EVOLUTION CAPITAL

L1G | UPDATE REPORT | FINANCIALS

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Earnings Beat, Capital Retained

L1 Group Ltd

We maintain our Buy rating and increase the Target Price to $1.51 (up 5% from $1.44). L1G's maiden full-year result as a merged group came in ahead of our expectations on every earnings line: underlying EBITDA of $287.4m against our $213m, and underlying NPAT of $188.8m against our $145m. About two-thirds of the headline EBITDA variance is presentational – we had carried ~$49m of one-off merger costs within operating expenses, whereas the company reports them below underlying. Restated like-for-like, the beat is still ~10%, driven by realised investment gains, Catalyst and Gold performance fees, and faster cost-out. The target uplift comes from the actual 30-June balance sheet, which includes $635m of cash and seed investments, flowing through the valuation.

EBITDA +35% Headline

Underlying revenue of $385.9m came in 6% ahead of our estimate. Management fees of $181.4m were within 2% of our number, and in-perimeter performance fees of $165.7m landed at the midpoint of guidance, including the $79.3m one-off crystallised on winding the Wholesale Gold Fund into LGF, and $43.1m from affiliates (Catalyst $31.4m). Realised gains of $34.8m (PAI/PAXX transitions, the Gold transition and stake sell-downs) were the main revenue surprise. Underlying operating expenses of $98.5m beat our $100.6m like-for-like figure: $31.7m of merger synergies were banked in year one against the original $35m target, which has been lifted to $43m. The underlying EBITDA margin reached 74.5%. Statutory NPAT attributable to shareholders was $145.2m after $51.3m of post-tax one-off transaction and integration costs.

Dividend-Light; Capital Held for Growth

The final dividend of 2.0c (FY26 total 3.0c, fully franked) is below our 5.1c and implies a 41% payout of underlying earnings; management is holding capital for the seeding pipeline and the post-merger franking position. We cut our FY27 payout assumption from 90% to 70%, taking FY27 DPS to 4.0c and the FY27 yield to 3.4%. Set against that, FUM finished at $19.06bn as pre-released, and the group enters FY27 with $176m of cash, $459m of seed and co-investments, and ~$343m of June performance-fee receivables collecting in 1H27.

Target to $1.51 on the Balance Sheet

Our FY27–29 earnings forecasts are unchanged; the 5% increase is mechanical. First, the equity bridge is now built off the actual 30 June balance sheet rather than December's: $618m against $530m, or roughly 3.5c per share, as FY26 earnings were deployed into seeding LGF and GLS rather than paid out. Second, rolling the valuation date forward six months advances the discounting. Against that, the FY27 items we have not yet taken up, being the actual fee-rate card, the ~$95m cost guide and a higher minority interest run-rate, broadly offset at the EBITDA line.

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

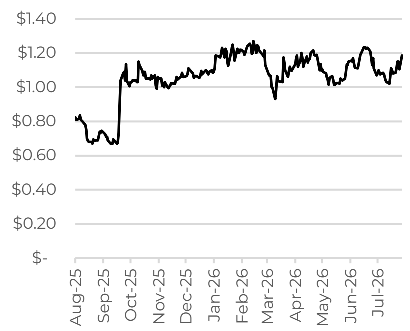
Key Financials (year to Jun)	FY26a	FY27e	FY28e	FY29e
Underlying Revenue (A$m)	386	327	360	387
Underlying EBITDA (A$m)	287	219	249	266
Underlying NPAT (A$m)	189	146	167	179
Diluted EPS (cps)	7.4	5.7	6.5	7.0
DPS (cps)	3.0	4.0	5.9	6.3
Total FUM (A$bn)	19.1	20.7	22.6	24.3
P/E (x)	16.1x	20.8x	18.2x	17.0x
EV / EBITDA (x)	10.0x	13.1x	11.6x	10.8x

Recommendation	**BUY**
Price Target	**$1.51**
Share Price	**$1.185**
Final Dividend	**$0.02**
TSR	**29%**

Company Profile

Market Cap	$3.04bn
Enterprise Value	$2.88bn
SOI (diluted)	2.57bn
Free Float	28.2%
ADV (3-month)	$3.3m
52-Week Range	$0.645 – 1.30

Performance



%	1M	3M	12M
Absolute	4.9%	-0.4%	51%
ASX/S&P200	2.6%	5.1%	1.7%

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

16/07/2026 Update
13/02/2026 Update

Result Beat

Fee revenue printed almost exactly on our numbers: the 12-month performance-fee guidance of $162–167m was met at $165.7m, already net of the Z Class perimeter (which absorbed $567m in FY26). The upside came from three places: realised gains of $34.8m versus our $11.4m as the PAI-to-PAXX transitions, the Gold Fund transition and affiliate stake sell-downs were executed at gains; affiliate income of $4.0m; and costs. On expenses, $31.7m of the merger synergy program was delivered inside year one, the target was raised from $35m to $43m, and roughly $11m of incremental savings are still to land in FY27. Management guides FY27 operating costs to ~$95m before investment in new strategies.

Figure 2: FY26 actual vs Evolution Capital estimates (ECe). Source: L1 Group Appendix 4E; Evolution Capital estimates.

A$m (year to Jun)	ECe FY26e	FY26a	Var
Management fees	184.3	181.4	-2%
Performance fees (in-perimeter)	164.5	165.7	+1%
Affiliate income	2.4	4.0	+66%
Realised investment gains	11.4	34.8	+205%
Underlying revenue	**362.6**	**385.9**	**+6%**
Operating expenses[1]	(100.6)	(98.5)	-2%
Underlying EBITDA[1]	**262.0**	**287.4**	**+10%**
D&A	(7.0)	(7.7)	+10%
Interest & other income	3.6	6.5	+81%
Tax	(62.8)	(85.3)	+36%
Minority interests	(1.3)	(12.1)	n.m.
Underlying NPAT	**145.2**	**188.8**	**+30%**
Diluted EPS (cps)	5.7	7.4	+30%
DPS (cps)	5.1	3.0	-41%
Closing FUM (A$bn)	19.1	19.1	–

[1] ECe restated to the company's underlying definition – our published FY26e carried $49.3m of one-off transaction and integration costs within operating expenses (published EBITDA $213m; headline variance +35%).

Figure 3: FY26 underlying EBITDA bridge – Evolution Capital estimate (16 Jul 2026) to actual, restated to the company's underlying definition (A$m). Source: L1 Group FY26 Appendix 4E; Evolution Capital estimates.

A$m (year to Jun)	
Evolution Capital's estimated underlying EBITDA (16/07/2026)	212.7
One-off costs modelled with opex, reclassified below underlying	49.3
Estimated EBITDA – Like-for-Like (Company Definition)	**262.0**
Realised investment gains vs estimate	23.4
Performance fees (in-perimeter) vs estimate	1.2
Affiliate income vs estimate	1.6
Management fees vs estimate	-2.9
Underlying operating expenses vs estimate	2.1
FY26a Underlying EBITDA	**287.4**

Minority interests of $12.1m ran well ahead of our $1.3m. This is the affiliate partners' share of Catalyst and Global Opportunities performance fees, and it will scale with affiliate fee years. And the tax line was higher simply because pre-tax earnings were. Statutory NPAT attributable to shareholders of $145.2m absorbed $51.3m of post-tax one-offs (Platinum integration, the LGF IPO and turnaround costs); the integration program is now described as nearing completion.

Operational Update

Small caps confirmed for early November 2026. The Australian small-companies strategy launches under Andrew Peros, and a second seeded strategy is flagged for 2H FY27. These are the ~$500m of assumed new-strategy FUM already in our model.

PXC Advisors JV from 14 September 2026. The Platinum Technology fund transitions to PXC Advisors under a joint-venture arrangement. FUM impact is modest; the signal is management's willingness to rationalise the Platinum shelf while keeping capability and economics on foot rather than closing funds outright.

GLS fee holiday ends 28 November 2026. Management fees commence at 1.4% p.a. on what is now a $1.85bn listed vehicle. The group fee margin dips modestly below 100bps in 1H27 (holiday plus mix) before rebuilding as GLS fees switch on: the FY27–28 management-fee step-up we flagged in July is intact and now has a date on it.

Gold platform complete. LGF listed in April; winding the Wholesale Gold Fund into the LIC crystallised the $79.3m performance fee. We treat it as one-off and it drops out of our FY27 base: the reason our FY27 revenue line steps down optically while underlying EBITDA still grows.

Catalyst hands back ~$380m. An industry-super client redeems during FY27. The mandate is low-fee, so the earnings impact is immaterial, but it trims the affiliate FUM base after Catalyst's standout performance year.

Platinum: better than feared, not yet stable. Outflows continued but the exit pace was better than our March expectations, and management continues to point to stabilisation around mid-CY27, which we assume from FY28. This remains the key swing factor in the medium-term base.

Earnings Forecasts Unchanged; Target $1.51

Our FY27–29 earnings forecasts are unchanged (Figure 1). The one forecast change is the FY27 payout, cut from 90% to 70% on the FY26 outcome and management’s stated preference to retain capital. It moves neither valuation leg: the DCF runs on unlevered cash flow, and the multiples bridge is struck off the actual 30 June 2026 balance sheet. Our DCF is worth $1.45 today and $1.58 on a 12-month forward basis at an unchanged 10.8% WACC; comparable-based multiples valuation gives $1.44 at an unchanged 14x FY27 EBITDA of $219m plus the $618m equity bridge, now built off the actual 30-June balance sheet ($176m cash, $312m associates, $147m financial assets and JVs, less $17m leases) versus $530m previously. The 50/50 blend of the forward DCF and multiples lifts the target to $1.51 (from $1.44).

Outlook. The shape of FY27 is largely set: GLS management fees switch on 28 November, the small-companies fund launches in early November, and ~$343m of June performance-fee receivables converts to cash in 1H27 alongside the $175m Z Class entitlement and the FY26 tax payment, making for a busy cash flow statement that is mostly timing rather than new economics. The swing factors are Platinum stabilisation, which management still expects around mid-CY27 and we assume from FY28, and whether the affiliate performance-fee year repeats; FY26 carried the $79.3m Gold one-off and a standout Catalyst result, neither of which we roll forward. We now assume a 70% payout in FY27, or 4.0c, against 90% previously; a second year near a 40% payout would shift the case further onto balance-sheet value and away from yield.

Financial Summary

VALUATION DETAILS	
Share Price (A$)	$1.185
Market Cap (A$m)	3041.27
Enterprise Value (A$m)	2,881.8
Multiples Fair Value/sh (A$)	**$1.44**
12m Fwd DCF Fair Value/sh (A$)	**$1.58**
Target Price/Share (A$)	**$1.51**

PER SHARE DATA	FY26A	FY27E	FY28E	FY29E	FY30E
Diluted SOI (m)	2,566	2,566	2,566	2,566	2,566
Diluted EPS (cps)	7.36	5.70	6.50	6.96	7.52
Dividends per/sh (cps)	3.00	3.99	5.85	6.26	6.77
Payout	41%	70%	90%	90%	90%
Franking	100%	100%	100%	100%	100%
Book Value/Share (A$)	$0.38	$0.34	$0.35	$0.36	$0.38

STATEMENTS (A$m)	FY26A	FY27E	FY28E	FY29E	FY30E
Income Statement					
Underlying Revenue	385.9	326.7	360.3	387.1	418.7
Operating Expenses	(98.5)	(107.3)	(111.2)	(120.6)	(130.8)
Underlying EBITDA	287.4	219.4	249.1	266.5	287.9
Underlying EBIT	279.7	211.2	240.9	258.3	279.7
Underlying NPAT	188.8	146.3	166.8	178.6	193.1
Balance Sheet					
Cash & Equivalents	176.2	295.2	393.0	413.1	530.9
Financial Assets	143.0	149.3	81.1	88.2	-
Receivables	342.9	55.3	59.3	63.5	68.0
Other Assets	506.9	513.4	520.1	526.9	534.2
Total Assets	**1,169.0**	**1,013.2**	**1,053.5**	**1,091.7**	**1,133.1**
Total Debt	16.7	16.7	16.7	16.7	16.7
Other Liabilities	177.5	135.6	140.6	145.2	149.9
Total Liabilities	**194.2**	**152.3**	**157.4**	**162.0**	**166.7**
Shareholders' Equity	798.1	854.7	884.3	915.1	948.0
Retained earnings	142.6	186.5	203.2	221.1	240.4
Non-Controlling Interest	176.7	6.2	11.9	14.6	18.4
Shareholders' Equity	**974.8**	**860.9**	**896.1**	**929.8**	**966.4**
Cash Flow Statement					
Underlying NPAT	188.8	146.3	166.8	178.6	193.1
Add: D&A	7.7	8.2	8.2	8.2	8.2
Less: Change in NWC	207.7	251.3	1.0	0.4	0.3
Cash from Operations	**383.1**	**396.6**	**170.0**	**180.9**	**199.6**
Cash from Investing	(141.2)	-	77.8	-	91.9
Equity Raised (net)	225.3	-	-	-	-
Less: Dividends Paid	(299.8)	(277.6)	(150.1)	(160.7)	(173.8)
Cash from Financing	**(74.2)**	**(277.6)**	**(150.1)**	**(160.7)**	**(173.8)**
Unlevered FCF	**210.1**	**230.2**	**175.8**	**187.4**	**202.3**

RATIOS	FY26A	FY27E	FY28E	FY29E	FY30E
Liquidity					
Current Ratio	3.0x	2.7x	3.3x	3.4x	4.1x
Quick Ratio	3.0x	2.7x	3.3x	3.4x	4.1x
Solvency					
Debt to Equity	2.1%	2.0%	1.9%	1.8%	1.8%
Equity to Assets	68.3%	84.4%	83.9%	83.8%	83.7%
Profitability					
ROA (Return on Assets)	16.2%	14.4%	15.8%	16.4%	17.0%
ROE (Return on Equity)	23.7%	17.1%	18.9%	19.5%	20.4%
Underlying EBITDA Margin	74.5%	67.2%	69.1%	68.8%	68.8%
Underlying NPAT Margin	48.9%	44.8%	46.3%	46.1%	46.1%
Growth					
Underlying Revenue	n/a	-15.3%	10.3%	7.5%	8.2%
Underlying EBITDA	n/a	-23.7%	13.5%	7.0%	8.0%
Underlying NPAT	n/a	-22.5%	14.0%	7.1%	8.1%
Diluted EPS	n/a	-22.5%	14.0%	7.1%	8.1%
Valuation (at current share price)					
P/E	16.1x	20.8x	18.2x	17.0x	15.8x
EV/Underlying EBITDA	10.0x	13.1x	11.6x	10.8x	10.0x
Dividend Yield	2.5%	3.4%	4.9%	5.3%	5.7%
P/Book	3.8x	3.6x	3.4x	3.3x	3.2x

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.

Disclaimer & Disclosures

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