

FY2022 Interim Results Presentation

7 December 2021

AIM: **DUKE**



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



Current portfolio of
12 Royalty Partners and £155+ million
deployed since inception



Strong dividend yield
annualised dividend yield ranging from 5%-
8% since IPO, paid in cash quarterly



Increased diversification
with indirect exposure to 30 underlying
operating subsidiaries



High operational leverage
and embedded long-term growth



Covid-19 resilience
demonstrated by cash flow preservation



Growing market
post-Covid and well funded to execute on
opportunities

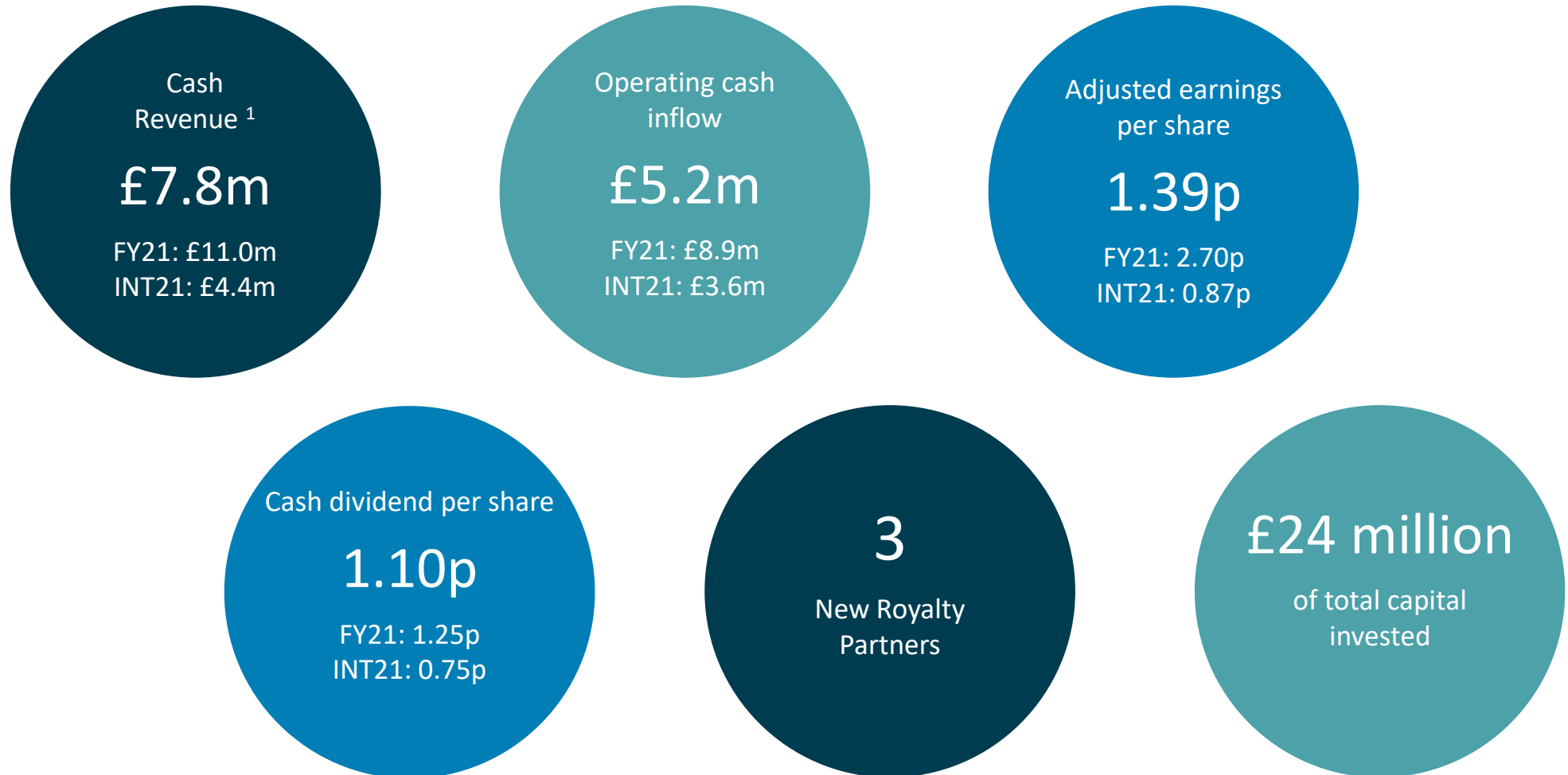
A long-term participating loan with similar characteristics to traditional royalties

- Duke provides a **lump sum of capital** to a company with a term of **25-40 years**
- Initial yield is **12.0-14.0%** of capital, **adjusted once per year with a collar of +/-6%** in currency terms (0.7-0.8% of initial capital), providing inflationary adjusted returns
- 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 ~three years, initial principal plus ~**20% redemption premium**. However, buyback granted at any time upon change of control (**not a poison pill**)

Illustrative Company Example	2021	2022	2023	2024	2025	2026
Duke payment to company	£10.00					
Company revenue (<i>% change</i>)	£20.00	£23.00 <i>+15%</i>	£21.16 <i>-8%</i>	£22.22 <i>+5%</i>	£24.44 <i>+10%</i>	£28.11
EBITDA	£3.00	£3.45	£3.17	£3.33	£3.67	£4.50
Duke distribution (<i>% change</i>)	-	£1.35 <i>+6%</i>	£1.43 <i>-6%</i>	£1.35 <i>+5%</i>	£1.41 <i>+6%</i>	£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%

Financial Highlights

Strong trading performance, cashflow growth and increased deployments



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

Significant cash flow growth

Cash Revenue ¹	£000	+ / -
Interim 2022	7,786	78%
Interim 2021	4,380	

Free Cashflow ²	£000	+ / -
Interim 2022	4,603	58%
Interim 2021	2,913	

Operating Cashflow	£000	+ / -
Interim 2022	5,214	46%
Interim 2021	3,576	

Core Operating Costs ³	£000	+ / -
Interim 2022	946	6%
Interim 2021	893	

Other Cashflow Highlights

- Resumption of cash dividends saw £3.3m paid to shareholders in period vs. £1.8m in Interim 2021
- Payout ratio for Interim 2022 down to 70%
- Total investment deployments of £23.7m v £24.5m deployed through the whole of financial year 2021
- A further £20.1m deployed post period end
- £6.3m of capital repaid following exits of BHP and Berkley

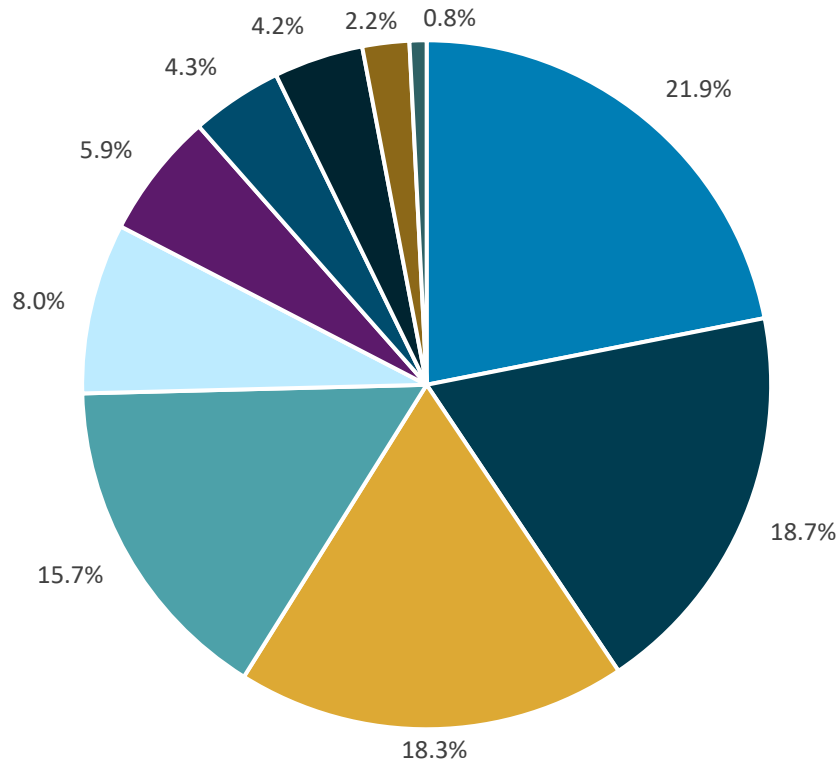
¹ Cash revenue is cash distributions from royalty partners and net cash gains from sale of investments; ² Free cashflow refers to net cash inflow from operating activities less interest paid

³ Core operating expenses excludes variable STIP payments

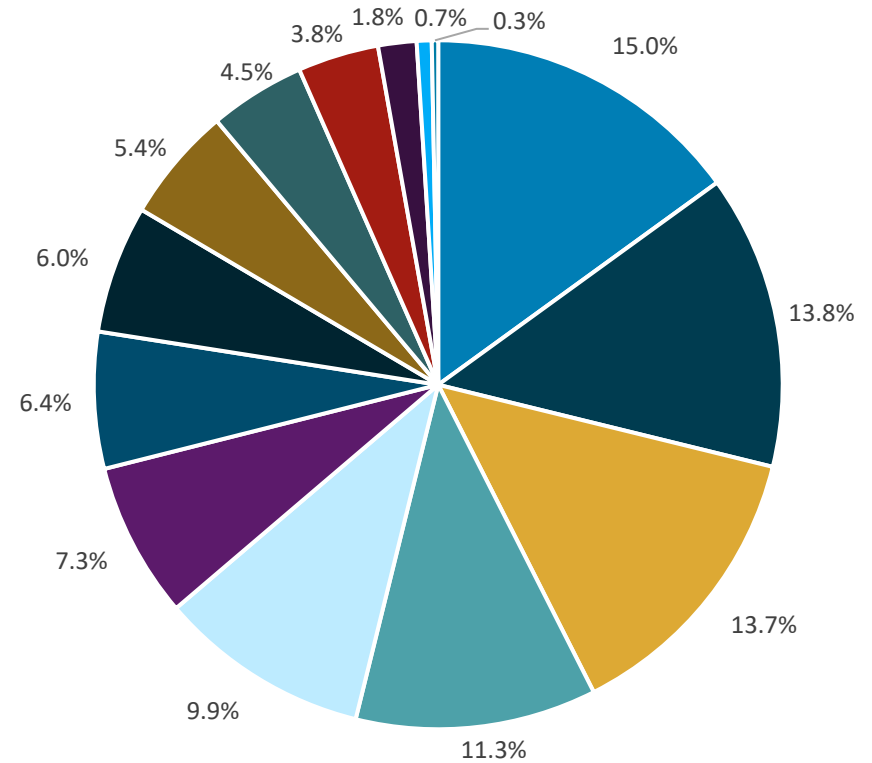
Increasing revenue diversification¹



Interim 2021



Interim 2022



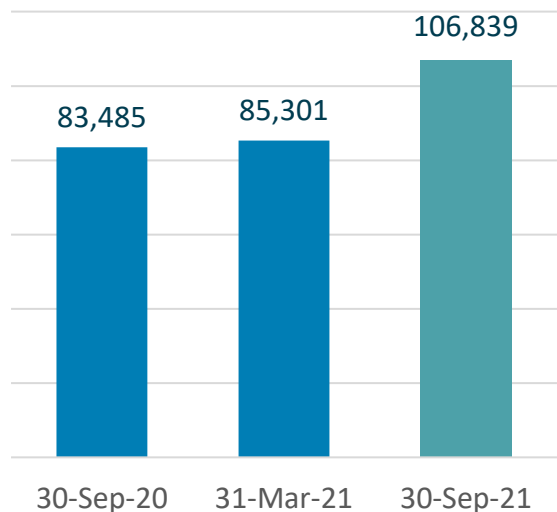
Revenue Concentration	Top	Top 3	Top 5
Interim 2021	21.9%	58.9%	82.6%
Interim 2022	15.0%	42.5%	63.8%

¹ Excludes impact of exit premiums and equity proceeds

Rapidly growing royalty investment portfolio

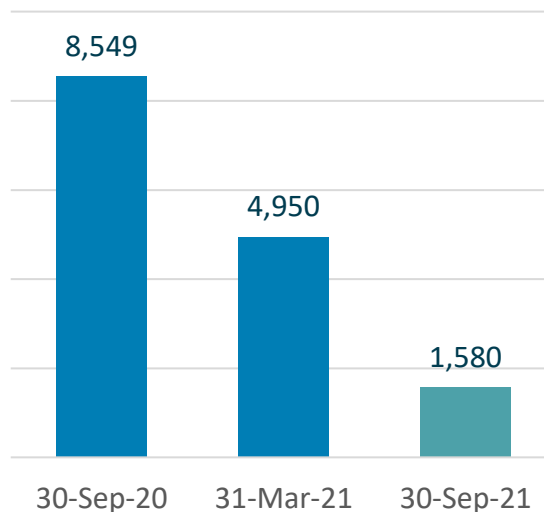
Royalty portfolio

£000



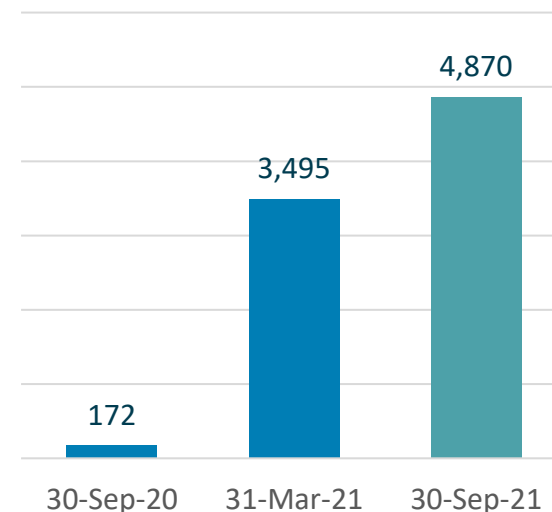
Loan portfolio

£000



Equity portfolio

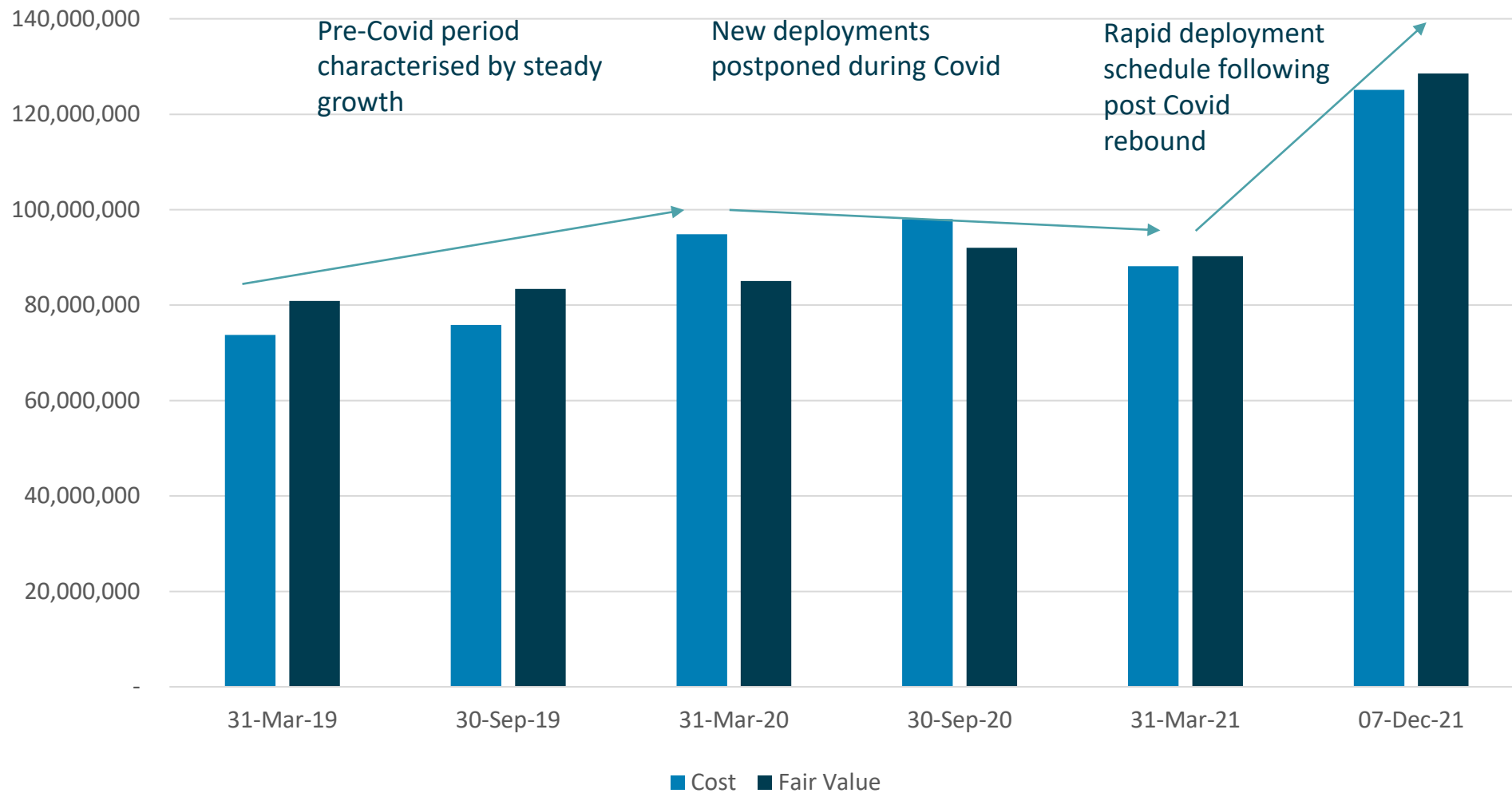
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Other Balance Sheet Highlights

- €5 million 1st tranche of River Advice deferred consideration received post period end
- Further deployments of £20.1 million since period end
- Current borrowings at £25 million

Acceleration of deployments post-Covid



* The portfolio as at 7-Dec-21 reflects the cost and fair value of the royalty and loan investment portfolio as at 30-Sep-21, adjusted for the cost of follow-on investments made post period end

Our Royalty Partners

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

<p>October 2017</p> <p>Fair value: £13.4m</p> <p>BUSINESS SERVICES</p> <p>Equity: 0%</p> <p>Acquisition Capital</p>	<p>March 2018</p> <p>Fair value: £11.5m</p> <p>INDUSTRIALS</p> <p>Equity: 30%</p> <p>Shareholder Buyout</p>	<p>April 2018</p> <p>Fair value: £12.6m</p> <p>INDUSTRIALS</p> <p>Equity: 30%</p> <p>Acquisition Capital & Debt Refinancing</p>	<p>June 2018</p> <p>Step Investments</p> <p>Fair value: £6.7m</p> <p>EDUCATION & MEDIA</p> <p>Equity: 30%</p> <p>Growth Capital</p>	<p>August 2018</p> <p>Fair value: £10.8m</p> <p>HEALTHCARE</p> <p>Equity: 0%</p> <p>Growth Capital</p>	<p>September 2018</p> <p><i>BIL</i></p> <p>Fair value: £13.5m</p> <p>BUSINESS SERVICES</p> <p>Equity: 30%</p> <p>MBO / MBI</p>
<p>February 2019</p> <p>Fair value: £13.9m</p> <p>LEISURE</p> <p>Equity: 24%</p> <p>MBI</p>	<p>February 2021</p> <p>Fair value: £6.3m</p> <p>INDUSTRIALS</p> <p>Equity: 30%</p> <p>MBO</p>	<p>June 2021</p> <p>Fair value: £8.6m</p> <p>HEALTHCARE</p> <p>Equity: 0%</p> <p>Growth Capital</p>	<p>July 2021</p> <p>Fair value: £9.9m</p> <p>I.T. SERVICES</p> <p>Equity: 0%</p> <p>Acquisition Capital</p>	<p>August 2021</p> <p>Fair value: £4.9m</p> <p>EPC</p> <p>Equity: 19%</p> <p>Acquisition Capital</p>	<p>December 2021</p> <p>Fair value: £15.9m</p> <p>INDUSTRIALS</p> <p>Equity: 0%</p> <p>Debt refinancing</p>

Note: Fair value refers to the unaudited fair value at 30-Sep-2021 adjusted for the cost of follow-on investments made post period end

Initial Investment
£6.2m

Term
30 years

Transaction type
MBO

Initial obligation
(incl. principal)
14.0%

Annual adjustment
(based on revenue)
+/-6%

Company overview

- 35 year history - largest independently owned manufacturer of lighting columns and guardrails in the UK
- Management team - 60 years+ of combined experience
- Fabrikat dominates a market niche, leveraging its more flexible premises to cater to the bespoke lighting column market
- Ageing street lighting column inventories across the UK drive modest growth but highly predictable earnings for Fabrikat

Why Duke

- MBO team maintain larger equity shareholding
- Desire to have one capital provider and no refinancing risk

“Duke's investment solution has been a great fit for this transaction. By taking on Duke's capital, the other members of the MBO team and I can assume operational control and a majority equity shareholding in a company where we have worked for most of our careers. We are excited to take Fabrikat forward and build on the excellent reputation of the firm” **Paul Allen, CFO of Fabrikat**



New Royalty Partner: Atlas Signs



Initial Investment
US\$21m

Term
30 years

Transaction type
Debt Refinancing

Initial obligation
(incl. principal)
12.5%

Annual adjustment
(based on revenue)
+/-6%

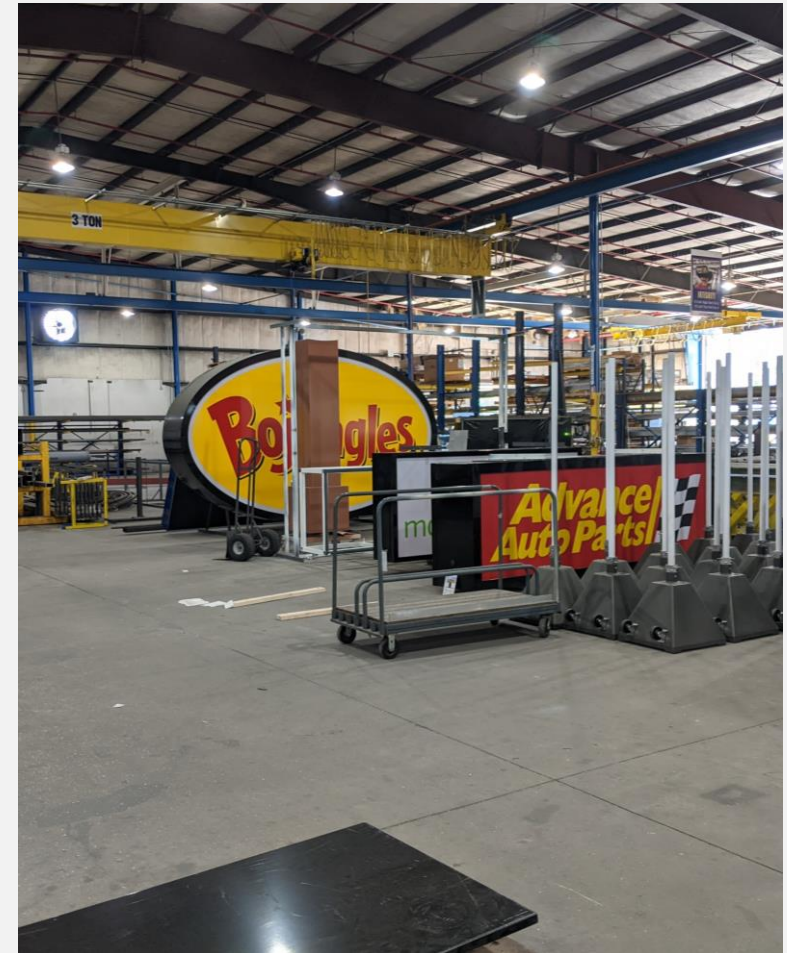
Company overview

- Founded by the Adinolfi family in 1992, Atlas is a leading national sign branding company that manufactures and services signs
- A one stop shop offering a complete range of products and services including branding, design, manufacturing, installation, service, and maintenance
- Strong management team, including founder and CEO, that have decades of experience and knowledge in sector

Why Duke

- Provided early redemption of its term loan with its existing debt provider
- Desire to have a long-term capital provider with no refinancing risk

“The long-term nature and flexibility of Duke’s investment solution is a great fit for Atlas, as it removes the need for refinancing and provides us with a secure platform for continued growth. We are excited about our long-term partnership with Duke which allows the management team to focus on getting back to business and executing on our business plan.” Jim Adinolfi, CEO and Founder of Atlas Signs



Exits form part of Duke's funding model & validates the **flexible form of capital**

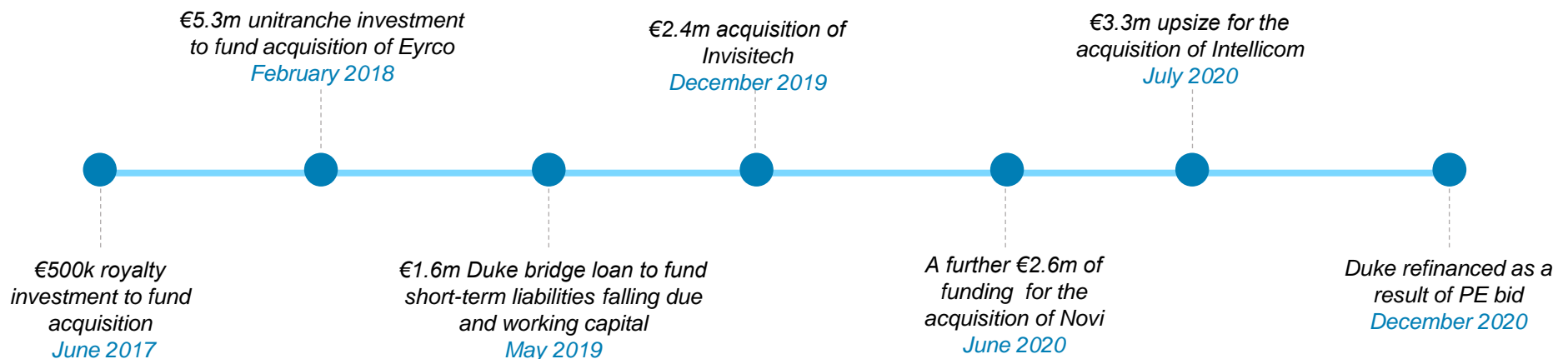
June 2017 –
December 2020



TELECOMMUNICATIONS

Acquisition Capital &
Debt Refinancing

- The lending relationship began in 2017 through Duke's subsidiary, Capital Step for €500k to fund the Company's acquisition of ATS
- Duke financed **six different transactions over three years** for a total consideration of €16m to fund an ambitious M&A strategy
- The underlying Company traded strongly with the help of Duke, benefitting from the Work from Home trend which ultimately attracted compelling Private Equity offers to sell
- The owners decided to take a Private Equity offer which gave them a windfall profit; and Duke was refinanced as a result



Duke has successfully restructured and exited an underperforming asset

Company Overview

March 2021

Temarca B.V.



IRR: -2%

RIVER BOAT VESSELS

Acquisition Capital

- Temarca has been operating riverboat cruises along the Rhine and Danube rivers since 1997
- Duke lent €8.0m to the Company as part of a debt refinancing and for acquisition capital

Temarca's Difficulties

- Shutdown of the European river cruise industry in 2020 prompted restructuring
- Temarca were unable to meet its monthly interest payments on Duke's Royalty

Duke's Response

- As a senior secured creditor, Duke immediately agreed to defer all monthly payments from April 2020 to alleviate liquidity squeeze
- In consultation with Temarca's owners, Duke took direct ownership of the three wholly owned river cruise vessels where Duke held first ranking mortgages
- Duke formed a new subsidiary, "Duke Switzerland" to carry out the asset purchase agreements in September 2020

Successful Outcome

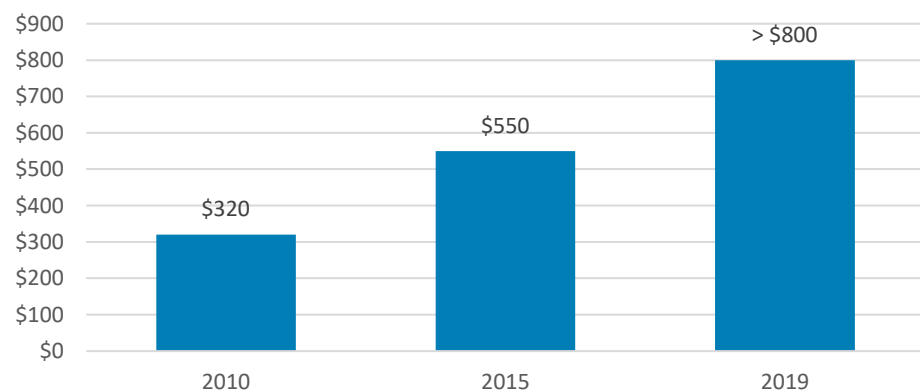
- The purchase price represented fair consideration and resulted in a relatively clean exit at an IRR of -2%
- Exit demonstrated Duke's ability to enforce security and force an exit when conditions necessitate
- Protection of downside was viewed positively our investor base
- Duke has received the 1st tranche of consideration (€5m) which it will invest into opportunities that are in line with Duke's investment mandate

Future Growth

Uniquely positioned to provide capital and stability to SMEs facing funding uncertainty

- Duke's solution fills an ever-increasing need from SMEs for long term, flexible capital
- The attractiveness of alternative finance is expected to rise due to:
 - high-street banking regulations post 2008 which effectively discourage loaning money to SME business owners
 - the willingness of business owners to seek out more suitable forms of finance other than their High Street banks
 - financial innovation beyond traditional term debt to 'hybrid capital' from private debt / equity firms
- Key attribute is the long-term nature of our capital - very few products available in the market that offer this without significant dilution

Aggregate private debt (in US\$ bn)¹



- The size of the non-bank industry is huge - Association for Financial Markets in Europe and PWC estimate that there was over US\$800 billion in private debt worldwide in 2019, growing at 11% CAGR since 2010
- Apollo Capital revealed their hybrid value strategy has grown to US\$13 billion in three years

¹ Source: Association for Financial Markets in Europe, PWC (Private debt worldwide, all sectors)

Evaluation

Investment fit within Duke Portfolio

- Cheque size of c.£5m - £20m
- Western Europe and North America
- **Appropriate Environmental, Social and Governance (ESG) standards**

Alignment of management goals with Duke's objectives

- Companies with longstanding operating history
- We support management with a **track record of delivering results**

Collateral/capital backing Duke's investment

- **Senior security** sought on available assets
- If other debt exists, we seek inter-creditor agreements

Capacity to pay and grow royalty payments

- Competitive sustainable advantage
- **Initial Royalty coverage of approximately 2.0x**
- Payback period of 6-7 years

Execution – FY22 YTD

- 
- 300+ opportunities screened

- 
- 45 NDAs signed

- 
- 18 deals into Preliminary Evaluation

- 
- Three new investments executed

Duke has been gaining traction in the market through raising and deploying capital across industries



Established portfolio
with four new royalty partners secured
FY2022 to date



Raised £35m of new equity
in April 2021 to execute pipeline, and
enhanced investment team



Current liquidity of £35m
to execute pipeline of opportunities



High operational leverage
Cash revenue up 78%, core operating costs
only up 6% in H1 FY22



Market opportunity growing
Robust pipeline of businesses looking for
capital and non-bank financing



Record quarterly cash revenue
in Q2 FY22 surpassing pre-pandemic
levels and Q1 FY22

Appendix

Consolidated Statement of Cashflows



	Interim 2022 £000	Interim 2021 £000	Financial Year 2021 £000
Receipts from royalty investments	6,419	3,654	9,931
Receipts from loan investments	450	381	667
Receipts from equity investments	652	345	345
Other operating receipts	266	6	93
Operating expenses paid	(946)	(893)	(2,154)
Payments for royalty participation fees	(57)	(52)	(81)
Tax (paid) / received	(1,569)	135	135
Net cash inflow from operating activities	5,215	3,576	8,936
Royalty investments advanced	(23,209)	(5,526)	(22,708)
Royalty investments repaid	2,938	1,100	14,354
Loan investments advanced	-	-	(1,145)
Loan investments repaid	3,370	968	2,370
Equity investments advanced	(530)	(350)	(653)
Investments costs paid	(496)	(61)	(634)
Net cash outflow from investing activities	(17,927)	(3,869)	(8,416)
Proceeds from share issue	35,000	-	-
Share issue costs	(1,938)	-	(1)
Dividends paid	(3,269)	(1,778)	(3,013)
Proceeds from loans	-	4,000	15,200
Loan repaid	(7,500)	-	(13,926)
Interest paid	(611)	(663)	(1,409)
Other finance costs paid	-	(157)	(95)
Net cash inflow / (outflow) from financing activities	21,682	1,402	(3,244)
Net change in cash and cash equivalents	8,970	1,109	(2,724)
Cash and cash equivalents at beginning of year	1,766	4,481	4,481
Effect of foreign exchange on cash	9	14	9
Cash and cash equivalents at the end of year	10,745	5,604	1,766

Consolidated Statement of Comprehensive Income

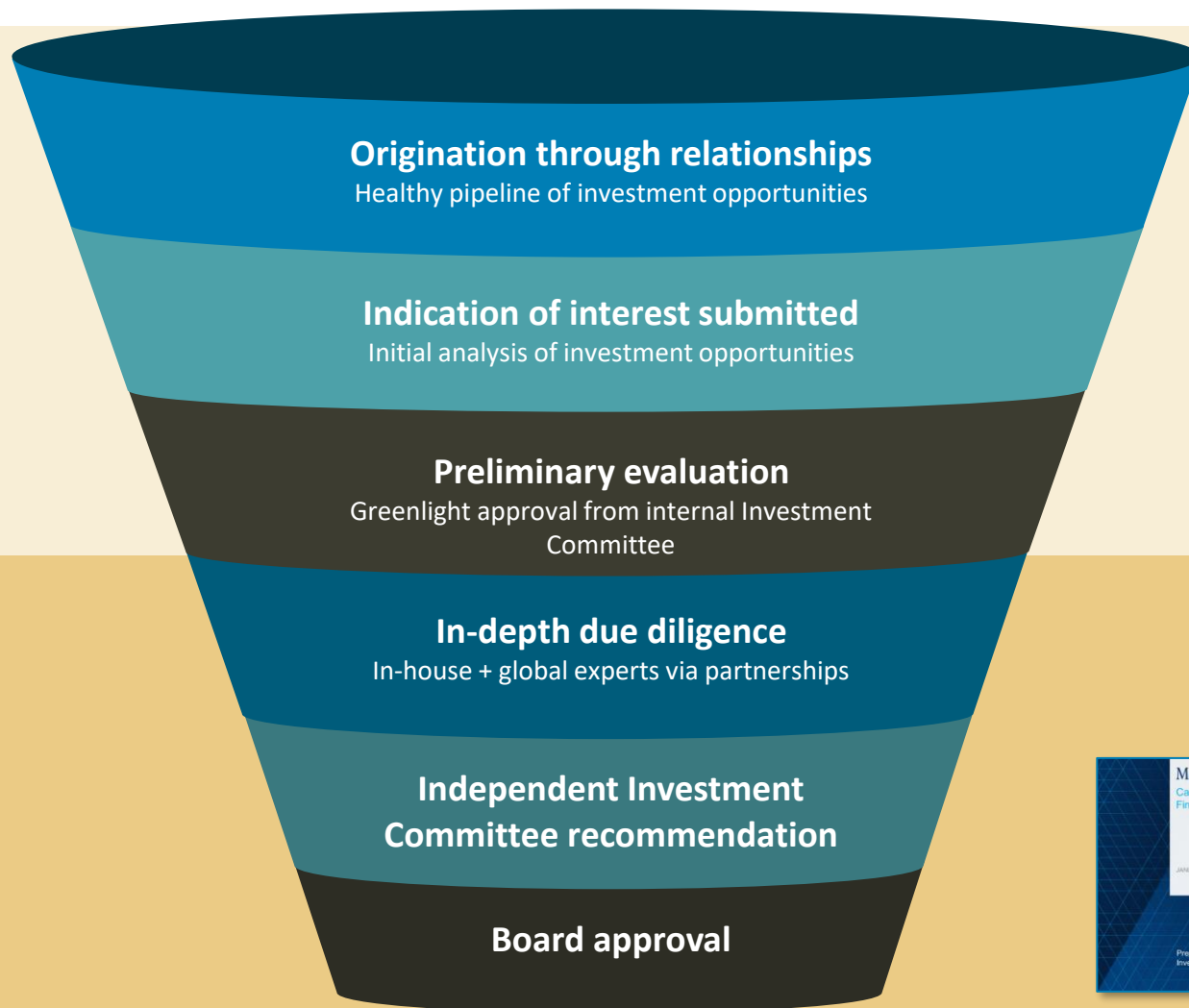


	Interim 2022 £000	Interim 2021 £000	Financial Year 2021 £000
Income			
Royalty investment income	7,584	7,509	19,344
Loan investment income	410	339	636
Equity investment income	1,497	(769)	1,569
Other operating income	266	6	93
Total income	9,757	7,085	21,642
Investment Costs			
Transaction costs	(525)	11	(447)
Due diligence costs	11	40	(103)
Operating Costs			
Administration and Personnel	(1,191)	(953)	(1,675)
Legal and professional fees	(183)	(178)	(367)
Other operating costs	(65)	(41)	(99)
Share-based payments	(472)	(303)	(806)
Operating profit	6,747	5,661	18,145
Net foreign currency movement	108	15	(542)
Other finance costs	(693)	(815)	(1,539)
Profit for the period before tax	6,747	4,861	16,064
Taxation expense	(540)	(734)	(2,111)
Total comprehensive income for the period	6,207	4,127	13,953

Consolidated Statement of Financial Position



	30-Sep-21 £000	30-Sep-20 £000	31-Mar-21 £000
Goodwill	203	203	203
Royalty finance investments	93,232	53,299	71,107
Loan investments	1,000	3,357	4,370
Equity investments	4,810	172	3,495
Trade and other receivables	2,236	-	5,618
Deferred tax asset	157	204	158
Total Non-Current assets	101,638	57,235	84,951
Royalty finance investments	13,607	30,186	14,194
Loan investments	580	5,192	580
Equity investments	60	-	-
Trade and other receivables	7,780	67	4,422
Cash and cash equivalents	10,745	5,604	1,766
Current tax asset	-	169	-
Total Current assets	32,772	41,218	20,962
Total Assets	134,410	98,453	105,913
Royalty debt liabilities	144	131	114
Trade and other payables	868	484	267
Borrowings	172	117	161
Current tax liability	132	-	1,163
Total Current liabilities	1,316	732	1,705
Royalty debt liabilities	932	1,063	917
Trade and other payables	204	400	402
Borrowings	9,659	19,566	17,103
Total Non-current liabilities	10,795	21,029	18,422
Net Assets	122,299	76,692	85,786
Shares issued	153,973	119,663	120,870
Share based payment reserve	2,020	1,045	1,548
Warrant reserve	265	265	265
Retained losses	(33,959)	(44,281)	(36,897)
Total Equity	122,299	76,692	85,786



Origination process
Relationship driven, management and financial strength more important than industry sector

Approval process
Production of due diligence report and 2x approval

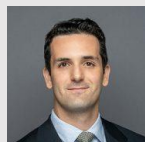


Management and investment committee have direct royalty experience of 70+ years



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



Steven Russo – VP, Investments

- 6 years of experience in mezzanine debt and 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



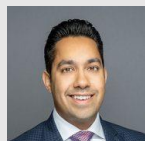
Jim Webster - Chairman of Investment Committee

- Pioneered world's first drug royalty public company on TSX (from 1993-2002); 25 years of royalty experience
- Previous royalty companies have a total of £4bn under management



Charlie Cannon Brookes – Executive Director

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



Ajay Shivdasani – VP, Investments

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



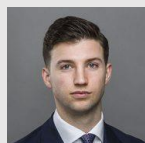
Nigel Birrell Non-Exec Chairman

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



Hugo Evans – Finance Director

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



Alex Hibbard – VP, Investments

- 7 years of private equity experience, previously at London-based PE firm Terra Firma, where he focused on investment opportunities and managing portfolio companies
- Chartered Financial Analyst



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



Peter Madouros – Chief Investment Officer

- Extensive experience in public and private markets at leading private equity and credit funds, including Pollen Street Capital and Moore Capital Management
- BA, Cornell University, Magna cum Laude, and MBA from Columbia Business School



Marcus Olsberg – Associate, Investments

- 4 years at MUFG Bank where he worked in the Leveraged Finance and Credit Analysis divisions with a focus on the Aviation sector
- Holds a BA from Durham University



Mark Le Tissier - Non-Exec Director

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

