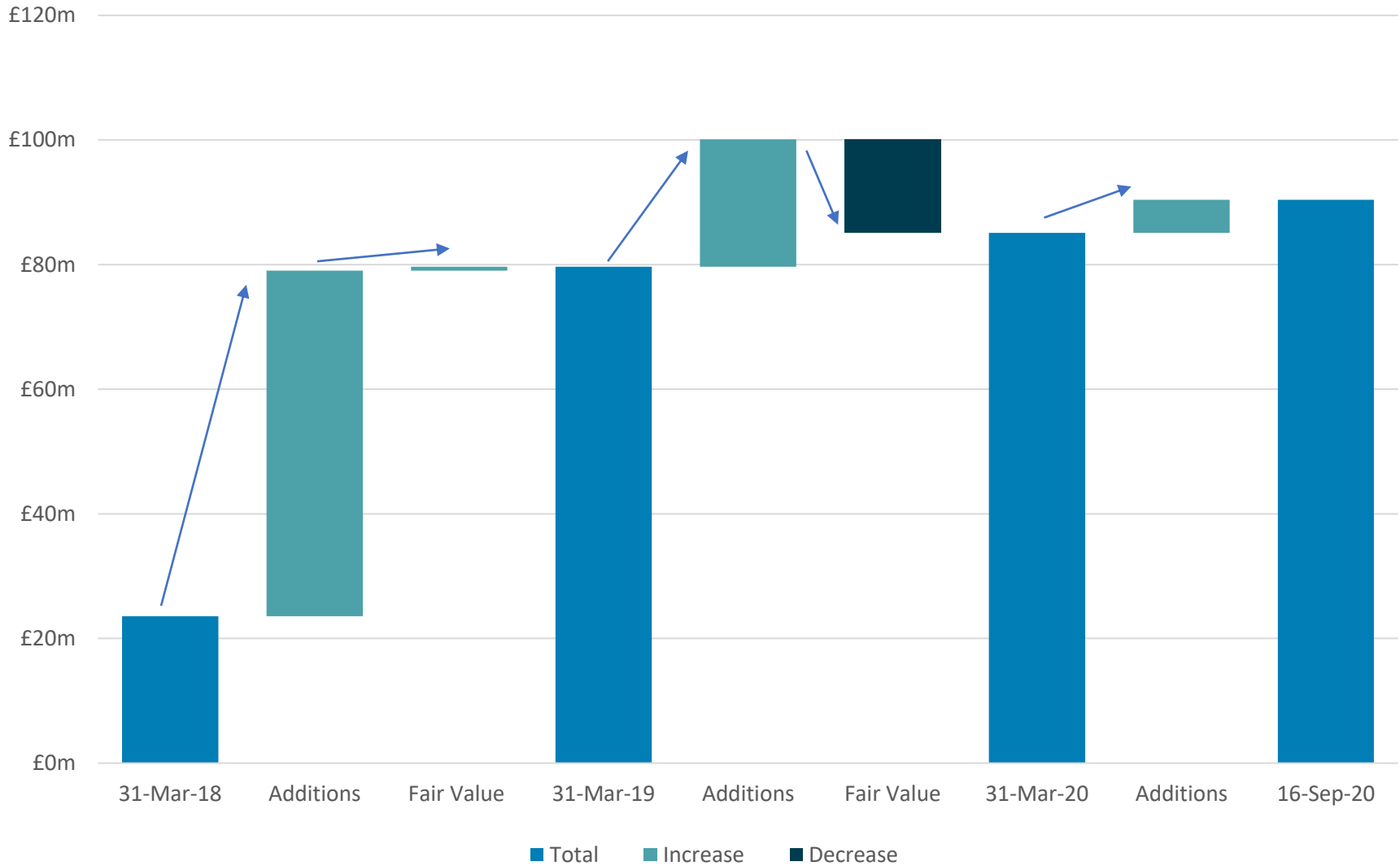
Acquisition Capital

Track record of Royalty Partner performance with many hitting maximum +6% adjustment factors



¹ Fair value refers to the unaudited pro-forma fair value, which reflects the fair value at 31-Mar-20 adjusted for the cost of follow-on investments made post year end

Portfolio Fair Value¹ Progression

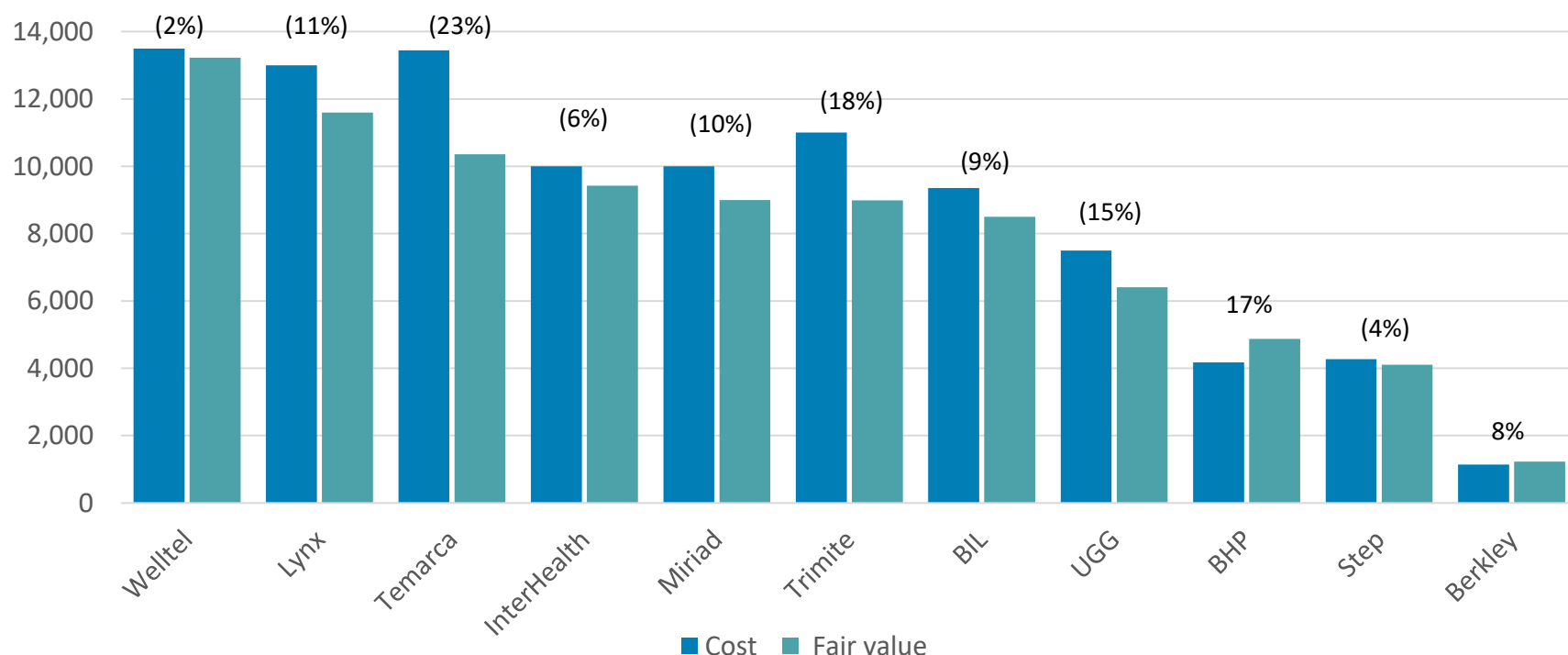


¹ Fair value refers to the unaudited pro-forma fair value, which reflects the fair value at 31-Mar-20 adjusted for the cost of follow-on investments made post year end

- Post FY21 follow-ons, Welltel the largest investment by fair value and cost
- Despite material write downs in FY20, fair value of total investment portfolio more than 90% of cost

Total cost at 16 Sep 2020 - £98m

Total fair value¹ at 16 Sep 2020 - £88m



¹ Fair value refers to the unaudited pro-forma fair value, which reflects the fair value at 31-Mar-20 adjusted for the cost of follow-on investments made post year end

- **Cash revenue grew 91%** to £10.2 million
- **Operating Cash flow grew 65%** to £6.8 million
- **Follow-up investments** into Welltel Ireland, Lynx Equity, Bakhchysarai, Step Investments, Temarca and Trimate, totalling £20.4 million
- **Increased debt facility to £30m** reducing interest rate from one-month LIBOR +9.5% to **one-month LIBOR + 7.25%**
- **Operational leverage** – current central costs sustainable for the foreseeable future
- Duke is the only UK quoted diversified Royalty company & a **leading dividend yielding** AIM company, with £6.0 million paid out in FY2020



Appendix



Consolidated Statement of Cashflows

	FY20 £000	FY19 £000
Receipts from royalty investments	8,977	5,097
Receipts of interest from loan investments	1,268	257
Receipts from transaction costs reimbursed	90	308
Other interest income received	-	1
Payments for royalty participation fees	(168)	(161)
Operating expenses paid	(2,811)	(1,392)
Tax paid	(573)	
Net cash inflow from operating activities	6,783	4,110
Royalty investments advanced	(17,751)	(25,033)
Loan investments advanced	(2,661)	(3,057)
Payment for acquisition of subsidiaries, net of cash acquired	(321)	(4,274)
Investments costs paid	(548)	(624)
Business combinations costs	-	(268)
Proceeds from disposal of equity instruments	-	89
Net cash outflow from investing activities	(21,281)	(33,167)
Proceeds from share issue	17,454	44,010
Share issue costs	(1,048)	(2,398)
Dividends paid	(6,013)	(4,023)
Proceeds from loans	16,250	3,500
Loan repaid	(11,650)	(9,109)
Interest paid	(1,425)	(172)
Other finance costs paid	(534)	-
Net cash inflow from financing activities	13,304	31,808
Net change in cash and cash equivalents	(1,464)	2,751
Cash and cash equivalents at beginning of year	5,894	3,165
Effect of foreign exchange on cash	51	(22)
Cash and cash equivalents at the end of year	4,481	5,894

Consolidated Statement of Comprehensive Income

	FY20 £000	FY19 £000
Income		
Royalty investment income	(2,994)	5,611
Loan investment income	1,235	256
Impairment loss on loan investments	(2,947)	-
Equity investment income	(670)	65
Other operating income	356	167
Total income	(5,040)	6,099
Investment Costs		
Transaction costs	(448)	(983)
Due diligence costs	(95)	(526)
Royalty participation fees	-	(432)
Operating Costs		
Administration and Personnel	(1,725)	(651)
Legal and professional fees	(584)	(509)
Other operating costs	(471)	(203)
Share-based payments	(409)	(483)
Operating (loss) / profit	(8,772)	2,312
Interest payable	(1,062)	(291)
Other finance costs	(545)	(106)
(Loss) / Profit for the period before tax	(10,379)	1,916
Taxation expense	1,481	(119)
Total comprehensive (loss) / income for the period	(8,898)	1,797

Consolidated Statement of Financial Position

	31-Mar-20 £000	31-Mar-19 £000
Goodwill	203	203
Royalty finance investments	59,435	61,989
Loan investments	4,418	8,993
Equity investments	507	1,178
Deferred tax asset	675	-
Total Non-Current assets	65,238	72,363
Royalty finance investments	16,124	8,065
Loan investments	5,099	632
Trade and other receivables	142	178
Cash and cash equivalents	4,481	5,894
Current tax asset	567	-
Total Current assets	26,413	14,769
Total Assets	91,561	87,132
Royalty debt liabilities	133	173
Trade and other payables	318	714
Borrowings	172	326
Current tax liability	-	248
Total Current liabilities	623	1,461
Royalty debt liabilities	1,040	1,193
Trade and other payables	431	440
Borrowings	15,517	11,365
Deferred tax liability	-	565
Total Non-current liabilities	16,988	13,563
Net Assets	74,040	72,108
Shares issued	118,479	102,044
Share based payment reserve	742	333
Warrant reserve	265	265
Retained losses	(45,446)	(30,534)
Total Equity	74,040	72,108

- **A long-term contractual interest** which generates a **consistent monthly cash flow** stream
- Can be viewed as a **corporate mortgage**
- Duke provides a **lump sum of capital** to a company with a term of **25-40 years** and **no bullet repayment**
- **Participate in revenue** performance based on annual adjustment factor
- **Buyback options are granted**, however, prepayment penalties ensure buyback is accretive to IRR

1. Private company - assets under management of \$2.6B

Royalty Industry Overview

- **Began in the 1980s** - commodities and pharmaceuticals
- Sector is **worth £50bn** in North America
- In 2000s - expanded to diverse **corporate royalties**

Company	Market Cap
 Franco-Nevada	CAD \$23.9bn
 IDRI CAPITAL	USD \$2.6bn ¹
 Boston Pizza WE'LL MAKE YOU A FAN.	CAD \$374.5m
 ALARIS ROYALTY CORP.	CAD \$727.8m

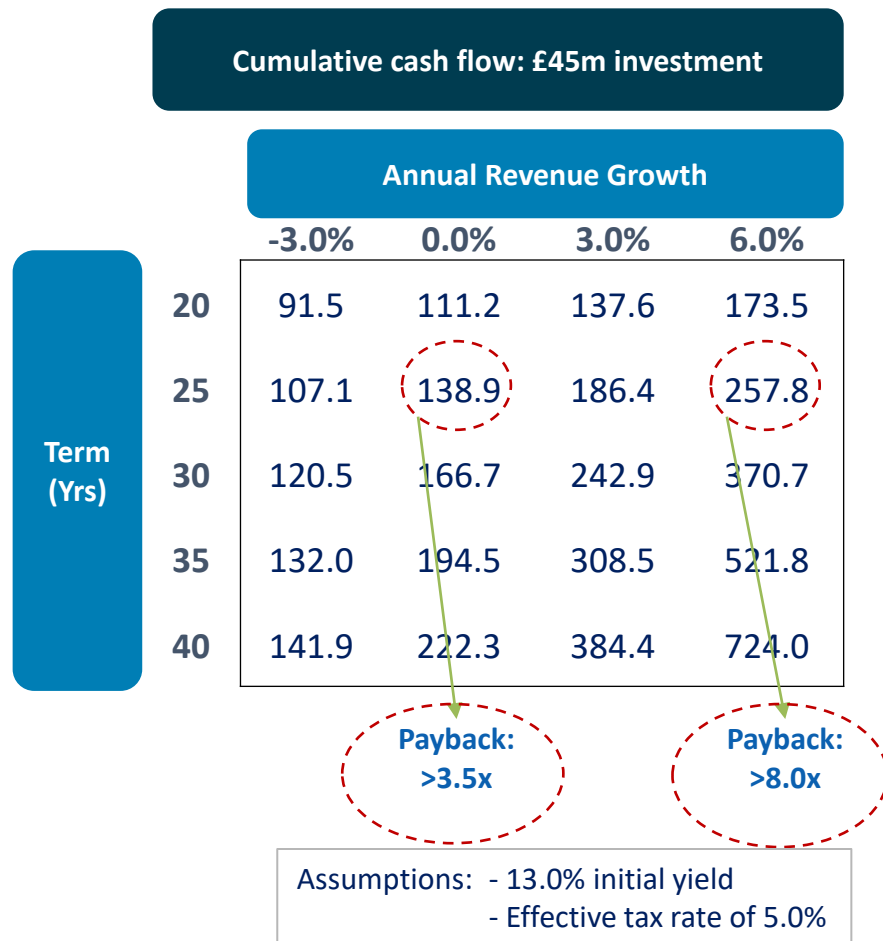
Royalty financing allows private business owners to receive capital while retaining control of their businesses

	Debt	Royalty	Private Equity
Term	3 – 7 Years	25 – 40 Years	Permanent dilution
Refinancing Risk	Significant	None	Pressure to exit
Control	Passive	Passive	Loss of control
Covenants	Significant	Covenant-Light	Covenant-Light
Security	Typically Senior	Typically Senior	None
FCF Impact (Years 1 – 5)	Significant	Light	Light

Royalties give owners the flexibility of buyback without refinancing risk

Royalty companies benefit from **attractive returns** and **increasing valuation** as they diversify their investment portfolios

- **Annuity like revenue streams**
- **Compounding opportunity** – through royalty partners’ revenue increases
- **Attractive growing dividend** through cash growth and accretive capital deployments
- **Yield compression** through lower risk as we add royalty partners
- **High level of operational gearing**



Primary Criteria	Secondary Criteria	Description
Investment Fit Within Duke Portfolio	Deal Size	£5m - £20m
	Geographical Focus	Western Europe and North America
Alignment of Management Goals with Duke's Objectives	Track Record	10+ years of operating history
	Management	Not looking for companies for sale. We back management with a track record of delivering
	Continuity	management with a track record of delivering
	Use of Proceeds	Growth capital, shareholder restructuring, or acquisition capital
Collateral/Capital Backing Duke's Investment	Security	Senior security sought on available assets
	Low Debt	If other debt exists, we seek inter-creditor agreements
Capacity to Pay and Grow Royalty Payments	Defensible business model	They have a sustainable competitive advantage
	Payback	6 -7 years
	Royalty Coverage	>2.0x of EBITDA (i.e. minority of cash flow)
Overall Risk/Reward Evaluation	Investment Team and Investment Committee Decision	Approval required by independent investment committee and board of directors

Preferred sectors

Hospitality & Leisure

Industrials

Business Services

Healthcare

Technology & Media

No Start Ups

No Oil & Gas

No Mining

No Biotech

- **Multiple networks and deal finders sourcing new opportunities**
- Preliminary Evaluation – scored against our investment criteria and reviewed by **independent investment committee**
- Term sheets prior to in-depth due diligence
- Internal processes supplemented **by independent, global due diligence providers**
- Due diligence partners **‘on-risk’ based on success of transaction**

Comprehensive Diligence Reports and Independent Investment Committee



Andrew Carragher
*Independent – Private
Equity owner*



Justin Cochrane, CFA
*Duke Royalty Director -
15 years of royalty
experience*



John Romeo
*Independent - Oliver
Wyman Executive*

Select **examples** of how Duke's funding solution can be used along with **providing Growth Capital**

Shareholder Restructuring

- Where one or more shareholders wish to exit (retirement, cash-out, etc.)
- **Remaining shareholders are able to increase their equity percentage**

Acquisition Capital

- Acquisition capital is a common use case, particularly in “buy and build” scenarios
- Possible to draw funds in **multiple tranches linked to follow-on acquisitions**

Management Buy-out / in

- Duke backs existing or incoming management teams
- Non-dilution results in **larger management equity stakes**, greater control and alignment of interests

Debt Refinancing

- Refinance existing debt, especially where **amortisation / maturity profiles do not suit the cashflows of the business**

Management and investment committee have direct royalty experience of 60+ years



Neil Johnson – Executive Director and CEO

- Pioneered UK listings for Canadian and UK dual-listed companies between 2000 and 2010
- £3 billion raised for dual-listed companies and led the first Canadian AIM Nomad and UKLA sponsor



Jim Webster – Chief Investment Officer

- Pioneered world's first drug royalty public company on TSX (from 1993-2002), and has 25 years of royalty expertise
- Previous royalty companies have a total of £4 billion under management



Charlie Cannon-Brookes – Executive Director

- London-based Executive Director
- Co-owner of FCA-regulated Arlington Group Asset Management



Hugo Evans – Finance Director

- Extensive experience in senior finance roles within financial services
- 11 years of UK plc reporting experience
- Chartered Accountant (Grant Thornton)



Rael Sarembock – VP, Investments

- Co-founder of Capital Step
- Highly experienced in M&A transaction execution with an extensive investment banking career (JP Morgan)
- Holds a Finance Honours degree from the University of Cape Town



Steven Russo – VP, Investments

- 6 years of experience in mezzanine debt and select equity growth capital transactions as a former VP at Difference Capital Financial Inc.
- Holds a J.D./MBA Degree from Queen's University (2011) with expertise in corporate law and governance



Ajay Shivdasani – VP, Investments

- 4 years of private-equity LBO transaction experience and deal origination at DW Healthcare Partners
- 4 years of global management consulting experience at Oliver Wyman
- Holds an MBA from INSEAD University (2014)



Alex Hibbard – Associate

- 3 years at London-based PE firm Terra Firma, where he focused on investment opportunities and managing portfolio companies
- Chartered Financial Analyst, MA in Economics from the University of Edinburgh.



Nigel Birrell Non-Exec Chairman

Group CEO of Lottoland Limited
Former director of two FTSE 250 companies, including HIT Entertainment



Matthew Wrigley Non-Exec Director

Partner at MJ Hudson and resident of Guernsey
Former General Counsel of a fund management company with > £650m AUM



Mark Le Tissier Non-Exec Director

European Regional Director of Trident Trust, leading global corporate services provider and a resident of Guernsey

Shareholders	% Ownership
 Canaccord Genuity Wealth Management	16.05%
 HARGREAVES LANSDOWN	9.87%
 AXA Framlington	8.18%
 GLG	5.86%
 interactive investor	4.51%
 Premier Miton INVESTORS	3.76%
Downing	3.59%
 BMO Global Asset Management	3.28%
Directors / Management / Insiders	~5.00%

Duke has a suite of blue-chip institutional investors and significant management and insider ownership

