EVOLUTION CAPITAL

L1G | UPDATE REPORT | FINANCIALS
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Compounding From a Higher Base

L1 Group Ltd

We reaffirm our BUY rating and lift our price target to A$1.44 (from $1.37; by 5%). L1G's June quarter update confirmed a stronger exit base for FY26. Group FUM finished the year at $19.1bn, about $1.1bn (6%) above our March expectations. A bigger base earns more fees, so our FY27-29 earnings step up. The investment case is unchanged: a scalable, high-margin fee business with a fortress balance sheet, now compounding off a higher starting point.

FY26 FUM Beat: $19.1bn

Group FUM rose 12.4% in the June quarter to $19.1bn, recovering strongly from the March lows when the Iran conflict hit markets. The print was about 2% ahead of consensus. L1 Long Short strategies did the heavy lifting, reaching $8.9bn, up from $7.6bn, contributing $1.26bn of the group's $2.10bn quarterly FUM increase, or ~60% of it. Platinum outflows continued at ~$308m, in line with the prior quarter, and remain the main thing to watch. The point for us is the exit base: at $19.1bn, FUM ended FY26 roughly $1.1bn higher than our March model assumed, and that flows straight into our forward fee estimates.

Performance Fees Confirm the Cash Build

Management guided to 2H FY26 realised performance fees of $122–127m. About $79m of that is a one-off from winding the Gold Fund into the new LGF listing; the rest came mainly from the Catalyst Fund's strong year. On our numbers the in-perimeter component is ~$85m, versus ~$36m in 1H, confirming the step-up is fee-driven. This lifts our full-year FY26 in-perimeter performance fees to ~$164m (the midpoint of the company's $162–167m 12-month guidance), well above our March estimate of $115m. These fees are already stated net of the Z-class perimeter, so no further haircut applies. Performance-fee income is modelled as recurring, so the uplift is cleaner than a pure one-off read would suggest. Either way it adds to the ~$550m of cash and seed capital that funds new launches and M&A.

Target to $1.44 on the Higher Base

Our valuation approach is unchanged: WACC, exit multiple, 50/50 blend of 12-month forward DCF and trading comparables all stay the same. The entire 5% target increase, from $1.37 to $1.44, is attributable to the earnings upgrade rather than any change in method or multiple: our FY27 underlying EBITDA rises ~8% on the re-based FUM, and that higher forward number flows through both valuation legs. The FY27e revenue step-down (to $327m from $363m) is optical: it reflects the ~$79m Gold Fund one-off and other FY26 performance fees dropping out of the base, not a decline in the underlying business. Recurring management fees rise on the higher FUM, which is why underlying EBITDA still grows. Our DCF is worth $1.36 today and $1.49 on a 12-month forward basis; comparables give $1.40 at 14x FY27 EBITDA. Blended, that takes our target to $1.44.

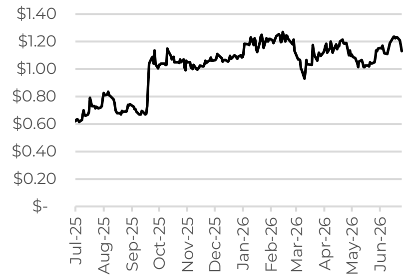
Figure 1: Key Forecasts (updated model). Source: Evolution Capital Estimates.

Key Financials (year to Jun)	FY26e	FY27e	FY28e	FY29e
Underlying Revenue (A$m)	363	327	360	387
Underlying EBITDA (A$m)	213	219	249	266
Underlying NPAT (A$m)	145	146	167	179
Diluted EPS (cps)	5.7	5.7	6.5	7.0
DPS (cps)	5.1	5.1	5.9	6.3
Total FUM (A$bn)	19.1	20.7	22.6	24.3
P/E (x)	20.0	19.8	17.4	16.2
EV / EBITDA (x)	12.7	12.3	10.8	9.8

Recommendation	**BUY**
Fair Val. Range	**$1.33 - $1.64**
Price Target	**$1.44**
Share Price	**$1.13**
TSR	**32%**

Company Profile	
Market Cap	$2.9bn
Enterprise Value	$2.7bn
SOI (diluted)	2.57bn
Free Float	28.2%
ADV (3-month)	$3.2m
52-Week Range	$0.59 – 1.30

Performance



%	1M	3M	12M
Absolute	8.7%	3.2%	74%
ASX/S&P200	0.4%	-1.4%	1.0%

Company Overview

L1 Group Limited (ASX: L1G) is an Australian-listed asset management holding company with $19.1bn in funds under management across long/short equity, international, and affiliated strategies. The group was formed through the October 2025 reverse acquisition of Platinum Asset Management by L1 Capital, creating one of Australia's largest listed alternative asset managers. L1G earns revenue primarily through management fees on FUM and performance fees subject to a Z Class structure that caps the company's entitlement to the first 3.5% of absolute returns per annum on its flagship strategies.

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Coverage

26/09/2025 Initiation
13/02/2026 Update

Valuation Bridge (Feb-26 update to now)

Old target \$1.37 to new target \$1.44 (+5%), driven entirely by the earnings re-base, not method. FY27 underlying EBITDA: \$202m to \$219m (+8%) on the higher \$19.1bn exit FUM. DCF leg: blended (50/50 Gordon growth and exit multiple) fair value of \$1.36 today rolls to \$1.49 on a 12-month-forward basis at an unchanged 10.8% WACC. Comparables leg: 14x FY27 EBITDA of \$219m gives an EV of ~\$3.07bn, plus the \$0.53bn equity bridge (\$250m net cash, \$219m associates, \$79m seed, less \$18m leases), equals ~\$1.40 per share on 2.57bn shares. Blend (50/50 of the \$1.49 forward DCF and \$1.40 comps) = \$1.44.

Figure 2: L1G FUM – Prior model vs actual (30 Jun 2026). Source: L1 Group data (ASX 15 Jul 2026); Evolution Capital Estimates.

FUM by segment (A$m)	March model (FY26e)	Actual (Jun-26)	Var
L1 Long Short	7,925	8,874	+12%
L1 Affiliates (incl. Int'l & LGF)	7,042	6,867	-2%
Platinum	3,011	3,319	+10%
Group FUM	**17,976**	**19,060**	**+6%**

Outlook

Near term, the FY26 result on 17 August should confirm the FUM, the performance fees and the final dividend, and may bring news on the next fund launch. Set against the fee uplift, management also guides to \$33–36m of after-tax one-off costs in 2H FY26 (Platinum integration and the LGF IPO), which will weigh on reported FY26 NPAT even as underlying earnings step up. Two things drive the medium term. First, the GLS management-fee holiday ends late in CY26, which lifts the blended fee rate and helps FY27–28. Concretely, we model LSF management fees rising from ~\$95m (2H FY26 annualised) to ~\$115m in FY27 as the full 1.3% rate applies across the larger \$8.9bn base – a ~\$20m step that is largely mechanical rather than market-dependent.

Second, Platinum needs to stabilise; management expects this by around mid-CY27, and we assume it by FY28–29. New launches (the Gold LIC is done, a second strategy is expected) add about \$1bn of FUM and ~\$14m of annual fees. The ~\$1bn comprises the \$833m Gold LIC (a \$479m rollover plus the \$428m April IPO raise, net of the gold-price move) and a ~\$500m assumed second strategy; on our estimates the two together generate ~\$24m of combined management and performance fees by FY27. On Platinum, we assume net outflows taper from ~\$500m per half toward ~\$250m and then stabilise, rather than the flat ~\$308m run-rate continuing indefinitely — the key swing factor in the medium-term base.With the stock de-rated to \$1.13, we think the higher base and the balance-sheet optionality are underpriced. The market is more cautious on the growth profile; we are happy to look through that.

Key risks to be considered: market correction would cut FUM, fees and the value of the group's co-investments. The Z Class structure caps performance-fee upside on the flagship funds, so even strong returns add less to the P&L than headline numbers suggest. Platinum outflows are moderating but not yet stabilised.

Evolution Capital Ratings System

Recommendation Structure	• **Buy:** The stock is expected to generate a total return of >10% over a 12-month horizon. For stocks classified as 'Speculative', a total return of >30% is expected. • **Hold:** The stock is expected to generate a total return between -10% and +10% over a 12-month horizon. • **Sell:** The stock is expected to generate a total return of <-10% over a 12-month horizon.
Risk Qualifier	• **Speculative ('Spec'):** This qualifier is applied to stocks that bear significantly above-average risk. These can be pre-cash flow companies with nil or prospective operations, companies with only forecast cash flows, and/or those with a stressed balance sheet. Investments in these stocks may carry a high level of capital risk and the potential for material loss.
Other Ratings	• **Under Review (UR):** The rating and price target have been temporarily suppressed due to market events or other short-term reasons to allow the analyst to more fully consider their view. • **Suspended (S):** Coverage of the stock has been suspended due to market events or other reasons that make coverage impracticable. The previous rating and price target should no longer be relied upon. • **Not Covered (NC):** Evolution Capital does not cover this company and provides no investment view.

Expected total return represents the upside or downside differential between the current share price and the price target, plus the expected next 12-month dividend yield for the company. Price targets are based on a 12-month time frame.

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