

## **AFH Fin Group Plc**

# **Trading update**

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06 November 2017

6 November 2017

AFH FINANCIAL GROUP PLC

("AFH" or the "Company")

### **TRADING UPDATE**

The Board of AFH, a leading financial planning led wealth management firm, is pleased to provide the following update on trading for the twelve months ended 31 October 2017.

#### **Financial highlights**

- Another year of strong growth
- Revenues for the year expected to exceed £33m, up 35% (2016: £24.1m), driven by integration of acquisitions made during the year and higher average levels of revenue generated by advisers
- Continued expansion of EBITDA margin, reflecting operational gearing
- Funds under Management exceeding £2.7bn (2016: £2bn), driven by double digit growth in monies invested by existing and new clients

#### **Confidence in strategy and outlook**

- Prior and current year acquisitions successfully integrated and deferred earn outs continue to be paid at over 90% of target

- AFH is well positioned to continue to take advantage of ongoing IFA market consolidation
- Strong pipeline of potential acquisitions currently under negotiation
- Cash balances at 31 October 2017 of £8m
- Board remains confident of future prospects

During the last twelve months, the Company has enjoyed strong organic growth, with a significant increase in its recurring fee income, and has completed the acquisition of 13 IFA businesses together with the protection business carried on by Eunisure. Total revenues for the full year are expected to exceed £33m (2016: £24.1m), a 35% increase year on year. Approximately half of the increase was generated by acquisitions completed during the year.

Whilst the acquisitions have expanded the Company's size and geographical footprint the organic business continues to provide the basis for significant growth. Revenue from acquisitions was approximately £4.5m whilst a similar level of growth was generated organically during the period, representing like for like growth of 20%.

The results will confirm the Company's ability to successfully integrate acquisitions. During the year the Company paid over £2.8m in deferred earn out consideration in respect of acquisitions from prior years, at an average level above 90% of the price negotiated for those acquisitions. This reflects the strong performance of the acquired businesses within AFH.

During the year the Company raised £10m through a placing that introduced new institutional investors and which was well supported by existing shareholders. Over 70% of the funds raised have been allocated to new acquisitions which are expected to drive future earnings per share.

As previously highlighted, AFH invested in its digital marketing platform during 2017 whilst continuing to invest in its people and business infrastructure to ensure that the Company is able to support significant future growth.

The Board remains confident of the prospects for further profitable expansion, both from organic growth expected through AFH's existing advisers and from the healthy pipeline of prospective acquisitions.

Commenting, Alan Hudson, Chief Executive of AFH, said:

"I am encouraged by the strong progress we have made in 2017 and the continued realisation of the revenue and profitability targets that we have set ourselves. AFH continues to be active in the market to acquire good quality IFAs whilst remaining focussed on ensuring shareholder value by executing acquisitions that are earnings accretive. The success and robustness of our acquisition model is reflected in the high level of acquisitions meeting earn out targets and the strong cash flow generated by the business to finance these earn out payments.

I believe that shared values are critical in creating successful acquisitions that bind both advisers and clients to the AFH group and am pleased at the high level of advisers who remain with AFH many years after their earn out has been completed.

AFH has continued to attract new funds throughout the year and I am pleased to report double digit organic growth in our Funds under Management.

The Board will continue to execute its strategy of making selective acquisitions and increasing AFH's national footprint whilst providing a professional and cost effective service to our clients. The Board believes that AFH remains well positioned to take advantage of opportunities as they arise.

I am pleased to note the continued increase in our recurring revenue and our EBITDA margin, and we look forward to updating the market further in January 2018 at the time of our full year results. We would like to thank our shareholders and staff, without whom we would not be reporting this level of profitable expansion."

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**Liberum** (Nominated Adviser and Broker)

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John Fishley/Richard Bootle

This announcement is released by AFH Financial Group plc and contains inside information for the purposes of Article 7 of the Market Abuse Regulation (EU) 596/2014 (MAR), and is disclosed in accordance with the Company's obligations under Article 17 of MAR.

For the purposes of MAR and Article 2 of Commission Implementing Regulation (EU) 2016/1055, this announcement is being made on behalf of the Company by Paul Wright, Chief Financial Officer.

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