

FY2023 Financial Results

July 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

62 operating companies underlying our 14 Royalty Partners
FY23 invested £26m in the portfolio, added 2 new royalty partners, despite the economic headwinds

Strong Fundamentals

11 quarters in a row of increasing recurring cash flow
FY23 saw our recurring cash flow up 51% and 30% per share

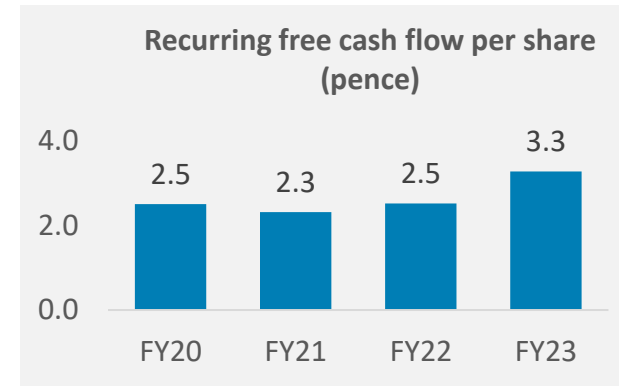
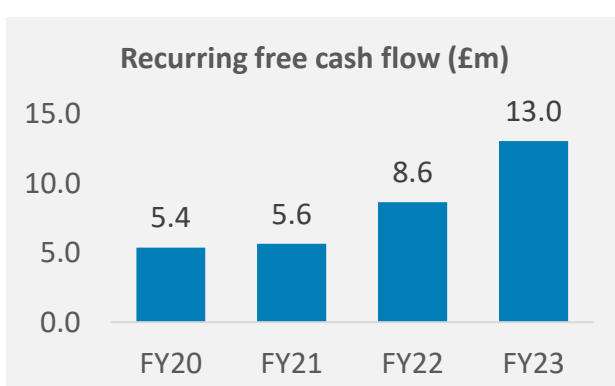
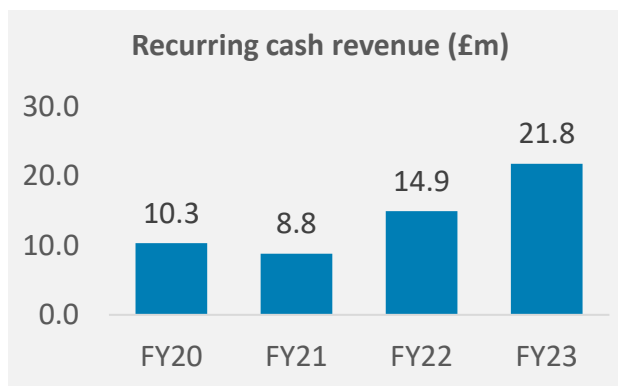
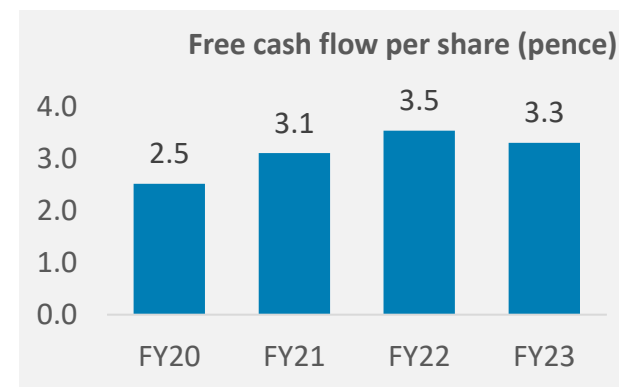
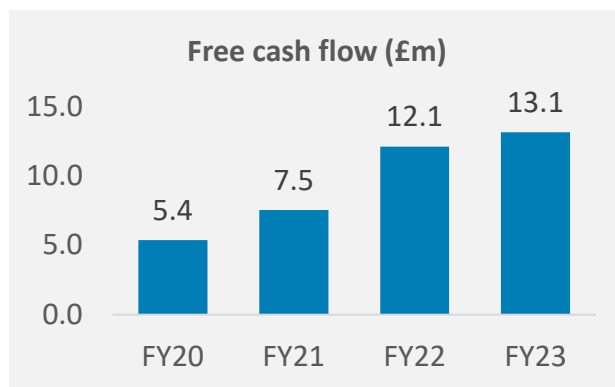
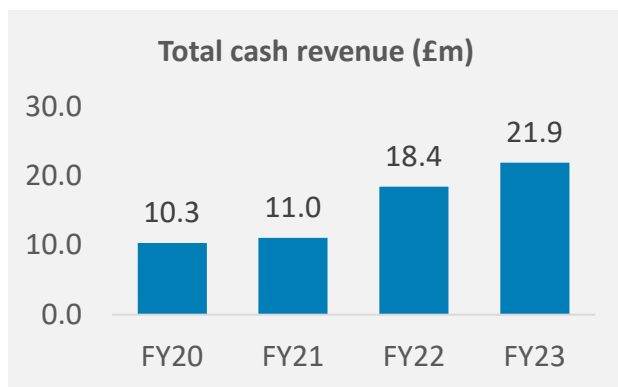
Inflation Hedged

Adjustments to Duke's distributions based on partners revenue
FY23 saw 8 maximum (+6%) adjustments out of 10 adjustments

Financial Highlights



FY23 cash flow KPIs driven by increasing recurring cash revenue



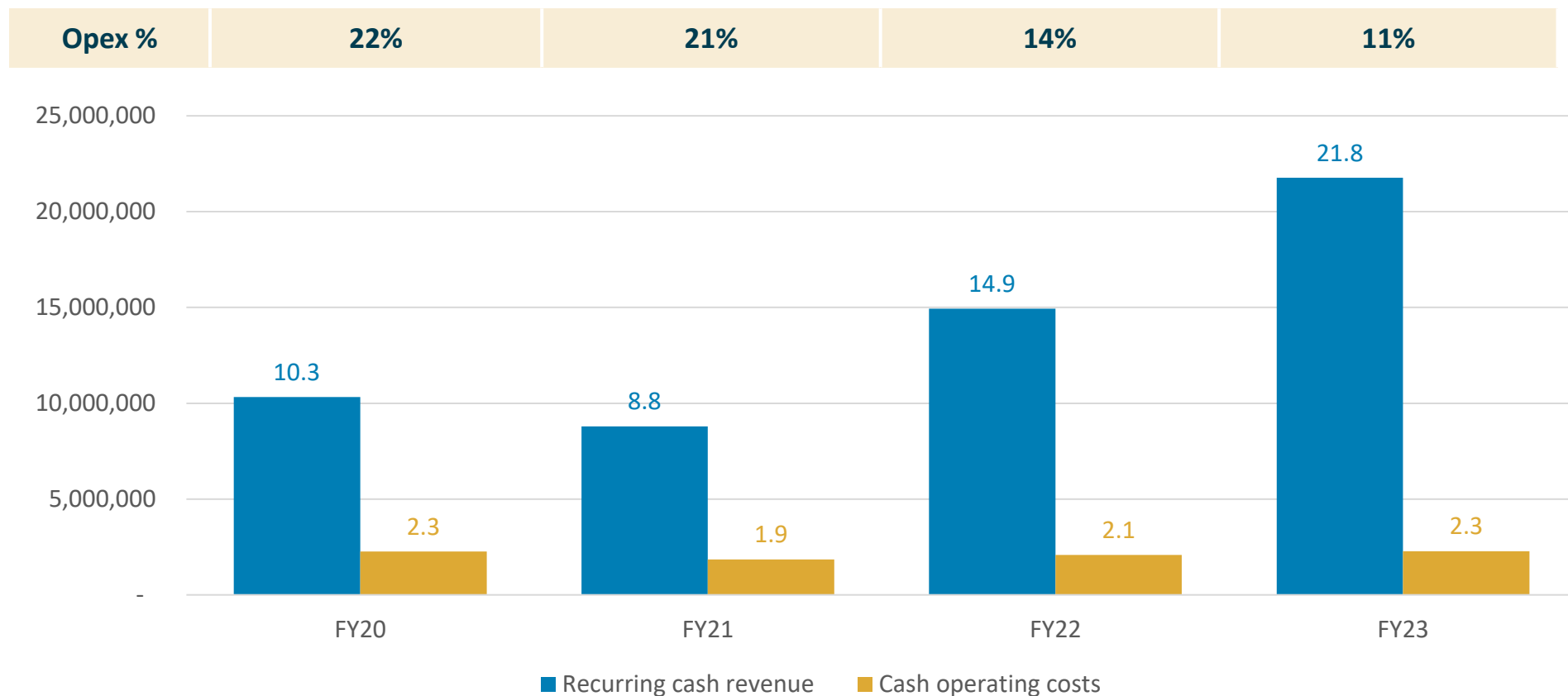
¹ Total cash revenue refers to monthly distributions from royalty partners, buyout premiums and cash gains from the sale of equity investments

² Free cashflow is defined as net cash inflows from operations plus cash gains from the sale of equity investments less interest paid on borrowings.

³ Recurring free cash flow excludes buyout premiums and cash gains from the sale of equity investments



Recurring cash flow generation continues to reduce operating leverage

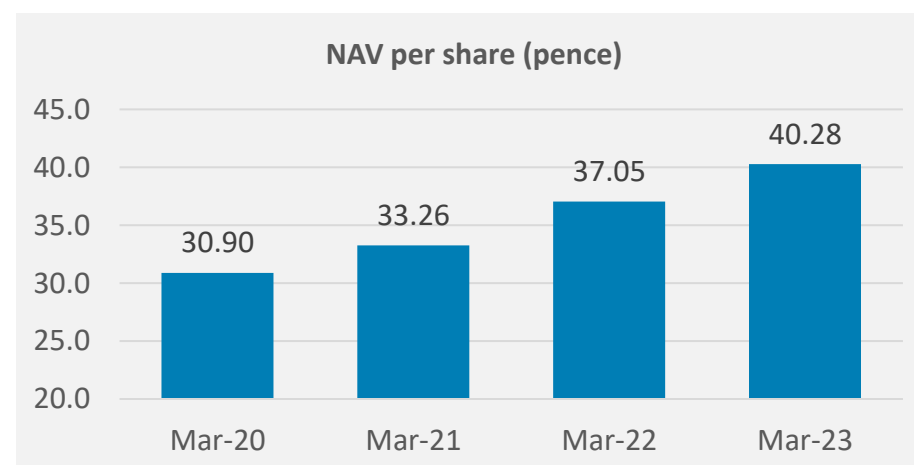
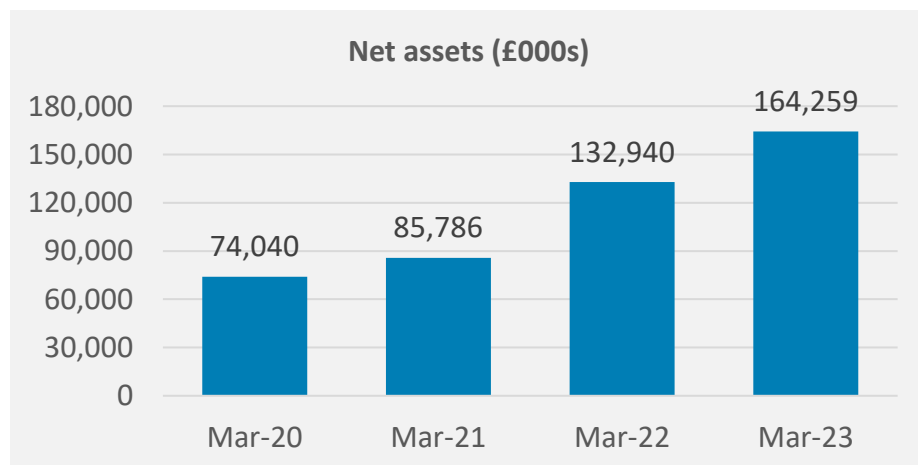


- 15.1 pence of dividends paid out since inception

Note: recurring cash revenue excludes buyout premiums and cash gains from the sale of equity investments. Cash operating costs excludes variable performance awards

NAV steadily increasing

	31-Mar-20 £000	31-Mar-21 £000	31-Mar-22 £000	31-Mar-23 £000
Royalty investments	75,559	85,301	160,479	191,694
Loan investments	9,517	4,949	4,172	4,652
Equity investments	507	3,495	10,820	13,529
Investment portfolio fair value	85,583	93,745	175,471	209,898



- Over £50 million of liquidity as at 31 March 2023

Credit like returns with further potential equity upside

Portfolio company	Capital invested	Cash returned to date	Cash return as % of capital invested	Unrealised fair value ¹	Total return on capital invested ²
Lynx	15,000	8,670	58%	15,261	1.6x
Trimite	12,500	4,381	35%	12,683	1.2x
UGG	12,350	6,311	51%	14,832	1.7x
Step	8,565	3,521	41%	9,107	1.5x
Interhealth	10,000	5,624	56%	11,804	1.7x
BPVA	13,603	5,441	40%	20,002	1.9x
Miriad	20,192	8,176	40%	19,403	1.4x
Fabrikat	6,200	2,173	35%	9,492	1.9x
Fairmed	8,591	2,535	30%	9,779	1.4x
Intec	20,000	3,516	18%	20,515	1.2x
Creō	10,970	2,521	23%	12,681	1.4x
Atlas	15,854	3,397	21%	18,494	1.4x
Tristone	19,400	3,204	17%	21,974	1.3x
New Path	7,400	407	5%	7,120	1.0x
Total	180,625	59,878	33%	203,148	1.5x

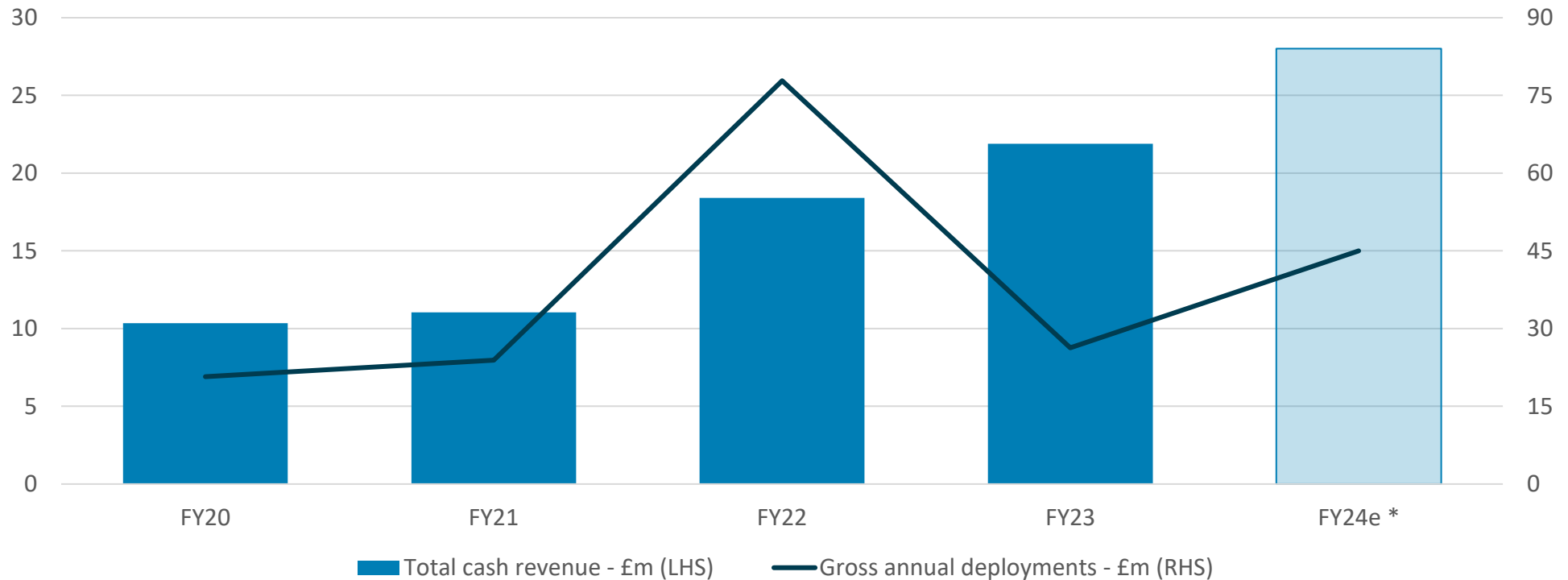
- £40m+ of buyout premiums

Data as at 30 June 2023

¹ Unrealised fair value refers to the aggregate of the audited fair values of royalty, loan and equity investments as at 31 March 2023

² Total return on capital invested calculated as total capital invested divided by the sum of unrealised fair values and cash revenue return to date

Total cash revenue growing as deployments scale



- Current average term of legally contracted revenue is 27+ years, totalling £800m+
- Fully invested with our current spare liquidity, Duke's total contracted revenue is over **£1 billion**

* FY24e refers to market consensus numbers

Portfolio Highlights



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

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

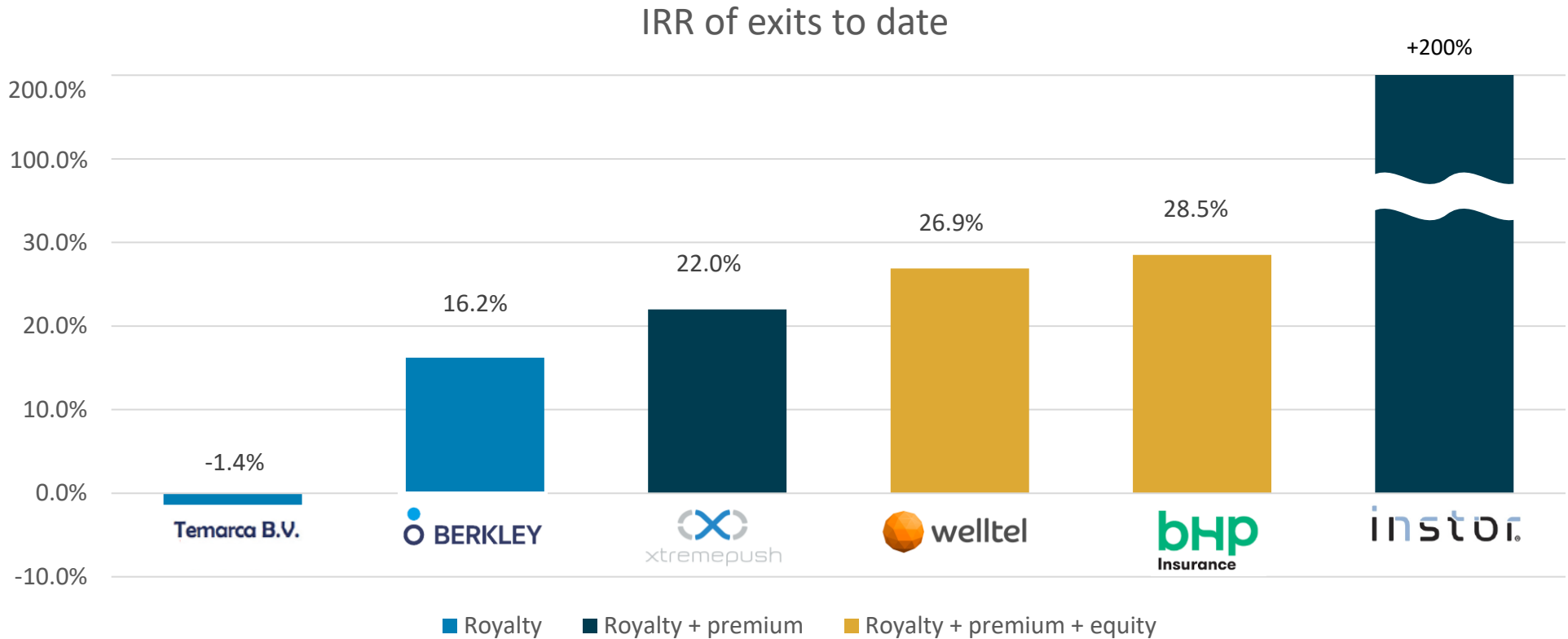
Our Royalty Partners and their Operating Subsidiaries



Duke's exposure is diversified across 62 underlying operating companies



Track record with six exits to date



- Indicative IRR of ~16% if held to term
- Buyout premiums and equity provide upside to increase IRRs to 25%+

Continued progress announced post-period end

Finance

- **Record** £6 million of recurring cash revenue generated in Q1 FY24
- £1.8 million premium received on exit of Instor
- Further 0.70p dividend paid April 2023, Q1 dividend declared at 0.70p

Investment

- Instor buyout in May-23 delivering triple digit IRR
- £3.7 million of material follow-on deployments made in Q1 into Tristone and New Path

Pipeline

- Strong pipeline of new opportunities under review
- Proactive approach to new royalty partners despite macroeconomic headwinds



Strong base of blue-chip institutional investors¹ with significant management ownership



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.

¹ 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 11% of total cash revenue in FY2023



Strong dividend yield

Current annualised dividend of 2.8 pence per share



Annuity-like revenue streams

Providing £800+ million of contractual revenue over next 30 years



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



Consolidated Statement of Cashflows



	FY2023 £000	FY2022 £000	FY2021 £000	FY2020 £000
Receipts from royalty investments	21,634	14,701	9,931	8,977
Receipts of interest from loan investments	339	580	667	1,268
Other operating receipts	176	543	438	90
Operating expenses paid	(3,306)	(2,487)	(2,154)	(2,811)
Payments for royalty participation fees	(112)	(115)	(81)	(168)
Tax received / (paid)	(1,346)	(2,055)	135	(573)
Net cash inflow from operating activities	17,115	11,167	8,936	6,783
Royalty investments advanced	(23,809)	(74,586)	(22,708)	(17,751)
Royalty investments repaid	-	2,938	14,354	-
Loan investments advanced	(2,500)	(3,192)	(1,145)	(2,661)
Loan investments repaid	2,000	3,949	2,370	-
Equity investments advanced	(500)	(530)	(653)	-
Equity investments repaid	-	2,883	-	-
Payment for acquisition of subsidiaries, net of cash acquired	3	-	-	(321)
Receipt of deferred consideration	-	7,679	-	-
Investments costs paid	(357)	(972)	(634)	(548)
Net cash outflow from investing activities	(25,163)	(61,831)	(8,416)	(21,281)
Proceeds from share issue	20,000	35,000	-	17,454
Share issue costs	(1,115)	(1,936)	(1)	(1,048)
Dividends paid	(10,979)	(7,270)	(3,013)	(6,013)
Proceeds from loans	71,250	38,200	15,200	16,250
Loan repaid	(61,450)	(7,500)	(13,926)	(11,650)
Interest paid	(3,976)	(1,649)	(1,409)	(1,425)
Other finance costs paid	(2,426)	(181)	(95)	(534)
Net cash inflow from financing activities	11,304	54,664	(3,244)	13,304
Net change in cash and cash equivalents	3,256	4,000	(2,724)	(1,464)
Cash and cash equivalents at beginning of year	5,707	1,766	4,481	5,894
Effect of foreign exchange on cash	(24)	(59)	9	51
Cash and cash equivalents at the end of year	8,939	5,707	1,766	4,481

Consolidated Statement of Comprehensive Income



	FY2023 £000	FY2022 £000	FY2021 £000	FY2020 £000
Income				
Royalty investment income	28,266	18,037	19,344	(2,994)
Loan investment income	339	533	636	1,235
Equity investment income	2,212	9,678	1,569	(670)
Other operating income	176	543	93	90
Impairment loss on loan investments		-	-	(2,947)
Total income	30,993	28,791	21,642	(5,040)
Investment Costs				
Transaction costs	(66)	(631)	(447)	(448)
Due diligence costs	(620)	(1,113)	(103)	(95)
Operating Costs				
Administration and Personnel	(2,627)	(2,060)	(1,675)	(1,725)
Legal and professional fees	(456)	(405)	(367)	(584)
Other operating costs	(223)	(151)	(99)	(471)
Expected credit losses	(20)	(72)	-	-
Share-based payments	(969)	(930)	(806)	(409)
Operating (loss) / profit	26,012	23,429	18,145	(8,772)
Net foreign currency movement	66	(60)	(542)	246
Other finance costs	(5,644)	(1,996)	(1,539)	(1,607)
(Loss) / Profit for the period before tax	20,434	21,373	16,064	(10,379)
Taxation expense	(842)	(982)	(2,111)	1,481
Total comprehensive (loss) / income for the period	19,592	20,391	13,953	(8,898)

Consolidated Statement of Financial Position



	31-Mar-23 £000	31-Mar-22 £000	31-Mar-21 £000	31-Mar-20 £000
Goodwill	203	203	203	203
Royalty finance investments	158,540	139,648	71,107	59,435
Loan investments	4,652	3,172	4,370	4,418
Equity investments	13,529	10,820	3,495	507
Trade and other receivables	-	-	5,618	-
Deferred tax asset	200	156	158	675
Total Non-Current assets	177,124	153,999	84,951	65,238
Royalty finance investments	32,793	20,831	14,194	16,124
Loan investments	-	1,000	580	5,099
Trade and other receivables	2,290	2,194	4,422	142
Cash and cash equivalents	8,939	5,707	1,766	4,481
Current tax asset	373	-	-	567
Total Current assets	44,395	29,732	20,962	26,413
Total Assets	221,519	183,731	105,913	91,561
Royalty debt liabilities	154	160	114	133
Trade and other payables	433	423	267	318
Borrowings	441	362	161	172
Current tax liability	-	88	1,163	-
Total Current liabilities	1,028	1,033	1,705	623
Royalty debt liabilities	988	951	917	1,040
Trade and other payables	1,314	1,067	402	431
Borrowings	53,930	47,740	17,103	15,517
Total Non-current liabilities	56,232	49,758	18,422	16,988
Net Assets	164,529	132,941	85,786	74,040
Shares issued	172,939	153,974	120,870	118,479
Share based payment reserve	3,447	2,478	1,548	742
Warrant reserve	3,036	265	265	265
Retained losses	(15,163)	(23,776)	(36,897)	(45,446)
Total Equity	164,529	132,941	85,786	74,040

Management and investment team have 5 years together at Duke



Neil Johnson – Executive Director and CEO

- 30 years of experience in financial services including Global Executive Committee of Canaccord Genuity
- £3 billion equity financing for Canadian-domiciled companies listed in London
- Founder of Duke Royalty



Charlie Cannon-Brookes – Executive Director and CIO

- London-based Chief Investment Officer
- 20 years fund management
- Co-owner of FCA-regulated Arlington Group Asset Management
- Co-founder of Duke Royalty



Hugo Evans – CFO

- Extensive experience in senior finance roles within financial services
- 12 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, focused on new investments and managing portfolio companies
- Chartered Financial Analyst



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



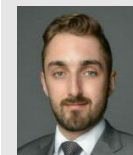
Magda Tarnowska – Executive Assistant

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



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



Tommy Stamadianos – Associate, Investments

- 4 years of LBO and growth equity experience focused on North America and Western Europe at AIMCo and Canadian Business Growth Fund
- Holds a BCom from the University of Toronto



Nigel Birrell – Non-Exec Chairman

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



Maree Wilms – Non-Exec Director

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



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

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% 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	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>



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

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>	

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

Annuity-like
revenue streams

Compounding
opportunity
through participation
in growth by annual
adjustments

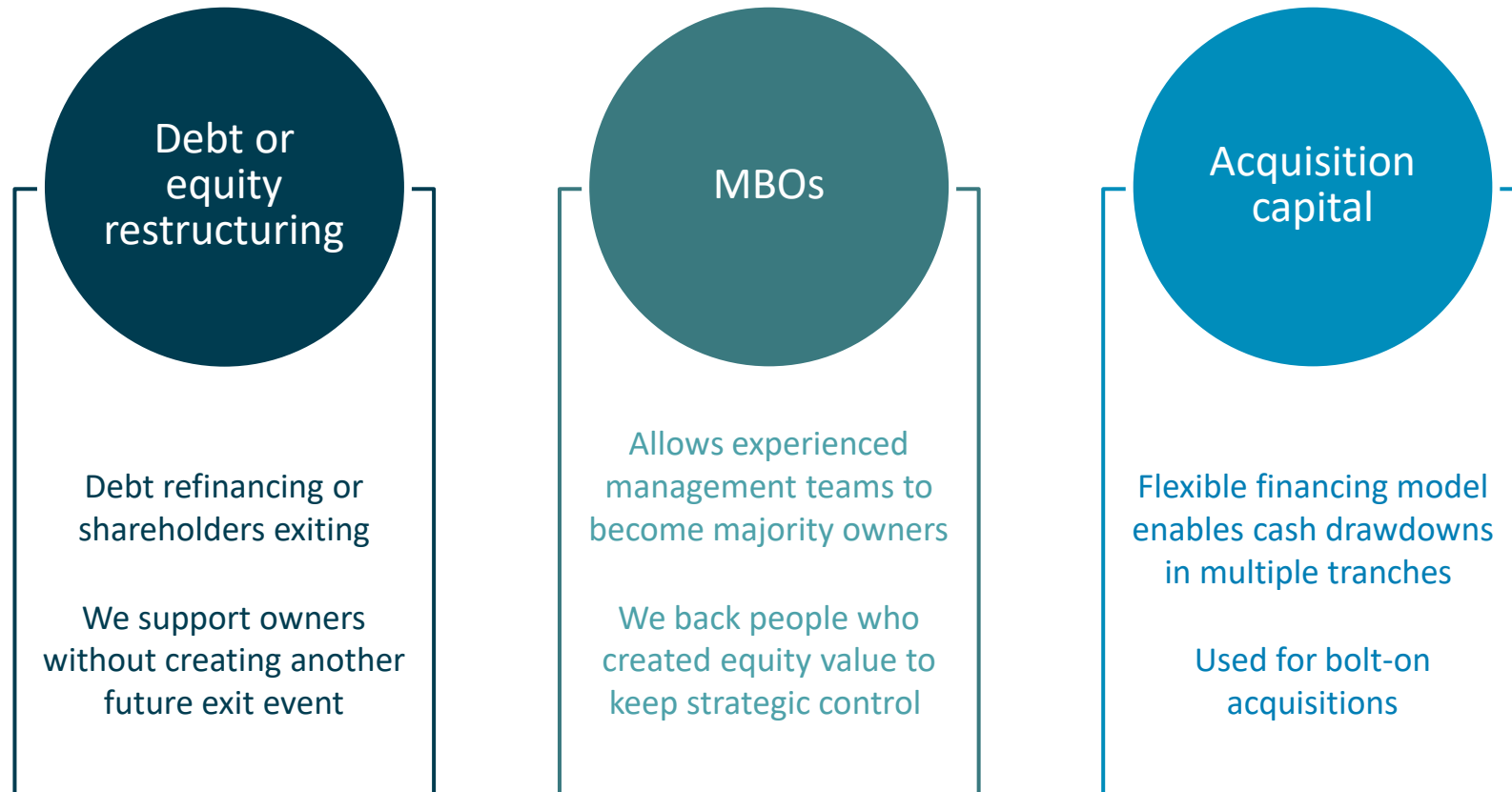
High level of
operational
gearing

Yield
compression
as portfolio grows

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

Commitment
to growing
quarterly dividends

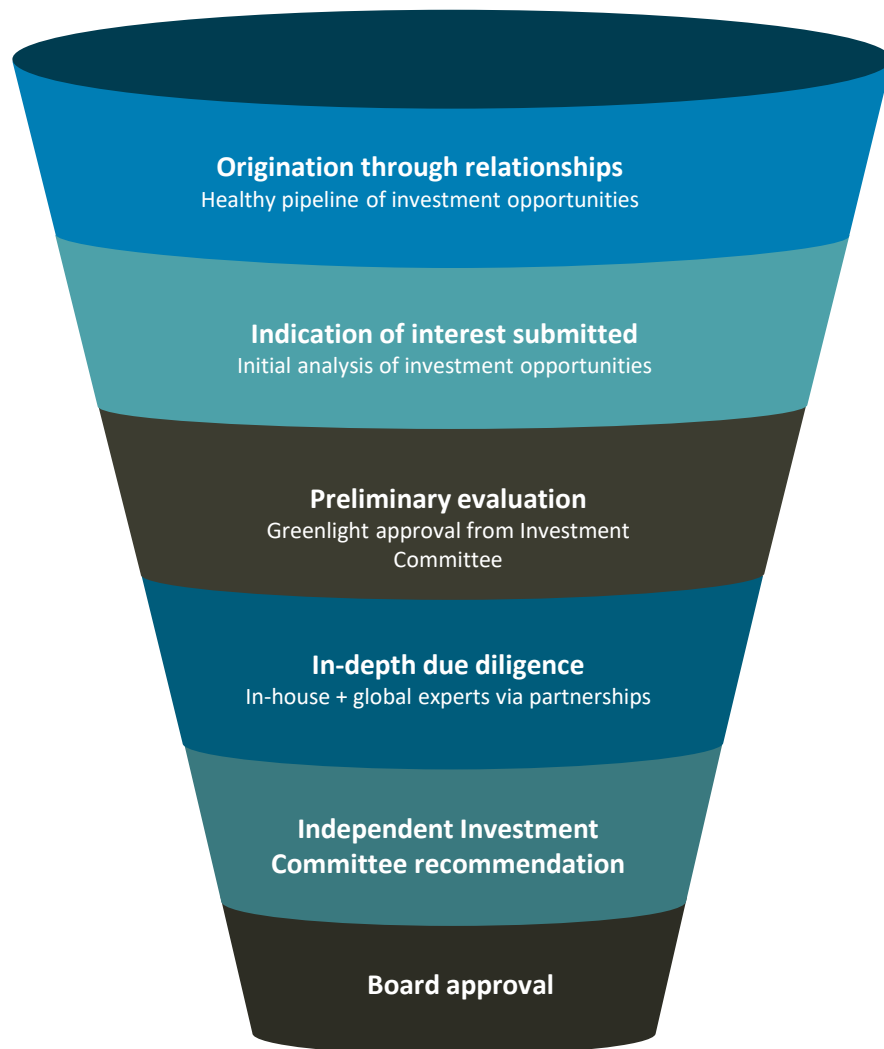
Key examples of how Duke's funding solution has been used by owner-operators to **drive growth** and **increase shareholder value**





Duke Royalty's ESG Assessment Framework

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



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

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

