

1 September 2025

## Profit turnaround realised in FY25

Sustained focus on private markets enabled Pengana to realise significant growth across revenues and turnaround in profitability. **We rolled-over our estimates, leading to an increase in valuation to A\$2.25.**

### Key Messages

**Strong FY25 results:** Sustained inflows in private credit funds led to overall FuM growth while improving investment performance enabled a recovery in performance fees. Both contributed to +45% revenue growth, 3.5x improvement in EBITDA, and positive NPAT turnaround.

**Continued focus on private markets:** Upon our calculations, almost all equities funds (except for Pengana High Conviction Equities) saw net outflows during 2H25. Private credit funds saw strong inflows, cushioning outflows in equities. Pengana continues to double-down on private markets, with the latest initiative to add global private credit exposure to their Pengana International Equities (PIA) fund.

### Earnings and Valuation Changes

**Downward forecast revisions:** We revise our underlying NPAT estimates by -25% for FY26E and -37% for FY27E, primarily due to tempered expectations for performance fees and higher-than-expected team profit share.

**Valuation increased:** Placing a 16.0x multiple (peer average) on Pengana's FY26 earnings produces a valuation of A\$2.25, +26% from prior valuation of A\$1.79 and +186% upside from current share price. This upgrade is largely driven by the rollover in estimates and expected profit growth from recognition of performance fees.

### Investment Thesis

**Recovery in FuM and performance fees:** Favourable superannuation tailwinds, benign markets, new product launches and continued strong investment performance are all helping Pengana's FuM lift from its recent low, and performance fees recover to above average levels. This will lead to higher free cash flows and returns to shareholders in terms of dividends and share buybacks.

**Pivot to private markets will accelerate growth and long-term re-rating:** The proportion of FuM in private market strategies is set to increase, which should support FuM growth, fee margin growth and in time, a valuation re-rating.

### Catalysts and Risks

**Next key catalysts:** FuM updates provided monthly should provide an of the effectiveness of Pengana's initiatives, particularly shift to private markets and launch of new products/funds.

**Risk to investment thesis:** With many of Pengana's funds featuring performance fees, adverse markets or investment performance will impact Pengana's performance fee earnings, and hence its profitability. Refer page 8 for more risks.



Pengana Capital Group is leading Australian provider of premium, value added fund management products focused on the higher-end retail market (advisors and self managed superannuation funds) and high net worth individuals operating for over 20 years with around A\$3.4bn of funds under management.

[www.pengana.com](http://www.pengana.com)

#### Key Data

Valuation (A\$)	2.25
Current Price (A\$)	0.785
Market Cap (A\$m)	77.5
30 Day Average Turnover (A\$)	10,586

#### Trim Capital forecasts

FY Year End	24A	25A	26E	27E
Adj NPAT (m)	-0.2	7.6	13.8	12.9
EPS adj (c)	2.2	9.5	13.1	13.3
EPS gwth (%)	-56	333	32	2
PE adj (x)	36.4	8.2	6.0	5.9
DPS (c)	3.0	4.0	8.0	11.0
Div yield (%)	3.8	5.1	10.2	14.0
ROE (%)	-0.3	9.7	16.3	15.2
PB (x)	0.89	0.87	0.86	0.85

#### 12- Month Share Price Performance



Source: LSEG

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## Financial Summary

### PENGANA CAPITAL GROUP LIMITED

**PCG-AX**

Year end 30 June, A\$

#### 12-MONTH SHARE PRICE PERFORMANCE



#### MARKET DATA

Price	A\$	\$0.79
Valuation	A\$	\$2.25
52 week low - high	A\$	0.67 - 0.97
Market capitalisation	A\$m	77.5
Shares on issue (ordinary)	m	98.7
Options / rights (currently antidilutive)	m	0.0
Other equity (treasury shares)	m	-4.8
Shares on issue (basic)	m	94.0

#### INCOME STATEMENT

		FY24A	FY25A	FY26E	FY27E	FY28E
Management fees	A\$m	35.9	40.5	46.0	51.3	56.9
Performance fees	A\$m	3.1	16.0	15.1	12.8	12.3
<b>Total fee revenue</b>	<b>A\$m</b>	<b>39.0</b>	<b>56.5</b>	<b>61.1</b>	<b>64.1</b>	<b>69.3</b>
Net fund direct expenses	A\$m	-3.8	-4.9	-5.4	-6.0	-6.6
Operating expenses	A\$m	-20.4	-22.1	-23.9	-25.1	-26.4
Team profit share	A\$m	-11.7	-18.4	-14.8	-15.8	-17.2
Non-controlling interests	A\$m	0.0	0.0	0.0	0.0	0.0
<b>Operating EBITDA</b>	<b>A\$m</b>	<b>3.1</b>	<b>11.0</b>	<b>16.9</b>	<b>17.2</b>	<b>19.1</b>
Underlying profit before income tax	A\$m	2.4	12.1	17.4	17.7	19.5
<b>Underlying profit after tax</b>	<b>A\$m</b>	<b>1.8</b>	<b>8.5</b>	<b>12.2</b>	<b>12.4</b>	<b>13.7</b>
Reported NPAT	A\$m	-4.3	2.6	6.6	9.4	13.2
Cash NPAT	A\$m	-0.2	7.6	13.8	12.9	13.2
Weighted average ordinary shares	m	110.4	101.6	98.7	98.7	98.7
Weighted average diluted shares	m	83.3	90.6	98.7	98.7	98.7

#### INVESTMENT FUNDAMENTALS

		FY24A	FY25A	FY26E	FY27E	FY28E
<b>EPS - underlying</b>	<b>cps</b>	<b>2.2</b>	<b>9.5</b>	<b>13.1</b>	<b>13.3</b>	<b>14.7</b>
EPS - basic	cps	-5.2	2.9	7.1	10.1	14.2
EPS - diluted reported	cps	-5.2	2.9	6.7	9.5	13.3
<b>EPS - diluted cash</b>	<b>cps</b>	<b>-0.2</b>	<b>8.4</b>	<b>14.0</b>	<b>13.1</b>	<b>13.3</b>
EPS growth	%	-107%	large	67%	-6%	2%
PE underlying	x	36.4	8.2	6.0	5.9	5.3
PE cash	x	-331.9	9.3	5.6	6.0	5.9
DPS	cps	3.0	4.0	8.0	11.0	10.0
Franking	%	100%	100%	100%	100%	100%
Dividend yield	%	4%	5%	10%	14%	13%
Payout ratio on cash profit	%	large	49%	54%	79%	71%
Operating cash flow per share	cps	-67.3	14.0	13.3	12.3	13.2
Free cash flow to equity per share	cps	-4.2	16.6	6.1	5.2	12.0
FCF yield	%	-5.4%	21.2%	7.7%	6.6%	15.3%

#### BALANCE SHEET

		FY24A	FY25A	FY26E	FY27E	FY28E
Cash and cash equivalents	A\$m	9.1	20.4	19.9	21.7	28.3
Receivables	A\$m	1.4	6.9	7.7	8.5	9.4
Property, plant and equipment	A\$m	0.9	0.7	0.7	0.5	0.6
Goodwill and other intangibles	A\$m	51.3	49.2	49.2	49.2	49.2
Other assets	A\$m	30.2	58.6	61.6	64.8	68.2
<b>Total Assets</b>	<b>A\$m</b>	<b>92.9</b>	<b>135.9</b>	<b>139.2</b>	<b>144.8</b>	<b>155.8</b>
Trade and other liabilities	A\$m	6.7	9.7	12.7	17.2	25.2
Borrowings	A\$m	0.0	0.0	0.0	0.0	0.0
Other liabilities	A\$m	13.0	41.6	41.7	41.8	41.9
<b>Total Liabilities</b>	<b>A\$m</b>	<b>19.7</b>	<b>51.3</b>	<b>54.4</b>	<b>59.0</b>	<b>67.1</b>
<b>Net assets</b>	<b>A\$m</b>	<b>73.2</b>	<b>84.6</b>	<b>84.8</b>	<b>85.8</b>	<b>88.7</b>
<b>Net tangible assets</b>	<b>A\$m</b>	<b>22.0</b>	<b>35.4</b>	<b>35.5</b>	<b>36.6</b>	<b>39.5</b>
<b>Invested capital</b>	<b>A\$m</b>	<b>64.1</b>	<b>64.2</b>	<b>64.9</b>	<b>64.1</b>	<b>60.4</b>
<b>Tangible invested capital</b>	<b>A\$m</b>	<b>12.9</b>	<b>15.0</b>	<b>15.6</b>	<b>14.9</b>	<b>11.2</b>
Contributed equity	A\$m	132.7	117.3	117.3	117.3	117.3
Treasury shares	A\$m	-33.6	-7.8	-8.7	-8.7	-8.7
Reserves	A\$m	50.2	48.6	48.6	48.6	48.6
Accumulated losses	A\$m	-76.1	-73.5	-72.4	-71.4	-68.5
Non-controlling interests	A\$m	0.0	0.0	0.0	0.0	0.0
<b>Total equity</b>	<b>A\$m</b>	<b>73.2</b>	<b>84.6</b>	<b>84.8</b>	<b>85.8</b>	<b>88.7</b>
Basic shares on issue	m	83.5	94.0	92.9	92.9	92.9

#### ENTERPRISE VALUE

		FY24A	FY25A	FY26E	FY27E	FY28E
Enterprise value	\$m	68	62	63	61	54
EV/Total Revenue	x	1.75	1.09	1.02	0.95	0.78
EV/EBITDA	x	21.91	5.60	3.70	3.53	2.84
NAV per share	A\$	0.88	0.90	0.91	0.92	0.96
Price / NAV	x	0.89	0.87	0.86	0.85	0.82
NTA per share	A\$	0.26	0.38	0.38	0.39	0.43
Price / NTA	x	2.98	2.09	2.05	1.99	1.85

#### DUPONT ANALYSIS

		FY24A	FY25A	FY26E	FY27E	FY28E
Net Profit Margin	%	-11%	5%	11%	15%	19%
Asset Turnover	x	3.36	2.18	1.61	1.54	1.44
Return on Assets	%	-38%	10%	17%	22%	27%
Financial Leverage	x	0.15	0.33	0.45	0.49	0.55
Return on Equity	%	-6%	3%	8%	11%	15%

#### KEY RATIOS

		FY24A	FY25A	FY26E	FY27E	FY28E
FuM	\$m	3,345	3,639	4,043	4,479	4,942
Management fees / FuM	%	1.12%	1.16%	1.20%	1.14%	1.21%
Performance fees / FuM	%	0.10%	0.46%	0.39%	0.29%	0.26%
Revenue / FuM	%	1.22%	1.62%	1.59%	1.43%	1.47%
Operating EBITDA margin	%	8%	20%	28%	27%	28%
ROE - reported	%	-6%	3%	8%	11%	15%
ROE - cash	%	0%	10%	16%	15%	15%
Net debt	A\$m	-9.1	-15.7	-14.9	-16.7	-23.3
Interest cover	x					
Gearing (net debt / EBITDA)	x	-2.92	-1.42	-0.88	-0.97	-1.22
Leverage (net debt / invested capital)	x	-0.14	-0.24	-0.23	-0.26	-0.39

#### CASH FLOW

		FY24A	FY25A	FY26E	FY27E	FY28E
<b>Operating</b>						
<b>Net operating cashflow</b>	<b>A\$m</b>	<b>-56.0</b>	<b>12.7</b>	<b>13.1</b>	<b>12.2</b>	<b>13.0</b>
<b>Investment</b>						
Capital expenditure	A\$m	-0.3	-0.2	-0.1	-0.1	-0.1
Acquisitions and divestments	A\$m	-2.0	1.0	-6.0	-6.0	-6.0
<b>Net investment cashflow</b>	<b>A\$m</b>	<b>-2.3</b>	<b>-36.0</b>	<b>-36.1</b>	<b>-36.1</b>	<b>-31.1</b>
<b>Financing</b>						
Equity	A\$m	-1.6	-3.8	-6.5	-8.4	-10.2
Debt	A\$m	0.0	10.7	21.4	21.4	21.4
Leases	A\$m	-0.9	-0.9	-1.0	-1.0	-1.0
<b>Net financing cashflow</b>	<b>A\$m</b>	<b>53.3</b>	<b>34.6</b>	<b>22.5</b>	<b>20.7</b>	<b>19.7</b>
<b>Net cash flow</b>	<b>A\$m</b>	<b>-5.1</b>	<b>11.3</b>	<b>-0.4</b>	<b>-3.3</b>	<b>1.6</b>
Free cash flow to equity	A\$m	-3.5	15.1	6.0	5.1	11.8

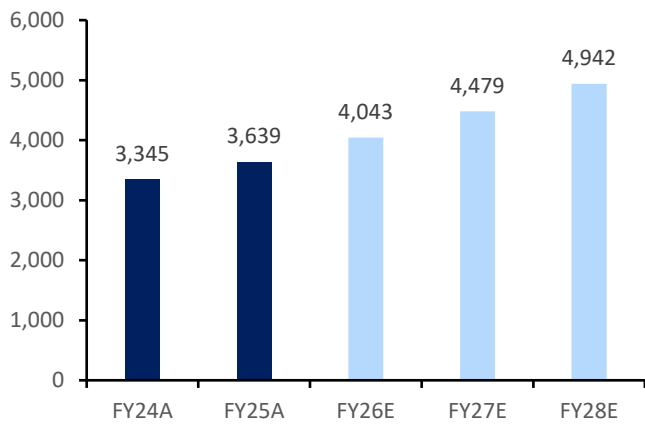
#### HALF YEARLY DATA

		2H24A	1H25A	2H25A	1H26E	2H26E
Management fees	A\$m	18.4	20.0	20.5	22.6	23.5
Performance fees	A\$m	3.1	12.8	3.2	7.7	7.4
<b>Total fee revenue</b>	<b>A\$m</b>	<b>21.6</b>	<b>32.8</b>	<b>23.7</b>	<b>30.2</b>	<b>30.9</b>
Net fund direct expenses	A\$m	-2.3	-2.4	-2.5	-2.6	-2.8
Operating expenses	A\$m	-12.0	-11.5	-10.6	-12.4	-11.5
Team profit share	A\$m	-6.7	-11.7	-6.7	-7.4	-7.5
Non-controlling interests	A\$m	0.0	0.0	0.0	0.0	0.0
<b>Operating EBITDA</b>	<b>A\$m</b>	<b>0.6</b>	<b>7.2</b>	<b>3.8</b>	<b>7.8</b>	<b>9.1</b>
Underlying profit before income tax	A\$m	-1.5	8.2	3.9	8.0	9.4
<b>Underlying profit after tax</b>	<b>A\$m</b>	<b>-1.1</b>	<b>5.7</b>	<b>2.8</b>	<b>5.6</b>	<b>6.6</b>
Reported NPAT	A\$m	-3.5	3.5	-0.9	2.8	3.8
Cash NPAT	A\$m	-1.3	4.8	2.8	6.5	7.4
<b>EPS - diluted cash</b>	<b>cps</b>	<b>-1.5</b>	<b>5.5</b>	<b>3.0</b>	<b>6.5</b>	<b>7.5</b>
EPS - diluted reported	cps	-4.2	4.0	-1.0	2.9	3.8
DPS	cps	2.0	2.0	2.0	4.0	4.0

Source: PCG reports, Trim estimates

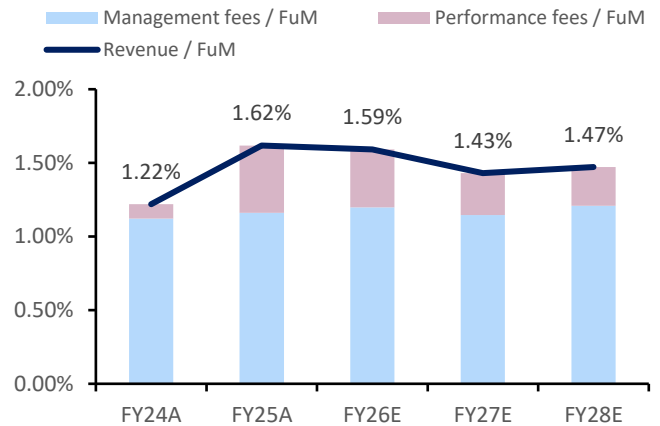
## Key Charts

**Figure 1: Funds Under Management (A\$m)**



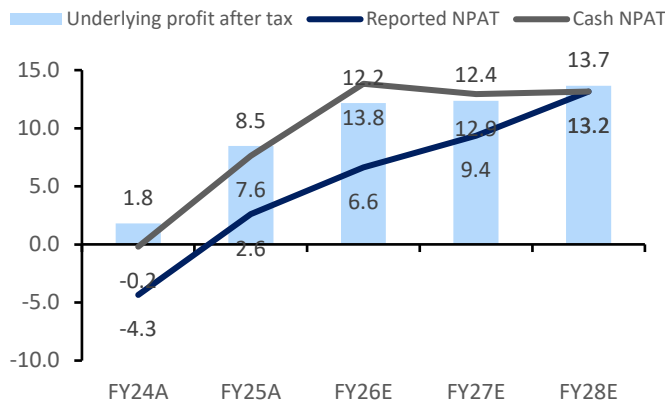
Source: Company reports, Trim Capital estimates

**Figure 2: Revenue to FuM (%)**



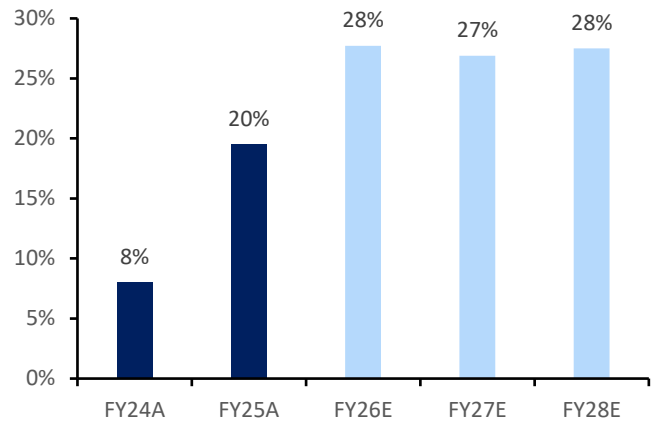
Source: Company reports, Trim Capital estimates

**Figure 3: Net Profit After Tax (A\$m)**



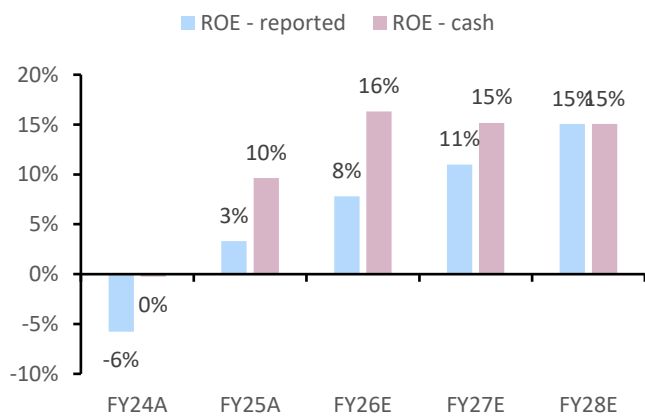
Source: Company reports, Trim Capital estimates

**Figure 4: Operating EBITDA margins (%)**



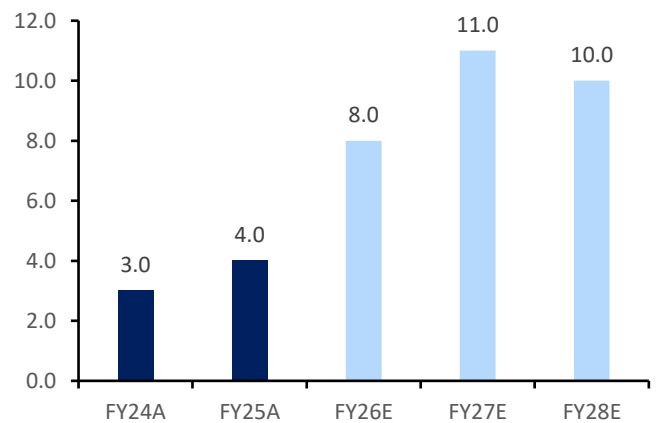
Source: Company reports, Trim Capital estimates

**Figure 5: Return on Equity (%)**



Source: Company reports, Trim Capital estimates

**Figure 6: Dividends (cps)**



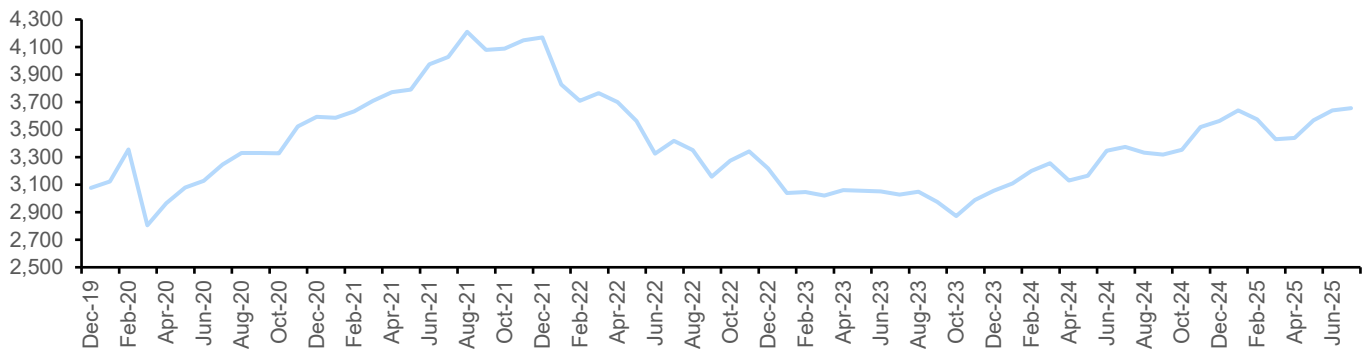
Source: Company reports, Trim Capital estimates

## What's changed

### 1.) FuM still in an upward trajectory

Pengana reported that Funds under Management (FuM) for 31 July 2025 were at A\$3,655m, 2.6% higher year-to-date (calendar year 2025). This puts FuM in an upward trajectory and recovery since the bottom in October 2023.

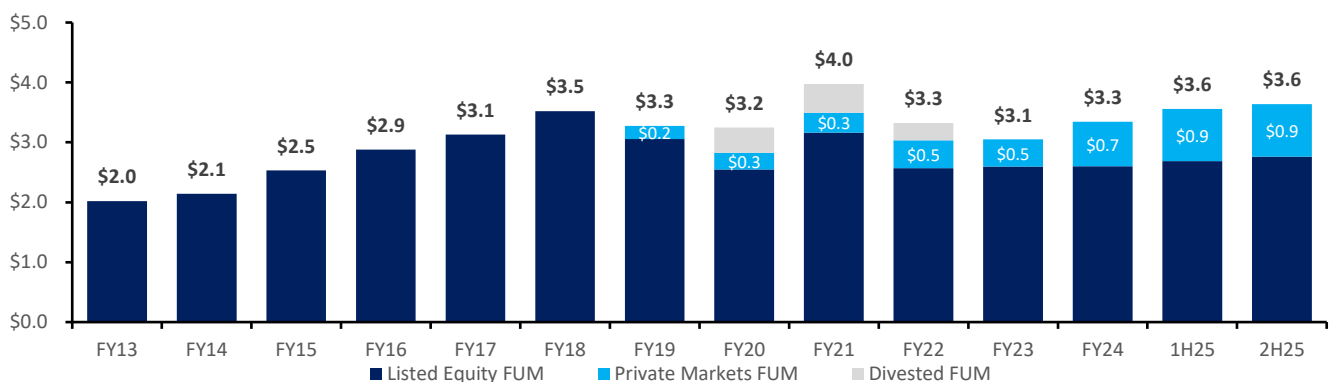
**Figure 7: Monthly FuM (A\$m)**



Source: Company Reports, Trim Capital estimates

### 2.) Private credit inflows continued to dominate

**Figure 8: FuM breakdown between listed and private markets (A\$m)**



Source: Company Reports, Trim Capital estimates

With Pengana highlighting the split between its listed and private market FuM, we can replicate this disclosure using its six monthly fund FuM disclosures. Upon our calculations, almost all equities funds (except for Pengana High Conviction Equities) saw net outflows during 2H25. Meanwhile, private credit funds continued to have strong fund inflows that cushioned the outflows in equities. Due to heightened market volatility and uncertainty brought about by the global trade war and geopolitical tensions, investors pivoted from risk assets (such as equities) to safe-haven (gold) or less-correlated assets (property, private credit, bitcoin).

### 3.) Strong FY25 results

- FuM grew by +8.8% to A\$3,639m but was slightly lower than our A\$3,706m forecast.
- Revenues grew +45% to A\$56.5m but missed our A\$60m forecast given lower-than-expected performance fees in 2H25.
- Operating expenses, net fund direct costs, and team profit share totalled to A\$45.5m, which was within expectations.
- EBITDA of A\$11.0m was 3.5x from prior year due to realisation of higher performance fees. However, this was -23% lower than our expected A\$14.3m, mainly from the fee revenues.
- Reported NPAT was A\$2.6m, a turnaround from the prior year loss of A\$4.3m.

Overall, Pengana's FY25 results showed strong growth in terms of FuM, revenues, EBITDA, and NPAT. The miss in our expectations was largely driven by performance fees, which is hard to predict given volatility and inherent uncertainty.

## Forecast Revisions

We make the following changes to our earnings estimates for Pengana Capital Group Limited:

- Reflect FY25 actuals
- Adjust estimates for FY26 and FY27, especially for performance fees (lowered).
- Rollover and present FY28 estimates (See page 2 Financial Summary).

**Figure 9: Actual vs Expected for FY25 and Estimate revisions for FY26 onwards**

		FY25A			FY26E			FY27E		
		Forecast	Actual	% diff	Old	New	% chg	Old	New	% chg
<b>FuM</b>	A\$m	<b>3,706.9</b>	<b>3,639.0</b>	<b>-1.8%</b>	<b>4,135.5</b>	<b>4,043.5</b>	<b>-2.2%</b>	<b>4,656.8</b>	<b>4,479.3</b>	<b>-3.8%</b>
Management fees	A\$m	42.6	40.5	-5.0%	49.0	46.0	-6.1%	55.0	51.3	-6.8%
Performance fees	A\$m	17.4	16.0	-8.1%	16.1	15.1	-6.3%	20.1	12.8	-36.3%
<b>Total fee revenue</b>	<b>A\$m</b>	<b>60.0</b>	<b>56.5</b>	<b>-5.9%</b>	<b>65.1</b>	<b>61.1</b>	<b>-6.2%</b>	<b>75.1</b>	<b>64.1</b>	<b>-14.7%</b>
Net fund direct expenses	A\$m	-4.9	-4.9	-0.2%	-5.4	-5.4	-0.1%	-6.1	-6.0	1.4%
Operating expenses	A\$m	-23.2	-22.1	4.7%	-24.4	-23.9	1.9%	-25.6	-25.1	1.9%
Team profit share	A\$m	-17.7	-18.4	-4.4%	-13.5	-14.8	-9.9%	-16.5	-15.8	4.4%
Non-controlling interests	A\$m	0.0	0.0	n.a.	0.0	0.0	n.a.	0.0	0.0	n.a.
<b>Operating EBITDA</b>	<b>A\$m</b>	<b>14.3</b>	<b>11.0</b>	<b>-22.6%</b>	<b>21.8</b>	<b>16.9</b>	<b>-22.4%</b>	<b>27.0</b>	<b>17.2</b>	<b>-36.1%</b>
Underlying profit before income tax	A\$m	15.9	12.1	-23.7%	23.1	17.4	-24.8%	28.2	17.7	-37.4%
<b>Underlying profit after tax</b>	<b>A\$m</b>	<b>11.1</b>	<b>8.5</b>	<b>-23.7%</b>	<b>16.2</b>	<b>12.2</b>	<b>-24.8%</b>	<b>19.8</b>	<b>12.4</b>	<b>-37.4%</b>
Reported NPAT	A\$m	7.8	2.6	-66.5%	14.1	6.6	-53.1%	17.8	9.4	-47.3%
<b>Cash NPAT</b>	<b>A\$m</b>	<b>10.4</b>	<b>7.6</b>	<b>-26.9%</b>	<b>16.5</b>	<b>13.8</b>	<b>-16.5%</b>	<b>20.1</b>	<b>12.9</b>	<b>-35.7%</b>
EPS diluted reported	cps	8.3	2.9	-65.5%	14.3	6.7	-53.0%	17.9	9.5	-47.2%
<b>EPS diluted cash</b>	<b>cps</b>	<b>11.1</b>	<b>8.4</b>	<b>-24.6%</b>	<b>16.7</b>	<b>14.0</b>	<b>-16.3%</b>	<b>20.3</b>	<b>13.1</b>	<b>-35.6%</b>
DPS	cps	4.0	4.0	0.0%	8.0	8.0	0.0%	11.0	11.0	0.0%

Source: Company Reports, Trim Capital estimates

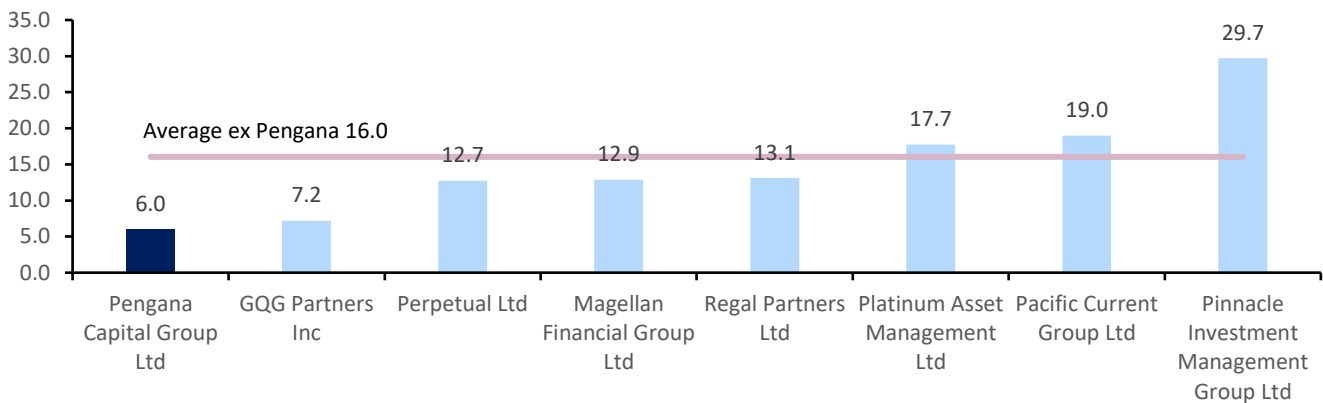
## Valuation

We value Pengana at A\$2.25, equivalent to 16.0x of our FY26E diluted cash eps. At the current share price, we estimate PCG is trading at 0.9x FY26E book, 2.1x FY26E NTA, an underlying FY26E PE of 6.0x, an FY26 EV/EBITDA of 3.7x, an FY26 EV/Revenue of 1.1x and a F12M dividend yield of 10.2%.

### Peer comparative companies' valuation multiple analysis

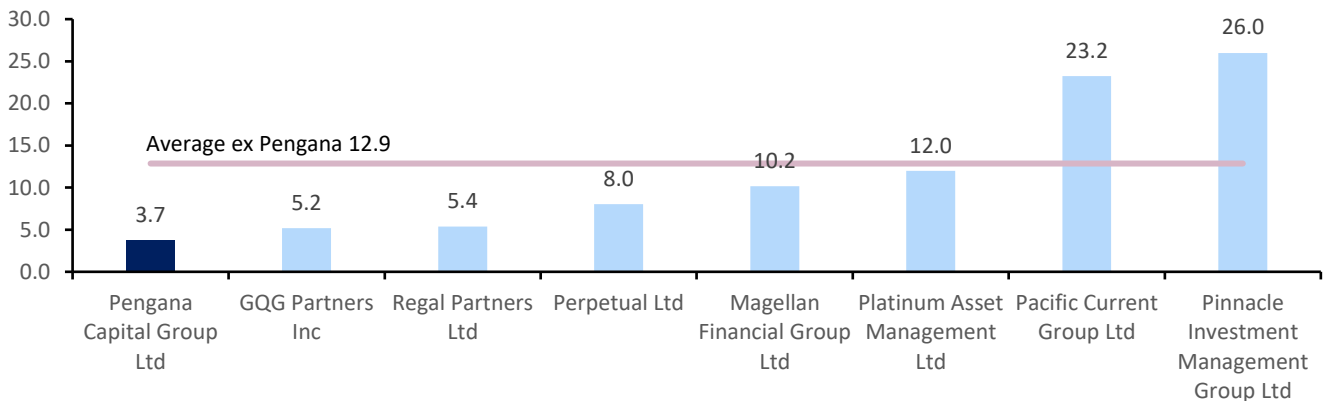
Pengana has several listed Australian asset manager peers, which we present in the charts below for FY26. Despite it also having a range of overseas peers which may be more appropriate benchmarks for it, given its ESG and alternatives offerings (which appear to be placed upon higher multiples), thereby perhaps providing a more appropriate range of multiples upon which to value the group, we think that due to its size and liquidity, Pengana will most likely be compared to its domestic peer set.

**Figure 10: Selected comparable companies FY26E P/E multiples**



Source: IBES, LSEG, Trim Capital estimates

**Figure 11: Selected comparable companies FY26E EV/EBITDA multiples**



Source: IBES, LSEG, Trim Capital estimates

### PE multiple – primary valuation methodology

We place Pengana's FY26 diluted cash earnings of A\$0.14/share on a multiple of 16.0x, the average where its Australian peers (excluding Pengana) trade. This produces a valuation of A\$2.25, which presents an 186% upside from current share price. Our updated valuation is 26% higher than our prior estimate of A\$1.79, due to the rollover (FY25>FY26) and the expected increase in diluted cash earnings that will be driven mostly by continued recognition of performance fees.

## Validation approaches

To validate our primary valuation method, we use an EV/EBITDA multiple and a General Residual Income Model.

For our general residual income model, we use a two-stage model, using our explicit EPS and BVPS forecasts over the next five years, followed by a terminal value based upon a 3.0% growth rate. We assume a risk-free rate of 4.0% and an equity risk premium of 5.0% with a beta of 1x to derive a cost of equity ("COE") of 9%. Our general residual income model includes the return of performance fees for Pengana. We think it is a mistake to value Pengana without some level of performance fees as the earnings from future performance fees are in effect an embedded real option, and hence have a value now, even if several funds are not currently accruing them in the income statement. Our General Residual Income Model produces a valuation of A\$2.51 per share, lower by -20% from our prior estimate of A\$3.15 per share. This valuation estimate presents a 220% upside to current share price.

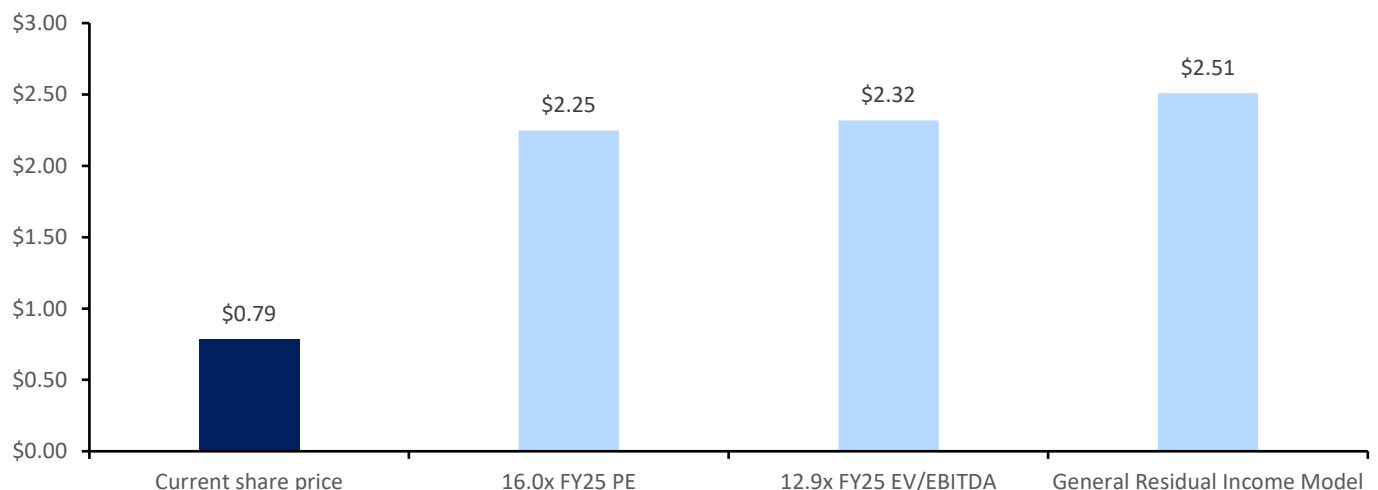
**Figure 12: Trim Capital General Residual Income Model of Pengana Capital Group Ltd**

		29-Aug-25											
		30-Jun-25											
Current date		Jun-25	Dec-25	Jun-26	Dec-26	Jun-27	Dec-27	Jun-28	Dec-28	Jun-29	Dec-29	Jun-30	
Book value per share	A\$	0.90	0.91	0.91	0.90	0.92	0.93	0.96	0.99	1.03	1.08	1.08	
Equity charge	A\$		-0.04	-0.04	-0.04	-0.04	-0.04	-0.04	-0.04	-0.04	-0.05	-0.05	
Cash EPS	A\$	0.03	0.07	0.07	0.07	0.07	0.06	0.07	0.08	0.10	0.10	0.12	
<b>Residual income</b>	<b>A\$</b>	<b>0.03</b>	<b>0.02</b>	<b>0.03</b>	<b>0.02</b>	<b>0.03</b>	<b>0.02</b>	<b>0.03</b>	<b>0.04</b>	<b>0.05</b>	<b>0.05</b>	<b>0.07</b>	
<b>Discounted cash flow</b>	<b>A\$</b>	<b>0.00</b>	<b>0.02</b>	<b>0.03</b>	<b>0.02</b>	<b>0.02</b>	<b>0.01</b>	<b>0.02</b>	<b>0.03</b>	<b>0.04</b>	<b>0.04</b>	<b>0.04</b>	
Sum of discount streams	A\$	0.28	<b>CAPM</b>										
Future value into perpetuity	A\$	2.00	Risk free rate		4.00%								
NPV of terminal value	A\$	1.32	Equity beta		1								
add net assets	A\$	0.90	Equity risk premium		5.00%								
<b>Residual income value per share</b>	<b>A\$</b>	<b>2.51</b>	Cost of equity		9.00%								
P/B multiple implied by GRIM valuation	x	2.79	Terminal growth		3.0%								
Upside/downside	%	220%											

Source: Company reports, Trim Capital estimates

Placing Pengana on an FY26 EV/EBITDA multiple of 12.9x, the average of its peer group, produces a valuation of A\$2.32 per share, which presents a 195% upside to current share price.

**Figure 13: Trim Capital valuation approaches (A\$ per share)**



Source: Company reports, Trim Capital estimates

## Investment Thesis

Pengana Capital Group (“Pengana”) is currently trading on low multiples relative to peers despite a recovery in FuM and the return of performance fees, driving a turnaround in profitability. FuM, which bottomed in October 2023 and has risen almost every month since, seems to have escaped the market given the fall in Pengana’s share price over the same period.

We believe that the following factors will drive improved share price performance:

- **Pivot to private markets (credit, equity)** will provide diversification, drive FuM growth, and improve margins;
- **Performance fees** should improve as more funds exceed their prior high watermarks;
- **Earnings growth** is expected to outpace revenue growth due to recovery in performance fees and high operating leverage;
- **Trading at cheap valuation multiples** despite double-digit growth in revenues, earnings, and a high ROE.

With two large substantial strategic shareholders - its CEO & co-founder and Soul Patts – there is minimal liquidity in the stock, potentially positioning it for a squeeze should another investor seek to build a sizeable position in the company.

## Catalysts

	Expectation	Timing
<b>Sustained FuM growth</b>	<ul style="list-style-type: none"> <li>• Pengana continues to launch new products to capitalise on the demand for private credit. They are also pursuing innovation, particularly with their application to add global private credit exposure to the Pengana International Equities (PIA) fund.</li> </ul>	<ul style="list-style-type: none"> <li>• FuM updates provided monthly should be an indicator of the effectiveness of Pengana’s initiatives (shift to private markets, new product launches).</li> <li>• Voting for the change in investment mandate of PIA fund will be on Annual General Meeting on 5 November 2025.</li> </ul>
<b>Improvement in performance fees</b>	<ul style="list-style-type: none"> <li>• As more funds exceed their high watermarks, we should see the continued recovery of performance fees.</li> </ul>	<ul style="list-style-type: none"> <li>• We forecast 39bps of performance fees in FY26, still well below the 90bps level achieved in FY22.</li> </ul>
<b>Declining Interest rates</b>	<ul style="list-style-type: none"> <li>• Interest rate cuts across the US, UK, Europe, Canada, Australia, and NZ are driving investors to search for high-yielding investments such as private credit, which should be a growth opportunity for Pengana.</li> </ul>	<ul style="list-style-type: none"> <li>• Consensus expectations for two more rate cuts for the rest of calendar year 2025, and possibility of two more in early 2026.</li> </ul>

## Risks

As with any investment, there are certain risks associated with operations as well as the surrounding economic and regulatory environments common to the industry. The Australian Institute of Company Directors encourages directors to think about risks under a strategic, financial and operational category framework.

**Figure 14: Risks**

Strategic	Financial	Operational
Dynamic and changing market	Macroeconomic conditions	Governance
New and innovative offerings	Liquidity and funding risks	Key personnel
Initiatives to capture market share	Credit risk	Information technology
Capabilities and culture	Fraud	Cybersecurity and data protection
Reputation		Force majeure events
Obsolescence		Litigation, claims and disputes

Source: Company reports, Trim Capital estimates

Furthermore, there are significant compliance risks. Given regulators' powers these can become strategic, financial and/or operational risks. The recent move by the Australian Treasurer to advance a "financial sector regulatory initiatives grid" to push regulators to consider how changes are introduced to avoid overburdening financial institutions, based on a similar policy used in the UK, should assist in managing the risk around implementing changes in compliance requirements.

**Figure 15: Regulatory compliance matrix**

Regulator	Regulates
AUSTRAC	Anti-money laundering and counter terrorist financing requirements
Office of the Australian Information Commissioner (OAIC)	Australian Privacy Principles
Australian Prudential Regulatory Authority (APRA)	Prudential regulation
Australian Securities and Investments Commission (ASIC)	Financial Service licencing and Credit licencing administered by the Australian Securities and Investments Commission (ASIC);
Australian Competition and Consumer Commission (ACCC)	Australian Consumer Law and unfair contract terms contained in the Corporations Act
Australian Taxation Office (ATO)	Taxation legislation
Australian Accounting Standards Board (AASB) and ASIC	Accounting standards required under the Corporations Act

Source: Company reports, Trim Capital estimates

Since 2018 APRA has had the power to regulate non-APRA regulated lenders should APRA determine that those lenders are materially contributing to financial stability risks. Pengana's Private debt funds might qualify as a non-bank lender (but highly unlikely given the way these funds have been structured) and while they wouldn't normally be regulated by APRA, could in extreme circumstances if APRA seeks implement regulations to address systemic risks.

## Disclosures and Disclaimers

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