

UNIVERSAL PARTNERS LIMITED

(Incorporated in the Republic of Mauritius)

(Registration number: 138035 C1/GBL)

SEM share code: UPL.N0000

JSE share code: UPL

ISIN: MU0526N00007

("Universal Partners" or "UPL" or "the Company")



UNIVERSAL PARTNERS

SUMMARISED UNAUDITED FINANCIAL STATEMENTS FOR THE QUARTER AND NINE MONTHS ENDED 31 MARCH 2024

		Quarter ended 31 March 2024	Quarter ended 31 March 2023	Nine months ended 31 March 2024	Nine months ended 31 March 2023	Year ended 30 June 2023
Net asset value per share ("NAV")	GBP	1.293	1.420	1.293	1.420	1.296
Loss for the quarter / period	GBP	(268 468)	(720 072)	(202 470)	(1 311 252)	(3 062 172)
Loss per share	pence	(0.37)	(0.99)	(0.28)	(1.80)	(4.21)
Headline loss per share	pence	(0.37)	(0.99)	(0.28)	(1.80)	(4.21)

* The NAV per share as at 30 June 2023 was £1.296, post payment of the dividend of £0.10 per share in June 2023

Universal Partners has a primary listing on the Official Market of the Stock Exchange of Mauritius Ltd ("SEM") and a secondary listing on the Alternative Exchange ("AltX") of the JSE Limited ("JSE").

PRINCIPAL ACTIVITY

The principal activity of the Company is to hold investments in high quality, growth businesses across Europe, with a focus on the United Kingdom ("UK"). The Company's investment mandate also allows up to 20% of total funds at the time an investment is made to be invested outside the UK and Europe.

STRATEGIC UPDATE

After extensive consultation with the largest shareholders of UPL, the board has concluded that it will commit to a policy of returning surplus cash flow to shareholders from the sale of investments in the future. Furthermore, it has no intention of raising further equity from shareholders via a private placement or rights issue. Therefore, the Company will not consider new investments other than follow-on investments into the existing portfolio. The board will manage the existing portfolio in line with the investment thesis and exit horizon of each asset to maximise returns for shareholders.

The major reasons for reaching this conclusion are the following:

- In line with other investment holding companies, UPL shares trade at a discount to the fair value of its underlying investments.
- By realising the investments, this discount will be unlocked, and the attendant value can be returned to shareholders.
- As a dual listed company, UPL is required to report results on a quarterly and annual basis and to comply with the listing requirements of both the SEM and the JSE AltX. Consequently, it incurs annual listing and related expenses of circa £100,000.
- The Company's shares are thinly traded, which results in low levels of liquidity for its shareholders and volatility in its share price. Therefore, it is challenging to raise new equity at a suitable valuation.
- In summary, UPL has all the costs and obligations of being a listed company, with very limited benefits attached to the listings.

The board's decision provides UPL shareholders with a reasonable line of sight to liquidity from the sale of its investments. UPL has an undrawn term loan facility of £9.4 million, which provides the Company with sufficient liquidity to cover working capital requirements and potential follow-on investments into the existing portfolio. The available liquidity will be considered following the sale of each investment, with excess cash returned to shareholders.

In terms of the Management Agreement concluded between UPL and Argo Investment Managers ("Argo"), the current team of investment professionals will continue to manage the portfolio of investments until they are realised. UPL and Argo are aligned to maximise returns for shareholders.

The current team will form a new vehicle with a view to making future investments. They will expand the team and create sufficient capacity to originate and execute new investment opportunities. They intend to raise capital for potential investments on a deal-by-deal basis.

BUSINESS REVIEW

Since its listing on the SEM and the JSE, the Company has worked closely with its investment advisor, Argo, to identify potential investments that meet its investment criteria.

The Company has made six investments since listing and successfully concluded two exits.

An update on investments held at the reporting date is presented below.

PortmanDentex (“PD”)

<https://www.portmandentex.com>

PD is one of Europe’s largest dental care platforms, with over 400 dental practices in the UK, Ireland, the Nordics, Benelux and France. UPL became a minority shareholder in PD following the merger with Dentex in 2023.

PD performed ahead of budget and prior year on a like-for-like basis for the first half of their financial year ending 31 March 2024. While the business is still active in the M&A market, management remains disciplined concerning acquisition multiples considering the higher cost of capital.

PD has undertaken a third-party valuation of the group to obtain a reference point for secondary share transactions with dentists and staff shareholders. The valuation is lower than the current carrying value of UPL’s shareholding in PD. The primary reason for the lower valuation is a reduction in the valuation multiple from the one that was used for the Portman and Dentex merger valuation. Valuation multiples in the dental sector globally are lower than they were at the time of signing the merger transaction in August 2022, principally because of significantly higher interest rates and inflationary pressure. UPL has decided to impair the current carrying value of its aggregate holding in PD (ordinary equity, loan notes and PIK notes) from £30,788,385 to £25,404,991, which is in line with the third-party valuation.

Workwell (formerly JSA Services Limited)

www.workwellsolutions.com

Workwell offers a comprehensive suite of workforce management solutions, ranging from compliant worker engagement to back-office services and recruitment technology, supporting clients’ growth by facilitating access to global talent.

During April 2024, Workwell acquired Precision Consulting Group (“PGC”) based in Austin, Texas. PGC is a highly respected Employer of Record (“EoR”) and Agency of Record (“AoR”) provider to contractors working across the USA and Canada. This transaction is Workwell’s largest acquisition to date, significantly expanding its international presence and capabilities. On a pro forma basis, Workwell now generates around 60% of its profits from outside the UK. The purchase price was settled via a combination of cash and Workwell shares.

The transaction combines the strengths of both companies, creating a global entity with an annual turnover exceeding £1.4 billion, annual fee income of over £50 million, and a service network for over 40,000 contingent workers worldwide. With in-country operations across North America, the UK and most of Europe, and additional solutions covering other areas, Workwell aims to assist industries and organisations looking to hire internationally. This transaction allows Workwell to capitalise on the growing trend of accessing global remote and flexible talent, with an emphasis on compliance assurance.

Given the general softness in the staffing sector in the UK, Workwell is trading ahead of the prior year but marginally below budget for the first half of its financial year. Pressure on net fee income has been offset by tight expense control, resulting in solid profitability for the six-month period. While market conditions are expected to remain tough for the second half of the year, management continues to implement steps to ensure that Workwell achieves continued growth in profitability.

In line with the transaction parameters agreed with the PGC vendors, the fair value of the investment in Workwell has been increased to £47,108,848. This equates to a 12% (£5,044,277) uplift in value, which conservatively reflects the increased value of the enlarged group.

SC Lowy Partners (“SC Lowy”)

www.sclowy.com

SC Lowy is a leading investment management group focused on credit investing and lending in Asia, Europe and the Middle East.

Results for the quarter to March 2024 were in line with expectations, producing a solid start to the new financial year. SC Lowy’s credit funds delivered decent performances, with the flagship Primary Investments fund delivering a net USD return of 1.14% for the quarter, while the two existing Strategic Investment (“SI”) funds have maintained USD IRRs above 14% since their inception dates. Following the successful first close of an additional SI fund focused on opportunities in the Asian market, further progress has been made and management is targeting a final close of USD 500m in the first half of 2025.

Solution Bank in Italy experienced a strong quarter, continuing to benefit from good net interest margins and growth in its loan portfolio, which comprises a growing proportion of structured loans. Despite turbulent conditions in the South Korean savings bank sector, Cheoun Savings Bank produced an on-target result for the quarter while deliberately constraining growth in its lending book. With a strong balance sheet and a high-quality lending book, Cheoun is well placed to benefit from an expected consolidation of the Korean savings bank sector.

Xcede Group (Formerly Techstream Group) (“Xcede”)

www.xcede.com

Xcede is a global recruitment specialist operating across the UK, Europe, North America and Asia. It operates under two brands: Xcede and EarthStream. Xcede provides recruitment services in the data, software, cloud infrastructure and cyber security markets. EarthStream is a global energy recruitment specialist.

The trading environment for recruitment businesses is challenging, particularly with respect to permanent placements in the technology sector. The contracting division is proving to be more resilient, with significant demand for contractors in the energy sector. The business performed behind budget during the first quarter of the current financial year. However, it continues to make progress in driving operational efficiencies and streamlining the company. In this regard, Xcede decided to divest its South African operations to focus on its core geographies in the UK, Europe, Asia and North America.

During the quarter ended 31 December 2023, UPL committed to providing Xcede up to £2.5m of loan note funding to support growth in the contractor business. £1.5m of this commitment was advanced during the prior quarter, and a further £97,920 was advanced during the quarter under review.

Propelair

www.propelair.com

Propelair has reinvented the toilet to deliver, through its unique IP and design, one of the most water efficient, economical and hygienic systems available. The Propelair toilet utilises 1.5 litres of water per flush versus a traditional toilet that uses around 9 litres of water per flush. In addition, its vacuum system significantly reduces pathogen distribution and improves health and hygiene.

As previously reported, progress has been made this year, particularly in relation to the sale of units in the Middle East and South Africa. However, the company is still significantly behind its original business plan and, accordingly, we continue to value this investment at a nominal £1.00.

FINANCIAL REVIEW

For the quarter under review, interest income was £533,679, comprised of interest from cash balances, loan notes and the PD PIK notes.

The Company recorded an unrealised net fair value loss of £508,773 on the remeasurement of investments at fair value through profit or loss. This amount comprises the adjustments to the valuations in the Company’s underlying investments in PD and Workwell, as well as the foreign currency translation effect of SC Lowy, which is denominated in US Dollars. UPL’s rollover investment in Portman Dentex comprises a combination of loan notes and ordinary equity. Given that interest has accrued on the loan notes, a commensurate reduction of the fair value of the ordinary equity was provided for.

Management fees accrued during the quarter amounted to £462,434, incurred in terms of the investment management agreement between the Company and Argo. General and administrative expenses amounted to £146,745. The accrual for performance fees is calculated based on the fair value of the Company’s investments. These fees, which are recalculated quarterly, only become payable to Argo if the Company realises the expected profit on disposal of the investments. No performance fees are payable to Argo until a successful exit of an investment has been achieved. During the quarter under review, there was a net reversal of the accrual for performance fees previously recognised, which had a positive impact on the income statement of £324,261.

DIVIDEND

In line with the Company’s investment strategy to maximise the value of the investments, dividends are not declared on a regular basis. Accordingly, no dividend has been declared for the quarter under review. In line with the strategic update, surplus cash flow from the sale of investments in future will be distributed to shareholders.

ADDITIONAL INFORMATION

This announcement is the responsibility of the directors and is only a summary of the information in the summarised unaudited financial statements for the quarter and nine months ended 31 March 2024 (“**results announcement**”) and accordingly does not contain full or complete details. The results announcement was published on SENS on 15 May 2024, and can be found on the Company’s website www.universalpartners.mu and can be accessed using the following JSE cloudlink <https://senspdf.jse.co.za/documents/2024/jse/isse/UPL/UPLE/Q324Result.pdf>.

Any investment decisions by shareholders and/or investors should be based on the results announcement released on SENS and published on the Company's website.

Copies of this report are available to the public, free of charge, at the registered office of the Company, c/o Intercontinental Trust Limited, Level 3 Alexander House, 35 Cybercity, Ebene 72201, Mauritius.

Copies of the statement of direct or indirect interest of the Senior Officers of the Company pursuant to rule 8(2)(m) of the Securities (Disclosure of Obligations of Reporting Issuers) Rules 2007 are available to the public upon request to the Company Secretary at the Registered Office of the Company at c/o Intercontinental Trust Limited, Level 3 Alexander House, 35 Cybercity, Ebene 72201, Mauritius.

The Board of Universal Partners accepts full responsibility for the accuracy of the information contained in this announcement.

By order of the Board
Mauritius – 15 May 2024

Company Secretary
Intercontinental Trust Limited

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