



**DUKE
ROYALTY**

Investor Presentation

January 2019



Alternative Finance
Provider of the Year

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Duke provides a non dilutive form of capital with no re-financing risk for owner-managed private companies

First mover advantage
in Europe

£50 billion North American sector

Experienced royalty management

10% insider ownership

Top Institutional shareholder base
raised **~£80 million**

5 Royalty Partners plus **~£30 million** cash to deploy

Annualized 6.4% dividend yield*

Two dividend increases in 2018

Deploying current capital will...

reduce risk through broader **diversification...**

...and add **accretive cashflow** through

high operating leverage & revenue participation

** NA Sector value as of July 2016 ; Duke share price as of 31 December 2018*

What Is Royalty Financing?



- **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

- **Began in the 1980s** - commodities and pharmaceuticals
- In 2000s - expanded to diverse **corporate royalties**

Company	Market Cap
 Franco-Nevada	CAD \$17B
 DRI CAPITAL	USD \$2B
 Boston Pizza WE'LL MAKE YOU A FAN.	CAD \$332M
 ALARIS ROYALTY CORP.	CAD \$620M

Replicating the Proven North American Model



	AD : TSX	DIV : TSX	DUKE : AIM
Years of Operation	15	5	2
Geographic Focus	Canada & US	Canada	UK & Europe
Number of Holdings	15	3	5
Capital Deployed*	Over £700 million	£175 million	Over £43 million
LTM Capital Deployed*	£83 million	Nil	£31 million
Return for initial shareholders	200+% Capital Gains, 28% dividend	109% Capital Gains, 13.2% dividend	10% Capital Gain, 7% dividend
No. of employees	14	3	7

* All investments converted to GBP

How Do Investors Make Money?



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**

Cumulative cash flow: £45m investment

		Annual Revenue Growth			
		(3.0%)	0.0%	3.0%	6.0%
Term (Years)	20	91.5	111.2	137.6	173.5
	25	107.1	138.9	186.4	257.8
	30	120.5	166.7	242.9	370.7
	35	132.0	194.5	308.5	521.8
	40	141.9	222.3	384.4	724.0
			Payback: >3.5x		Payback: >8.0x

Assumptions: (i) 13.0% initial yield
(ii) Effective tax rate of 5.0%

Why Duke Royalty?



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 Investment Criteria



Criteria	Description
Established Track Record	10+ years of operating history
Royalty Coverage	>2.0x of EBITDA (i.e. minority of cash flow)
Payback	6 -7 years
Management Continuity	Not looking for companies for sale. We back management with a track record of delivering
Defensible business model	They have a sustainable competitive advantage
Security	Senior security sought on available assets
Low Debt	If other debt exists, we seek inter-creditor agreements
Use of Proceeds	Growth capital, shareholder restructuring, or acquisition capital
Deal Size	£5m - £20m

Preferred sectors

Hospitality & Leisure

Industrials

Healthcare

Technology & Media

Power & Utilities

No Start Ups

No Oil & Gas

No Mining

No Biotech

A Highly Talented & Experienced Team



Management team



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



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



Ajay Shivdasani – VP, Investments

- 4 years of private-equity LBO transaction experience and deal origination at DW Healthcare Partners
- Additional 4 years of global management consulting experience at Oliver Wyman
- Holds an MBA from INSEAD University (2014)

Board of Directors



Nigel Birrell – Non-Exec Chairman

- MD of LottoLand Limited
- Former director of two FTSE 250 companies, including HIT Entertainment



Justin Cochrane – Executive Director

- Dozens of completed royalty transactions globally with previous royalty company as the EVP of Corp Development
- 15 years of royalty experience and CFA Charterholder



Matthew Wrigley – Non-Exec Director

- Partner at asset management advisory firm, 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
- Extensive board-level experience and resident of Guernsey

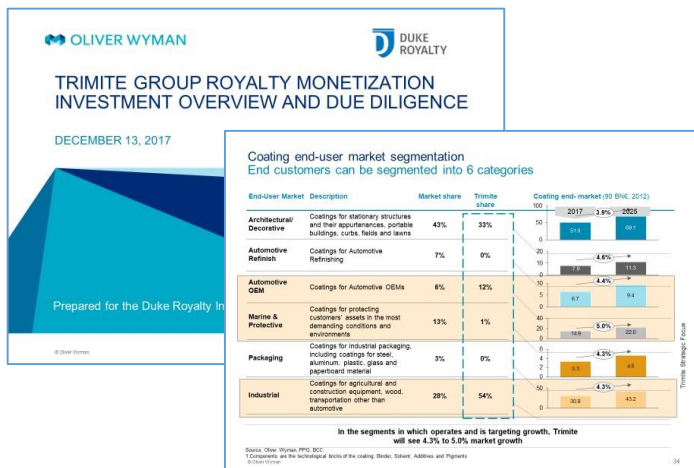
Management and investment committee have direct royalty experience of 75+ years

Strong Origination and Due Diligence



- 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

Duke Representatives:

Neil Johnson

Jim Webster

Justin Cochrane

Partner Revenue Summary and Diversification

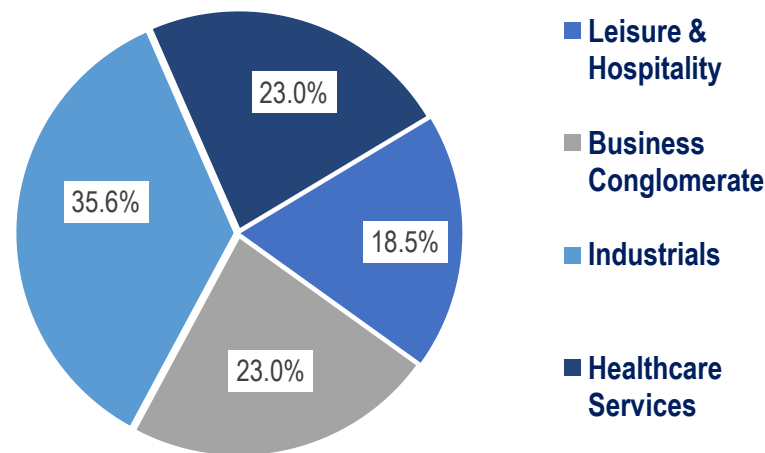


Partner	*Annualized Distribution (£000s)	% of total Distributions
Temarca B.V.	1,010.5	17.8%
Lynx Equity UK	1,250.4	22.0%
Trimate Global Coatings	1,196.9	21.0%
Brownhills Glass	884.1	15.5%
InterHealth Canada	1,350.0	23.7%
Total Annualized Partner Revenue	£5,692	100.0%

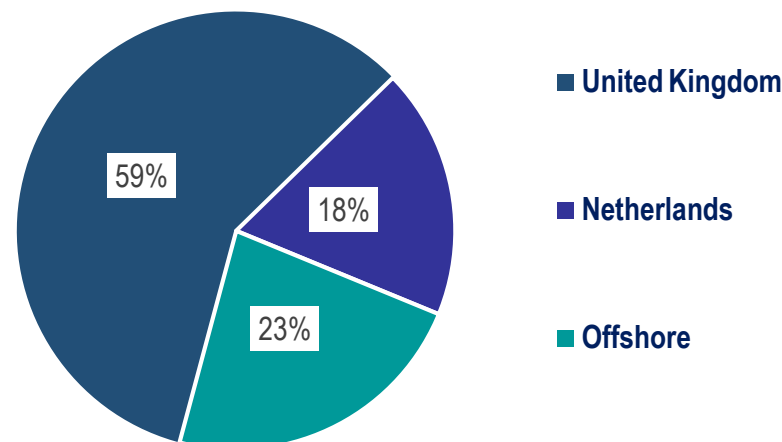
The above figures are annualized amounts Duke expects to collect including estimated resets from certain partners for the next 12 months and based on FX rates: GBP/EUR = 0.885, GBP/DKK = 0.118, GBP/USD = 0.776

- Exposure to **8 underlying distinct businesses** for revenue
- 35.6% of capital exposed to industrials vs. 50%, 6 months ago;
- 23% to healthcare services vs. 0%, 6 months ago
- ~60% of capital deployed in UK based companies

Investment by Industry Segment



Investment by Country



Summary of Duke's Royalty Partners



Duke Partner:	Temarca B.V. 	LYNX	TRIMITE GLOBAL COATINGS	BGC Brownhills Glass Company Glass Merchants & Processors	 InterHealth Canada
Industry:	Leisure & Hospitality	Various	Industrials	Industrials	Healthcare
Sub-Industry:	<i>River Cruises</i>	<i>Conglomerate</i>	<i>Paints/Powders</i>	<i>Glass Processing</i>	<i>Hospital Management</i>
Use of Proceeds:	Growth & Debt Refinancing	Acquisition Financing	Shareholder Buyout	Acquisition & Debt Refinancing	Growth Capital
Total Capital Deployed:	~£8.0m* (2 Tranches)	£10.0m (4 Tranches)	£9.0m	£6.5m	£10.0m
Diversification of Revenue:	17.8%	22.0%	21.0%	15.5%	23.7%
Adjustment Factor:	+ 6% Confirmed 07/18	+ 6% Confirmed 08/18	+ 5% (6 mo. Results)	+ 6% Confirmed 12/18	n/a Based on 4 months
Partner Since:	April 2017	October 2017	March 2018	April 2018	August 2018

Notes:

(i) Temarca B.V. figures translated at GBP/EUR = 0.885

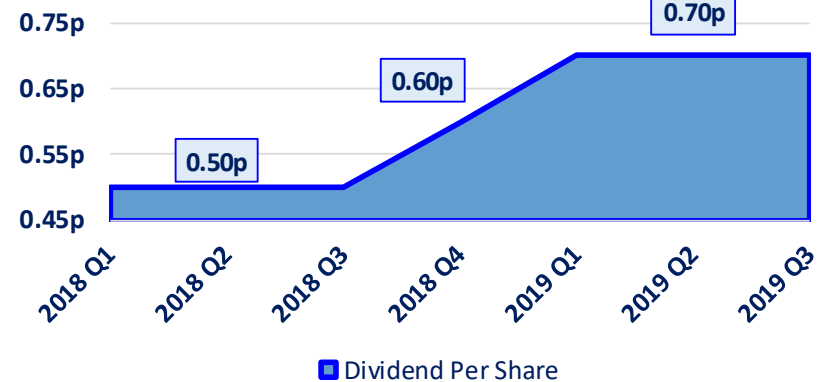
(ii) Annualized Duke distributions calculated according to the monthly payments of each royalty partner's fiscal year

Dividend History and Sustainability

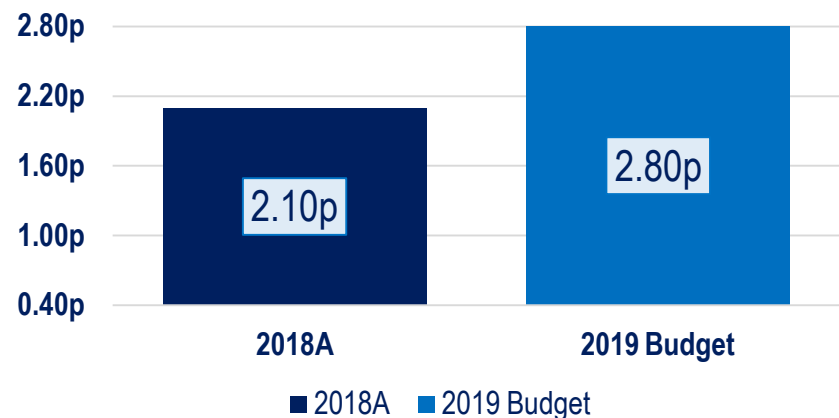


- Current dividend per share of **0.70p per quarter (2.80p annual)**
- Duke has paid a cumulative total of £2.3m in dividends since inception
- Duke has historically maintained a dividend payout ratio range between 80-100%
- **Commitment to increasing dividend** through:
 - **additional accretive investments** 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 Budgeted Dividend per Annum



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

Clear Demand For Duke's Financing Product



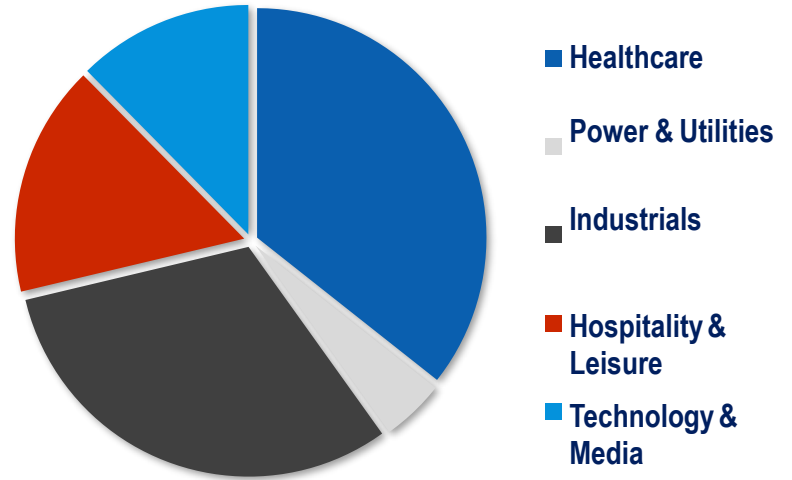
Current Securities Analyst Coverage

Brokerage house

Target Price

Cenkos	74.9p
Berenberg	56.0p
Mirabaud Securities	61.0p
Consensus	64.0p
Premium to Current Price	+46%
Current Price	43.8p
Market Cap	£86.7m

Total prospects reviewed



- Over **200 prospects** reviewed to date
- Greater than **£1.5 billion** in deal value evaluated to date
- Near term pipeline of a further **~£30 million**

Duke's Investors – Top Global Funds



Shareholder		% Ownership
Directors / Management / Insiders		~10.0%
Hargreave Hale	 A Canaccord Genuity Group Company	15.5%
Blackrock		10.1%
AXA Investment Managers		9.2%
Downing		6.4%
Janus Henderson		4.6%
Partners Value Investments		4.4%
Capital Group		4.3%
GLG Partners		3.9%
Hadron		3.4%

Duke has a suite of blue-chip institutional investors including 3 of the top 10 largest fund managers in the world



- Royalty Companies produce **long term predictable revenue streams**, paid monthly with embedded growth from an **increasingly diversified portfolio**
- Duke Royalty is following 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**
- Duke is the only UK quoted diversified Royalty company, and a **top dividend yielding company** on AIM