

Introduction to Duke Royalty

April 2022

AIM: **DUKE**



Private business owners receive capital while **retaining control of their business** and continuing strategic direction making



No refinancing risk
for owners



Retain control of timing
of any refinancing event



A long term approach
to the business relationship



Flexible structure
alignment between owners & Duke



Retain control of the board
and strategic direction



Retain equity upside
as Duke's participation is capped



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

- Alternative financing with features of debt and equity, which allows company owners to keep control of their business **without refinancing risk**
- Duke provides a **lump sum of capital** to a company with a term of **30 years**
- Initial yield is **c.13.0%** 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**
- **Company can Buyback royalty:** after c.3 years, initial principal plus **c.20% redemption premium**. However, buyback granted at any time upon change of control (**not a poison pill**). There is **no bullet repayment** at end of term

Illustrative Company Example	2021	2022	2023	2024	2025	2026
Duke Investment Amount	£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 <i>+10%</i>
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 <i>+6%</i>

An Established Alternative Financing Solution



Corporate royalties appeal to owners who **need capital but want to retain control**

	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

A well-defined process that fits our risk-reward appetite

Investment fit within Duke Portfolio	<ul style="list-style-type: none">• 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	<ul style="list-style-type: none">• Companies with longstanding operating history• We support management with a track record of delivering results
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• Initial Royalty coverage of approximately 2.0x
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



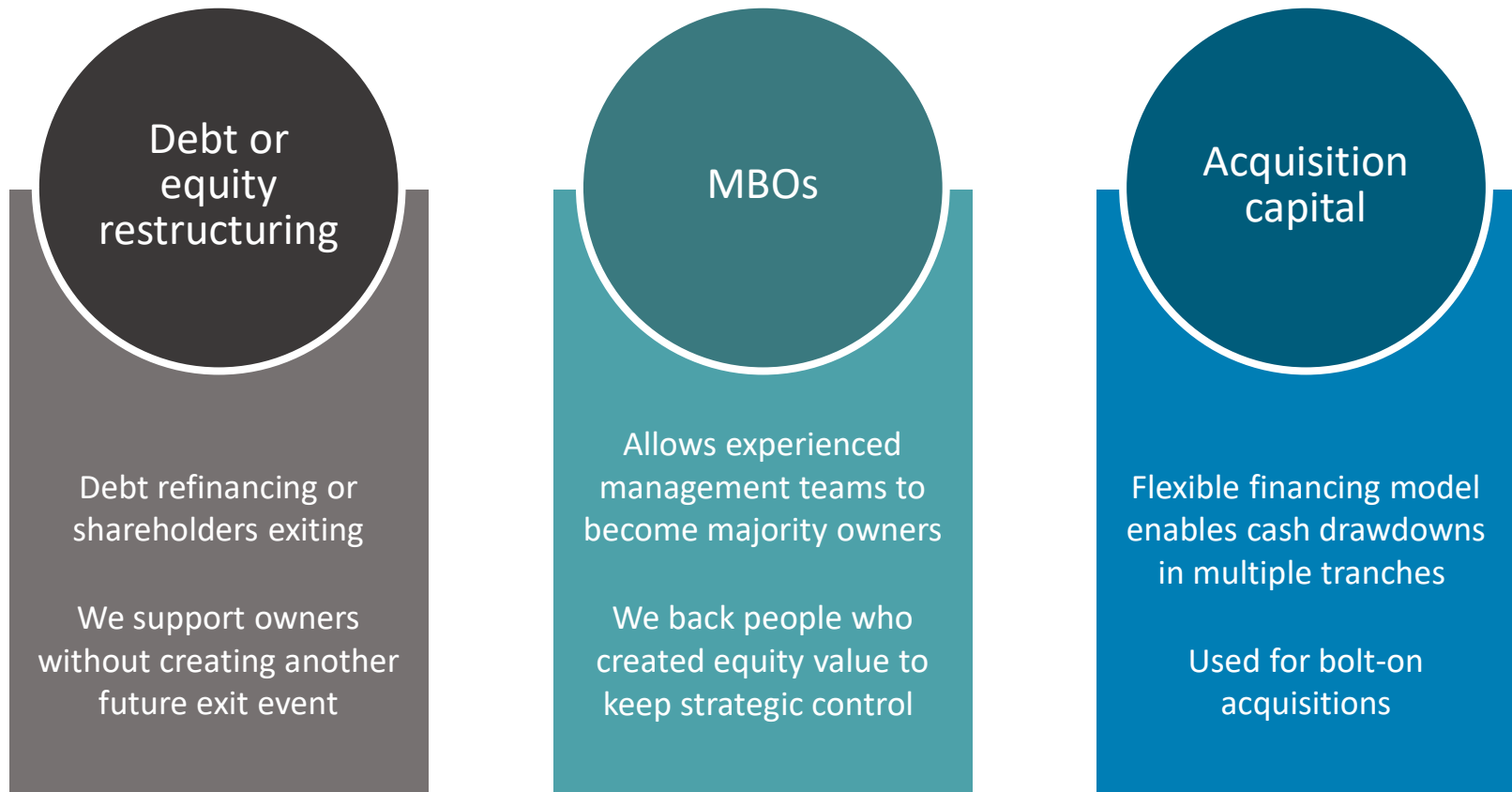
Healthcare



Technology

No start-ups
No oil & gas
No mining
No biotech

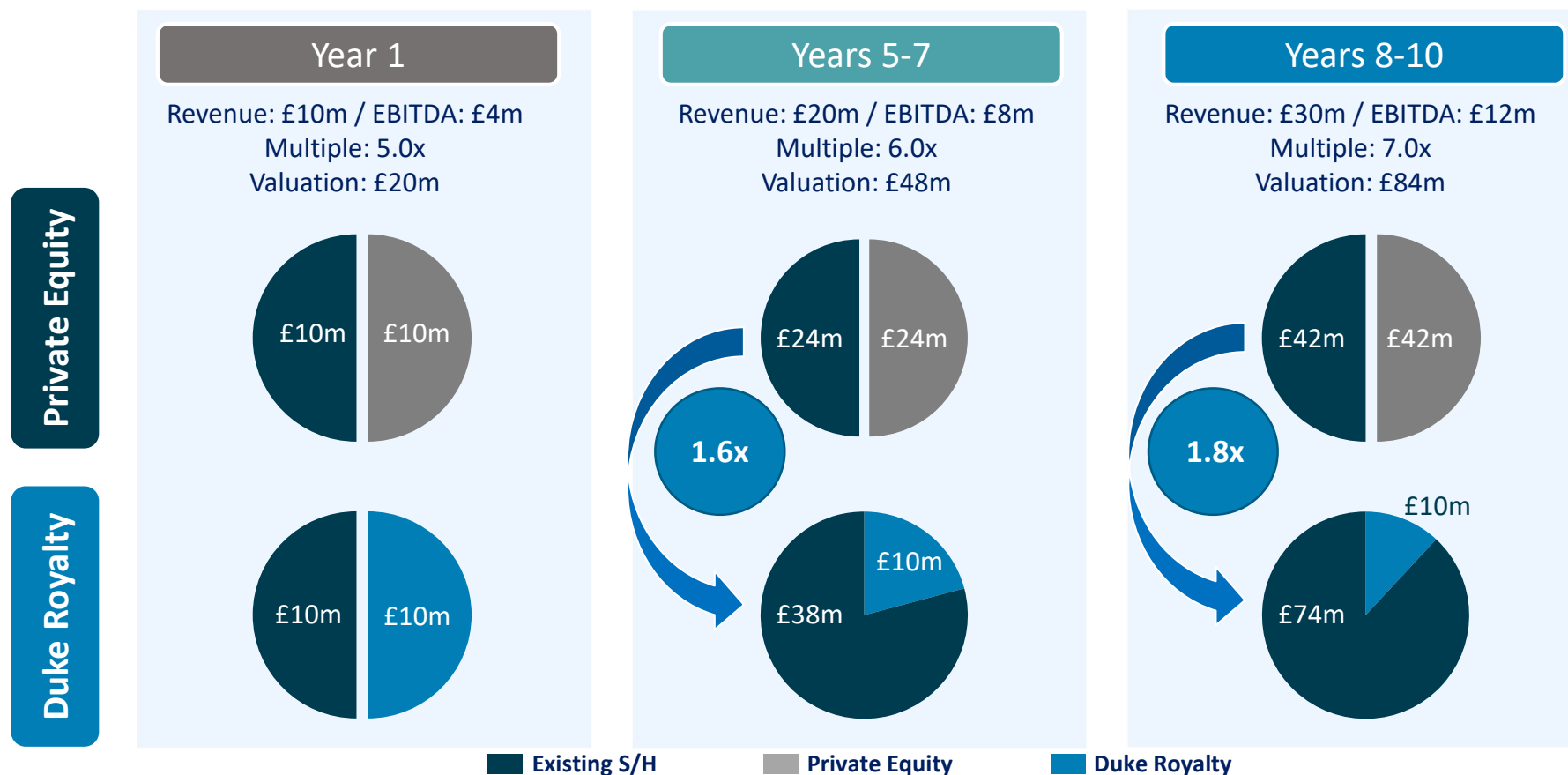
Key examples of how Duke's funding solution has been used to **drive growth** and **increase shareholder value**



Royalty Financing - Preservation of Equity Upside for Owners



Shareholders benefit from **superior accretion in equity value over time**



An attractive, **minimally dilutive solution** to fuel growth and capture future value for company owners

Royalty Finance is specifically designed to be **cheaper than raising private equity**

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

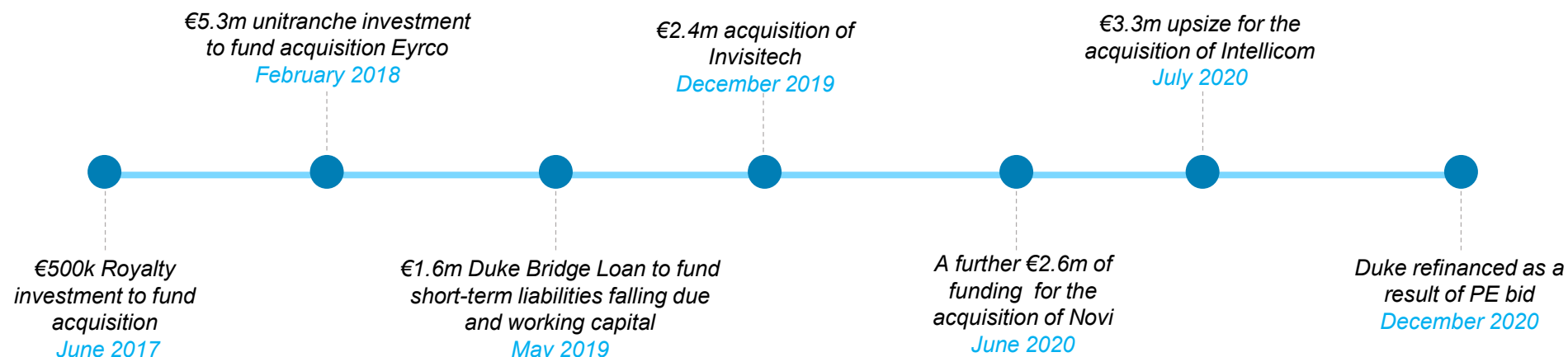
June 2017 –
December 2020



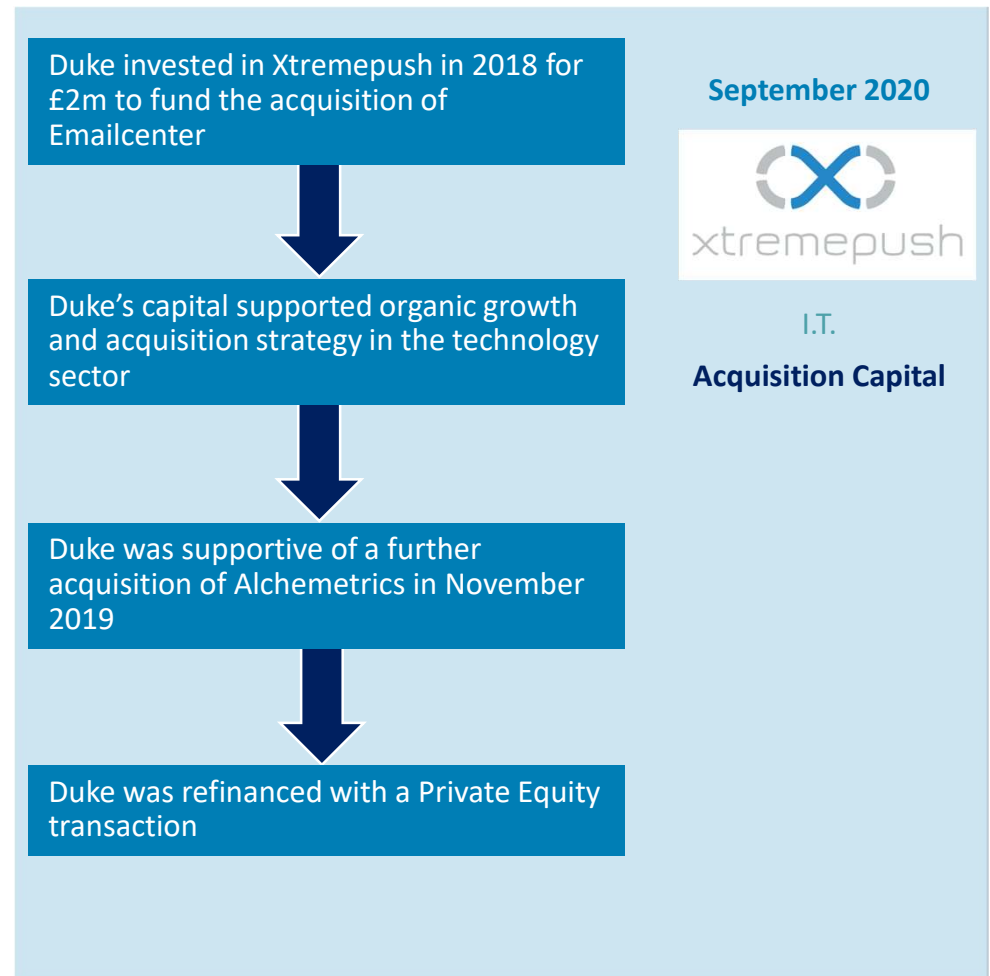
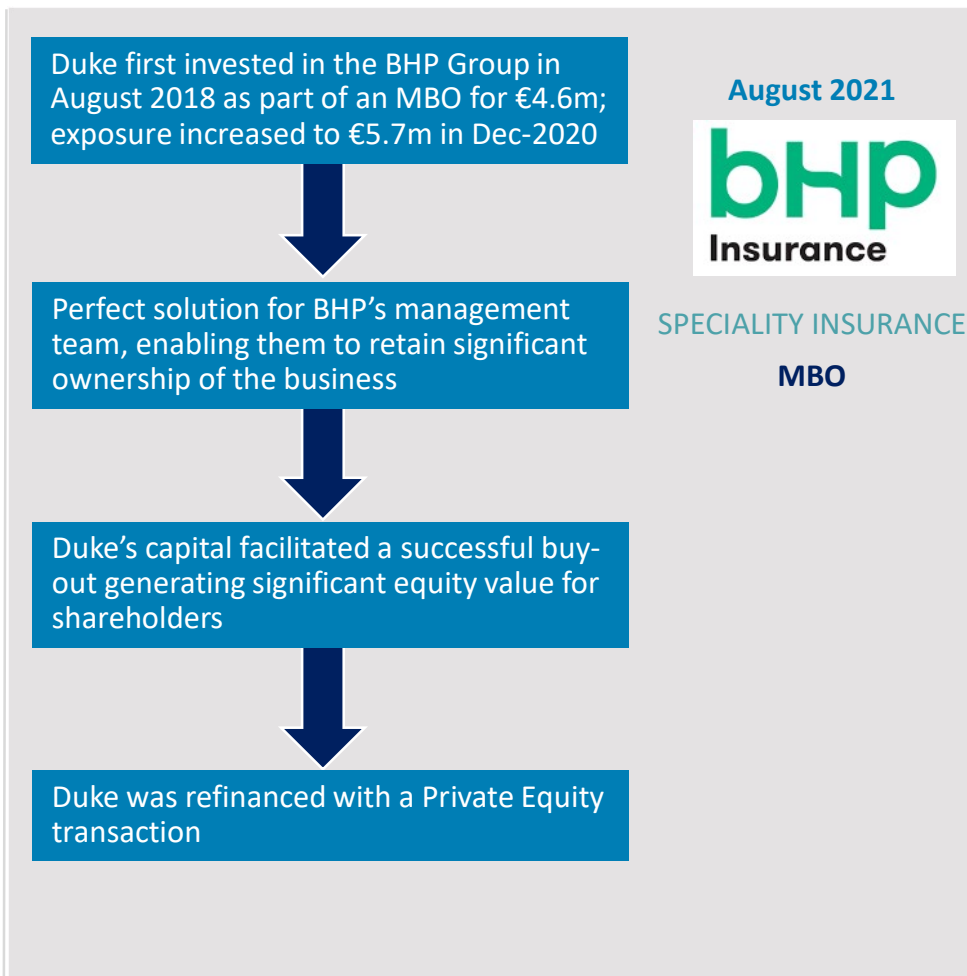
TELECOMMUNICATIONS

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 **6 different transactions over 3 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



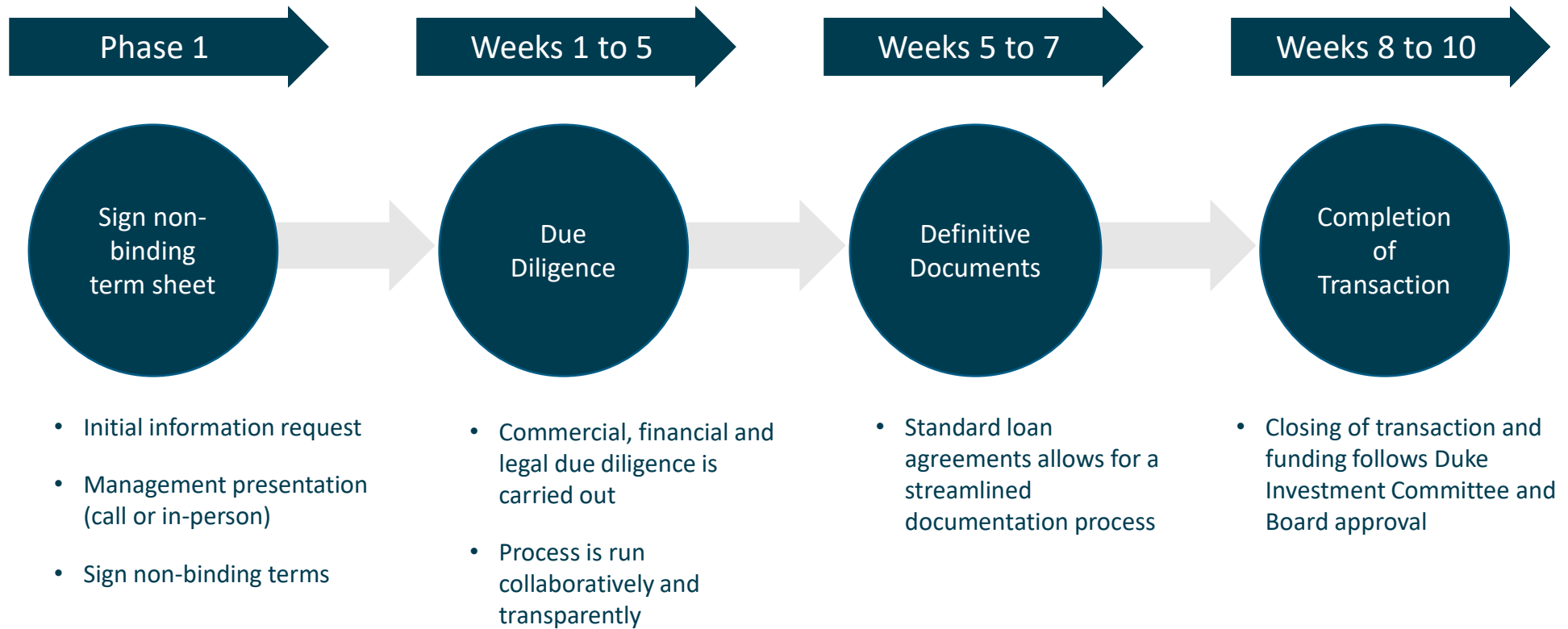
Duke's flexible capital aims to benefit business owners through various funding structures in order to grow equity value or alternatively, exit the business



Duke's Typical Investment Process



Duke has partnered with **top tier management consulting firms** to expedite due diligence and aims to complete transactions within two to three months



Duke Royalty would be pleased to discuss next steps of the process and to give you indicative terms for our unique Royalty Financing

An Experienced Team, Including Royalty Pioneers



Management and investment committee have 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



Charlie Cannon-Brookes – Executive Director

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



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



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 new investments 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



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



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



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



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



Magda Tarnowska – Executive Assistant

- 4 years experience as EA supporting the CEO and Duke team
- 2 years as EA at Captor Capital, supporting the CEO and Board of Directors



Maree Wilms – Non-Exec Director

- Co-founder and CEO of Zeta Asset Management ICC Limited
- COO of South Africa Alpha Capital Management Limited

Duke's Investors: Top Global Funds have Invested in Duke



Since listing on the London Stock Exchange in 2017, a range of **blue-chip institutional investors** have invested in Duke

BlackRock

\$9.5 trn
AUM



\$2.6 trn
AUM



\$1.0 trn
AUM



\$1.0 trn
AUM



\$650 bn
AUM



\$500 bn
AUM



\$430 bn
AUM



\$30 bn
AUM

Duke has been funded by highly reputable asset managers with exceptional track records of investing

Meet Our Royalty Partners



Our Royalty Partners



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

<p>December 2021</p>  <p>HEALTHCARE SPECIALIST CARE</p> <p>Invested to date: £14.4m</p> <p>Acquisition Capital</p>	<p>December 2021</p>  <p>BRANDING THE WORLD</p> <p>INDUSTRIALS</p> <p>Invested to date: £15.9m</p> <p>Debt Refinancing</p>	<p>July 2021</p>  <p>INDUSTRIAL GROUP INC. DESIGN. ENGINEER. PROCURE. CONSTRUCT.</p> <p>INDUSTRIALS</p> <p>Invested to date: £10.9m</p> <p>Acquisition Capital</p>	<p>July 2021</p>  <p>I.T. SERVICES</p> <p>Invested to date: £17.1m</p> <p>Acquisition Capital</p>	<p>June 2021</p> <p>FAIRMED®</p> <p>HEALTHCARE</p> <p>Invested to date: £8.6m</p> <p>Growth Capital</p>
<p>February 2021</p>  <p>INDUSTRIALS</p> <p>Invested to date: £6.2m</p> <p>MBO</p>	<p>February 2019</p>  <p>LEISURE</p> <p>Invested to date: £18.0m</p> <p>MBI</p>	<p>September 2018</p> <p>BIL</p> <p>BUSINESS SERVICES</p> <p>Invested to date: £13.6m</p> <p>MBO / MBI</p>	<p>August 2018</p>  <p>Global Healthcare Solutions</p> <p>HEALTHCARE</p> <p>Invested to date: £10.0m</p> <p>Growth Capital</p>	<p>June 2018</p> <p>Step Investments</p> <p>EDUCATION & MEDIA</p> <p>Invested to date: £8.1m</p> <p>Growth Capital</p>
<p>April 2018</p>  <p>INDUSTRIALS</p> <p>Invested to date: £12.0m</p> <p>Acquisition Capital</p>	<p>March 2018</p>  <p>GLOBAL COATINGS</p> <p>INDUSTRIALS</p> <p>Invested to date: £11.0m</p> <p>Equity Buyout</p>	<p>October 2017</p>  <p>BUSINESS SERVICES</p> <p>Invested to date: £15.0m</p> <p>Acquisition Capital</p>		

Royalty Partner: Tristone Healthcare



Initial Investment
£10.5m

Term
30 years

Transaction type
**Debt Refinancing &
Acquisition**

Initial obligation
(incl. principal)
13.5%

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

Company overview

- Tristone provides specialist residential and domiciliary care to i) high acuity adults with severe mental, physical or learning difficulties and ii) care leavers aged 16-19 who are transitioning out of social care and into independent living
- Formed in 2015, Tristone has acquired three specialist care businesses to date, and has a growing pipeline of bolt-on acquisitions
- Tristone's subsidiaries have a combined 40-year operating history

Why Duke

- Ability to draw down further capital for selective M&A opportunities
- Duke enables Tristone to independently retain control of their business

"The long-term and non-controlling characteristics of this financing was compelling as it enables us to focus on what we do best without any refinancing risk and without having to compromise our values or approach. We look forward to working with the team to deliver our shared outcomes" **Yannis Loucopoulos, CEO of Tristone Healthcare**



Royalty Partner: Atlas Signs



Initial Investment
£15.9m

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**



Royalty Partner: Fabrikat



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
- Aging 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**





Duke has a **track record of supporting its Royalty Partners** through the adversity caused by the Covid-19 Pandemic



Management of cash collections

Structured forbearance agreements with certain partners to alleviate short term liquidity constraints following initial Covid-19 lockdown



Focus on business recovery

Ongoing board level communications with our partners has ensured that both Duke and partners are aligned on rebound in performance



Grow and strengthen existing businesses

Provided additional capital to our partners to allow them to make strategic and opportunistic acquisitions

Duke suspended cash dividends in HY21 to ensure we were able to deliver support for our partners

