

# *Investor Presentation*

*February 2020*

*AIM: DUKE*



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**Duke, the first mover in UK and European owner-managed royalty financing, provides capital with no re-financing risk for private companies**

*Portfolio of 12 **Royalty Partners***

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***Only UK listed** diversified royalty company*

*~ **£90 million** deployed capital*

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***Longevity of accretive cashflow***

***62.4% institutional shareholder interest***

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***Top 3 shareholders:**  
Canaccord Genuity  
AXA  
Blackrock*

***Operational leverage** via company structure and embedded growth in portfolio*

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***Further ~£25 million** to be deployed*

***Diversified royalty portfolio and cashflows***

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***£3.9 million** cash from operations in 1H FY2020 (March 31 YE)*

***+6% annualised dividend yield<sup>1</sup>***

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***Top 5% of AIM** dividend yielding companies*

1. Duke share price as of 31 January 2020

- A **long-term contractual interest** which generates a **consistent monthly cash flow** stream
- Can be viewed as a **corporate mortgage**
- Duke provides a **lump sum of capital** to a company with a term of **25-40 years** and **no bullet repayment**
- **Participate in revenue** performance based on annual adjustment factor
- **Buyback options are granted**, however, prepayment penalties ensure buyback is accretive to IRR

1. Private company - assets under management of \$2.6B

## Royalty Industry Overview

- **Began in the 1980s** - commodities and pharmaceuticals
- Sector is **worth £50bn** in North America
- In 2000s - expanded to diverse **corporate royalties**

Company	Market Cap
 Franco-Nevada	CAD \$23.9B
 CDRI CAPITAL	USD \$2.6B <sup>1</sup>
 <b>Boston Pizza</b> WE'LL MAKE YOU A FAN <sup>®</sup>	CAD \$374.5M
 <b>ALARIS</b> ROYALTY CORP.	CAD \$727.8M

# Replicating the Proven North American Model

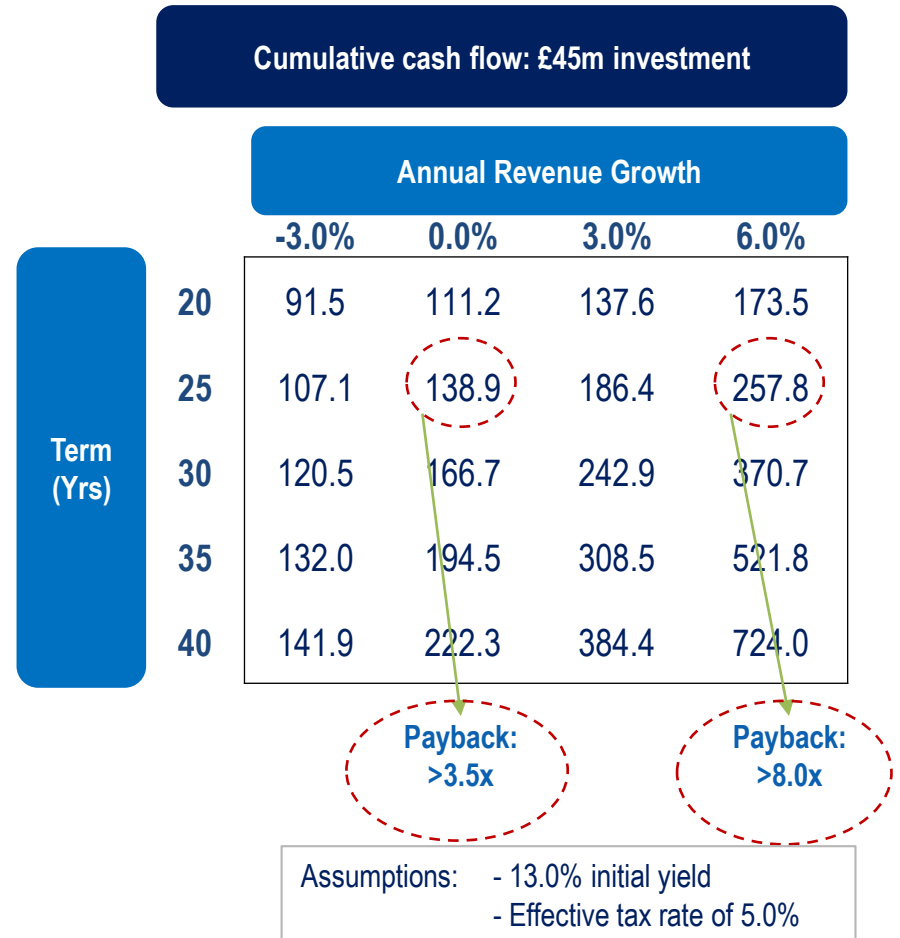


	AD : TSX	DIV : TSX	DUKE : AIM
Years of Operation	15	5	3
Geographic Focus	Canada & US	Canada	UK & Europe
Number of Holdings	17	3	12
Capital Deployed <sup>1</sup>	~£800 million	~£200 million	~ £90 million
LTM Capital Deployed <sup>1</sup>	~£105 million	~£25 million	~£50 million
Return for initial shareholders	192% Total Return, 124% Dividend Return	55% Total Return, 37% Dividend Return	33% Total Return, 14% Dividend Return
No. of employees	14	3	9

1. All investments converted to GBP; CAD / GBP FX assumed to be 1.62

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

- **Annuity like revenue streams**
- **Compounding opportunity** – through royalty partners' revenue increases
- **Attractive growing dividend** through cash growth and accretive capital deployments
- **Yield compression** through lower risk as we add royalty partners
- **High level of operational gearing**



Royalty financing **allows private business owners to receive capital**  
while **retaining control** of their businesses

	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

**Royalties give owners the flexibility of buyback without refinancing risk**

# Duke's Typical Investment Criteria

Primary Criteria	Secondary Criteria	Description
<i>Investment Fit Within Duke Portfolio</i>	Deal Size	£5m - £20m
	Geographical Focus	Western Europe and North America
<i>Alignment of Management Goals with Duke's Objectives</i>	Track Record	10+ years of operating history
	Management	Not looking for companies for sale. We back
	Continuity	management with a <b>track record of delivering</b>
	Use of Proceeds	Growth capital, shareholder restructuring, or acquisition capital
<i>Collateral/Capital Backing Duke's Investment</i>	Security	<b>Senior security</b> sought on available assets
	Low Debt	If other debt exists, we seek inter-creditor agreements
<i>Capacity to Pay and Grow Royalty Payments</i>	Defensible business model	They have a sustainable <b>competitive advantage</b>
	Payback	6 -7 years
	Royalty Coverage	>2.0x of EBITDA (i.e. minority of cash flow)
<i>Overall Risk/Reward Evaluation</i>	Investment Team and Investment Committee Decision	Approval required by independent investment committee and board of directors

## Preferred sectors

Hospitality & Leisure

Industrials

Healthcare

Technology & Media

Business Services

No Start Ups

No Oil & Gas

No Mining

No Biotech

## Management and investment committee have direct royalty experience of 60+ 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 select equity growth capital transactions as a former VP 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 – Chief Investment Officer**

- Pioneered world's first drug royalty public company on TSX (from 1993-2002), and has 25 years of royalty expertise
- Previous royalty companies have a total of £4 billion under management



**Rael Sarembok – VP, Investments**

- Co-founder of Capital Step
- Highly experienced in M&A transaction execution with an extensive investment banking career (JP Morgan)
- Holds a Finance Honours degree from the University of Cape Town



**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
- 4 years of global management consulting experience at Oliver Wyman
- Holds an MBA from INSEAD University (2014)



**Hugo Evans – Finance Director**

- Significant experience in senior finance roles within financial services
- Previous UK plc reporting experience
- Chartered Accountant (Grant Thornton)



**Alex Hibbard – Associate**

- 3 years at London-based PE firm Terra Firma, where he focused on investment opportunities and managing portfolio companies
- Chartered Financial Analyst, MA in Economics from the University of Edinburgh.



**Nigel Birrell Non-Exec Chairman**

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



**Matthew Wrigley Non-Exec Director**

Partner at MJ Hudson and resident of Guernsey  
Former General Counsel of a fund management company with > £650m AUM



**Mark Le Tissier Non-Exec Director**

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

- Multiple networks and deal finders sourcing new opportunities
- Preliminary Evaluation – scored against our investment criteria and reviewed by **independent investment committee**
- Term sheets prior to in-depth due diligence
- Internal processes supplemented by independent, global due diligence providers
- Due diligence partners ‘on-risk’ based on success of transaction

## Comprehensive Diligence Reports and Independent Investment Committee



**Andrew Carragher**  
*Independent – Private  
Equity owner*



**J. David Campbell**  
*Independent Advisor*



**John Romeo**  
*Independent - Oliver  
Wyman Executive*

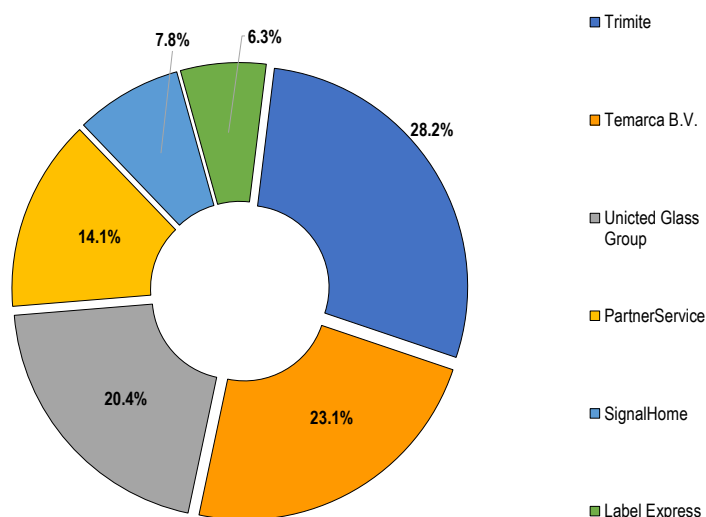


**Justin Cochrane, CFA**  
*Duke Royalty Director -  
15 years of royalty  
experience*

# Portfolio Diversification Achieved in 18 Months

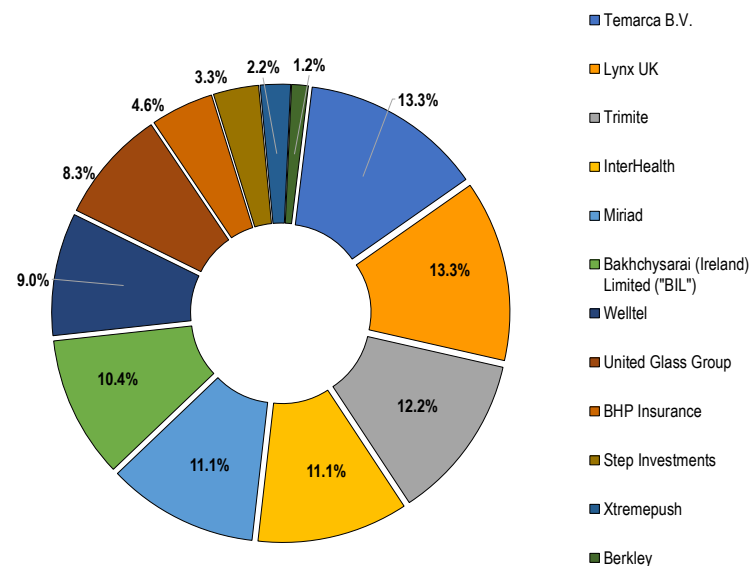
**April 2018**

**~£32m capital deployed**



**Current**

**~£90m capital deployed<sup>1,2</sup>**

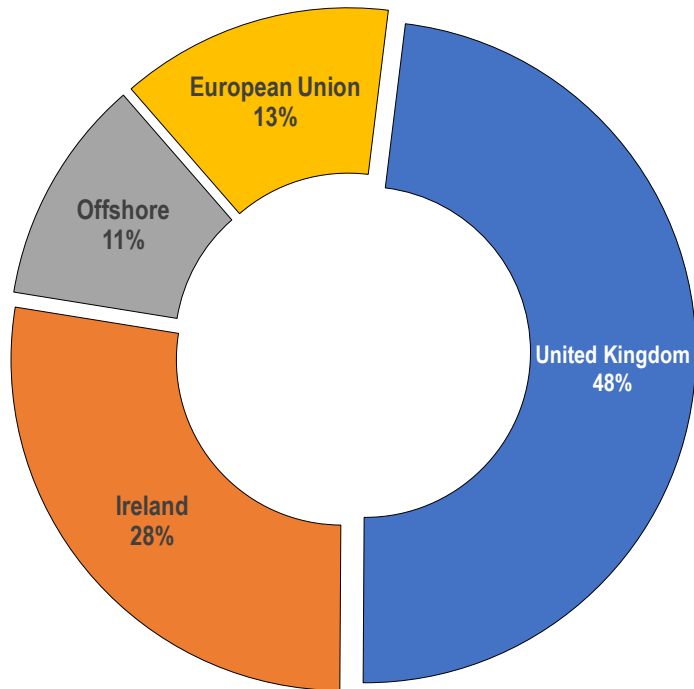


**No single investment currently represents more than 15% of total capital deployed**

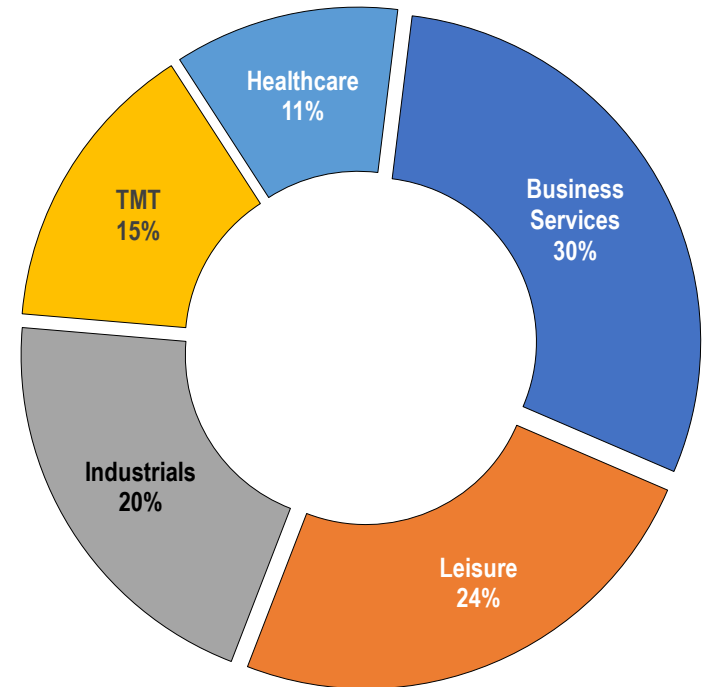
1. This number is on an ungeared basis

2. GBP / EUR FX assumed (as at investment date): Berkley = 0.877; Welltel = 0.884 (as at most recent investment date); BHP = 0.907; Temarca B.V. = 0.857

## Investment by Geography

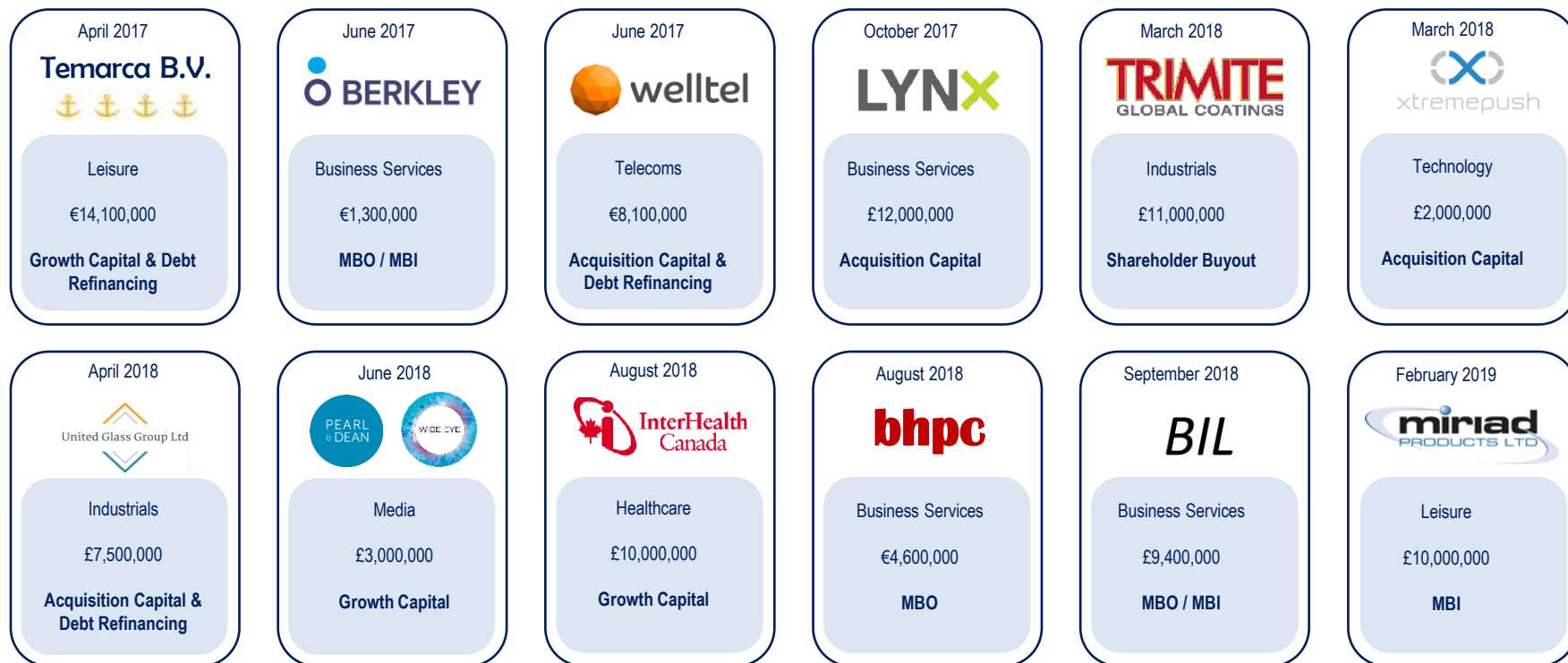


## Investment by Industry Segment



**Our Portfolio is Well Diversified Amongst Regions and Sectors**

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



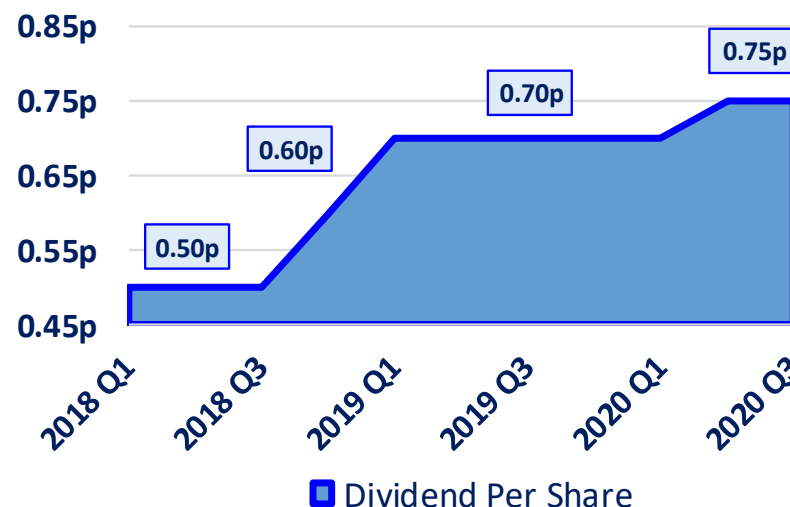
**Track record of Royalty Partner performance with many hitting maximum +6% adjustment factors**



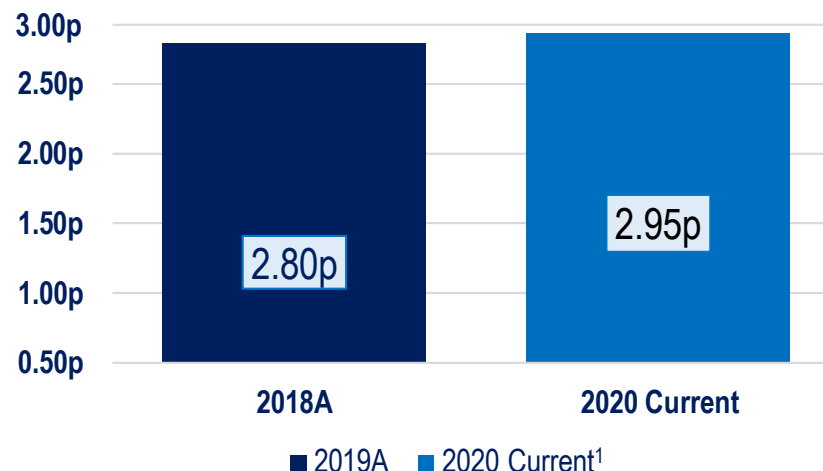
## Duke has increased its dividend three consecutive times

- Current dividend per share of **0.75p per quarter (3.00p annualized)**
- Duke has paid a cumulative total of £11.0m in dividends since inception
- Duke has historically maintained a dividend payout ratio range between 80-100%
- **Commitment to increasing dividend** through:
  - **additional accretive investments** in new royalty partners and follow-on investments
  - **embedded revenue growth from the portfolio**, as Duke participates in the revenue growth of the royalty partners

## Historical and Budgeted Dividend per Fiscal Quarter



## Historical and Current Dividend per Annum



Note: All figures based on Duke's fiscal year ended March 31

1. 2020 Current is actual of 3 quarters and assuming no change for Q4 which has not been declared

**Consensus Target Price = 59.3p**  
**~30% premium to current price**

## Brokerage house

## Target Price

**Cenkos**

**65.0p**

**Edison**

**58.0p**

**Mirabaud Securities**

**58.0p**

**Berenberg**

**56.0p**

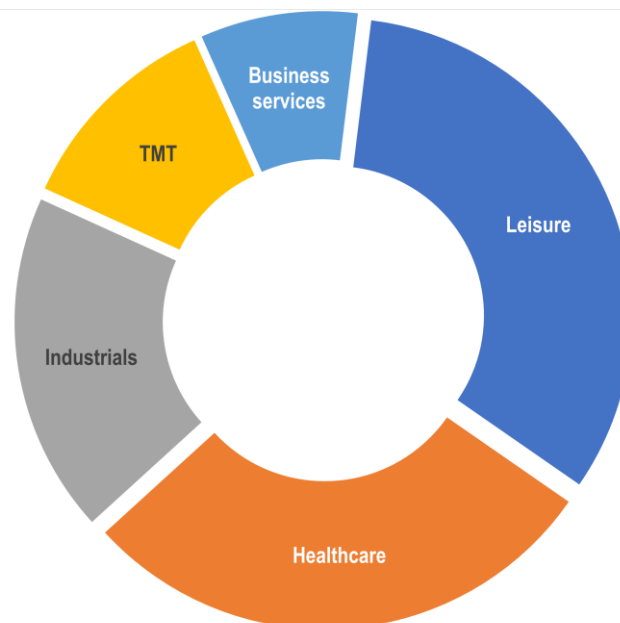
**Current Price<sup>1</sup>**

**46.2p**

**Current Market Cap<sup>1</sup>**

**£110 million**

## Total prospects reviewed



- Since 2018, Over **300 prospects** reviewed to date
- Greater than **£1.5 billion** in deal value evaluated to date
- Near term pipeline of a further **~£25 million**



1. As at January 31, 2020

Shareholders	% Ownership
Directors / Management / Insiders	~6.00%
 Canaccord Genuity <small>Wealth Management</small>	14.83%
 Framlington	8.45%
<b>BLACKROCK</b>	8.33%
<b>HARGREAVES LANSDOWN</b>	7.04%
 GLG	5.92%
<b>Downing</b> 	5.71%
<b>Top Seven Total</b>	<b>56.28%</b>

**Duke has a suite of blue-chip institutional investors and significant management and insider ownership**

*As at January 31, 2020*

- Royalty Companies produce **long term predictable revenue streams**, paid monthly with embedded growth from an **increasingly diversified portfolio**
- Duke Royalty is following the North American model which has resulted in dozens of public companies producing **capital growth as well as income**
- Early returns from existing Royalty Partners **demonstrating embedded growth**
- Full deployment will create the ability for Duke to pay a **near double digit yield** due to its **high operating leverage and portfolio growth**
- **3<sup>rd</sup> increase** in dividend to **0.75p** in Q2 FY2020
- Duke is the only UK quoted diversified Royalty company & in the **top 5% of dividend yielding** companies listed on AIM