# Executive Chairman's statement

"Strong earnings momentum and multiple drivers of growth"

**Bernard Fairman**
Executive Chairman

FY24 represented another strong year of profitable growth for the Group. We benefited from increasing demand for our higher margin retail vehicles (£436 million funds raised) and successful institutional fundraising activity from our Private Equity business (£134 million funds raised). The improved profitability of our resulting FUM mix, albeit modestly down to £8.4 billion (FY23: £9.0 billion), delivered growth in core EBITDA pre-SBP of 18% for the Group and further builds upon the substantial progress that we have made since IPO.

## Three years post-IPO

In February 2021, we successfully listed Foresight Group on the London Stock Exchange with two key objectives:

1. Further enhance the Group's profile in order to strengthen fundraising delivery
2. Utilise the Group's shares as an additional source of capital to fund M&A activity

The first of these IPO objectives has been an overwhelming success.

Fundraising into higher margin retail and private equity institutional vehicles has increased by c.65% and c.120% respectively post-listing[1], when compared with the three years prior[2].

In institutional infrastructure fundraising, our flagship energy transition strategy, Foresight Energy Infrastructure Partners ("FEIP"), closed with total commitments of €851 million in 2021, which was c.70% over the original target. Building upon this success, post period end we secured commitments of €300 million for the first close of FEIP II, the second vintage of this strategy. This demonstrates the quality and demand for our flagship energy transition strategy and I have every confidence in our team's ability to achieve at least our target fundraise of €1.25 billion during 2025, a material increase on the first vintage and an important step in scaling our platform.

We also delivered early success in relation to our second IPO objective through the significant acquisition of Australia-based Infrastructure Capital Holdings Pty Ltd ("Infrastructure Capital"). This transaction has not only been financially and strategically accretive but has also substantially increased our geographic reach.

In summary, in our first three years as a listed company, including FY24 most recently, the Group has achieved significant growth across AUM (+69%), core EBITDA pre-SBP (+148%) and broadened our geographic presence, with non-UK asset exposure having increased from 22% to 46%. The Group has also delivered substantial margin expansion of +7.4ppts and is well positioned to realise further operating leverage as the business scales.

I firmly believe that the foundations we have built as a listed company ideally positions us to capture the long-term structural growth trends in our key markets.

## Outlook within our key markets

As an international investment manager, we provide investors access to attractive opportunities in the transition to cleaner energy, decarbonised infrastructure and the economic potential of growing companies. Our extensive track record of identifying and then maximising the value of attractive investment opportunities means that we are well positioned to attract and deliver strong returns for institutional and retail investors within our key markets.

**Energy transition:** As I have said before, I believe that the energy transition represents the largest investment opportunity of our generation. This opportunity is driven by long-term structural and regulatory tailwinds arising from global decarbonisation agendas, energy security concerns in light of recent global conflicts and the increasing electricity consumption requirements of AI and data centres.

1. Defined as FY22, FY23 and FY24.
2. Defined as FY18, FY19 and FY20, with FY21 excluded due to the impact of COVID-19 on fundraising.

# Executive Chairman's statement continued

## Outlook within our key markets continued

To quantify the size of this opportunity, global investment in the energy transition reached a record $1.8 trillion in 2023, a 17% increase on 2022. Looking ahead, global investment levels are estimated to need to nearly triple to $4.8 trillion per year between 2024 and 2030 to remain on track to achieve global net zero targets[1].

To address this significant investment requirement, we plan to roll out multi vintages across a number of our institutional infrastructure strategies. This includes our flagship energy transition strategy, Foresight Energy Infrastructure Partners ("FEIP"), which successfully reached first close of its second vintage post period end. In addition, another established strategy, Australian Renewables Income Fund ("ARIF"), remains open to further fundraising. Finally, we have a Hydrogen strategy in pre marketing and also plan to leverage our experience in Natural Capital investment to develop a private fund in this growing sector.

Regional private equity: As is the case with many countries, the UK and Ireland Small and Medium-sized Enterprise ("SME") funding markets are structurally underserved. With an estimated £15 billion equity capital gap in the UK alone[2], we see this as a unique opportunity to provide much needed investment, and as such, Foresight's Private Equity division remains one of the most active SME investors.

To address the equity gap, the division's strategy provides multiple fundraising avenues across the UK and Ireland, with our retail Venture Capital Trusts ("VCTs") providing steady inflows and our regional institutional funds providing larger fundraising opportunities.

Our hard-to-replicate regional network then enables us to access high quality SME investment opportunities, with our experience through economic cycles helping to support our diverse portfolio through prevailing market conditions.

The SME equity gap is also not unique to the UK and Ireland, presenting an opportunity for our division to further expand outside of these countries in the future.

Foresight's considerable investment experience, combined with our range of compelling products within our key markets, gives me confidence that our diversified business model will continue to deliver strong profitable growth into FY25 and beyond.

## Updating our guidance

Following three years of strong delivery against the targets that we set out at IPO, we believe that it is now appropriate to update our medium-term guidance. Looking forward, our focus will continue to be on delivering profitable growth with the aim of doubling core EBITDA pre-SBP in the five years to the end of FY29.

This aim will be achieved by growing our real asset and regional private equity focused strategies, as well as our tax efficient products. Our expertise and capabilities in these areas, combined with the structural growth trends in these markets that I have already outlined, give me full confidence in our ability to meet or exceed this guidance organically.

Strategic M&A will remain an important part of our overall strategy and provides an opportunity for outperformance. We will continue to apply a disciplined approach in our assessment of these opportunities, pursuing only those that are earnings accretive.

In addition to our headline guidance, we will:

- target 85-90% recurring revenue
- expand core EBITDA pre-SBP margin as the business scales
- payout 60% of profit after tax before non-underlying items, as part of a clear approach to capital allocation

## Governance and Sustainability

Growth has clearly been a key focus for the Group but strong governance is critical to our success. In addition to the Governance section within this report we have produced a separate Sustainability Report for the second successive year. Please refer to this document for details on our approach to sustainability including the independent double materiality assessment we completed in FY24 to ensure that we comply and thrive within an evolving regulatory backdrop.

## Dividend

To reflect the significant increase in core EBITDA pre-SBP delivered by the Group this year, and the continued strong levels of cash generation the Board is recommending a final dividend of 15.5 pence per share to match the prior year (2023: 15.5 pence per share) for approval by Shareholders at the upcoming AGM. When combined with our interim dividend of 6.7 pence per share (H1 FY23: 4.6 pence per share) this gives a total dividend payment for the year of 22.2 pence per share, representing a 10% increase on prior year (2023: 20.1 pence per share). The final dividend will be paid on 4 October 2024 based on an ex-dividend date of 19 September 2024, with a record date of 20 September 2024.

On behalf of the Board, I would like to thank all our colleagues across the globe for their valuable contributions to the success of the Group and for their continued dedication as we enter FY25.

**Bernard Fairman**
Executive Chairman

26 June 2024

1. Per the Bloomberg NEF "Energy Transition Investment Trends 2024" report published on 30 January 2024.
2. Source: The Scale-Up Institute.