

# ADVFN

## Supporting a growing retail investor group

ADVFN is a web-based provider of equity, crypto and other financial market data for private investors and has been listed on the London Stock Exchange since March 2000. Its strong share price performance in 2021 (up 300% ytd) reflects it being well positioned to benefit from increased market volatility during the COVID-19 pandemic and the rapidly growing market interest in cryptocurrencies. In 2020, ADVFN streamlined its costs and switched permanently to a remote-working model. Management plans to build on this momentum through an enhanced product offering, including increased coverage of crypto assets. ADVFN returned to profit in FY21 and initiated a dividend payment programme.

### Favourable environment helps building volume

ADVFN's business has recently benefitted from increased price volatility and investor activity during the COVID-19 pandemic, including growing interest in crypto assets. It seems a new, younger generation has entered the market, doubling the number of retail investors in Europe between the beginning of 2020 and mid-2021, according to Reuters (Euronext data). ADVFN's web-based service and increasing focus on coverage of cryptocurrencies appeals to this significant group of potential clients. The number of registered users expanded to 5.1m at end-June 2021 (from 4.8m a year earlier), slightly exceeding the 5.0m targeted by the management.

### Increased sales drive return to profitability

In FY21 (to 30 June), ADVFN reported a £1.6m net profit versus a £0.2m loss in FY20. Revenue increased by over 28% y-o-y to £9.1m, driven by subscription and advertising income. Meanwhile administrative expenses remained compressed at £7.1m (vs £8.8m in FY19 and £7.1 in FY20), due to termination of the headquarters lease agreement (last paid in March 2020) among other cost-saving measures. Although the average headcount in FY21 fell to 38 from 52, personnel costs expanded by c 15%.

### Valuation: 2.0% dividend yield on new policy

Expressing confidence in its prospects, management introduced a dividend policy in August 2021 that assumes payments on a semi-annual basis. To smooth the effect of potential earnings fluctuations, ADVFN adopted a cautious approach assuming a dividend cover ratio of not less than 2x net profit attributable to shareholders on a rolling three-year basis. The maiden distribution for the whole FY21 of 1.5p per share (ex-dividend date: 23 December) translates into a moderate 2.0% dividend yield after the robust share price rally of recent months.

#### Historical financials

Year end	Revenue (£m)	PBT (£m)	EPS* (p)	DPS (p)	P/E (x)	Yield (%)
06/18	9.2	0.4	1.53	0.00	49.7	0.0
06/19	8.7	(0.4)	(1.60)	0.00	N/A	0.0
06/20	7.1	(0.3)	(0.88)	0.00	N/A	0.0
06/21	9.1	1.6	5.97	1.50	12.7	2.0

Source: ADVFN accounts. Note: \*Diluted.

#### General financials

11 November 2021

**Price** 76.0p  
**Market cap** £20m

#### Share price graph



#### Share details

Code AFN  
Listing AIM  
Shares in issue 26.1m

#### Business description

ADVFN is an information website and mobile app for private investors, providing broad market data and financial tools for over 20 years already. It has c 36m users worldwide (5.1m registered) and over 840m visits per year. It has been structured entirely as a remote working organisation since 2020, which supports cost optimisation and helped mitigate the adverse impact of the COVID-19 pandemic.

#### Bull

- Easily scalable business model.
- Low concentration of customer base.
- Strong equity position with a net cash position of £1.9m and equity ratio of 59% at end-June 2021.

#### Bear

- Sensitivity of advertising revenue to the economic cycle.
- Vulnerability of investors' engagement.
- Competing against free data providers.

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