

Is it 2023? Or 1992?

“History doesn’t repeat itself, but it does rhyme” – Mark Twain

How are UK companies adapting and evolving

Alex Savvides



1992 – The most important thing



Launch of the FA premier League!!

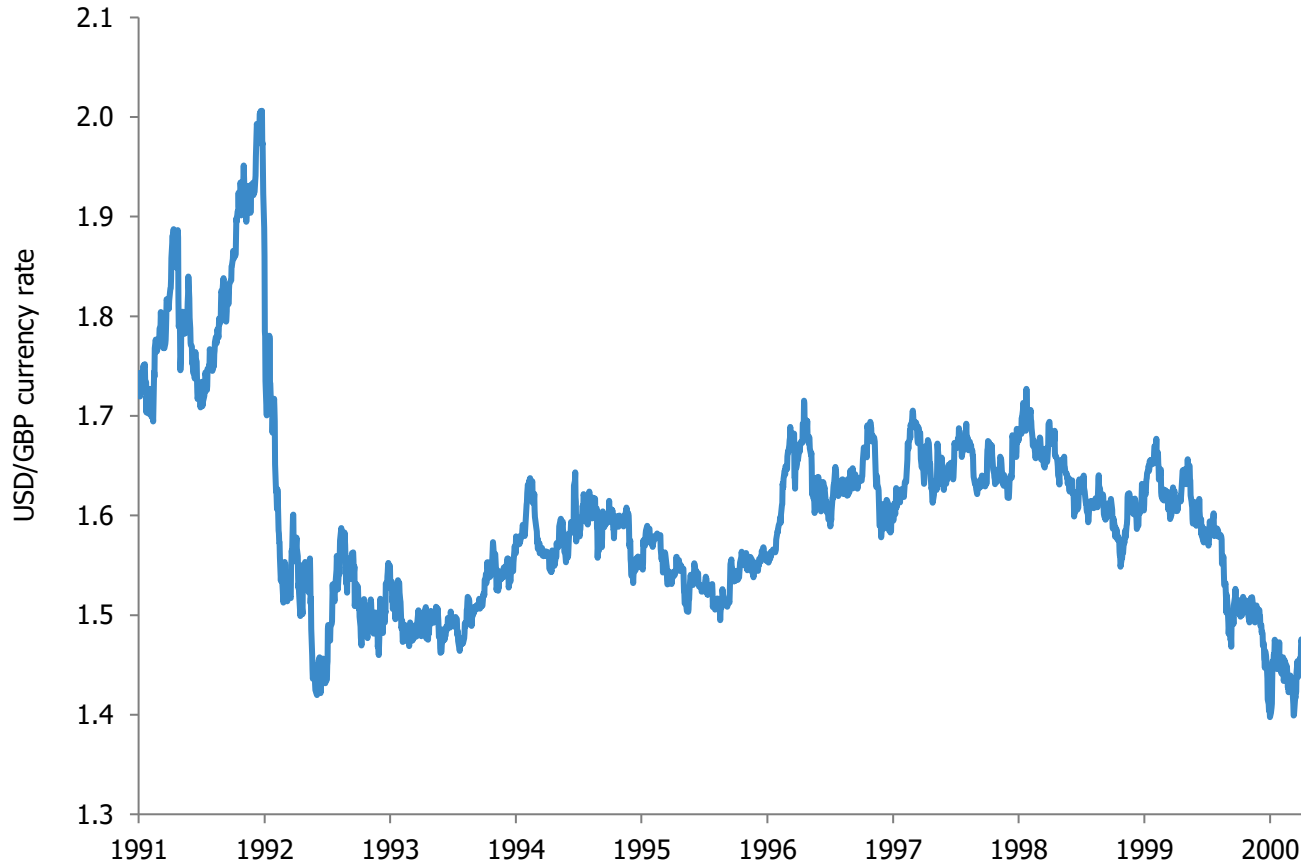


1992 – The second most important thing

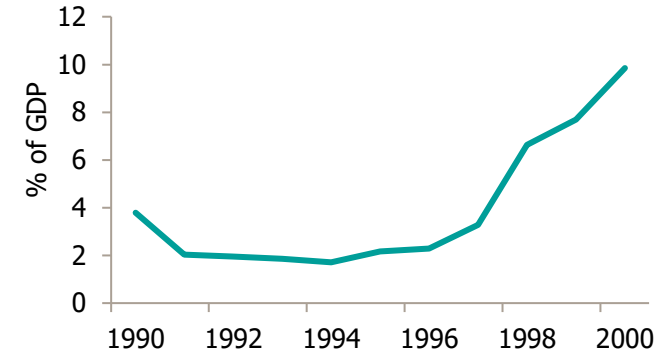


Black Wednesday and the sterling collapse

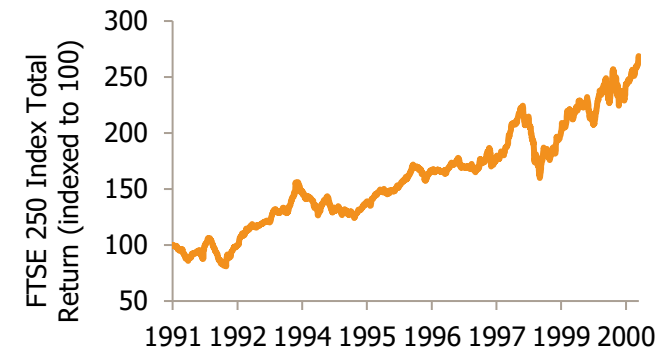
Sterling collapse¹



Foreign direct investment boom²



FTSE 250 boom³



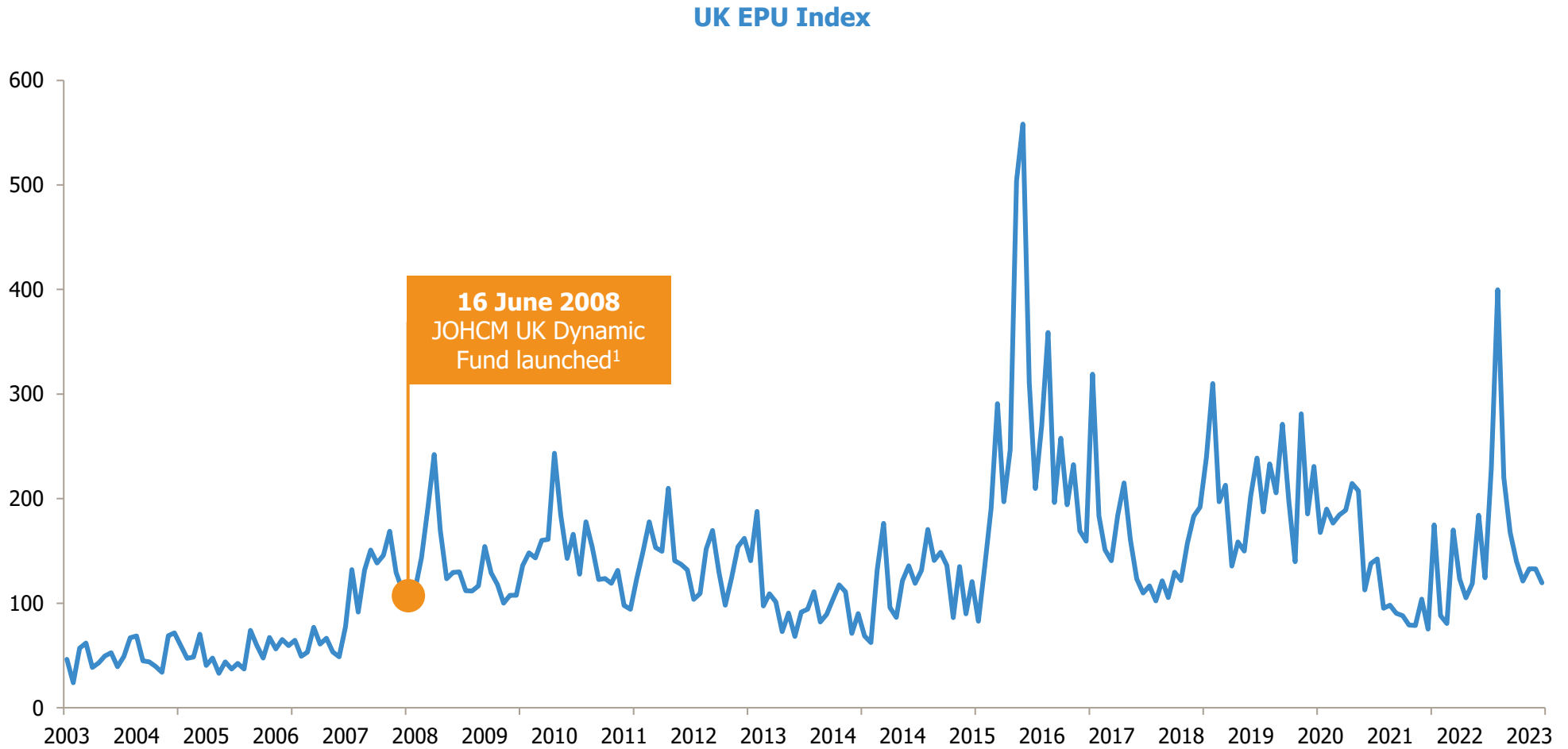
Source: ¹Bloomberg as at 29 December 2000; ²Bloomberg as at 1 January 2000; ³Bloomberg as at 4 September 2000.

FTSE 100 1992 style



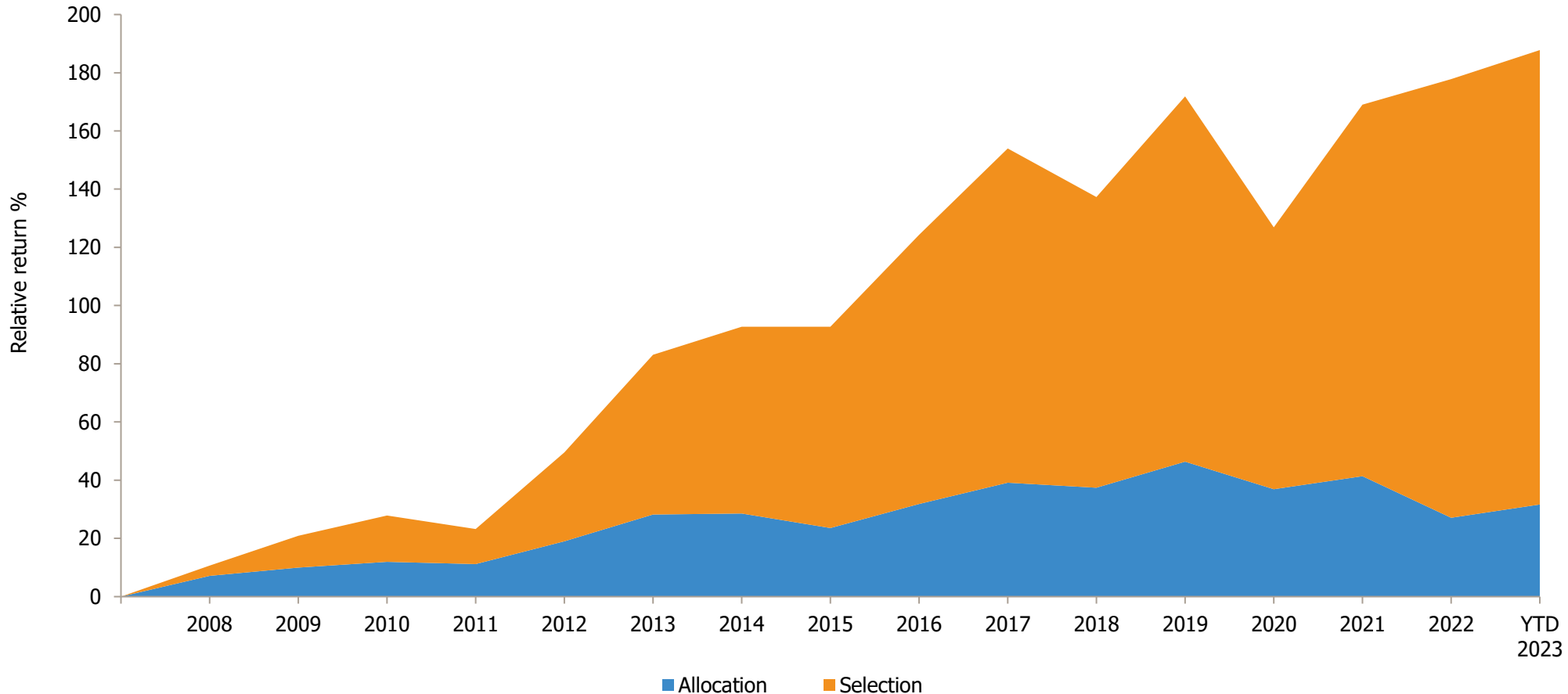
Source: Factset: Data as at 16 September 1992. Some corporate brand logo's have changed and could not be sourced. E&OE.

Change is constant (particularly in the UK!)



Source: 'Measuring Economic Policy Uncertainty' by Scott Baker, Nicholas Bloom and Steven J. Davis at www.PolicyUncertainty.com. ¹ Ryder Court UK Dynamic inception date: 16 June 2008. Name changed to JOHCM UK Dynamic on 23 October 2009.

Change as a source of value creation



Past performance is not necessarily a guide to future performance. The value of an investment can go down as well as up as a result of market fluctuations. For further information about the fund, please refer to the Fund's KIID and the Prospectus.

Source: *JOHCM/FTSE. Figures are at end of day and calculated gross of fees on an arithmetic basis in GBP. Performance shown against the FTSE All-Share TR Index. Data for the period 16 June 2008 to 22 October 2009 is for Ryder Court UK Dynamic Fund. From 23 October 2009 onwards, the Fund converted to JOHCM UK Dynamic Fund, a sub fund of J O Hambro Capital Management UK Umbrella Fund, domiciled in the UK. Data as at 31 March 2023.



We look for 'best of breed' business transformations

Not all value opportunities are equal. Backing certain types of business at certain times



Business characteristics

- Business models that have stood the test of time
- Brands that mean something
- Unique assets, products, technologies or services
- Businesses embedded in customers lives
- Infrastructure like characteristics
- Thematic structural growth opportunities
- Balance sheets that offer optionality
- Sceptical valuations



Management characteristics

- Management teams that act like owners
- Disciplined strategies focused around core strengths
- Cash generative with improving returns
- Sustainable mind-sets

There is no guarantee that these stated objectives will be achieved.

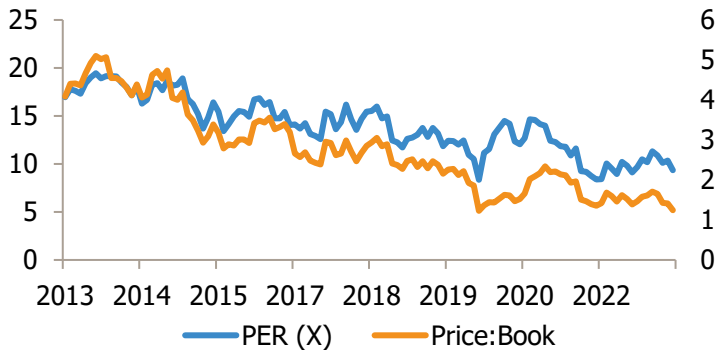
Adapting to change 1: Adapting for the Energy Transition



Strategy focused on natural advantages

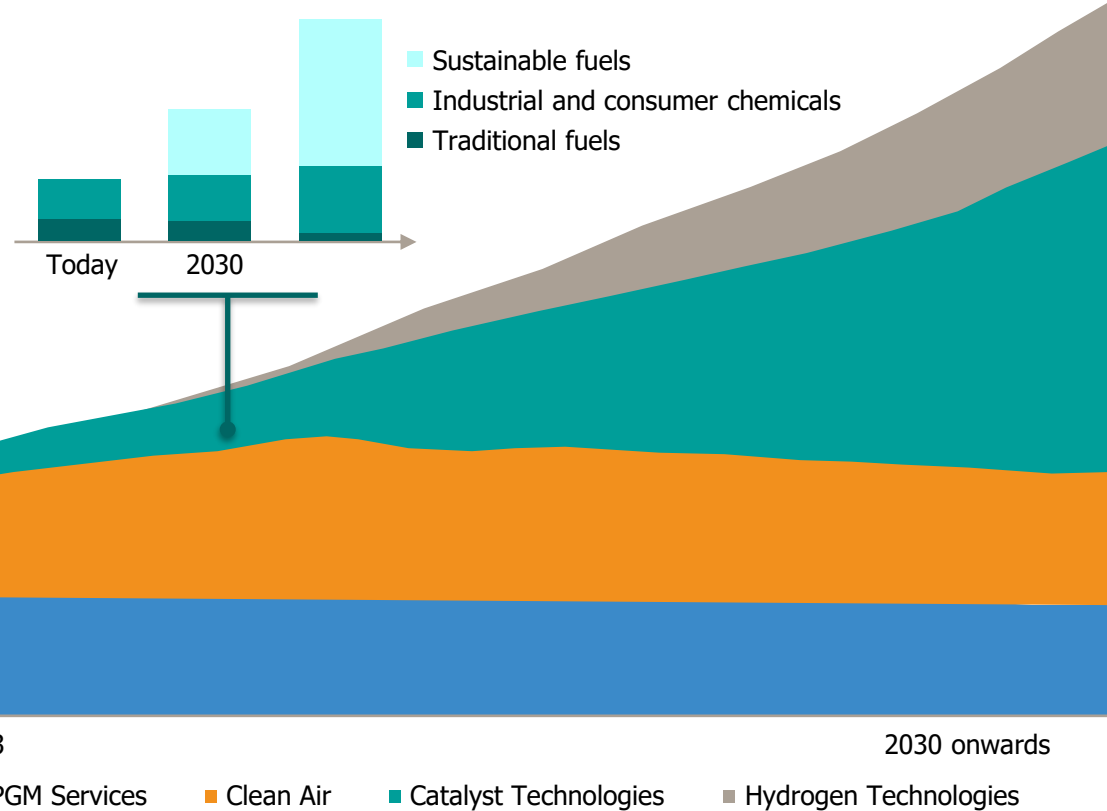
Clean Air	Catalyst technologies	Hydrogen technologies
Leading in autocatalyst markets	~1 in syngas-based chemicals and fuels technology	Market leader in performance components for fuel cells and electrolyzers
PGM services (Platinum Group Metals Services)		
~1 recycler of PGMs ¹		

PER and P/B lows



Huge opportunities in 'catalysing' the energy transition

New addressable markets¹ (£2-10bn)



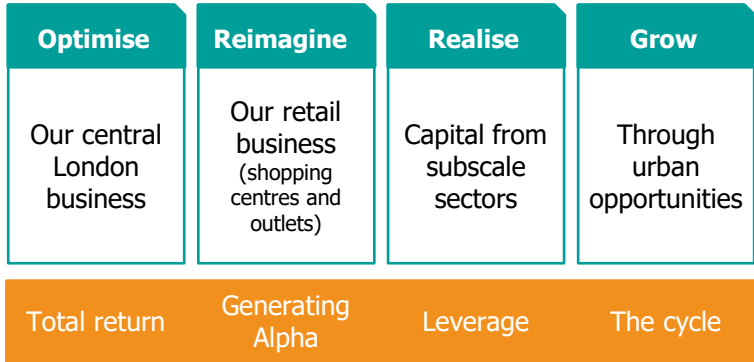
Source: Johnson Matthews, Bloomberg as at 31 May 2023. ¹Iridium, palladium, platinum, rhodium and ruthenium. JM estimates based on blue hydrogen demand (IEA Sustainable Development Scenario and Net Zero Energy Scenario), sustainable aviation fuel demand (IATA) and low carbon solutions (JM). Note: Of the £2-10bn total new addressable markets, £1-8bn relates to blue hydrogen and £1-2bn relates to sustainable fuels.

Adapting to change 2: Navigating a post COVID world

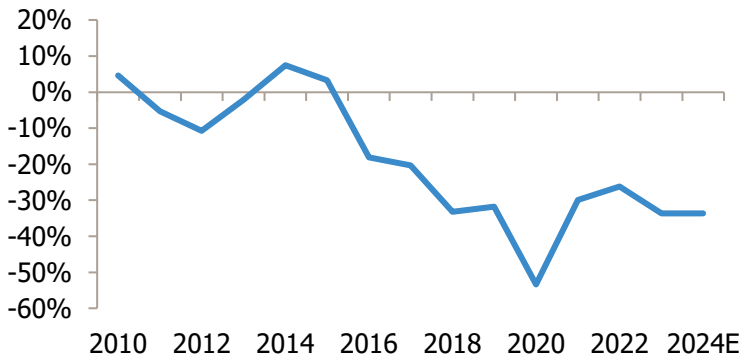


Landsec

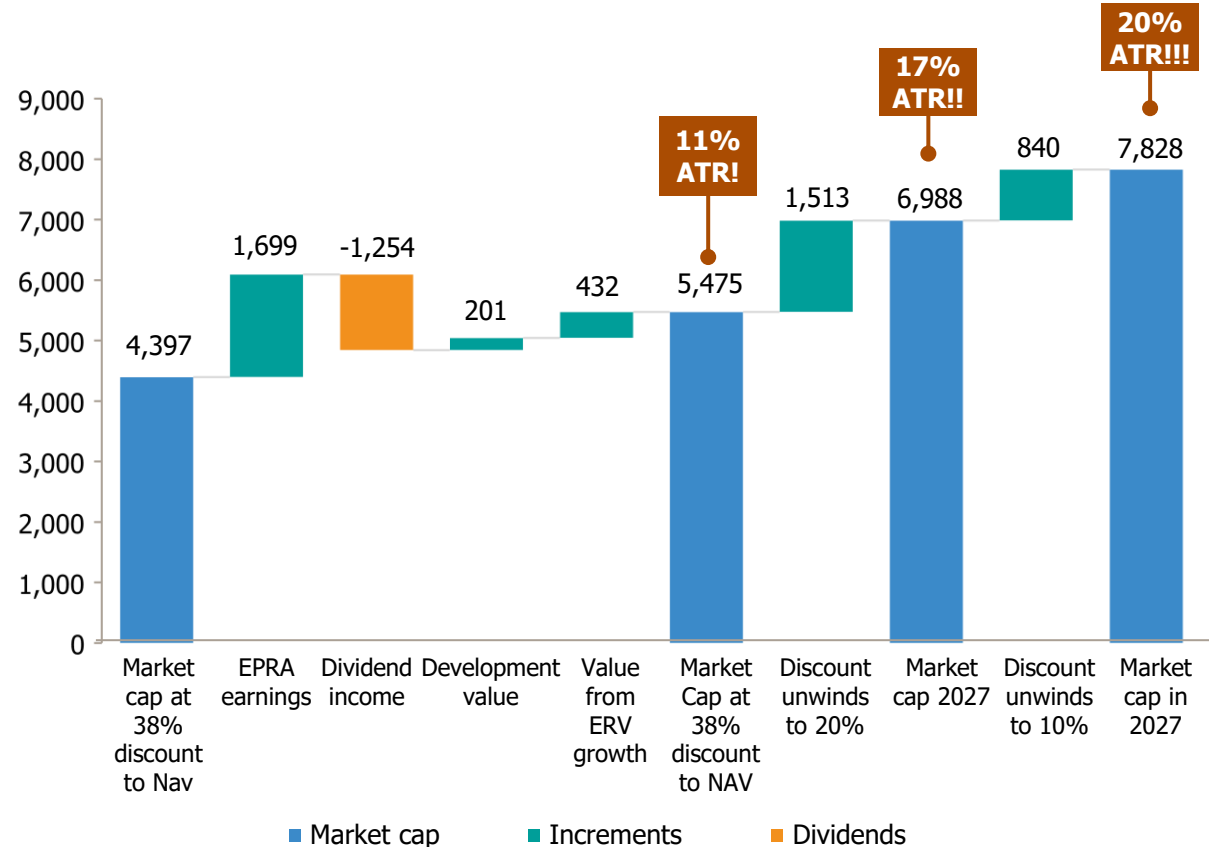
A very interesting new strategy



A deep discount to book value



Property dull? How the shares can double in 4 years*



Source: JOHCM, Landsec, Bloomberg as at 8 June 2023. *JOHCM Forecasts are based on Landsec's ambition to deliver an 8-10% annual return on equity. Assumptions: 1. ERV capital return to NTA flat in year 1 followed by 3% PA from year 2; 2. Cost ratio reduction by to low 20s; 3. Dividends grown in line with Earnings; 4. No dividend reinvestment value assumed; 5. EPRA earnings stay flat in year 1 as per guidance; 6. No dividend reinvestment value assumed; 7. Gross rental income grows at 3% post a flat year 1.

Adapting to change 3: Embracing a digital world



A digital first, consumer led strategy

Three market opportunities

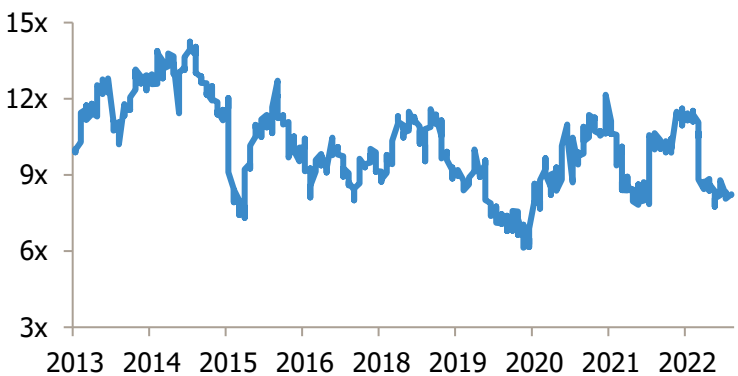
The rise in online and digital tools for schools and education	The workforce skills gap	The growing need for accreditation and certification
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Five businesses to drive growth

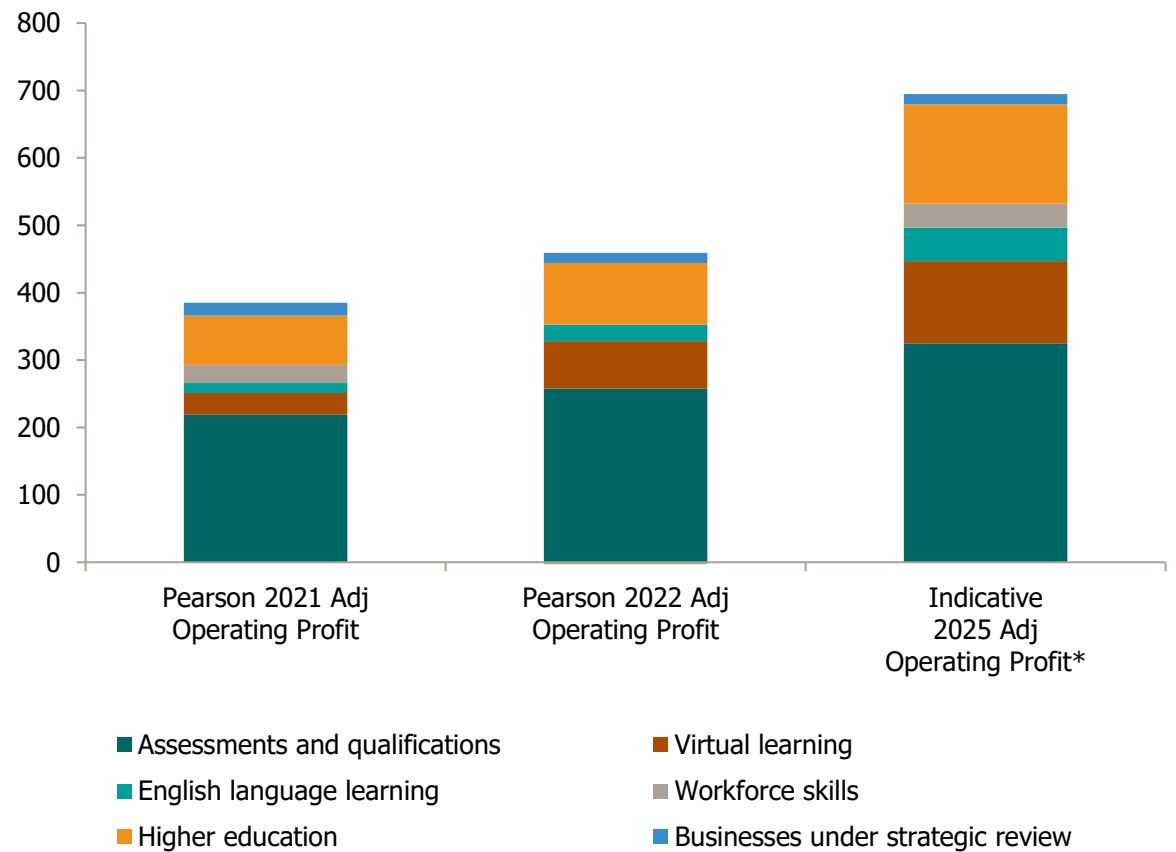
Virtual learning	Higher education	English language learning	Workforce skills	Assessment & qualifications
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Direct to consumer

Trading near EV:Ebitda multiple lows still



Pearson adjusted operating profit progression £m



Source: Bloomberg as at 8 June 2023. *JOHCM Forecasts based on Pearson management revenue and margin targets as per FY22 results presentation.



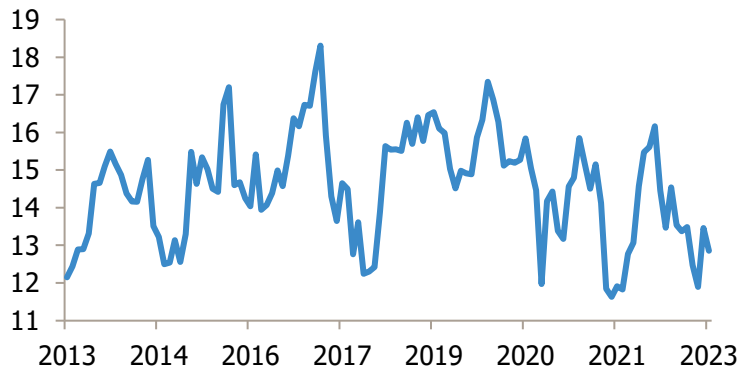
QinetiQ

A 2016 strategy to grow internationally

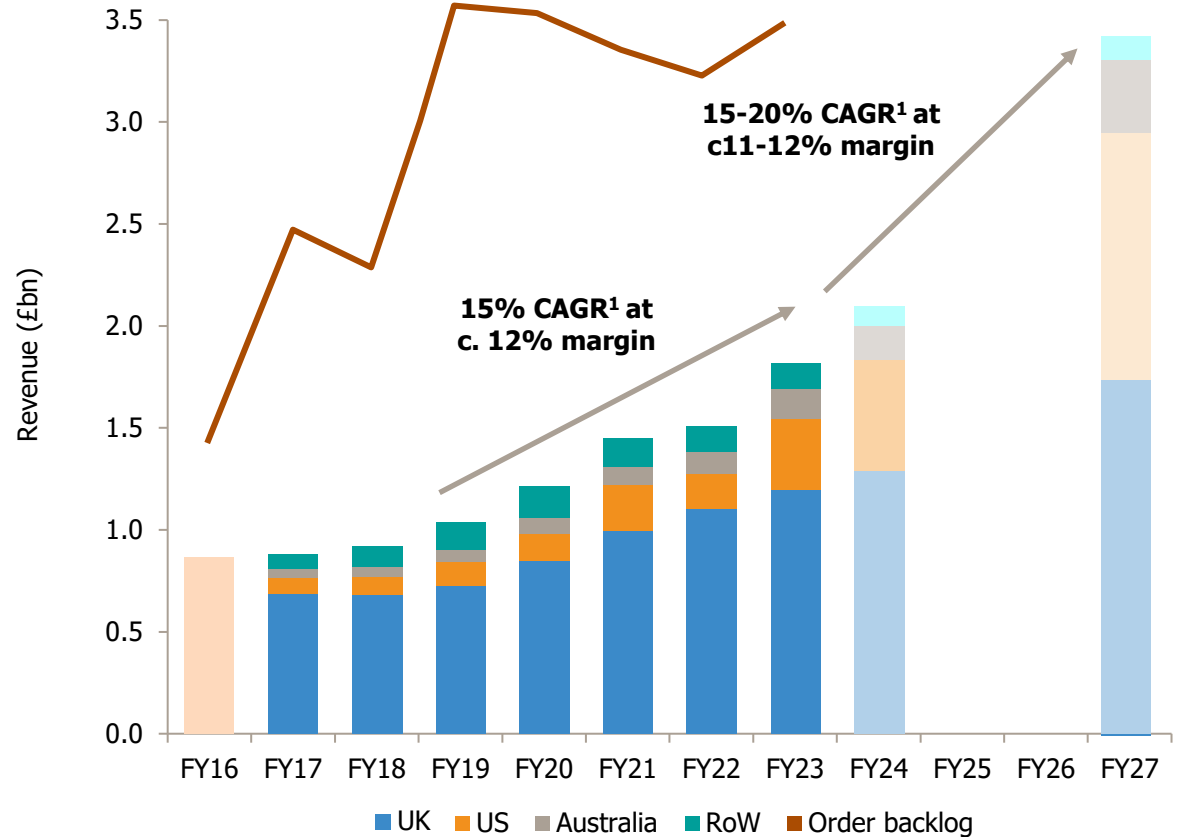
The chosen partner around the world for mission critical solutions

UK	International	Innovation
Lead and modernise the UK defence Test & Evaluation enterprise	Build an international company that delivers additional value to our customers	Invest in our core competence for customer advantage in defence and commercial markets

Strangely volatile PE - now at low end



Financial performance and targets suggest continued success



Source: Bloomberg as at 31 May 2023.

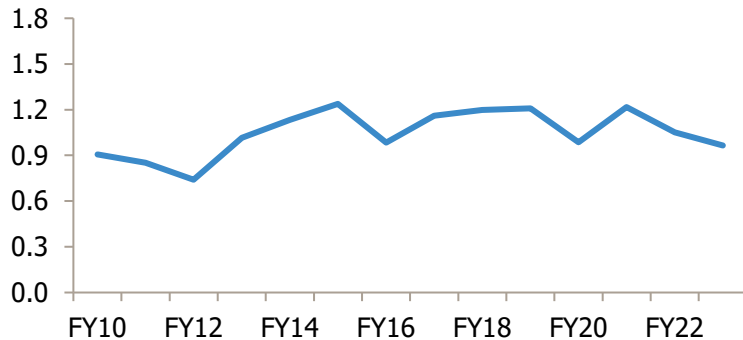


A strategy to focus on proprietary capital

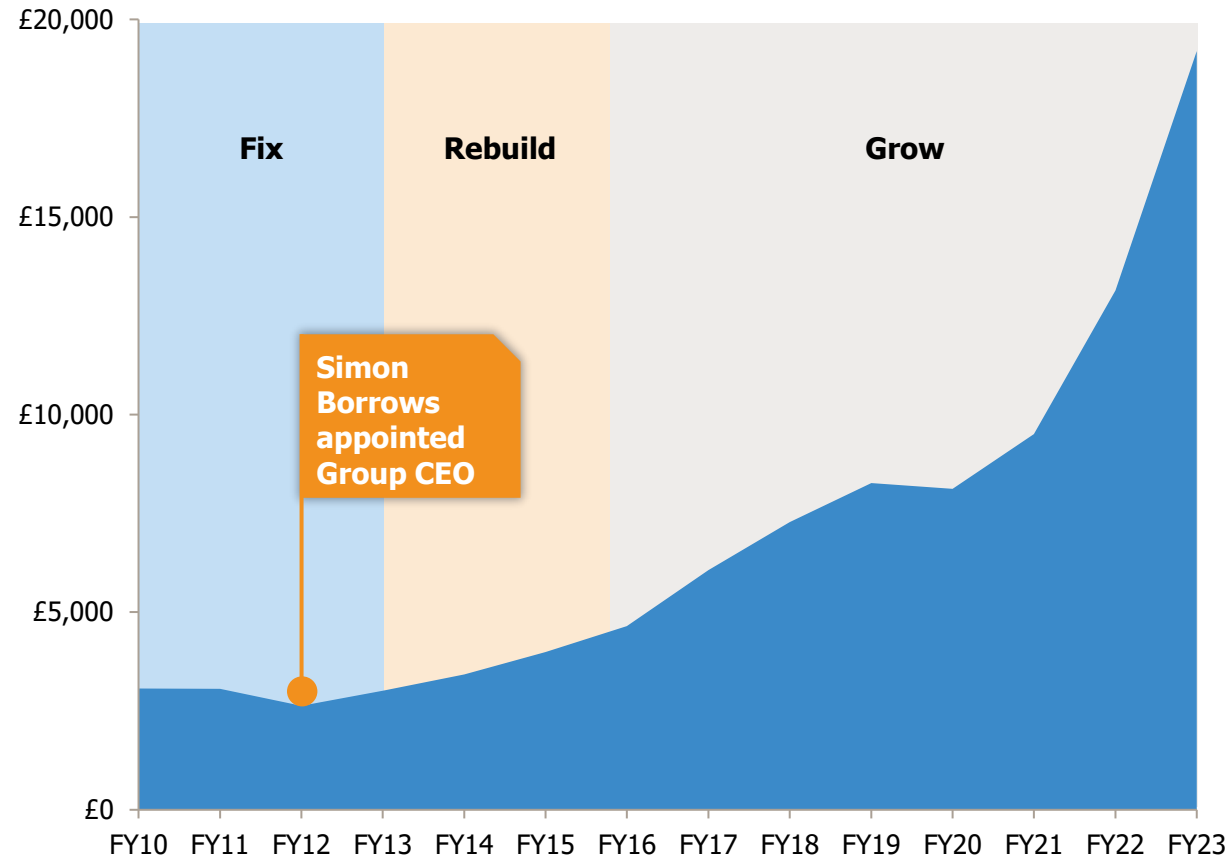
Fix	Rebuild	Grow
<ul style="list-style-type: none"> Disciplined capital allocation >£70m of cost reductions Material reduction in debt 2x cash-on-cash returns 	<ul style="list-style-type: none"> Major divestment programme c.£6.6bn capital reallocation Focus on proprietary investment 	<ul style="list-style-type: none"> Focus on platform assets Build out 3i Infrastructure Increased investment in Action

More cash, less debt, higher returns

Price to book (at year end)



The power of compounding: Ten years of relentless NAV growth*

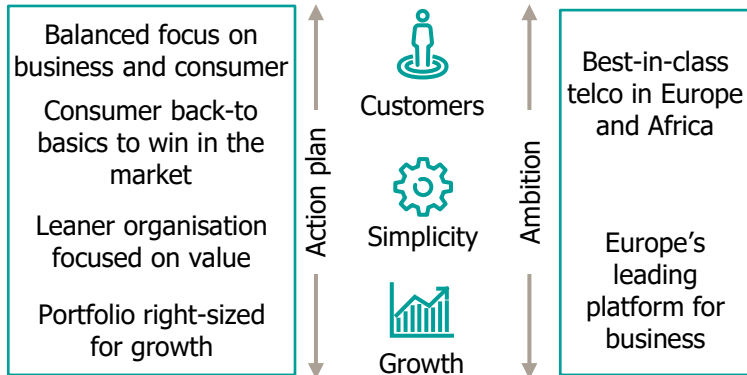


Source: JOHCM, 3i, Bloomberg as at 31 May 2023. *Please note that NAV has been adjusted up at year-end for the annual cash dividend. No adjustment has been made for potential re-investment of that dividend.

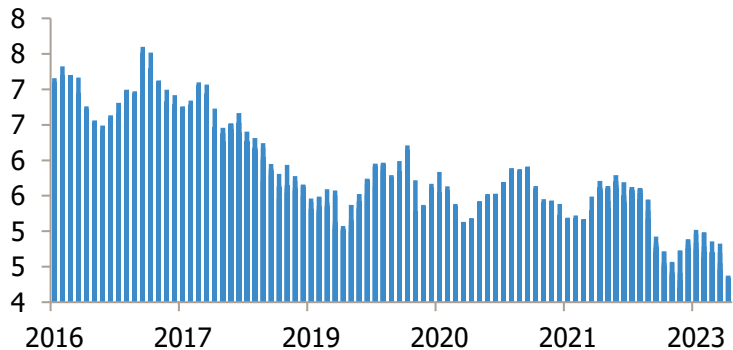
Adapting to change 6: Unsustainable ROCE



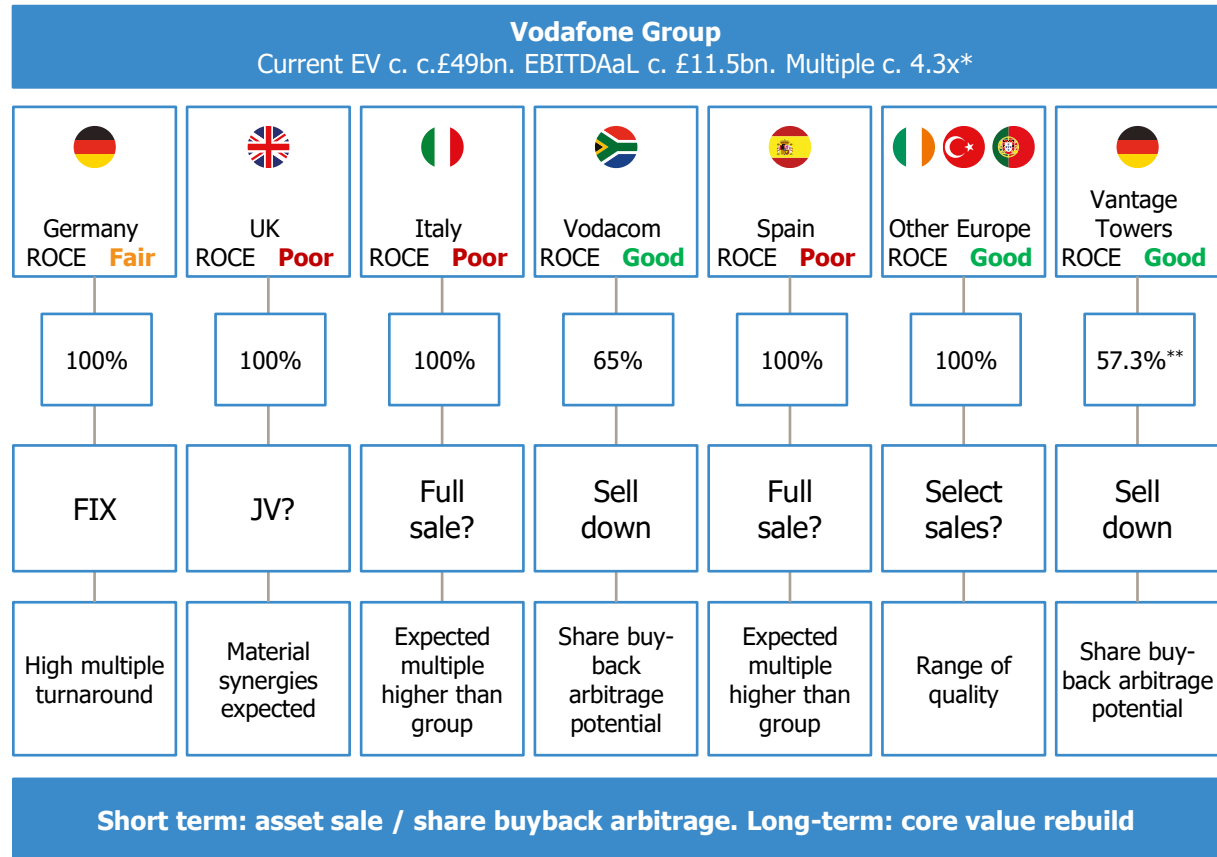
Strategy: Simplify, focus and then grow



Market has given up on this stock



Valuation sets a (very) low bar for potential restructuring gains

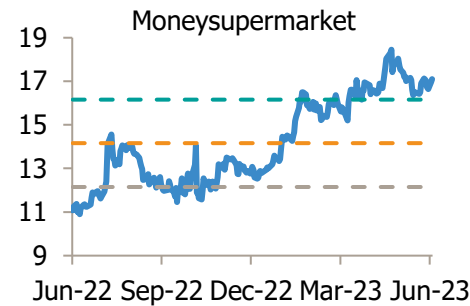
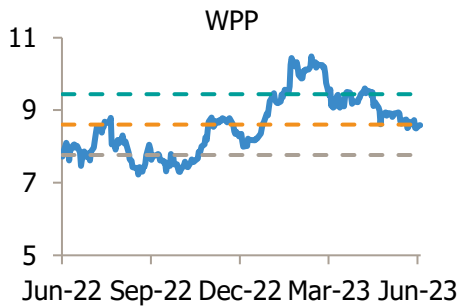
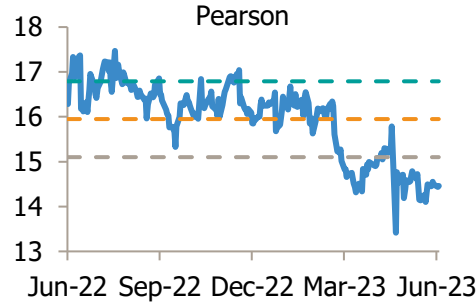
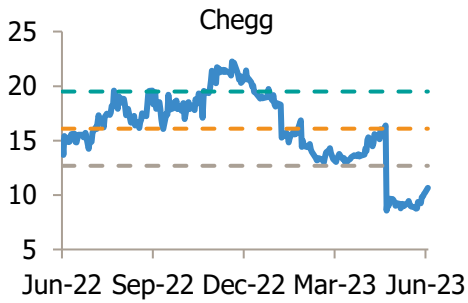


Source: *Bloomberg/JOHCM as at 8 June 2023. **Vantage Towers held through Oak Holdings JV. Oak Holdings is the beneficial owner of 89.3% of Vantage Towers. Vodafone indirectly owns 64.2% of Oak Holdings GMBH. Other group assets not in this analysis include 100% owned mobile network operations in Romania, Czech Republic, Albania and Greece. Vodafone Ziggo JV and ownership stakes in Vodafone Idea, Indus Towers, TPG Telecom and Safari Telecom also not included.

The biggest challenges are always ahead of us: AI

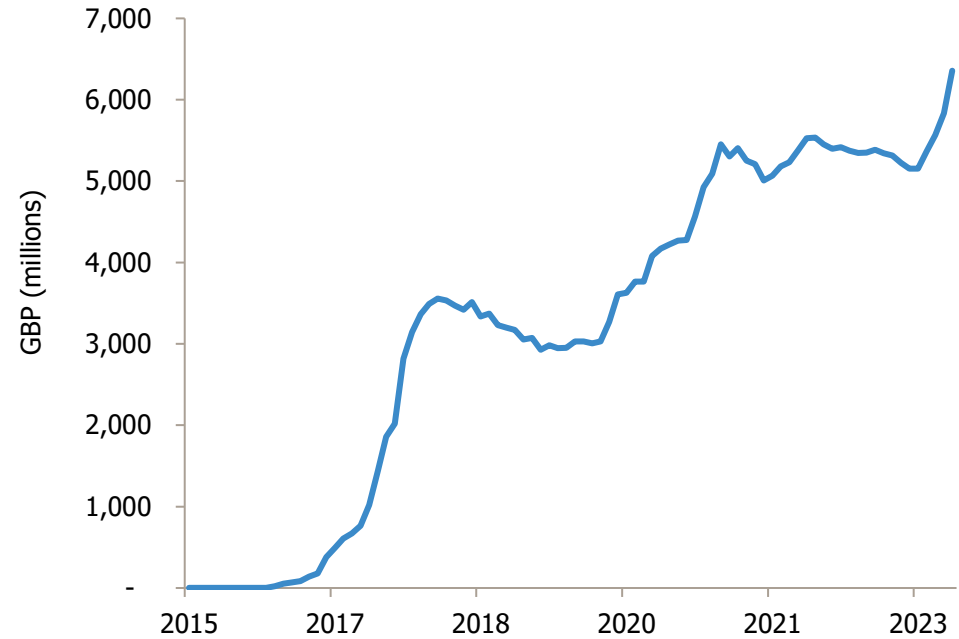


The Chegg effect¹



— Best Standard P/E Adjusted 2023* A - - Average - - -1SD - - +1SD

Not new news. AI & Robotics ETF flows²



Understand

No snap judgements made

Initiate full AI review

Engage

Corporate perspectives

Independent commentators

Consider

Timeline / evolution risk

Valuation context

Respond

Conviction capital allocate

Hidden risks & opportunities

Source: ¹Bloomberg Consensus P/E Adjusted Ratio FY23 as at 13 June 2023. Mean and standard deviation calculated for period shown.

²Bloomberg as at 9 June 2023. Cumulative monthly flow data in GBP for 40 ETFs with fund description 'Artificial Intelligence'.

Global income at a UK discount

Clive Beagles



Is it 2023 or 1992?



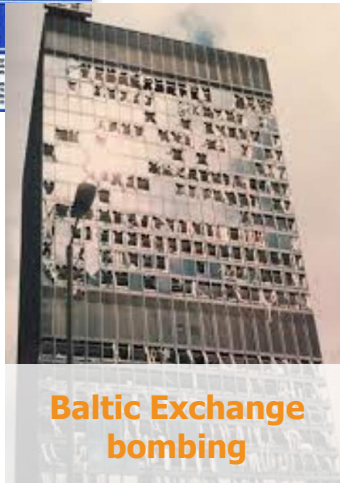
March 1992

UK recession, unemployment hits 3 million. Inflation: 7.1%



9 April 1992

John Major wins surprise majority



Baltic Exchange bombing



16 September 1992
Black Wednesday

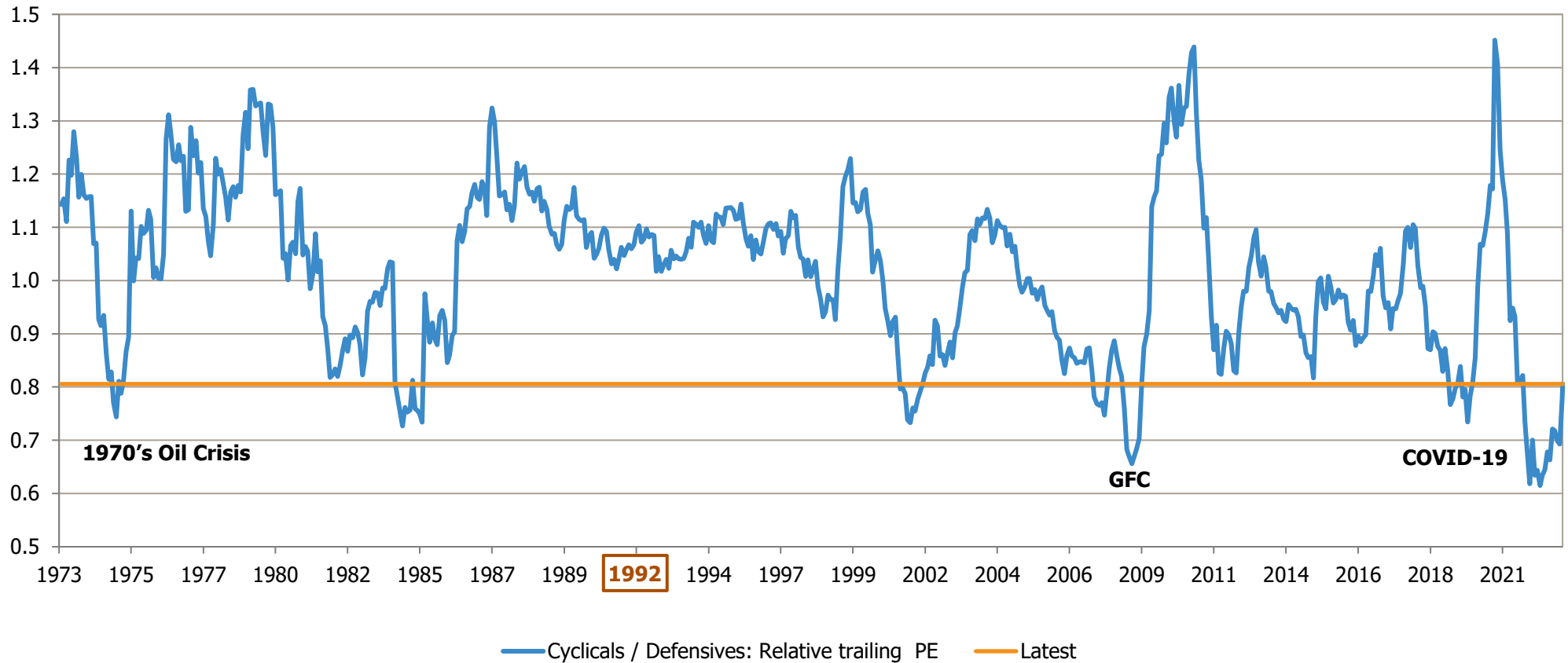


British steel shares +25% in the next 2 days

The Market thinks now is worse than 1992!



Cyclicals vs. Defensives – at 50 year wises



Source: Exane as at 4 June 2023.

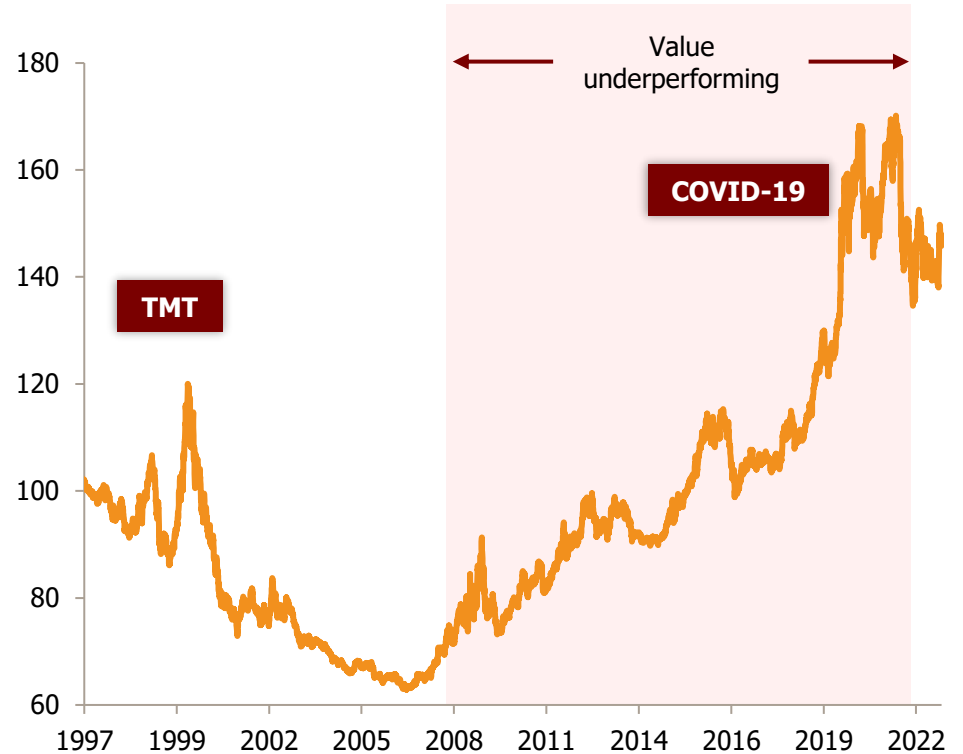
Performance of World vs. UK and Growth vs. Value remains at extremes



Cumulative relative of MSCI World TR Index vs. FTSE All Share TR Index¹



MSCI Europe growth relative value price performance²















The UK and 'Value' have underperformed for 15 years

Source: ¹ Exane; ² Credit Suisse as at 31 March 2023.

Embarrassing UK Valuations

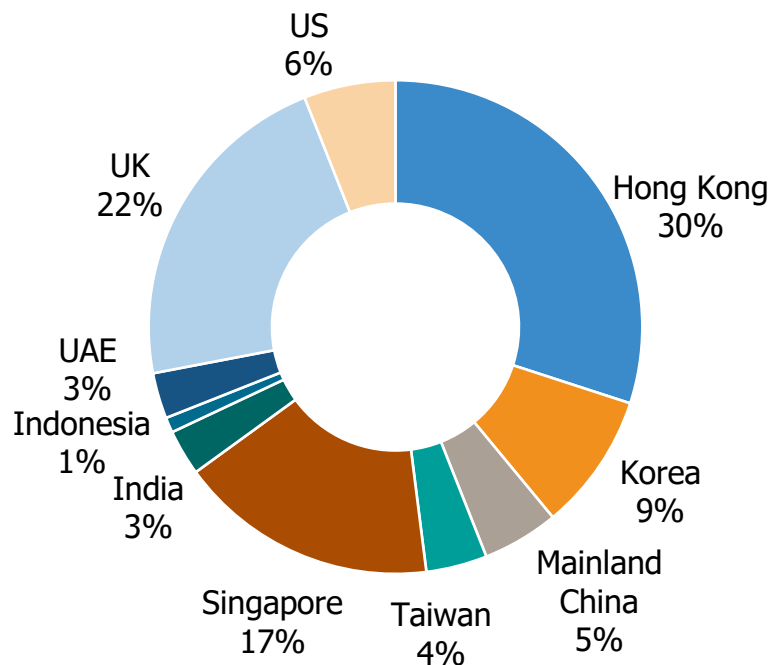


Stock	Share price	2023 PE based on consensus forecasts	Comment
 bp	481p	6.0x	40% cheaper than Exxon
 KENMARE RESOURCES PLC	448p	3.5x	100+ years mine life
 KIER	83p	4.0x	Infrastructure and decarbonisation boom
 reddeNORTHGATE	384p	7.3x	Upgraded estimates twice in last 6 months
 DS Smith	316p	8.0x	Structural growth for recycling / plastic to paper switch
 Lookers	83p	5.9x	5 upgrades in last 18 months
 itv	71p	7.5x	Studios worth more than market cap?
 drax	545p	4.9x	Key player in UK's energy transition
 BARCLAYS	157p	4.8x	Already assumes a doubling in impairment
 NatWest	263p	5.7x	Likely to return 50% of market cap in next 3 years
 AVIVA	410p	7.2x	Yield/PE crossover
 paragon	507p	6.3x	Back at book value

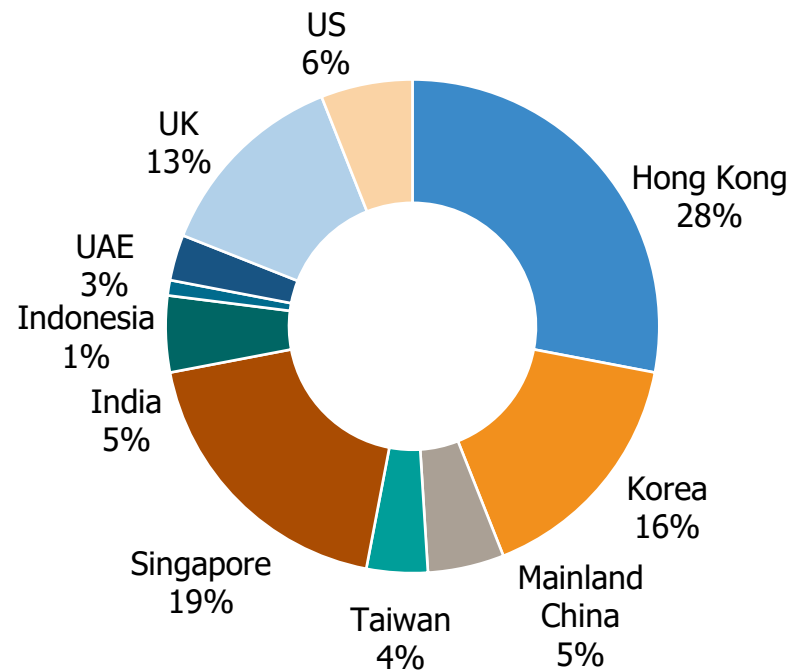
Source: JOHCM/Bloomberg as at 19 April 2023.



STAN deposits by country at FY22



STAN loans by country at FY22



Source: JOHCM, Exane, Standard Chartered as at 23 May 2023.



Net interest income recovery from rate rises



Increasing focus on less capital-intensive revenue streams such as Asian wealth



Loan to deposit ratio only **60%** leaving scope for growth



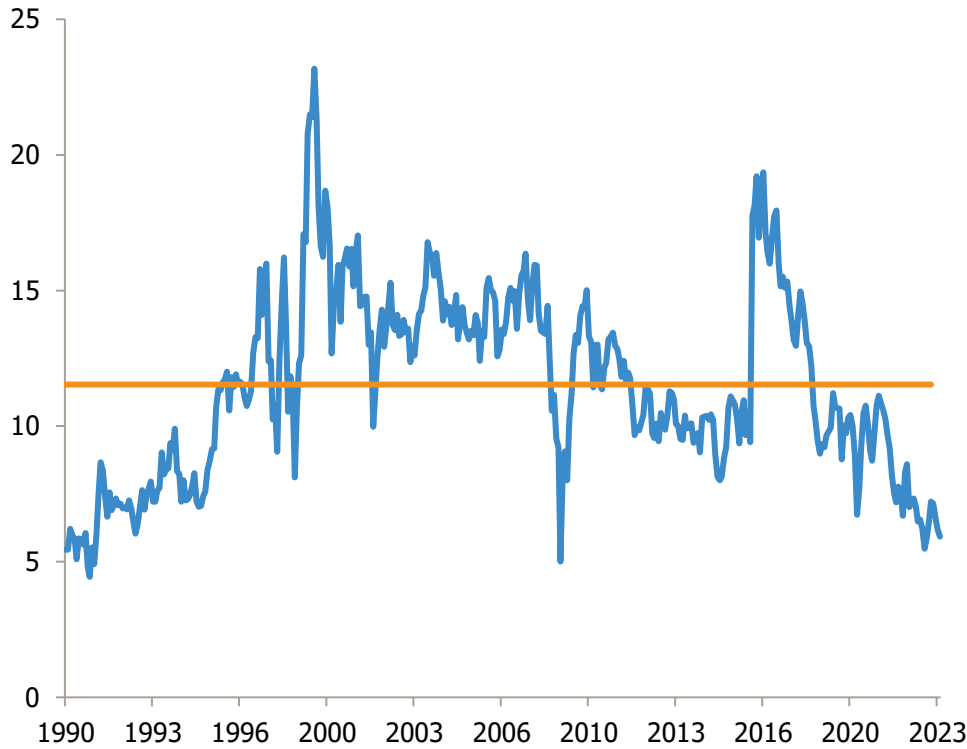
>11% ROTE forecast by 2024



Shareholder distribution likely to be **>10%** market cap p.a



Price to forward earnings close to all-time lows
 Standard Chartered price to 12-month forward earnings, 1990-2023



Price/book remains close to an all-time low
 Price to trailing book value (stated), 1990-2023



Source: BAML, JOHCM as at June 2023.



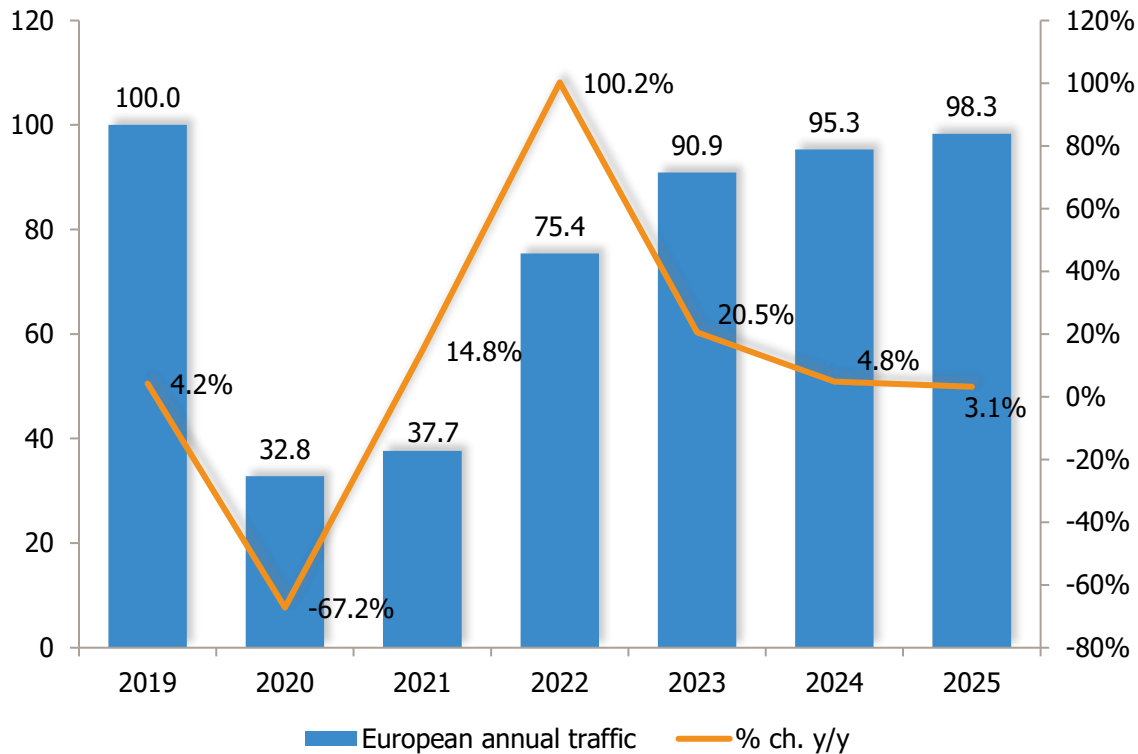
	Market cap (USD)	2024 p/e	2024 RoE target	2024 price/tangible book	2024 estimated revenues (USD)
DBS Bank	\$59bn	8.6x	15-17%	1.4x	\$19.6bn
Standard Chartered	\$22.5bn	4.9x	>11%	0.4x	\$19.1bn
First Abu Dhabi Bank	\$38bn	10.5x	10.5-11.5%	1.1x	\$26bn

- DBS geographic footprint very similar to STAN
- First Abu Dhabi Bank publicly considered making an offer in January 2023 and can re visit after 6 months



We do not forecast a return to 2019 traffic levels before 2025

European traffic vs. 2019 (100) base

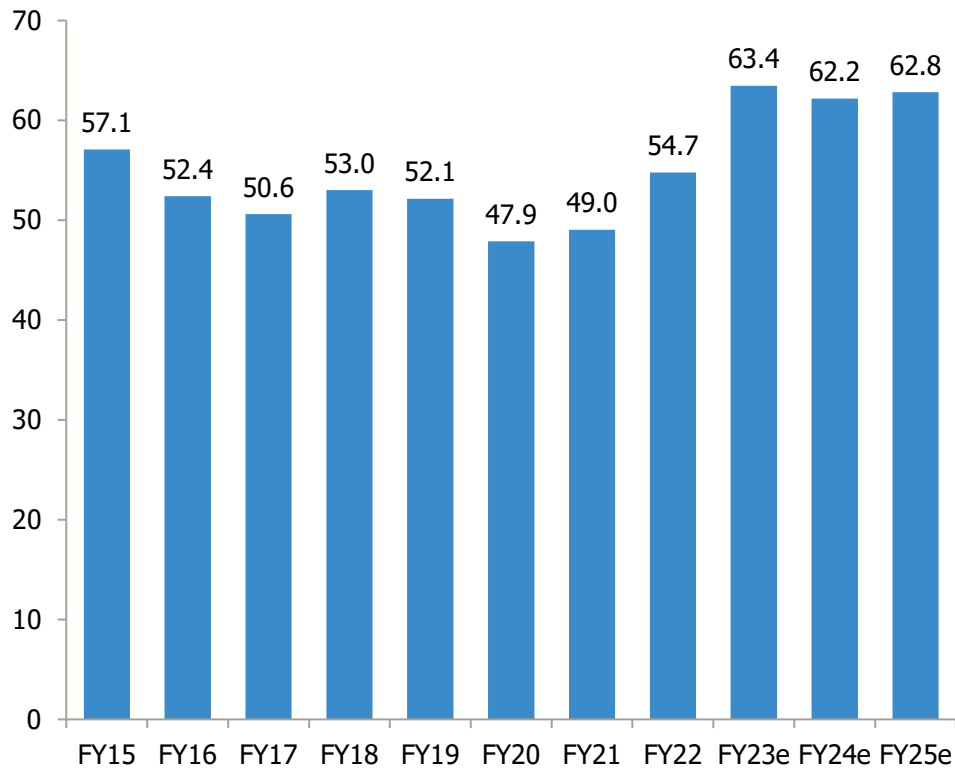


- Strong pent-up demand continues to flow through post COVID-19
- Airline industry is suffering from capacity constraints
 - › Airport passenger caps
 - › Staff shortages and strikes
 - › Aircraft/engine delivery delay
 - › Smaller airline failures

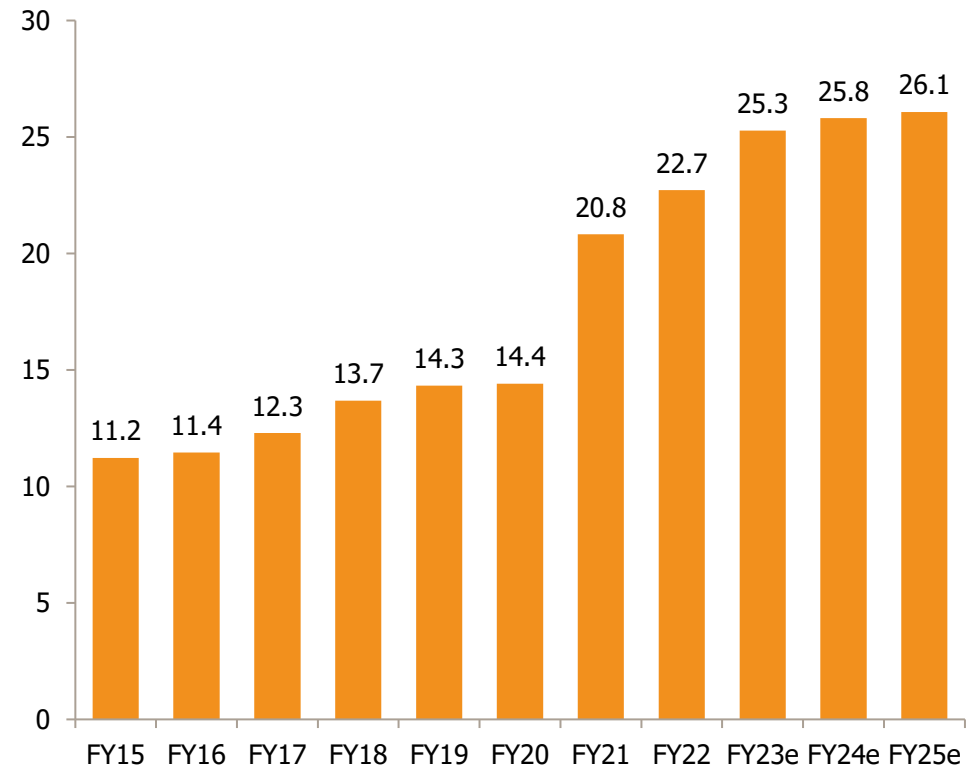


A strong recovery in headline fares accompanied by a doubling of ancillary revenues

easyJet annual average fare (GBP)



easyJet annual ancillary revenue per passenger (GBP)

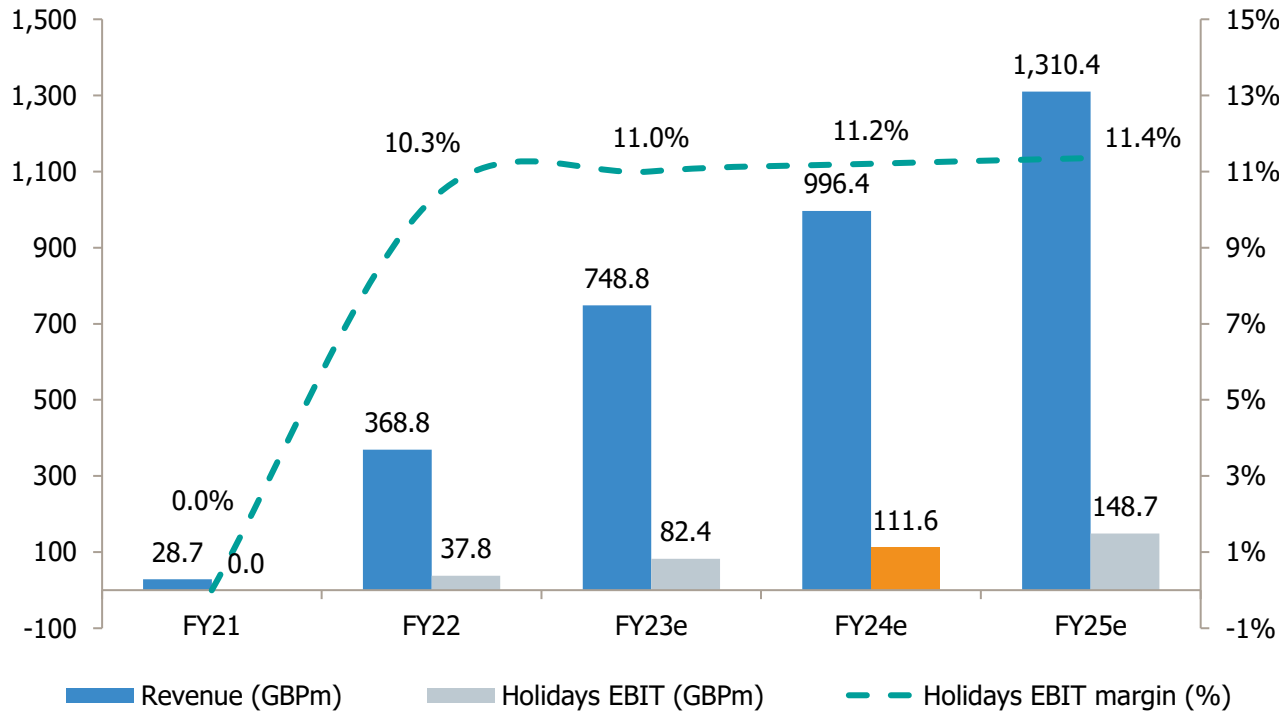


Source: Exane as at 23 May 2023.



We see scope for easyJet Holidays to move from a zero profit contribution in FY21 to > GBP100m by FY24

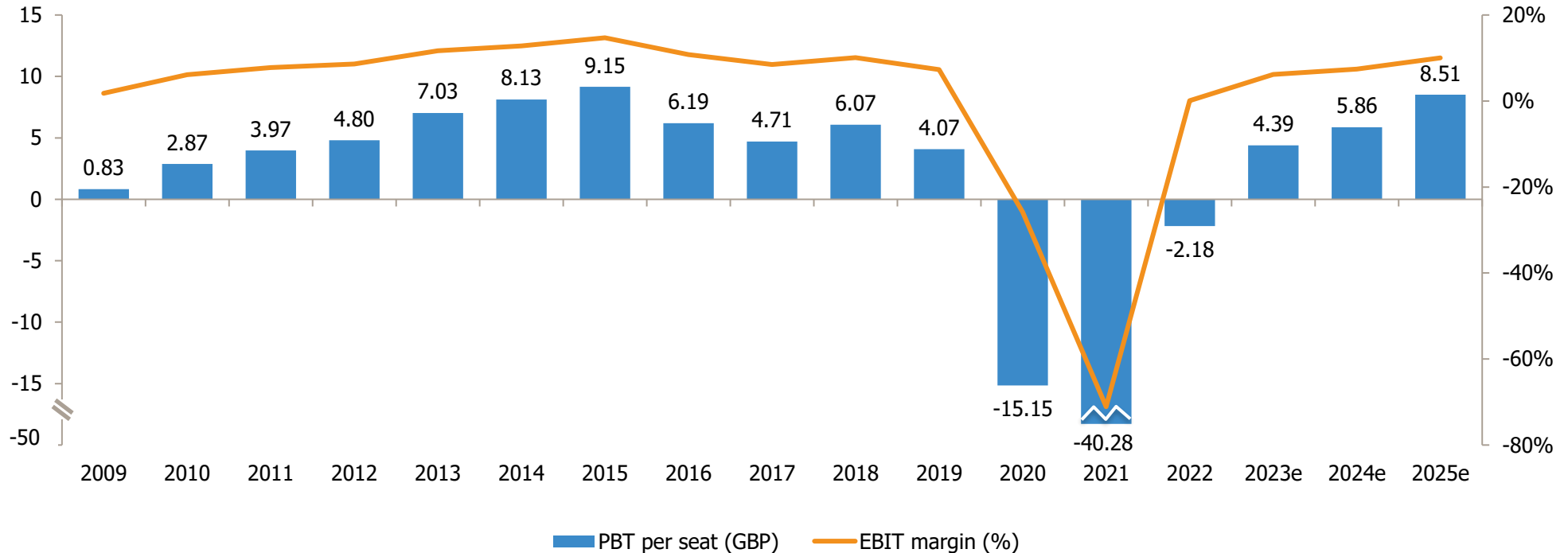
easyJet Holidays, EBNPP forecast revenue, EBIT (GBPm) and EBIT margin (%)



- Going to generate > £80m of EBIT in its second full year
- £148.7m of EBIT only assumes 10% of existing customers book a holiday



easyJet profit per seat (GBP) and EBIT margin (%)

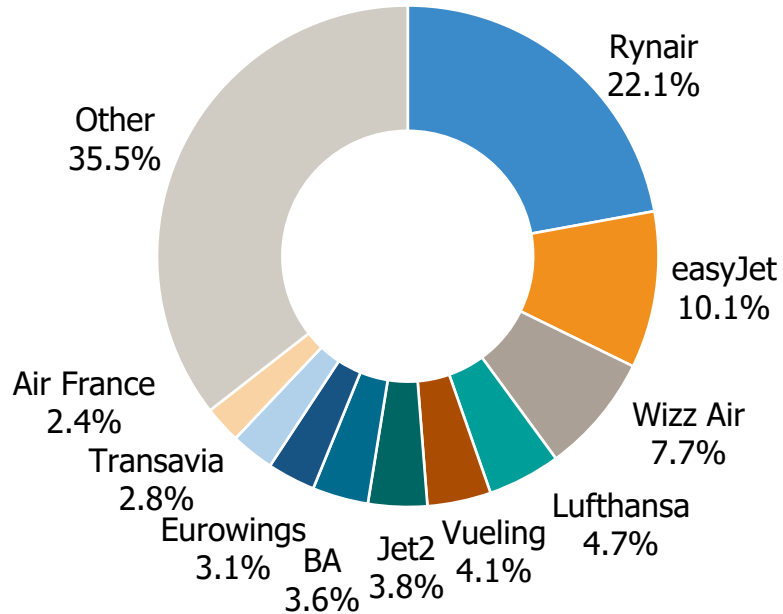


- 2023 expected level of profitability has risen 50% this year but is still only at £4 to £4.50 per seat flown
- If profit per seat and margins return to 2014-2015 levels, then they will at least double again

Source: Exane as at 23 May 2023.



Intra-Europe seat capacity share Q3 22



- Strong Market position has attracted corporate interest before
- Still only just trading above asset value
- Up-gauging aircraft will drive further efficiency
- Annual EPS of 100p+ very achievable vs. 480p share price
- Inflight retail only £1.85 per passenger

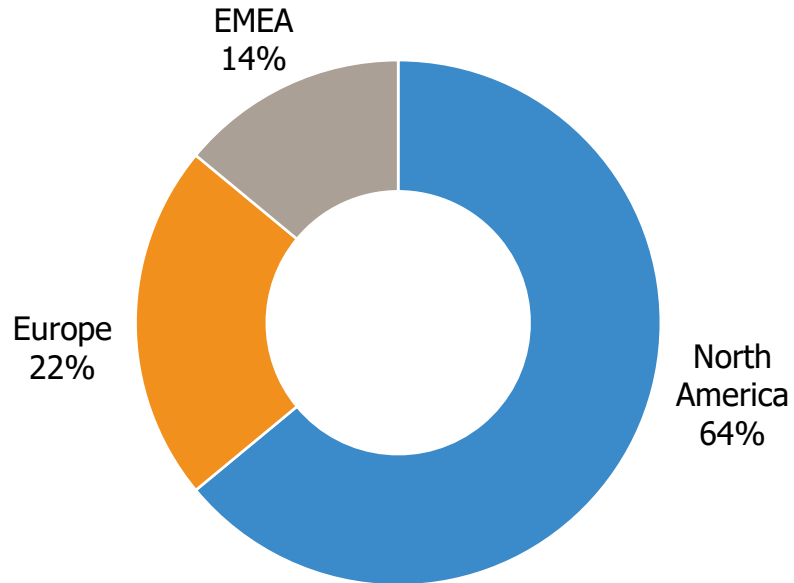
Potential annual EPS of 100p+ vs. 480p share price

Source: Exane as at 23 May 2023.

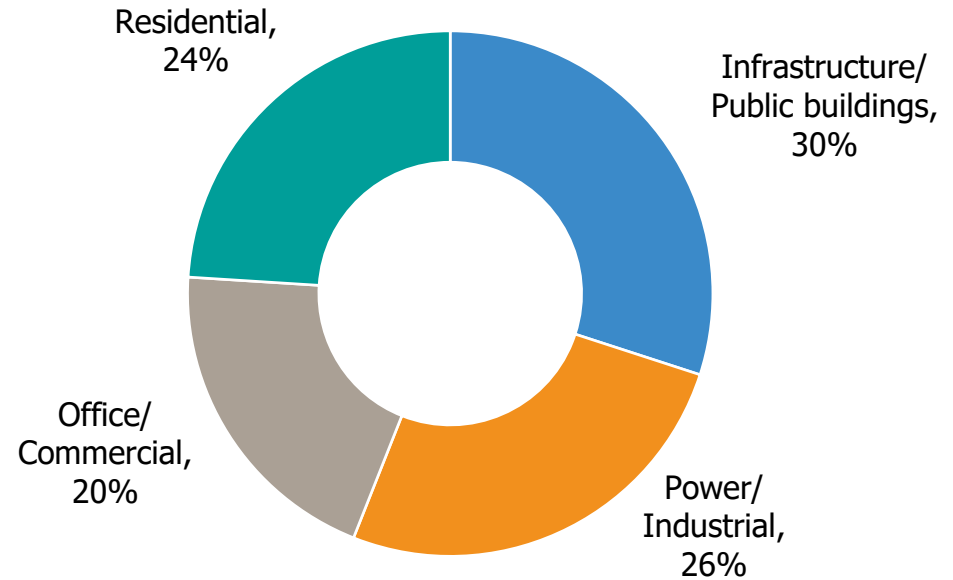


The world's largest geotechnical specialist contractor

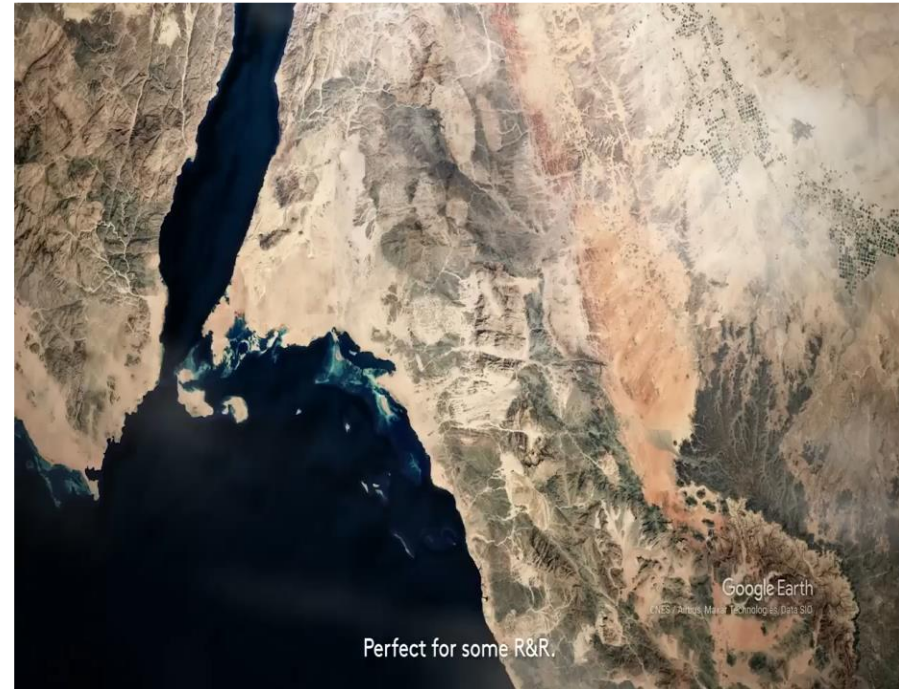
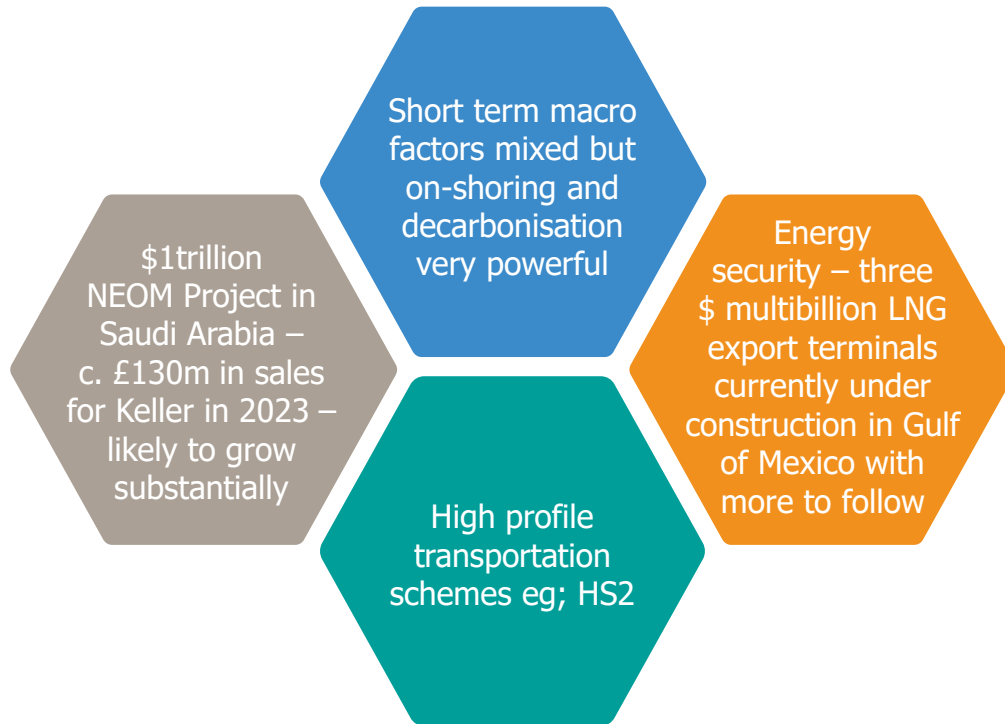
Revenue by geography
2022



Revenue by sector
2022



**Keller revenues today c. £3bn pa plus a 16% market share
in the region in which it operates**



View this video [here](#)



Current share price 667p

2023 headline PE 6x / dividend yield of 6%

Normalised earnings based on 6-7% margin which has been achieved historically and is the management's target

Suggests c. 200p EPS per share

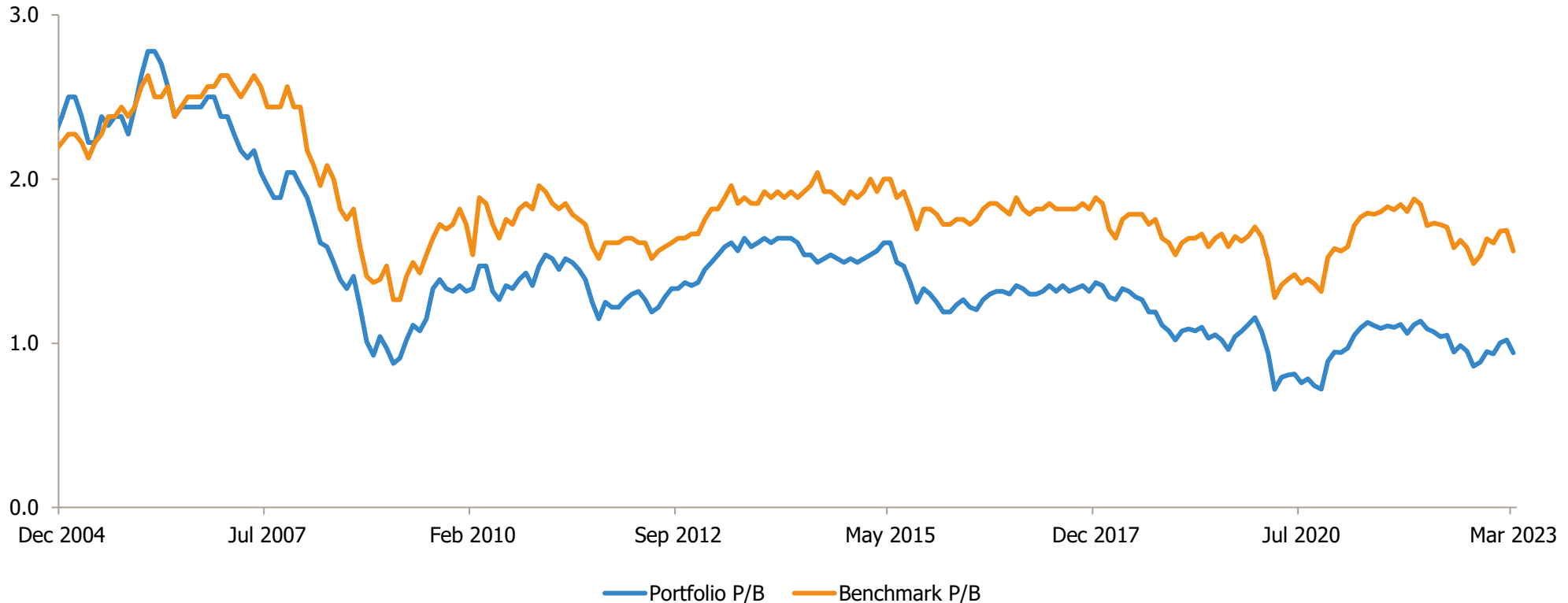
10x normalised EPS for a global industry leader well placed to benefit from uptick in infrastructure spending = 2000p
= 3x the current share price

We believe that Keller is a global market leader which can triple

Fund valuation: It is not just Japanese equities that trade below book value



UK Equity Income Price/Book History vs. FTSE All Share



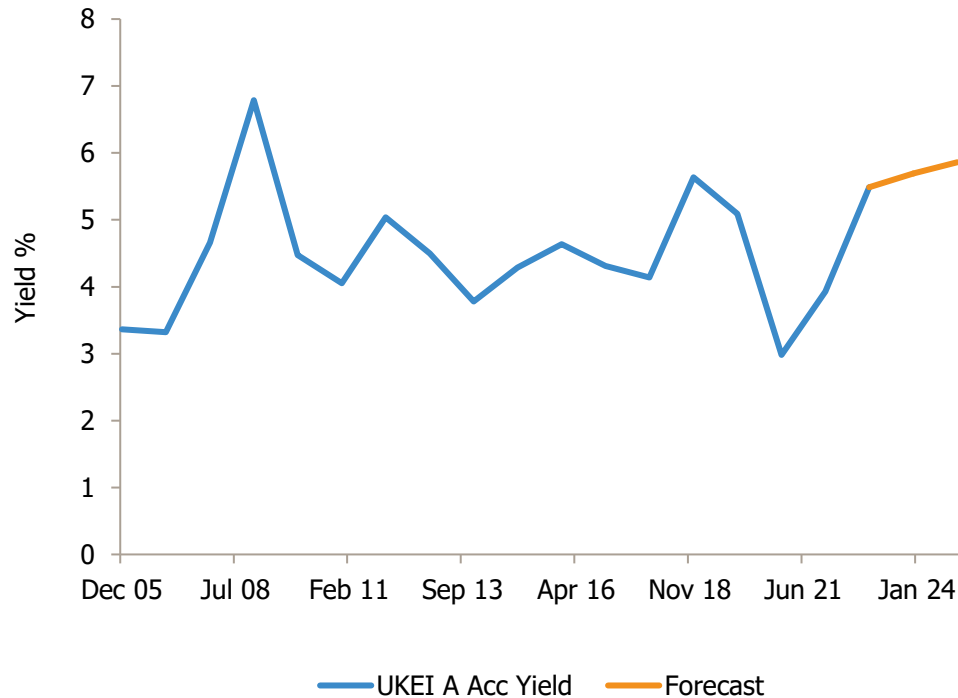
Past performance is not necessarily a guide to future performance. The value of an investment can go down as well as up and investors may not get back the amount invested. For further information on risks please refer to the Fund's KIID and/or the Prospectus.

Source: JOHCM/Fund analytics as at 31 March 2023. Performance is shown on the A share class of JOHCM UK Equity Income Fund, a sub fund of J O Hambro Capital Management Umbrella Fund plc.

Strong dividend track record vs. peers – Fund dividend yield close to highest ever...



JOHCM UK Equity Income Fund dividend yield history



- Second highest dividend yield ever at c. 5.75%
- Quality of that dividend is very high with pay out ratios around 40% (vs. 50% historically)
- Since launch in 2004, the Fund's dividend has grown by 9% p.a
- Equities' earnings and dividends provide natural protection against inflation

Past performance is not necessarily a guide to future performance. The value of an investment can go down as well as up and investors may not get back the amount invested. For further information on risks please refer to the Fund's KIID and/or the Prospectus. The dividend yield forecast and commentary is an estimate of future performance based on evidence from the past on how the value of this investment varies and current market conditions and is not an exact indicator. Returns will vary depending on how the market performs and how long the investment is held.

Source: JOHCM/Lipper as of 31 March 2023. Data to 31 December 2024 includes JOHCM estimates. JOHCM estimates of future performance based on evidence from the past performance and current market conditions and is not an exact indicator. Based on 'A' Accumulation share class price on 31 March 2023 (430p).

Conclusion: UK Equity Income – why now?



- 1 15 years of ultra low discount rates are finally over
- 2 Should drive a revival in interest in value orientated strategies
- 3 Combined with restored and well covered dividend distributions Yield on Fund c.5.75% (2023 forecast)
- 4 Valuation opportunity 'stark', most stocks have >75% upside to prudently calculated target prices
- 5 JOHCM UKEI has an experienced team and a strong performance record

1/36 funds since launch in Nov 2004*

Past performance is not necessarily a guide to future performance. The value of an investment can go down as well as up and investors may not get back the amount invested. For further information on risks please refer to the Fund's KIID and/or the Prospectus.

Source: JOHCM. *Lipper Hindsight, IA sector rankings to 31 March 2023 (based on funds with at least a three-year track record). The dividend yield forecast and commentary is an estimate of future performance based on the past performance and current market conditions and is not an exact indicator. Returns will vary depending on how the market performs and how long the investment is held.



JOHCM UK Dynamic Fund

The Fund aims to generate long-term capital growth through active management of a portfolio of listed UK equities

Senior Fund Manager Alex Savvides believes misunderstanding of corporate change by the stock market regularly presents opportunities for the patient, disciplined and unemotional investor

His process aims to profit from understanding change and investing where there is the highest probability of success but with the highest cash-based valuation support

SFDR classification: Article 8. Please click [here](#) for further details

Benchmark: FTSE All-Share Total Return Index

The use of the Index does not limit the investment decisions of the fund manager therefore the shareholdings of the Fund may differ significantly from those of the Index

Please refer to the Prospectus/KIID for further information

JOHCM UK Equity Income Fund

The Fund aims to generate long-term capital and income growth through active management of a portfolio of UK listed equities.

Established income investors James Lowen and Clive Beagles abide by a strict dividend yield discipline, which leads to an emphasis on higher-yielding stocks and promotes a naturally contrarian style.

The Fund will typically have significant exposure to small and mid-cap stocks, often giving the portfolio a different holdings profile to many other income funds.

Benchmark: FTSE All-Share Total Return Index.

The use of the Index does not limit the investment decisions of the fund manager; the shareholdings of the Fund may therefore differ significantly from those of the Index.

Please refer to the Prospectus/KID for further information.

JOHCM UK Growth Fund

The Fund aims to generate long-term capital growth in excess of the FTSE All-Share Total Return Index through active management.

Fund managers Mark Costar and Vishal Bhatia seek to identify mispriced or undiscovered growth stocks with a perceived high margin of safety but significant upside potential. A stock-picking fund that invests across the market cap range, albeit with a historic bias towards small-cap stocks. A stock-picking fund that invests across the market cap range, albeit with a historic bias towards small-cap stocks.

SFDR classification: Article 8. Please click [here](#) for further details.

Benchmark: FTSE All-Share Total Return Index.

The use of the Index does not limit the investment decisions of the fund manager therefore the shareholdings of the Fund may differ significantly from those of the Index.

Please refer to the Prospectus/KID for further information.



Professional investors only.

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