



# Investor Presentation

June 2023

AIM: DUKE



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Corporate Royalties are a hybrid between private credit and private equity, for owner-operators who want to maintain control of their business

## Capital Preservation

Long term investment horizon  
Senior security and alignment with owners

## Attractive Dividend Yield

Quarterly dividend payment and reducing payout ratio  
Current annualised dividend is 2.8p

## Upside from Buyouts

Buyouts typically increase Duke's IRR  
Buyout premiums in every case  
Minority equity positions in the majority of portfolio

## Portfolio Diversification

57 operating companies underlying our 14 Royalty Partners  
Focus on acquisition capital increases indirect diversification

## Strong Fundamentals

Record revenue and free cash flow demonstrates operational leverage  
Royalty investing has been through many market cycles

## Inflation Hedged

Adjustments to Duke's distributions based on partners revenue  
Price inflation in portfolio results in higher revenue for Duke



## 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 **12 - 14%** 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% buyout 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	2022	2023	2024	2025	2026	2027
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>



## 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

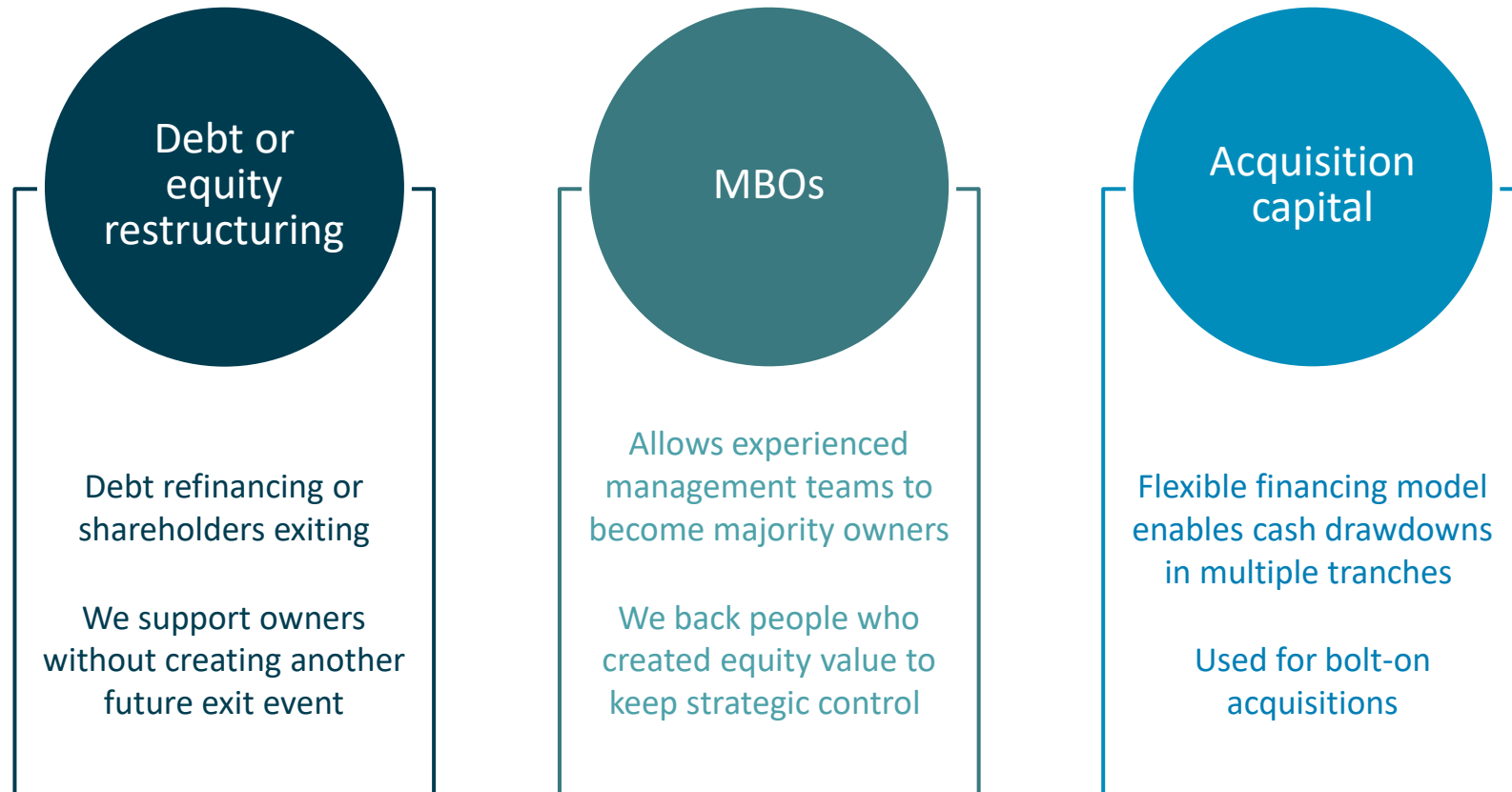


## Minimally-dilutive capital with no re-financing risk for long-standing, profitable, owner-managed companies

Corporate royalty terms	<ul style="list-style-type: none"> <li>• 30-year participating loan, no bullet repayment</li> <li>• Annual adjustments of +/-6% based on revenue change</li> </ul>
Senior security	<ul style="list-style-type: none"> <li>• Senior security sought on available assets</li> <li>• Typical banking covenants</li> </ul>
Liquidity buffer	<ul style="list-style-type: none"> <li>• Initial cash distributions of between 12.0 – 14.0% of principal</li> <li>• Initial royalty coverage of 2.0x of EBITDA</li> </ul>
Long term alignment with owners	<ul style="list-style-type: none"> <li>• Looking for successful businesses with owners who want to stay in control</li> <li>• 3-year non call period; premium to principal payable upon buyout</li> </ul>
Environmental, Social & Governance	<ul style="list-style-type: none"> <li>• Appropriate ESG standards articulated in Duke's Responsible Investing Policy</li> </ul>
Rigorous due diligence and approvals	<ul style="list-style-type: none"> <li>• Commercial due diligence partners for sector evaluation</li> <li>• Approval required by independent investment committee and PLC Board</li> </ul>

PREFERRED SECTORS				No start-ups No oil & gas No mining No biotech
<p>Industrials</p>	<p>Business services</p>	<p>Healthcare</p>	<p>IT services</p>	

Key examples of how Duke's funding solution has been used by owner-operators to **drive growth** and **increase shareholder value** while **keeping control**



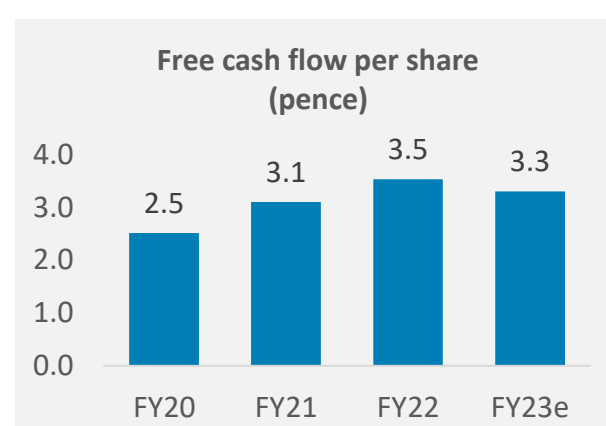
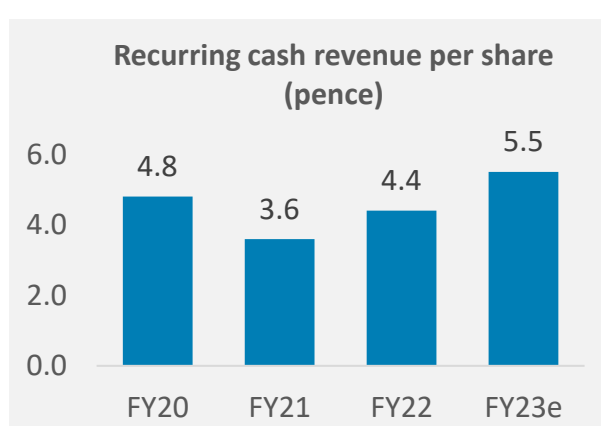
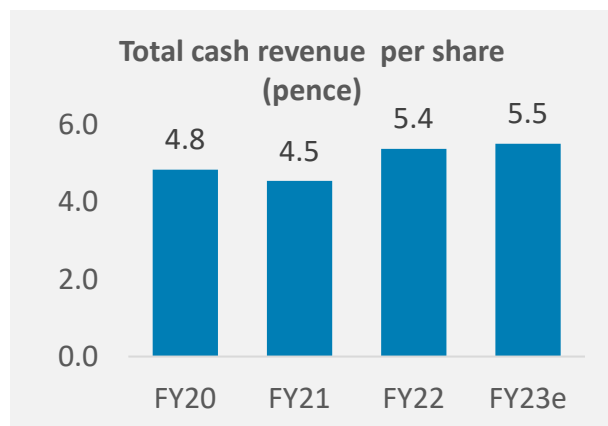
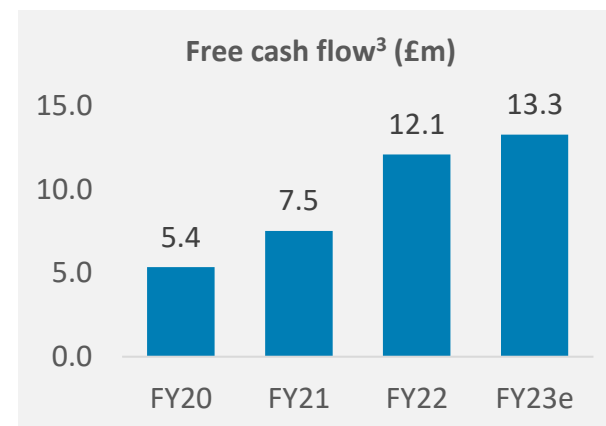
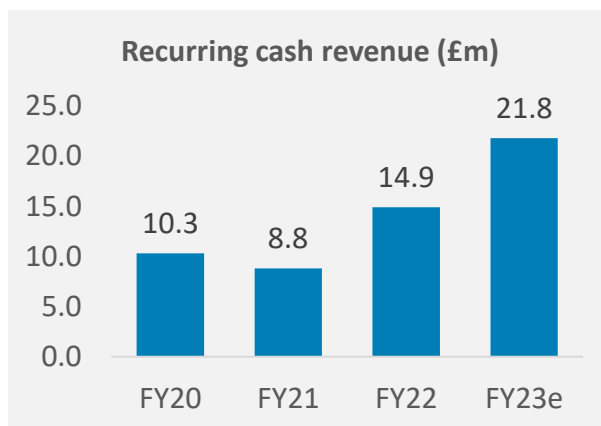
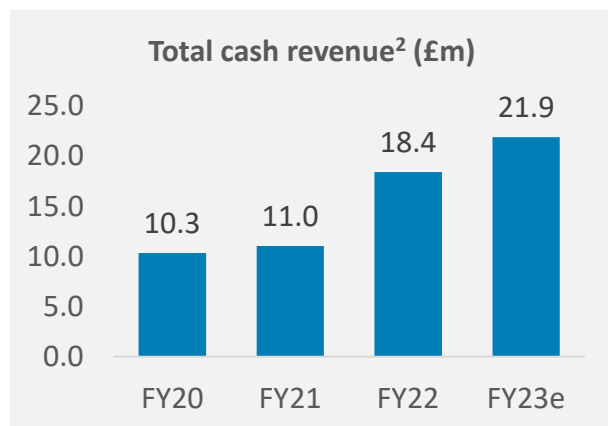
# Financial Highlights





## Cashflow metrics strengthen as deployments scale

15.10p of dividends / share paid since inception

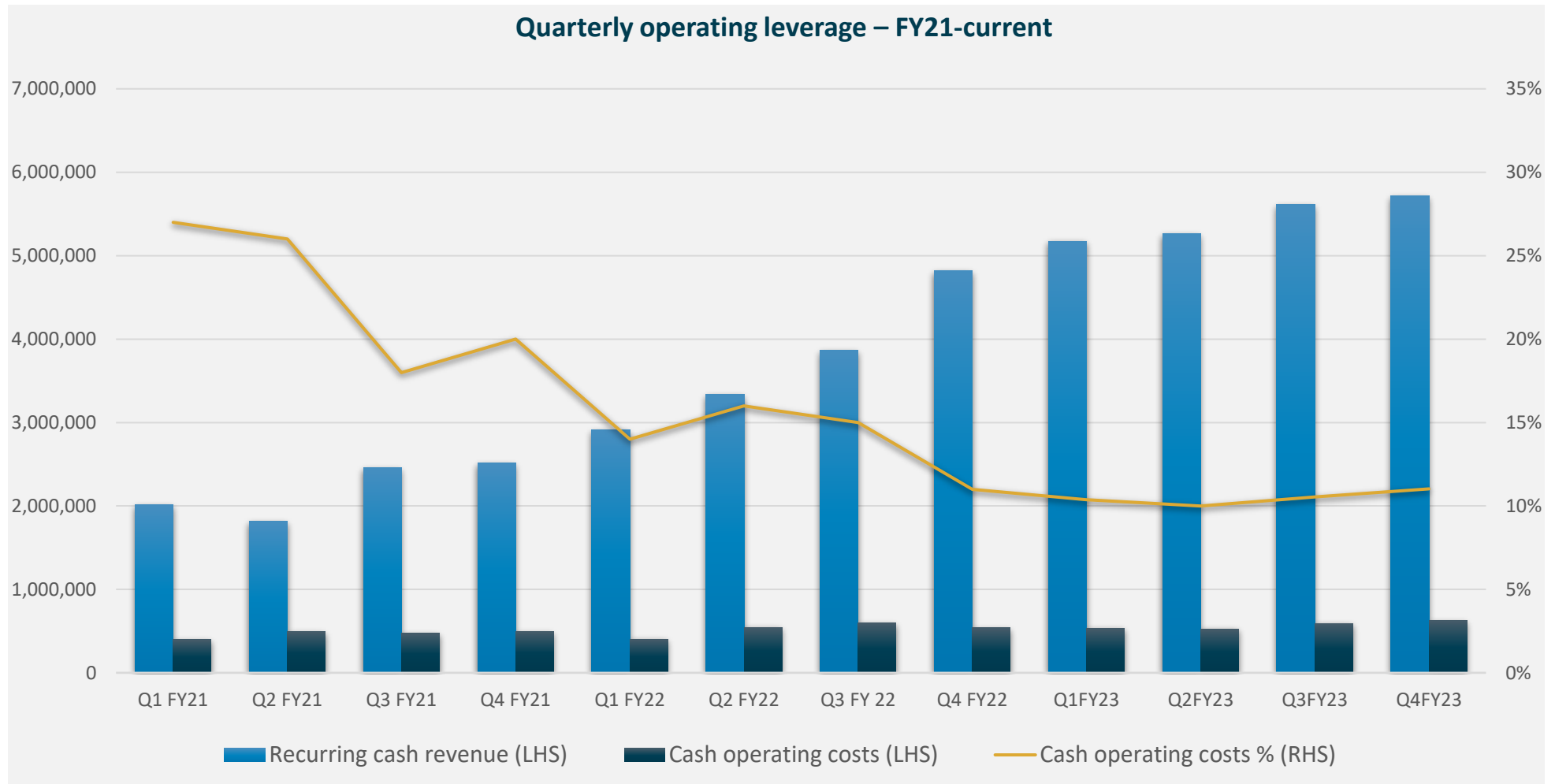


<sup>1</sup> FY23e numbers based on trading update released 1-Jun-23 and broker consensus forecasts

<sup>2</sup> Total cash revenue refers to monthly distributions from royalty partners, buyout premiums and cash gains from the sale of equity investments

<sup>3</sup> Free cashflow is defined as net cash inflows from operations plus cash gains from the sale of equity investments less interest paid on borrowings.

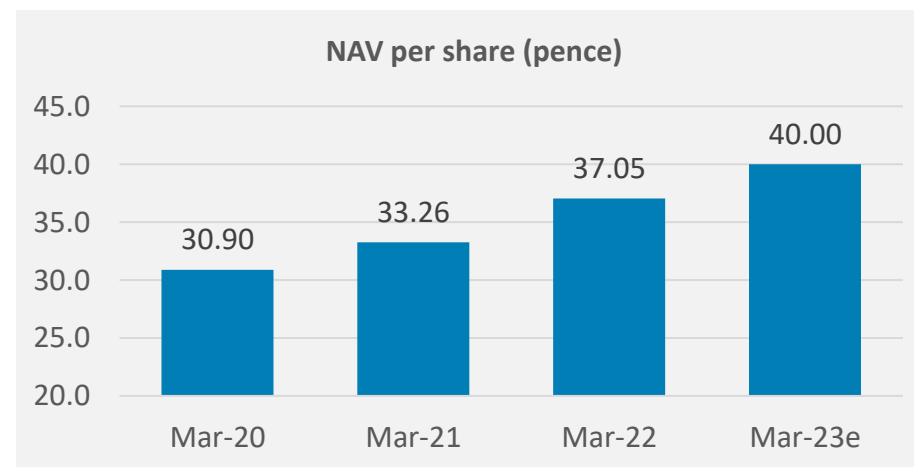
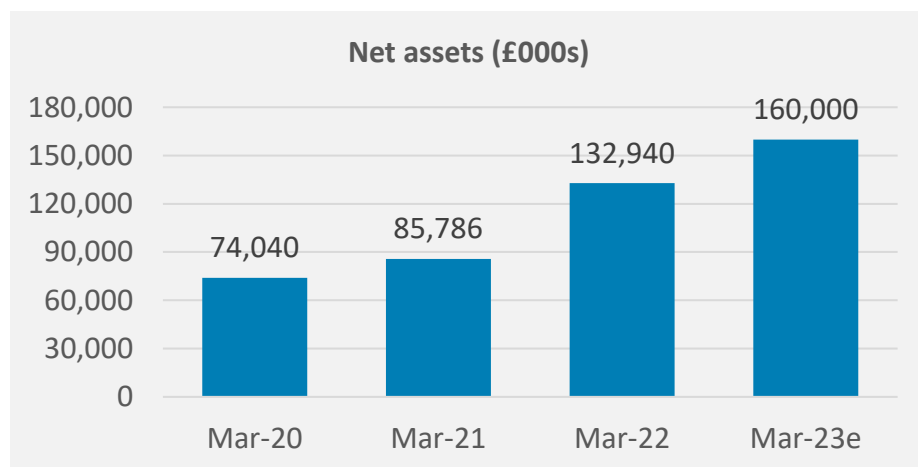
## Significant increased cash flow generation creating operating leverage



Note: cash operating costs exclude variable performance awards and investment costs

## Balance sheet strengthening as portfolio matures

	Mar-20 £000	Mar-21 £000	Mar-22 £000	Mar-23e £000
Royalty investments	75,559	85,301	160,479	190,000
Loan investments	9,517	4,949	4,172	4,500
Equity investments	507	3,495	10,820	12,500
<b>Investment portfolio fair value</b>	<b>85,583</b>	<b>93,745</b>	<b>175,471</b>	<b>212,000</b>

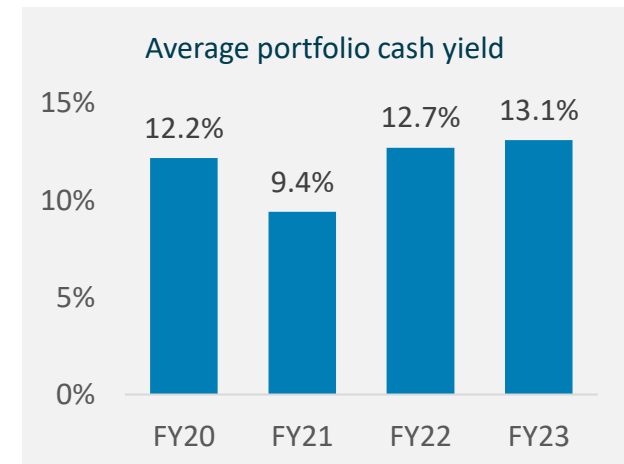
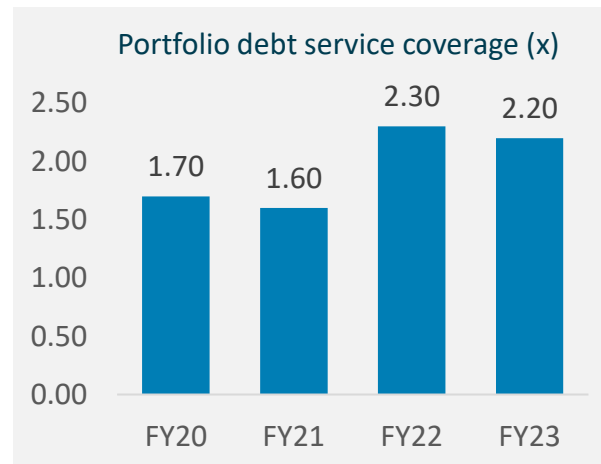
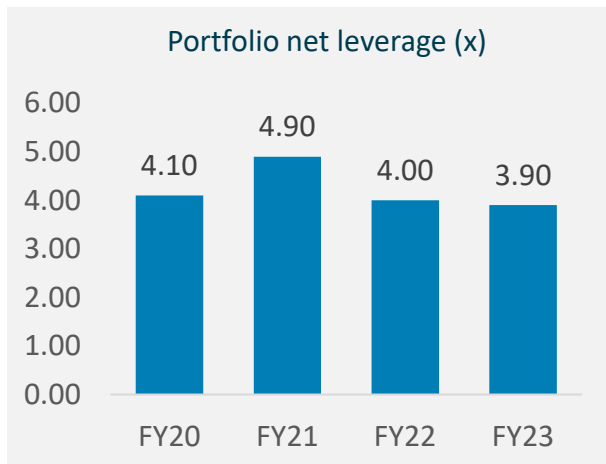
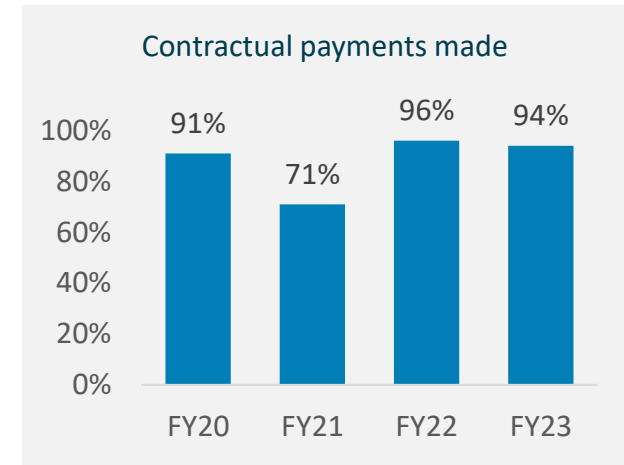
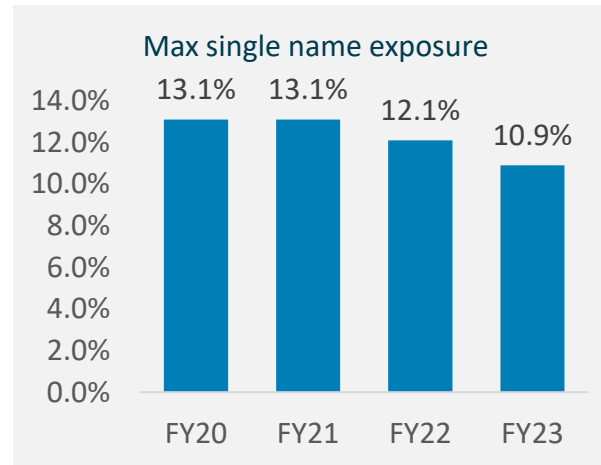
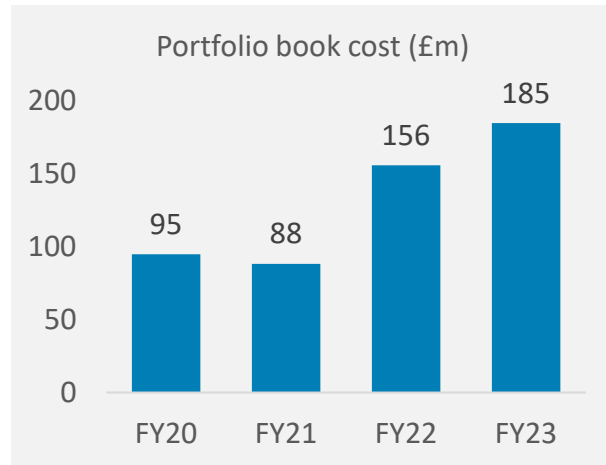


<sup>1</sup> Mar-23e numbers based on broker consensus forecasts

# Portfolio Highlights



## Credit metrics strengthen as portfolio grows





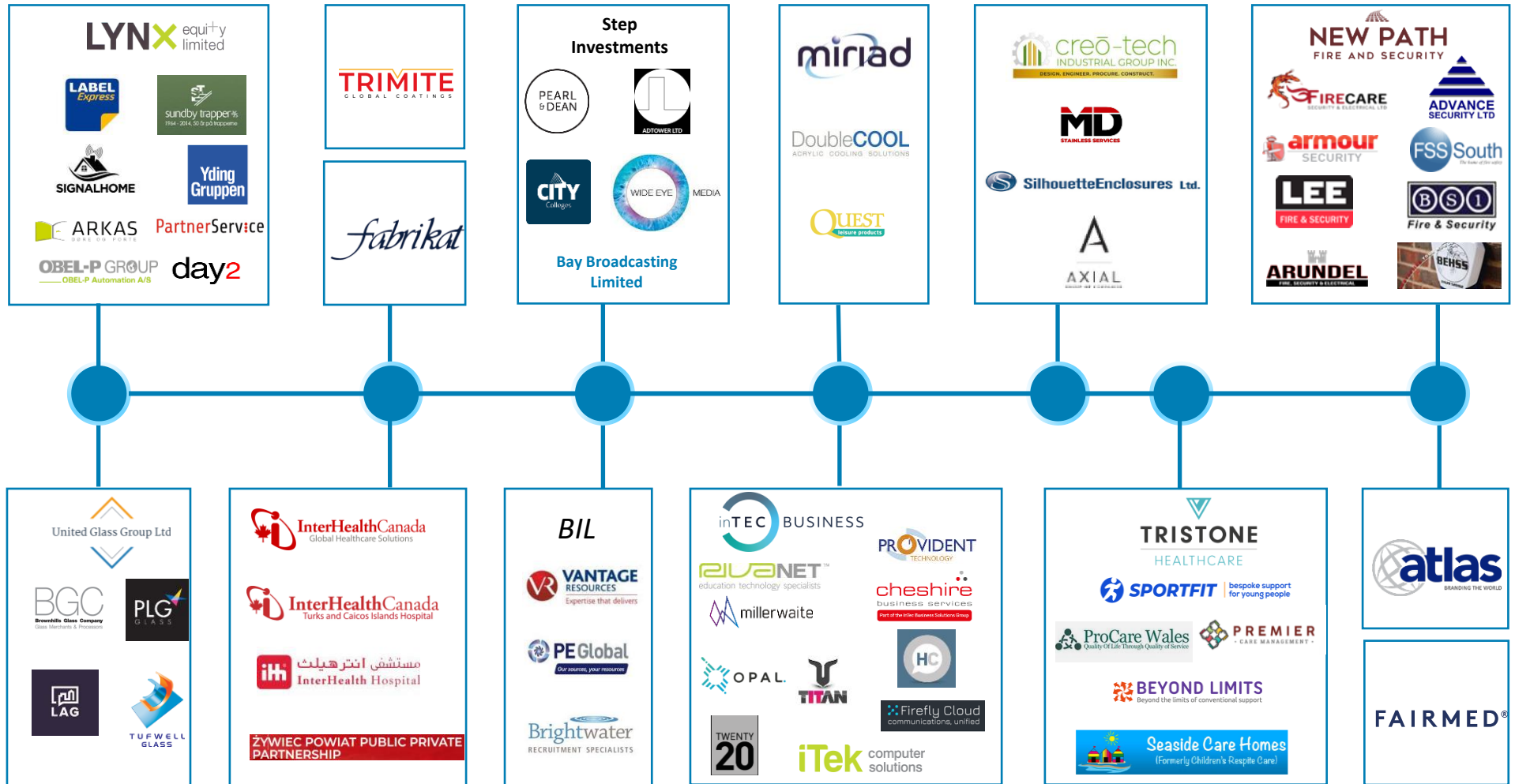
## Duke has **proven experience** investing across range of sectors, geographies and transaction types

<p>November 2022</p> <p><b>NEW PATH</b> FIRE AND SECURITY</p> <p>FIRE &amp; SECURITY</p> <p>Equity Stake: 15%</p> <p>Acquisition Capital</p>	<p>December 2021</p> <p><b>TRISTONE</b> HEALTHCARE</p> <p>SPECIALIST CARE</p> <p>Equity Stake: 14%</p> <p>Acquisition Capital</p>	<p>December 2021</p> <p><b>atlas</b> BRANDING THE WORLD</p> <p>INDUSTRIALS</p> <p>Equity Stake: 0%</p> <p>Debt Refinancing</p>	<p>July 2021</p> <p><b>creo-tech</b> INDUSTRIAL GROUP INC. DESIGN. ENGINEER. PRODUCE. CONSTRUCT.</p> <p>INDUSTRIALS</p> <p>Equity Stake: 18%</p> <p>Acquisition Capital</p>	<p>July 2021</p> <p><b>inTEC BUSINESS</b> I.T. SERVICES</p> <p>Equity Stake: 30%</p> <p>Acquisition Capital</p>
<p>June 2021</p> <p><b>FAIRMED</b><sup>®</sup></p> <p>HEALTHCARE</p> <p>Equity Stake: 0%</p> <p>Growth Capital</p>	<p>February 2021</p> <p><i>fabrikat</i><sup>®</sup></p> <p>INDUSTRIALS</p> <p>Equity Stake: 30%</p> <p>MBO</p>	<p>February 2019</p> <p><b>miriad</b></p> <p>LEISURE</p> <p>Equity Stake: 30%</p> <p>MBI</p>	<p>September 2018</p> <p><b>BIL</b></p> <p>BUSINESS SERVICES</p> <p>Equity Stake: 30%</p> <p>MBO / MBI</p>	<p>August 2018</p> <p><b>InterHealthCanada</b> Global Healthcare Solutions</p> <p>HEALTHCARE</p> <p>Equity Stake: 0%</p> <p>Growth Capital</p>
<p>June 2018</p> <p><b>Step Investments</b></p> <p>EDUCATION &amp; MEDIA</p> <p>Equity Stake: 30%</p> <p>Growth Capital</p>	<p>April 2018</p> <p>United Glass Group Ltd</p> <p>INDUSTRIALS</p> <p>Equity Stake: 30%</p> <p>Acquisition Capital</p>	<p>March 2018</p> <p><b>TRIMITE</b> GLOBAL COATINGS</p> <p>INDUSTRIALS</p> <p>Equity Stake: 30%</p> <p>Equity Buyout</p>	<p>October 2017</p> <p><b>LYNX</b> equity limited</p> <p>BUSINESS SERVICES</p> <p>Equity Stake: 0%</p> <p>Acquisition Capital</p>	

# Our Royalty Partners and their Operating Subsidiaries

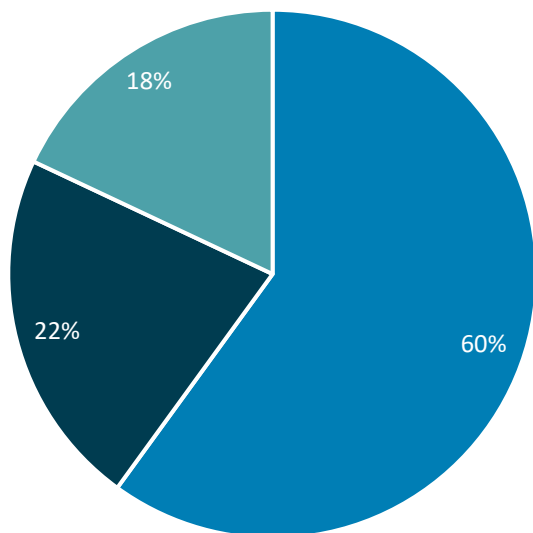


Duke's exposure is diversified across 57 underlying operating companies



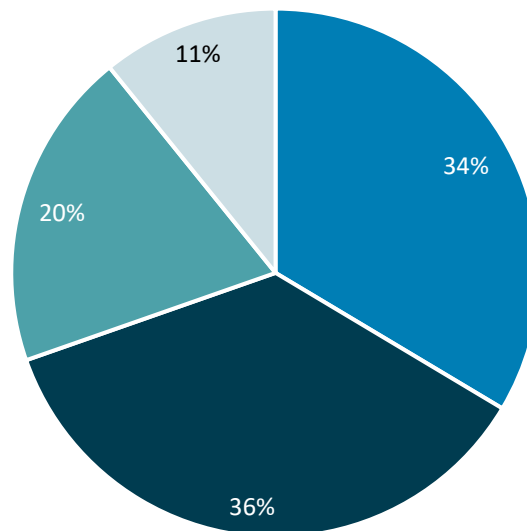
## Risk mitigation and increased diversification as deployments accelerate

Portfolio by region  
% of total cost



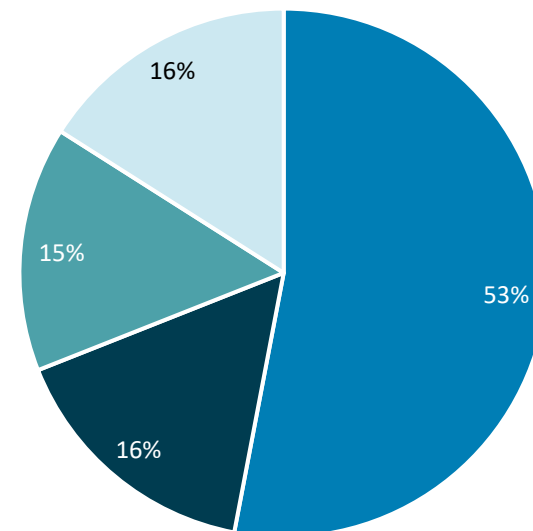
- UK - 8
- North America - 3
- Western Europe - 3

Portfolio by sector  
% of total cost



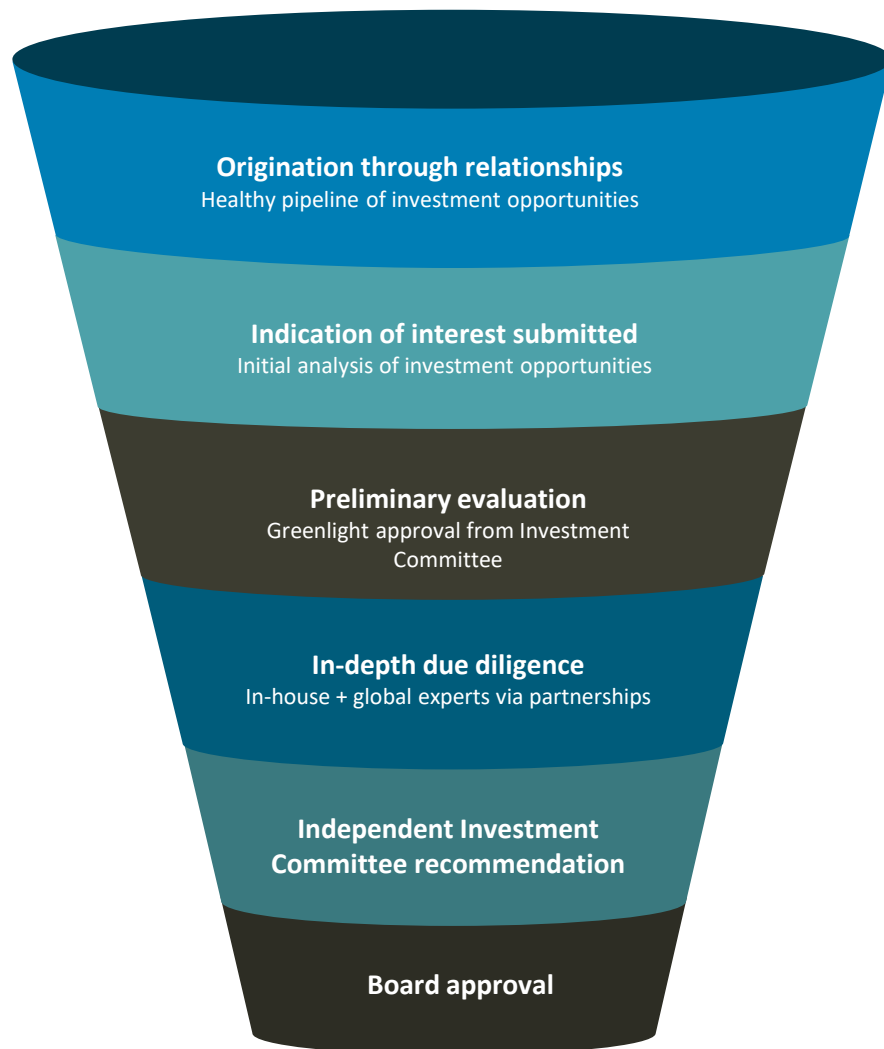
- Industrials - 5
- Business Services - 5
- Healthcare - 3
- I.T. services - 1

Use of capital  
% of total cost



- Acquisition Capital - 7
- MBO/MBI - 3
- Growth Capital - 2
- Balance Sheet Restructure - 2

\* Data as at 28 February 2023



## Origination Statistics

- ~600 business plans per year are evaluated
- ~100 Non Disclosure Agreements signed per year
- ~40 Indications of Interest letter issued
- ~10 Exclusive Term Sheets issued
- ~ 6 deals done per year

## Approval Process with Independent Scrutiny

### Independent Investment Committee Members:

- **Jim Webster:** Royalty pioneer, founded 2 companies over 30 years
- **Justin Cochrane:** 2x royalty company CEO
- **Andrew Carragher:** 20 year PE founder, US\$1.5 billion fund
- **John Romeo:** Partner at Oliver Wyman

## Due Diligence Reports with Contribution by Global Firms



## Strong base of blue-chip institutional investors<sup>1</sup> with significant management ownership



**FAIRFAX**  
FINANCIAL HOLDINGS LIMITED

Fairfax Financial Holdings Limited is Duke's £100m debt provider and strategic investor

Fairfax headquartered in Toronto has over \$90bn of assets is primarily engaged in property and casualty insurance and reinsurance and the associated investment management.

<sup>1</sup> Data as at 31 March 2023



As the only London listed corporate royalty company, Duke Royalty has pioneered corporate royalty financing in the UK and Europe.



## Capital preservation

Downside protection evident from previous market downturns



## High operational leverage

Cash operating costs down to 10% of total cash revenue in FY 2023



## Strong dividend yield

With reducing payout ratio as free cash flow increases



## Inflation hedged

Our revenue is linked to top-line growth of royalty partner



## Upside from buy-outs

Buyout premiums and minority equity stakes crystallised when royalties bought out



## Strong investment pipeline

Meaningful free cash flow per share increases with further deployments

# Appendix



## Continued progress announced post-period end

### Finance

- Global insurance company Fairfax becomes senior lender
- Record £5.3 million of cash revenue in Q2 FY23
- £5.5 million of cash revenue forecast for Q3 FY23

### Portfolio

- £5.5 million investment into new royalty partner New Path Fire and Security
- Increasing average cash yield across portfolio as adjustment factors take effect

### Pipeline

- Strong pipeline of new opportunities under review
- Prudent approach to new royalty partners given macroeconomic headwinds

## Management and investment committee have royalty experience of 100+ 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 and CIO**

- London-based Executive Director
- Co-owner of FCA-regulated Arlington Group Asset Management
- 20 years fund management



**Nigel Birrell – Non-Exec Chairman**

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



**Hugo Evans – CFO**

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



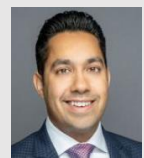
**Alex Hibbard – Principal, Investments**

- 8 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



**Maree Wilms – Non-Exec Director**

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



**Ajay Shivdasani – Principal, 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 – Principal, 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



**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

# New royalty partner: New Path Fire and Security



Initial Royalty Investment <b>£5.0m</b>	Term <b>30 years</b>	Transaction type <b>Buy &amp; Build</b>	Initial obligation (incl. principal) <b>13.5%</b>	Annual adjustment (based on revenue) <b>+/-6%</b>
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## Company overview

- New Path Fire and Security is a **growing and acquisitive platform**, buying independent regional fire safety and security companies throughout southern England
- New Path predominantly serves business customers, helping them to **protect their premises, assets, and most importantly their people**.
- New Path's **growing raft of competencies** also allows it to act as a hassle-free single point of contact

## Why Duke

- **Patient capital** with no refinancing risk in a challenging macroeconomic environment
- Access to further capital **“war chest” to pursue M&A**

“Duke is an ideal partner and shareholder for us at this point in our life cycle. Their capital will allow us to assert ourselves in a sector that we understand well and to gain scale via acquisition. We are excited about the opportunities that lie ahead and to work with the Duke team to achieve our strategic objectives” **Andrew Hill, CEO of New Path**





## Duke Royalty's ESG Assessment Framework

Category	Duke's Policy	Duke's Evaluation of Company's ESG Policies
<b>Environmental</b>	<ul style="list-style-type: none"> <li>We encourage companies to identify and implement measures to reduce their environmental impact</li> </ul>	<p><b>Risks:</b></p> <ol style="list-style-type: none"> <li>What environmental risks has Duke identified that are associated with [Company's] business model &amp; industry?</li> <li>What challenges does [Company] face when trying to uphold high environmental standards?</li> </ol> <p><b>Mitigants:</b></p> <ol style="list-style-type: none"> <li>Provide examples of how [Company] deals with environmental risks</li> <li>Describe how [Company] made Duke comfortable about their actions to ensure level of environmental standards</li> </ol>
<b>Social</b>	<ul style="list-style-type: none"> <li>We require that companies provide equal opportunities for employees</li> <li>We believe in actively engaging in Corporate Social Responsibility activities</li> </ul>	<p><b>Risks:</b></p> <ol style="list-style-type: none"> <li>Describe the social risks associated with [Company's] specific business model and industry?</li> <li>Does [Company] sufficiently give back to its community?</li> </ol> <p><b>Mitigants:</b></p> <ol style="list-style-type: none"> <li>How does [Company] ensure the safety and wellbeing of its employees? What policies are in place?</li> <li>How does [Company] ensure it is actively engaging in Corporate Social Responsibility within its community?</li> </ol>
<b>Governance</b>	<ul style="list-style-type: none"> <li>Our focus on governance is to ensure our royalty partners have a board which delivers strong leadership who behave in an ethical manner and engage with shareholders</li> </ul>	<p><b>Risks:</b></p> <ol style="list-style-type: none"> <li>What specific governance risk has Duke identified that the [Company] has had difficulties in the past?</li> <li>Describe the gaps in governance that Duke has identified within [Company]</li> </ol> <p><b>Mitigants:</b></p> <ol style="list-style-type: none"> <li>What governance frameworks are in place to deal with the identified risks?</li> </ol>



Our shareholders benefit from **attractive dividends** and **long-term, embedded growth** within our **increasingly diversified** royalty portfolio

Annuity-like  
revenue streams

Compounding  
opportunity  
through participation  
in growth by annual  
adjustments

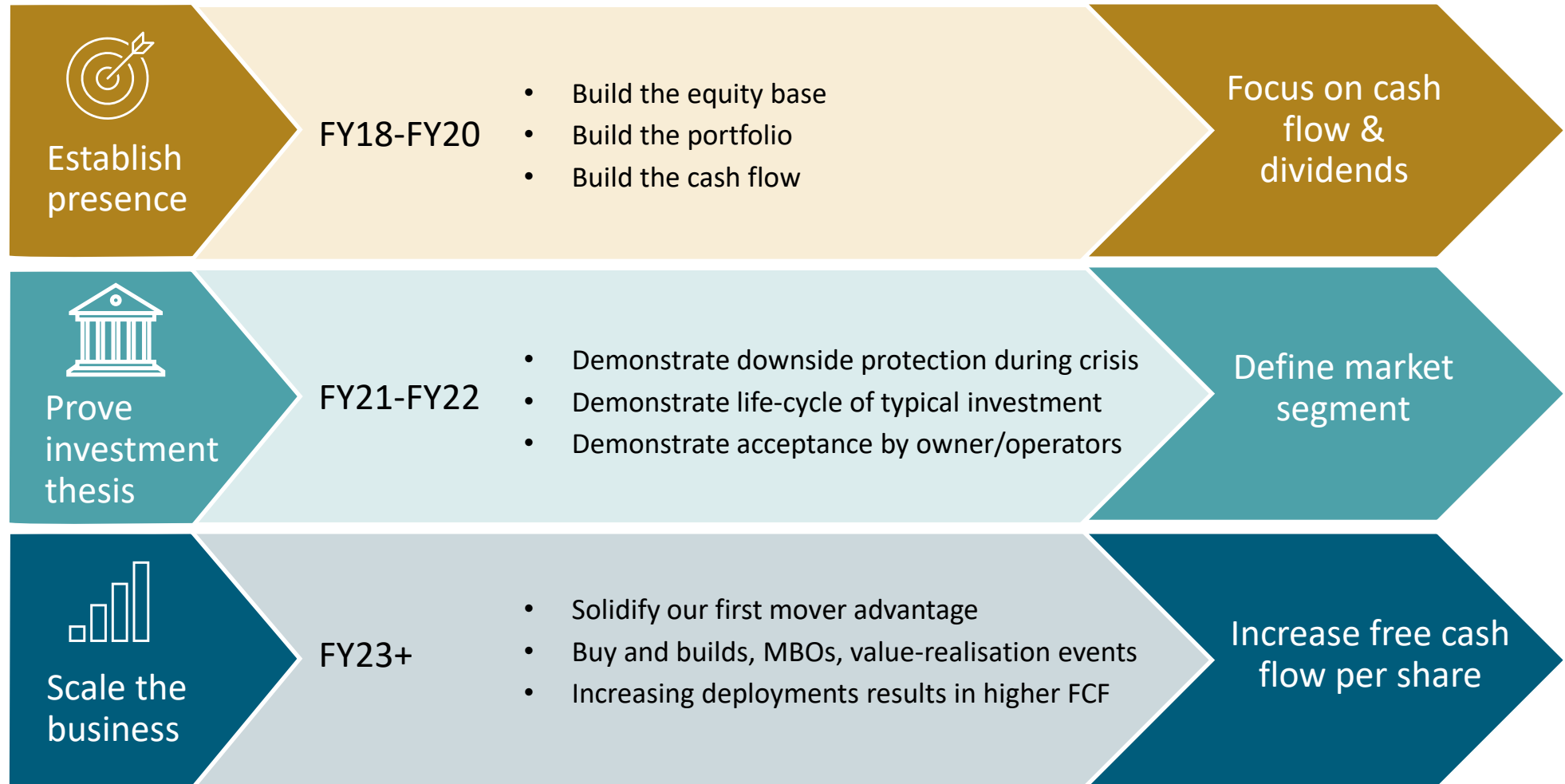
High level of  
operational  
gearing

Yield  
compression  
as portfolio grows

Diversification  
of risk  
through addition of revenue  
streams and liquidity of  
shares

Commitment  
to growing  
quarterly dividends

## Six years of building the European leader in corporate royalties



## Duke's proven resilience in turbulent market conditions

### Brexit and COVID-19

- Portfolio has withstood shocks of Brexit and Covid-19 since 2017
- Capital preservation attributes were demonstrated during extremely challenging times
- Cash flow foregone, while equitisation allowed for recouping of lost value
- Engineered exit from riverboats

### Supply Chain Issues

- Portfolio has been working to mitigate impact from price increases, stock interruptions during 2021
- Not unlike Brexit of 2018/19 with uncertainty over price and supply of materials
- Supply chain issues remain with continuing Covid-19 outbreak in China and war in Ukraine / Russia

### Ukraine / Russia War

- No direct impact to any of our Royalty Partners
- Indirect impact via some cost of goods inflation
- While not ideal, will impact every competitor and therefore much like Brexit & Covid-19

### Inflation

- The annual yield adjustment hedges existing investments, protecting Fair Value
- New investments can be priced at the same premium to the risk-free rate, so total distribution can rise
- Within existing portfolio, we are monitoring cost of goods increases and possible margin pressure

