

Introduction to Duke Royalty

AIM: DUKE

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Royalty Financing is:

- Alternative financing that has features of debt and equity, which allows company owners to keep control of their business **without any refinancing risk**
- **An attractive, minimally-dilutive solution** to fuel growth and capture future value for company owners
- A **competitive cost of capital** that is covenant-light versus traditional debt
- A **mature form of alternative finance** used by companies in many industries including, but not limited to industrials, healthcare services, financial services, manufacturing, natural resources and technology, media and telecommunications

Duke Royalty is:

- The **Royalty Finance leader** in the UK & Europe with a presence in North America
- **Looking to invest £5m to £20m** to provide company owners with immediate access to funds with potential for additional tranches of funding to support long term objectives

A long-term participating loan with characteristics of traditional royalties

- Duke provides a **lump sum of capital** to a company with a term of **25-40 years**
- Initial yield is **12.0 – 13.5%** 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**
- **No bullet repayment** at end of term
- **Company can Buyback royalty:** after ~3 years, **initial principal plus ~20% redemption premium.** However, buyback granted at any time upon change of control (**no poison pill**)

Company	2020	2021	2022	2023	2024	2025
Duke Payment to Company	£10.00					
Company Revenue (% Change)	£20.00	£23.00 +15%	£21.16 -8%	£22.22 +5%	£24.44 +10%	£28.11
EBITDA	£3.00	£3.45	£3.17	£3.33	£3.67	£4.50
Duke Distribution (% Change)	-	£1.35 +6%	£1.43 -6%	£1.35 +5%	£1.41 +6%	£1.50
Cash Flow - Post Duke Distribution	£3.00	£2.10	£1.74	£1.99	£2.25	£3.00
% of Economic Interest Retained by Owners / Management	100%	61%	55%	60%	61%	67%

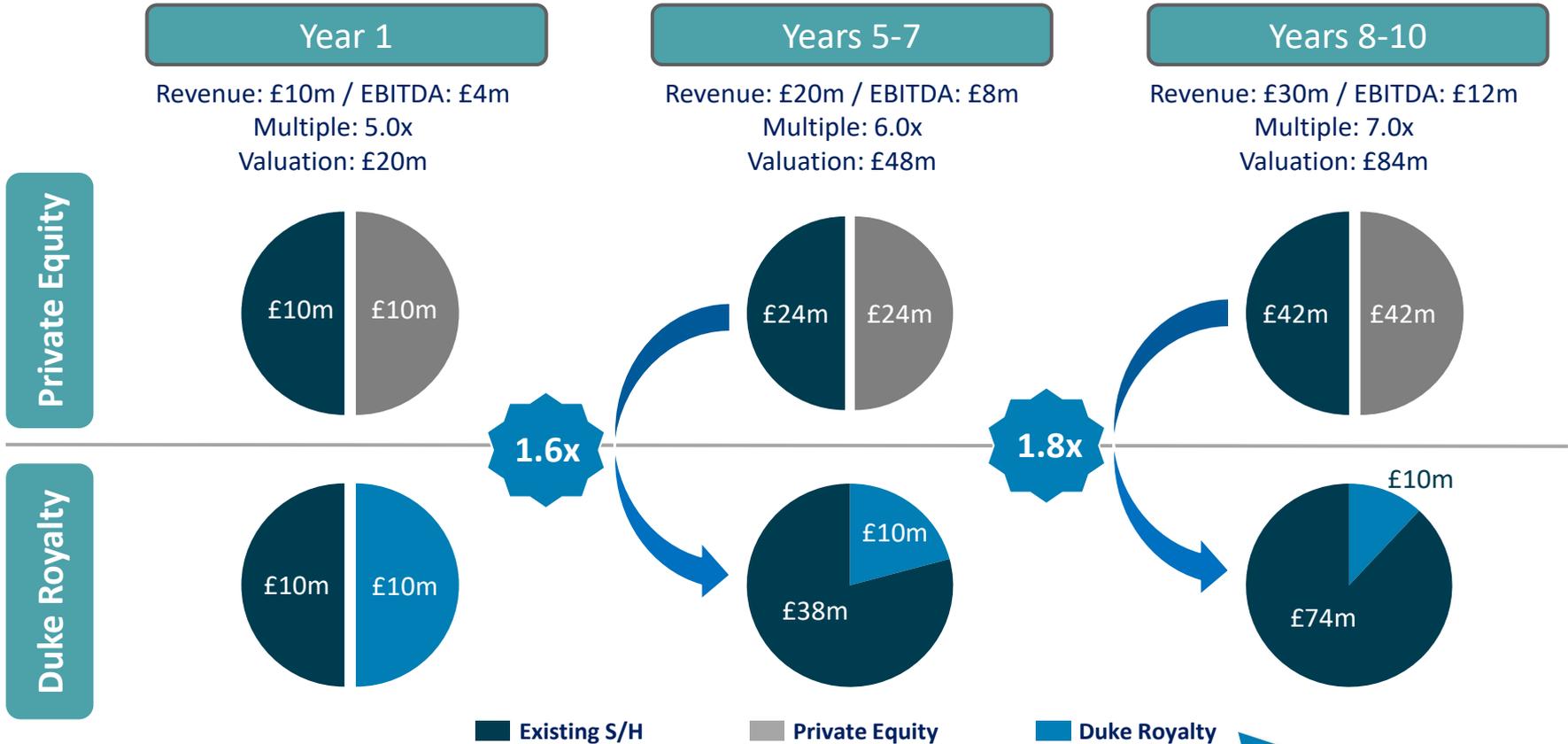
Criteria	Description
Investment Fit Within Duke Portfolio	<ul style="list-style-type: none"> Looking to invest c.£5m - £20m (can be in tranches) Western Europe and North America
Alignment of Management Goals with Duke's Objectives	<ul style="list-style-type: none"> 5+ years of operating history Back management with a track record of delivery and not looking to sell
Collateral/Capital Backing Duke's Investment	<ul style="list-style-type: none"> Senior security sought on available assets If other debt exists, we seek inter-creditor agreements
Capacity to Pay and Grow Royalty Payments	<ul style="list-style-type: none"> Competitive sustainable advantage Royalty coverage greater than 2.0x Payback period of 6-7 years
Overall Risk/Reward Evaluation	<ul style="list-style-type: none"> Approval required by independent investment committee and board of directors

Preferred sectors	Industrials	Business Services	Healthcare	Technology & Media
	No Start Ups	No Oil & Gas	No Mining	No Biotech

Royalties appeal to owners who have a need for capital but want to retain control
 Royalties compete more against debt than equity, but have characteristics of both

	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

Shareholders benefit from superior accretion in equity value over time



Royalty Finance is specifically designed to be **cheaper than raising private equity**

Key examples of how Duke's funding solution has been used to drive growth & increase shareholder value

Debt or Equity Restructuring

Debt refinancing or shareholders exiting

We support owners without creating another future exit event

Acquisition Capital

Flexible financing model enables cash drawdowns in multiple tranches

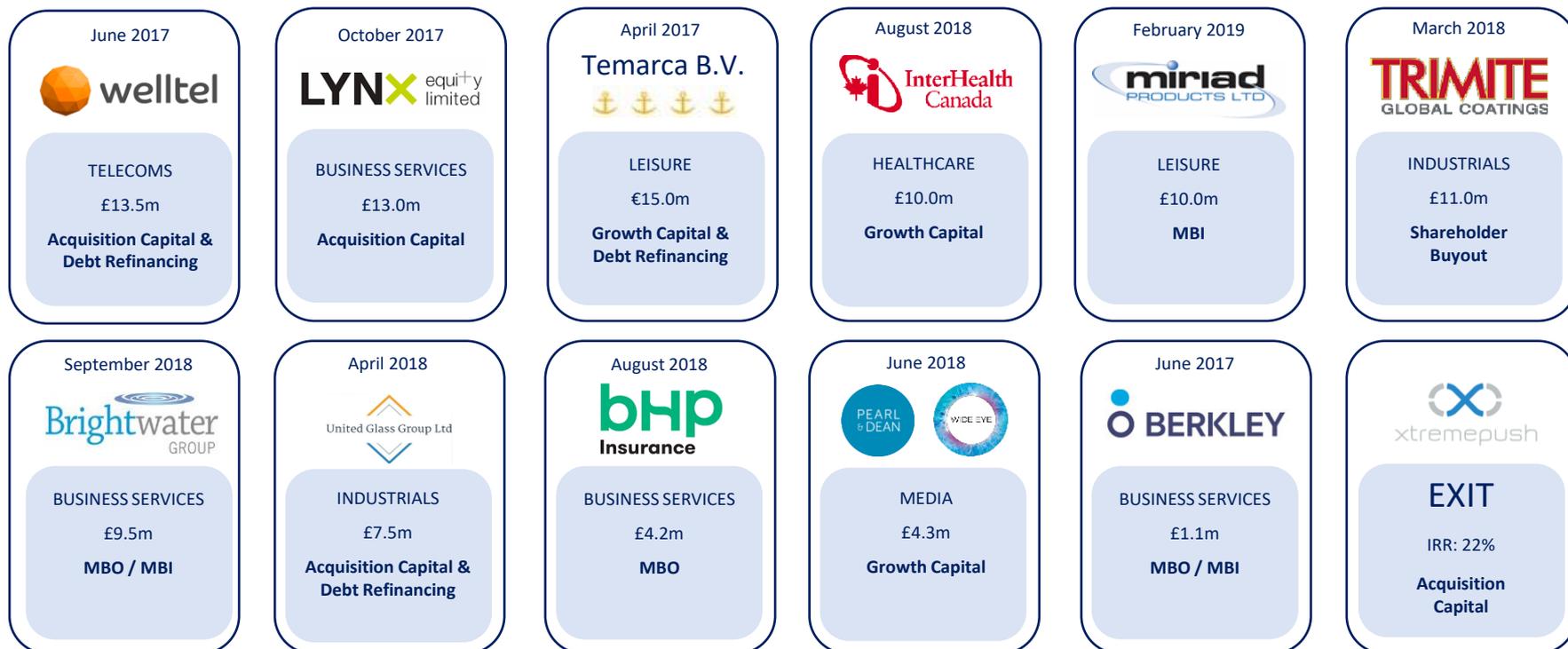
Used for bolt-on acquisitions

MBOs

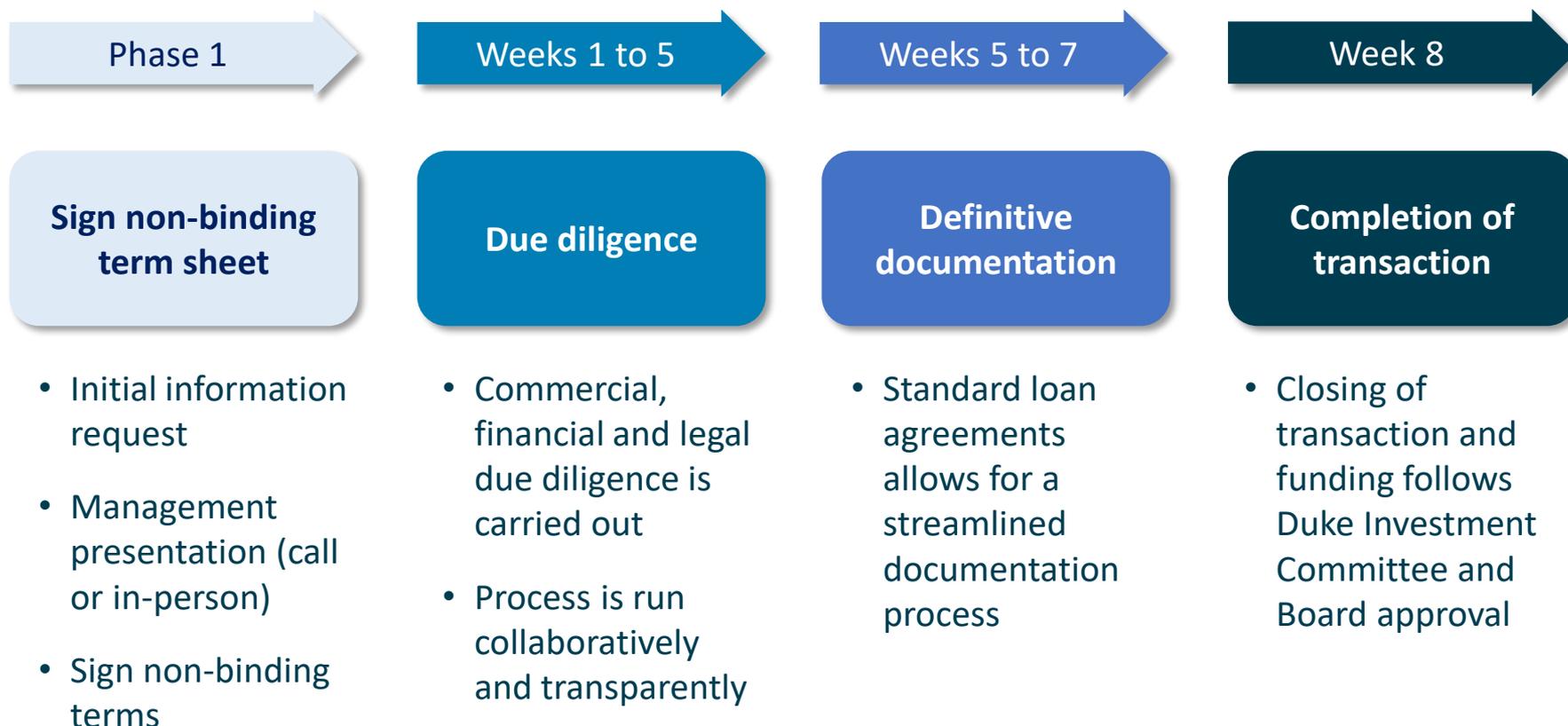
Allows successful management teams to become majority owners

We back people who created equity value to keep strategic control

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



Duke has partnered with top-tier management consulting firms serve to expedite due diligence and aims to complete transactions within two months



¹ Duke share price as of 11 November 2020, and annualizing Q3 intended dividend

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



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



Charlie Cannon-Brookes – Executive Director

- London-based **Executive Director**
- Co-owner of FCA-regulated Arlington Group Asset Management



Hugo Evans – Finance Director

- Extensive experience in senior finance roles within financial services
- 11 years of UK plc reporting experience
- Chartered Accountant (Grant Thornton)



Steven Russo – VP, Investments

- Six years of experience in mezzanine debt and select 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



Ajay Shivdasani – VP, Investments

- Four years of private-equity LBO transaction experience and deal origination at DW Healthcare Partners and four years of global management consulting experience at Oliver Wyman
- Holds an MBA from INSEAD University (2014)



Alex Hibbard – VP, Investments

- 3 years at London-based **PE firm Terra Firma**, where he focused on investment opportunities and managing portfolio companies
- Chartered Financial Analyst



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

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

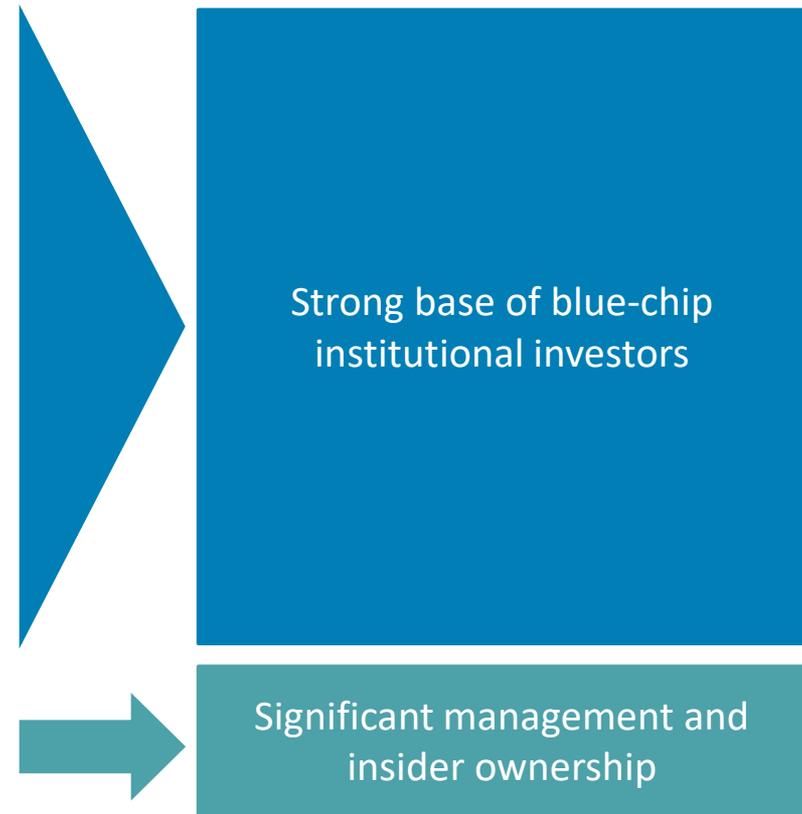


Mark Le Tissier Non-Exec Director

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

Duke's Global Institutional Investors Provide Growth

Shareholders	% Ownership
 Canaccord Genuity <small>Wealth Management</small>	16.05%
 HARGREAVES LANSDOWN	9.87%
 Framlington	8.18%
 GLG	5.86%
 interactive investor	4.51%
 Premier Miton <small>INVESTORS</small>	3.76%
Downing	3.59%
 BMO  Global Asset Management	3.28%
Directors / Management / Insiders	~5.00%



Investment
£10.0m

Term
30 years

Use of Proceeds
Shareholder
Partial Sale

**Annual Adjustment
(based on Revenue)**
+/-6%

**Initial Obligation
(Incl. Principal)**
13.2%

Security
Secured interest on all
assets other than CID

Company Overview

- A closely-held, owner operated business with four shareholders
- The largest privately-owned parts wholesale company for the recreational vehicle market in the UK, supplying both OEM and after-market retailers
- 40-year history and reputation as the “go-to” company for over 15,000 parts required by 1,700 customers

Why Duke?

- Enabled four owners to “take some chips off the table”, while allowing them to receive Entrepreneurs’ Relief
- Owners sold down but not out; continue to maintain significant ownership, which aligns incentives to grow the business and sell when a larger company for a higher multiple
- Identified second tier management consisting of 6 long-term key employees that have been granted equity in the business, further safeguarding long-term continuity

Owner Experience

“Duke’s capital was a perfect fit for our objectives. Being owners for 20 years, the nature and flexibility of Duke’s capital means we can continue to be involved in the future of the business, while receiving value for what we have built to date. Duke provides us with a key stepping stone in our long-term succession planning and enables us to offer the right sort of incentivization to attract new members to our shareholder team.”

Michael Ham, Miriad Group MD

Illustrative comparison of Duke vs PE

Proceed Type (£000s)	Duke Financing	Private Equity
Initial Financing / Sale	£11,250	£15,000
VTB Note	3,750	0
VTB Interest	2,550	0
Equity Value from Second Sale ¹	5,450	0
Total Return to Owners	£23,000	£15,000

¹ Assumes the business doubles in EBITDA and sells for a similar multiple in 5 years



Investment
£6.5m

Term
30 years

Use of Proceeds
Debt refinancing & acquisition

Annual Adjustment (based on Revenue)
+/-6%

Initial Obligation (Incl. Principal)
13.5%

Security
Senior accrued interest in all assets

Company Overview

- Privately-owned company in the UK
- Founded in 1979, the Company is now one of the UK's leading independent glass processors and merchants
- Focused on the manufacturing and distribution of flat glass product lines to commercial and residential end-markets throughout the Midlands region

Owner Experience

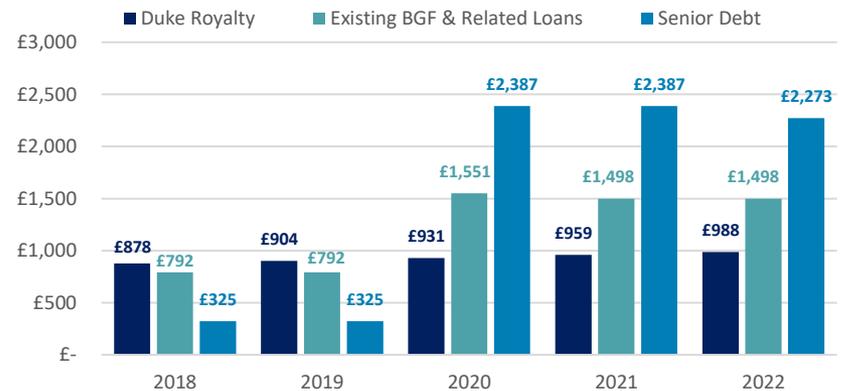
“The main attraction for choosing Duke as our new financing partner was the long term participating nature of its capital. At Brownhills, we have a clear plan to grow both organically and via acquisition and we are happy to have a supportive and aligned financing partner in place for the long term.”

Mark Harrison, Group Managing Director

Investment Thesis

- Early redemption of semi-government finance provider, British Growth Fund, in the amount of £3.1m
- Removed re-financing risk associated with outstanding loans
- Improved free cash flow in the near term by eliminating the scheduled repayments of principal for outstanding loans
- Duke Royalty transaction resulted in higher free cash flows in the medium term to acquire bolt-on businesses and pay dividends to owners

Comparison of Debt Servicing Costs



(i) Senior Debt: £6.5m principal at 5% interest p.a.; amortized in years 2020-2022. (ii) BGF principal repayments of £966,667 scheduled in years 2020,2021 and 2022. (iii) Duke Royalty loan agreement assumes £6.5m at 13.5%, with base YoY revenue growth of 3%

Investment
£9.5m

Term
30 years

Use of Proceeds
Management Buyout

**Annual Adjustment
(based on Revenue)**
+/-6%

**Initial Obligation
(Incl. Principal)**
13.5%

Security
Second Lien

Company Overview

- Brightwater is a recruitment consultancy, founded in 1998, with offices in Dublin, Cork and Belfast
- Offers services across a wide range of industry sectors with a primary focus on professional services
- Brightwater's client base is diversified, low-risk and includes SMEs, large blue-chip companies and public sector entities

Investment Thesis

- MBO of highly regarded Irish recruitment consultant performing strongly in a favorable and growing macroeconomic environment with experienced management team
- Net Fee Income ("NFI") growing well in last 5 years with underlying EBITDA more than doubling over the same period
- Duke also helped BIL complete its second acquisition in January 2020 with funding of £7.7 million when it acquired PE Global, one of the leading Healthcare and Life Sciences Recruiters in Ireland"

Owner Experience

"From our first meeting, Duke Royalty understood our objectives and felt like the perfect funding solution to support our ambitious growth plans. The team's attention to detail and clear communication meant that we felt very supported from beginning to end. I would have no hesitation in recommending their innovative funding solutions to other companies seeking capital."

Barbara McGrath, Managing Director

Partnership Fit

- Duke's financing model was a more attractive solution versus those offered by other capital providers to support the interests of both the previous owner (vendor) and executive management team (buyers) by:
 - i. Providing access to capital for the management team to buyout previous business-owner, who received the return on capital he was seeking
 - ii. Enabling management to retain larger equity stakes and facilitated a smooth transition of the business
 - iii. Enabling management to retain greater control over the business due to Duke's passive involvement in operations

Investment
Loan: £2.6m
Royalty: £2.0m

Term
Perpetual

Use of Proceeds
Management Buyout

Royalty Rate:
Floor: 18%
Cap: 25%

**Initial Obligation
(Incl. Principal)**
15.3%

Security
Senior secured

Company Overview

- BHP Not-for-Profit (“NFP”) division is a leading broker in the Irish NFP insurance market formed in 2006 as part of the wider BHP Group, which also runs separate commercial and financial planning divisions
- NFP division is now a market-leading intermediary, providing specialist insurance products to three key target sectors: Community & Voluntary, Social Housing, and Charities

Partnership Fit

- Duke’s capital provided the previous business owner (vendor) and management team (buyers) with a financing solution that served the needs of both parties
- The previous business owner was able to successfully divest the NFP division of the BHP Group through the sale to management, who were able to maintain a higher portion of shareholder equity value in a business with strong organic growth

Owner Experience

“Duke’s model has proven to be a great solution in MBO scenarios, enabling management to retain significant ownership that would not be possible under alternative financing structures.”

John Hannon, FinRes, Managing Director

Illustrative comparison of Duke vs PE

Initial Financing / Sale: (€ '000s)		Second Sale in Year 4:¹ (€ '000s)	
2018A EBITDA	€2,152	2022P EBITDA	€4,304
Entry Multiple	2.7x	Exit Multiple	2.7x
Total Enterprise Value	€5,810	Yr 4 Total Enterprise Value	€11,621
Duke Royalty: (€ '000s)		Private Equity : (€ '000s)	
TEV Year 4	€11,621	TEV in Year 4	€11,621
Less: Duke Royalty Buyout	(€3,700)	Less: Debt	--
Total Equity Value Year 4	€7,921	Total Equity Value Year 4	€11,621
Management Ownership %	87.5%	Management Ownership %	20%
Management Equity Value	€6,931	Management Equity Value	€2,324

¹ Assumes the business doubles in EBITDA and sells for a similar multiple in five years

2.5x

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