



Interim 2021 Financial Results Presentation

December 2020

AIM: DUKE



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Cash
Revenue¹

£4.4m

FY20: £10.2m
INT20: £5.0m

Net cash inflow
from operating
activities

£3.6m

FY20: £6.8m
INT20: £3.9m

Dividend
per share

1.00p

FY20: 2.95p
INT20: 1.45p

IRR 22%

Of first exit in royalty
partner XtremePush

7

Royalty Partners
monthly payments
unaffected by COVID

~£20m

of spare liquidity for new
deployments

¹ Cash revenue is cash distributions from royalty partners and net cash gains from sale of investments

We provide **minimally-dilutive** capital with **no re-financing risk** for private, owner-managed companies with strong cashflows

Established Portfolio

11 Royalty Partners and
£100 million deployed

Established Market Presence

first mover in UK and Europe

Covid-19 Resilience

demonstrated by NAV and cash flow preservation

~7%

annualised dividend yield¹
and trading at discount to Net Asset Value

High Operational Leverage

and embedded long-term growth

Large, Growing Market

as Non-Bank and Long Term Financing grows in popularity

¹ Duke share price as of 11 November 2020, and annualizing Q3 intended dividend

Cashflow Highlights	INT21 £000	FY2020 £000	INT20 £000
Cash revenue ¹	4,380	10,245	5,022
Core Operating expenses ²	(893)	(2,273)	(1,084)
Other cash (expenses) / receipts ³	89	(1,189)	(72)
Net cashflow from operating activities	3,576	6,783	3,866
Interest costs	(784)	(1,425)	(663)
Free cash flow	2,792	5,358	3,204
Other Highlights			
Operating cashflow per share (p)	1.50	3.17	1.96
Dividend per share (p)	1.00	2.95	1.45
Dividend yield ⁴	8.7%	11.7%	6.4%
Free cashflow (FCF) per share (p)	1.17	2.51	1.62
FCF yield ⁴	10.2%	9.9%	5.5%

- Trading in line with market expectations
- Cash revenue of £4.4m v £5.0m in Interim 2020, despite forbearance
- Net cash inflow from operating activities of £3.6m for Interim 2021
- **High operational leverage** due to stable fixed cost base achieved in FY20
- Prudent approach to cashflow management allowing cash dividend resumption in Q3 FY21

¹ Cash revenue is cash distributions from royalty partners and net cash gains from sale of investments

² Core operating expenses excludes variable STIP payments

³ Includes other operating income, royalty participation payments, tax and variable STIP payments

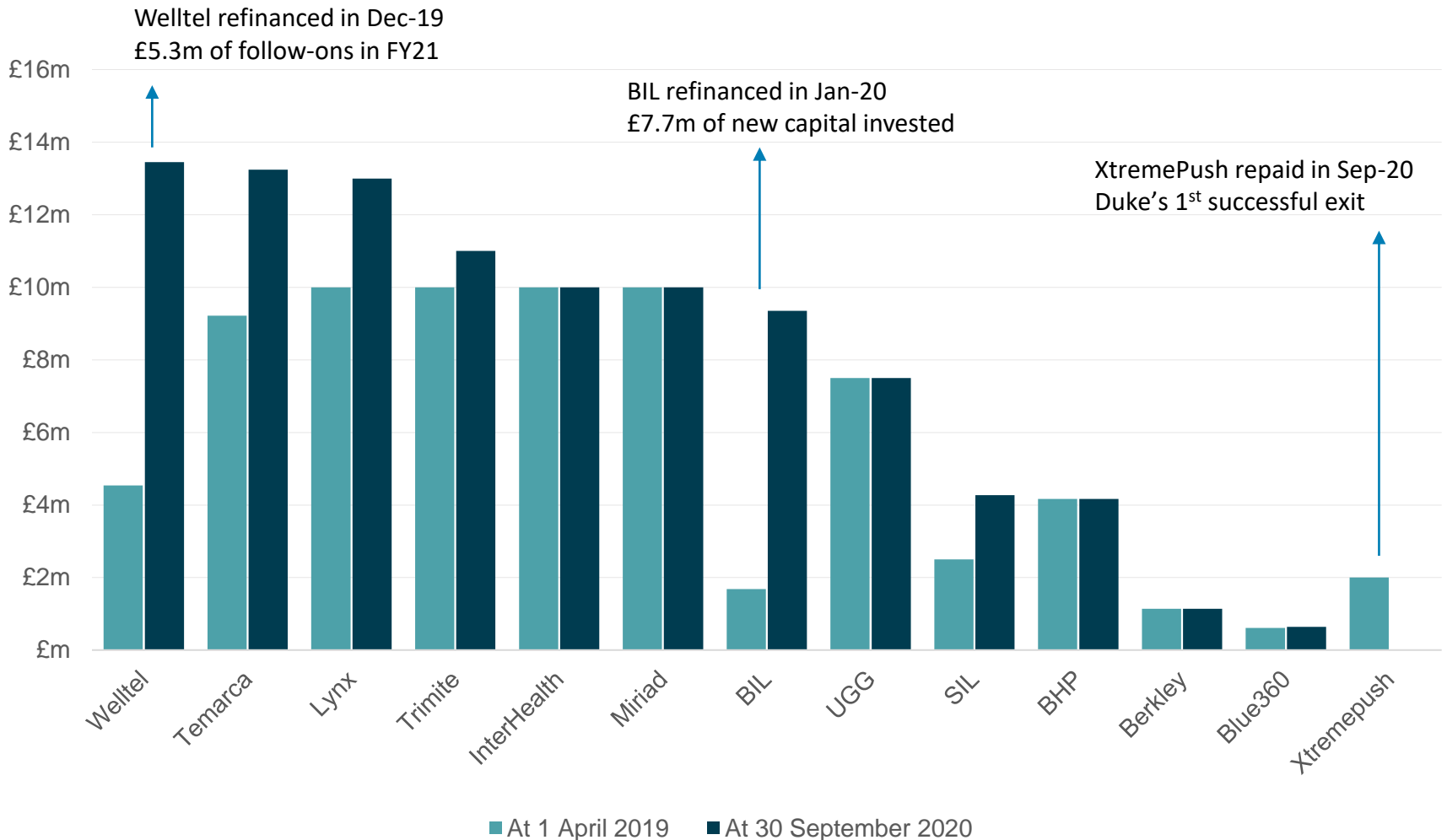
⁴ Based on share price of 23.00p @ 30.09.20, 25.20p @ 31.03.20 and 43.5p @ 31.03.19

- Royalty and loan income of £4.4m v £5.3m in Interim 2020
- Fair value increase of £2.7m, reflecting the start of the portfolio rerating
- Adjusted earnings of £2.1m (INT20: 3.0m) and 0.87p per share (INT20: 1.52p per share)
- Total operating expenses 31% of royalty and loan interest (34% in FY19), highlighting operating leverage
- Total profit for the period of £4.1m (INT20: £3.3m)

Income Statement Highlights	INT21 £000	FY2020 £000	INT20 £000
Investment income	4,421	10,212	5,068
Fair value movements and impairments	2,658	(12,641)	693
Loan impairments	-	(2,947)	-
Other income	20	336	141
Transaction costs	51	(543)	(263)
Operating expenses	(1,475)	(3,189)	(1,256)
Operating (loss) / profit	5,676	(8,772)	4,383
Finance costs	(815)	(1,607)	(694)
(Loss) / profit before tax	4,861	(10,379)	3,689
Taxation expense	(734)	1,481	(406)
Total comprehensive (loss) / income	4,127	(8,898)	3,283
Total adjustments	(2,053)	14,114	(290)
Adjusted earnings	2,074	5,216	2,993

Total invested at 1 Apr 2019 - £74m

Total invested at 30 Sep 2020 - £98m



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

June 2017

Telecoms

Fair value: £15,136,000

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: £9,938,000

Growth Capital

February 2019

Leisure

Fair value: £9,027,000

MBI

March 2018

Industrials

Fair value: £9,536,000

Shareholder Buyout

September 2018

Business Services

Fair value: £8,547,000

MBO / MBI

April 2018

Industrials

Fair value: £6,830,000

Acquisition Capital & Debt Refinancing

August 2018

Business Services

Fair value: £4,895,000

MBO

June 2018

Media

Fair value: £4,269,000

Growth Capital

June 2017

Business Services

Fair value: £1,259,000

MBO / MBI

EXIT

IRR: 22%

Acquisition Capital

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

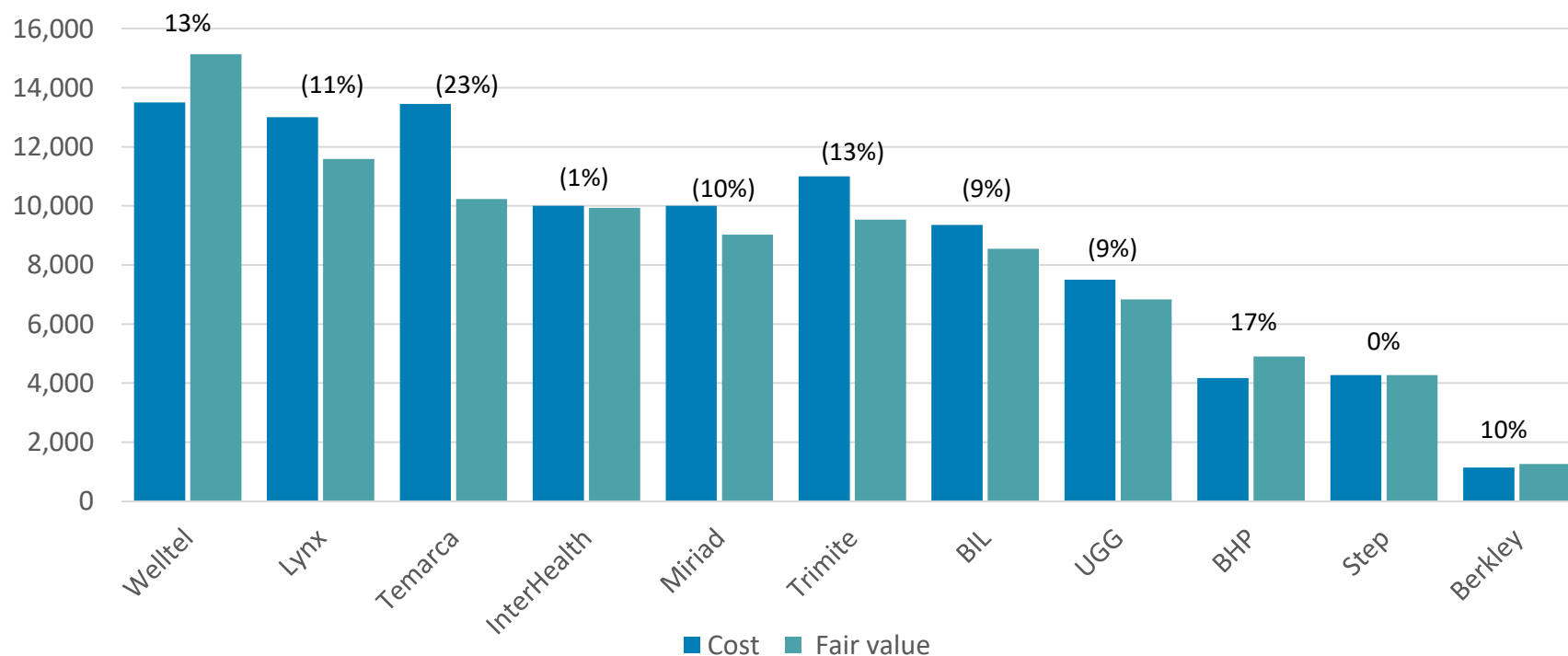


Portfolio Fair Values as a % of Cost

- Post FY21 follow-ons, Welltel the largest investment by fair value and cost
- Fair value of total investment portfolio now just 6% less than cost

Total cost at 30 Sep 2020 - £98m

Total fair value at 30 Sep 2020 - £92m



Balance Sheet

Total NAV £77m (INT21)

NAV / share of 31.1p (INT21)

Over £20m of liquidity for
new deployments

Upside

7 equity stakes valued
<£200k

Redemption premiums
>£15m

Gradual re-rating of FV
portfolio

Portfolio

Portfolio cost - £98m

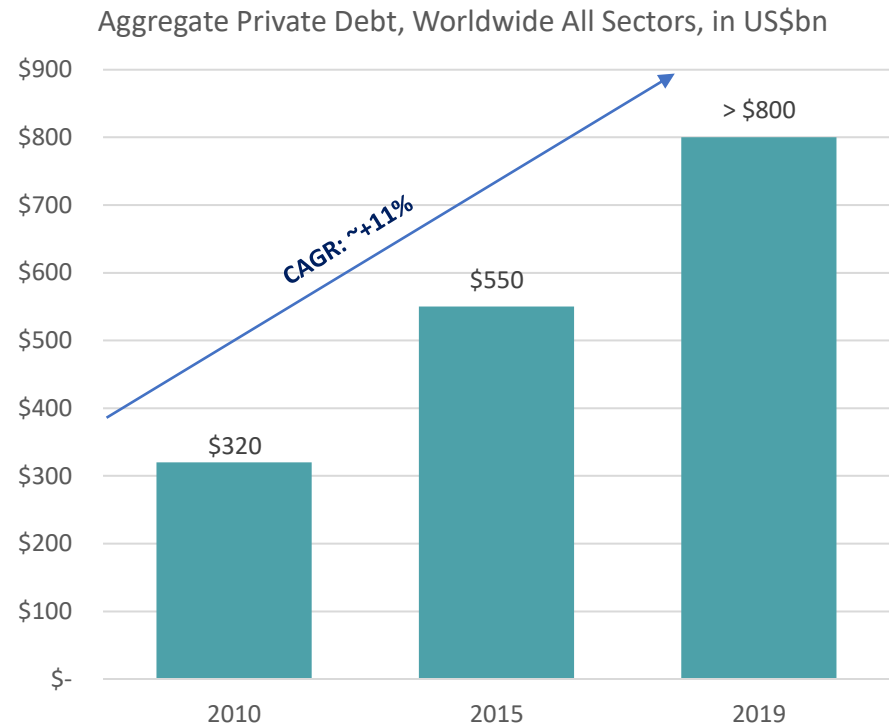
Portfolio fair value - £92m

Significant write downs in
FY20 - £15.6m

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

The role of alternative financing has been on a dramatic rise since 2010
And Covid-19 will increase the size of the alternative financing industry

- Asset impairments driven by Covid-19 will reduce risk-bearing capacity for regulated industries to support the traditional SME companies
- Particularly problematic in Europe, where companies obtained almost 90% of their new funding in 2018 from bank loans
- As the economy enters the recovery phase, most businesses will need to develop a broader choice of funding options and **increase the share delivered by the alternative financing industry**



Duke is currently evaluating 14 active opportunities worth over £65 million

Sources: the Association for Financial Markets in Europe 2019 annual report and PWC Financial services—Securing your tomorrow, today report

- **Duke has established the corporate royalty product** in the European market
- **Resumption of cash dividends** has been announced with room to grow
- **Embedded fair value upside** from equity stakes acquired and from annual adjustments as the growth returns in future years
- **Embedded cash flow upside** as full reinstatement of cash flows resumes and future buy-outs crystallise redemption premiums
- **Active pipeline of new opportunities** and **£20 million** of available liquidity for new deployments
- **Post-COVID opportunity expands** for the alternative finance sector



Appendix



Consolidated Statement of Cashflows

	Interim 2021 £000	FY20 £000	Interim 2020 £000
Receipts from royalty investments	3,654	8,977	4,397
Receipts of interest from loan investments	381	1,268	625
Net gains from disposal of equity instruments	345	-	-
Receipts from transaction costs reimbursed	6	90	6
Operating expenses paid	(893)	(2,811)	(1,084)
Payments for royalty participation fees	(52)	(168)	(78)
Tax paid	135	(573)	-
Net cash inflow from operating activities	3,576	6,783	3,866
Royalty investments advanced	(4,426)	(17,751)	(250)
Loans investments advanced	968	(2,661)	(1,400)
Equity investments advanced	(350)	-	-
Payment for acquisition of subsidiaries	-	(321)	(321)
Investment costs paid	(61)	(548)	(404)
Net cash outflow from investing activities	(3,869)	(21,281)	(2,375)
Proceeds from share issue	-	17,454	-
Share issue costs	-	(1,048)	-
Dividends paid	(1,778)	(6,013)	(2,760)
Proceeds from loans	4,000	16,250	-
Loan repaid	-	(11,650)	-
Interest paid	(663)	(1,425)	(663)
Other finance costs paid	(157)	(534)	-
Net cash inflow from financing activities	1,402	13,034	(3,423)
Net change in cash and cash equivalents	1,109	(1,464)	(1,931)
Cash and cash equivalents at beginning of year	4,481	5,894	5,894
Effect of foreign exchange on cash	14	51	35
Cash and cash equivalents at the end of year	5,604	4,481	3,998

Consolidated Statement of Comprehensive Income







	Interim 2021 £000	FY20 £000	Interim 2020 £000
Income			
Royalty investment income	7,509	(2,994)	5,056
Loan investment income	339	1,235	672
Impairment loss on loan investments	-	(2,947)	-
Equity investment income	(769)	(670)	34
Other operating income	21	356	141
Total income	7,100	(5,040)	5,903
Investment Costs			
Transaction costs	11	(448)	(208)
Due diligence costs	40	(95)	(56)
Operating Costs			
Administration and Personnel	(953)	(1,725)	(643)
Legal and professional fees	(178)	(584)	(315)
Other operating costs	(41)	(471)	(140)
Share-based payments	(303)	(409)	(158)
Operating (loss) / profit	5,676	(8,772)	4,383
Finance costs	(815)	(1,607)	(694)
(Loss) / Profit for the period before tax	4,861	(10,379)	3,689
Taxation (expense) / credit	(734)	1,481	(119)
Total comprehensive income / (loss) for the period	4,127	(8,898)	3,283

Consolidated Statement of Financial Position

	30-Sep-20 £000	31-Mar-20 £000	30-Sep-19 £000
Goodwill	203	203	203
Royalty finance investments	53,299	59,435	61,952
Loan investments	3,357	4,418	,9,053
Equity investments	172	507	1,211
Deferred tax asset	204	675	-
Total Non-Current assets	57,235	65,238	72,418
Royalty finance investments	30,186	16,124	9,106
Loan investments	5,192	5,099	2,065
Trade and other receivables	67	142	260
Cash and cash equivalents	5,604	4,481	3,998
Current tax asset	169	567	-
Total Current assets	41,218	26,413	15,429
Total Assets	98,453	91,561	87,847
Royalty debt liabilities	131	133	212
Trade and other payables	484	318	250
Borrowings	117	172	257
Current tax liability	-	-	538
Total Current liabilities	732	623	1,257
Royalty debt liabilities	1,063	1,040	1,172
Trade and other payables	400	431	480
Borrowings	19,566	15,517	11,470
Deferred tax liability	-	-	680
Total Non-current liabilities	21,029	16,988	13,802
Net Assets	76,692	74,040	72,788
Shares issued	119,663	118,479	102,044
Share based payment reserve	1,045	742	491
Warrant reserve	265	265	265
Retained losses	(44,281)	(45,446)	(30,012)
Total Equity	76,692	74,040	72,788

What is Royalty Financing?

Royalties are deployed in multiple sectors, growing in popularity for financing, most business models put royalties on long term depreciating assets

Name	Year Founded	Sector	Market Cap. ¹
 Franco-Nevada	1983	Mining	£19.5b
	1996	Pharmaceutical	£18.5b
  	2004 & 2010	New LSE listings in November 2020	£18.0b
	2018	Songs	£960.9m

Royalties in all forms emerged 40 years ago and now represent a £50bn industry
 North America's mature royalty finance sector has been proven to withstand market cycles

¹ FX conversion rates as of 2020-11-10: (i) USD/GBP = US\$1.33 (ii) CAD/GBP = C\$1.73

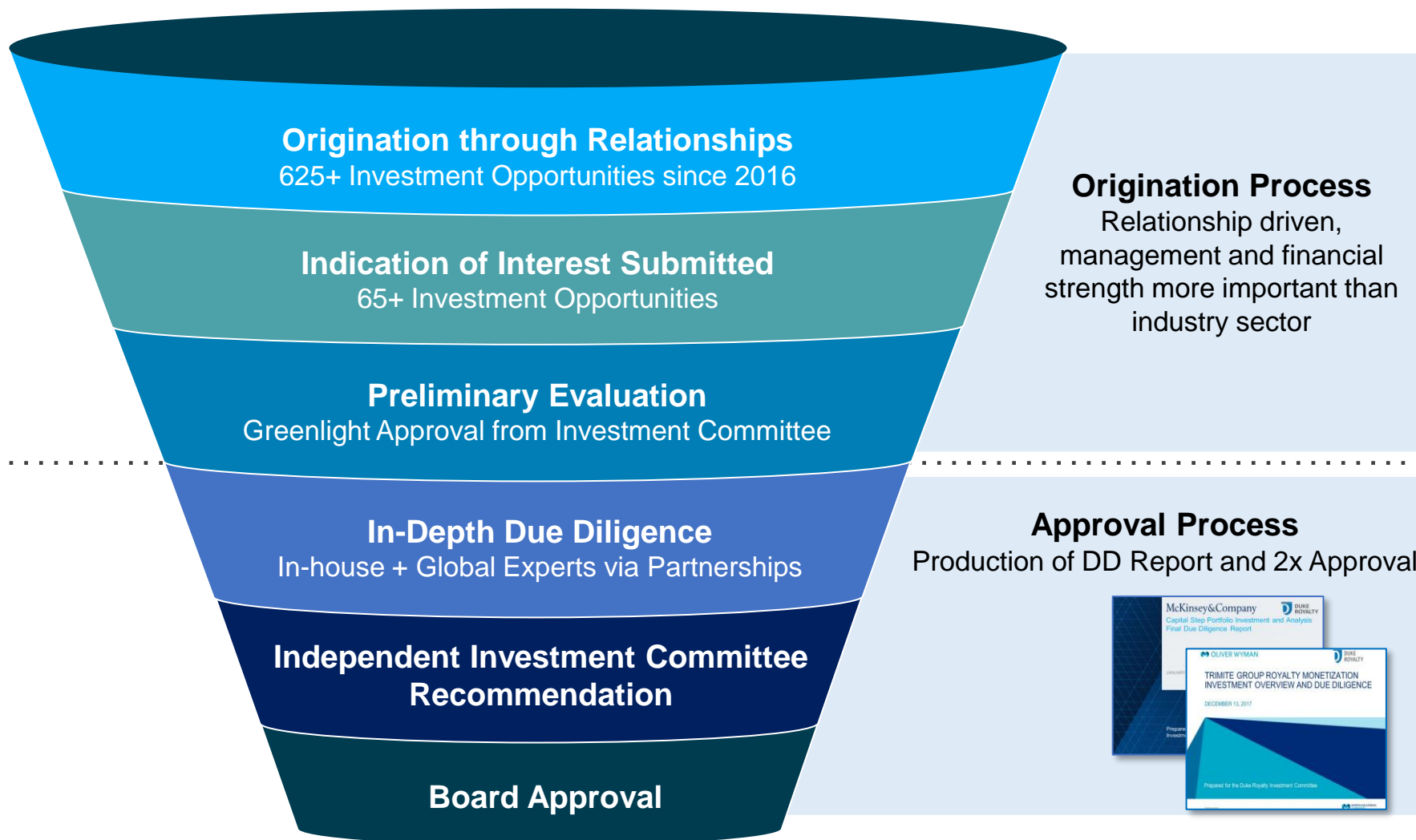
A long-term participating loan with similar characteristics as traditional royalties









- Duke provides a **lump sum of capital** to a company with a term of **25-40 years**
- Initial yield is **12.0 – 13.5%** of capital, **adjusted once per year with a collar of +/-6%** in currency terms (0.7 – 0.8% of initial capital)
- Duke’s total obligation can be serviced out of **current cash flow, without need for exit event**
- **No bullet repayment** at end of term
- **Company can Buyback royalty:** after ~3 years, **initial principal plus ~20% redemption premium.** However, buyback granted at any time upon change of control (**not a poison pill**)

Company	2020		2021		2022		2023		2024		2025
Duke Payment to Company	£10.00										
Company Revenue (% Change)	£20.00		£23.00	+15%	£21.16	-8%	£22.22	+5%	£24.44	+10%	£28.11
EBITDA	£3.00		£3.45		£3.17		£3.33		£3.67		£4.50
Duke Distribution (% Change)	-		£1.35	+6%	£1.43	-6%	£1.35	+5%	£1.41	+6%	£1.50
Cash Flow - Post Duke Distribution	£3.00		£2.10		£1.74		£1.99		£2.25		£3.00
% of Economic Interest Retained by Owners / Management	100%		61%		55%		60%		61%		67%

Criteria	Description
Investment Fit Within Duke Portfolio	<ul style="list-style-type: none"> c.£5m - £20m Western Europe and North America
Alignment of Management Goals with Duke's Objectives	<ul style="list-style-type: none"> 10+ years of operating history Back management with a track record of delivery and not looking to sell
Collateral/Capital Backing Duke's Investment	<ul style="list-style-type: none"> Senior security sought on available assets If other debt exists, we seek inter-creditor agreements
Capacity to Pay and Grow Royalty Payments	<ul style="list-style-type: none"> Competitive sustainable advantage Royalty coverage greater than 2.0x Payback period of 6-7 years
Overall Risk/Reward Evaluation	<ul style="list-style-type: none"> Approval required by independent investment committee and board of directors

Preferred sectors	Industrials	Business Services	Healthcare	Technology & Media
	No Start Ups	No Oil & Gas	No Mining	No Biotech



Shareholders	% Ownership
 cg/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%

Shareholder base

- Strong base of blue-chip institutional investors
- Significant management and insider ownership

Liquidity

- Focus on marketing and communication to retail market
- Duke in the top quartile of AIM traded stocks by value in 2020

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)



Steven Russo – VP, Investments

- Six years of experience in mezzanine debt and select equity growth capital transactions 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

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



Alex Hibbard – VP, Investments

- 3 years at London-based **PE firm Terra Firma**, where he focused on investment opportunities and managing portfolio companies
- Chartered Financial Analyst



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

Former 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

